sembcorp

EMERGING STRONGER

SEMBCORP INDUSTRIES ANNUAL REPORT 2016

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Like many businesses around the world, Sembcorp operates amidst increasingly challenging market conditions.

Over the years, we have built up robust capabilities, a solid track record and leading positions in our key markets. Our businesses provide essential solutions, for which long-term demand will continue to grow.

With this firm foundation, we are confident that Sembcorp has what it takes to remain nimble and resilient, emerge stronger as a Group and continue delivering value for years to come.

UTILITIES

Sembcorp's Fujairah 1 Independent Water and Power Plant in the UAE provides efficient electricity and water to meet the needs of both industry and the community

We meet the world's growing demand for energy and water

With a combined capacity of around 11,000 megawatts of power and close to nine million cubic metres per day of water, our sizeable international portfolio of assets provides a strong recurring income base.

Strategically positioned in key growth markets with a proven track record as a developer, owner and operator, we are poised for long-term growth as a provider of essential solutions.

MARINE

Sembcorp Marine's Tuas Boulevard Yard in Singapore offers distinct capabilities that enable cost-effective execution and strengthen the business' long-term competitiveness

We offer a full spectrum of innovative solutions across the offshore and marine value chain

We offer a full spectrum of innovative solutions to customers, both within the oil and gas sector and beyond. To take on new opportunities, we have made strategic investments in technology and infrastructure, enabling us to target new customer segments and diversify our offerings.

A globally competitive business with state-of-the-art yards and capabilities, we have proven our resilience, successfully navigating through business cycles over more than 50 years.

URBAN DEVELOPMENT

Located on Sino-Singapore Nanjing Eco Hi-tech Island in China, Sembcorp's *Nanjing International Water Hub* will offer research facilities as well as office and conference space to facilitate the development and commercialisation of new water technologies

We deliver the economic engine to support industrialisation and urbanisation

We have a unique business model that transforms raw land into integrated urban developments. These projects deliver the economic engine to accelerate growth in emerging markets.

With projects that have drawn over US$23 billion in direct investments, we have built a strong brand name as a valued partner to governments. Our land bank extends to around 11,000 hectares in Vietnam, China and Indonesia and our customer base to nearly 900 multinational and leading local corporations.

CHAIRMAN AND CEO'S STATEMENT

Dear Shareholders,

2016 saw a challenging environment for businesses, marked by subdued world economic growth, low commodity prices and increased political uncertainty. Despite this, Sembcorp turned in a creditable performance for the year.

In 2016, Group net profit was S$394.9 million and Group turnover S$7.9 billion, compared to S$548.9 million and S$9.5 billion respectively the previous year. Our Utilities business posted S$348.0 million in net profit compared to S$701.5 million the previous year. Excluding exceptional items, the business delivered a profit growth of 4% over 2015. In 2015, the business divested an Australian waste management joint venture and municipal water operations in the UK and Zhumadian, China and recorded exceptional items totalling S$369.9 million. Meanwhile, our Marine and Urban Development businesses contributed S$48.3 million and S$33.3 million to the Group's net profit in 2016, compared to a net loss of S$176.4 million and a net profit of S$33.5 million respectively in 2015. In 2015, Sembcorp Marine had made impairment and provisions totalling S$609 million for its rig contracts.

Sembcorp's diversified portfolio of businesses and presence in different geographies gives us strength and resilience as a Group.

The Group's return on equity was 6.2% and our earnings per share amounted to 19.9 cents.

For 2016, we are pleased to inform you that the board of directors is proposing a final dividend of 4 cents per ordinary share. Together with the interim dividend of 4 cents per ordinary share paid in August, this brings our total dividend for the year to 8 cents per ordinary share.

Operations outside Singapore contributed over 60% of the Utilities business' net profit, demonstrating the success of our overseas strategy.

A Resilient Multi-business Group

At Sembcorp, our aim is to build sustainable businesses that deliver long-term value and growth. Our commitment to this vision has not wavered. We have developed robust business models and distinctive capabilities within our Utilities, Marine and Urban Development businesses, to ensure that they remain competitive and relevant. Over the years, we have planted the seeds for our future growth. We have established beachheads in our target markets, and have continued to deepen our presence and grow our income base in these regions. Today, Sembcorp's diversified portfolio of businesses and presence in different geographies gives us strength and resilience as a Group.

In 2016, the **Utilities** business continued to provide a strong income base as the largest profit contributor to the Group. Operations outside Singapore contributed over 60% of the business' net profit, demonstrating the success of our overseas strategy.

Our China operations turned in record profits in 2016, accounting for over a third of the Utilities business' profits. Good progress was also made in the execution of our pipeline of new projects. On the energy front, our joint venture Chongqing Songzao mine-mouth supercritical coal-fired power plant commenced operation ahead of schedule in January 2017. On the water front, we completed new industrial wastewater treatment plants in Jingmen in Hubei province and Qidong in Jiangsu province. Also in Jiangsu, we successfully completed upgrading works for an industrial wastewater treatment plant at a chemical industrial park in Lianyungang.

Ang Kong Hua, Chairman (right)
Tang Kin Fei, Group President & CEO (left)

CHAIRMAN AND CEO'S STATEMENT

Following our successful reconfiguration and the plant's adoption of our management systems, it is now able to treat industrial wastewater to meet more stringent discharge standards. With greater emphasis on environmental requirements, we see growing demand for effective industrial wastewater treatment solutions. The success of the Lianyungang project represents a good showcase of our capabilities and a new proven business model that can be replicated elsewhere in China and beyond.

In India, we continued to strengthen our position in both the renewable and thermal energy sectors. On the renewable energy front, our wind and solar energy business, Sembcorp Green Infra, was successfully integrated into the Group, and continues to expand its portfolio. The business' combined wind and solar power capacity increased to 971 megawatts in 2016, from its initial 700 megawatts at the time of our acquisition of the business in 2015. To enhance its competitiveness, the company implemented key initiatives during the year to increase revenue and reduce cost. The first initiative was a performance optimisation programme driven by improvements in technology, engineering and operations. Secondly, instead of outsourcing operations and maintenance, the business started to implement self-performed operations and maintenance to manage its facilities. Going forward, Sembcorp remains committed to grow this business further, as well as increasing the share of renewable energy in our energy portfolio mix.

On the thermal energy front, we marked a key milestone with the official opening of the Sembcorp Gayatri Power Complex in Andhra Pradesh in February 2016. The US$3 billion (approximately S$4 billion) power complex houses two supercritical coal-fired power plants, Thermal Powertech Corporation India and Sembcorp Gayatri Power. For the 1,320-megawatt Thermal Powertech Corporation India, our focus during the year was on stabilising the operations of the plant in its first full year of operations. At present, contracts are in place committing 86% of the plant's net capacity under long-term power purchase agreements. In the fourth quarter of the year, we refinanced the asset, securing lower interest rates. Meanwhile, Sembcorp Gayatri Power commenced full commercial operations, with the first of two 660-megawatt generating units coming onstream in November 2016 and the second unit in February 2017. While the facility has secured some short-term contracts for the supply of power, we will seek to enter into long-term arrangements when such long-term value-enhancing power purchase agreements become available in the market.

> We see opportunities in the region for our Utilities business, and the potential for our operations in ASEAN to form an important centre for future growth, alongside our other key markets of China and India.

In 2016 we continued to make progress in other rapidly developing economies. In Bangladesh, we signed a long-term power purchase agreement and project agreements for our upcoming Sirajganj Unit 4 dual-fuel combined cycle power project. Non-recourse project financing was secured from international lenders including the International Finance Corporation of the World Bank Group, Singapore-based infrastructure project financing firm Clifford Capital and CDC Group, the UK government's development finance institution. Political risk cover for part of the debt and a political risk guarantee was provided by the World Bank Group's Multilateral Investment Guarantee Agency. The project, which has a contracted capacity of 414 megawatts, is now in construction and is expected to commence delivery of power to the grid by the end of 2018.

In Myanmar, we signed the long-term power purchase agreement and build-operate-transfer agreement with the government for our gas-fired combined cycle Sembcorp Myingyan power project. With a contracted capacity of 225 megawatts, the facility will be one of Myanmar's largest gas-fired power plants when completed in 2018. It will play a critical role in meeting the country's growing demand for electricity. This project adds to our growing hub in ASEAN, which already includes established operations in Singapore and Vietnam. We see opportunities in the region for our business, and the potential for our operations in ASEAN to form an important centre for future growth, alongside our other key markets of China and India.

> The Marine business continues to take proactive measures to enhance its resilience and competitiveness, maintaining a focus on liquidity, costs and balance sheet management.

Meanwhile, the global oil and gas downturn continues into its third year following the collapse of oil prices towards the end of 2014. This has had a significant impact on our **Marine** business, along with many other companies in the industry. Notwithstanding this, the Marine business turned in a profit in 2016. It made notable project deliveries, which improved cash flows and strengthened its balance sheet. The business also made good progress on the execution of its orderbook, leveraging on the state-of-the-art Tuas Boulevard Yard and other facilities in Singapore and overseas.

The business continues to take proactive measures to enhance its resilience and competitiveness, maintaining a focus on liquidity, costs and balance sheet management. To achieve a healthy financial position, it is exercising prudence, actively managing its balance sheet and manpower requirements in line with changing needs. At the same time, the safe, timely and effective execution of its orderbook remains a key priority.

Sembcorp Marine continues to position itself for the future, enhancing its infrastructure for long-term competitiveness. In January 2017, it completed Phase II of its flagship Tuas Boulevard Yard. The yard's next-generation capabilities, including a highly-automated steel fabrication mega-facility, have led to new opportunities and enabled the business to take on projects of greater complexity and scale. The completion of this second phase will also allow the business greater synergies and scope to optimise its yard capacities and operate more efficiently.

During the year, the Marine business made several strategic acquisitions in new technologies in order to offer innovative solutions both within the oil and gas sector and beyond. Firstly, it increased its stake in Gravifloat to 56%. Gravifloat offers a suite of cost-effective, near-shore, re-deployable and modularised solutions, including import and export terminal infrastructure for treatment, storage, liquefaction, regasification and offloading of liquefied natural gas (LNG) and liquefied petroleum gas (LPG). Secondly, it acquired 50% of Aragon, which offers custom floating production, storage and offloading solutions to serve customers in the production segment. Thirdly, it acquired 100% of LMG Marin, which owns a series of design patents and has experience in the specialised design of vessels. These investments broaden Sembcorp Marine's proprietary design and engineering capabilities and support its strategy to diversify and offer innovative solutions across the offshore and marine value chain. The business' portfolio of next-generation technologies and solutions now includes modularised LNG and LPG terminals, solutions for gas processing and floating LNG facilities, as well as advanced ship design and engineering and next-generation circular hull forms, amongst others. As at end-2016, the Marine business' net orderbook stood at S$7.8 billion.

CHAIRMAN AND CEO'S STATEMENT

In its more than five decades of operation, Sembcorp Marine has braved several down-cycles and emerged stronger. Its investments in infrastructure and technology over the years have enhanced its resilience and put it in a better position to capture new opportunities. We are confident that the business has what it takes to weather an extended downturn and that it is well-positioned to benefit from the market's eventual recovery.

> VSIP has played an important role in driving value-added economic transformation, while catalysing wider societal impact through the creation of more than 183,000 jobs that support the rise of the country's middle class.

Meanwhile, our **Urban Development** business achieved milestones in its key markets in 2016. In Vietnam, the business celebrated the 20th anniversary of its flagship Vietnam Singapore Industrial Park (VSIP). From its first project in Binh Duong province, VSIP has grown to become the country's leading integrated township and industrial park developer, with a presence spanning seven projects. It has played an important role in driving value-added economic transformation, while catalysing wider societal impact through the creation of more than 183,000 jobs that support the rise of the country's middle class. A symbol of the close ties between Vietnam and Singapore and an emblem of successful economic cooperation, VSIP has attracted around US$9.4 billion in total investment from 670 companies. Demand for its developments remains strong and the business is exploring additional new expansions in Binh Duong and Bac Ninh provinces.

In China, we made progress at our Sino-Singapore Nanjing Eco Hi-tech Island. After seven years of development, the island has emerged as the highlight of Nanjing's new central business district. Several residential projects by third-party developers, including a project by our 21.5%-owned joint venture, *Island Residences*, were launched and sold in 2016. December also saw the close of a successful tender for a land plot on the island for RMB 7.8 billion. The sizeable 42.6-hectare plot is slated for commercial and residential development. In addition, during the year we broke ground on the island for the *Nanjing International Water Hub*, a research and development centre that is wholly owned and operated by Sembcorp. Envisioned to be the leading centre in Nanjing for science and water technology exchanges, the project will offer research facilities as well as office and conference space to facilitate the development and commercialisation of new water technologies. Targeted for completion in 2018, the water hub will offer local and foreign water companies enhanced access to opportunities in both China and global markets.

Also in China, our Singapore-Sichuan Hi-tech Innovation Park has attracted RMB 14.2 billion in investment from companies in the interactive digital media and biomedical science sectors to date, firmly establishing itself as a destination for high-technology companies in Chengdu. During the year, we completed the first phase of a large scenic public park on the site, enhancing the value of land in the vicinity. In recognition of the Singapore-Sichuan Hi-tech Innovation Park's features and progress to date, the local government of Sichuan has selected it to be a provincial-level eco-city showcase project, making it the only development in Chengdu to receive this honour.

In Indonesia, our Urban Development business marked the official opening of *Park by the Bay*, its 2,700-hectare integrated township in Semarang, Central Java. The project presents a unique approach to industry development that enables companies in target industries to participate in various stages of a product's value chain, from processing of raw materials, to design, manufacture and marketing of finished products. The project will also have commercial space for trade shows and retail activities. Twenty-seven companies have indicated interest to set up operations in the township, bringing with them more than US$330 million in investments and creating some 4,000 jobs in their initial stages of operation.

As a Group, and in all our businesses, we continue to strive towards business excellence, including good health, safety and environment practices. During the year, we implemented the SafeStart programme, which aims to emphasise the importance of health and safety to employees and contractors and encourage them to work towards the goal of zero injuries at the workplace. We also paid particular attention to the management and surveillance of construction and commissioning activities at sites under construction and increased engagement with contractors to ensure adherence to our health and safety requirements.

While we have made progress, we recognise that excellence in health and safety is an ongoing journey. Despite our best efforts, we regret to report that we had three fatalities in 2016. One fatality was due to a vehicular accident involving our contract worker at a construction site in Singapore. The other two were due to a fall from height and burn injuries sustained by contract workers constructing our second thermal power project in Andhra Pradesh, India. We are very saddened by the loss of these lives. Full support was rendered to the affected families and every incident was thoroughly investigated to identify root causes. The necessary corrective actions were then taken to prevent recurrence. Comprehensive reviews and assessments were also conducted and additional control measures implemented to minimise risks.

In line with our commitment to operate our businesses responsibly, we harness technology that gives us an edge over the competition and helps us support the world's sustainable growth. Over the years, this has included innovations for a cleaner and more efficient energy industry, as well as water and wastewater treatment solutions for industries and water-stressed regions. Today, we continue to invest in technology and innovation to limit our impact on the environment and help our customers do the same. For instance, in 2016 we launched the S$60 million Sembcorp-NUS Corporate Laboratory, in partnership with the National University of Singapore and with the support of the National Research Foundation. This corporate lab aims to develop competitive, sustainable solutions for power generation, industrial wastewater treatment and water reuse, as well as the transformation of waste into high-value products. During the year, we also completed the first phase roll-out of the Sembcorp Global Asset Management System. The system applies advanced data analytics for process optimisation, troubleshooting and predictive maintenance, allowing us to increase efficiency and drive operational reliability from a central location.

Emerging Stronger

Over the years, Sembcorp has come a long way. From being a primarily Singapore-based company, today we are present in 15 countries across five continents. Our overseas strategy has succeeded and our external wing continues to expand. In particular, we are well-positioned in key growth markets, where macroeconomic factors such as population increase, industrialisation and urbanisation create opportunities. We are in the business of providing essential solutions, for which global demand will continue to rise.

Each of our key businesses has built up strong capabilities, a solid track record, and a leading position in its target markets. Our Utilities business has established itself as an international developer, owner and operator of energy and water assets. With assets of around 11,000 megawatts of power and close to nine million cubic metres of water and wastewater treated per day, the business has built up a strong base of recurring

CHAIRMAN AND CEO'S STATEMENT

income. It has a proven track record of securing deals, delivering projects and operating assets in emerging economies. Its distinctive capabilities include the ability to develop and operate both thermal and renewable energy assets, as well as being the market leader in advanced industrial water and wastewater management. Our Marine business has transformed itself from a ship repair yard into an integrated business offering a full range of innovative solutions across the offshore and marine value chain, both within and beyond the oil and gas sector. The business has made strategic investments in new technologies and solutions, as well as in best-in-class integrated facilities that enhance its productivity, efficiency and long-term competitiveness. Meanwhile, our Urban Development arm has developed a unique business model that transforms raw land into modern industrial parks and townships, delivering the economic engine to support industrialisation and urbanisation. The business has become a valued partner to governments and has a significant land bank of around 11,000 hectares across Vietnam, China and Indonesia.

> In addition, over the years we have shaped our organisation for the future, with a focus on *People & Capabilities*, *Solutions & Innovation*, and *Governance & Discipline*.

In addition, over the years we have shaped our organisation for the future, with a focus on *People & Capabilities*, *Solutions & Innovation*, and *Governance & Discipline*. We have made a concerted effort to invest in the right people and capabilities to support our growth, whilst developing world-class solutions. We have also upheld an unwavering commitment to robust governance and discipline.

> Our strategy is sound, our businesses well-established, our track record strong and our market positions advantageous.

In short, Sembcorp has a strong foundation. Despite a volatile economic environment, changing market dynamics and keen competition in our industry sectors, we have the right ingredients for success. Our strategy is sound, our businesses well-established, our track record strong and our market positions advantageous. We have what it takes to remain nimble, stay resilient and continue delivering value.

Acknowledgements

On behalf of the board, we would like to extend a warm welcome to Yap Chee Keong who joined our board on October 1, 2016. Formerly the executive director of The Straits Trading Company and the chief financial officer of Singapore Power, Chee Keong brings to the board both financial and audit expertise, as well as experience in the energy, infrastructure and real estate sectors.

We would also like to record our thanks to Bobby Chin, who has indicated that he will retire from our board at the forthcoming annual general meeting and not seek re-election. An independent director since 2008, Bobby has been an excellent chairman of our Audit Committee and member of our Risk and Nominating Committees. He has had a substantial impact on the board and company. We shall miss his wisdom and insight, and would like to express our deep appreciation for his invaluable contributions.

In addition, we announced that after 30 years with Sembcorp and 12 years at the helm of the Group, Kin Fei will be retiring as Sembcorp's Group President & CEO on March 31, 2017. After a rigorous succession planning process, the board has appointed Neil McGregor to take over as Sembcorp's next Group President & CEO on April 1, 2017. Neil is currently a member of our board and ideally suited to the role. He brings with him a unique blend of experience, including an extensive international track record in the energy and infrastructure sectors as both a portfolio manager and as an operating CEO. The board is confident that Neil is the right person to serve as the head of the Sembcorp Group as we enter our next stage of development and growth. With this succession plan in place and the deep bench strength and expertise we have built up over the years, Sembcorp is in a strong position for the future.

As a company, much of the credit for our success is due to Sembcorp's committed team of employees around the world. We would like to thank them, and also express our appreciation to you, our shareholders.

Looking ahead, the market environment is expected to remain difficult. However, with our strong foundation and the established businesses we have built over the years, Sembcorp continues to be well-positioned for the future. Driven by the talent, expertise and passion of our staff, and backed by the support of our stakeholders, we are not only confident that we will effectively navigate through these headwinds, but that Sembcorp will emerge stronger as a Group, and deliver long-term value to its stakeholders.

Ang Kong Hua
Chairman
February 23, 2017

Tang Kin Fei
Group President & CEO
February 23, 2017

A Special Note of Thanks to Group President & CEO, Tang Kin Fei

On behalf of the board and all at Sembcorp, I would like to take this opportunity to say a few words of thanks to our Group President & CEO, Tang Kin Fei, for his many years of dedicated service.

Kin Fei has played a pivotal role in Sembcorp's remarkable journey over the last three decades. He was instrumental in driving the development and growth of our Utilities business, resulting in it becoming our largest profit contributor and creating a strong base of recurring income for the company.

Since taking over the helm of the Group 12 years ago, Kin Fei has proven to be an exceptional CEO. He brought to the role the unique combination of a first-class engineering mind, astute financial and business sense, and bold and decisive leadership. Under his watch, Sembcorp transformed itself into a focused energy, water, marine and urban development group. From being a Singapore-centric company, we now have operations in 15 countries worldwide and are strategically positioned in growing markets with strong capabilities.

We would like to express our deep appreciation to Kin Fei for his passionate and visionary leadership and for the strong foundation he has laid for Sembcorp. After 30 illustrious years, his is certainly a well-earned retirement. We thank him for his stellar contributions and wish him all the best in this new phase of life.

Ang Kong Hua
Chairman
February 23, 2017

SEMBCORP AT A GLANCE

WHO WE ARE

Sembcorp Industries is a leading energy, water and marine group operating across five continents worldwide. With facilities of around 11,000 megawatts of gross power capacity and close to nine million cubic metres of water per day in operation and under development, Sembcorp is a trusted provider of essential energy and water solutions to both industrial and municipal customers. It is also a world leader in offshore and marine engineering, as well as an established brand name in urban development.

Group FY2016 Snapshot

TURNOVER	EBITDA	PROFIT FROM OPERATIONS (PFO)
S$7.9 billion US$5.5 billion	S$1.3 billion US$919 million	S$909 million US$635 million

NET PROFIT	TOTAL ASSETS	RETURN ON EQUITY
S$395 million US$276 million	S$22.3 billion US$15.6 billion	6.2%

TOTAL DIVIDEND	EMPLOYEES	GLOBAL PRESENCE
8.0 cents per ordinary share	8,000	15 countries

bn: billion; m: million; EBITDA: earnings before interest, taxes, depreciation and amortisation

FY2016 Key Figures

SEMBCORP UTILITIES 100%

- A leading developer, owner and operator of energy and water assets with strong operational, management and technical capabilities
- Operations in 14 countries with an established presence in Asia and a strong presence in growth markets
- Strong track record in generating and supplying power, steam and natural gas, and providing total water and wastewater treatment solutions for industries and water-stressed regions
- Global leader in the provision of energy, water and on-site logistics to multiple industrial site customers

UTILITIES

TURNOVER	S$4.1bn	US$2.9bn
PFO	S$737m	US$515m
NET PROFIT	S$348m	US$243m

SEMBCORP MARINE 60.9%*

- A global leader in integrated offshore and marine engineering solutions with more than 50 years' proven track record
- Focused on four key capabilities:
  – Rigs & Floaters
  – Repairs & Upgrades
  – Offshore Platforms
  – Specialised Shipbuilding
- Global network with yard facilities strategically located in Singapore, Indonesia, India, the UK and Brazil

MARINE**

TURNOVER	S$3.5bn	US$2.5bn
PFO	S$171m	US$119m
NET PROFIT	S$79m	US$55m

SEMBCORP DEVELOPMENT 100%

- Over 20 years' track record in undertaking master planning, land preparation and infrastructure development to transform raw land into urban developments
- Significant land bank of integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China and Indonesia
- A valued partner to governments, with the ability to deliver the economic engine to support industrialisation and urbanisation by attracting local and international investments

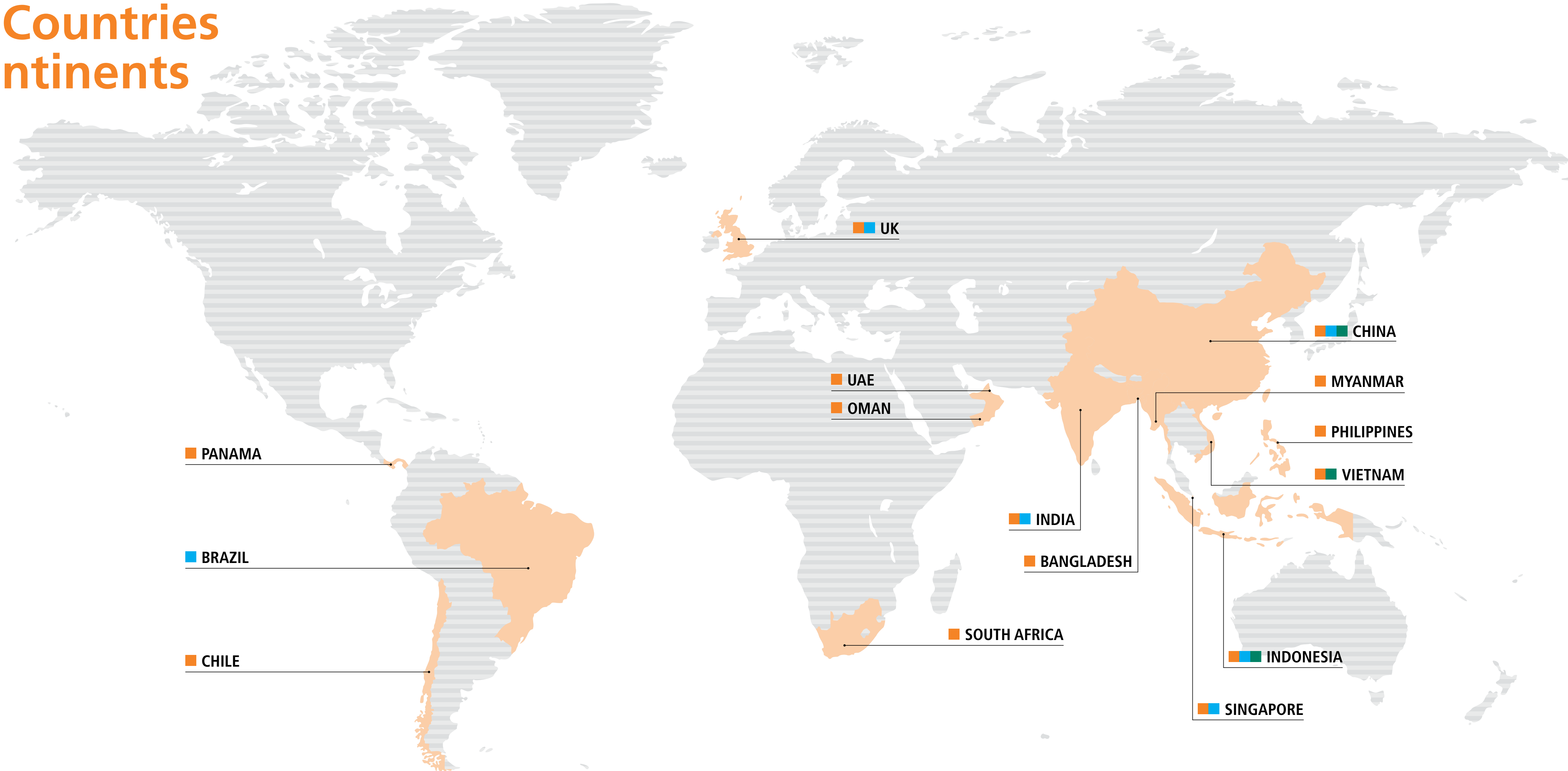
URBAN DEVELOPMENT

TURNOVER	S$7.0m	US$4.9m
PFO	S$38m	US$27m
NET PROFIT	S$33m	US$23m

* *As at December 31, 2016. Shareholding figures are calculated based on the number of issued ordinary shares excluding treasury shares*
** *Figures taken at Sembcorp Marine level*

Well-Positioned in Key Growth Markets

Global Operations across 15 Countries in Five Continents



- Utilities
- Marine
- Urban Development

SEMBCORP AT A GLANCE | WHO WE ARE

Vision

To be a global company, a leader in our industry sectors by responsibly operating and excelling in sustainable businesses that support development, improve the quality of life and deliver long-term value and growth.

Mission

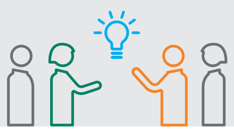
Vital Partners. Essential Solutions.

As a vital partner to our customers, we leverage our group strength and sector expertise to deliver essential solutions that enable them to do their business better or improve the quality of life. In partnership with our stakeholders, we build sustainable businesses that deliver long-term growth and create value for all – our customers, employees, shareholders, partners and communities in which we operate.

Our Strategic Focus

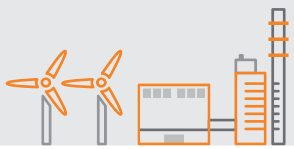
PEOPLE & CAPABILITIES

- Deep pool of talent and global employees
- A global mindset and shared values
- Deep and strong capabilities, as well as world-class procedures and systems



SOLUTIONS & INNOVATION

- A leader in our industry sectors
- Strong business models providing distinctive solutions to customers
- A clear competitive edge through technology and innovation



GOVERNANCE & DISCIPLINE

- A firm commitment to best practice governance and corporate responsibility
- Disciplined execution and an accountable approach

Our Values

At the core of how Sembcorp operates are our three values: ***Insight***, ***Integrity***, and ***Integral***. Our values are translated into day-to-day action and practical behaviour through our group-wide policies and frameworks, creating within Sembcorp a common culture founded on these values.

INSIGHT

We excel as solution providers, pioneering and innovating in all our businesses.

We solve problems with real understanding, applying our expertise for best results.

INTEGRITY

We maintain the highest levels of integrity at personal and corporate levels. This underpins everything we do.

We can be trusted to deliver quality and reliability.

INTEGRAL

We are an integrated business, a unified brand that always delivers on what we promise.

We seamlessly provide essential solutions that enhance the quality of life and help our customers to carry out their businesses better. This makes us integral to the success of our customers.

Code of Business Conduct and Policies

We are guided by well-defined policies, frameworks and a code of business conduct, which express the high standards of behaviour and integrity that the company requires from our employees worldwide. These cover all facets of business and personal conduct across the Group, from governance, risk and compliance matters to ethics and employee conduct.

Sembcorp Core Competency Framework

Sembcorp's core competency framework is based on our values of ***Insight***, ***Integrity*** and ***Integral*** and spells out the competencies and behaviours expected of a Sembcorp employee. The framework is deployed through recruitment, assessment, development and career progression, promoting transparency in what is expected of every Sembcorp employee.

OUR MATERIAL ISSUES

At Sembcorp, we believe in building sustainable businesses that support development, improve the quality of life and deliver long-term value and growth. Through engagement with our stakeholders and our materiality identification and review process, the following issues have been identified to be material to us.

Mitigating the risks and pursuing the opportunities presented by these issues are part and parcel of how we drive success for the Group.

Further details of our materiality process and material issues may be found in our Environmental, Social and Governance Review as well as in other sections of this annual report.

ECONOMIC

To deliver long-term value and growth

CAPITAL AND PORTFOLIO MANAGEMENT
To apply a holistic, proactive and disciplined approach to the management of our portfolio and capital

RELIABILITY
To ensure asset and service reliability by adopting best practices for the management and maintenance of assets, creating an efficient and cost-effective supply chain and applying sound business continuity management

INNOVATION
To apply new and improved proven technologies and methodologies which increase efficiency, reduce costs and drive revenue growth

SUSTAINABLE GROWTH
To achieve growth and create value by enhancing existing and developing new income sources

ENVIRONMENTAL

To responsibly manage and reduce our impact on the environment as well as to effectively manage environmental risks to our operations

CLIMATE CHANGE
To have a business portfolio that balances the economic expectations of our stakeholders and our businesses' impact on the climate

LOCAL ENVIRONMENTAL PROTECTION
To fulfil our duty to protect the environment and conserve resources, while providing competitive and reliable solutions for our stakeholders

ENERGY AND WATER EFFICIENCY
To improve energy and water efficiency through good and economically viable environmental practices

SOCIAL

To be a responsible business that ensures the health and safety of our people, and makes a positive impact on our people and communities

HEALTH AND SAFETY
To make health and safety management an integral part of everyday business and culture

OUR PEOPLE
To offer a compelling employment experience for our people to develop and excel

COMMUNITY
To be a responsible business that makes a positive impact on our communities

GOVERNANCE

To maintain high standards of behaviour and integrity and be best in class for governance practices

CORPORATE GOVERNANCE
To have an effective governance and decision-making structure

RISK MANAGEMENT
To ensure effective identification and management of all material risks

COMPLIANCE
To comply with all legal and regulatory requirements

ETHICAL BUSINESS PRACTICES
To ensure we conduct our businesses legally, fairly, honestly and with integrity

HOW WE CREATE VALUE

Our Value Creation Process

INPUTS

Financial Capital	e.g. cash flow from operations, internal funds and external short-term and long-term financing
Human Capital	e.g. people with deep knowledge and strong capabilities, and employees who embody the Sembcorp culture
Social and Relationship Capital	e.g. relationships with stakeholders, and Sembcorp's brand and values
Manufactured Capital	e.g. energy, water and other utilities facilities, and shipyards
Intellectual Capital	e.g. intellectual property, technologies and proprietary solutions, group-wide policies and frameworks, and standardised systems and processes
Natural Capital	e.g. thermal energy resources (such as coal and natural gas), renewable resources (such as wind, solar and biomass) and land

VISION

MISSION
Vital Partners.
Essential Solutions.

KEY BUSINESSES
Utilities
Marine
Urban Development

STRATEGIC FOCUS
People & Capabilities
Solutions & Innovation
Governance & Discipline

MATERIAL ISSUES
Economic
Environmental
Social
Governance

VALUES
Insight *Integrity* *Integral*

OUTPUTS

Products and Services:

Utilities:
- Energy in the form of power and steam, and natural gas
- Total water and wastewater treatment solutions
- On-site logistics and solid waste management

Marine:
- Rigs & Floaters
- Repairs & Upgrades
- Offshore Platforms
- Specialised Shipbuilding

Urban Development:
Urban developments comprising industrial parks as well as business, commercial and residential space

Economic:
To deliver long-term value and growth

Environmental:
To responsibly manage and reduce our impact on the environment as well as to effectively manage environmental risks to our operations

Social: To be a responsible business that ensures the health and safety of our people, and makes a positive impact on our people and communities

Governance:
To maintain high standards of behaviour and integrity and be best in class for governance practices

Our Strategy

UTILITIES

- Expand our global presence in growth markets and build new capabilities to enhance competitiveness
- Grow our energy business with a balanced portfolio of high-efficiency thermal and renewable energy assets, including gas, coal, wind, solar and biomass, as well as energy-from-waste assets
- Deliver specialised total water management solutions, including the upgrading of existing wastewater treatment plants and the provision of pre-treatment and other services
- Leverage our leadership in utilities supply for multiple customers on industrial sites

MARINE

- Offer diversified solutions for the offshore and marine industry, and expand into new businesses to capture existing and growth markets
- Enhance competitiveness through technology and innovation, including strategic investments in new solutions and the development and ownership of proprietary designs
- Leverage strong track record and integrated yard facilities for quality and on-time delivery to strengthen our position as a leading player in the global market

URBAN DEVELOPMENT

- Leverage our core competency in transforming raw land into self-sufficient urban developments and delivering the economic engine to support industrialisation and urbanisation
- Build on strong brand name to attract high-quality local and international investments
- Enhance value of our land bank, such as through the development of commercial and residential real estate at choice sites

Harnessing Innovation

We recognise that technology and innovation are important in maintaining and enhancing our relevance, profitability and competitive advantage. This includes applied research and development and improvements that optimise our operations and enhance our efficiency, as well as new technologies and methodologies that offer wider sustainability benefits.

Sembcorp's Technology Advisory Panel, which includes our Chairman, Group President & CEO and other invited experts, provides strategic direction for our technology and innovation programmes. The panel oversees the development and application of significant emerging technologies in the energy and water sectors and provides guidance to Sembcorp's leadership on technological trends and opportunities. It is supported by an in-house Group Technology department.

Headed by our Chief Technology Officer, our Group Technology department oversees our technology and innovation efforts which seek to apply new and improved proven technologies to increase efficiency, reduce costs and drive growth. Our ongoing engagement with venture capitalists, technology companies and tertiary research institutes helps us keep abreast of rapid technology advancements, enabling us to adopt early innovations to strengthen our competitive edge.

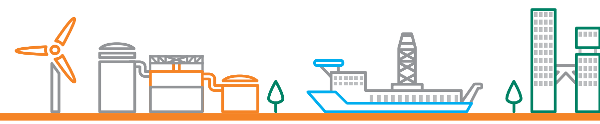
Delivering Sustainable Value and Growth

Sembcorp is committed to delivering long-term value and growth. We aim to create value and achieve growth by enhancing our existing income sources and deepening our investment in assets which add the most value, while pursuing new business opportunities with agility.

We understand that making the right decisions about our portfolio is key to value creation. We actively manage our portfolio of assets, and take a disciplined approach, applying a stringent evaluation process to all our projects and investments.

To deliver sustainable growth, we are focused on developing a strong project pipeline, including both greenfield and brownfield investments, that will expand our income base and provide visibility on future growth. We also actively invest in sustainable and green business lines, which give us an edge in an increasingly resource-scarce world.

Above all, we recognise that sustainable value and growth can only be achieved by having talented people, strong capabilities, the right solutions and innovation, as well as robust governance and discipline across all our businesses.



OUR LEADERSHIP

BOARD OF DIRECTORS

ANG KONG HUA
Chairman
Non-executive &
Independent Director

TANG KIN FEI
Group President & CEO

THAM KUI SENG
Non-executive &
Independent Director

DR TEH KOK PENG
Non-executive &
Independent Director

AJAIB HARIDASS
Non-executive &
Independent Director

BOBBY CHIN YOKE CHOONG
Non-executive &
Independent Director

MARGARET LUI
Non-executive &
Non-independent Director

TAN SRI MOHD HASSAN MARICAN
Non-executive &
Independent Director

NEIL MCGREGOR
Non-executive &
Non-independent Director

NICKY TAN
Non-executive &
Independent Director

YAP CHEE KEONG
Non-executive &
Independent Director

OUR LEADERSHIP | BOARD OF DIRECTORS

ANG KONG HUA

Chairman

Non-executive & Independent Director

APPOINTED FEBRUARY 26, 2010

As Chairman, Mr Ang is responsible for leading the board, setting its agenda and ensuring its effectiveness in all aspects of its role. Mr Ang heads the board's Executive Committee, Executive Resource & Compensation Committee, Nominating Committee and Technology Advisory Panel.

A well-known corporate figure in Singapore, Mr Ang brings to Sembcorp many years of rich experience in the manufacturing and services sectors, including the chemicals, electronics, engineering and construction sectors. Currently, he serves on the board of GIC, which manages Singapore's external reserves, as well as the board of Southern Steel.

Mr Ang holds a BSc (Honours) in Economics from the University of Hull, UK.

Past directorships in listed companies and major appointments 2014–2016:

- Global Logistic Properties

TANG KIN FEI

Group President & CEO

APPOINTED MAY 1, 2005

Mr Tang is Group President & CEO of Sembcorp Industries. With 30 years at Sembcorp, he is credited with spearheading its growth into a focused energy, water, marine and urban development group with operations across five continents.

Mr Tang is a council member of the Singapore Chinese Chamber of Commerce & Industry and serves on several China-Singapore business councils. He sits on the board of the Defence Science and Technology Agency of Singapore and is Council Chairman of Ngee Ann Polytechnic. In addition, he is Vice Chairman and a trustee of the Kwong Wai Shiu Hospital, a charitable hospital which provides care for needy patients.

Mr Tang holds a First Class Honours degree in Mechanical Engineering from the University of Singapore and completed the Advanced Management Programme at INSEAD, France.

Past directorships in listed companies and major appointments 2014–2016:

- Sembcorp Salalah Power and Water Company
- Jurong Shipyard
- Singapore Business Federation

BOBBY CHIN YOKE CHOONG

Non-executive & Independent Director

APPOINTED DECEMBER 1, 2008

Mr Chin chairs the Audit Committee and is a member of the board's Risk Committee and Nominating Committee.

Mr Chin was the managing partner of KPMG Singapore for 13 years until his retirement in 2005. He is a member of Singapore's Council of Presidential Advisers and sits on the boards of various listed companies, including AVJennings, Singapore Telecommunications, Ho Bee Land and Yeo Hiap Seng.

Mr Chin is also Chairman of NTUC Fairprice Co-operative and the Housing & Development Board, Deputy Chairman of NTUC Enterprise Co-operative, as well as a board member of the Singapore Labour Foundation and Temasek Holdings.

Mr Chin holds a BAcc from the University of Singapore and is an associate member of the Institute of Chartered Accountants in England and Wales.

Past directorships in listed companies and major appointments 2014–2016:

- Oversea-Chinese Banking Corporation

MARGARET LUI

Non-executive & Non-independent Director

APPOINTED JUNE 1, 2010

Mrs Lui is a member of the board's Executive Committee, Executive Resource & Compensation Committee, as well as its Nominating Committee.

She is Chief Executive Officer and a board member of Azalea Asset Management. In addition, Mrs Lui is a member of the Singapore Exchange's (SGX) listings advisory committee. She serves on the board of trustees and finance committee of the Singapore Institute of Technology, and heads its investment committee. She also chairs the marine services supervisory committee of PSA International.

Mrs Lui holds a BAcc from the National University of Singapore (NUS). She attended the Advanced Management Programme at the Wharton School of the University of Pennsylvania, USA.

Past directorships in listed companies and major appointments 2014–2016:

- Singbridge Holdings
- Singapore Cruise Centre

TAN SRI MOHD HASSAN MARICAN

Non-executive & Independent Director

APPOINTED JUNE 16, 2010

Tan Sri Mohd Hassan Marican serves on the board's Executive Resource & Compensation Committee and Nominating Committee. He is Chairman of Sembcorp Marine, a listed subsidiary of Sembcorp Industries.

Formerly President & CEO of Malaysia's Petroliam Nasional (PETRONAS) from 1995 until his retirement in February 2010, Tan Sri Mohd Hassan Marican brings to the board over 30 years' experience in the energy sector, as well as in finance and management. He is Chairman of Singapore Power, Pavilion Energy, Pavilion Gas and Lan Ting Holdings and a director of the Regional Economic Development Authority of Sarawak, Sarawak Energy, Lambert Energy Advisory and MH Marican Advisory. He is also a senior international advisor at Temasek International Advisors.

Tan Sri Mohd Hassan Marican holds an honorary doctorate from the University of Malaya and is a fellow of the Institute of Chartered Accountants in England and Wales.

THAM KUI SENG

Non-executive & Independent Director

APPOINTED JUNE 1, 2011

Mr Tham is a member of the board's Audit Committee and Risk Committee.

Formerly Chief Corporate Officer at CapitaLand, Mr Tham brings to the board a strong background in management in various industries, including over a decade's experience in the real estate sector.

Currently, Mr Tham is a director on the boards of Banyan Tree Holdings, Global Logistic Properties, The Straits Trading Company, Straits Real Estate, Avanda Investment Management and Sembcorp Properties. He is a board member of Singapore Land Authority, as well as a corporate advisor at Temasek International Advisors.

Mr Tham holds a First Class Honours degree in Engineering Science from the University of Oxford, UK.

Past directorships in listed companies and major appointments 2014–2016:

- SPI (Australia) Assets
- Housing & Development Board
- Maxwell Chambers

DR TEH KOK PENG

Non-executive & Independent Director

APPOINTED OCTOBER 15, 2012

Dr Teh is a member of the board's Audit Committee, Executive Resource & Compensation Committee and Technology Advisory Panel.

Dr Teh is a senior advisor to China International Capital Corporation and a director of Oversea-Chinese Banking Corporation and Fullerton Health. He is also Chairman of Azalea Asset Management, Astrea III and Dwell Capital, a director of organisations such as NUS and NUS's East Asian Institute, and an advisory council member of Temasek Foundation Connects. Previously, Dr Teh served as Advisor to GIC's Group Executive Committee, Chairman of GIC's China Business Group and Chairman of Ascendas. He was also formerly President of GIC Special Investments, Deputy Managing Director of GIC, Deputy Managing Director of the Monetary Authority of Singapore (MAS) and an economist at the World Bank.

Dr Teh holds a First Class Honours degree in Economics from La Trobe University, Australia and a PhD in Economics from the University of Oxford, UK. He also completed the Advanced Management Programme at Harvard Business School.

Past directorships in listed companies and major appointments 2014–2016:

- China International Capital Corporation
- Ascendas
- S Rajaratnam Endowment

AJAIB HARIDASS

Non-executive & Independent Director

APPOINTED MAY 1, 2014

Mr Haridass chairs our board's Risk Committee and is a member of the Audit Committee. In addition, he is an independent director of Sembcorp Marine, the chairman of the Sembcorp Marine nominating committee and a member of a number of its board committees.

With 40 years of legal experience, Mr Haridass specialises in maritime law and deals with commercial and banking litigation. Currently a consultant with Haridass Ho & Partners, a legal firm he founded in 1985, Mr Haridass is a panel member of the Singapore International Arbitration Centre, the Singapore Chamber of Maritime Arbitration and the Kuala Lumpur Regional Centre for Arbitration. He is also an accredited mediator of the Singapore Mediation Centre as well as a referee of the Small Claims Tribunal of the State Courts of Singapore. He is a Commissioner for Oaths, a Notary Public and a Justice of the Peace. He is also the lead independent director of Nam Cheong.

Mr Haridass holds a Bachelor of Laws (Honours) degree from the University of London and qualified as a barrister-at-law at the Honourable Society of the Middle Temple, UK.

NEIL MCGREGOR

Non-executive & Non-independent Director

APPOINTED MAY 1, 2014

Mr McGregor is a member of the board's Risk Committee.

He brings to the board a unique and varied background spanning business, operations and investment in the energy and infrastructure sectors across Europe, USA, Asia and Oceania. Mr McGregor's rich international experience includes over a decade spent in Singapore serving markets in the region. Previously, he also headed companies in India and Singapore as CEO, including Singapore LNG Corporation and PowerSeraya Group.

Mr McGregor is currently Head of Temasek International's Energy and Resources Group, Head of Australia and New Zealand and Senior Managing Director of the Enterprise Development Group. He is a director on the boards of organisations including Certis CISCO Security and NUS's Energy Studies Institute, as well as a fellow of the Singapore Institute of Directors.

Mr McGregor holds a BEng (Honours) from the University of Auckland and an MBA in International Finance from the University of Otago in New Zealand. He also completed the Advanced Management Programme at INSEAD, France.

Past directorships in listed companies and major appointments 2014–2016:

- Clifford Capital

NICKY TAN

Non-executive & Independent Director

APPOINTED NOVEMBER 1, 2015

Mr Tan is a member of the board's Executive Committee.

He brings to Sembcorp rich experience in corporate finance, audit and mergers and acquisitions. Currently, Mr Tan runs nTan Corporate Advisory, a boutique corporate finance and corporate restructuring firm. Over the course of his career, he has been Partner and Head of Global Corporate Finance at Arthur Andersen Singapore and ASEAN, Partner and Head of Financial Advisory Services at PricewaterhouseCoopers Singapore, as well as Chairman of Financial Advisory Services at PricewaterhouseCoopers Asia Pacific.

Mr Tan is a director of SingTel Innov8, as well as a director, executive committee member and audit and risk committee chairman of National University Health System. He also serves as a trustee and investment committee chairman of the National Cancer Centre's Research Fund and Community Cancer Fund. In addition, Mr Tan is a member of the Nee Soon Town Council and chairman of its investment and finance committee, as well as a member of Pei Chun Public School's management committee.

Mr Tan qualified as a chartered accountant in the UK. He is a member of the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants, as well as a fellow of the Singapore Institute of Directors.

YAP CHEE KEONG

Non-executive & Independent Director

APPOINTED OCTOBER 1, 2016

Mr Yap is a member of the board's Audit Committee and Risk Committee.

Formerly the executive director of The Straits Trading Company and chief financial officer of Singapore Power, Mr Yap brings to the board both financial and audit expertise, as well as experience in industry sectors including energy, infrastructure and real estate. He is the independent non-executive chairman of CityNet Infrastructure Management and a director of companies such as Olam International, Citibank Singapore, The Straits Trading Company, ARA Asset Management, Mediacorp and Certis CISCO Security.

In addition, Mr Yap serves on the board of Singapore's Accounting and Corporate Regulatory Authority (ACRA) as well as on the Public Accountants Oversight Committee. He was a member of the working group convened by MAS, SGX and ACRA to review the Guidebook for Audit Committees in Singapore, as well as the panel convened by MAS, SGX, ACRA and the Singapore Institute of Directors, which formulated guidelines for board risk committees.

Mr Yap holds a BAcc from the National University of Singapore and is a fellow of the Institute of Singapore Chartered Accountants and CPA Australia.

Past directorships in listed companies and major appointments 2014–2016:

- Tiger Airways Holdings

TECHNOLOGY ADVISORY PANEL

Sembcorp's Technology Advisory Panel advises the company on technological developments in line with its growth strategies.

The panel oversees the development and application of significant emerging and potentially disruptive technologies to enhance Sembcorp's position as a leading energy and water company, and ensures the appropriate management of specialised research and development projects and systems for intellectual property creation and protection.

In addition, the panel reviews and approves the vision and strategy for technology developments at Sembcorp, including projects or technologies identified for research and development, and advises Sembcorp's leadership on technological trends and opportunities. Members of the panel also introduce new and emerging technologies and companies to the Group and regularly advise on topical issues and technologies in their respective fields of interest and expertise.

ANG KONG HUA

Chairman

BSc (Honours) in Economics, University of Hull, UK

Mr Ang chairs the Technology Advisory Panel and is also Chairman of our board. A well-known corporate figure in Singapore, he brings with him many years of rich experience in the manufacturing and services sectors, including the chemicals, electronics, engineering and construction sectors. He also serves on the boards of GIC and Southern Steel.

TANG KIN FEI

BEng (First Class Honours) in Mechanical Engineering, University of Singapore, Singapore

Advanced Management Programme, INSEAD, France

Mr Tang is Group President & CEO of Sembcorp Industries. With 30 years at Sembcorp, he is credited with spearheading its growth into a focused energy, water, marine and urban development group with operations across five continents, and brings to the panel in-depth knowledge of the Group's businesses. Mr Tang is an honorary fellow of both The Institution of Engineers Singapore as well as The ASEAN Federation of Engineering Organisations. He is also Council Chairman of Ngee Ann Polytechnic and previously served as President of the Singapore Water Association.

DR TEH KOK PENG

PhD in Economics, University of Oxford, UK
BA (First Class Honours) in Economics, La Trobe University, Australia
Advanced Management Programme, Harvard Business School, USA

Dr Teh sits on our board as a non-executive and independent director. He is a senior advisor to China International Capital Corporation and a director of Oversea-Chinese Banking Corporation and Fullerton Health. He is also Chairman of Azalea Asset Management, Astrea III and Dwell Capital, a director of organisations such as the National University of Singapore (NUS) and NUS's East Asian Institute, and an advisory council member of Temasek Foundation Connects. Previously, Dr Teh served as Advisor to GIC's Group Executive Committee, as well as Chairman of GIC's China Business Group, and Chairman of Ascendas. He was also formerly President of GIC Special Investments, where he oversaw investments in infrastructure and international venture funds, among other areas.

DR JOSEPHINE KWA LAY KENG

PhD in Mechanical Engineering, University of Leeds, UK
BSc (Honours) in Mechanical Engineering, University of Leeds, UK

Dr Kwa is Chairman of Raffles Marina Holdings, a director of Southern Steel and a member of the Management Board of the NUS's Energy Studies Institute. She was formerly Chief Executive Officer of NSL, and had served in various functions during her 23 years as Chief Operating Officer and Head of Technology within the NSL Group. As Head of Technology, Dr Kwa was responsible for the information technology, environment and research and development functions in the company.

DR NG HOW YONG

PhD in Environmental Engineering, University of California, Berkeley, USA
BEng (First Class Honours) in Civil Engineering, National University of Singapore, Singapore

Dr Ng is a professor and Deputy Head (Administration) at NUS's Department of Civil and Environmental Engineering, as well as Director of the Sembcorp-NUS Corporate Laboratory. He has over 20 years of experience in biological wastewater treatment and membrane processes for water reuse and seawater desalination and has served as a consultant on municipal wastewater treatment and reuse, industrial effluent treatment and seawater desalination in Singapore, China, Japan and the USA. Dr Ng is a fellow of the International Water Association (IWA) and a member of the Management Committee of the IWA Specialist Group on Membrane Technology.

PROF LUI PAO CHUEN

MSc in Operations Research and Systems Analysis, Naval Postgraduate School, USA
BSc in Physics, University of Singapore, Singapore

Formerly Singapore's Chief Defence Scientist, Prof Lui has several decades' experience in engineering, science and research. He is an advisor to Singapore's National Research Foundation and various government organisations, chairs the Environment & Water Industry Development Council's project evaluation panel and sits on the boards of research institutes, corporations and technical organisations, including the Executive Committee for Environmental and Water Technologies.

Prof Lui is a professor at NUS, a fellow of the Singapore Academy of Engineering and the Singapore National Academy of Sciences and an honorary fellow of the ASEAN Federation of Engineering Organisations. His major science and technology awards include the National Science & Technology Medal, the Institute of Physics Singapore's President's Medal, as well as the International Council on Systems Engineering's Pioneer Award. In addition, Prof Lui is the recipient of the Lifetime Engineering Achievement Award from the Institution of Engineers Singapore, the Defence Technology Medal (Outstanding Service) from the Ministry of Defence, as well as the Aviation Pioneer Award from the Singapore Institute of Aviation Engineers.

OUR LEADERSHIP

SENIOR EXECUTIVES

TANG KIN FEI
Group President & CEO

KOH CHIAP KHIONG
Group Chief Financial Officer

WONG WENG SUN
President & CEO
Sembcorp Marine

TAN CHENG GUAN
Executive Vice President & Head
Group Business Development & Commercial, Utilities

NG MENG POH
Executive Vice President & Head
Group Asset Management, Utilities

KELVIN TEO
CEO
Sembcorp Development

Corporate

Corporate Headquarters

Koh Chiap Khiong
Group Chief Financial Officer

Vipul Tuli
Executive Vice President & Head
Group Strategy
CEO & Country Head
Sembcorp India

Lim Suet Boey
Executive Vice President & General Counsel
Group Legal

Kwong Sook May
Company Secretary

Frank Koh
Senior Vice President
Group Corporate Finance

Ng Lay San
Senior Vice President
Group Corporate Relations

Lillian Lee
Senior Vice President
Group Human Resources

Jasmine Teo
Senior Vice President
Group Information Technology

Goh Han Leng
Senior Vice President
Group Tax

Chong Choon Lin
Senior Vice President
Group Technical Services (Energy) and Group Health, Safety and Environment

Fang Hai Jun
Head
Group Technical Services (Water)

Siah Keng Boon
Chief Technology Officer
Group Technology

Lee Swee Chee
Chief Risk Officer

Group Internal Audit

David Wong
Vice President

Key Business Management

UTILITIES

Group Business Development & Commercial

Tan Cheng Guan
Executive Vice President & Head

Richard Quek
Executive Vice President & Head
Commercial

Low Kian Min
Senior Vice President

Nomi Ahmad
Senior Vice President

Renewable Energy

Sunil Gupta
Senior Vice President & Head

Group Project Development

Lim Kwee Keong
Senior Vice President & Head

Jai Chong
Senior Vice President

Jules Zhong
Senior Vice President

Liew Yien Phin
Senior Vice President

Group Asset Management

Ng Meng Poh
Executive Vice President & Head

Singapore

Dennis Chin
Senior Vice President & Head
Sembcorp Utilities

China

Li Bing
CEO & Country Head
Sembcorp China

Michael Lim Tian
Head
Business Development & Commercial Asset Management (Renewables)
Sembcorp Utilities

Jason Chan
Head
Asset Management (Water)
Sembcorp Utilities

India

Vipul Tuli
CEO & Country Head
Sembcorp India

Atul Nargund
Managing Director
Thermal Powertech Corporation India
Sembcorp Gayatri Power

Sunil Gupta
Managing Director & CEO
Sembcorp Green Infra

Bangladesh

Nomi Ahmad
Acting Managing Director
Sembcorp North-West Power Co

ASEAN

Yong Yoon Cho
Technical Director
Phu My 3 BOT Power Co, Vietnam

Dennis Foo
General Manager
Sembcorp Myingyan Power Co, Myanmar

Middle East & South Africa

Alex Miquel
General Manager
Sembcorp Salalah O&M Services Co, Oman

Bernard Hon
General Manager
Sembcorp Gulf O&M Co, UAE

Marius Van Aardt
Managing Director
Sembcorp Silulumanzi, South Africa

Shyam P Misra
Managing Director
Sembcorp Siza Water, South Africa

UK

Stephen Hands
Site Director
Sembcorp Utilities (UK)

Latin America

Frederic Gautheron
General Manager
Chile and Panama

MARINE

Wong Weng Sun
President & CEO
Sembcorp Marine

Ong Poh Kwee
Chief Operating Officer
Sembcorp Marine

Wang Zijian
Head
Singapore Yard Operations

Wong Lee Lin
Head
Repairs & Upgrades

William Gu
Head
Rigs & Floaters

Ho Nee Sin
Head
Offshore Platforms

Freddie Woo
Head
Specialised Shipbuilding

Altaf Hossain
President
Estaleiro Jurong Aracruz, Brazil

Ng Thiam Poh
President Director
Karimun Sembawang Shipyard, Indonesia

Ron Chia
President Director
SMOE Indonesia

Paul Thomson
Managing Director
Sembmarine SLP, UK

URBAN DEVELOPMENT

Kelvin Teo
CEO
Sembcorp Development

Tang Tat Kwong
Deputy CEO
Sembcorp Development

Dr Hong Decheng
CEO
Sembcorp Properties, China & Vietnam

OTHER BUSINESSES

Yam Ah Mee
Managing Director
Sembcorp Design & Construction

Yip Pak Ling
Senior Vice President & Mint Director
Singapore Mint

Lim Kwee Keong
Managing Director
Sembcorp Project Engineering Co

Sembcorp's utilities facilities on Jurong Island in Singapore

OPERATING AND FINANCIAL REVIEW

OPERATING AND FINANCIAL REVIEW

GROUP STRUCTURE

Utilities

Sembcorp Utilities	**100%**
SINGAPORE	
Sembcorp Cogen	100%
Sembcorp Power	100%
Sembcorp Gas	70%
Sembcorp NEWater	100%
Sembcorp Renewables	100%
Sembcorp Project Engineering Co	100%
Changi Mega Solar	49%
CHINA	
Sembcorp (China) Holding Co	100%
Shanghai Cao Jing Co-generation Co	30%
Sembcorp Nanjing SUIWU Co	95%
Sembcorp NCIP Water Co	95%
Zhangjiagang Free Trade Zone Sembcorp Water Co	80%
Zhangjiagang Free Trade Zone Sembcorp Reclaimed Water Co	80%
Sembcorp Lianyungang Water Co	80%
Sembcorp Qidong Water Co	95%
Fuzhou Sembcorp Water Co	72%
Guohua AES (Huanghua) Wind Power Co	49%
Sembcorp Changzhi Water Co	100%
Sembcorp Tianjin Lingang Water Co	90%
Sembcorp Sanhe Yanjiao Water Co	94.3%
Guohua Sembcorp (Chenba'erhu) Wind Power Co	49%
Guohua Sembcorp (Hulunbeier) Wind Power Co	49%
Guohua Sembcorp (Xinba'erhu) Wind Power Co	49%
Sembcorp Shenyang Water Co	80%
Sembcorp Xinmin Water Co	90.9%
Qitaihe Sembcorp Water Co	90.9%
ChongQing SongZao Sembcorp Electric Power Co	49%
Sembcorp Jingmen Water Co	95%
Sembcorp Qinzhou Water Co	80%
INDIA	
Sembcorp India	100%
Thermal Powertech Corporation India	86.9%
Sembcorp Gayatri Power	88%
Sembcorp Gayatri O&M Co	70%
Sembcorp Green Infra	68.7%
INDONESIA	
Adhya Tirta Batam	50%
Adhya Tirta Sriwijaya	40%
MYANMAR	
Sembcorp Myingyan Power Co	100%
PHILIPPINES	
Subic Water and Sewerage Co	30%
VIETNAM	
Phu My 3 BOT Power Co	66.7%*
BANGLADESH	
Sembcorp North-West Power Co	100%
OMAN	
Sembcorp Salalah Power and Water Co	40%
Sembcorp Salalah O&M Services Co	70%
Centralised Utilities Company	35%
UAE	
Emirates Sembcorp Water & Power Co	40%
Sembcorp Gulf O&M Co	100%
SOUTH AFRICA	
Sembcorp Utilities (South Africa)	100%
Sembcorp Silulumanzi	100%
Sembcorp Siza Water	73.5%
NORWAY	
Biowater Technology	29.6%
UK	
Sembcorp Utilities (UK)	100%
Merseyside Energy Recovery	40%
ANTIGUA	
Sembcorp (Antigua) Water	100%
CHILE	
Sembcorp Utilities (Chile)	100%
Sembcorp Aguas Chacabuco	100%
Sembcorp Aguas Del Norte	100%
Sembcorp Aguas Lampa	100%
Sembcorp Aguas Santiago	100%
PANAMA	
Aguas de Panama	100%

Sembcorp Environment	**100%**
SINGAPORE	
SembWaste	100%
Sembcorp Tay Paper Recycling	60%

* Figure reflects the effective equity held by the Group

Marine

Sembcorp Marine	**60.9%**
SINGAPORE	
Sembcorp Marine Integrated Yard	100%
Sembcorp Marine Rigs & Floaters	100%
Sembcorp Marine Repairs & Upgrades	100%
Sembcorp Marine Specialised Shipbuilding	100%
Jurong Shipyard	100%
Sembcorp Marine Offshore Platforms	100%
PPL Shipyard	100%
Sembcorp Marine Technology	100%
BRAZIL	
Estaleiro Jurong Aracruz	100%
Jurong do Brasil Prestação de Serviços	100%
INDONESIA	
SMOE Indonesia	90%
Karimun Sembawang Shipyard	100%
INDIA	
Sembmarine Kakinada	40%
NORWAY	
Gravifloat	56%
Aragon	50%
LMG Marin	100%
UK	
Sembmarine SLP	100%
USA	
Sembmarine SSP	100%
CHINA	
Shenzhen Chiwan Offshore Petroleum Engineering Co	35%

Urban Development

Sembcorp Development	**100%**
VIETNAM	
Vietnam Singapore Industrial Park JV Co	47.4%
Vietnam Singapore Industrial Park & Township Development Joint Stock Co	45.2%
VSIP Bac Ninh Co	45.2%
VSIP Hai Phong Co	45.2%
VSIP Quang Ngai Co	47.4%
VSIP Hai Duong Co	45.2%
VSIP Nghe An Co	47.4%
VSIP-Sembcorp Gateway Development Co	50.4%
CHINA	
Wuxi-Singapore Industrial Park Development Co	45.4%
Sino-Singapore (Chengdu) Innovation Park Development Co	25%
Sino-Singapore Nanjing Eco Hi-tech Island Development Co	21.5%
Nanjing Riverside Quay Co	100%
INDONESIA	
Kawasan Industri Kendal	49%
SINGAPORE	
Sembcorp Properties	100%
Sembcorp Properties (China)	100%
Sembcorp Infra Services	100%
Sembcorp Development Indonesia	100%
Gallant Venture	12%
Sembcorp Parks Management	**75%**

Other Businesses

Sembcorp Design and Construction	**100%**
Sembcorp EOSM	60%
Shenzhen Chiwan Sembawang Engineering Co	**32%**
Singapore Precision Industries / Singapore Mint	**100%**

This list of companies is not exhaustive

The Utilities business also includes the SUT division of Sembcorp Industries

Figures reflect shareholding as at February 23, 2017. Shareholding figures for entities listed under Sembcorp Utilities, Sembcorp Environment, Sembcorp Marine and Sembcorp Development reflect stakes held by the above companies in these entities

GROUP FINANCIAL REVIEW

Group Financial Highlights

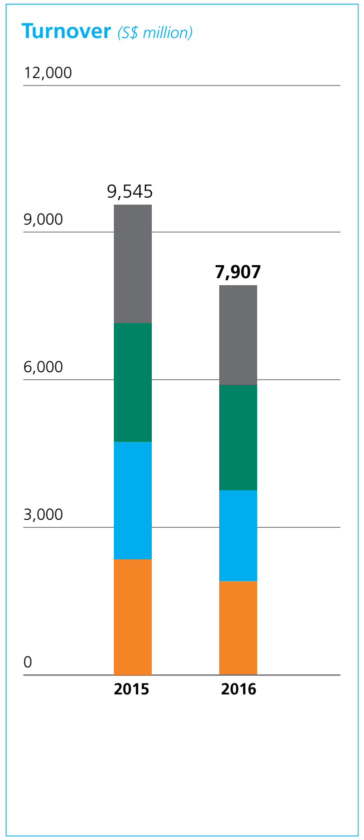
	2016	2015	Change (%)
For the Year *(S$ million)*			
Turnover	**7,907**	9,545	(17)
Earnings before interest, tax, depreciation and amortisation	**1,315**	1,720	(24)
Profit from operations	**909**	631	44
– Earnings before interest and tax	**784**	625	25
– Share of results: Associates & JVs, net of tax	**125**	6	NM
Profit before tax	**537**	426	26
Net profit	**395**	549	(28)
Economic value added	**(99)**	(247)[1]	60
Return on total assets *(%)*	**4.0**	3.7	6
Return on equity *(%)*	**6.2**	9.4	(35)
Capital Position *(S$ million)*			
Owners' funds	**5,898**	5,630	5
Total assets	**22,290**	19,915	12
Net debt	**7,338**	5,227	40
Operating cash flow	**872**	(704)	NM
Free cash flow	**1,132**	(12)	NM
Capital expenditure and equity investment	**1,236**	2,108	(41)
Total debt-to-capitalisation ratio	**0.53**	0.46	15
Total debt-to-capitalisation ratio (less cash and cash equivalents)	**0.42**	0.35	20
Interest cover *(times)*	**3.3**	7.2	(55)
Shareholder Returns			
Net assets per share *(S$)*	**3.75**	3.60	4
Earnings per share *(cents)*	**19.92**	29.17	(32)
Ordinary dividend per share *(cents)*	**8**	11	(27)
Payout ratio *(%)*	**40.2**	37.7	6
Last traded share price *(S$)* as at December 31	**2.85**	3.05	(7)
Total shareholder returns *(%)*	**(3.3)**	(28.8)	(89)

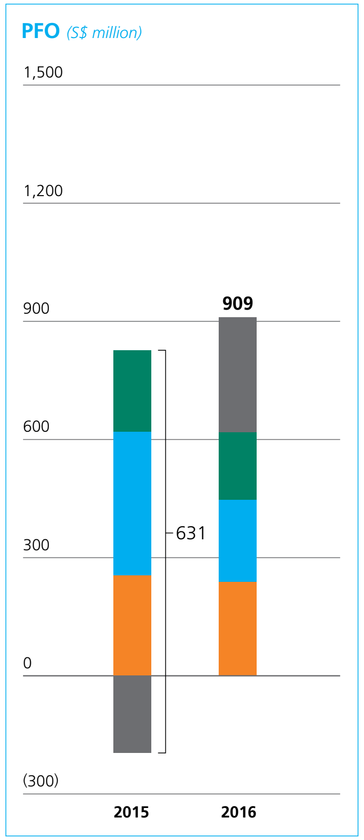
[1] *In the interest of consistency, the previous year's economic value added has been restated to include capital charge deferral. Capital charge deferral (net) refers to deferral of capital charges for investments made in projects where returns are not immediate at the time of investment (eg. greenfield projects) less cost of deferral of weighted average cost of capital*

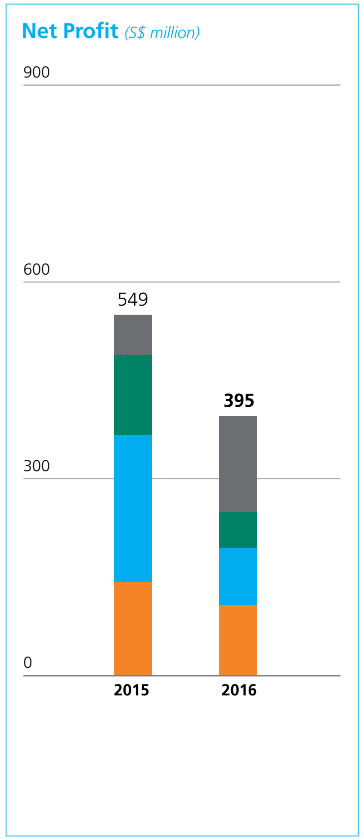
Group Quarterly Performance *(S$ million)*

	2016 1Q	2016 2Q	2016 3Q	2016 4Q	2016 Total	2015 1Q	2015 2Q	2015 3Q	2015 4Q	2015 Total
Turnover	**1,895**	**1,846**	**2,140**	**2,026**	**7,907**	2,338	2,388	2,400	2,419	9,545
Earnings before interest, tax, depreciation and amortisation[1]	**313**	**286**	**326**	**390**	**1,315**	305	410	324	681	1,720
Profit from operations	**237**	**208**	**172**	**292**	**909**	254	364	207	(194)	631
– Earnings before interest and tax	**202**	**170**	**168**	**244**	**784**	214	305	186	(80)	625
– Share of results: Associates & JVs, net of tax	**35**	**38**	**4**	**48**	**125**	40	59	21	(114)	6
Profit / (Loss) before tax	**161**	**123**	**88**	**165**	**537**	228	314	150	(266)	426
Net profit	**107**	**87**	**54**	**147**	**395**	142	224	122	61	549
Earnings per share *(cents)*	**5.45**	**4.29**	**2.47**	**7.71**	**19.92**	7.83	12.19	6.29	2.86	29.17

[1] *Earnings before interest, tax, depreciation and amortisation excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs*







■ First quarter ■ Second quarter ■ Third quarter ■ Fourth quarter

Five-year Financial Performance Profile

2016

Sembcorp posted a net profit of S$394.9 million and a turnover of S$7.9 billion in 2016, compared to S$548.9 million and S$9.5 billion respectively in 2015.

In 2016, the Utilities business contributed S$348.0 million in net profit to the Group. 63% of this net profit was generated by its overseas operations. Excluding exceptional items, the business delivered a profit growth of 4% over 2015, backed by record profits in China of S$124.8 million. Exceptional items recorded by the business in 2016 amounted to S$2.5 million, comprising S$33.5 million from the divestment gain on the sale of a municipal water operation in Yancheng, China, less S$31.0 million total refinancing cost for the Thermal Powertech Corporation India power plant. Exceptional items recorded by the business for 2015 amounted to S$369.9 million, comprising divestment gains of S$425.6 million from the sale of a waste management joint venture in Australia and municipal water operations in Bournemouth, UK and Zhumadian, China, less S$55.7 million comprising S$31.4 million from the exit of the chemical feedstock business and impairment of assets in Singapore (net of settlement amounts from customers) and S$24.3 million in net allowance for doubtful debts in China.

The Marine business' net profit contribution to the Group was S$48.3 million in 2016, compared to a net loss of S$176.4 million in 2015. The business' net loss in 2015 was mainly due to write-downs of inventory and work-in-progress and provisions for foreseeable losses for rig building projects. Meanwhile, the Urban Development business reported a net profit of S$33.3 million, comparable to S$33.5 million in the previous year.

Return on equity for the Group was 6.2% and earnings per share amounted to 19.9 cents.

2015

Sembcorp posted a net profit of S$548.9 million and a turnover of S$9.5 billion for 2015 compared to S$801.1 million and S$10.9 billion in 2014 respectively.

In 2015, the Utilities business delivered a 72% growth in net profit to S$701.5 million compared to S$408.0 million in 2014. This increase was underpinned by growth from its overseas operations as well as gains from the sale of its Australian waste management joint venture and municipal water operations in the UK and Zhumadian, China.

Meanwhile, at the Sembcorp Industries level, the Marine business incurred a net loss of S$176.4 million in 2015 compared to a net profit of S$340.0 million in 2014. The Urban Development business posted a net profit of S$33.5 million compared to S$44.3 million in 2014.

2014

Sembcorp delivered a healthy performance in 2014 amid challenging market conditions. Net profit for the year was S$801.1 million, while turnover stood at S$10.9 billion.

In 2014, the Utilities business reported a net profit of S$408.0 million, compared to S$449.9 million in 2013. The business achieved a 7% net profit growth in 2014 from 2013 excluding gains from the initial public offering of Sembcorp Salalah Power and Water Company (Sembcorp Salalah) offset by an impairment made for operations in the UK.

The Marine business contributed S$340.0 million to the Group's net profit in 2014, compared to S$336.9 million in 2013. Meanwhile, the Urban Development business reported a net profit of S$44.3 million, compared to S$50.2 million in the previous year.

2013

Sembcorp delivered a robust performance for 2013. Net profit grew 9% to S$820.4 million from S$753.3 million in 2012, while turnover increased 6% to S$10.8 billion from S$10.2 billion the previous year.

In 2013, the Utilities business delivered strong profit growth of 20%, with net profit increasing to S$449.9 million from S$374.6 million in 2012, underpinned by solid growth from operations in China and gains from the initial public offering of Sembcorp Salalah, partially offset by an impairment made for operations in the UK.

The Marine business reported a net profit of S$336.9 million in 2013, up 3% from S$326.7 million in 2012. Meanwhile, the Urban Development business reported a 22% increase in net profit to S$50.2 million from S$41.1 million the previous year.

2012

Sembcorp reported a net profit of S$753.3 million for the full year 2012, compared to S$809.3 million in 2011. Turnover grew 13% to S$10.2 billion from S$9.0 billion in the previous year.

In 2012, the Utilities business achieved a net profit of S$374.6 million, growing 23% from S$304.4 million in 2011. This was due to a better performance by Singapore operations, attributable to additional gas sales during the year.

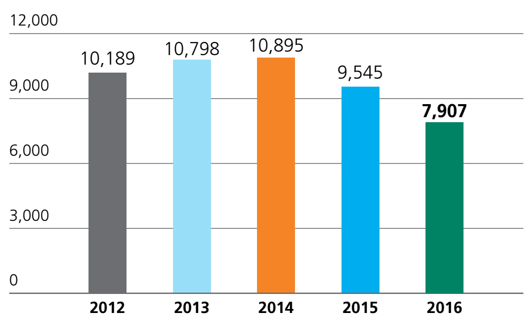
Our Marine business contributed S$326.7 million in net profit for the year.

Five-year Financials

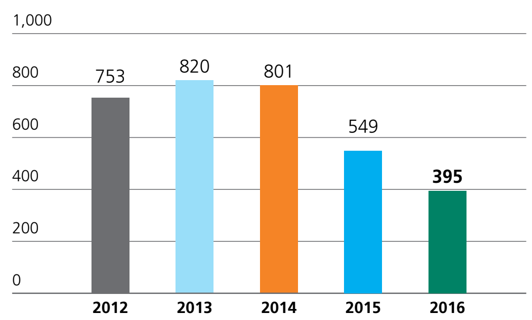
	2016	2015	2014	2013	2012
For the Year *(S$ million)*					
Turnover	**7,907**	9,545	10,895	10,798	10,189
Earnings before interest, tax, depreciation and amortisation[1]	**1,315**	1,720	1,457	1,477	1,403
Profit from operations	**909**	631	1,297	1,315	1,266
– Earnings before interest and tax	**784**	625	1,139	1,160	1,103
– Share of results: Associates & JVs, net of tax	**125**	6	158	155	163
Profit before tax	**537**	426	1,246	1,214	1,155
Net profit	**395**	549	801	820	753
At Year End *(S$ million)*					
Property, plant and equipment and investment properties	**11,287**	8,706	7,749	5,148	5,180
Other non-current assets	**3,379**	3,602	3,297	2,916	2,510
Net current assets	**1,609**	1,661	773	788	1,028
Non-current liabilities	**(8,112)**	(5,926)	(4,587)	(2,322)	(3,074)
Net assets	**8,163**	8,043	7,232	6,530	5,644
Share capital and reserves (including perpetual securities)	**6,702**	6,433	5,616	5,230	4,503
Non-controlling interests	**1,461**	1,610	1,616	1,300	1,141
Total equity	**8,163**	8,043	7,232	6,530	5,644
Per Share					
Earnings *(cents)*	**19.92**	29.17	44.31	45.70	42.17
Net assets *(S$)*	**3.75**	3.60	3.15	2.93	2.52
Net ordinary dividends (including bonus dividends) *(cents)*	**8**	11	16	17	15
Financial Ratios					
Return on equity *(%)*	**6.2**	9.4	15.2	17.1	17.5
Return on total assets *(%)*	**4.0**	3.7	7.5	9.1	9.5
Interest cover *(times)*	**3.3**	7.2	20.8	12.5	10.0
Total debt-to-capitalisation ratio	**0.53**	0.46	0.40	0.23	0.30
Total debt-to-capitalisation ratio (less cash and cash equivalents)	**0.42**	0.35	0.26	Net cash	0.05

[1] *Earnings before interest, tax, depreciation and amortisation excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs*

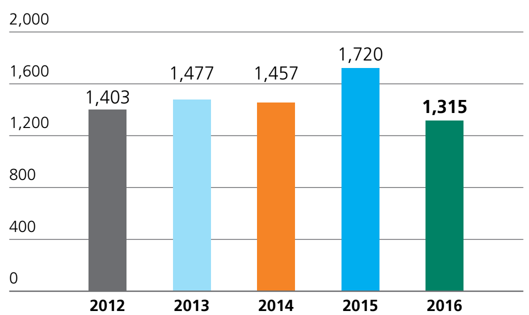
Turnover *(S$ million)*



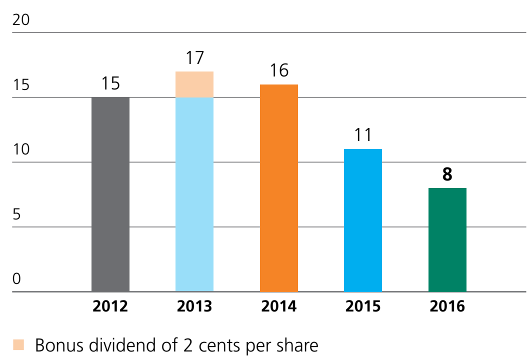
Net Profit *(S$ million)*



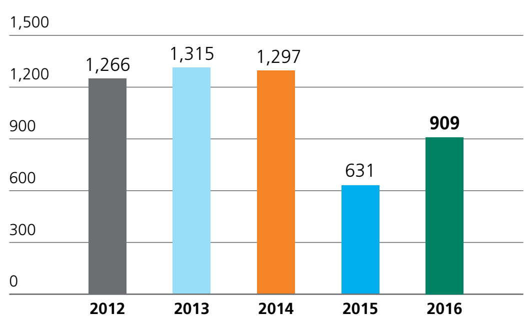
EBITDA *(S$ million)*



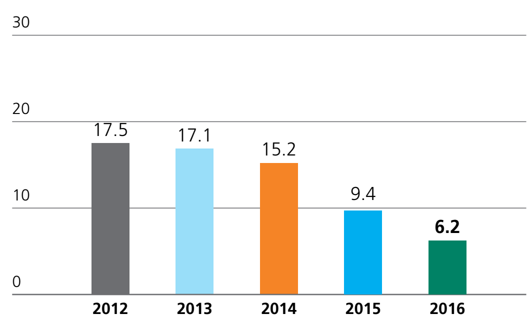
Net Ordinary Dividend Per Share *(cents)*



PFO *(S$ million)*



ROE *(%)*



Review by Business *(S$ million)*

	2016	%	2015	%	2014	%	2013	%	2012	%
Turnover										
Utilities	**4,111**	**52**	4,227	44	4,850	44	5,095	47	5,615	55
Marine	**3,544**	**45**	4,968	52	5,831	54	5,523	51	4,428	44
Urban Development	**7**	**–**	8	–	7	–	9	–	12	–
Others / Corporate	**245**	**3**	342	4	207	2	171	2	134	1
	7,907	**100**	9,545	100	10,895	100	10,798	100	10,189	100
Profit from Operations										
Utilities	**737**	**81**	948	150	522	40	613	47	607	48
Marine	**171**	**19**	(342)	(54)	718	55	660	50	599	47
Urban Development	**38**	**4**	38	6	47	4	45	3	44	4
Others / Corporate	**(37)**	**(4)**	(13)	(2)	10	1	(3)	–	16	1
	909	**100**	631	100	1,297	100	1,315	100	1,266	100
Net Profit										
Utilities	**348**	**88**	701	128	408	51	450	55	375	50
Marine	**48**	**12**	(176)	(32)	340	42	337	41	327	43
Urban Development	**33**	**9**	34	6	44	6	50	6	41	6
Others / Corporate	**(34)**	**(9)**	(10)	(2)	9	1	(17)	(2)	10	1
	395	**100**	549	100	801	100	820	100	753	100

Performance Scorecard *(S$ million)*

	2016	2015	Change *(%)*
Turnover	**7,907.0**	9,544.6	(17)
EBITDA[1]	**1,314.9**	1,720.2	(24)
PFO	**909.0**	631.5	44
– EBIT	**783.9**	625.3	25
– Share of results: Associates & JVs, net of tax	**125.1**	6.2	NM
PBT	**537.4**	426.4	26
Net profit	**394.9**	548.9	(28)
EPS *(cents)*	**19.9**	29.2	(32)
ROE *(%)*	**6.2**	9.4	(34)

[1] EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs

Overview

Sembcorp posted a net profit of S$394.9 million and a turnover of S$7.9 billion for 2016, compared to S$548.9 million and S$9.5 billion respectively in 2015.

Turnover

The Group achieved a turnover of S$7.9 billion, with the Utilities and Marine businesses contributing 97% of total turnover.

The Utilities business' turnover was lower in 2016 compared to 2015, mainly due to lower high sulphur fuel oil prices recorded during the year, partially mitigated by higher contribution from India operations and recognition of service concession revenue for its Myanmar project.

The Marine business' turnover decreased over the previous year, mainly due to lower revenue recognition for rig building projects resulting from customers' delivery deferment requests and lower contributions from its repairs business. For the offshore platforms segment, turnover was higher in 2016.

Net Profit

The Group recorded a net profit of S$394.9 million in 2016 compared to S$548.9 million in 2015, while profit from operations was S$909.0 million, compared to S$631.5 million in 2015.

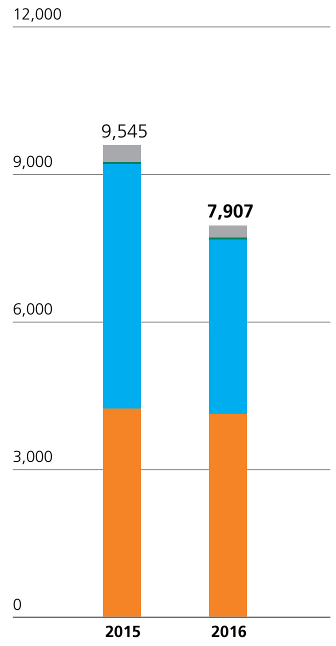
In 2016, the Utilities business made S$348.0 million in net profit. 63% of this net profit was generated by its overseas operations. Excluding exceptional items, the business delivered a profit growth of 4% over 2015, backed by record profits in China of S$124.8 million. Exceptional items recorded by the business in 2016 amounted to S$2.5 million, comprising S$33.5 million from the divestment gain on the sale of a municipal water operation in Yancheng, China, less S$31.0 million total refinancing cost for the Thermal Powertech Corporation India power plant. Exceptional items recorded by the business for 2015 amounted to S$369.9 million, comprising divestment gains of S$425.6 million from the sale of a waste management joint venture in Australia and municipal water operations in Bournemouth, UK and Zhumadian, China, less S$55.7 million comprising S$31.4 million from the exit of the chemical feedstock business and impairment of assets in Singapore (net of settlement amounts from customers) and S$24.3 million in net allowance for doubtful debts in China.

The Marine business' net profit contribution to the Group was S$48.3 million in 2016, compared to a net loss of S$176.4 million in 2015. The business' net loss in 2015 was mainly due to write-downs of inventory and work-in-progress and provisions for foreseeable losses for rig building projects.

Meanwhile, the Urban Development business reported a net profit of S$33.3 million in 2016, comparable to S$33.5 million in the previous year. Net profit from Corporate included a fair value loss of S$57.7 million in 2016, compared to a fair value loss of S$34.5 million in 2015, due to the decline in the share price of Gallant Venture.

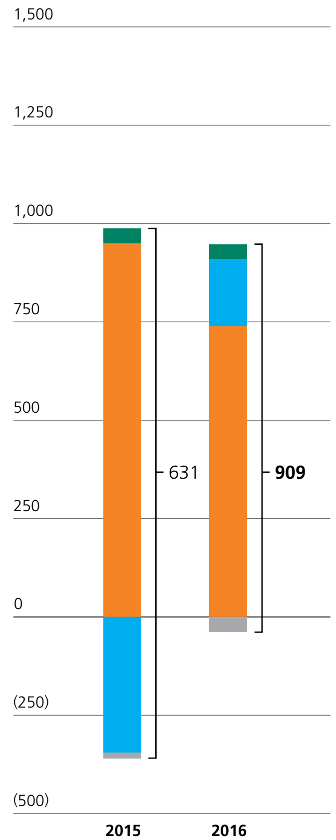
Turnover *(S$ million)*

	2015	2016
Utilities	4,227	**4,111**
Marine	4,968	**3,544**
Urban Development	8	**7**
Others / Corporate	342	**245**
	9,545	**7,907**



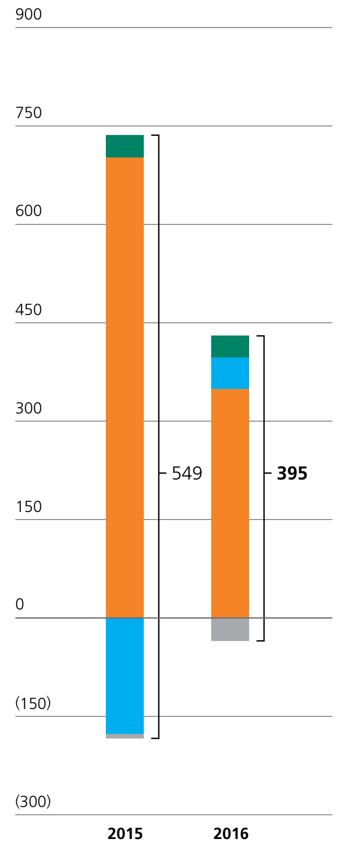
PFO *(S$ million)*

	2015	2016
Utilities	948	**737**
Marine	(342)	**171**
Urban Development	38	**38**
Others / Corporate	(13)	**(37)**
	631	**909**



Net Profit *(S$ million)*

	2015	2016
Utilities	701	**348**
Marine	(176)	**48**
Urban Development	34	**33**
Others / Corporate	(10)	**(34)**
	549	**395**



Cash Flow and Liquidity

As at December 31, 2016, the Group's cash and cash equivalents stood at S$1.9 billion.

Net cash from operating activities for 2016 was mainly due to the Marine business' receipts from completed rig building projects, partially offset by the Utilities business' working capital for its India operations.

Net cash outflow from investing activities for 2016 was S$800.6 million, comprising mainly spending on step-up acquisition of subsidiaries and purchase of property, plant and equipment primarily for the expansion and operation of the Marine business' yards, partially offset by proceeds from the disposal of other financial assets and dividends received.

Net cash inflow from financing activities of S$213.8 million for 2016 was related mainly to net proceeds from borrowings, partially offset by dividends and interest paid.

Financial Position

Group shareholders' funds increased to S$5.9 billion as at December 31, 2016 from S$5.6 billion as at December 31, 2015.

The Group's balance sheet reflects the consolidation of Sembcorp Gayatri Power as a subsidiary, following the Utilities business increasing its ownership in the unit from 49% to 65%, and subsequently to 88%. It also reflects the consolidation of Gravifloat as a subsidiary of the Group, following the increase in Sembcorp Marine's shareholding in the unit from 12% to 56%.

Non-current assets increased in 2016, primarily due to the consolidation of Sembcorp Gayatri Power and Gravifloat by the Utilities business and Marine business respectively.

Inventories and work-in-progress decreased, primarily due to reduced work-in-progress at the Marine business following the successful delivery of jack-up rigs. Recoverability of work-in-progress for rig building is dependent on customers taking delivery of the rigs in the future.

Interest-bearing borrowings increased in 2016 due to consolidation of Sembcorp Gayatri Power and the Marine business' borrowings for working capital and capital expenditure for its Singapore and Brazil yards.

Shareholder Returns

Return on equity for the Group was 6.2% and earnings per share amounted to 19.9 cents in 2016.

Subject to approval by shareholders at the next annual general meeting, a final ordinary one-tier tax-exempt dividend of 4.0 cents per share has been proposed for the financial year ending December 31, 2016. Together with an interim dividend of 4.0 cents per ordinary share paid in August 2016, this brings our total dividend for the year to 8.0 cents per ordinary share.

Economic Value Added

Economic value added (EVA) was negative in 2016, mainly due to weaker performance by the Marine business' rig building operations. In 2016, EVA also included the effect of new investments in early stages of operation.

Value Added and Productivity Data

In 2016, the Group's total value added was S$2.2 billion. This was absorbed by employees in wages, salaries and benefits of S$800 million, by governments in income and other taxes of S$119 million and by providers of capital in interest, dividends and distribution of S$620 million, leaving a balance of S$678 million reinvested in our businesses.

Critical Accounting Policies

Sembcorp's financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRSs).

With effect from January 1, 2016, the Group adopted the following new / amended FRSs, set out in the table below.

The adoption of the FRSs below (including consequential amendments) does not have any significant impact on the Group's financial statements.

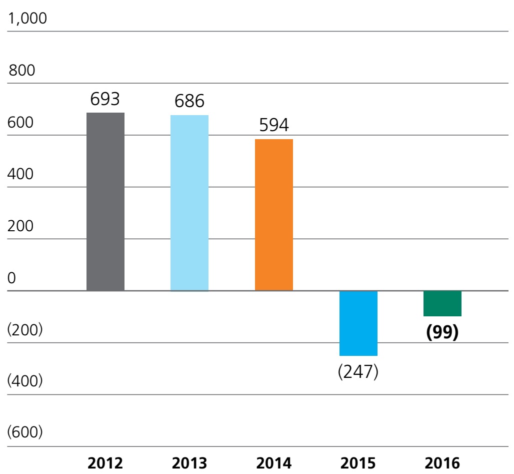
Amendments to FRSs:	
FRS 1	Presentation of Financial Statements
FRS 16	Property, Plant and Equipment
FRS 19	Employee Benefit Plans: Employee Contributions
FRS 27	Separate Financial Statements
FRS 28	Investments in Associates and Joint Ventures
FRS 38	Intangible Assets
FRS 105	Non-current Assets Held for Sale and Discontinued Operations
FRS 110	Consolidated Financial Statements
FRS 111	Joint Arrangements
FRS 112	Disclosure of Interests in Other Entities

Financial Risk Management

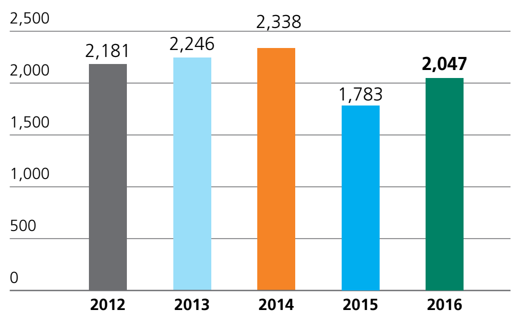
The Group's activities expose it to a variety of financial risks, including changes in interest rates, foreign exchange rates and commodity prices, as well as credit risk.

Please refer to the Environmental, Social and Governance Review in this annual report for details on the management of these risks.

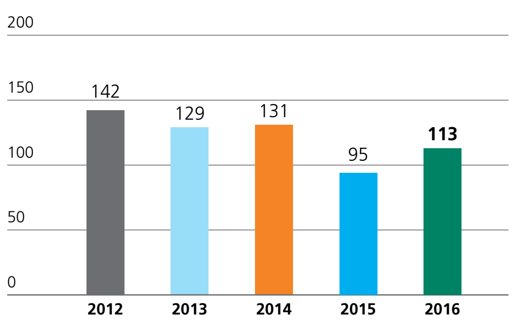
Economic Value Added* (S$ million)



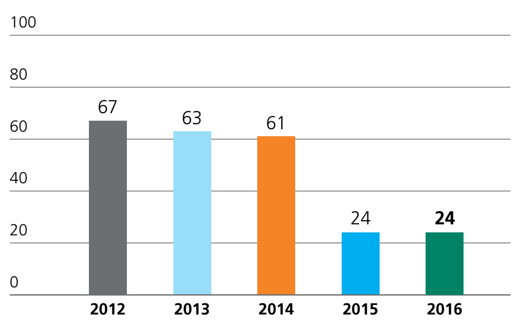
Gross Value Added (S$ million)



Value Added Per Employee (S$ thousands)



Profit After Tax Per Employee (S$ thousands)



* *In the interest of consistency, prior years' economic value added has been restated to include capital charge deferral. Capital charge deferral (net) refers to deferral of capital charges for investments made in projects where returns are not immediate at the time of investment (eg. greenfield projects) less cost of deferral at weighted average cost of capital*

Value Added Statement (S$ million)

	2016	2015	2014	2013	2012
Value Added from					
Turnover	**7,907**	9,545	10,895	10,798	10,189
Less: Bought in materials and services	**(5,860)**	(7,762)	(8,557)	(8,552)	(8,008)
Gross value added	**2,047**	1,783	2,338	2,246	2,181
Investment, interest and other income	**536**	985	253	308	130
Share of results of associates and joint ventures, net of tax	**125**	6	159	155	163
Other non-operating expenses	**(491)**	(631)	(168)	(95)	(74)
	2,217	2,143	2,582	2,614	2,400
Distribution					
To employees in wages, salaries and benefits	**800**	832	871	916	781
To governments in income and other taxes	**119**	137	211	182	136
To providers of capital in:					
Interest on borrowings	**402**	238	70	118	140
Dividends to owners	**179**	285	393	268	304
Profit attributable to perpetual securities holders	**39**	28	9	4	–
	1,539	1,520	1,554	1,488	1,361
Retained in Business					
Depreciation and amortisation	**454**	405	315	303	282
Deferred tax expense / (credit)	**32**	(106)	26	(12)	23
Retained profits	**178**	236	399	548	450
Non-controlling interests	**42**	(94)	283	277	280
	706	441	1,023	1,116	1,035
Other non-operating (income) / expenses	**(28)**	182	5	10	4
	678	623	1,028	1,126	1,039
Total Distribution	**2,217**	**2,143**	2,582	2,614	2,400

Productivity Data

	2016	2015	2014	2013	2012
Average staff strength	**18,072**	18,676	17,806	17,401	15,343
Employment costs *(S$ million)*	**800**	832	871	916	781
Profit after tax per employee *(S$'000)*	**24**	24	61	63	67
Value added *(S$ million)*	**2,047**	1,783	2,338	2,246	2,181
Value added per employee *(S$'000)*	**113**	95	131	129	142
Value added per dollar employment costs *(S$)*	**2.56**	2.14	2.68	2.45	2.79
Value added per dollar investment in property, plant and equipment *(S$)*	**0.14**	0.15	0.22	0.30	0.30
Value added per dollar sales *(S$)*	**0.26**	0.19	0.21	0.21	0.21

The figures above reflect data for core businesses only

Treasury Management

Sembcorp Financial Services (SFS), the Group's wholly-owned treasury vehicle, manages the Group's financing activities, as well as its treasury activities in Singapore. SFS also oversees financing and treasury activities outside of Singapore together with the respective business units. In addition, SFS facilitates funding and on-lends funds borrowed by it to businesses within the Group, where appropriate.

SFS and our overseas treasury units actively manage cash within the Group by setting up cash pooling structures in various countries where appropriate, to take in surplus funds from businesses and lend it to those with funding requirements. We also actively manage the Group's excess cash, deploying it to a number of financial institutions, and closely track developments in the global banking sector. Such proactive cash management continues to be an efficient and cost-effective way of managing the Group's cash and financing its funding requirements.

Facilities

As at December 31, 2016, the Group's total credit facilities, including its multi-currency debt issuance programme, amounted to S$20.5 billion (2015: S$18.8 billion). This comprised funded facilities of S$16.1 billion (2015: S$14.4 billion), including S$10.8 billion in committed facilities (2015: S$9.7 billion), and trade-related facilities of S$4.4 billion (2015: S$4.3 billion), including but not limited to bank guarantees, letters of credit, bid bonds and performance bonds. The increase over the previous year was mainly due to consolidation of Sembcorp Gayatri Power's credit facilities following our increased stake in the company from 49% to 88% in 2016 and an increase in SFS's multi-currency debt issuance programme limit from S$2 billion to S$2.5 billion in November 2016.

Borrowings

The Group aims to term out loans such that their maturity profile mirrors the operating life of our core assets, while continuing our focus on maintaining adequate liquidity for our businesses. We continue to build on our banking relationships to ensure that we are able to secure funding on competitive terms, as and when commercially viable and strategically attractive opportunities arise.

As at December 31, 2016, the Group's gross borrowings amounted to S$9.2 billion (2015: S$6.8 billion). As compared to 2015, the increase of S$2.4 billion in gross borrowings was mainly due to the consolidation of Sembcorp Gayatri Power's debt and new borrowings by Sembcorp Marine. The interest cover has also dropped from 7.2 times in 2015 to 3.3 times in 2016, mainly due to an increase in borrowings as well as greenfield projects that have not yet begun commercial operations. The Group remains committed to balancing the availability of funding and the cost of funding, while maintaining prudent financial ratios. We also aim to maintain an efficient and optimal mix of committed and uncommitted facilities.

Of the overall debt portfolio in 2016, 48% (2015: 66%) constituted fixed rate debt that was not exposed to interest rate fluctuations. The floating rate debt mainly comprised long-term bank loans in India to support the Group's projects in the country. These bank loans are typically pegged to the respective lenders' posted interest rates which are floating in nature. Currently, financial instruments that provide an effective hedge to movements in Indian *rupee* interest rates are not available in the domestic market. However, the Group's floating rate borrowings in the country have benefited from the Reserve Bank of India's reduction of interest rates in 2016. Should the right opportunity arise, the Group may consider issuing relatively shorter fixed rate bonds of up to seven years' "sweet spot" tenor in the India debt market.

Financing and Treasury Highlights *(S$ million)*

	2016	2015	2014
Source of Funding			
Cash and cash equivalents	**1,883**	1,606	1,661
Funded facilities (including multi-currency debt issuance programme)			
Committed funded facilities	**10,827**	9,687	5,868
Less: Amount drawn down	**(9,009)**	(6,864)	(4,525)
Unutilised committed funded facilities	**1,818**	2,823	1,343
Uncommitted funded facilities	**5,322**	4,748	4,383
Less: Amount drawn down	**(1,012)**	(768)	(418)
Unutilised uncommitted funded facilities	**4,310**	3,980	3,965
Total unutilised funded facilities	**6,128**	6,803	5,308
Trade-related facilities			
Facilities available	**4,379**	4,347	4,291
Less: Amount used	**(2,411)**	(2,337)	(1,903)
Unutilised trade-related facilities	**1,968**	2,010	2,388
Funding Profile			
Maturity profile			
Due within one year	**2,126**	1,801	1,086
Due between one to five years	**4,043**	2,957	1,369
Due after five years	**3,052**	2,075	2,288
	9,221	6,833	4,743
Debt mix			
Fixed rate debt	**4,416**	4,529	3,627
Floating rate debt	**4,805**	2,304	1,116
	9,221	6,833	4,743

Financing and Treasury Highlights *(S$ million)*

	2016	2015	2014
Debt Ratios			
Interest cover ratio			
Earnings before interest, tax, depreciation and amortisation	**1,315**	1,720	1,457
Interest on borrowings	**402**	238	70
Interest cover *(times)*	**3.3**	7.2	20.8

	2016	D/C ratio	2015	D/C ratio	2014	D/C ratio
Debt / capitalisation (D/C) ratios						
Sembcorp Industries corporate debt	**1,697**	0.10	1,197	0.08	1,322	0.11
Sembcorp Industries project finance debt	**3,369**	0.19	2,256	0.15	1,680	0.14
Sembcorp Marine debt	**4,155**	0.24	3,380	0.23	1,741	0.15
Sembcorp Industries Group gross debt	**9,221**	0.53	6,833	0.46	4,743	0.40
Less: Cash and cash equivalents	**(1,883)**	–	(1,606)	–	(1,661)	–
Sembcorp Industries Group net debt / (cash)	**7,338**	0.42	5,227	0.35	3,082	0.26

OPERATING AND FINANCIAL REVIEW

UTILITIES REVIEW

Sembcorp's total water management plant in Changzhi, China will serve a large-scale coal-to-diesel plant

Competitive Edge

- A leading developer, owner and operator of energy and water assets with strong operational, management and technical capabilities
- Operations in 14 countries with a strong presence in growth markets and an established presence in Asia
- Global leader in the provision of energy, water and on-site logistics to multiple industrial site customers
- A balanced global portfolio of high-efficiency thermal and renewable assets, with capabilities in gas, coal, wind, solar, biomass and energy-from-waste
- Solid track record in providing total water and wastewater treatment solutions for industries and water-stressed regions

Performance Scorecard

Financial Indicators *(S$ million)*	2016	2015	Change *(%)*
Turnover	**4,132.9**	4,258.5	(3)
Earnings before interest, tax, depreciation and amortisation	**916.8**	1,211.0	(24)
Profit from operations	**737.2**	947.5	(22)
– Earnings before interest and tax	**633.0**	825.8	(23)
– Share of results: Associates & JVs, net of tax	**104.2**	121.7	(14)
Net profit	**348.0**	701.5	(50)
– Net profit before exceptional items	**345.5**	331.6	4
– Exceptional items[1]	**2.5**	369.9	(99)
Return on equity *(%)*	**9.3**	21.4	(57)

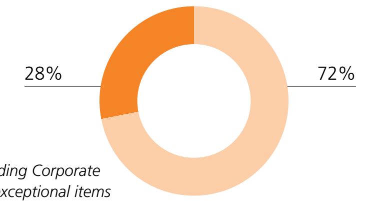
[1] *Exceptional items amounted to*
2016: *a total of S$2.5 million, comprising S$33.5 million from the divestment gain on the sale of the municipal water operation in Yancheng, China, less S$31.0 million total refinancing cost for the Thermal Powertech Corporation India power plant*
2015: *a total of S$369.9 million, comprising divestment gains of S$425.6 million from the sale of a waste management joint venture in Australia and municipal water operations in Bournemouth, UK and Zhumadian, China, less S$55.7 million comprising S$31.4 million from the exit of the chemical feedstock business and impairment of assets in Singapore (net of settlement amounts from customers) and S$24.3 million in net allowance for doubtful debts in China*

Operational Indicators	2016	2015
Power capacity *(megawatts)*	**10,916**	10,616
Steam capacity *(tonnes per hour)*	**4,532**	4,532
Water & wastewater treatment capacity *(cubic metres per day)*	**8,821,252**	9,232,226

Note: Capacity refers to total gross installed capacity of facilities in operation and under development

PFO* by Geography

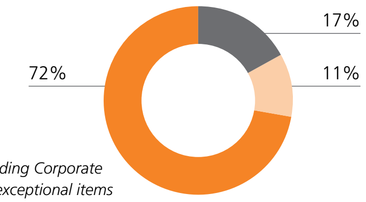
- Singapore
- Overseas



* *Excluding Corporate and exceptional items*

PFO* by Segment

- Energy
- Water
- On-site logistics & solid waste management



* *Excluding Corporate and exceptional items*

Key Developments

Completed a 1,320-megawatt supercritical expansion to the Chongqing Songzao mine-mouth coal-fired power project in China, in January 2017. The project's proximity to its fuel source allows for a competitive generation cost

Opened the US$3 billion Sembcorp Gayatri Power Complex, India's largest foreign direct investment-driven thermal power project on a single site

Signed key project agreements for power projects in Myanmar and Bangladesh, including long-term power purchase agreements

Grew global wind and solar power capacity to over 1,700 megawatts in line with our commitment to grow the renewable share of our global energy portfolio. Renewable capacity in India alone now stands at 971 megawatts

Operating and Financial Review

Overseas operations now contribute 72% of profit from operations

The Utilities business continued to provide a strong income base for Sembcorp in 2016. Operations in China turned in record profits for the year, while Singapore operations continued to be a key profit contributor despite intense competition in the power market.

Turnover was S$4.1 billion compared to S$4.3 billion in 2015. Profit from operations (PFO) was S$737.2 million compared to S$947.5 million, while net profit was S$348.0 million compared to S$701.5 million. In 2015, the business divested an Australian waste management joint venture and municipal water operations in the UK and Zhumadian, China and recorded exceptional items totalling S$376.3 million. In 2016, the business recorded S$13.5 million in exceptional items, which includes a gain from the divestment of the Yancheng municipal water operations in China. Excluding exceptional items which mainly comprised gains from these divestments, PFO grew 27% to S$723.7 million, while net profit rose 4% to S$345.5 million from S$331.6 million in 2015.

Overseas operations contributed almost three-quarters of the Utilities business' PFO before exceptional items in 2016 or S$513.1 million, a growth of 30% over last year. Meanwhile, Singapore operations contributed 28% of the Utilities business' PFO, with S$198.3 million.

On a net profit basis, overseas operations generated 63% or S$222.8 million of the business' net profit, while Singapore operations turned in the remaining 37% or S$132.1 million.

Our **Singapore** operations achieved a steady performance in 2016 with a PFO of S$198.3 million, driven by a solid performance by its centralised utilities and solid waste management units. This was roughly comparable to the business' 2015 PFO of S$203.9 million.

PFO *(S$ million)*

	2016	2015	Change (%)
Singapore	**198.3**	203.9	(3)
China	**140.1**	110.7	27
India	**239.5**	127.3	88
Rest of Asia	**16.7**	51.7	(68)
Middle East & Africa	**64.0**	52.7	21
UK & the Americas	**52.8**	51.4	3
Corporate	**12.3**	(26.5)	NM
PFO before exceptional items	**723.7**	571.2	27
Exceptional items[1]	**13.5**	376.3	(96)
Total PFO	**737.2**	947.5	(22)
Less: Interests, taxes and non-controlling interests	**(389.2)**	(246.0)	(58)
Net profit	**348.0**	701.5	(50)

[1] *Exceptional items amounted to*
***2016:** a total of S$13.5 million, comprising S$34.7 million from the divestment gain on the sale of the municipal water operation in Yancheng, China, less S$21.2 million total refinancing cost for the Thermal Powertech Corporation India power plant*
***2015:** a total of S$376.3 million, comprising divestment gains of S$425.6 million from the sale of a waste management joint venture in Australia and municipal water operations in Bournemouth, UK and Zhumadian, China, less S$49.3 million comprising S$25.0 million from the exit of the chemical feedstock business and impairment of assets in Singapore (net of settlement amounts from customers) and S$24.3 million in net allowance for doubtful debts in China*

On a net profit basis, the Singapore business turned in S$132.1 million, compared to S$146.8 million in 2015. Our power business in the country continues to face intense competition. However our diversified utilities operations, supplying power, steam, natural gas, total water and wastewater treatment solutions, on-site logistics as well as solid waste management, has provided resilience.

In 2016, PFO from **China** operations increased to S$140.1 million from S$110.7 million in 2015. On a net profit basis, the business turned in a record profit of S$124.8 million, representing a growth of 31% over 2015. Both the energy and water segments posted improvements in earnings. In addition, earnings from the country included a final dividend from the Yangcheng coal-fired power plant, for which the cooperative joint venture agreement expired in October 2016.

Meanwhile in December 2016, we completed the divestment of our 49% stake in municipal water unit Yancheng China Water Co to the local government's municipal utilities investment company. Arising from this, a divestment gain of S$34.7 million (S$33.5 million at net profit level) was recognised as an exceptional item.

PFO from **India** operations was S$239.5 million in 2016 compared to S$127.3 million in 2015, however in net profit terms the business posted a net loss of S$16.1 million.

Sembcorp Green Infra, our India renewable energy arm, performed better in 2016 over the previous year. The unit's profits benefited from improved wind speeds in the second half of 2016 after the passing of El Niño, as well as an additional 139 megawatts of wind power coming into operation.

On the thermal power side, our first 1,320-megawatt coal-fired power plant, Thermal Powertech Corporation India (TPCIL) generated 9,091 million units and operated at an average plant load factor of 78%. Our focus during the year was stabilising the operations of the plant, and resolving teething issues typical of large-scale coal-fired power plants in their initial stage of operations. At the operating level, TPCIL generated a healthy PFO of S$162.1 million, and posted a net profit of S$2.5 million after deducting financing costs and taxes. Notwithstanding this, TPCIL made good progress on the commercial front. The plant contracted 86% of its net capacity, or 1,070 megawatts, under long-term power purchase agreements, securing a steady source of recurring income. 500 megawatts have been contracted to Andhra Pradesh and Telangana for 25 years, while another 570 megawatts are contracted to Telangana for eight years. With these long-term power purchase agreements in place, we took the opportunity to refinance the project finance loan for the asset. Total refinancing cost of S$31.0 million (at net profit level) was incurred and recognised as an exceptional item. The reduction in interest expense will more than offset this cost of refinancing over the long term. Meanwhile, our second coal-fired power plant Sembcorp Gayatri Power commenced operation of the first of two 660-megawatt generating units in November and reported a net loss for the year.

PFO from the **Rest of Asia**, where operations comprise gas-fired power plants in Vietnam and Myanmar as well as municipal water operations in Indonesia and the Philippines, declined 68% to S$16.7 million. This was primarily due to the absence of contribution from our former waste management joint venture in Australia, which was grouped under this region prior to our divesting it in November 2015. While our build-operate-transfer Sembcorp Myingyan power project in Myanmar is still under construction, S$231.3 million in service concession from the project was recognised in 2016 in accordance with the INT FRS 112 accounting guideline.

PFO from **Middle East & Africa** operations increased 21% to S$64.0 million due to a better operating performance by our UAE operations. Meanwhile, PFO from the **UK & the Americas** was S$52.8 million, comparable to PFO from the region in 2015.

Positioning the business for long-term growth

Expanding our recurring income base, deepening our presence in key markets and actively growing our renewables business

During the year, we continued efforts to position the Utilities business for the future. Firstly, we expanded our recurring income base through focused execution of our pipeline of projects. Secondly, we continued to make progress in building strong operations in key markets to sow the seeds for future growth. Thirdly, we maintained concerted efforts to broaden and deepen our renewable energy capabilities and develop this emerging business as a new engine of growth for the Group.

Focused Execution of Pipeline

In 2016, we continued to focus on execution of our project pipeline to strengthen recurring income streams for the long term. During the year, we completed and began operation of over 1,600 megawatts of power capacity, amounting to more than 40% of our pipeline of new power projects due to come onstream between 2016 and 2018. This included two 660-megawatt supercritical coal-fired units at the Sembcorp Gayatri Power and Chongqing Songzao projects in India and China, as well as our energy-from-waste project Wilton 11 in the UK. On the renewables front, increases in operating capacity included the Rojwas and Vagarai projects and part of the Ananthalli & Harpanhalli project in India, as well as part of the Huanghua Laoshibeihe wind power project in China.

In addition, we completed three industrial wastewater treatment projects in Lianyungang, Qidong and Jingmen, China.

2016 Project Completions

>1,600MW and 40,000m³/day completed and commissioned in 2016

Thermal Energy	Renewable and Energy-from-Waste	Water
1,320MW	325MW	40,000m³/day
▪ Sembcorp Gayatri Power (1,320MW), India – 660MW completed ▪ Chongqing Songzao (1,320MW), China – 660MW completed	▪ Wilton 11 (50MW), UK ▪ Parner, Rajgarh (17MW), India ▪ Rojwas (60MW), India ▪ Vagarai (26MW), India ▪ Ananthalli & Harpanhalli (80MW), India – 36MW completed ▪ Huanghua Laoshibeihe (150MW), China – 136MW completed	▪ Lianyungang IWWTP (20,000 m³/day) ▪ Qidong IWWTP (10,000 m³/day) ▪ Jingmen IWWTP (10,000 m³/day)

IWWTP: industrial wastewater treatment plant; *m³/day:* cubic metres per day; *MW:* megawatts

Focused Execution of Pipeline (Cont'd)

Looking ahead in 2017, we are targeting to complete development and commence operation of another 1,500 megawatts of power capacity. We will also begin operation of our Changzhi total water management facility, in conjunction with our anchor customer's commencement of operations.

Target Completions & Commissionings

Around 2,500MW of power and over 1.3 million m³/day of water and wastewater treatment capacities to be added in 2017–2018

2017

Chongqing Songzao
1,320MW
Chongqing, China
Completed

Sembcorp Gayatri Power
1,320MW
Andhra Pradesh, India
Completed

EfW Facility
140tph steam
Jurong Island, Singapore

Singapore Solar Power
6MW
Singapore

Huanghua Laoshibeihe
150MW
Hebei, China

Changzhi TWMP
1.3 million m³/day
Shanxi, China

Ananthalli & Harpanhalli
80MW
Karnataka, India

Karadikonda
50MW
Andhra Pradesh, India

Sadla
50MW
Gujarat, India

Rojmal 3
40MW
Gujarat, India

2018

Huanghua Phase 3
99MW
Hebei, China

Huanghua Huangnanpaigan
200MW
Hebei, China

Myingyan
230MW
Mandalay, Myanmar

Sirajganj Unit 4[1]
427MW
Sirajganj, Bangladesh

Thermal
Coal
Gas

Renewable & Energy-from-Waste
Wind
Solar
Energy-from-Waste

Water
Water

[1] *To operate in open-cycle mode in 2018*

Note: Capacity refers to total gross installed capacity of facilities in operation and under development

EfW: energy-from-waste; *m³/day:* cubic metres per day; *MW:* megawatts; *tph:* tonnes per hour; *TWMP:* total water management plant

Maintaining momentum in China and India

In China, our Chongqing Songzao mine-mouth coal-fired power project commenced operation of its first 660-megawatt expansion unit in November 2016, followed by a second 660-megawatt expansion unit in January 2017, ahead of schedule. Together with the project's existing 300-megawatt facility, this brings the asset's total capacity to 1,620 megawatts. On the water front, we completed new industrial wastewater treatment plants in Jingmen, Hubei province and Qidong, Jiangsu province. Also in Jiangsu, we successfully completed upgrading works for a wastewater treatment plant in a chemical industrial park in Lianyungang. Following our successful reconfiguration, the plant is now able to treat industrial wastewater to meet more stringent discharge regulations imposed by the authorities. We have also built in a pre-ozonation system to treat wastewater that is not easily biodegradable, further enhancing the plant's performance and ensuring its ability to operate consistently and reliably. With increasing emphasis on environmental sustainability, we see a growing demand for sustainable industrial wastewater treatment solutions. This pilot project will allow us to showcase our abilities in upgrading brownfield facilities, and present a new business model that we can replicate elsewhere in China and beyond.

In India, we marked a key milestone in the official opening of the Sembcorp Gayatri Power Complex in Andhra Pradesh in February 2016. The US$3 billion (approximately S$4 billion) power complex is the largest foreign direct investment-driven thermal power project on a single site in India to date and houses two supercritical coal-fired power plants of 1,320 megawatts each. The first of these plants, TPCIL, commenced full commercial operations in September 2015 and achieved its first full year of operations in 2016. Meanwhile, the second plant, the Sembcorp Gayatri Power project, commenced full commercial operations in February 2017. Its first 660-megawatt unit was completed in November 2016 and its second 660-megawatt unit in February 2017.

Notable Project Completions in China and India

The 1,320-megawatt Chongqing Songzao power plant in Chongqing, China

An upgraded 20,000m³/day industrial wastewater treatment facility in Lianyungang, Jiangsu, China

The 1,320-megawatt Sembcorp Gayatri Power facility in Andhra Pradesh, India

Making progress in Myanmar and Bangladesh

In addition, we also made progress in other rapidly developing economies. In Myanmar, we secured a power purchase agreement for our gas-fired combined cycle Sembcorp Myingyan power project, which has a contracted capacity of 225 megawatts. A build-operate-transfer agreement with the government was secured in January 2017. Construction for the project is progressing well and the project is on track to begin operation in 2018. Once operational, the Sembcorp Myingyan power project will be one of Myanmar's largest and most efficient gas-fired power plants, and will play a key role in meeting the country's growing demand for electricity.

Meanwhile in Bangladesh, we signed a long-term power purchase agreement for our upcoming Sirajganj Unit 4 dual-fuel combined cycle power project. Project financing was secured from the International Finance Corporation of the World Bank Group, Clifford Capital and CDC Group, the UK government's development finance institution. The World Bank Group's Multilateral Investment Guarantee Agency was also engaged to provide political risk cover. Construction for the plant, which has a contracted capacity of 414 megawatts, has commenced. At present, Bangladesh's power demand exceeds supply and per capita consumption of power remains among the lowest in the world. The government of Bangladesh is working towards providing power for all its citizens by 2021 and plans to add nearly 16 gigawatts of capacity over the next five years. Given this background, the country presents significant opportunities for Sembcorp.

Actively growing our renewable energy business

We remain committed in our focus to grow the renewable share of our energy portfolio. In 2016, we made good progress towards this objective.

In India, which is Sembcorp's largest market in terms of our renewable energy presence, we have reached 971 megawatts in renewable power capacity in operation and under construction. During the year, an additional 139 megawatts of wind power capacity came into operation, bringing total operating capacity to 788 megawatts. We completed a 60-megawatt project in Madhya Pradesh, a 26-megawatt project in Tamil Nadu and part of an 80-megawatt project in Karnataka. At the same time, we continue to keep an active lookout for new viable renewable projects to add to our pipeline. Demonstrating our confidence in the strong potential of the business, we increased our equity interest in India renewables arm Sembcorp Green Infra by another 4%, to 68.7%.

In China, the 150-megawatt Laoshibeihe wind farm in Huanghua, Hebei is now 97% complete. When fully completed in 2017, it will take our renewable energy operating portfolio in the country to 446 megawatts. Additionally, two new wind power projects in Huanghua, the 99-megawatt Huanghua Phase 3 and the 200-megawatt Huangnanpaigan projects, are planned for development and expected to come onstream in 2018. Our renewable power capacity in the country now totals 745 megawatts in operation and under development.

Besides expanding capacity with new projects, we have also deepened the capabilities of our renewables business. To enhance our competitiveness, we implemented key initiatives during the year to increase revenue and reduce cost. The first initiative was a performance optimisation programme driven by improvements in technology, engineering and operations. In addition, instead of outsourcing operations and maintenance, our renewables business started to implement self-performed operations and maintenance to manage its facilities.

Outlook

The World Bank expects growth in the global economy to improve in 2017, and forecasts a growth of 2.7% compared to 2.3% in 2016.

In Singapore, the Ministry of Trade and Industry forecasts the economy to expand by 1% to 3% in 2017. Meanwhile, the Economic Development Board expects fixed asset investment commitments to be between S$8.0 billion and S$10.0 billion for the year, comparable to the S$9.4 billion achieved in 2016. We expect the operating environment in Singapore's power sector to remain challenging, with continued intense competition. However, the performance of our centralised utilities, gas and solid waste management businesses in the country is expected to remain steady.

Meanwhile, China's growth is projected to moderate from 6.7% in 2016 to 6.4% between 2017 and 2019, according to World Bank forecasts. The rebalancing of the economy, from investment to consumption, and from industry to services, is expected to continue at a more measured pace. In 2016, our China Utilities business delivered record profits. Its performance in 2017 is expected to remain steady although lower than in 2016, given the expiry of the Yangcheng cooperative joint venture agreement in 2016. In the medium to long term, we believe that China's strong emphasis on environmental protection presents opportunities for our business. For instance, the country has demonstrated its commitment to sustainability through more stringent targets to reduce water pollution, improve water quality and protect water resources in its 13th Five-year Plan, as well as through targets to increase the renewable share of its energy mix.

In India, we have a combined power capacity of over 3,600 megawatts, with two thermal power plants as well as renewable energy assets. The second thermal power plant, Sembcorp Gayatri Power, commenced full commercial operations in February 2017 but has yet to secure long-term power purchase agreements. As spot and short-term power tariffs remain weak, its performance is expected to be adversely affected.

Operating performance in the other regions is expected to be stable.

The Utilities business will remain focused on operational excellence as well as the execution of its pipeline of projects to deliver long-term growth.

Multi-utilities facilities on Jurong Island, Singapore

OPERATING AND FINANCIAL REVIEW

MARINE REVIEW

Completed in January 2017, the Phase II development of Sembcorp Marine Tuas Boulevard Yard in Singapore has an extensively automated hull shop and three new dry docks

Competitive Edge

- A global leader in integrated offshore and marine solutions with more than 50 years' proven track record
- Able to offer diversified, innovative solutions across the offshore and marine value chain, both within and beyond the oil and gas sector
- Established capabilities in rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding
- Global network with yard facilities strategically located in Singapore, Indonesia, India, the UK and Brazil

Performance Scorecard

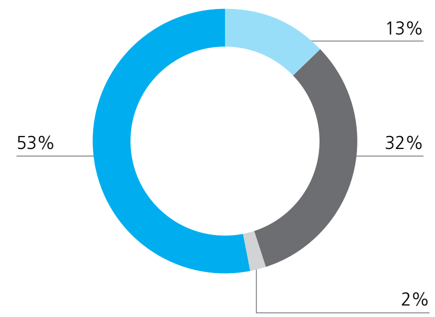
Financial Indicators *(S$ million)*	2016	2015	Change *(%)*
Turnover	**3,544.8**	4,968.1	(29)
Earnings before interest, tax, depreciation and amortisation	**384.5**	501.1	(23)
Profit from operations	**170.7**	(342.0)	NM
– Earnings before interest and tax	**205.8**	(168.5)	NM
– Share of results: Associates & JVs, net of tax	**(35.1)**	(173.5)	80
Net profit	**78.8**	(289.7)	NM
Return on equity *(%)*	**3.1**	(10.6)	NM

Note: Figures taken at Sembcorp Marine level

Operational Indicators *(S$ billion)*	2016	2015
Net orderbook	**7.8**	10.4

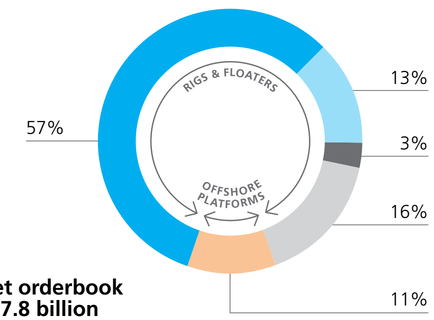
Turnover by Segment

- Rigs & floaters
- Repairs & upgrades
- Offshore platforms
- Other activities



Orderbook Composition

- Drillships
- Semi-submersibles
- Jack-up rigs
- Floaters
- Offshore platforms



Net orderbook
S$7.8 billion
As at December 31, 2016

Key Developments

Successfully delivered key projects to customers, improving cash flows and strengthening the business' balance sheet

Made strategic acquisitions to deepen proprietary design and engineering capabilities and support diversification. These included investments in Gravifloat, Aragon and LMG Marin, amongst others

Completed Phase II of the Sembcorp Marine Tuas Boulevard Yard in January 2017

Operating and Financial Review

Disciplined execution amidst a challenging macro environment

Despite a challenging macro environment and uncertainty in the oil and gas sector, the Marine business returned to profitability in 2016.

Turnover was S$3.5 billion, compared to S$5.0 billion in 2015. Profit from operations was S$170.7 million, compared to negative S$342.0 million in 2015. Net profit was S$78.8 million compared to a net loss of S$289.7 million in 2015.

In 2015, Sembcorp Marine had made impairment and provisions totalling S$609 million for its rig contracts, comprising S$329 million for the Sete Brasil contracts and SS$280 million for the deferment and possible cancellation of rigs. The business regularly reviews the adequacy of the provisions, and in its latest review determined that the provisions remain adequate under the present circumstances.

Focused execution of orderbook

Despite uncertainty in the industry, Sembcorp Marine stayed focused and disciplined in the execution of its orderbook. Key projects were completed and handed over to customers in 2016, generating significant operating cash flows and a stronger balance sheet.

The Marine business continued to actively pursue opportunities in spite of challenging market conditions. A total of S$320 million in new contracts was secured during the year. At the end of 2016, net orderbook stood at S$7.8 billion. Excluding the Sete Brasil contracts, net orderbook stood at S$4.7 billion. The majority of projects in the current net orderbook are based on progressive payment terms.

Sembcorp Marine has continued to make good progress on the execution of its current orderbook. Leveraging the capabilities of the state-of-the-art Tuas Boulevard Yard and other facilities in Singapore, the business has been able to secure and deliver mega construction projects which were previously undertaken by competitors outside of Singapore. Examples of such projects currently under construction include: a semi-submersible crane vessel for Heerema, a newbuild floating storage and offloading (FSO) vessel for MODEC, and harsh environment topside modules for Maersk Oil targeted for deployment in the Culzean field. In addition, work is also progressing on the floating production storage and offloading vessels (FPSOs) *Pioneiro de Libra*, *Kaombo Norte*, *Kaombo Sul* and *Gina Krog*.

Over in Brazil, the Estaleiro Jurong Aracruz yard made good progress on the construction and integration of topside modules for Petrobras' *P-68* and *P-71* FPSOs. A number of repair and upgrading jobs on vessels were also completed at the yard during the year.

Notable Deliveries in 2016

Safe Zephyrus
A harsh environment accommodation semi-submersible unit for Prosafe

Noble Lloyd Noble
The world's largest ultra high-specification harsh environment jack-up rig, for Noble Corporation

Professor John Evans Atta Mills
An FPSO conversion for MODEC

Maersk Highlander
A harsh environment jack-up rig for operations in the Culzean Field, for Maersk Oil

Platform topsides for *Ivar Aasen* development
Process, drilling and quarters platform topsides for Det Norske

Dudgeon offshore substation platform
An offshore substation platform for the Dudgeon Offshore Wind Farm, for Siemens

A Next-Generation Fully Integrated Offshore and Marine Engineering Hub

Sembcorp Marine Tuas Boulevard Yard, Singapore

Total drydock capacity of 1,850,000dwt with a 255m by 110m by (-12m) offshore drydock

- Sembcorp Marine recognises the need to deepen and broaden its yard capabilities to enable cost-effective execution and maintain global competiveness.
- Its new flagship yard at Tuas Boulevard has unlocked new opportunities and enabled the business to move up the value chain and take on projects of greater complexity and scale.
- The new yard's capabilities also boost Sembcorp Marine's long-term competitiveness against other global players.

Drydocks

1	350m x 66m x (-8.5m)
2	360m x 89m x (-8.5m)
3	412m x 66m x (-11m)
4	350m x 66m x (-8.5m)
5 6	255m x 52m x (-8m)
7	255m x 110m x (-12m)

8 **Steel Structure Fabrication Workshop**

Offers a streamlined and extensively automated production process. The central kitchen for steel fabrication for all three phases of the yard, greatly improving efficiency

Natural deep waters	Enables installation of semi-submersible thrusters without towing the rig to sea
Special reinforced load-out areas for offshore modules of up to 20,000 tonnes	Enables direct lifting and deployment of topside modules onto hulls without requiring the hulls to be towed out to sea
Three finger piers and a basin ranging from 210m to 400m with maximum draft from 9m to 15m	Enables ultra-deepwater semi-submersibles and cruise ships to be berthed without restrictions

dwt: deadweight tonnes; *m:* metres

Monitoring developments on deferred projects, actively engaging with customers

Sembcorp Marine continues to monitor developments relating to deferred rigs and drillship projects, while taking the appropriate actions to protect its interests in these contracts.

While Sembcorp Marine has agreed with some customers to defer the delivery of their jack-up rigs, these rigs have already been technically accepted by the same customers. The business is evaluating different courses of action for these rigs, including sales to third parties. In 2016, a customer, Perisai, announced its insolvency and plans to undergo financial restructuring. Our Marine business has taken steps to protect its interests in the two rigs that have been completed and technically accepted by Perisai. Meanwhile, the standstill agreement with North Atlantic Drilling for the *West Rigel* semi-submersible rig has been further extended to July 6, 2017, whilst North Atlantic Drilling and Sembcorp Marine continue to market the unit for charter or sale.

In 2016, the business' customer, Sete Brasil, filed for judicial restructuring and submitted its restructuring plans. In connection with this, Sembcorp Marine commenced arbitration proceedings against various subsidiaries of Sete Brasil to preserve its interests under the Sete Brasil contracts. Discussions between Sete Brasil and its creditors, shareholders and other stakeholders are ongoing to find equitable solutions. Without prejudice to its ongoing arbitration proceedings, Sembcorp Marine continues to engage with Sete Brasil, in order to monitor the situation and any implications for its business.

Managing costs tightly

During these tough times, the Marine business continues to focus on liquidity, costs and balance sheet management. This includes active management of manpower requirements in line with changing needs.

Sembcorp Marine's overall strategy is to ensure long-term workforce sustainability. To this end, it has sought to maintain and enhance capabilities required for the safe, efficient and effective execution of its projects, while positioning itself for the market's eventual recovery.

With the increase in activities to serve the non-drilling segment, the business has been actively reallocating excess manpower from drilling to non-drilling projects, whilst being mindful not to compromise safety or the quality of execution. It has optimised the number of sub-contractors in its yards in line with the volume of work and allowed for natural attrition of its employees. In addition, it has taken measures to reduce operating costs through salary freezes and adjustments to variable remuneration components for management since 2015. At the same time, the business has sought to strengthen its capabilities in support of future growth in new segments, through selective recruitment, skills training and upgrades. In particular, this has been to strengthen its expertise in near-shore gas infrastructure solutions.

In January 2017, Phase II of the Tuas Boulevard Yard was completed, offering further opportunities to optimise yard capacities and realise operational efficiencies. The business intends to maximise utilisation of the Tuas Boulevard Yard, while reviewing the schedule for the return of other Singapore yards at or before their lease expiry dates. To date, the Marine business has returned the Pulau Samulun Yard to the Singapore government, and in 2017, the Shipyard Road Yard and Tuas Road Yard are scheduled to be returned. To date, most of the business' capital expenditure for new yard infrastructure has been expended. Going forward, capital expenditure for yards that is required for execution of secured contracts, or which will realise cost savings, will proceed. Meanwhile, non-essential capital expenditure will be deferred. The business will also explore potential for cost savings by further optimising the rate of development of its Tuas Boulevard Yard.

Diversifying solutions, targeting new customers and positioning the business for the future

To position itself for the future, the Marine business made several selective strategic acquisitions in 2016 to enhance its proprietary design and engineering capabilities. These investments support its push to diversify its offering and expand beyond drilling solutions to non-drilling solutions. They will also strengthen the business' ability to offer innovative solutions across the offshore and marine value chain, both within and outside the oil and gas sector.

One area where we have identified potential opportunities is in offering innovative solutions to players in the gas value chain. This is given greater interest in the use of gas, a cleaner fuel, in power generation, bunkering and other operations. In March, our Marine business acquired an additional 44% equity stake in Gravifloat, increasing its ownership to 56%. Gravifloat designs and holds patents for a suite of cost-effective, redeployable, modularised near-shore solutions. These include import and export terminal infrastructure for treatment, storage, liquefaction, regasification and offloading of liquefied natural gas (LNG) and liquefied petroleum gas (LPG). Already, these solutions are attracting market interest. In 2016, the business entered into a memorandum of understanding with ENGIE to collaborate on the use of Gravifloat technology in integrated solutions for near-shore receiving, storage and regasification of LNG as well as power generation. As a Group, we are also exploring opportunities for potential collaboration between the Marine and Utilities businesses. In addition, in June the Marine business acquired a 50% stake in process design and engineering group Aragon. Aragon's customised solutions for the FPSO market enhance the business' capabilities to serve the production segment of the oil and gas sector.

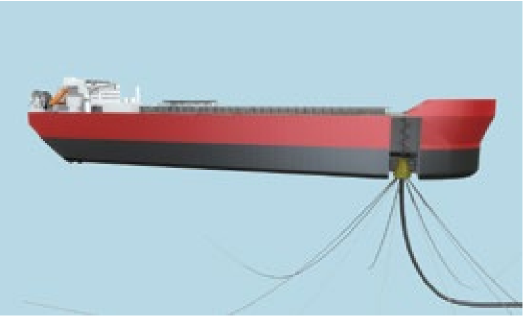
In August, the Marine business also acquired 100% of LMG Marin, a Norway-based naval architecture company with expertise in naval design, engineering and technology development. The company originated several key designs adopted by Sembcorp Marine over the years, including the next-generation Espadon drillship design, a newbuild FSO vessel design and Gravifloat's modular platform solutions. In the same month, the Marine business also acquired the remaining 15% of PPL Shipyard, obtaining sole ownership of the yard which has helped propel it to be a global player in the rig market over the years. Having full control of the yard's operations will allow Sembcorp Marine to manage its resources optimally and better align the yard with its overall strategic direction.

A Focus on New Technologies and Solutions

Diversifying product capabilities

Gravifloat
Modularised LNG and LPG terminals

SSP Offshore
Next-generation circular hull forms



LMG Marin
Advanced ship design and engineering

FEATURE **What are Gravifloat solutions?**

- Gravifloat solutions are steel-based modularised and floatable structures fixed to the seabed in shallow waters. They present a compelling alternative to onshore LNG terminals and floating liquefied natural gas (FLNG) units
- These structures are scalable and can be redeployed to other locations
- Gravifloat structures are completely constructed at Sembcorp Marine yards, with topsides included, tested and pre-commissioned prior to their delivery to site and installation in shallow waters
- Gravifloat is flexible in accommodating various topside functions, from LNG liquefaction plants for LNG exports to LNG regasification plants for LNG imports. In addition to accommodating LNG import solutions, Gravifloat structures can also house simple or combined cycle power plants

Various applications of Gravifloat's designs:

GF-SRU
A floating LNG storage and regasification unit

GF-Power
A small-scale floating combined cycle gas turbine power plant running on LNG with an integrated terminal and storage and regasification capabilities

GF-LNG
Integrated floating LNG terminals, liquefaction plants and export terminals

GF-Bunkering Terminal
Floating storage facilities for redistribution and / or bunkering

Outlook

While prospects for the oil and gas industry have taken a more positive turn following the November 2016 agreement by the Organization of the Petroleum Exporting Countries (OPEC) and major non-OPEC countries to cut production, Sembcorp Marine believes that a more robust recovery may take longer. Despite the challenging outlook and intense competition, the business believes that growth prospects for the offshore and marine industry remain positive in the medium to long term.

With increasing enquiries for non-drilling solutions, an earlier recovery in demand for fixed platforms, FPSO and FSO conversions and newbuilds in the next few years is foreseeable. Rising global demand for gas also augers well for broad-based LNG solutions and capabilities. Sembcorp Marine believes that these are the key segments that will offer opportunities in 2017.

The Marine business' strategy and focus remain anchored on strengthening and optimising its talent pool, pursuing operational excellence in executing its projects, investing in new capabilities, products and technological innovation to help grow its orderbook and prudently managing its financial resources to preserve financial flexibility and ensure the overall sustainability of its business.

URBAN DEVELOPMENT REVIEW

Located on Sino-Singapore Nanjing Eco Hi-tech Island in China, *Jiangdao Technology Innovation Centre* is Nanjing's premier exhibition centre and also offers office space for companies

Competitive Edge

- Over 20 years' track record in undertaking master planning, land preparation and infrastructure development to transform raw land into urban developments
- Significant land bank of integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China and Indonesia
- A valued partner to governments, with the ability to deliver the economic engine to support industrialisation and urbanisation by attracting local and international investments

Performance Scorecard

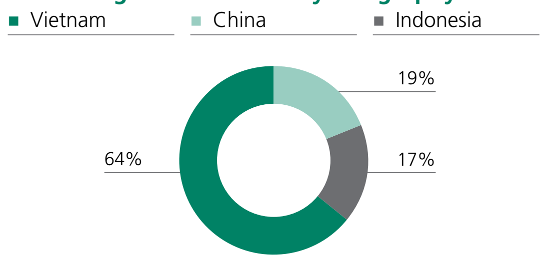
Financial Indicators *(S$ million)*	**2016**	**2015**	**Change** *(%)*
Turnover[1]	**11.2**	12.2	(8)
Profit from operations	**38.4**	38.5	–
– Earnings before interest and tax	**(11.9)**	(7.0)	(70)
– Share of results: Associates & JVs, net of tax	**50.3**	45.5	11
Net profit	**33.3**	33.5	(1)
Return on equity *(%)*	**3.9**	4.2	(7)

[1] *Most of our Urban Development businesses are associates or joint ventures. Turnover reflected consists of payment for services provided to these associates or joint ventures*

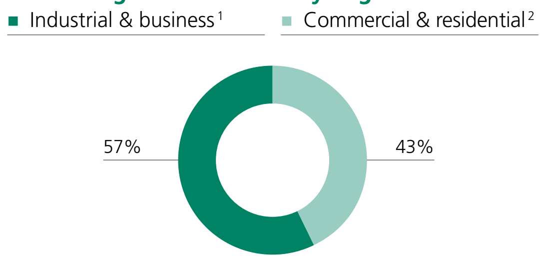
Operational Indicators *(hectares)*	**2016**	**2015**
Saleable land inventory	**5,729**	5,669
Land sold (cumulative)	**2,061**	1,860
Net orderbook	**240**	220
Land available for sale	**3,428**	3,589

Note: Figures are based on current planned estimates and exclude projects under Gallant Venture

Remaining Saleable Land by Geography



Remaining Saleable Land by Segment



[1] *Industrial & business land includes space for general and high-tech manufacturing, research and development, as well as business and technology incubators*
[2] *Commercial & residential land includes space for food and beverage businesses, malls, hotels, serviced apartments and modern services such as accounting and legal firms, consultancies and corporate headquarters*

OPERATING AND FINANCIAL REVIEW | URBAN DEVELOPMENT REVIEW

Key Developments

Celebrated the 20th anniversary of Vietnam Singapore Industrial Park (VSIP). With seven projects across the country, VSIP has become a showcase of successful economic cooperation and close bilateral ties


Broke ground for the Nanjing International Water Hub on the Sino-Singapore Nanjing Eco Hi-tech Island in March. Construction is progressing well, with completion targeted for 2018


Officially opened Park by the Bay, a new 2,700-hectare integrated township in Semarang, Central Java, Indonesia

Operating and Financial Review

Strong Vietnam performance but higher costs

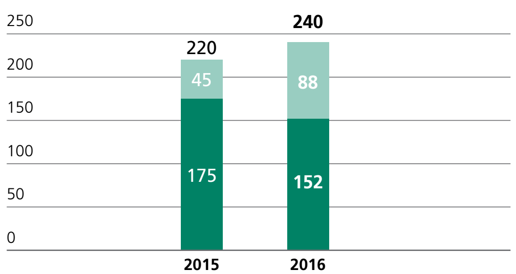
The Urban Development business turned in steady profits in 2016. Profit from operations (PFO) stood at S$38.4 million compared to S$38.5 million in 2015, while net profit was S$33.3 million compared to S$33.5 million the previous year. While Vietnam operations turned in a better performance, the business incurred higher corporate costs and pre-operating costs from new projects.

In 2016, the business sold a total of 201 hectares of land. Land sales in Vietnam increased 9% to 163 hectares from 149 hectares in the previous year, driven by robust demand for industrial land at the Vietnam Singapore Industrial Park (VSIP) projects. Land sold in China totalled 30 hectares compared to 60 hectares in 2015, due to delayed land sales in Nanjing.

Land commitments received from customers remained healthy at 221 hectares, bringing the business' net orderbook to 240 hectares as at the end of 2016. This included a sizeable 42.6-hectare site on the Sino-Singapore Nanjing Eco Hi-tech Island, for which an auction closed in December. Profit from the sale of this site will be recognised in 2017.

Net Orderbook *(hectares)*

■ Industrial & business land[1]
■ Commercial & residential land[2]



[1] Industrial & business land includes space for general and high-tech manufacturing, research and development, as well as business and technology incubators
[2] Commercial & residential land includes space for food and beverage businesses, malls, hotels, serviced apartments and modern services such as accounting and legal firms, consultancies and corporate headquarters

Development Progress in Vietnam


VSIP Hai Phong in northern Vietnam has attracted US$1.5 billion in investment capital from tenants


Seven out of 14 manufacturers have commenced operations at VSIP Quang Ngai in central Vietnam

Vietnam

Our Vietnam business continued to perform well in 2016.

Positive investor sentiment towards the country's manufacturing sector continued to drive take-up for industrial and business land, which accounted for 98% of land sold. Commercial and residential land accounted for the remaining 2% of land sales.

In September, VSIP celebrated its 20th anniversary with an event graced by the Deputy Prime Ministers of Singapore and Vietnam. This gesture signifies the success of VSIP as a showcase of successful economic cooperation and close bilateral ties. Since its founding in 1996, VSIP has evolved into a leading developer in Vietnam with seven projects across the southern, central and northern economic corridors of the country spanning 6,660 hectares in gross project size. It has drawn US$9.4 billion in total investment capital from 670 companies, and created more than 183,000 jobs. With demand for land at its projects remaining strong, VSIP signed memoranda of understanding with the People's Committees of Binh Duong and Bac Ninh provinces to explore the feasibility of new expansions in these provinces. These could potentially add 1,500 hectares to VSIP's current land bank.

During the year, we launched the first phase of our residential project, *The Habitat Binh Duong*. Located in Thuan An District at our first VSIP, the condominium will cater to the needs of tenants of VSIP as well as professionals working in the province. The initial launch of 139 units was well received, and a further 128 units were released for sale at the end of October. As at end December, 184 units or 69% of the project have been taken up. Construction of the project is on track for handover of units to buyers in 2017, upon which profits from the sale of these units will be recognised.

Development Progress in China

The Singapore-Sichuan Hi-tech Innovation Park completed the west zone of Xinchuan Heartbeat Central Park in 2016. This scenic 18-hectare public park has resulted in stronger uptake and enhanced prices for land parcels in the vicinity

Island Residences, a residential project on the Sino-Singapore Nanjing Eco Hi-tech Island co-owned by Sembcorp Development, was launched and sold out in August

China

During the year, our 1,000-hectare Singapore-Sichuan Hi-tech Innovation Park project attracted RMB 4.7 billion in investment from companies in the interactive digital media sector, adding to the RMB 9.5 billion of investments attracted in 2015 from biomedical science companies. This has firmly established it as a home for high-technology companies in Chengdu.

We have completed development of the 18-hectare west zone of the *Xinchuan Heartbeat Central Park*, a public park featuring scenic man-made lakes. The park is the first of three major landscaped areas anchoring the live-and-play areas of Singapore-Sichuan Hi-tech Innovation Park. Already, its partial completion has enhanced the value of land in the vicinity and improved take-up.

In recognition of the Singapore-Sichuan Hi-tech Innovation Park's success in attracting investors, as well as its progressive concept, green building design standards and ecological initiatives, Sichuan's Provincial Department of Housing and Urban-Rural Development has selected it as a provincial-level eco-city showcase project. It is the only development in Chengdu to receive this honour.

Meanwhile, at the Sino-Singapore Nanjing Eco Hi-tech Island project, performance was affected by the timing of land sales. In December, we sold a 42.6-hectare commercial and residential plot on the eco-island for which the profit will be recognised in 2017. In addition, our jointly developed and 21.5%-owned *Island Residences* condominium, located within the eco-island's upcoming *New One North* mixed development, was launched in August. The launch was well received and the project's 182 units of 34,243 square metres gross floor area were sold out. Profits from these sales will be recognised in 2018, when construction is completed and the apartments are handed over to buyers.

In March, we broke ground for our *Nanjing International Water Hub* project on the Sino-Singapore Nanjing Eco Hi-tech Island. Targeted for completion in 2018, the water hub will feature fully equipped research and development (R&D) facilities, as well as office and conference space. It aims to bring together leading investors and operators of water facilities, technology and R&D providers, government agencies, academia as well as research institutes, to create a vibrant industry ecosystem. So far, four water technology companies have signed letters of intent to set up at the water hub, joining respected state-level water research institutes that are backed by local universities in Nanjing.

Over in Wuxi, our Wuxi-Singapore Industrial Park continued to generate healthy revenue from electricity and rental income. Average occupancy rates for its ready-built and built-to-specifications factories remained at healthy levels of above 85%. In light of the continued demand for industrial space in the industrial park, we are developing an additional 30,000 square metres of standard factory space, targeted for completion in 2017.

Indonesia

In November, we celebrated the official opening of *Park by the Bay*, our 2,700-hectare integrated township project in Semarang, Central Java. The occasion was graced by the President of Indonesia and the Prime Minister of Singapore. The project is set to form the economic engine to draw investment and create jobs for the region.

The first integrated township of its kind in Central Java, *Park by the Bay* is a coastal development located along the Jakarta-Semarang-Surabaya Economic Corridor, which includes industrial, commercial as well as residential space to be developed over several phases. Its master plan features themed industrial clusters such as Fashion City, Food City, Furniture Hub and Building Materials Zone. Each will target companies involved in various stages of the industry value chain, from the processing of raw materials, to design, manufacture and marketing of finished products. In addition, the project will have commercial space for trade shows and retail activities.

Land and infrastructure development have commenced for the project's 860-hectare first phase. So far, the project has received an encouraging level of interest. In total, 27 companies have indicated interest to set up operations in the township, bringing in more than US$330 million in investments and creating 4,000 jobs to support their initial operations.

Outlook

In 2016, Vietnam's gross domestic product (GDP) grew by 6.2%, with manufacturing and merchandise trade as the country's main economic drivers. Foreign direct investments increased 9% to US$15.8 billion. Favourable labour costs and tax incentives available in Vietnam, as well as the country's proximity to Asian markets, continue to make the country attractive to international manufacturers. Reflecting the buoyant investment climate, VSIP has a healthy orderbook for 2017.

In 2016, China's GDP grew 6.7%. While this was below the country's target, it nonetheless represented one of the highest rates of growth among major economies. As China focuses on restructuring its economy and developing value-added industries, we have positioned our projects to attract investments from high-technology and innovation-driven sectors. Given improved infrastructure at our Chengdu and Nanjing projects, auction prices for land have increased. This is set to lift contributions from our China projects. However, the timing of land sales at our China businesses will continue to be dependent on auction schedules set by the government. For 2017, we can look forward to improved contributions from our Nanjing project, when the profit from the sale of a 42.6-hectare commercial and residential site will be recognised following the close of a tender for it in December 2016.

Meanwhile, Indonesia recorded GDP growth of 5.0% for the full year with its manufacturing purchasing managers' index contracting below 50 by the end of December. Notwithstanding this, our *Park by the Bay* project has drawn a respectable orderbook for 2017, following the official opening of the project in 2016. The project may also benefit from major infrastructure improvements by the government going forward.

The Urban Development business has a healthy orderbook totalling 240 hectares of land, comprising 152 hectares of industrial and business land and 88 hectares of commercial and residential land. The business remains well positioned as one of the most established players in the region, with a strong track record in land development. Its wholly-owned subsidiary, Sembcorp Properties, launched a residential project in Vietnam in 2016 and commenced the design and development of two projects in China. These initiatives are expected to yield good contributions to the Urban Development business over the next two years.

The Urban Development business is expected to deliver a better performance in 2017, underpinned by land sales in Vietnam, China and Indonesia.

View from the Sino-Singapore Nanjing Eco Hi-tech Island towards Nanjing's central business district, China

Sembcorp's wind power assets in Madhya Pradesh, India

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REVIEW

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REVIEW

Sustainability at Sembcorp is about the creation of value over time for all our stakeholders, through an integrated approach that addresses evolving environmental, social and governance challenges and opportunities.

MANAGING SUSTAINABILITY

At Sembcorp, we believe in building sustainable businesses that deliver long-term shareholder value and growth. We believe that a truly sustainable business not only creates economic value, but does so in a way that benefits its stakeholders.

Our board of directors oversees the business affairs of the Group and is collectively responsible for our long-term success. The main duties of the board include providing leadership on Sembcorp's overall strategy, which takes into consideration sustainability issues. Following our most recent materiality review, our management, with guidance from the board, has determined the environmental, social and governance (ESG) issues that are material to the Group's long-term sustainability. These 10 ESG issues are presented on page 97 of this annual report.

Sembcorp's Sustainability Steering Committee (SSC) provides strategic direction for managing sustainability-related risks and opportunities. It also guides the development and improvement of frameworks, policies, guidelines and processes to ensure that sustainability issues are effectively managed. The SSC is chaired by our Group Chief Financial Officer, and comprises senior executives across various functions. Cross-functional subcommittees are also formed to review our risks and opportunities as well as performance in each of our focus areas.

At the business unit level, economic, operational, as well as health and safety issues and other risks are reviewed by the head of operations at monthly business unit management meetings and quarterly risk management committee meetings. The Group's performance in these areas is evaluated against internal targets. Business units also provide quarterly governance assurance certifications on the adequacy of their risk management and internal control systems in line with Sembcorp's Governance Assurance Framework.

We are a signatory to the United Nations Global Compact, and our key sustainability principles are set out in our Sustainability Policy. These principles are applied throughout our management systems and processes. We adopt a precautionary approach to avoid or minimise negative impacts. A list of our policies, certified facilities as well as memberships and participation in external initiatives is available in the Sustainability section of our website.

In 2016, Sembcorp was selected as an index component of the Dow Jones Sustainability Asia/Pacific Index, as well as the SGX Sustainability Leaders Index. We were also recognised as one of the top three most sustainable corporations in Singapore in the Channel NewsAsia Sustainability Ranking.

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

CHANNEL NEWSASIA SUSTAINABILITY RANKING

Sustainability contact

Sembcorp welcomes feedback on our sustainability issues and reporting at sustainability@sembcorp.com.

Key Performance Indicators

	2016	2015	2014
Environmental			
Climate Change			
Direct greenhouse gas (GHG) emissions[1] *(million tonnes of CO_2 equivalent)*	**15.4**	6.9	5.7
GHG emissions intensity[1] *(kilogrammes of CO_2 equivalent per megawatt hour)*	**454.1**	277.2[2]	248.8[2]
Local Environmental Protection			
Water withdrawal *(million m^3)*	**1873.9**	1823.1	1593.7
Waste generated[3] *(thousand tonnes)*	**927.1**	39.3	43.8
Hazardous waste *(thousand tonnes)*	**11.9**	10.4	12.6
Non-hazardous waste *(thousand tonnes)*	**915.2**	28.9	31.2
Social			
Health and Safety[4, 5]			
Number of fatalities	**3**	3	0
Lost time injury rate per million man-hours[6]	**1.2**	1.3	3.5
Accident severity rate per million man-hours[7]	**17.2**	12.9	59.4
Our People			
Employee turnover (voluntary and involuntary)[8] *(%)*	**11.4**	11.0	18.4
Average training hours per employee[9] *(hours)*	**28.2**	20.6	22.3
Community			
Community contributions *(S$ million)*	**4.2**	3.3	2.4

More performance data, including qualitative data on each of our material issues, is available in this ESG Review, as well as in the Sustainability section of our website.

Notes:
Please refer to the section on Reporting Framework and Scope on page 97 for details on our scope

1. *Emissions data covers entities that produce direct GHG emissions from the combustion of fossil fuel. It excludes emissions from anaerobic wastewater treatment plants and maintenance and servicing equipment. Commentary on our performance may be found on page 106 of this report*
2. *GHG emissions intensity figures for 2014 and 2015 are estimated. A small proportion of data on energy attributed to steam production in 2014 and 2015 was not available and was estimated based on data from 2016*
3. *Data for waste generated excludes waste that is collected and incinerated for our customers. Commentary on our performance may be found on page 107 of this report*
4. *Health and safety data reflects group-wide performance within the reporting scope stated for each respective year. Data from 2015 onwards covers both assets in operation and under construction. A detailed breakdown of health and safety data is available in the Sustainability section of our website*
5. *Data covers employees and contractors engaged to work on our sites. Details of fatalities are reported on page 118*
6. *The lost time injury rate includes fatalities*
7. *The accident severity rate excludes fatalities. The accident severity rate including fatalities is reported as part of detailed performance data, available in the Sustainability section of our website. We record lost time due to one fatality as 6,000 lost work days, in line with guidelines by the US National Institute for Occupational Safety and Health*
8. *Data covers both voluntary and involuntary turnover of permanent employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine*
9. *A learning management system was launched in 2016 in Singapore, and will be progressively implemented across overseas operations. Consolidated training data is based on management's best estimates and we look to further refine the accuracy and consistency of the data*

Materiality

Materiality analysis enables Sembcorp to define sustainability issues that are of greatest significance to our businesses and stakeholders over the long term.

We conducted our first materiality analysis in 2012 and invited external stakeholder feedback on our material issues. In 2016, we conducted a review of our material issues which included a stakeholder engagement survey, inviting input from internal and external stakeholders globally. Over 300 stakeholders were invited to provide feedback on our material issues. Following the review, we have streamlined our areas of focus to 10 material ESG issues. For each material issue, we report its importance in the context of sustainability, its relevance to Sembcorp, as well as our management approach and performance.

Sustainability issues were identified in line with Global Reporting Initiative (GRI) G4 guidelines. The materiality review took into account GRI's Electric Utilities Sector Supplement, the Dow Jones Sustainability Asia/Pacific Index and other relevant frameworks and peer reviews. We prioritised issues using a materiality matrix, taking into account their significance to Sembcorp and our stakeholders.

Stakeholder Engagement

We engage and receive feedback from a diverse range of stakeholders with the intention to improve our performance and drive long-term sustainability. Stakeholders are identified in accordance with the AA1000 Stakeholder Engagement Standard and they include customers, employees, financial institutions, governments and regulators, industry and academic groups, the investment community, the local community, and suppliers. Our stakeholders are managed by various departments at the corporate as well as local business unit level. More information on our engagement platforms can be found in the Sustainability section of our website.

CASE STUDY Engaging with our community early

As part of our environmental and social impact assessment for our greenfield investment in Myanmar, Sembcorp held stakeholder engagement sessions with the local community living within close proximity of our upcoming gas-fired power plant in the Myingyan district to understand and address their concerns.

Since 2015, we have held 27 sessions, some with as many as 91 attendees consisting of residents and workers from over 13 villages. We presented the development plan for our plant, which is expected to be completed in 2018, and gathered feedback from the local community.

Key issues raised include concerns over water intake and discharge, air and noise emissions as well as employment opportunities. These concerns were taken into consideration and environmental and social management plans were created to manage the impact of our construction and operations. These plans included establishing proper water intake and discharge points along the Ayeyarwady River to ensure no groundwater was extracted and ensuring air and noise emissions follow local regulations and standards set by the International Finance Corporation and / or the World Health Organization. 25% of the headcount for the plant's construction workforce will be reserved for Myanmar nationals, and residents from the Myingyan community will be granted priority for employment during the plant's operational phase.

Reporting Framework and Scope

Our ESG Review is prepared in accordance with the GRI G4: Core option. It is guided by the SGX Sustainability Reporting Guide as well as the Ten Principles of the United Nations Global Compact. Our previous report was published in March 2015.

We report on our key ESG indicators in our annual report. A complete set of information, including our GRI content index, is available in the Sustainability section of our website.

Our report provides information on Sembcorp's subsidiaries and covers the calendar year. It excludes joint ventures, partnerships and associates for which Sembcorp does not have management and / or operational control. Our Marine business is excluded from this report as it is separately listed in Singapore and reports its activities independently. New acquisitions and subsidiaries are given one year or more upon the completion of construction or agreement to integrate their reporting systems with that of the Group. Thereafter, their sustainability data will be reported externally once a full calendar year of data is collected. Data pertaining to entities divested during the year are excluded from our report. In 2015, we expanded the scope of our occupational health and safety reporting to include assets under construction, with data reported from the onset of construction activities.

This year, data from Thermal Powertech Corporation India and Sembcorp Green Infra have been included. Data on our procurement spending in our key operations in Singapore, China and India have also been included. We aim to work towards external assurance of the report.

The table below shows our reporting scope by business line and material issue.

	ENVIRONMENTAL			SOCIAL			GOVERNANCE			
MATERIAL ISSUES	Climate change	Local environmental protection	Energy and water efficiency	Health and safety	Our people	Community	Corporate governance	Risk management	Compliance	Ethical business practices
UTILITIES										
Existing assets										
Energy	●	●	●	●	●	●	●	●	●	●
Water		●	●	●	●	●	●	●	●	●
Solid waste management		●	●	●	●	●	●	●	●	●
Assets under construction				●			●	●	●	●
MARINE	*Our Marine business (Sembcorp Marine) is separately listed and reports its activities separately.*									
URBAN DEVELOPMENT				●	●	●	●	●	●	●
OTHER BUSINESSES				●	●	●	●	●	●	●

Information provided in the ESG Review relates to the subsidiaries of Sembcorp, excluding Sembcorp Marine. It excludes joint ventures, partnerships and associates for which Sembcorp does not have management and / or operational control

Data measurement and quality
All data measurements are in line with GRI G4 recommendations for our chosen indicators. GHG emission factors are based on the 2006 Intergovernmental Panel for Climate Change (IPCC) guidelines, except for those relating to our operations on Teesside, UK, which use the stoichometric basis of calculation. Global warming potential factors used are from the IPCC Fourth Assessment Report for the 100-year time horizon. Occupational health and safety indicators follow standards set out by the US National Institute for Occupational Safety and Health and the International Association of Oil and Gas Producers.

While there are inherent limitations to the accuracy of data, we seek to minimise any errors and irregularities by strengthening our internal controls.

Our Supply Chain

We recognise the importance of evaluating our suppliers to ensure supply chain risks and negative impacts are minimised.

Sembcorp's main suppliers consist of original equipment manufacturers (OEMs), material suppliers, and engineering, procurement and construction (EPC) contractors.

OEMs supply us with large-scale equipment such as gas turbines and desalination units as well as process equipment such as switchgears and control systems. Material suppliers supply fuel and chemicals needed to run our plants. EPC contractors provide detailed engineering, procurement and construction services for our greenfield plants.

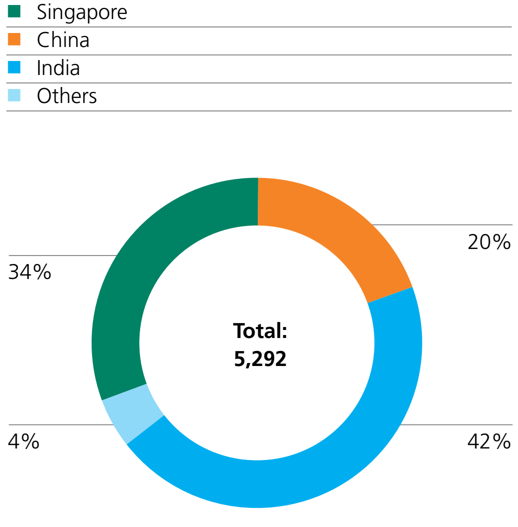
Our plants are designed and built to international codes and standards and it is with this perspective that we procure our equipment. We seek to ensure we procure high-quality and technologically advanced equipment that is durable. We have stringent requirements for quality and expect our suppliers to abide by our Code of Business Conduct. Our Group Procurement Policy provides guidelines and control principles for various stages of the procurement process.

Our key operations carry out an annual evaluation of vendor performance for our top suppliers. Through this process, we rate these suppliers on health, safety and the environment (HSE), as well as quality assurance and service level criteria. We also review their audited financial reports. In addition, for all our EPC contracts, contractors are assessed based on their track records with respect to safety, project type, size and location experience, among other evaluation criteria. We value the opportunity to positively influence our service providers and suppliers towards greater HSE awareness and social responsibility. We believe that securing a pool of suppliers that share our commitment to sustainability will mitigate risks to our operations and reputation.

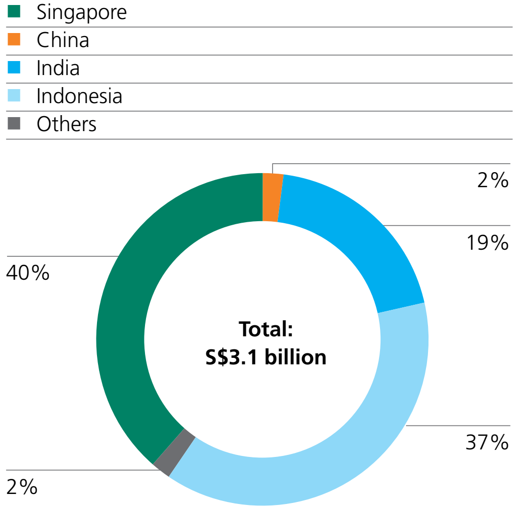
Supplier diversification
Our efforts to ensure supply chain security include diversifying supply to mitigate concentration risk. Coal supply is managed via a portfolio of suppliers and country sources, while in Singapore, Sembcorp's operations maintain at least one primary and one secondary supplier for critical spare parts and consumables, where possible.

Fuel management
Fuel is a significant cost component for Sembcorp's power and steam generation operations. Therefore, managing our various fuel sources, along with their supply chains, is a key focus. In view of this, we have a Group Fuel Management department that looks into issues such as fuel contract management, fuel hedging / trading and fuel procurement, as well as fuel logistics such as transportation and shipping, to ensure the security and reliability of our fuel supply. We secure long-term contracts for coal and gas supply with reliable counterparties who have reserves that can sustain the useful life of our assets. To further diversify our fuel mix and tap on sustainable sources, Sembcorp has increased our use of renewables and alternative fuels.

Distribution of Suppliers by Geography*



Payment to Suppliers by Geography*



Our suppliers and contractors provide a wide range of products and services including fuel and equipment for electricity generation, chemicals for water treatment as well as maintenance services in our power plants and water treatment plants.

In 2016, our key operations in Singapore, China and India procured products and services from 5,292 suppliers, with a total procurement expenditure of S$3.1 billion. 61% of our total procurement spending went to local suppliers in Singapore, China and India, and helped to support local economies. 37% of total payments to suppliers went to companies in Indonesia. This was mostly due to our natural gas supply for Singapore operations and part of our coal supply for India thermal power operations being from Indonesia.

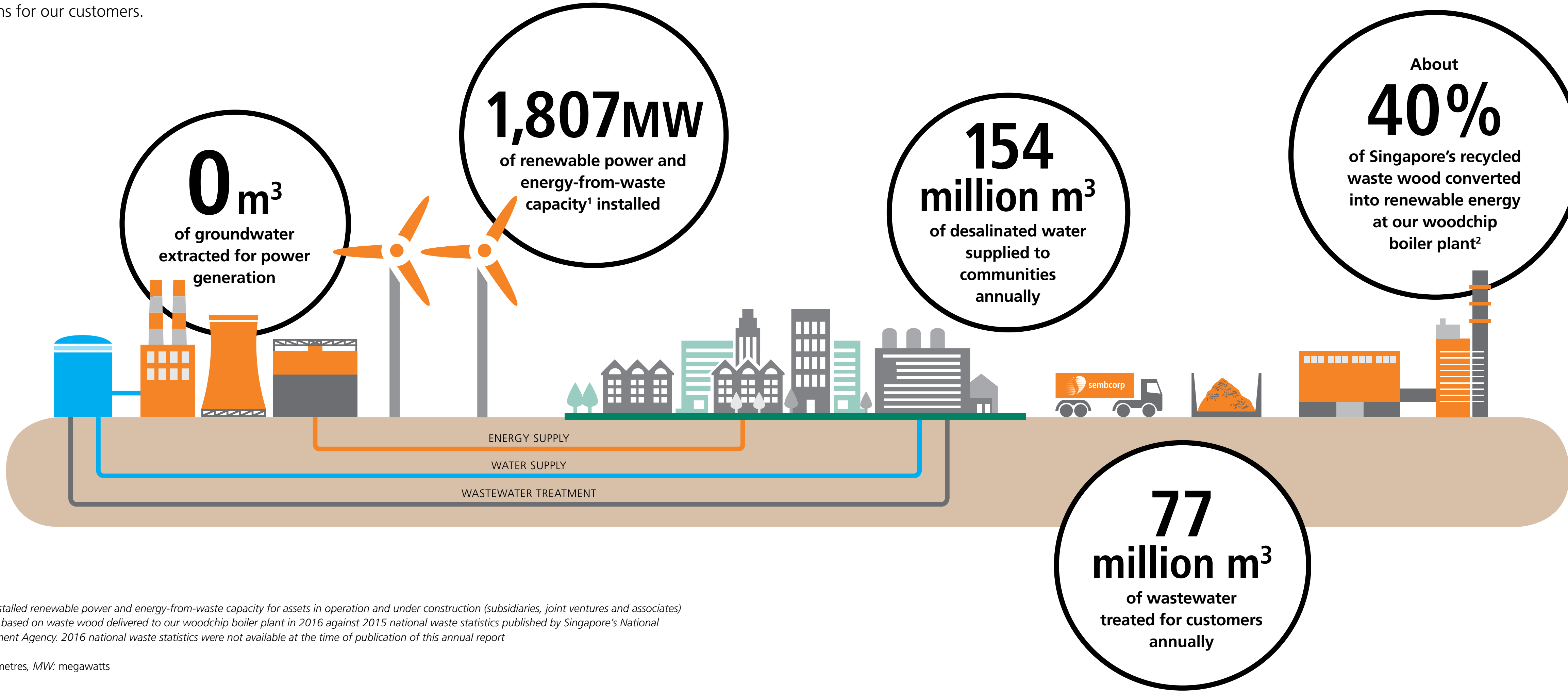
* *Data from some operations have been aggregated*

Sembcorp's Unique Utilities Business

Innovative energy and water solutions
The challenge facing industries and communities today is one of balancing development with resource scarcity and environmental concerns. At Sembcorp, we believe that we have a part to play in contributing to a sustainable future. Our Utilities business uniquely offers both energy and water solutions. We leverage group capabilities and strengths to limit the impact of our activities on the environment and to create innovative solutions for our customers.

Energy efficiency and renewables: High efficiency, low emissions
We are focused on facilities that have high efficiency and low emissions. Our balanced portfolio of energy assets is able to run on a diverse range of fuels, including renewable sources. Our low-carbon energy portfolio includes renewable wind and solar power assets, as well as biomass and energy-from-waste assets.

Total water, wastewater and waste-to-resource solutions that conserve resources
Apart from growing our renewable energy business, we also leverage our water capabilities to reduce the environmental impact of our thermal energy business. For example, we reduce reliance on fresh water by using desalinated water for our power generation processes, in addition to recirculating water for cooling purposes. In addition, we provide specialised solutions for water-stressed regions including large-scale seawater desalination and water reclamation. We also aim to minimise waste and its environmental impact through waste-to-resource facilities that recover valuable resources.



[1] *Gross installed renewable power and energy-from-waste capacity for assets in operation and under construction (subsidiaries, joint ventures and associates)*
[2] *Figure is based on waste wood delivered to our woodchip boiler plant in 2016 against 2015 national waste statistics published by Singapore's National Environment Agency. 2016 national waste statistics were not available at the time of publication of this annual report*

m³: cubic metres, MW: megawatts

OUR MATERIAL ESG ISSUES

Environmental

To responsibly manage and reduce our impact on the environment as well as to effectively manage environmental risks to our operations

HIGHLIGHT Growing our Renewable Energy and Energy-from-Waste Business

We are committed in our focus to grow our renewable energy and energy-from-waste portfolio. We made good progress in Asia on this front in 2016. Our total renewable energy and energy-from-waste capacity (including capacity under joint ventures and associates) increased by 17% to 1,807 megawatts. Our renewable power capacity in operation and under construction stands at 745 megawatts in China and 971 megawatts in India. We embarked on our first Singapore solar project, a 49%-owned rooftop solar photovoltaic system. With distributed solar energy likely to play a greater role in future energy solutions, this investment reflects the company's commitment to providing diverse and innovative solutions to our customers.

Why this is material

Climate Change

As an energy player, our power generation activities release greenhouse gas emissions that impact the climate. Events and actions by governments in response to climate change pose potential regulatory, physical and supply risks to our businesses. The Paris Agreement on climate change has been ratified by countries representing over 80% of global greenhouse gas emissions. However, as a provider of energy and water solutions, we recognise that we are also uniquely positioned to leverage opportunities that have arisen from climate change developments. From renewable energy to environmentally-friendly total water and wastewater solutions, we are actively investing in green business lines.

Local Environmental Protection

As a result of the products and services we provide, our operations have varying direct and indirect impacts on the environment. These include the release of NO_x, SO_x and particulate matter, as well as the discharge of effluent and the disposal of waste. Improper or non-compliant emission, discharge or disposal not only result in harm to the environment, but also threaten the long-term viability of our business, and go against our Statement of Commitment to Environmental Protection.

Energy and Water Efficiency

Achieving optimal energy and water efficiency is a business driver for us. Maximising our efficiency and optimising our operations reduces our consumption of natural resources while enhancing our returns. In the face of rising energy costs and water scarcity, energy and water efficiency are becoming increasingly critical to ensure the long-term sustainability of our business.

Our approach

Climate Change

We are committed to managing the impact of our businesses on climate and the environment in a responsible manner. At the same time, we believe that our businesses, including our power generation business, support economic development and enhance the standard of living for communities. To mitigate potential regulatory, physical and supply risks, we are aligned with and support climate change positions set out by governments in their Intended Nationally Determined Contributions in countries where we have significant energy operations. We also review the potential impact of climate change on our facilities at project due diligence stage, to inform the design and construction of our assets and ensure we have the appropriate safeguards. We keep abreast of developments pertinent to climate change through participation on platforms such as Singapore's National Climate Change Network. We believe we are well-positioned to manage climate change risks and opportunities through:

i. Growing our renewable energy business as part of a balanced portfolio

We maintain a diversified energy generation portfolio of thermal and renewable energy assets comprising facilities fuelled by gas, coal, wind, solar, energy-from-waste and biomass. We believe that thermal energy continues to be relevant. In addition to gas, we believe that coal, an affordable and abundant fuel, will continue to play an important role in the fuel mix in rapidly developing economies. However, cleaner and higher-efficiency coal technologies will become increasingly important in meeting pressing needs for both electrification and lower emissions. On the other hand, significant focus has been placed on expanding our renewable and low-carbon energy portfolio. We strengthened our specialist renewable energy teams at our corporate office as well as in China and India in 2015 to actively pursue renewable assets via acquisitions and organic growth. In 2016, our total renewable and low-carbon portfolio grew from 1,546 megawatts to 1,807 megawatts. Currently, we have renewable wind and solar power assets in Singapore, China and India, and both biomass and energy-from-waste operations in Singapore and the UK.

ii. Building and maintaining energy-efficient power and water facilities

Sembcorp builds energy-efficient facilities. These include assets utilising supercritical coal-fired technology, combined cycle gas turbines and combined power and desalination technologies. In addition, we incorporate energy efficiency considerations across the design, operation and maintenance phases of our facilities to further reduce our indirect carbon emissions. We utilise data and predictive analytics to improve plant efficiency and performance in our operations.

Local Environmental Protection

Sembcorp's Statement of Commitment to Environmental Protection and Environmental Protection Management Guidelines set out our principles and practices in the area of environmental protection. We aim to comply fully with all regulations and requirements, and consume resources prudently, focusing on reduction at source. We assess the impact of environmental risks and apply appropriate control measures to manage them. We apply stringent controls in the management of waste generated by our operations, strive at all times to adhere to discharge and emission limits set by local authorities and implement containment measures to minimise any direct impact to the environment and the surrounding community. As a wastewater treatment service provider, our capabilities in treating multiple streams of industrial wastewater from our customers allow us to meet effluent discharge standards. We also have a comprehensive water sampling and testing regime that helps us ensure compliance with such standards.

We aim to minimise impacts through prevention, reduction, reuse and recycling, and seek innovative ways to adopt a circular economy approach to waste. We actively develop capabilities to recover energy from waste. For example, at our Sembcorp Woodchip Boiler Plant in Singapore, woodchips processed from waste wood collected by our solid waste management operations are used to produce economical renewable steam. Also, treated effluent from our wastewater treatment facilities is further treated to produce demineralised water at our water reclamation facilities. We do not draw groundwater for power generation, but rely on seawater to meet the water needs of our power plants. In addition, our design and construction business utilises fly ash, a by-product of coal combustion in power plants, as a material for blended cement, mosaic tiles and hollow blocks.

We conduct environmental assessments in accordance with national and / or international standards and methodologies. These include environmental and social impact assessments, environmental baseline studies and pollution control studies. Recommendations from the assessments form part of our management of HSE risks and these recommendations are incorporated into the planning, designing, construction and commissioning of new plants.

Energy and Water Efficiency

Where viable, we invest in the latest technologies and utilise our capabilities as an industry leader to achieve better energy and water efficiency, including the reduction of water consumption through water reuse. Energy and water efficiency parameters are embedded in our plant operation management systems, and are monitored daily. These parameters are reported to management on a monthly basis where deviation and performance gaps are reviewed, and improvement plans are discussed for implementation. Our Group Technology department collaborates with academic and research institutions, technology suppliers and end users to develop innovative solutions and continuously improve our processes, ensuring the optimal performance of our facilities. We also utilise the Sembcorp Global Asset Management System, a data and predictive analytics tool, to help us optimise our operations and improve efficiency.

HIGHLIGHT Optimising Operational Performance with the Global Asset Management System

In 2016, the Sembcorp Global Asset Management System was implemented at our utilities operations in Singapore, India, UK, Oman and the UAE. This system, which enables process optimisation, troubleshooting and predictive analytics consolidates operational data from our global operations on a real-time basis. The system shortens lead time in identifying and resolving complex issues, leverages digital solutions to improve cost-effectiveness and enables effective best practice sharing across the Group. Locally, the system supports plant operations by detecting anomalies, and through data analytics, provides a benchmark for best achievable plant performance. This strengthens our predictive maintenance capabilities to pre-empt and solve issues before they cause further disruptions. The system will help us improve efficiency, increase our plants' availability and reliability, and save maintenance costs.

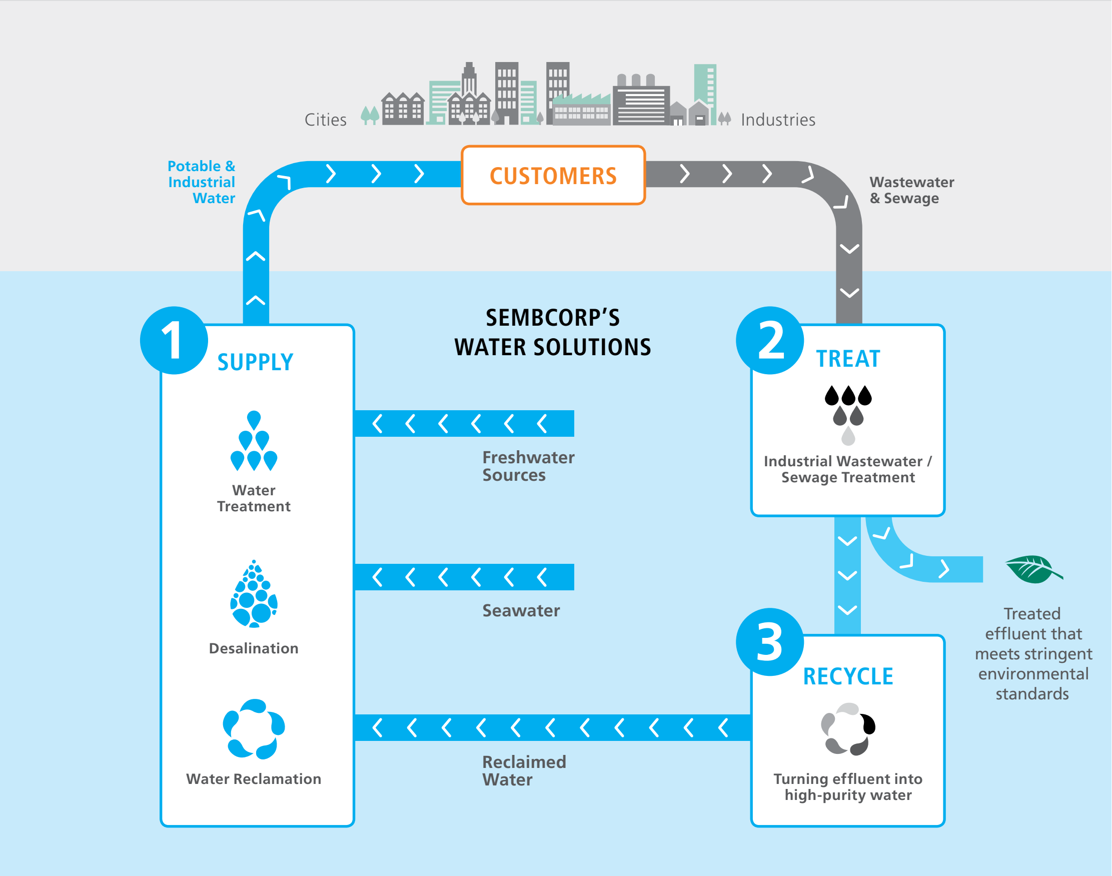
Water availability

We leverage Sembcorp's total water management capabilities for better efficiency and resource conservation for our own operations as well as our customers. By integrating wastewater treatment, water reclamation and water supply into a "closed loop", we aim to minimise liquid discharge, reducing environmental impact while conserving water resources.

Our energy-efficient large-scale integrated power and desalination plants use multi-stage flash distillation and reverse osmosis to provide high-quality water to industries and households in water-scarce areas such as Oman and the UAE. In some of our power plants, we employ closed-loop cooling water systems to further minimise water drawn from the ocean.

Our energy and water efficiency efforts also apply to our office and administrative buildings, and we actively seek to reduce our consumption of energy and water through responsible use and equipment upgrades.

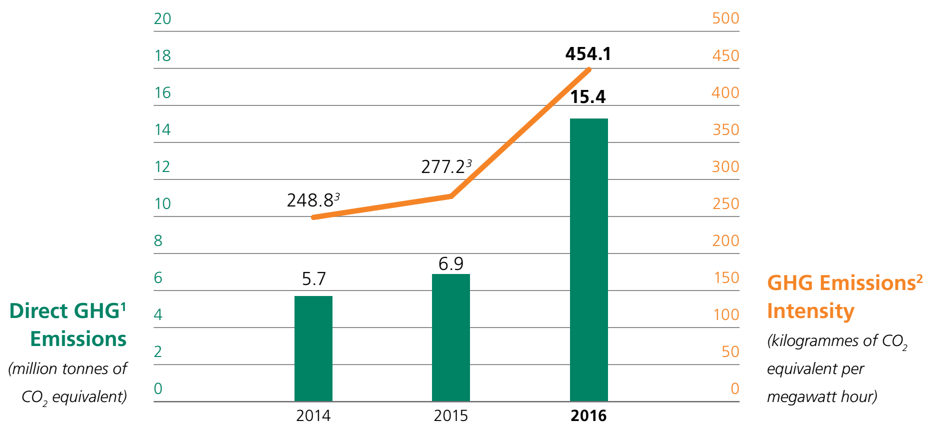
SEMBCORP'S TOTAL WATER MANAGEMENT CAPABILITIES



Our performance

In 2016, we embarked on the replacement of the chillers at our corporate headquarters in Singapore. The building was awarded the Singapore Green Mark Gold Standard by the Building and Construction Authority. The chillers for the building were replaced with a more energy-efficient system, resulting in an energy reduction of one million kilowatt hours of electricity per year.

Direct GHG Emissions (Scope 1) and GHG Emissions Intensity



The increase in direct GHG emissions and GHG emissions intensity was largely due to the inclusion of data from our first coal-fired power plant in India.

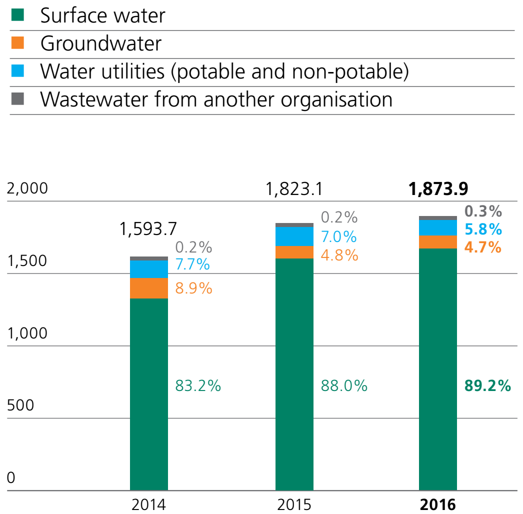
We report emissions from the combustion of biomass separately, in accordance with GRI guidelines. These emissions amounted to 600,000 tonnes of CO_2 equivalent in 2016 compared to 1.0 million tonnes in 2015.

[1] *Emissions data covers entities that produce direct GHG emissions from the combustion of fossil fuel. It excludes emissions from anaerobic wastewater treatment plants and maintenance and servicing equipment. CO_2, CH_4 and N_2O emissions are included in the calculation of direct GHG emissions. HFCs, PFCs, SF_6 and NF_3 emissions are excluded. Global warming potential factors used are from the IPCC Fourth Assessment Report for the 100-year time horizon*

[2] *GHG emissions intensity refers to direct GHG emissions per megawatt hour of thermal and electrical energy produced. This covers energy assets in Singapore, India, Oman, UAE and the UK*

[3] *GHG emissions intensity figures for 2014 and 2015 are estimated. A small proportion of data on energy attributed to steam production in 2014 and 2015 was not available and was estimated based on data from 2016*

Water Withdrawal *(million m³)*



89.2% of our total water withdrawn was abstracted from surface sources.

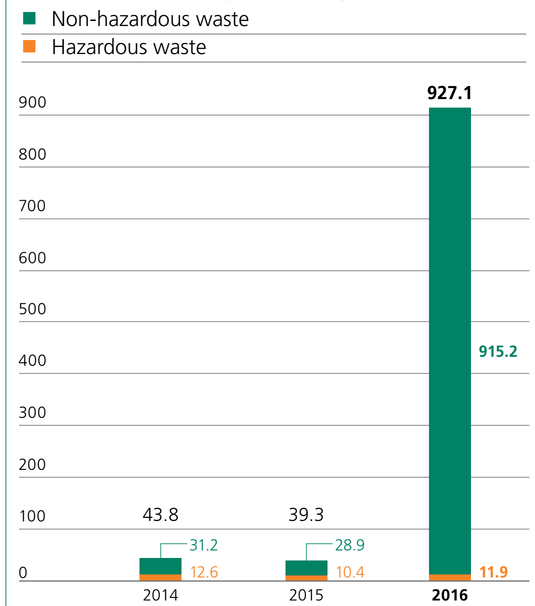
In 2016, 90.8% of surface water withdrawn was water abstracted from the ocean. More than half of this was desalinated into potable water for the community, and the rest was used as cooling water for Sembcorp's power plant operations and for our customers' plant processes. 8.9% of surface water withdrawn was from rivers and lakes for the production of potable water for the community, and the remaining 0.3% was for internal use.

Groundwater abstraction remained steady. 100% of groundwater abstracted was treated to produce potable water for the community.

79.4% of water we obtained from water utilities was non-potable industrial and domestic wastewater, which we reclaimed to produce high-grade industrial and potable water. The remaining 20.6% of water obtained from water utilities was potable water.

"Wastewater from another organisation" represents wastewater we treated for our customers. 55.3% of wastewater treated for customers was reclaimed and reused.

Waste Generated[1, 2] *(thousand tonnes)*



The significant increase in non-hazardous waste in 2016 was largely due to the inclusion of data from our first coal-fired power plant in India. The non-hazardous waste comprised mainly fly ash, a by-product of coal combustion in power plants. Our India operations have memoranda of understanding to sell up to 90% of their fly ash to be reused as a partial replacement for Portland cement in the production of concrete, although the uptake of the ash is dependent on market demand.

The slight increase in hazardous waste was largely due to the shutdown of a wastewater treatment plant in Singapore. Activated sludge that was needed in the plant as part of the wastewater treatment process had to be disposed of due to the shutdown of the plant. In addition, sludge produced in our wastewater plant in Silulumanzi, South Africa, was reclassified as hazardous rather than non-hazardous waste.

[1] *The data excludes waste that is collected and incinerated for our customers*

[2] *Hazardous and non-hazardous waste are defined by relevant country regulations in each market*

Going forward

We will continue to monitor global, industry and peer action in relation to climate change closely. The way forward requires us to balance stakeholder interests against climate-related and environmental risks, and we are committed to building sustainable businesses that create and deliver long-term value.

We are in the process of implementing our Environmental and Social Policy for New Investments. This policy embeds social and environmental factors into our investment approval process to ensure social and environmental risks are accounted for at the onset of an investment.

We will continue to invest in technology to improve the environmental performance of our facilities. Our operations in India will implement flue gas desulfurisation to reduce emissions while our operations in the UAE will use flue gas heat recovery to increase efficiency. Our energy-from-waste plant in Singapore is expected to commence operations in 2017. The plant will be fuelled by around 1,000 tonnes of industrial and commercial waste per day, roughly 14% of the total tonnage of waste bound for incineration in Singapore every day.

We will leverage the progressive implementation of the Sembcorp Global Asset Management System to strengthen in-house digitalisation and predictive analytics capabilities.

- **Climate Change**
  To have a business portfolio that balances the economic expectations of our stakeholders and our businesses' impact on the climate
- **Local Environmental Protection**
  To fulfil our duty to protect the environment and conserve resources, while providing competitive and reliable solutions for our stakeholders
- **Energy and Water Efficiency**
  To improve energy and water efficiency through good and economically viable environmental practices

Social

To be a responsible business that ensures the health and safety of our people, and makes a positive impact on our people and communities

Why this is material

Health and Safety

Sembcorp develops and operates power and water plants as well as other facilities, where extensive health and safety precautions are required. The expansion of our business into developing economies also means we face challenges in building a local workforce that is attuned to our global health and safety standards. It is our priority to ensure that globally, all our employees and contractors are competent and equipped to work safely. We recognise our duty of care to provide a safe workplace for those who step into our premises, and we work hard to fulfil that duty. The health and safety of our customers is also a key priority, especially in our municipal water operations, where any lapse in health and safety protocols could result in a direct impact on people in the community.

Our People

Our employees play a vital role in ensuring we achieve our business strategy and goals. The nature of our business is such that we require specialised technical expertise. However, some of the markets in which we operate lack a qualified labour force with the necessary technical skill sets that our business demands. In other markets, these skill sets are highly sought after across several industries. In addition, the commercial and regulatory environments we operate in are also becoming increasingly complex. Therefore, there is a critical need to retain and develop a capable and motivated workforce who possess a deep understanding of the company and its industry sectors. Of the issues relating to our people, our materiality review process has identified employee development, employee compensation and benefits, labour standards, human rights and diversity, as well as employee wellness to be important areas of focus.

Community

Sembcorp's long-term success is premised upon being a valued partner to the communities we are in, and we aim to contribute positively to these local communities. While Sembcorp's businesses play an important role in supporting economic development and improving the standard of living in our communities, we recognise that there are social and environmental impacts on the communities around us as a result of the development and operation of our plants. Therefore, we view our integration with, support of and contribution to our host communities as part of our licence to operate.

Our approach

HIGHLIGHT Making a SafeStart Commitment

In 2016, we launched the SafeStart programme, which aims to emphasise the importance of health and safety to employees and contractors and encourage them to work towards the goal of zero injuries at the workplace. The programme, which was implemented locally in many of our operations, is led by the head of each business unit. Kick-off sessions were held at the start of the year, where a brief overview of the site's health and safety performance was presented. Achievements relating to health and safety were commended while key challenges were brought to the table for discussion on the possible ways to improve collective and individual health and safety. Through strengthening the partnership between employees and contractors, the programme aims to drive health and safety ownership at all working levels and encourage a proactive safety culture.

Health and Safety

Occupational health and safety

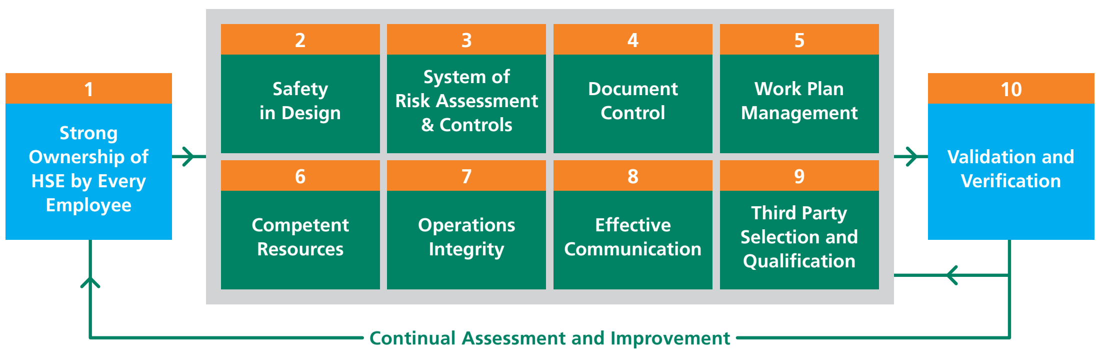
Our vision is to be an organisation with a proactive health and safety culture. We are committed to working towards the goal of zero injuries in our workplace, with a workforce that puts safety first. We benchmark the health and safety performance of our operations against relevant global industry safety statistics, such as the International Oil and Gas Producers Global Safety Performance Indicators, and aim for progressive improvement.

We have put in place structures and processes to meet our goal including:

- Board review
- Oversight by the board's Risk Committee
- Leadership by our Group President & CEO
- A Group HSE management system framework comprising
  - A Group HSE Policy; and
  - Group HSE management system guidelines and standards

The Group HSE management system framework provides guidelines and standards detailing expectations and principles relating to different aspects and activities that take place at a plant or site. It is further supported by the Sembcorp 10 Elements for Good HSE.

SEMBCORP'S 10 ELEMENTS FOR GOOD HSE



Assurance

HSE assurance is supported by an on-site validation and verification process which evaluates the effectiveness of the plants' or sites' HSE controls. On an annual basis, a validation and verification schedule is formulated using an internal risk-based assessment to ensure that the assurance exercise will focus on higher risk areas. Plants or sites with higher risk ratings will be given priority in the assurance exercise. The results of the assurance form the basis for the development of improvement plans.

Training

Providing our employees with relevant HSE and technical capability development ensures that we have competent safety practitioners and safety-conscious line managers that support safe operations. Training is specific to the operations' or sites' risk profile and local conditions, and is conducted on an ongoing basis. Examples of operations-specific training include defensive driving at our solid waste management unit as well as project commissioning and construction orientations for project development teams. An annual global HSE workshop is held as a platform for the learning and sharing of corporate initiatives and best practices from our different operations.

Product responsibility: safety and quality

Sembcorp is committed to designing, building, operating and maintaining facilities in a manner that safeguards people, property and the environment.

Product safety and compliance is a priority, as non-compliance can result in serious health, safety and operational issues for our customers, many of whom depend on us for basic utilities or require our products for their industrial processes. Compliance testing of our products is done during various stages, from manufacturing to distribution and supply. We implement a robust maintenance and monitoring regime, which includes stringent inspections and the installation of meters and sensors at both our and our customers' facilities.

We also conduct regular laboratory tests to meet regulatory requirements and ensure that the water we produce is safe for our customers and end users.

Our People

Our operations span 15 countries across five continents where labour laws, regulations, employment codes and practices differ widely. All our local human resource policies comply with the local laws.

Our human resource practices are guided by the following:

- Oversight by the board's Executive Resource & Compensation Committee
- Oversight by the Senior Management Committee
- Talent Development Committees
- Sembcorp Leadership Framework
- Our Code of Business Conduct
- Our Employee Code of Conduct
- Our Grievance Handling Policy

Human capital risk is also monitored as part of our key risk indicators and reported bi-annually to the board's Risk Committee.

Employee development

Employee development at Sembcorp is managed through the Sembcorp Leadership Framework, which comprises three components with distinct yet interrelated objectives to drive employee development. Workforce Planning supports organisational growth and ambition. The Core Competency component assesses employees' competencies and identifies capability gaps while setting performance expectations. Learning and Development programmes are then put in place to close the gaps identified.

To complement the Sembcorp Leadership Framework, Talent Development Committees at both group and business unit levels aim to build a strong pipeline of talent to support our organisation. The committees meet at least twice a year to review our talent pipeline for succession management and leadership development.

THE SEMBCORP LEADERSHIP FRAMEWORK

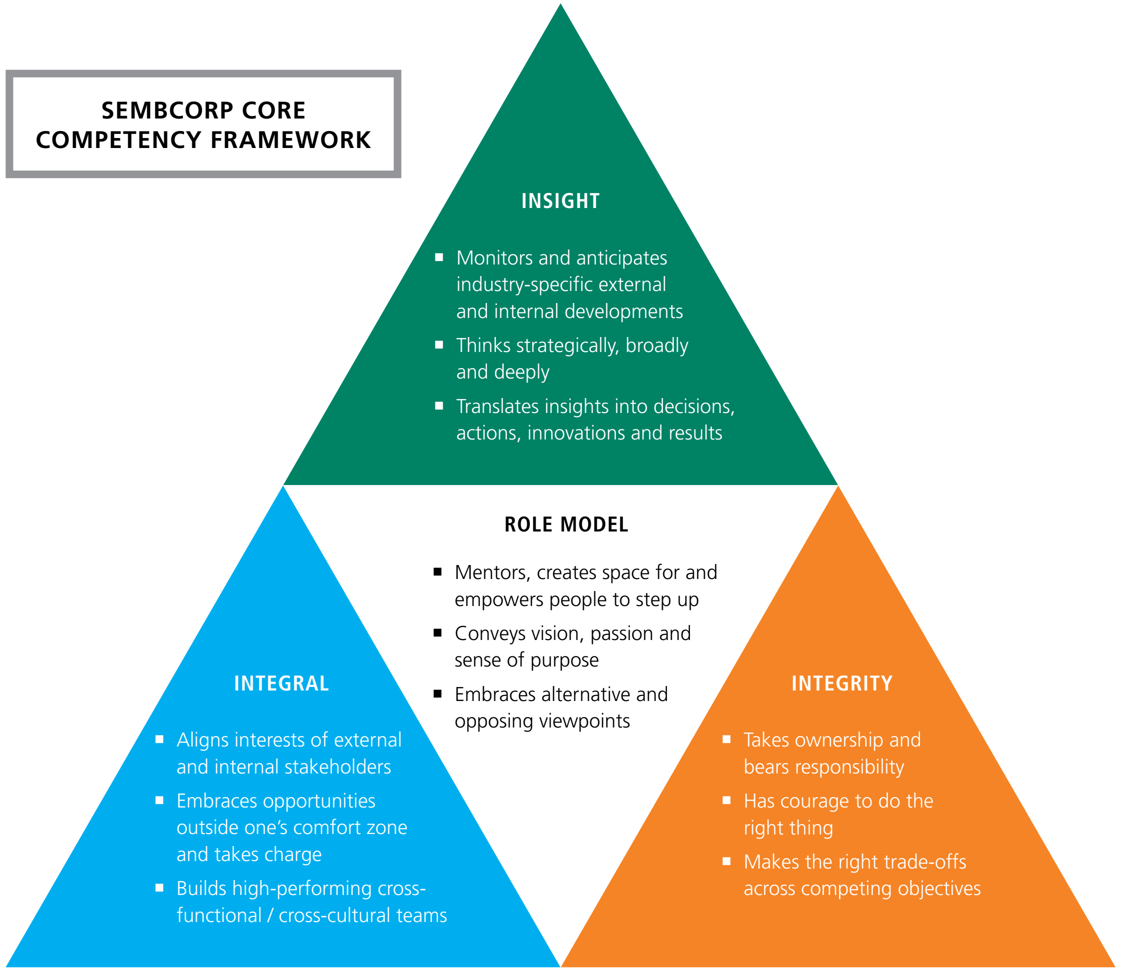
To develop people with the right capabilities and behaviour needed at present and for the future of the organisation

FRAMEWORK	WORKFORCE PLANNING FRAMEWORK	SEMBCORP CORE COMPETENCY FRAMEWORK	LEARNING & DEVELOPMENT FRAMEWORK
PURPOSE	To ensure availability of human capital to drive growth	To assess individual competencies and behaviours and align them with Sembcorp's Core Competency Framework	To equip employees with competencies, skills and capabilities to drive growth
TOOLS USED	Organisational structure review	▪ Performance appraisal ▪ Leadership readiness assessments ▪ Psychometric tools	Learning Management System
OUTCOME	▪ Identification of key roles and positions required to inform training, recruitment and succession planning efforts	▪ Identification of skills, behaviours and capabilities to be developed for each individual ▪ Identification of key talent for succession planning	▪ Development of learning roadmap for employee development ▪ Greater accessibility to e-learning tools

HIGHLIGHT Using Emergenetics to Improve Competency and Teamwork

As part of our Core Competency Framework, the Emergenetics assessment enhances employees' self-awareness and encourages empathy among team members. After taking the Emergenetics questionnaire, the individual receives a detailed profile describing their thinking and behavioural attributes. Since 2011, over 600 employees have taken the Emergenetics assessment in Singapore. In 2016, Emergenetics workshops were conducted for close to 400 employees in China and India. Participant feedback indicated that the assessment was a useful tool for self-evaluation, to aid personal and professional development. In addition, through the sharing of Emergenetics profiles, the assessment promoted peer understanding and provided suggestions on how employees could engage other team members based on their thinking and behavioural attributes.

We invest in our people and aim to equip employees with the competencies, skills and capabilities they need to drive growth



HIGHLIGHT Launch of the Sembcorp Leaders Programme

As part of our Learning and Development Framework, the Sembcorp Leaders Programme aims to equip executives with the relevant competencies to support the growth of the company in an increasingly complex business environment. The programme consists of a series of training sessions to instil skills in employees that are in line with Sembcorp's Core Competency Framework. Training topics include transformational leadership (*Role Model*), problem-solving and decision-making skills (*Insight*), anti-bribery and corruption (*Integrity*), and managing change and innovation (*Integral*). The pilot programme was launched in 2016 and will be rolled out in 2017.

Localisation is an important part of our strategy to grow our overseas businesses. When we begin operating in a new market, employees who are seconded from Singapore and other locations to start up the operations are given a clear responsibility to develop local talent. As the capabilities of local employees grow, the team is gradually localised, and the number of secondees progressively reduced.

Employee compensation and benefits

To attract, motivate and retain employees, Sembcorp's remuneration and reward system is market competitive and performance-based. To determine salary levels and benefits, regular reviews and benchmarking are conducted against local standards and data from global market surveys and consultancy firms. In countries where there is a minimum wage policy, Sembcorp pays above the minimum wage.

Sembcorp adopts an equal pay policy where rewards are based entirely on merit and performance. Salary increases are based on individual performance and relative placement against the external market as well as negotiations with employee unions and guidelines issued by the local government. Annual variable bonuses are based on the Group's performance as well as employees' performance against individual targets set jointly with their supervisors.

We recognise that managing performance and development is a continuous process. Performance appraisals are done through informal feedback sessions and online systems where performance, expectations, training needs and targets are discussed and agreed upon by the employee and supervisor. As part of the performance appraisal, employees will be assessed against Sembcorp's Core Competency Framework. Going through the appraisal process helps inculcate core values in employees, and clearly articulates the competencies and functional skills needed for their development.

Labour standards

We abide by local laws wherever we operate. Examples of regulations our global operations comply with include the Broad-based Black Economic Empowerment Amendment Act 2013 in South Africa, and localisation requirements as well as local labour laws that do not recognise the right of workers to organise and form trade unions in the Middle East. Sembcorp employees are entitled to practise freedom of association and to be covered by collective bargaining agreements in the workplace, within the regulatory boundaries of each of the jurisdictions. We hold constructive ongoing engagement with employee unions in our various operations. In countries where our operations are covered by collective agreements, we abide by the terms stated in said agreements, including those relating to minimum notice periods. Procedures for grievance handling are also specified in the agreements. Our Grievance Handling Policy seeks to manage employee grievances in a fair and reasonable manner, with an escalation path to the Group President & CEO where necessary. Where collective agreements do not exist, we abide by the terms stated in employment contracts.

Human rights and diversity

We are committed to uphold and respect the spirit of the United Nations Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We are a signatory to the United Nations Global Compact (UNGC), and have made a public commitment to respect the Ten Principles of the UNGC, one of which is human rights. We abide by the Employers' Pledge of Fair Employment Practices under Singapore's Tripartite Alliance for Fair and Progressive Employment Practices. Our Code of Business Conduct sets out our stance on fairness, opportunity, non-discrimination, dignity, respect and harassment. We do not hire forced or child labour in our operations.

Employee wellness

We recognise the impact of wellness on our employees' overall effectiveness, and have set aside a dedicated wellness budget in countries of major operations such as Singapore, China, India, Oman and the UAE. The budget is available for department heads to use towards activities that encourage employee well-being and team bonding. Sembcorp was a founding member of the iCare Mental Health Alliance, which made efforts to improve the mental health of workers in Singapore. In addition, we specifically include coverage of treatment for mental health issues in our employee insurance coverage. Besides mandatory medical screenings for employees potentially exposed to occupational health hazards, voluntary annual health screenings are available free of charge to all employees in Singapore, China, Oman and the UAE.

Around the world, employee-led committees within our operations organise a range of recreational activities as well as nutrition and stress management programmes to support employees' physical and mental well-being.

Community

The needs of one community can be very different from another. We believe that our local operations are best placed to not only understand the needs of the community, but also to forge partnerships with local stakeholders. Therefore, while the Group provides the strategic framework, tools and guidelines to ensure consistency and acceptable standards, community assessments and engagements as well as contributions are managed at the local level.

Assessment and engagement

The assessment and engagement of the community is guided by our Group Stakeholder and Community Engagement Policy as well as our Group Community Grievance Policy. Environmental and social impact studies are carried out in accordance with international and / or national standards for major new projects and expansions. These studies typically include social management plans that are implemented by the operations teams through the various stages of the site's development.

Community contribution

Sembcorp's global corporate social responsibility (CSR) framework provides a strategic and consistent approach for our charitable contributions and community investments. We focus on fostering environmental stewardship and improving the quality of life of the communities we are in.

Our CSR framework aligns the tracking and reporting of our community contributions with guidelines set by the London Benchmarking Group. This allows us to account for our total community giving – or the amount disbursed through sponsorships or donations – using standard definitions and valuations, and helps us ensure that the contributions recorded are meaningfully spent on community investment activities. More information on our key programmes may be found in the Sustainability section of our website.

ENVIRONMENT

We are committed to fostering environmental stewardship in our community through contributions to sustainability and environmental initiatives.

COMMUNITY

We are committed to improving the living standards and quality of life of the community, such as through providing access to water, social welfare and education.

DIRECT VALUE GENERATED & DISTRIBUTED BY SEMBCORP

TURNOVER **S$7.9 billion**

MATERIALS AND SERVICES COSTS	EMPLOYEES	GOVERNMENTS	CAPITAL PROVIDERS	COMMUNITIES
S$5.9bn*	**S$800m***	**S$119m**	**S$620m**	**S$4.2m**
These include materials and subcontract costs, which comprise purchases from suppliers, contractor costs and other operating expenses	This includes wages, salaries and benefits	This includes income taxes paid, net of refunds received	This includes dividends, distributions on perpetual securities and interest paid	This includes donations and sponsorships from our businesses' engagement with charitable organisations or activities

DIRECT VALUE DISTRIBUTED TO OTHERS

DIRECT VALUE RETAINED BY SEMBCORP

S$508 million

* *On an accrued basis*

Our performance

Health and Safety

In 2016, we continued to implement several initiatives to improve our health and safety performance.

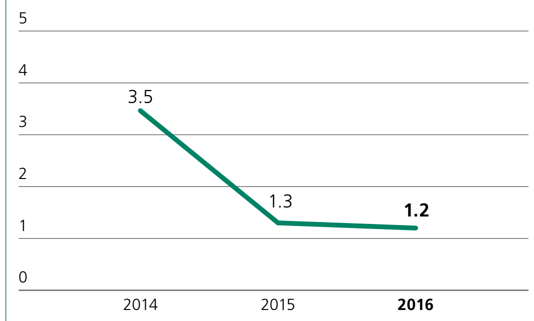
The key initiatives implemented include:

- Nurturing greater health and safety ownership through the SafeStart programme, which aims to strengthen the partnership between our employees and contractors. This programme was implemented by the heads of many of our operations worldwide.
- Enhancing our project development health and safety management through targeted focus on the management and surveillance of construction and commissioning activities, and increased engagement with contractors to ensure adherence to our health and safety requirements.
- In 2016, our annual validation and verification assurance programme was conducted, covering operations in Singapore, India, South Africa and Chile. The programme includes training and peer assistance elements, and serves a dual purpose as it reviews the health and safety performance of our operations, while enabling the sharing of good health and safety practices among peers.
- Conducting root cause analysis training to enhance the identification of health and safety root causes. This two-day training programme was conducted in Singapore involving colleagues from our global business units. This training aims to sharpen our capabilities in applying root cause analysis for incident investigation.

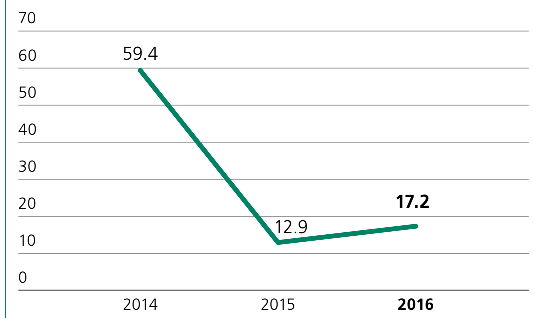
It is with great regret that we report three fatalities in 2016 which occurred at two of our construction sites. One fatality was due to a vehicular accident involving our contract worker at a construction site in Singapore. The other two were due to a fall from height and burn injuries sustained by contract workers constructing our second thermal power project in Andhra Pradesh, India. We are very saddened by the loss of these lives. Full support was rendered to the affected families by our operations and human resources teams. Every incident was thoroughly investigated to identify root causes and the necessary corrective actions were taken to prevent recurrence. Comprehensive reviews and assessments were also conducted and additional control measures implemented to minimise risk levels to as low as reasonably practicable. To ensure that we continually improve risk control, Operational Control and Safe Work Procedures are regularly reviewed to ascertain possible areas for improvement. A taskforce was also set up to review our Permit-to-Work systems and evaluate areas for improvement and standardisation.

Our health and safety performance charts reflect group-wide performance and cover both assets in operation and under construction.

Lost Time Injury Rate Per Million Man-hours[1, 2, 3]



Accident Severity Rate Per Million Man-hours[1, 2, 4]



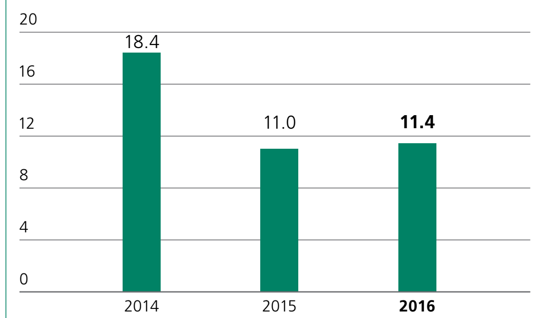
The lost time injury rate registered a slight decrease, due to improvements in performance across all operations, except for projects under construction. We recognise that there are improvements to be made for projects under construction, and we are in the process of further strengthening our health and safety controls. The accident severity rate increased due to longer recuperating times required for minor injuries such as sprains and cuts. We will continue to improve our performance through enhancing our health and safety risk assessments and management.

[1] Group figures are based on scope included in the reporting year. Our scope in 2014 only covered assets in operation, while our scope in 2015 and 2016 were expanded to include assets under construction
[2] Occupational health and safety data includes employees and contractors
[3] The lost time injury rate includes fatalities
[4] Accident severity rate excludes fatalities. Accident severity rate including fatalities is reported in our detailed performance data, available in the Sustainability section of our website. We record lost time due to one fatality as 6,000 lost work days, as per the US National Institute for Occupational Safety and Health

Our People

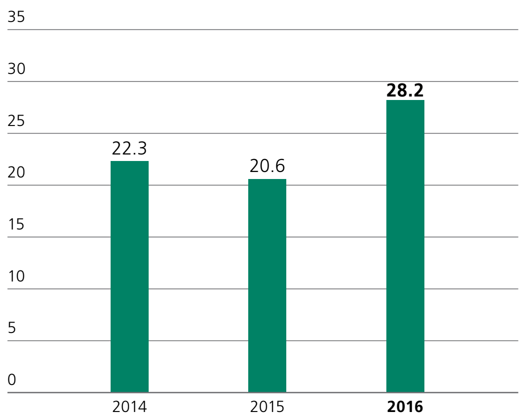
In 2016, we enhanced our Sembcorp Leadership Framework with the implementation of the Sembcorp Leaders Programme and the Occupational Personality Questionnaire and Motivation Questionnaire in Singapore. Emergenetics workshops were conducted for close to 400 employees in China and India. The assessment is a tool for self-evaluation which aims to aid personal and professional development, as well as promote peer understanding and empathy.

Employee Turnover *(%)*



Employee turnover rate was stable, increasing slightly from 11.0% in 2015 to 11.4% in 2016. The voluntary turnover rate was 9.1% in 2016. Employee turnover in 2014 was comparatively higher due to restructuring of operations in the UK in 2014.

Average Training Hours Per Employee [1, 2]



The average number of training hours per employee was 28.2 hours in 2016, which represented a 37% increase from 20.6 hours in 2015. This was due to the roll-out of various training programmes under the Sembcorp Leadership Framework, such as an Emergenetics assessment which was conducted for our China and India operations. Moving forward, we will continue to organise programmes to equip employees with skills and capabilities that are in line with our Core Competency Framework.

[1] *Training data covers both permanent and contract employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine. Other indicators in the People section relate to permanent employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine*

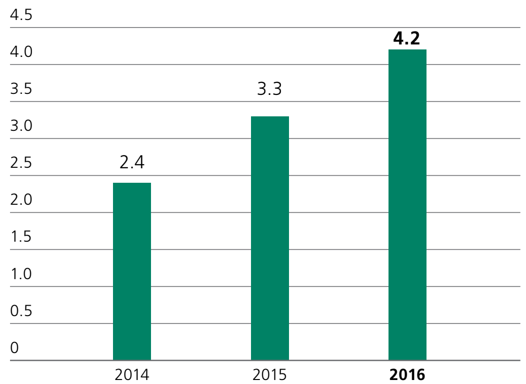
[2] *A learning management system was launched in 2016 in Singapore, and will be progressively implemented across overseas operations. Consolidated training data is based on management's best estimates and we look to further refine the accuracy and consistency of the data*

Community

In line with our commitment to manage our impact on the community responsibly, and to better mitigate the environmental and social impact of our businesses, we have developed an Environmental and Social Investment Policy for New Investments. The policy embeds the identification of key environmental and social related risks into the early stages of our investment approval process.

In 2016, Sembcorp contributed close to S$4.2 million in cash and in-kind to charities and community initiatives globally. Over S$500,000 comprised mandatory contributions and close to S$13,000 comprised leveraged contributions. These contributions supported causes such as environmental and water conservation education, as well as youth development, apprenticeships and job training programmes. Total volunteer man-hours amounted to more than 14,000 hours, of which 20% were spent outside of working hours due to event requirements.

Community Contributions *(S$ million)*



In 2016, our community contributions in cash and in-kind increased by 26% compared to 2015. This was mainly due to the inclusion of our new operations in India, where a range of CSR activities relating to infrastructural improvements, education and healthcare were organised to benefit the surrounding community. Our operations in South Africa expanded their CSR contributions in the areas of drought awareness and prevention in response to the local drought crisis, and enhanced their contributions to education through sponsorships and bursaries at the local universities. In addition, we continued to contribute to the Sembcorp Cool House, a temperature-controlled glasshouse within the Singapore Botanic Gardens – a UNESCO World Heritage Site.

Going forward

Health and Safety

As Sembcorp continues to grow our footprint internationally, we will continue to focus on the following areas to align our businesses to global standards:

- Strengthening of health and safety ownership and leadership at all working levels
- Promotion of health and safety communication and engagement
- Strengthening of risk management and control measures for both project development and operational activities.

With the launch of several initiatives in previous years targeting health and safety management, we have seen improvements in health and safety practices and performance. We expect such improvements to continue. The validation and verification programme remains our key assurance programme for compliance and improvement in health and safety performance. Visits are tailored and prioritised for sites which require more attention, and the target is to complete all scheduled validation and verification visits and ensure that the necessary improvements identified have been made in a timely manner.

Our People

Moving forward, we are preparing for the global roll-out of programmes under the Sembcorp Leadership Framework. We will also be launching an organisation survey to formally assess organisational health.

Community

We continue to enhance our internal processes for managing our impact on our communities. This includes the implementation and roll-out of our Environmental and Social Policy for New Investments to relevant stakeholders.

Health and Safety
To make health and safety management an integral part of everyday business and culture

Our People
To offer a compelling employment experience for our people to develop and excel

Community
To be a responsible business that makes a positive impact on our communities

Governance

To maintain high standards of behaviour and integrity and be best in class for governance practices

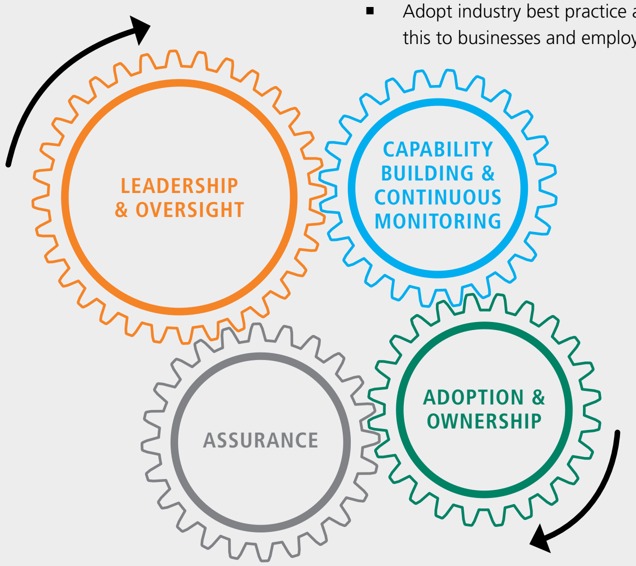
RISK & GOVERNANCE ECOSYSTEM

AUDIT & RISK COMMITTEES

- Oversee risk management and internal controls of the Group, and advise the board on such matters
- Determine the Group's overall risk appetite and tolerance
- Review and approve risk management and governance-related frameworks and policies

GROUP RISK & GOVERNANCE

- Develop the Group's overall risk management programme
- Design and own group-level risk management and governance frameworks and policies
- Monitor the status of implementation across entities within the Group
- Adopt industry best practice and communicate this to businesses and employees



INTERNAL AUDIT

- Audits the adequacy and effectiveness of our risk management and internal controls, using a risk-based methodology
- Provides independent assurance of compliance to relevant Group policies

BUSINESS UNITS

- Hold accountability for respective risks and controls
- Provide source information and assessment of risks and controls
- Develop operating procedures and manuals aligned with the Group's governance policies, to ensure legal, regulatory and contractual compliance
- Provide management assurance of compliance and adequacy of internal controls, backed by comprehensive self-review and certification

Why this material

Corporate Governance

We define corporate governance as the structures and processes in place for the transparent and accountable control and governance of our organisation. Well-defined corporate governance processes are essential in enhancing corporate accountability and long-term sustainability to preserve and maximise shareholder value.

Risk Management

Managing risk is an integral part of our business activities. As we continue to grow and expand globally, we are exposed to diverse risks, including strategic, financial, operational, compliance and fraud risks. Besides helping to preserve our bottom line by reducing the likelihood and impact of potential losses, risk management provides a common basis to evaluate new business opportunities. It also assures our board and shareholders that key enterprise and business risks faced by the organisation have been identified, assessed and managed with appropriate risk mitigation and controls.

Compliance

Sembcorp provides essential services which are highly regulated. We are committed to comply with all laws and regulations in the countries that we operate in. Non-compliance may subject us to statutory and regulatory fines and sanctions, including losing our licence to operate and material litigation. It may also result in damage to our reputation and credibility, thereby limiting future growth opportunities.

Ethical Business Practices

Responsible business conduct and ethical business practices ensure the long-term viability of our businesses and build trust and confidence with our stakeholders. We are committed to high standards of behaviour and integrity in everything we do. We believe in conducting our business legally, fairly, honestly and with integrity, and expect the same of those whom we do business with. Sembcorp has zero tolerance for fraud, bribery and corruption.

Our approach

Corporate Governance

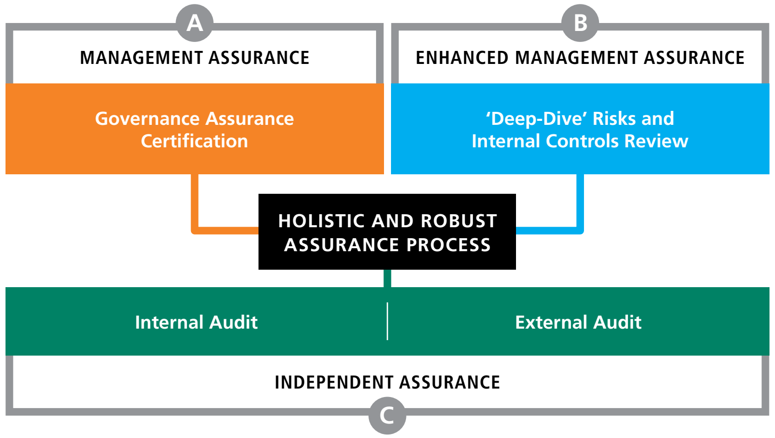
Sembcorp is led by an effective board mainly comprising independent non-executive directors. The board is collectively responsible for providing overall strategic direction and ensuring the long-term success of the Group. Several board committees have been established with clear terms of reference, both to assist the board in fulfilling its responsibilities and to provide an independent oversight of management.

Furthermore, the board and management of Sembcorp recognises that well-defined corporate governance processes are essential in enhancing corporate accountability and long-term sustainability, and are committed to high standards of governance to preserve and maximise shareholder value. We comply with the principles and guidelines set out in the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore, and our corporate governance practices are set out in the Corporate Governance Statement in this annual report.

To facilitate the effective execution of both our internal processes and business needs, we have in place a clearly defined organisational structure which includes detailed roles and responsibilities for key appointment holders. This is further supported by an established delegation of authority matrix and financial authority limits, which have been approved by the board. A comprehensive set of group-wide governance and functional policies that ensure entity-level controls are also implemented across the Group. The Group's internal controls policy and manual, which adopts principles of the Committee of Sponsoring Organizations of the Treadway Commission, provides a framework for what constitutes an effective and adequate system of internal controls. It also provides guidelines on the appropriate segregation of duties and a checklist of recommended internal controls for our business units to put in place.

We have also put in place a Governance Assurance Framework to provide a holistic and robust basis of assurance for the adequacy and effectiveness of our risk management and internal control system.

SEMBCORP'S GOVERNANCE ASSURANCE FRAMEWORK



a. Management assurance
The Governance Assurance Certification is a management certification process that is submitted quarterly by each business unit to certify that its risk management and internal controls system is adequate and effective. This certification is supported by regular internal risk management processes, including Risk Management Committee meetings and review of risk registers.

b. Enhanced management assurance
Key business units are required to perform a 'deep-dive' risks and internal controls review together with a risk control self-assessment by management.

c. Independent assurance
Internal audit provides independent assurance with a focus on operational risks and the general control environment. External audit considers internal controls relevant to the preparation of financial statements to ensure they give a true and fair view.

Risk Management

The Group manages risk under an overall strategy, determined by the board of directors and supported by the board's Risk Committee and Audit Committee. The Risk Committee reviews and enhances the effectiveness of the Group's risk management and HSE plans, systems, processes and procedures. It also regularly reviews group-wide risks including significant risk exposures relating to foreign exchange rates, commodity prices and major investment projects as well as corresponding risk mitigation plans. HSE policies, guidelines and limits are also regularly reviewed. Oversight for risk management within the Group's listed entities lies with their respective boards.

Risk appetite framework
The board has determined a risk appetite framework for Sembcorp that forms a common understanding among both our board and management to execute the Group's strategy and objectives. Under this framework, the board has approved risk appetite statements with respect to the following areas. These are aligned with how the Group categorises its material issues, for the management and the reporting of its overall sustainability performance:

HIGHLIGHT Using Technology to Enhance our Risk and Control Processes

A new online risk management and business continuity management system has been developed to improve our risk and governance process through enabling active management and monitoring, enhanced reporting, and analytics capabilities. When implemented, this system will promote greater accountability and provide a central database of identified risks and internal controls put in place to mitigate these risks.

We have also leveraged data analytics to perform continuous monitoring of transactions in our Enterprise Resource Planning system to detect non-compliance to Group policies and be alerted of any potential fraud.

a. Economic
Sembcorp actively pursues global strategies to deliver sustainable long-term value and growth. We will continue to invest in and develop our capabilities and expand our assets in both existing and new markets, with a particular emphasis on emerging markets. Investing in such markets inevitably carries with it inherent risks; however, the Group is a disciplined investor with a robust investment approval process that calls for the necessary due diligence and risk management to be done. The Group has a defined set of country limits and the limit for investment exposure in countries deemed to be of high and medium risk has been set at no more than 65% of our total investment exposure. In addition, we also maintain appropriate single-country limits.

The Group commits to maintaining a strong financial position and targets to achieve an investment grade equivalent credit rating to ensure access to funding and protect shareholder value. The Group will not take part in any form of transaction that is deemed speculative in nature, under any circumstances.

b. Environmental
Sembcorp is committed to responsibly managing and reducing our impact on the environment as well as to effectively managing environmental risks to our operations.

Besides complying with all prescribed environmental standards and requirements through our established internal policies and processes, we assess the impact of environmental risks and apply appropriate control measures to manage them. Where viable, we also invest in the latest technologies and utilise our capabilities as an industry leader to achieve better energy and water efficiency, including reduction of water consumption through water reuse.

c. Social
Sembcorp is committed to being a responsible business that ensures the health and safety of our people, and makes a positive impact on our people and communities.

In our pursuit of operational excellence and business growth, Sembcorp will not compromise the health and safety of both its internal and external stakeholders. The health and safety of all our employees is of paramount importance to the Group. We take a serious view of any breach in health and safety standards and regulations across all our operations and facilities.

Sembcorp also recognises the need to have in place a strong and competent workforce that is committed to our core values and ethical standards. The Group will also continue to attract, develop and retain employees with the relevant skill sets and competencies to meet our business needs and growth plans and ensure leadership continuity.

In addition, Sembcorp believes that as an integral part of our communities, we should conduct our business in a responsible manner and make a positive contribution to the communities in which we operate. The Group is therefore committed to high standards of business conduct, to engaging our stakeholders and to managing our environmental and social impact on local communities responsibly.

d. Governance
As a listed company on the Singapore stock exchange that has both responsibility and accountability to a wide range of stakeholders, Sembcorp commits to maintain high standards of behaviour and integrity and be best in class for governance practices. The Group will comply with all applicable laws and regulatory requirements in the countries where it operates. Further, the Group adopts a zero tolerance stance towards any form of fraud, bribery or corruption and expects all employees to adhere to the guidelines set forth in the Code of Business Conduct.

The above risk appetite statements are also supported by key risk indicators, which are monitored and reported to the Risk Committee on an ongoing basis.

Enterprise risk management
The Group is committed to ensuring that an effective and practical enterprise risk management (ERM) framework is in place. Our framework aims to safeguard our people and assets, protect shareholders' interests, facilitate informed decisions for value creation and ultimately enhance our brand and reputation. In designing our ERM framework, the Group has adapted and made reference to various industry risk management standards, such as ISO 31000 and the Enterprise Risk Management – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission. This ensures that we are in line with best practice. To sustain a successful ERM programme, we believe in having the right processes and tools as well as instilling the right risk awareness culture. Our ERM framework specifically sets out a systematic and structured approach towards risk management through the following activities:

- Awareness trainings and workshops
- Risk identification and assessment
- Formulation of key risk management strategies
- Design and implementation of risk mitigation controls (preventive, detective and responsive controls)
- Monitoring and timely reporting of risk management performance and risk exposure levels
- Continuous improvement of risk management mitigation measures and capabilities

Our ERM framework is supported by the following key pillars:

a. Fraud risk management
Sembcorp has zero tolerance for fraud, which we take to include corruption and bribery. Our fraud risk management policy provides a framework and comprehensive guidance on anti-fraud measures to proactively manage the risk of fraud, bribery and corruption. This includes a whistle-blowing policy.

The following key activities and complementary policies and procedures are part of our holistic approach towards fraud risk management and also address the risk of bribery and corruption:

Preventive anti-fraud measures
- Code of Business Conduct
- Employee code of conduct
- Conflict of interest policy
- Corporate gift policy
- Fraud risk assessments
- Employee and third party due diligence

Detective anti-fraud measures
- Whistle-blowing policy
- Forensic data analysis
- Compliance and monitoring
- Pre-employment screening

Responsive anti-fraud measures
- Fraud reporting procedures
- Fraud investigation procedures
- Grievance handling procedures

b. Operational risk management
The Group's management of operational risk is focused on the following areas:

Crisis management and business continuity
A robust and effective crisis management framework is put in place with the Group's crisis management, emergency response and business continuity procedures, and plans are regularly tested and fine-tuned. The Group also addresses crises and emergencies through the implementation of appropriate prevention, preparedness, response and recovery programmes.

Health, safety and the environment
A group-wide HSE management system which is aligned with international standards and industry best practice sets the standard for business units to actively manage HSE risks.

Insurance
The Group actively reviews its insurable and uninsurable risks, and identifies comprehensive and cost-effective risk management tools to manage such risks.

c. Financial, market and credit risk management
Sembcorp's financial, market and credit risk exposure is managed via established policies, including treasury policies, financial authority limits and Governance Assurance Certification.

Financial and market risk
The Group defines and utilises approved financial instruments to manage exposure to foreign exchange, commodity prices and interest rate fluctuations arising from operational, financing and investment activities. Under the Group's overall treasury policy, transactions for speculative purposes are strictly not allowed.

Default and counterparty credit risks
A group-wide credit risk policy has been put in place to ensure that we transact with creditworthy counterparties as much as possible. We also screen for material concentrations of credit risk to ensure that no single counterparty or group related counterparties has excessive credit exposure that may result in material impact on the Group in the event of a default.

d. Investment risk management
The Group has in place an investment approval process to ensure a prudent and disciplined approach to all investment decisions, including a country risk framework that sets appropriate country risk limits.

e. Tax risk management
It is our policy to comply with all relevant taxation laws, regulations and regulatory disclosure requirements.

For more details on our ERM framework and a full description of our approach to managing the above risks, please refer to the Sustainability section of our website.

Compliance
Full compliance to all legal and regulatory requirements is the minimum expectation we prescribe for all our businesses. As part of our Governance Assurance Framework, our Governance Assurance Certification process requires all heads of business units to certify that

they have complied with all relevant legal and regulatory requirements in their respective entities and country of operation. Any monetary fines and non-monetary sanctions imposed on the business units are also to be reported.

Regular audits are conducted by Group Internal Audit and Group HSE departments to ensure compliance and also to identify gaps and lapses in compliance. They will also work closely with management to develop action plans to prevent future recurrences of gaps and lapses.

Ethical Business Practices

Sembcorp's core values of *Insight*, *Integrity* and *Integral* define our approach to sustainable growth and form the foundation of Sembcorp's Business Principles and Code of Business Conduct (CBC). Employees are required to comply with the requirements of the CBC, which addresses Sembcorp's stance in the following key areas:

- Fairness and opportunity, harassment, information protection and insider trading, protection of company assets
- Integrity of information, gifts and entertainment, conflict of interest, corruption and bribery, facilitation payments, anti-competition and anti-trust laws, money laundering prevention, political contributions
- Contribution to our communities, health, safety and the environment

The CBC is publicly available on our website. Requirements of the CBC are communicated to employees globally through an e-learning course delivered in multiple languages. Employees are required to complete an annual declaration to acknowledge that they have read and understood the principles and requirements of the CBC and agree to comply with its principles and requirements and to promptly report any violation through available reporting channels. Suppliers and contractors who work with Sembcorp are expected to respect and follow the CBC as well.

The CBC also provides for escalation procedures in the event of a breach of the CBC as well as feedback channels for employee clarification and queries.

Our performance

The focus of our governance assurance process this year was to extend the implementation of the Governance Assurance Framework to new entities. We also continued to review and update the risk registers of existing entities to ensure that they remain relevant and up to date. Under a new requirement of India's Companies Act, the external auditors of our subsidiaries in India have opined that these subsidiaries have, in all material respects, an adequate internal financial controls system over financial reporting and that these controls were operating effectively as at March 31, 2016.

As part of our ongoing efforts to build in-house capabilities, readiness and resilience in crisis and emergency response situations, we have continued to conduct and participate in regular crisis simulation exercises and awareness trainings. In 2016, this included simulation exercises in Singapore, Oman and the UAE. The exercises were conducted in partnership with customers, local authorities and external agencies.

With heightened risk of terrorist attacks worldwide, we have also engaged an external consultant to review our security framework and ensure that our organisation and staff are well-prepared in responding to major security incidents. In September 2016, Temasek Foundation Cares launched the Stay Prepared – Business Psychological Resilience Programme (B-PREP) to establish a model for psychological resilience, which companies in Singapore can adopt to help manage the psychological and emotional impact of emergencies, threats and crises. As a B-PREP participant, we have embarked on building a team of trained personnel equipped to help affected persons cope with the psychological and emotional impact of crises. We are also developing a psychological resilience framework in line with national resilience frameworks such as SG Secure and the National Care Management System.

In 2016, Sembcorp received the Most Transparent Company Award in the Industrials category at the Securities Investors Association (Singapore) Investors' Choice Awards. Sembcorp was also ranked sixth in the 2016 edition of the Singapore Governance and Transparency Index, a well-respected index assessing the transparency of 631 Singapore listed companies. The index is a collaboration between CPA Australia, the Centre for Governance, Institutions and Organisations at the National University of Singapore Business School, and the Singapore Institute of Directors, and is supported by The Business Times.

During the year, three significant fines amounting to S$260,000 were incurred by our operations in Chile and China. One of our water treatment plants in Chile paid a total penalty of S$156,000 for failure to provide continuous water supply and meet the required water pressure level on two occasions. New wells have been constructed and enhancements have been made to improve the capacity and water pressure. A water treatment plant in China was also fined S$104,000 when samples tested by the Environmental Protection Bureau exceeded the chemical oxygen demand limit as a result of different laboratory testing methodologies. We have taken action to prevent recurrence of this incident.

There was no legal action initiated during the year in connection with anti-competitive behaviour, anti-trust or monopoly practices.

Going forward

We will continue to prescribe to and be guided by the below targets as we continue our journey in pursuit of excellence in the areas of corporate governance, risk management, compliance and ethical business practices.

Going forward, our focus will be to further improve and refine our risk management and governance processes. This includes exploring new e-learning training modules and implementing the new online risk management and business continuity management system for our key business units.

Corporate Governance
To have an effective governance and decision-making structure

Risk Management
To ensure effective identification and management of all material risks

Compliance
To comply with all legal and regulatory requirements

Ethical Business Practices
To ensure we conduct our businesses legally, fairly, honestly and with integrity

CORPORATE GOVERNANCE STATEMENT

Sembcorp's corporate governance principles are built on our core value of integrity and reflect our commitment to protect and enhance shareholder value.

The board and management of Sembcorp recognise that well-defined corporate governance processes are essential in enhancing corporate accountability and long-term sustainability, and are committed to high standards of governance to preserve and maximise shareholder value. This report sets out the company's corporate governance processes and activities for the financial year with reference to the principles set out in the Singapore Code of Corporate Governance 2012 (the Code). The board is pleased to report that the company has complied in all material aspects with the principles and guidelines set out in the Code, and any deviations are explained in this report.

The company continually reviews and refines its processes in light of best practice, consistent with the needs and circumstances of the Group. We are encouraged that our efforts towards excellent governance have been recognised. Sembcorp was ranked sixth in the 2016 edition of the Singapore Governance and Transparency Index, a well-respected index assessing the transparency of 631 Singapore listed companies. The index is a collaboration between CPA Australia, the Centre for Governance, Institutions and Organisations at NUS Business School, and the Singapore Institute of Directors, supported by The Business Times. At the SIAS Investors Choice Awards 2016, Sembcorp was also recognised as the Most Transparent Company under the Industrials category. This award honours public listed companies that have demonstrated exemplary corporate governance and transparency throughout the year.

BOARD MATTERS

Board's Conduct of Affairs (Principle 1)

Effective board to lead and effect controls

Sembcorp is led by an effective board comprising mainly independent non-executive directors. The board is headed by Ang Kong Hua. He is joined on the board by Tang Kin Fei, Bobby Chin Yoke Choong, Margaret Lui, Tan Sri Mohd Hassan Marican, Tham Kui Seng, Dr Teh Kok Peng, Ajaib Haridass, Neil McGregor, Nicky Tan Ng Kuang as well as Yap Chee Keong, who was appointed to the board on October 1, 2016.

Role of the board

The board is collectively responsible for the long-term success of the company. Each director exercises his / her independent judgement to act in good faith and in the best interest of the company for the creation of long-term value for shareholders. The principal duties of the board are to:

- Provide leadership and guidance to management on the Group's overall strategy, taking into consideration sustainability issues and the need to ensure necessary financial and human resources are in place
- Ensure the adequacy of the Group's risk management and internal controls framework and standards, including ethical standards, and that its obligations to shareholders and other key stakeholders are met
- Review management performance and oversee the Group's overall performance objectives, key operational initiatives, financial plans and annual budget, major investments, divestments and funding proposals, quarterly and full-year financial performance reviews, risk management and corporate governance practices
- Provide guidance on sustainability issues such as environmental, social and governance factors, as part of the Group's overall business strategy

To assist the board in the efficient discharge of its responsibilities and provide independent oversight of management, the board has established the following board committees with written terms of reference:

- Executive Committee
- Audit Committee
- Risk Committee
- Executive Resource & Compensation Committee
- Nominating Committee
- Technology Advisory Panel

Special purpose committees are also established as dictated by business imperatives.

Composition of the board committees is structured to ensure an equitable distribution of responsibilities among board members, maximise the effectiveness of the board and foster active participation and contribution. Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances between the different committees. Hence, membership of the Executive Committee, with its greater involvement in key businesses and executive decisions, and membership of the Audit and Risk Committees, with their respective oversight roles, are mutually exclusive.

The directors and executive officers of the company have each given an undertaking that in the exercise of their powers and duties as a director or executive officer of the company, they shall apply their best endeavours to comply with the requirements of the Singapore Exchange Securities Trading (SGX-ST), pursuant to or in connection with the SGX-ST Listing Manual from time to time in force, and use their best endeavours to procure that the company shall so comply.

The Group has adopted internal controls and guidelines that set out financial authorisation and approval limits for borrowings, including off-balance sheet commitments, investments, acquisitions, disposals, capital and operating expenditures, requisitions and expenses. Significant investments and transactions exceeding threshold limits are approved by the board while transactions below the threshold limits are approved by the Executive Committee and management to facilitate operational efficiency, in accordance with applicable financial authority limits.

Executive Committee

The Executive Committee (ExCo) is chaired by Mr Ang and its members include Mr Tang, Mrs Lui as well as Mr Tan.

Within the limits of authority delegated by the board, the ExCo reviews and approves business opportunities, strategic investments, divestments, and major capital and operating expenditure. The ExCo also evaluates and recommends larger investments, capital and operating expenditure and divestments to the board for approval.

Technology Advisory Panel

The Technology Advisory Panel (TAP) comprises board members Mr Ang, Mr Tang and Dr Teh, as well as co-opted members Dr Josephine Kwa Lay Keng, Prof Ng How Yong and Prof Lui Pao Chuen. Their profiles may be found under the TAP chapter of this annual report.

The TAP provides guidance to the Group on its vision and strategy in leveraging technology to enhance Sembcorp's leadership in the energy and water industries. The panel advises on technologies for research and development as well as investment, and oversees the development and application of significant emerging and potentially disruptive technologies in the energy and water sectors. It also ensures the appropriate management of specialised research and development projects and systems for intellectual property creation and protection. In addition, the panel advises Sembcorp's board and management on technological trends and opportunities in line with the company's growth strategies.

The other committees' respective composition, roles and responsibilities are further explained in this Corporate Governance Statement. Minutes of board committee meetings are circulated to the board to keep directors updated on each committee's activities.

Meetings and attendance

The board meets on a quarterly basis to review and approve the release of the company's quarterly results, as well as to deliberate on key activities and business strategies, including significant acquisitions and disposals. At these board meetings, the Group President & CEO updates the board on the development and prospects of the Group's businesses and each board committee provides a report on its activities. An additional board meeting is held at the end of each financial year to review the Group's strategy and to consider and approve the Group's budget for the following year. Ad-hoc board meetings may also be convened as necessary to consider other specific matters. At quarterly board meetings, time is set aside for the board to discuss management's performance. Members of management are not present at or privy to such discussions. Annually, a strategic review meeting is organised for the board to have in-depth discussions with management on the Group's strategy and other key issues. In 2016, this off-site meeting was held in November.

Board and board committee meetings, as well as annual general meetings (AGMs) of the company are scheduled in consultation with the directors before the start of each year. Telephonic attendance and conference via audiovisual communication channels are allowed under the company's constitution to enable the participation of directors who are unable to be present. Decisions made by the board and board committees may be obtained at meetings or via circular resolution. Should a director be unable to attend any board or board committee meeting, he / she will still be sent the papers tabled for discussion and have the opportunity to separately convey any views to the chairman for consideration or further discussion with other directors. If necessary, a separate session may be organised for management to brief that director and obtain his / her comments and / or approval.

The directors' attendance at board and committee meetings held during the financial year 2016 is set out on page 135.

Board orientation and training

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.

As part of training and professional development for the board, the company 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.

In 2016, the directors participated in the following briefings and updates provided by the company:

- Briefings on developments in accounting and governance standards presented by our external auditors at Audit Committee meetings
- Quarterly updates on the Group's business and strategic developments presented by the Group President & CEO to the board
- Quarterly overviews presented by the Group Risk and Governance departments to the Risk Committee on the Group's risk and controls environment and updates relating to risk management, governance initiatives and key emerging threats such as heightened risk of terrorist attacks
- Public conferences and forum discussions on best practices for boards, cybersecurity and risk management
- A series of briefings on relevant topics, such as regional geopolitical developments including China's foreign relations and security issues in the Asia Pacific, as well as technology developments for large-scale urban systems

Besides such briefings, articles and reports relevant to the Group's businesses are also circulated to the directors for information. Furthermore, to enhance understanding of the Group's businesses and engagement with its stakeholders, our directors regularly visit the Group's operations in different locations. In 2016, the directors went to India, China and Myanmar, visiting our facilities and meeting with government officials as well as key customers and partners. In conjunction with the visits, the directors also attended the opening ceremony of our Sembcorp Gayatri Power Complex in India as well as the groundbreaking ceremony of the *Nanjing International Water Hub* in China.

Board Composition and Guidance (Principle 2)

Strong and independent board exercising objective judgement

Board composition

The current board comprises 11 directors, eight of whom are independent directors. Excluding the Group President & CEO, all the directors are non-executive. The board members include business leaders and professionals with strong experience relevant to the Group's businesses, from engineering, petrochemicals, oil and gas and real estate industries to accountancy, finance and legal sectors. Best efforts have been made to ensure that in addition to contributing their valuable expertise and insight to board deliberations, directors also bring to the board independent and objective perspectives to allow balanced and well-considered decisions to be made. The board is of the view that given that the majority of directors are non-executive and independent of management in terms of character and judgement, objectivity on issues deliberated is assured. Profiles of the directors may be found on pages 28 to 35.

Review of directors' independence

The independence of each non-executive director is assessed annually. Each director is required to complete a Director's Independence Checklist drawn up based on the guidelines provided in the Code. The checklist also requires each director to assess whether he / she considers himself / herself independent despite involvement in any of the relationships identified in the Code. Thereafter, the Nominating Committee reviews the completed checklists, assesses the independence of the directors and presents its recommendations to the board.

Taking into account the views of the Nominating Committee, the board determined in 2016 that with the exception of Mr Tang, Mrs Lui and Mr McGregor, all of Sembcorp Industries' directors are independent. Mr Tang is Group President & CEO and an executive director. Mrs Lui is Chief Executive Officer of Azalea Asset Management, a related company of Temasek Holdings (Temasek) which holds more than 10% interest in the Group. As at the time of publication of this report, Mr McGregor is Head of Temasek International's Energy and Resources Group, Head of Australia and New Zealand and Senior Managing Director of its Enterprise Development Group.

Mr Tang will retire as Group President & CEO on March 31, 2017 and Mr McGregor will be the Group President & CEO with effect from April 1, 2017.

Tan Sri Mohd Hassan Marican and Mr Haridass both sit on the board of Sembcorp Marine, a listed subsidiary from which the company has received payment in excess of S$200,000 in aggregate for consultancy services and provision of utilities services. The board has assessed this matter and is of the view that the payment received from Sembcorp Marine is not significant in the context of the Group's earnings. The board believes that Tan Sri Mohd Hassan Marican and Mr Haridass' directorships in Sembcorp Marine have not and will not interfere, or be reasonably perceived to interfere, with their ability to exercise independent judgement and act in the best interest of Sembcorp Industries.

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. None of Sembcorp's current directors have served longer than nine years from the date of their appointment.

The board has determined that Mr Chin, a director on the board of Temasek, and Tan Sri Mohd Hassan Marican and Mr Tham, who respectively hold the positions of Senior International Advisor and Corporate Advisor at Temasek International Advisors, a subsidiary of Temasek, are independent. All three directors have consistently exercised strong independent judgement in their deliberations. The board believes that they have acted and continue to act in the best interest of the company, as they are not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek.

Board Members for 2016

Board member	Position held on the board	Date of first appointment to the board	Date of last re-election / re-appointment as director	Nature of appointment
Ang Kong Hua	Chairman	Feb 26, 2010	Apr 19, 2016	Non-executive / Independent
Tang Kin Fei	Director	May 1, 2005	Apr 19, 2016	Executive / Non-independent
Bobby Chin Yoke Choong	Director	Dec 1, 2008	Apr 21, 2015*	Non-executive / Independent
Margaret Lui	Director	Jun 1, 2010	Apr 19, 2016	Non-executive / Non-independent
Tan Sri Mohd Hassan Marican	Director	Jun 16, 2010	Apr 19, 2016	Non-executive / Independent
Tham Kui Seng	Director	Jun 1, 2011	Apr 24, 2014*	Non-executive / Independent
Dr Teh Kok Peng	Director	Oct 15, 2012	Apr 21, 2015	Non-executive / Independent
Ajaib Haridass	Director	May 1, 2014	Apr 21, 2015*	Non-executive / Independent
Neil McGregor	Director	May 1, 2014	Apr 21, 2015*	Non-executive / Non-independent
Nicky Tan Ng Kuang	Director	Nov 1, 2015	Apr 19, 2016	Non-executive / Independent
Yap Chee Keong	Director	Oct 1, 2016	N.A.*	Non-executive / Independent

* *Up for retirement at the company's upcoming AGM*

Composition of Board Committees for 2016

Board member	Executive Committee	Audit Committee	Risk Committee	Executive Resource & Compensation Committee	Nominating Committee	Technology Advisory Panel
Ang Kong Hua	Chairman			Chairman	Chairman	Chairman
Tang Kin Fei	Member					Member
Bobby Chin Yoke Choong		Chairman	Member		Member	
Margaret Lui	Member			Member	Member	
Tan Sri Mohd Hassan Marican				Member	Member	
Tham Kui Seng		Member	Member			
Dr Teh Kok Peng		Member		Member		Member
Ajaib Haridass		Member	Chairman			
Neil McGregor			Member			
Nicky Tan Ng Kuang[1]	Member					
Yap Chee Keong[2]		Member	Member			

Directors' Attendance at Board and Board Committee Meetings in 2016

Board member	Board meeting	Executive Committee meeting	Audit Committee meeting	Risk Committee meeting	Executive Resource & Compensation Committee meeting	Nominating Committee meeting	Technology Advisory Panel meeting	Annual general meeting
Total Number of Meetings Held in 2016	**8**	**6**	**7**	**4**	**5**	**3**	**4**	**1**
Ang Kong Hua	8/8	6/6	–	–	5/5	3/3	4/4	1/1
Tang Kin Fei	6/8*	6/6	5/7*	4/4	3/5*	3/3	4/4	1/1
Bobby Chin Yoke Choong	8/8	–	7/7	4/4	–	3/3	–	1/1
Margaret Lui	8/8	6/6	–	–	5/5	3/3	–	1/1
Tan Sri Mohd Hassan Marican	8/8	–	–	–	5/5	3/3	–	1/1
Tham Kui Seng	8/8	–	7/7	4/4	–	–	–	1/1
Dr Teh Kok Peng	8/8	–	7/7	–	5/5	–	4/4	1/1
Ajaib Haridass	8/8	–	7/7	4/4	–	–	–	1/1
Neil McGregor	8/8	–	–	4/4	–	–	–	1/1
Nicky Tan Ng Kuang[1]	7/8**	5/6**	–	–	–	–	–	1/1
Yap Chee Keong[2]	2/2	–	1/1	1/1	–	–	–	–

[1] *Mr Tan was appointed a member of the Executive Committee with effect from January 1, 2016*

[2] *Mr Yap was appointed a director and member of the Audit Committee and Risk Committee with effect from October 1, 2016*

* *As an executive director, Mr Tang was not required to attend the ad-hoc board, Audit Committee and Executive Resource & Compensation Committee meetings that were convened for non-executive directors only*

** *Although Mr Tan was unable to attend one board meeting and one Executive Committee meeting, he conveyed his views / comments to the Board and Executive Committee for consideration prior to the meetings*

Chairman and Chief Executive Officer (Principle 3)

Clear division of responsibilities between the board and management

The Chairman and the Group President & CEO are not related to each other. Their roles are kept separate to ensure a clear division of responsibilities, increased accountability and a greater capacity of the board for independent decision-making.

The Chairman, who is non-executive, chairs the board, ExCo, Executive Resource & Compensation Committee, Nominating Committee and the TAP. He leads and ensures an effective and comprehensive discussion on matters brought to the board, including strategic issues and business planning. The Chairman promotes an open environment for deliberation and ensures that board and board committee meetings are conducted in a manner that allows non-executive directors to participate in meaningful and active discussions. He also provides advice to management and monitors all follow-up actions following the board's decisions, ensuring that such decisions are translated into executive action. In addition, the Chairman provides leadership and guidance to management, particularly with regard to global growth strategy and project investments. He also helps to oversee the Group's talent management, and works with the Group President & CEO to ensure that robust succession plans are in place for key management positions.

The Group President & CEO makes strategic proposals to the board, develops the Group's businesses in accordance with strategies, policies, budgets and business plans as approved by the board and provides close oversight, guidance and leadership to senior management.

Board Membership (Principle 4)

Formal and transparent process for the appointment and re-appointment of directors

Nominating Committee

The Nominating Committee (NC) comprises non-executive directors, namely Mr Ang, Mrs Lui, Tan Sri Mohd Hassan Marican and Mr Chin. Three out of four NC members, including its chairman, are independent. They are Mr Ang, Tan Sri Mohd Hassan Marican and Mr Chin.

The NC is responsible for reviewing Sembcorp's board to ensure strong, independent and sound leadership to drive the continued success of the company and its businesses.

The key responsibilities of the NC are to:

- Ensure that the board has the right balance of skills, attributes, knowledge and experience in business, finance and related industries, as well as management expertise critical to the company's businesses
- Review the composition and size of the board and its committees and recommend new appointments, re-appointments and re-elections to the board and board committees as appropriate
- Review the directors' independence and succession plans for the board
- Develop a process to evaluate board and board committee performance
- Review training and professional development programmes for the board

Succession planning, appointment and re-appointment of directors

The NC seeks to refresh board membership progressively and in an orderly manner. All appointments to the board are made based 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. 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.

With reference to the Group's strategies and business plans, the NC reviews the skills mix of board members to ensure that the board has the required diversity, including gender diversity, as well as the competencies to support our growth. When the need for a new director arises, the NC consults with management and identifies a list of potential candidates. These candidates are sourced through an extensive network of contacts and external databases where appropriate, based on the skill sets, experience, knowledge and attributes required to lead the growth of the company. Thereafter, the NC will interview the candidates and make its recommendation to the board for approval. In accordance with the company's constitution, the new director will hold office until the next AGM and, if eligible, can stand for re-appointment.

The company subscribes to the principle that all directors, including the Group President & CEO, should retire and submit themselves for re-election at regular intervals, subject to their continued satisfactory performance. The company's constitution requires a third of its directors to retire and subject themselves for re-election by shareholders at every AGM (one-third rotation rule).

In addition, all newly-appointed directors submit themselves for retirement and re-election at the AGM immediately following their appointment. Thereafter, these directors are subject to the one-third rotation rule.

Pursuant to the one-third rotation rule, Mr Chin, Mr Tham, Mr Haridass and Mr McGregor will retire at the forthcoming AGM. With the exception of Mr Chin, the respective directors will however submit themselves for re-election. Mr Chin, who was appointed in December 2008 and has served for more than eight years on the board, is retiring at the forthcoming AGM in April 2017.

Mr Yap, who was newly appointed to the board on October 1, 2016, will also submit himself for retirement and re-election by shareholders at the forthcoming AGM.

The board does not encourage the appointment of alternate directors. No alternate director has been or is currently being appointed to the board.

Review of directors' time commitments

While reviewing the re-appointment and re-election of directors, the NC also considers the directors' other board directorship representations and principal commitments to ensure they have sufficient time to discharge their responsibilities adequately. Taking into consideration the total time commitment required of our directors for involvement in Sembcorp's board and board committees and for their other appointments outside our company, the board has determined that the maximum number of listed company board representations held by any Sembcorp Industries director should not exceed six.

For 2016, the board is satisfied that all directors have given sufficient time and attention to the affairs of the company and have discharged their duties adequately.

Board Performance (Principle 5)

Active participation and valuable contributions are key to overall effectiveness of the board

Board evaluation process and performance criteria

The board believes that board performance is ultimately reflected in the long-term performance of the Group. Each year, in consultation with the NC, the board assesses its performance to identify key areas for improvement and requisite follow-up actions.

To provide feedback to aid in this assessment, each director is required to complete a questionnaire on the effectiveness of the board, board committees and directors' contribution and performance. The evaluation considers factors such as the size and composition of the board and board committees, board processes and accountability, board and board committees' development and effectiveness, information management, decision-making processes, risk and crisis management, succession planning, communication with senior management and stakeholder management. The evaluation and feedback are then consolidated and presented to the board for discussion on areas of strengths and weaknesses. The NC periodically reviews and improves the directors' questionnaire to further enhance assessment of board and board committee effectiveness. The assessment helps the directors to maintain focus on their key responsibilities, while improving board performance.

Access to Information (Principle 6)

Directors have complete, adequate and timely information and resources

Complete, adequate and timely information

The company recognises that directors should be provided with complete, adequate and timely information on an ongoing basis that enables them to make informed decisions, discharge their duties and keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities. Sembcorp's management furnishes management and operation reports as well as financial statements to the board on a regular basis. Financial highlights of the Group's performance and key developments are presented on a quarterly basis at board meetings and the Group President & CEO, Group Chief Financial Officer and members of senior management attend board and board committee meetings to provide insight into matters under discussion and address any queries that the directors may have.

In line with Sembcorp's strong commitment towards environmental responsibility, directors are provided with electronic tablets that give them access to board and board committee papers prior to and during meetings. As a general rule, the board and board committee papers are made available to directors a week prior to meetings. This is to give the directors sufficient time to review and consider matters at hand. It also ensures that discussions at the meetings can be focused on any questions arising from these matters. The board has ready and independent access to the Group President & CEO, senior management, the company secretary and internal and external auditors at all times, should it require additional information.

Company Secretary

The company secretary assists the Chairman to ensure good information flow within the board and its committees and between the board and senior management. In addition, the company secretary attends to corporate secretarial matters, such as arranging orientations for new directors and assisting with their professional development as required. In consultation with the Chairman and Group President & CEO, the company secretary assists the board with scheduling of board and board committee meetings, prepares meeting agendas and administers, attends and minutes board proceedings. The company secretary assists the board on the Group's compliance with the company's constitution and applicable regulations, including requirements of the Companies Act, Securities & Futures Act and SGX-ST Listing Manual. Moreover, the company secretary liaises on behalf of the company with SGX-ST, the Accounting and Corporate Regulatory Authority and when necessary, shareholders. The appointment and the removal of the company secretary are subject to the board's approval.

Independent professional advice

In the furtherance of its duties, the board exercises its discretion to seek independent professional advice at the company's expense, if deemed necessary.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies (Principle 7)

Remuneration of directors adequate and not excessive

With the assistance of the Executive Resource & Compensation Committee, the board ensures that a formal policy and transparent procedure for determining remuneration of executives and directors are in place.

Executive Resource & Compensation Committee

The Executive Resource & Compensation Committee (ERCC) is chaired by Mr Ang, an independent non-executive director. He is joined on the committee by Mrs Lui, Tan Sri Mohd Hassan Marican as well as Dr Teh.

The ERCC is responsible for developing, reviewing and recommending to the board the framework of remuneration for the board and key management personnel as defined in the Code.

To this end, it:

- Assists the board to ensure that competitive remuneration policies and practices are in place and aligned with the prevailing economic environment
- Reviews the Directors' Fee Framework periodically and remuneration package of each member of key management, and endorses or makes further recommendations on such matters to the board for its consideration
- Establishes guidelines on share-based incentives and other long-term incentive plans and approves the grant of such incentives to key management personnel. These incentives serve to motivate executives to maximise operating and financial performance and shareholder value. They are aimed at aligning the interests of key management personnel with those of shareholders
- Reviews succession planning for key management personnel and the leadership pipeline for the organisation

In its deliberations, the ERCC takes into consideration industry practices and compensation norms. The Group President & CEO does not attend discussions relating to his own compensation, terms and conditions of service, or the review of his performance. In addition, no ERCC member or any director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to himself / herself.

The ERCC has access to expert professional advice on human resource matters whenever there is a need for such external consultation. In 2016, Mercer (Singapore) was engaged as external consultants to provide such advice. In engaging external consultants, the Group ensures that the relationship, if any, between them and these external consultants will not affect the independence and objectivity of the external consultants. In 2016, the ERCC undertook a review of the independence and objectivity of Mercer (Singapore) and has confirmed that it has no relationship with the company which would affect its independence.

In reviewing succession planning and the Group's leadership pipeline, the ERCC reviews the development of senior staff and assesses their strengths and development needs based on the Group's leadership competencies framework, with the aim of building talent and maintaining strong and sound leadership for the Group. On an annual basis, the ERCC reviews succession planning for the position of Group President & CEO and that of officers reporting directly to him, as well as for other selected key positions in the company. Potential internal and external candidates for succession are reviewed for different time horizons according to immediate, medium-term and long-term needs. In addition, the ERCC also reviews the company's obligation arising in the event of termination of the Group President & CEO and key management personnel's contracts of service, to ensure that such contracts contain fair and reasonable termination clauses.

Level and Mix of Remuneration (Principle 8)

Competitive reward system to ensure highest performance and retention of directors and key management personnel

Sembcorp believes that its remuneration and reward system is aligned with the long-term interest and risk policies of the company. It also recognises that a competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talent.

The Group President & CEO, as an executive director, does not receive director's fees from Sembcorp. As a lead member of management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets. Details on the share-based incentives and performance targets are available in the Directors' Statement and Note 32 in the Notes to the Financial Statements in this annual report.

Non-executive directors' fees

The framework below adopted by the company is based on a scale of fees divided into basic retainer fees, attendance fees and allowances for travel and service on board committees:

Directors' Fee Framework for FY2016*

	S$
Chairman's fee (all-in)[1]	750,000
Director's basic retainer fee	75,000
Executive Committee	
Chairman's allowance	50,000
Member's allowance	30,000
Audit Committee	
Chairman's allowance	50,000
Member's allowance	30,000
Executive Resource & Compensation Committee	
Chairman's allowance	35,000
Member's allowance	20,000
Risk Committee	
Chairman's allowance	35,000
Member's allowance	20,000
Nominating Committee	
Chairman's allowance	25,000
Member's allowance	15,000
Technology Advisory Panel / Others	
Chairman's allowance	25,000
Member's allowance	15,000
Attendance fees	
Board meeting	5,000
Committee meeting[2]	2,500
Teleconference (board meeting)	2,000
Teleconference (committee meeting)	1,000
Travel allowance for overseas directors	
≤ 4 hours (to and fro air travel time)	2,500
> 4 to 15 hours (to and fro air travel time)	5,000
> 15 hours (to and fro air travel time)	10,000

Notes:

** The directors' fee framework applies to all directors except the Group President & CEO, who is an executive director and does not receive any directors' fees*

[1] With effect from January 1, 2014, the Chairman of our board only receives one all-in chairman's fee. He does not receive the directors' basic fee, nor any further fees or allowances for serving as a chairman or member of any of our board committees

[2] The attendance fee for committee meetings also applies to attendance at general meetings

The directors' fees payable to non-executive directors are paid in cash and in share awards under the Sembcorp Industries Restricted Share Plan 2010. The ERCC has determined that up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards. Directors' cash fees and share awards will only be paid and granted upon approval by shareholders at the company's AGM. Directors and their associates also abstain from voting on any resolution(s) relating to their remuneration.

Share awards granted under the Sembcorp Industries Restricted Share Plan 2010 to directors as part of directors' fees will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. However, this does not apply to Mr Tang, as he does not receive directors' fees given that he is Group President & CEO of the company. Non-executive directors are required to hold shares in the company (including shares obtained by other means) worth the value of their annual basic retainer fee (currently S$75,000); any excess may be disposed of as desired. A non-executive director may only dispose of all of his shares one year after leaving the board. Subject to shareholders' approval at the forthcoming AGM, the cash component of the directors' fees for the financial year 2017 is intended to be paid half-yearly in arrears.

The actual number of shares to be 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 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. The share component of the directors' fees for the financial year 2017 is intended to be paid in 2018 after the AGM has been held.

The company does not have a retirement remuneration plan for non-executive directors.

Remuneration for key management personnel

Sembcorp's remuneration and reward system for key management personnel is designed to ensure a competitive level of compensation to attract, retain and motivate employees to deliver high-level performance in accordance with the company's established risk policies. The remuneration of our key management personnel comprises three primary components:

- **Fixed remuneration**
  Fixed remuneration includes an annual basic salary, and where applicable, fixed allowances, an annual wage supplement and other emoluments. Base salaries of key management personnel are determined based on the scope, criticality and complexity of each role, equity against peers with similar responsibilities, experience and competencies, individual performance and market competitiveness.

- **Annual variable bonuses**
  The annual variable bonus is intended to recognise the performance and contributions of the individual, while driving the achievement of key business results for the company. The annual variable bonus includes two components.

  The first is the performance target bonus, linked to the achievement of pre-agreed financial and non-financial performance targets, comprising strategy, business processes and organisation and people development. It is designed to support the Group's business strategy and the ongoing enhancement of shareholder value through the delivery of annual financial strategy and operational objectives. On an individual level, the performance target bonus will vary according to the actual achievement of the Group, business unit and the individual performance.

The second is linked to the creation of economic value added (EVA) and is designed to ensure alignment with sustainable value creation for the shareholders over the longer term. An EVA linked "bonus bank" is created for each executive. Typically, one-third of the bonus bank balance is paid out in cash each year, while the remaining two-thirds is carried forward to the following year. Such carried-forward balances of the bonus bank may either be reduced or increased in future, based on the yearly EVA performance of the Group and its subsidiaries. There are provisions in the EVA incentive plan to allow for forfeiture of the outstanding balances in the bonus bank in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the company.

- **Share-based incentives**
  The company's performance share plan and restricted share plan were approved and adopted by shareholders at an extraordinary general meeting held by the company on April 22, 2010. Through our share-based incentives, we motivate key management personnel to continue to strive for the Group's long-term shareholder value. In addition, our share-based incentive plans aim to align the interests of participants with the interests of shareholders, so as to improve performance and achieve sustainable growth for the company.

  The performance share award is only granted to the Group President & CEO and top management while the restricted share award is granted to a broader group of executives. The number of performance and restricted shares awarded is determined using a valuation of the shares based on a Monte Carlo simulation. The share awards are conditional upon the achievement of pre-determined performance targets over the performance period. The performance conditions and targets are approved by the ERCC at the beginning of the performance period and the final number of shares vested to the recipient will depend on the level of achievement of these targets over the performance period, subject to the approval of the ERCC.

  The restricted share plan has a two-year performance period from January 1, 2016 to December 31, 2017. Vesting of shares is dependent on the following performance conditions:

  - 50% based on Sembcorp Industries' return on total assets, excluding Sembcorp Marine
  - 50% based on Sembcorp Industries' profit from operations, excluding Sembcorp Marine

  The Performance Share Plan has a three-year performance period from January 1, 2016 to December 31, 2018. Vesting of shares is dependent on the following performance conditions:

  - 30% based on Sembcorp Industries' relative total shareholder return – percentile ranking against the component stocks of the MSCI Asia Pacific ex-Japan Industrial Index
  - 30% based on Sembcorp Industries' absolute total shareholder return against pre-determined target
  - 40% based on Sembcorp Industries' earnings per share, excluding contribution from Sembcorp Marine

Pay for performance

As in prior years, a pay-for-performance study was conducted in 2016 by our external consultants, Mercer (Singapore), to review the alignment between the Group's executive pay programme, shareholder returns and business results. The Group benchmarked itself against established global energy and utilities firms and comparably-sized local listed companies with which the Group competes for talent and capital.

The study benchmarked different elements of senior executive pay, namely fixed remuneration, total cash remuneration and total compensation including long-term incentives, against that of peer companies. It found senior executive's fixed pay to be positioned competitively vis-à-vis the Group's relative size and complexity. The total cash component for the year had a robust correlation to the Group's profit from operations and EVA. The performance conditions for short-term and share-based-term incentive plans were generally met, except for total shareholder return conditions, which were impacted by adverse share price movement. As a result, the realised value of the share-based incentive award was much lower than the granted value. Overall, the study showed a strong correlation between the Group's executive pay and its business results and shareholder returns, indicating strong pay-for-performance alignment.

Disclosure on Remuneration (Principle 9)

The computation of non-executive directors' fees totalled S$2,365,750 in 2016 (2015: S$2,182,750). More information on directors and 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.

In 2016, the company had no employees who were immediate family members of a director or the Group President & CEO.

ACCOUNTABILITY AND AUDIT

Accountability (Principle 10)

The board is accountable to shareholders

Sembcorp is committed to open and honest communication with shareholders at all times. The company presents a balanced and clear assessment of the Group's performance, position and prospects to shareholders through the timely release of its quarterly and annual financial reports. The company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust in the company. In line with stock exchange requirements, negative assurance statements were issued by the board to accompany the company's quarterly financial results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render the company's quarterly results false or misleading.

Risk Management and Internal Controls (Principle 11)

The board has overall responsibility for the governance of the Group's risk management and internal controls. The company's board and management are fully committed to maintaining sound risk management and internal control systems to safeguard shareholders' interests and the Group's assets.

The board determines the company's levels of risk tolerance and risk policies, and oversees management in the design, implementation and monitoring of risk management and internal control systems.

Risk Committee

The Risk Committee (RC) assists the board in overseeing risk management for the Group.

The RC is headed by Mr Haridass, who is joined on the committee by Mr Chin, Mr McGregor, Mr Tham and Mr Yap, who was appointed to the RC on October 1, 2016. The RC's principal functions are to:

- Review and endorse the risk management plans of the Group
- Review and approve group-wide risk policies, guidelines and limits
- Review the adequacy and effectiveness of the risk management systems, processes and procedures of the Group
- Review risk-related reports submitted to it by management. These include updates on the Group's risk portfolio, reports on major risk exposure and any other risk-related issues as well as actions taken to monitor and manage such exposure / issues
- Review infrastructure and resources in place to support the management of risk, including for instance, human resources, information technology systems, reporting structure and procedures

Adequate and effective system of internal controls

The Group has implemented a comprehensive enterprise risk management (ERM) framework where key risks identified are deliberated by management with the support of the risk management function, and reported regularly to the RC. Supporting the ERM framework is a system of internal controls, comprising a code of business conduct, group-wide governance and internal control policies, procedures and guidelines dictating the segregation of duties, approval authorities and limits, and checks and balances embedded in business processes. The Group has also considered the various financial risks, details of which are found on our website.

Our ERM framework is complemented by a governance assurance framework and a risk-based control self-assessment programme. During the year, the Group's risk profile was reviewed and updated.

The effectiveness of our internal controls was also assessed and enhanced through a combination of management control self-assessments, certifications and internal audits, as well as actions taken as a follow up to these exercises. For more information on the company's ERM framework, please refer to our website.

For the financial year under review, the board has been assured by the Group President & 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.

The board, with the concurrence of the Audit Committee, is of the opinion that the company's internal controls are adequate and effective as at December 31, 2016 to address the financial, operational, compliance and information technology risks of the Group. This assessment is based on the internal controls established and maintained by the Group, work performed by external and internal auditors and reviews performed by senior management. Internal controls, because of their inherent limitations, can provide reasonable but not absolute assurance regarding the achievement of their intended control objectives. In this regard, the board will ensure that should any significant internal control failings or weaknesses arise, necessary remedial actions will be swiftly taken.

Audit Committee (Principle 12)

The Audit Committee (AC) comprises independent, non-executive directors. The AC is chaired by Mr Chin and its members are Mr Tham, Dr Teh, Mr Haridass as well as Mr Yap, who joined the AC on October 1, 2016. The AC does not have any member who was a former partner or director of the company's external auditors, KPMG, within the last 12 months, or who holds any financial interest in KPMG.

Authority and duties of the AC

The AC assists the board in fulfilling its fiduciary responsibilities relating to the internal controls, financial accounting and reporting practices of the Group. Its main responsibilities are to:

- Review the company's policies, control procedures and accounting practices with external auditors, internal auditors and management
- Review and act in the interest of the shareholders in respect of interested person transactions, as well as any matters or issues that affect the financial performance of the Group
- Review the quarterly, half-year and full-year results announcements, accompanying press releases and presentation slides, as well as the financial statements of the Group and the adequacy and accuracy of information disclosed prior to submission to the board for approval

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to and co-operation from management and full discretion to invite any director or executive officer to attend its meetings. It also has reasonable resources to enable it to discharge its function properly.

Where relevant, the AC is guided by the recommended best practice for audit committees, set out in the revised Guidebook for Audit Committees issued by Singapore's Audit Committee Guidance Committee in August 2014.

Key audit matters

The AC has discussed the key audit matters with management and the external auditors. The AC concurs with the basis and conclusions included in the auditor's report with respect to the key audit matters.

For more information on the key audit matters, please refer to page 169 to 173 of this annual report.

External auditors

Each year, the AC reviews the independence of the company's external auditors and makes recommendations to the board on the re-appointment of the company's external auditors. During the year, the AC has reviewed the performance of the external auditors using audit quality indicators recommended by the Accounting and Corporate Regulatory Authority as reference.

The AC reviews and approves the external audit plan to ensure the adequacy of the audit scope. It also reviews the external auditors' management letter and monitors the timely implementation of required corrective or improvement measures. The AC meets external and internal auditors at least once a year without the presence of management. It has reviewed the nature and extent of non-audit services provided by the external auditors to the Group for the year, excluding services provided to Sembcorp Marine, a listed subsidiary that has its own audit committee. The AC is satisfied that the independence of the external auditors has not been impaired by their provision of non-audit services. Accordingly, the AC has recommended the re-appointment of the external auditors at the forthcoming AGM. Details of non-audit fees payable to the external auditors are found in Note 28(a) in the Notes to the Financial Statements in this annual report.

Whistle-blowing policy

The AC oversees the Group's whistle-blowing policy which has been implemented to strengthen corporate governance and ethical business practices across all business units. Employees are provided with accessible channels to report suspected fraud, corruption, dishonest practices or other misdemeanours to the Group's internal auditors and are protected from reprisal to the extent possible. This aims to encourage the reporting of such matters in good faith. For more information on our whistle-blowing policy, please refer to our website.

Internal Audit (Principle 13)

Independent internal audit function

The Group Internal Audit department (GIA) is an independent function of the Group. The AC approves the hiring, termination, evaluation and compensation of the Head of GIA, who reports directly to the AC on audit matters and to the Group President & CEO on administrative matters.

Adequacy of the internal audit function

The AC reviews the effectiveness of the internal audit function on an annual basis, including the adequacy of audit resources. GIA adopts a risk-based methodology in drawing up its annual internal audit plan, which is reviewed and approved by the AC.

GIA also assists the board and management in the discharge of their corporate governance responsibilities, as well as in improving and promoting effective and efficient business processes within the Group. Internal audit aims to ensure that the Group maintains a sound system of internal controls and that our operations comply with the internal control framework. Internal audit reports are reviewed by the AC.

Professional standards and competency

GIA employs qualified staff and provides them with training and development opportunities so that their technical knowledge remains current and relevant. GIA is guided by, and has met standards for, the professional practice of internal audit promulgated by the Institute of Internal Auditors (IIA). An external assessment of GIA affirmed that its internal audit activity conforms on the whole to the standards set by the IIA.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights (Principle 14)

Sembcorp treats all shareholders fairly and equitably. The company recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements.

The company is committed to ensuring that all shareholders have easy access to clear, reliable and meaningful information in order to make informed investment decisions. The company regularly communicates major developments in its business operations via SGXNET, press releases, circulars to shareholders and other appropriate channels. The company also encourages shareholder participation and voting at general meetings of shareholders.

Communication with Shareholders (Principle 15)

Regular, effective and fair communication with shareholders

Sembcorp advocates high standards of corporate transparency and disclosure. This commitment is embodied in the company's investor relations policy which adheres to fair disclosure principles and emphasises active dialogue and engagement with shareholders, investors and analysts.

Disclosure of information on a timely basis

Sembcorp makes every effort to ensure that shareholders and capital market players have easy access to clear, meaningful and timely information on the company in order to make informed investment decisions. To do this, various channels including announcements, press releases, shareholder circulars and annual reports are utilised. All price-sensitive and material information is disseminated via SGXNET on a non-selective basis and in a timely and consistent manner. The company's announcements are also uploaded on the company website, www.sembcorp.com, after dissemination on SGXNET.

The quarterly results release date is disclosed at least two weeks prior to the announcement date via SGXNET. On the date of announcement, the financial statements as well as the accompanying press release and presentation slides are released via SGXNET and on the company website. Thereafter, a briefing or teleconference by management is jointly held for the media and analysts. For first-half and full-year results announcements, results briefings are concurrently broadcasted live via webcast. Investor relations officers are 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.

The company also maintains a dedicated investor relations section on its company website to cater to the specific information needs of shareholders, investors, analysts and the financial community. Designed to provide a convenient repository for investors' information needs, the site includes filings on the company's results announcements since the company's listing in 1998, an archive of the company's results briefing webcasts, downloadable five-year financial data, a calendar of upcoming events, as well as pertinent stock information such as dividend history, share price charts and analyst coverage. Investor relations contact information is also displayed on the website for direct shareholder enquiries.

Establishing and maintaining regular dialogue with shareholders

Sembcorp employs multiple communication platforms to engage with its shareholders. In addition to its results briefings, the company also maintains regular dialogue with its shareholders through investor-targeted events such as AGMs, roadshows, conferences, site visits, group briefings and one-to-one meetings. These platforms offer opportunities for senior management and directors to interact first-hand with shareholders, understand their views, gather feedback and address concerns.

To keep senior management and the board abreast of market perception and concerns, the investor relations team provides regular updates on analyst consensus estimates and views. On an annual basis, a more comprehensive update is presented, which includes updates and analysis of the shareholder register, highlights of key shareholder engagements for the year as well as market feedback.

For further details on Sembcorp's communications with its shareholders, please see the Investor Relations chapter of this annual report.

Dividend policy

Sembcorp is committed to achieving sustainable income and growth to enhance total shareholder return. The Group's policy aims to balance cash return to shareholders and investment for sustaining growth, while maintaining an efficient capital structure. The company strives to provide consistent and sustainable ordinary dividend payments to its shareholders on an annual basis.

Conduct of Shareholder Meetings (Principle 16)

Greater shareholder participation at general meetings

All shareholders are invited to participate in the company's general meetings.

The company disseminates information on general meetings through notices in its annual reports or circulars. These notices are also released via SGXNET, published in local newspapers and posted on the company website ahead of the meetings to give ample time for shareholders to review the documents. In line with the company's commitment towards environmental responsibility, the company's annual reports and circulars are sent to shareholders in the form of a CD-ROM. The annual reports and circulars may also be viewed on the company website. However, we are mindful that some shareholders may prefer to receive a printed copy and this will be provided upon request.

The company's constitution allows all shareholders the right to appoint up to two proxies to attend, speak and vote at general meetings on their behalf. Under the new multiple proxy regime, "relevant intermediaries", such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund Board (CPF), are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at general meetings. Voting in absentia by mail, facsimile or email is currently not permitted. Such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authenticity of the shareholders' identity.

The Group President & CEO delivers a short presentation at each AGM to shareholders to update them on the performance of Sembcorp's businesses. Every matter requiring approval at a general meeting is proposed as a separate resolution. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. The board and management are in attendance to address these queries or concerns and obtain feedback from shareholders. External auditors and legal advisors are also present to assist the board as necessary.

The company conducts electronic poll voting at shareholder meetings for greater transparency in the voting process. Shareholders are informed of the voting procedures governing such meetings. An independent scrutineer is engaged to review the electronic poll voting system and proxy verification process during the meetings to ensure that the information is compiled adequately and procedures are carried out effectively. The total number of votes cast for or against each resolution is tallied and displayed live on-screen to shareholders immediately after the vote has been cast. Voting results will also be announced after the meetings via SGXNET.

The company secretary records minutes from these shareholder meetings which includes relevant comments or queries from shareholders and responses from the board and management. The minutes are available upon request by shareholders.

Dealings in securities

The company has adopted a Code of Compliance on Dealing in Securities, which prohibits dealings in the company's securities by its directors and senior management within two weeks prior to the announcement of the company's financial statements for each of the first three quarters of its financial year and within one month prior to the announcement of the company's full-year financial statements. Directors and employees are advised to be mindful to observe insider trading laws at all times, even when dealing in the company's securities outside the prohibited trading period. They are also reminded not to deal in the company's securities on short-term considerations.

Interested person transactions

Shareholders have adopted an interested person transaction (IPT) mandate in respect of interested person transactions of the company. The IPT mandate defines the levels and procedures to obtain approval for such transactions. Information regarding the IPT mandate is available on the staff intranet. All business units are required to be familiar with the IPT mandate and report any interested person transactions to the company for review by the AC. The Group maintains a register of the company's interested person transactions in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual. Information on interested person transactions for 2016 may be found in the related item under the Supplementary Information section of the financial statements in this annual report.

Governance Disclosure Guide

In line with Sembcorp's commitment towards high standards of corporate governance and disclosure, the company has completed a questionnaire with reference to the disclosure guide developed by the Singapore Exchange in 2015. The company's responses to the disclosure guide may be found on pages 348 to 359 of this annual report.

INVESTOR RELATIONS

At Sembcorp, we are committed to ensuring that all capital market players have easy access to clear, reliable and meaningful information on our company in order to make informed investment decisions.

In the context of constantly evolving disclosure, transparency and corporate governance requirements, we aim to provide investors with an accurate, coherent and balanced account of the Group's performance and prospects. Sembcorp has a dedicated investor relations team and communicates with the investing public through multiple platforms and channels. These include group briefings to analysts, investors and the media; one-on-one meetings with shareholders and potential investors; investor roadshows as well as the investor relations section of our company website. In addition, we also organise company visits and facility tours to help investors gain insights into the Group's operations.

Proactive Communication with the Financial Community

During the year, senior management and the investor relations team actively engaged the financial community. We held nearly 130 one-on-one and group meetings with shareholders, analysts and potential investors. These included meetings during non-deal roadshows in Singapore, London, Amsterdam, New York, Los Angeles, San Francisco and Toronto. We participated in investor conferences including the Credit Suisse 19th Annual Asian Investment Conference in Hong Kong, as well as the HSBC ASEAN & India Conference 2016 and the Morgan Stanley 15th Annual Asia Pacific Summit in Singapore. We also continued to organise site visits to our facilities. In 2016, we organised a plant tour for analysts to the Sembcorp Gayatri Power Complex in India. The visit provided analysts a first-hand look at our operations in India.

Commitment to Good Corporate Governance

Sembcorp continues to rank among the top companies in Singapore for good corporate governance and transparency. We were the sixth-highest ranked company in Singapore in the 2016 edition of the Singapore Governance & Transparency Index. Singapore's leading index assessing corporate governance practices of listed companies, the Singapore Governance & Transparency Index is a collaboration between CPA Australia, National University of Singapore Business School's Centre for Governance, Institutions and Organisations and the Singapore Institute of Directors. It compares the transparency of 631 Singapore-listed companies based on their annual financial announcements.

In addition, we were recognised as the Most Transparent Company in the Industrials category at the SIAS Investors' Choice Awards 2016. This award honours and recognises public listed companies that have demonstrated exemplary corporate governance and transparency throughout the year.

Total Shareholder Return

Sembcorp Industries' last traded share price in 2016 was S$2.85 and the company ended the year with a market capitalisation of S$5.1 billion. The company's share price averaged S$2.75 during the year, registering a low of S$2.19 in January and a high of S$3.23 in March. Daily turnover averaged 5.8 million shares.

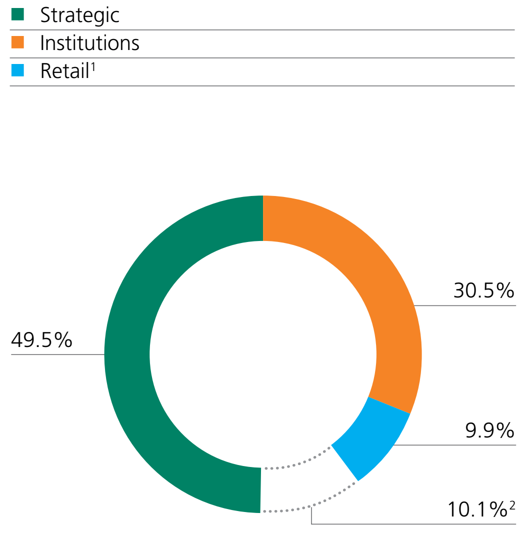
Sembcorp Industries' total shareholder return for 2016 stood at negative 3%. This was lower than the Straits Times Index's positive 4% and the MSCI Asia Pacific ex-Japan Industrials Index's negative 2%. However, this was more favourable than the FTSE ST Oil & Gas Index's negative 9%. During the year, the weak sentiment towards the oil and gas industry continued to weigh on our 60.9%-owned listed Marine subsidiary.

Sembcorp remains committed to delivering shareholder value amidst difficult operating conditions. For the financial year 2016, an interim dividend of 4 cents per ordinary share was declared and paid to shareholders in August 2016. In addition, a final dividend of 4 cents per ordinary share has been proposed, subject to approval by shareholders at the coming annual general meeting to be held in April 2017. Together with the interim dividend, this would bring our total dividend for 2016 to 8 cents per ordinary share.

Shareholder Information

In 2016, institutional shareholders as a group continued to dominate Sembcorp's shareholder base. Other than our major shareholder Temasek Holdings, which held 49.5% of our shares at the end of 2016, institutional shareholders accounted for 31% of our issued share capital or 60% of free float, while retail shareholders[1] and shareholders not identified[2] held 20% of issued share capital or 40% of free float. In terms of geographical spread, excluding the stake held by Temasek Holdings and shareholders not identified, our largest geographical shareholding base was Europe with 38%, followed by shareholders from North America and Asia, which accounted for 33% and 25% of the shares respectively.

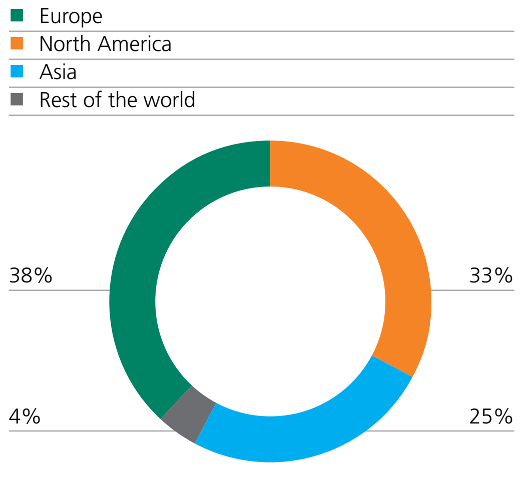
Share Ownership by Investor Category



As at December 31, 2016

Share Ownership by Geographical Distribution

Excluding shares held by the strategic shareholder and shareholders not identified



As at December 31, 2016

[1] *Retail shareholders include private investors, brokers, custodians and corporates*
[2] *Shareholders not identified include mainly shareholders that fall below the threshold of 250,000 shares*

Sembcorp's combined power and desalination facility in Salalah, Oman

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

Year ended December 31, 2016

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, 2016.

In our opinion:

a. the financial statements set out on pages 176 to 341 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, 2016 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

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Ang Kong Hua
Tang Kin Fei
Bobby Chin Yoke Choong
Margaret Lui
Tan Sri Mohd Hassan Marican
Tham Kui Seng
Dr Teh Kok Peng
Ajaib Haridass
Neil McGregor
Nicky Tan Ng Kuang
Yap Chee Keong *(appointed on October 1, 2016)*

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: At beginning of the year	At end of the year	At 21/01/2017	Other shareholdings in which the director is deemed to have an interest: At beginning of the year	At end of the year	At 21/01/2017
Ang Kong Hua							
Sembcorp Industries Ltd	Ordinary shares (Note 1)	121,600	201,800	201,800	–	–	–

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: At beginning of the year	At end of the year	At 21/01/2017	Other shareholdings in which the director is deemed to have an interest: At beginning of the year	At end of the year	At 21/01/2017
Tang Kin Fei							
Sembcorp Industries Ltd	Ordinary shares (Note 2)	5,688,006	5,894,406	5,894,406	–	–	–
	Conditional award of:						
	– 300,000 performance shares to be delivered after 2015 (Note 3a)	Up to 450,000	–	–	–	–	–
	– 300,000 performance shares to be delivered after 2016 (Note 3b)	Up to 450,000	Up to 450,000	Up to 450,000	–	–	–
	– 350,000 performance shares to be delivered after 2017 (Note 3c)	Up to 525,000	Up to 525,000	Up to 525,000	–	–	–
	– 372,000 performance shares to be delivered after 2018 (Note 3d)	–	Up to 558,000	Up to 558,000	–	–	–
	– 126,000 restricted shares to be delivered after 2013 (Note 4a)	63,000	–	–	–	–	–
	– 180,000 restricted shares to be delivered after 2014 (Note 4b)	136,800	68,400	68,400	–	–	–
	– 180,000 restricted shares to be delivered after 2015 (Note 4c)	Up to 270,000	150,000	150,000	–	–	–
	– 230,000 restricted shares to be delivered after 2016 (Note 4d)	Up to 345,000	Up to 345,000	Up to 345,000	–	–	–
	– 211,000 restricted shares to be delivered after 2017 (Note 4e)	–	Up to 316,500	Up to 316,500	–	–	–

DIRECTORS' STATEMENT

Year ended December 31, 2016

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: At beginning of the year	At end of the year	At 21/01/2017	Other shareholdings in which the director is deemed to have an interest: At beginning of the year	At end of the year	At 21/01/2017
Tang Kin Fei *(cont'd)*							
Sembcorp Industries Ltd	Subordinated Perpetual Securities issued on August 21, 2013 under the S$2.5 Billion Multicurrency Debt Issuance Programme (Note 5)	Principal amount: S$1,000,000	Principal amount: S$1,000,000	Principal amount: S$1,000,000	–	–	–
Sembcorp Marine Ltd	Ordinary shares	272,270	326,870	326,870	–	–	–
Sembcorp Financial Services Pte Ltd	Fixed Rate Notes due 2020 issued under the S$2.5 Billion Multicurrency Debt Issuance Programme (Note 5)	Principal amount: S$500,000	Principal amount: S$500,000	Principal amount: S$500,000	–	–	–
Bobby Chin Yoke Choong							
Sembcorp Industries Ltd	Ordinary shares	68,500	91,800	91,800	–	–	–
Margaret Lui							
Sembcorp Industries Ltd	Ordinary shares	40,500	61,200	61,200	–	–	–
Tan Sri Mohd Hassan Marican							
Sembcorp Industries Ltd	Ordinary shares (Note 6)	41,000	60,200	60,200	–	–	–
Sembcorp Marine Ltd	Ordinary shares (Note 6)	80,300	192,100	192,100	–	–	–
Tham Kui Seng							
Sembcorp Industries Ltd	Ordinary shares	24,900	43,600	43,600	–	–	–
Dr Teh Kok Peng							
Sembcorp Industries Ltd	Ordinary shares	19,400	40,100	40,100	–	–	–
Sembcorp Marine Ltd	Ordinary shares	40,000	40,000	40,000	–	–	–
Ajaib Haridass							
Sembcorp Industries Ltd	Ordinary shares (Note 7)	5,800	24,600	24,600	–	–	–
Sembcorp Marine Ltd	Ordinary shares	739,810	805,510	805,510	–	–	–
Neil McGregor							
Sembcorp Industries Ltd	Ordinary shares	5,300	20,000	20,000	–	–	–
Nicky Tan Ng Kuang							
Sembcorp Industries Ltd	Ordinary shares	–	1,800	1,800	–	–	–

Directors' Interests *(cont'd)*

Note 1: Of the 201,800 Sembcorp Industries Ltd (SCI) shares, 70,500 shares are held in the name of DBS Nominees Pte Ltd.

Note 2: Of the 5,894,406 SCI shares, 1,000,000 shares are held in the name of DBS Nominees Pte Ltd and 1,000,000 shares are held in the name of Citibank Nominees Singapore Pte Ltd.

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

a. Period from 2013 to 2015[1]
b. Period from 2014 to 2016
c. Period from 2015 to 2017
d. Period from 2016 to 2018

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

Note 4: The actual number to be delivered will depend on the achievement of set targets at the end of the 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

a. Period from 2012 to 2013[1]
b. Period from 2013 to 2014[2]
c. Period from 2014 to 2015[3]
d. Period from 2015 to 2016
e. Period from 2016 to 2017

[1] *For this period, 63,000 SCI shares (final release of the 1/3 of the 189,000 shares) were vested under the award to Tang Kin Fei on March 28, 2016. The 1st and 2nd release of 63,000 shares each have been vested in 2014 and 2015 respectively.*

[2] *For this period, 68,400 SCI shares (2nd release of the 1/3 of the 205,200 shares) were vested under the award to Tang Kin Fei on March 28, 2016 and the remaining 68,400 shares will be vested in 2017. The 1st release of 68,400 shares has been vested on March 27, 2015.*

[3] *For this period, 75,000 SCI shares (1st release of the 1/3 of the 225,000 shares) were vested under the award to Tang Kin Fei on March 28, 2016 and the remaining 150,000 shares will be vested in 2017 and 2018.*

Note 5: Subordinated Perpetual Securities, Fixed Rate Notes and Floating Rate Notes issued under the S$2.5 Billion Multicurrency Debt Issuance Programme (MDIP) of Sembcorp Industries Ltd and Sembcorp Financial Services Pte. Ltd., a related company of Sembcorp Industries' Group. The programme limit of the MDIP was increased from S$2 Billion to S$2.5 Billion on November 25, 2016.

Note 6: The 60,200 SCI shares and 192,100 Sembcorp Marine Ltd shares are held in the name of Citibank Nominees Singapore Pte Ltd.

Note 7: Of the 24,600 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 at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and January 21, 2017.

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

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

Share-based Incentive Plans

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

The Executive Resource & Compensation Committee (the "Committee") of the Company has been designated as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Ang Kong Hua (Chairman)
Margaret Lui
Tan Sri Mohd Hassan Marican
Dr Teh Kok Peng

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.

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.

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:

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 and 2015, 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.

vi. Sembcorp Industries Ltd Share Option Plan

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

Sembcorp Industries Ltd
Ordinary shares
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	Exercise period
09/06/2006	S$2.52	319,549	(169,250)	(150,299)	–	319,549	–	–
		319,549	**(169,250)**	**(150,299)**	**–**	**319,549**	**–**	

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

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

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

Sembcorp Industries Ltd
Ordinary shares
2015

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

The details of options of the Company awarded / exercised since commencement of the Scheme (aggregate) to December 31, 2016 are as follows:

Option participants	Aggregate options granted	Aggregate options cancelled / lapsed / not accepted	Aggregate options exercised	Aggregate options outstanding
Directors				
Ang Kong Hua	–	–	–	–
Tang Kin Fei	3,444,052	(607,759)[1]	(2,836,293)	–
Bobby Chin Yoke Choong	–	–	–	–
Margaret Lui	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–
Tham Kui Seng	–	–	–	–
Dr Teh Kok Peng	–	–	–	–
Ajaib Haridass	–	–	–	–
Neil McGregor	–	–	–	–
Nicky Tan Ng Kuang	–	–	–	–
Yap Chee Keong	–	–	–	–
Other executives				
Group	149,771,742	(69,709,712)	(80,062,030)	–
Associated company	748,600	(215,100)	(533,500)	–
Parent Group[2]	378,500	(113,000)	(265,500)	–
Former directors of the Company	11,105,578	(2,383,328)	(8,722,250)	–
Total	**165,448,472**	**(73,028,899)**	**(92,419,573)**	**–**

1. Options lapsed due to replacement of 1999 options and expiry of earlier options.
2. Parent Group refers to former employees of Singapore Technologies Pte Ltd. No options were granted to former employees of Singapore Technologies Pte Ltd since 2005.

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

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

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

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

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

vii. Share options of a listed subsidiary

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

Sembcorp Marine Ltd
Ordinary shares
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	Exercise period
02/10/2006	S$2.38	973,312	–	(973,312)	–	973,312	–	–
		973,312	**–**	**(973,312)**	**–**	**973,312**	**–**	

2015

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

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.

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

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

To create alignment between senior management and other employees at the time of vesting, SCI PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2016 to 2018 will be vested to the senior management participants only if the restricted shares for the performance period 2017 to 2018 are vested, subject to the achievement of the performance conditions for the respective performance periods.

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

i. Sembcorp Industries Ltd Performance Shares

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

Performance shares participants	At Jan 1	Movements during the year: Conditional performance shares awarded	Conditional performance shares lapsed	Performance shares lapsed arising from targets not met	Conditional performance shares released	At Dec 31
2016						
Director of the Company:						
Tang Kin Fei	950,000	372,000	–	(300,000)	–	1,022,000
Key executives of the Group	1,131,250	615,000	(25,000)	(325,000)	–	1,396,250
	2,081,250	**987,000**	**(25,000)**	**(625,000)**	**–**	**2,418,250**
2015						
Director of the Company:						
Tang Kin Fei	1,000,000	350,000	–	(400,000)	–	950,000
Key executives of the Group	1,004,861	481,250	–	(354,861)	–	1,131,250
	2,004,861	**831,250**	**–**	**(754,861)**	**–**	**2,081,250**

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2015 (2015: performance period 2012 to 2014), no performance shares were released via the issuance of treasury shares (2015: nil).

In 2016, 625,000 (2015: 754,861) performance shares were lapsed for under-achievement of the performance targets for the performance period 2013 to 2015 (2015: 2012 to 2014).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2016, was 2,418,250 (2015: 2,081,250). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,627,375 (2015: 3,121,875) performance shares.

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

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

ii. Performance shares of a listed subsidiary

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

	2016	2015
At January 1	**3,200,000**	2,810,000
Conditional performance shares awarded	**1,918,000**	1,215,000
Conditional performance shares lapsed	**–**	(150,000)
Performance shares lapsed arising from targets not met	**(605,000)**	(675,000)
At December 31	**4,513,000**	3,200,000

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 2013 to 2015 (2015: 2012 to 2014), no performance shares were released via the issuance of treasury shares (2015: nil).

In 2016, 605,000 (2015: 675,000) performance shares were lapsed for under-achievement of the performance targets for the performance period 2013 to 2015 (2015: 2012 to 2014).

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, 2016, was 4,513,000 (2015: 3,200,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 6,769,500 (2015: 4,800,000) performance shares.

c. Restricted Share Plan

Under the Restricted Share Plan (SCI RSP 2010), the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria for the restricted shares are calibrated based on Return on Total Assets (excluding Sembcorp Marine Ltd) and Group Profit from Operations (excluding Sembcorp Marine Ltd) for awards granted in 2016.

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 is the Group President & CEO, and who does not receive any directors' fees). In 2016 and 2015, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the payment of the share component will receive all of his director's fees for the year (calculated on a pro-rated basis, where applicable) in cash.

i. Sembcorp Industries Ltd Restricted Shares

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

Restricted shares participants	At Jan 1	Movements during the year: Conditional restricted shares awarded	Additional restricted shares awarded arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	At Dec 31
2016						
Directors of the Company:						
Ang Kong Hua	–	80,200	–	(80,200)	–	–
Tang Kin Fei	609,800	211,000	45,000	(206,400)	–	659,400
Bobby Chin Yoke Choong	–	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	–	14,700	–	(14,700)	–	–
Nicky Tan Ng Kuang	–	1,800	–	(1,800)	–	–
Yap Chee Keong	–	–	–	–	–	–
Other executives of the Group	7,219,329	3,551,732	491,350	(2,410,037)	(416,046)	8,436,328
	7,829,129	**3,980,832**	**536,350**	**(2,834,537)**	**(416,046)**	**9,095,728**

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

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2015, a total of 910,442 restricted shares were released in 2016. For awards in relation to the performance period 2013 to 2014, a total of 734,804 (2015: 802,901) were released in 2016. For awards in relation to the performance period 2012 to 2013, a total of 966,691 (2015: 1,033,746) restricted shares were released in 2016. For awards in relation to the performance period 2011 to 2012, no restricted shares were released in 2016 (2015: 823,882). In 2016, there were 218,100 (2015: 119,000) shares released to non-executive directors. In 2016, there were additional 4,500 (2015: 3,063) shares released to employees due to sale of a subsidiary. Of the restricted shares released, 32,572 (2015: 53,354) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

In 2016, additional 536,350 (2015: 291,760) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2014 to 2015 (2015: performance period 2013 to 2014).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2016, was 9,095,728 (2015: 7,829,129). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,686,507 (2015: 5,267,075). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 10,029,760 (2015: 7,900,613) 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 2014 to 2015 (2015: performance period 2013 to 2014), a total of S$1,239,046, equivalent to 401,914 (2015: S$1,792,563, equivalent to 375,838) notional restricted shares, were paid. A total of 566,000 (2015: 440,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2016 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 2016, was 1,002,012 (2015: 890,000). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 1,503,018 (2015: 1,335,000).

ii. Restricted shares of a listed subsidiary

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

Restricted shares participants	At Jan 1	Movements during the year: Conditional restricted shares awarded	Additional conditional restricted shares awarded arising from targets met	Restricted shares lapsed arising from targets not met	Conditional restricted shares released	Conditional restricted shares lapsed	At Dec 31
2016							
Directors of the Company:							
Tang Kin Fei	–	54,600	–	–	(54,600)	–	–
Tan Sri Mohd Hassan Marican	–	111,800	–	–	(111,800)	–	–
Ajaib Haridass	–	65,700	–	–	(65,700)	–	–
Other participants	10,101,585	8,000,600	–	(1,471,967)	(2,439,698)	(474,378)	13,716,142
	10,101,585	**8,232,700**	**–**	**(1,471,967)**	**(2,671,798)**	**(474,378)**	**13,716,142**
2015							
Directors of the Company:							
Tang Kin Fei	–	22,800	–	–	(22,800)	–	–
Tan Sri Mohd Hassan Marican	–	50,100	–	–	(50,100)	–	–
Ajaib Haridass	–	25,900	–	–	(25,900)	–	–
Other participants	8,262,801	5,031,701	198,159	–	(2,970,120)	(420,956)	10,101,585
	8,262,801	**5,130,501**	**198,159**	**–**	**(3,068,920)**	**(420,956)**	**10,101,585**

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 2015, a total of 461,541 restricted shares were released in 2016. For awards in relation to the performance period 2013 to 2014, a total of 845,290 (2015: 1,013,899) restricted shares were released in 2016. For awards in relation to the performance period 2012 to 2013, a total of 848,667 (2015: 950,779) restricted shares were released in 2016. For awards in relation to the performance period 2011 to 2012, no restricted shares were released in 2016 (2015: 945,042). In 2016, there were 516,300 (2015: 159,200) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

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

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

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

In 2016, 1,471,967 Sembcorp Marine Ltd's restricted shares were lapsed for under-achievement of the performance targets for the performance period 2014 to 2015 (2015: additional 198,159 restricted shares were awarded for the over-achievement of the performance targets for the performance period 2013 to 2014).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2016, was 13,716,142 (2015: 10,101,585). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 12,239,840 (2015: 7,623,701). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 18,359,760 (2015: 11,435,552) restricted shares.

Challenge Bonus of a listed subsidiary

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2015 (2015: performance period 2013 to 2014), a total of S$766,416 (2015: S$2,849,108), equivalent to 456,064 (2015: 942,290) notional restricted shares, were paid.

A total of 3,387,850 (2015: 2,140,509) notional restricted shares were awarded on May 27, 2016 (2015: May 27, 2015) 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, 2016, was 4,827,393 (2015: 3,070,668). 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 7,241,090 (2015: 4,606,002).

d. Maximum Number of Shares Issuable

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

Audit Committee

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

Bobby Chin Yoke Choong (Chairman)
Tham Kui Seng
Dr Teh Kok Peng
Ajaib Haridass
Yap Chee Keong *(appointed on October 1, 2016)*

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

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

DIRECTORS' STATEMENT
Year ended December 31, 2016

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

Tang Kin Fei
Director

Singapore
February 23, 2017

INDEPENDENT AUDITORS' REPORT
Year ended December 31, 2016

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, 2016, 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 176 to 341.

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, 2016 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 *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Impairment assessment of property, plant and equipment
(Refer to Notes 3 and 40 to the financial statements: S$11,225,917,000)

Risk:
The Group's shipyard assets were subject to impairment test assessment, owing to continuing sluggish 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 operating out of Indonesia and the United Kingdom (the Singapore cash generating unit (CGU)) and (ii) the yard in Brazil (Brazil CGU). As at the reporting date, certain phases of the Brazil CGU were still under construction and there are limited track records of historical contract awards and performance.

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 orderbook. The forecast orderbook involves a diversified portfolio of long-term contracts whose contract prices are estimated based on prevailing market conditions and the outlook of the oil and gas industry. As the Brazil CGU is not yet fully operational, the Group has factored in the long-term fundamentals of the oil and gas sector in Brazil to project the orderbook. The long-term returns of the Brazil CGU, however, can be significantly impacted by political risk.

Report on the audit of the financial statements *(cont'd)*
Key audit matters *(cont'd)*
Impairment assessment of property, plant and equipment *(cont'd)*
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 orderbook 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 premium and any asset-specific risk premium. We also reviewed available qualitative information, supporting the projection of orders. 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 tests assessment has incorporated the relevant considerations. The disclosures in describing the inherent degree of estimation uncertainty and the sensitivity of the assumptions applied to the CGUs are appropriate.

Recognition of revenue and recoverability of contract work-in-progress
(Refer to Notes 12, 25 and 40 to the financial statements: Contract work-in-progress of S$3,080,548,000 and revenue of S$7,907,048,000)

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 project activities completed. There are also estimation uncertainties associated with the costs to complete the projects.

As at the reporting date, several contracts were subject to deferrals (the "contract modifications"). The timing of suspension of revenue recognition and contract provisions required (collectively, the "contract adjustments") involve management judgement. In particular, the outcome arising from the bankruptcy protection filing and consequential restructuring by a major customer, Sete Brasil, remains a highly judgemental matter.

The recoverability of amounts due from customers on construction contracts is 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 Group's financial statements.

- 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 total costs for each contract.

- We reviewed the re-forecast of each contract arising from contract 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)*
Key audit matters *(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 Group's 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 judgements applied to determine potential contract adjustments from contract modifications were found to be within an acceptable range of considerations.

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

Valuation of inventories (work-in-progress)
(Refer to Notes 12 and 40 to the financial statements, Contract work-in-progress of S$3,080,548,000)

Risks:
The Group's inventories (work-in-progress) are measured at the lower of cost and net realisable value. The determination of the net realisable value is entity specific and highly judgemental, given the limited transactions involving the sale and purchase of oil rigs.

Our response:
We assessed the Group's process of obtaining valuations from ship brokers and management's basis in utilising the valuations appraised by these ship brokers.

We evaluated the competence, capabilities and objectivity of these ship brokers. We considered the limitations that impact the quality of the valuation placed on these inventories. We also reviewed recent price quotes, discounted cash flow model and the key assumptions applied by management to support the valuation of inventories.

The valuations obtained from a few ship brokers, rendered a range of valuation outcomes. These brokers are members of recognised professional bodies. The valuation techniques adopted by these brokers are in line with market practices.

We found the entity-specific net realisable values derived by management, taking into account a reasonable range of external valuations, recent price quotes and management's discounted cashflow model, to be within an acceptable range.

Valuation of goodwill
(Refer to Notes 10 and 40 to the financial statements: S$224,732,000)

Risk:
At December 31, 2016 the Group's balance sheet includes goodwill amounting to S$224.7 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 cashflows are sensitive to key assumptions relating to discount rates, long-term growth rates as well as estimated spark and dark spreads 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 performed sensitivity analysis to understand the cash flow impact of a reasonably possible change in assumptions. We also considered the disclosures in describing the inherent degree of estimation uncertainty and key assumptions applied.

Report on the audit of the financial statements *(cont'd)*
Key audit matters *(cont'd)*
Valuation of goodwill
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.

Litigation, claims and other contingencies
Risk:
The Group is subject to operational, business and political risks in 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, 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 not previously made aware;
- Holding discussions with management, the Group's in-house legal counsel, ad-hoc Committees, claims consultants 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 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)*
Key audit matters *(cont'd)*
Acquisitions
(Refer to Note 34 to the financial statements)

Risk:
During the year the Group acquired a few entities requiring the purchase price to be allocated to the fair value of the identifiable assets (including intangible assets) acquired and liabilities assumed. There is judgement and inherent uncertainty involved in the valuation of these assets and liabilities.

Our response:
We examined the terms and conditions of the sales and purchase agreement and the purchase price allocation exercise. We involved our valuation specialists (where necessary) and compared the methodologies and key assumptions used in determining the fair values assigned to the identifiable assets acquired and liabilities assumed to generally accepted market practices and market data. We also considered the disclosures for these acquisitions.

Our findings:
The estimates used in allocating the purchase price to the respective assets acquired and liabilities assumed were within an acceptable range. We also found the disclosures of these acquisitions to be appropriate.

Other Information
Management is responsible for the other information. The other information comprises the following sections in the Annual Report (but does not include the financial statements and our auditors' report thereon):

- Chairman and CEO's Statement
- Group Financial Review
- Utilities Review
- Marine Review
- Urban Development Review
- Directors' Statement

which we obtained prior to the date of this auditors' report, and other sections in the Annual Report:

- Sembcorp At a Glance
- Our Leadership
- Group Structure
- Environmental, Social and Governance Review
- Supplementary Information
- Shareholders' Information
- Governance Disclosure Guide
- Corporate Information
- Notice of Annual General Meeting
- Proxy Form and Financial Calendar ("the Reports")

which are expected to be made available to us after that date.

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

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

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

When we read the 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.

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.

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.

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

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

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

KPMG LLP
Public Accountants and Chartered Accountants

Singapore
February 23, 2017

BALANCE SHEETS

As at December 31, 2016

	Note	Group 2016 S$'000	Group 2015 S$'000	Company 2016 S$'000	Company 2015 S$'000
Non-current assets					
Property, plant and equipment	3	**11,225,917**	8,685,182	**498,385**	529,691
Investment properties	4	**61,264**	21,081	**–**	–
Investments in subsidiaries	5	**–**	–	**2,444,010**	2,472,184
Interests in associates and joint ventures	6	**1,745,749**	2,349,257	**–**	–
Other financial assets	7	**200,905**	283,558	**–**	–
Trade and other receivables	8	**734,123**	450,548	**205,843**	143,757
Tax recoverable		**9,529**	6,938	**–**	–
Intangible assets	10	**636,997**	442,956	**23,103**	22,224
Deferred tax assets	11	**51,520**	68,283	**–**	–
		14,666,004	12,307,803	**3,171,341**	3,167,856
Current assets					
Inventories and work-in-progress	12	**3,466,280**	4,232,509	**10,615**	12,341
Trade and other receivables	8	**1,958,030**	1,567,557	**171,028**	137,077
Tax recoverable		**15,703**	9,726	**–**	–
Assets held for sale	13	**182,215**	41,803	**–**	5,893
Other financial assets	7	**119,456**	149,606	**–**	–
Cash and cash equivalents	14	**1,882,547**	1,606,488	**389,905**	325,831
		7,624,231	7,607,689	**571,548**	481,142
Total assets		**22,290,235**	19,915,492	**3,742,889**	3,648,998
Current liabilities					
Trade and other payables	15	**3,398,015**	3,387,921	**138,057**	131,073
Excess of progress billings over work-in-progress	12	**223,073**	320,151	**–**	–
Provisions	17	**42,419**	58,664	**14,874**	22,486
Liabilities held for sale	13	**–**	5,430	**–**	–
Other financial liabilities	18	**36,976**	181,471	**326**	–
Current tax payable		**189,471**	191,785	**47,938**	46,671
Interest-bearing borrowings	20	**2,125,587**	1,800,607	**–**	3
		6,015,541	5,946,029	**201,195**	200,233
Net current assets		**1,608,690**	1,661,660	**370,353**	280,909

	Note	Group 2016 S$'000	Group 2015 S$'000	Company 2016 S$'000	Company 2015 S$'000
Non-current liabilities					
Deferred tax liabilities	11	**402,431**	319,605	**60,501**	53,987
Provisions	17	**92,547**	58,742	**10,661**	593
Other financial liabilities	18	**256,654**	258,880	**–**	–
Retirement benefit obligations	19	**6,565**	8,891	**–**	–
Interest-bearing borrowings	20	**7,095,717**	5,032,342	**–**	–
Other long-term payables	15	**258,066**	247,509	**281,910**	283,572
		8,111,980	5,925,969	**353,072**	338,152
Total liabilities		**14,127,521**	11,871,998	**554,267**	538,385
Net assets		**8,162,714**	8,043,494	**3,188,622**	3,110,613
Equity attributable to owners of the Company:					
Share capital	21	**565,572**	565,572	**565,572**	565,572
Other reserves	22	**(52,147)**	(142,938)	**(6,721)**	(13,660)
Revenue reserve		**5,384,897**	5,207,742	**1,826,675**	1,756,013
		5,898,322	5,630,376	**2,385,526**	2,307,925
Perpetual securities	23	**803,096**	802,688	**803,096**	802,688
		6,701,418	6,433,064	**3,188,622**	3,110,613
Non-controlling interests	29	**1,461,296**	1,610,430	**–**	–
Total equity		**8,162,714**	8,043,494	**3,188,622**	3,110,613

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

CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2016

		Group	
		2016	2015
	Note	S$'000	S$'000
Turnover	25	**7,907,048**	9,544,621
Cost of sales		**(6,801,916)**	(8,812,960)
Gross profit		**1,105,132**	731,661
General and administrative expenses		**(360,827)**	(524,373)
Other income		**145,060**	531,950
Other expense (net)		**(105,457)**	(113,959)
Finance income	26	**30,418**	32,856
Finance costs	26	**(402,009)**	(237,984)
Share of results of associates and joint ventures, net of tax		**125,121**	6,199
Profit before tax		**537,438**	426,350
Tax (expense) / credit	27	**(100,284)**	28,052
Profit for the year	28	**437,154**	454,402
Profit attributable to:			
Owners of the Company		**394,889**	548,855
Non-controlling interests		**42,265**	(94,453)
Profit for the year		**437,154**	454,402
Earnings per share (cents):	30		
Basic		**19.92**	29.17
Diluted		**19.75**	28.95

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2016

		Group	
		2016	2015
	Note	S$'000	S$'000
Profit for the year		**437,154**	454,402
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(41,597)**	116,765
Exchange differences on monetary items forming part of net investment in foreign operation		**9,893**	765
Net change in fair value of cash flow hedges		**85,901**	(77,122)
Net change in fair value of cash flow hedges reclassified to profit or loss		**42,091**	113,230
Net change in fair value of available-for-sale financial assets		**(19,328)**	(2,940)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		**8,337**	51,569
Share of other comprehensive income of associates and joint ventures		**18,376**	(23,835)
		103,673	178,432
Items that may not be reclassified subsequently to profit or loss:			
Defined benefit plan actuarial gains and losses		**(199)**	(6,229)
Other comprehensive income for the year, net of tax	24	**103,474**	172,203
Total comprehensive income for the year		**540,628**	626,605
Total comprehensive income attributable to:			
Owners of the Company		**484,112**	684,792
Non-controlling interests		**56,516**	(58,187)
Total comprehensive income for the year		**540,628**	626,605

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2016

	Attributable to owners of the Company													
Group	**Share capital S$'000**	**Reserve for own shares S$'000**	**Currency translation reserve S$'000**	**Capital reserve S$'000**	**Merger reserve S$'000**	**Share-based payments reserve S$'000**	**Fair value reserve S$'000**	**Hedging reserve S$'000**	**Revenue reserve S$'000**	**Total S$'000**	**Perpetual securities S$'000**	**Total S$'000**	**Non-controlling interests S$'000**	**Total equity S$'000**
At January 1, 2016	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
Total comprehensive income for the year														
Profit for the year	–	–	–	–	–	–	–	–	394,889	394,889	–	394,889	42,265	437,154
Other comprehensive income														
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	19,388	85,901
Net change in fair value of cash flow hedges reclassified to profit or loss	–	–	–	–	–	–	–	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)	(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	3,302	8,337
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
Total other comprehensive income for the year	–	–	(28,839)	1	–	–	(6,625)	124,799	(113)	89,223	–	89,223	14,251	103,474
Total comprehensive income for the year	–	–	(28,839)	1	–	–	(6,625)	124,799	394,776	484,112	–	484,112	56,516	540,628

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2016

	Attributable to owners of the Company													
Group	Share capital S$'000	Reserve for own shares S$'000	Currency translation reserve S$'000	Capital reserve S$'000	Merger reserve S$'000	Share-based payments reserve S$'000	Fair value reserve S$'000	Hedging reserve S$'000	Revenue reserve S$'000	Total S$'000	Perpetual securities S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Transactions with owners of the Company, recognised directly in equity														
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
Realisation of reserve upon disposal of a subsidiary	–	–	–	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)
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	(374)	(5,664)	–	4,338	–	–	(217,621)	(216,166)	408	(215,758)	(205,650)	(421,408)
At December 31, 2016	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 CHANGES IN EQUITY

Year ended December 31, 2016

	Attributable to owners of the Company													
Group	Share capital S$'000	Reserve for own shares S$'000	Currency translation reserve S$'000	Capital reserve S$'000	Merger reserve S$'000	Share-based payments reserve S$'000	Fair value reserve S$'000	Hedging reserve S$'000	Revenue reserve S$'000	Total S$'000	Perpetual securities S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
At January 1, 2015	565,572	(15,041)	(200,461)	304,009	29,201	(18,561)	(11,958)	(217,486)	4,978,291	5,413,566	202,565	5,616,131	1,616,143	7,232,274
Total comprehensive income for the year														
Profit for the year	–	–	–	–	–	–	–	–	548,855	548,855	–	548,855	(94,453)	454,402
Other comprehensive income														
Foreign currency translation differences for foreign operations	–	–	87,742	–	–	–	–	–	–	87,742	–	87,742	29,023	116,765
Exchange differences on monetary items forming part of net investment in foreign operation	–	–	765	–	–	–	–	–	–	765	–	765	–	765
Net change in fair value of cash flow hedges	–	–	–	–	–	–	–	(68,447)	–	(68,447)	–	(68,447)	(8,675)	(77,122)
Net change in fair value of cash flow hedges reclassified to profit or loss	–	–	–	–	–	–	–	106,481	–	106,481	–	106,481	6,749	113,230
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(5,564)	–	–	(5,564)	–	(5,564)	2,624	(2,940)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	–	–	–	–	–	–	44,920	–	–	44,920	–	44,920	6,649	51,569
Defined benefit plan actuarial gains and losses	–	–	–	–	–	–	–	–	(6,125)	(6,125)	–	(6,125)	(104)	(6,229)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	–	(23,835)	–	(23,835)	–	(23,835)	–	(23,835)
Total other comprehensive income for the year	–	–	88,507	–	–	–	39,356	14,199	(6,125)	135,937	–	135,937	36,266	172,203
Total comprehensive income for the year	–	–	88,507	–	–	–	39,356	14,199	542,730	684,792	–	684,792	(58,187)	626,605

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2016

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016

	Group 2016 S$'000	Group 2015 S$'000
Cash flows from operating activities		
Profit for the year	**437,154**	454,402
Adjustments for:		
Dividend	**(275)**	(1,026)
Finance income	**(30,418)**	(32,856)
Finance costs	**402,009**	237,984
Depreciation and amortisation	**453,713**	404,961
Share of results of associates and joint ventures, net of tax	**(125,121)**	(6,199)
Gain on disposal of property, plant and equipment and other financial assets	**(2,869)**	(3,114)
(Gain) / loss on disposal of intangible assets	**(1)**	9
Gain on disposal of investment properties	**–**	(2,983)
Gain on disposal of investment in joint venture and associate	**(34,758)**	(353,157)
Gain on disposal of assets held for sale	**(3,820)**	–
Gain on disposal of investments in subsidiary	**–**	(72,409)
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	**31,070**	43,779
Equity settled share-based compensation expenses	**18,807**	22,894
Allowance made for impairment loss in value of assets and assets written off (net)	**85,041**	123,711
Negative goodwill	**(2,858)**	–
Allowance for doubtful debts	**1,735**	198,223
Bad debts written off	**2,936**	3,247
Work-in-progress written-down	**–**	85,518
Provision for foreseeable losses on construction work-in-progress	**–**	277,961
Tax expense / (credit) (Note 27)	**100,284**	(28,052)
Operating profit before working capital changes	**1,324,895**	1,352,893
Changes in working capital:		
Inventories and work-in-progress	**662,184**	(2,101,118)
Receivables	**(618,624)**	(455,306)
Payables	**(410,568)**	649,458
	957,887	(554,073)
Tax paid	**(85,813)**	(149,760)
Net cash from / (used in) operating activities	**872,074**	(703,833)

	Group 2016 S$'000	Group 2015 S$'000
Cash flows from investing activities		
Dividend received	**94,239**	59,547
Interest received	**27,912**	29,659
Proceeds from disposal of interests in subsidiaries, net of cash disposed of (Note 33)	**–**	204,173
Proceeds from sale of assets held for sale, net of cash disposed of	**22,894**	–
Proceeds from disposal of interests in joint ventures and associate	**584**	487,929
Proceeds from sale of property, plant and equipment	**11,567**	2,639
Proceeds from sale of investment properties	**–**	9,983
Proceeds from sale of intangible assets	**54**	48
Proceeds from disposal of other financial assets	**223,117**	169,767
Proceeds from call option premium	**4,330**	–
Loan repayment from related parties	**15,784**	14,687
Loan to related parties	**(4,464)**	(26,351)
Non-trade balances with related corporations, net of repayment	**(1,622)**	15,512
Acquisition of subsidiaries, net of cash acquired (Note 34)	**(71,520)**	(213,636)
Acquisition of / additional investments in joint ventures and associates	**(60,886)**	(426,961)
Acquisition of other financial assets	**(226,644)**	(165,979)
Purchase of property, plant and equipment and investment property (Note (a))	**(821,880)**	(1,423,288)
Purchase of intangible assets (Note (b))	**(14,095)**	(8,872)
Cash balances transferred to assets held for sale	**–**	(6,249)
Net cash used in investing activities	**(800,630)**	(1,277,392)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016

	Group	
	2016	2015
	S$'000	S$'000
Cash flows from financing activities		
Proceeds from share issued to non-controlling interests of subsidiaries	4,397	4,549
Proceeds from share options exercised with issue of treasury shares	426	538
Proceeds from share options exercised with issue of treasury shares of a subsidiary	–	861
Purchase of treasury shares	(7,065)	(6,809)
Purchase of treasury shares by a subsidiary	(2,990)	(12,293)
Proceeds from issue of perpetual securities, net of transaction costs	–	596,551
Proceeds from borrowings	3,689,220	2,773,318
Repayment of borrowings	(2,581,974)	(779,852)
Payment on finance leases	(449)	(4,073)
Acquisition of non-controlling interests	(218,460)	(4)
Dividends paid to owners of the Company	(178,724)	(285,866)
Dividends paid to non-controlling interests of subsidiaries	(46,109)	(129,323)
Perpetual securities distribution paid	(38,605)	(24,367)
Unclaimed dividends	116	526
Interest paid	(406,013)	(222,171)
Net cash from financing activities	213,770	1,911,585
Net increase / (decrease) in cash and cash equivalents	285,214	(69,640)
Cash and cash equivalents at beginning of the year	1,604,465	1,659,434
Effect of exchange rate changes on balances held in foreign currency	(34,966)	14,671
Cash and cash equivalents at end of the year (Note 14)	1,854,713	1,604,465

a. During the year, the Group acquired property, plant and equipment with an aggregate cost of S$1,008,230,000 (2015: S$1,439,405,000) of which S$856,000 (2015: S$392,000) was acquired by means of finance lease, S$1,016,000 (2015: S$1,262,000) relates to non-cash expenditures which have been capitalised during the year and S$13,568,000 (2015: S$2,752,000) 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$295,618,000 (2015: S$82,063,000) relating to accrued capital expenditure.

b. During the year, the Group acquired intangible assets with an aggregate cost of S$15,519,000 (2015: S$8,872,000) of which S$1,424,000 (2015: S$nil) was acquired by means of finance lease.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on February 23, 2017.

1. Domicile and Activities

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

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

The financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates, joint ventures and joint operations.

The principal activities of the Company include:

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.

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

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

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

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

With effect from January 1, 2016, the Group adopted the new or revised FRS that are mandatory for application from that date. The adoption of these new or revised FRS did not have any significant impact on the financial statements.

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

b. Consolidation

i. Business Combinations

Acquisitions on or after January 1, 2010

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

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

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

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

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

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

b. Consolidation *(cont'd)*

i. Business Combinations *(cont'd)*

Acquisitions between January 1, 2004 and December 31, 2009

For acquisitions between January 1, 2004 and December 31, 2009, business combinations are accounted for using the purchase method, upon the adoption of FRS 103. Under the purchase method, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition.

Acquisitions prior to January 1, 2004

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

ii. Put Option with Non-controlling Interests

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

iii. Non-controlling Interests

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

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

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

Prior to January 1, 2010, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

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

b. Consolidation *(cont'd)*

iv. Subsidiaries

Subsidiaries are those entities that are controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary even if this results in the non-controlling interests having a deficit balance.

v. Acquisitions from Entities under Common Control

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

vi. Loss of Control

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

vii. Associates

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

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

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

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

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

b. Consolidation *(cont'd)*

viii. Joint Arrangements

Joint Ventures

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

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

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

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

Joint Operations

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

ix. Transactions Eliminated on Consolidation

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

x. Accounting for Subsidiaries, Associates and Joint Ventures

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

c. Foreign Currencies

i. Foreign Currency Transactions and Balances

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

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

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

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

c. Foreign Currencies *(cont'd)*

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

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

- Available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- A financial liability designated as a hedge of a net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

ii. Foreign Operations

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

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

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

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.

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

c. Foreign Currencies *(cont'd)*

iii. Net Investment in a Foreign Operation

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

d. Property, Plant and Equipment

i. Owned Assets

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

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

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

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

ii. Subsequent Expenditure

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

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

iii. Disposals

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

iv. Leasehold Lands

Operating leasehold lands have been 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.

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

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

v. Finance Lease Assets

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

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

Finance charges are charged directly to profit or loss.

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

vi. Provision for Restoration Costs

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

vii. Depreciation

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

The 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 75 years
Improvements to premises	3 to 30 years
Quays and dry docks	6 to 60 years
Infrastructure	8 to 80 years
Plant and machinery	3 to 40 years
Marine vessels	7 to 25 years
Tools and workshop equipment	3 to 10 years
Furniture, fittings and office equipment	1 to 10 years
Motor vehicles	2 to 10 years

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

No depreciation is provided on freehold land and capital work-in-progress.

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

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

e. Investment Properties

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

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives ranging from 20 to 50 years. The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate. No depreciation is provided on the freehold land.

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

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

g. Financial Assets

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

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

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

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

i. Financial Assets at Fair Value Through Profit or Loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein 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. Receivables with a short duration are not discounted. Loans and receivables are included in trade and other receivables in the balance sheet.

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

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

g. Financial Assets *(cont'd)*

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

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand. Bank overdrafts are shown within interest-bearing borrowings in current liabilities on the balance sheet.

Service Concession Arrangement

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

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

iv. Available-for-Sale Financial Assets

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

Available-for-sale financial assets comprise equity shares, unit trusts and funds (including quoted mutual funds).

Impairment

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

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

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.

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

g. Financial Assets *(cont'd)*

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

Impairment *(cont'd)*

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.

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).

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

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.

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.

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

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.

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".

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

j. Inventories and Work-in-Progress *(cont'd)*

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.

l. 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.

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

l. Impairment – Non-financial Assets *(cont'd)*

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.

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.

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

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.

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.

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

o. Employee Benefits *(cont'd)*

ii. Defined Benefit Plans *(cont'd)*

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

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

iii. Long-term Employee Benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. 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.

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.

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.

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.

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

u. Revenue Recognition *(cont'd)*

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.

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.

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

w. Leases

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

At the inception or upon reassessment of the agreement, 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.

z. Segment Reporting

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

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

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

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.

3. Property, Plant and Equipment

Group	Note	Leasehold and freehold land, wet berthage 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
Cost / Valuation												
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	10	–	–	–	–	(3,007)	–	–	–	–	3,740	733
Disposals / Write-offs		(285)	(102)	(21)	(554)	(16,196)	(171)	(2,127)	(1,654)	(3,314)	(115)	(24,539)
Acquisition of subsidiaries	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
Accumulated Depreciation and Impairment Losses												
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	(v), 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 / Write-offs		(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
Carrying Amounts												
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

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

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

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
Cost									
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	10	–	–	–	–	122	–	(290)	(168)
Disposals / Write-offs		(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
Accumulated Depreciation and Impairment Losses									
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 / Write-offs		(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
Carrying Amounts									
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
Cost									
Balance at January 1, 2015		19,566	7,905	8,226	821,117	16,945	1,788	5,719	881,266
Additions		–	663	–	13,082	1,046	135	3,802	18,728
Reclassification		–	–	–	4,828	279	–	(5,107)	–
Transfer to intangible assets	10	–	–	–	–	–	–	(368)	(368)
Disposals / Write-offs		(9)	–	–	(3,019)	(344)	–	–	(3,372)
Transfer to assets held for sale	13	–	(91)	–	(33,698)	(265)	–	–	(34,054)
Balance at December 31, 2015		19,557	8,477	8,226	802,310	17,661	1,923	4,046	862,200
Accumulated Depreciation and Impairment Losses									
Balance at January 1, 2015		6,679	4,872	2,833	246,878	12,504	1,255	–	275,021
Depreciation for the year		1,050	1,208	405	48,553	2,184	186	–	53,586
Disposals / Write-offs		(3)	–	–	(2,613)	(341)	–	–	(2,957)
Transfer to assets held for sale	13	–	(64)	–	(28,203)	(231)	–	–	(28,498)
Impairment losses	(i)	–	19	–	35,325	13	–	–	35,357
Balance at December 31, 2015		7,726	6,035	3,238	299,940	14,129	1,441	–	332,509
Carrying Amounts									
At January 1, 2015		12,887	3,033	5,393	574,239	4,441	533	5,719	606,245
At December 31, 2015		11,831	2,442	4,988	502,370	3,532	482	4,046	529,691

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:

	Note	Group 2016 S$'000	Group 2015 S$'000
Freehold land and buildings		**88,457**	50,644
Leasehold land and buildings		**41,416**	37,914
Plant and machinery		**3,908,631**	2,698,739
Capital work-in-progress		**879,950**	89,162
Other assets		**54,030**	27,041
	20(b)	**4,972,484**	2,903,500

ii. Assets with net book value of S$828,000 (2015: S$620,000) were acquired under finance lease.

iii. Included in the cost of leasehold land and buildings, quays and dry docks and plant and machinery are amounts of S$120,866,000, S$100,900,000 and S$667,000 (2015: S$120,866,000, S$100,900,000 and S$667,000) respectively which were measured at valuation as determined by firms of professional valuers. Also included in the cost of quays and dry docks is an amount of S$25,152,000 (2015: S$25,152,000) which was measured at Directors' valuation. These revaluations were done on a one-off basis prior to January 1, 1997. If the revalued assets of the Group and Company had been included in the financial statements at cost less accumulated depreciation, they would have been fully written down.

iv. During the year, interest and direct staff costs amounting to S$248,327,000 (2015: S$146,952,000) and S$26,459,000 (2015: S$22,644,000), 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 13.80% (2015: 0.06% to 14.00%).

v. During the year, depreciation amounting to S$285,000 and S$102,000 amortisation (2015: S$1,262,000 and no amortisation) of intangible assets were capitalised as work-in-progress.

vi. Property, plant and equipment arising from the acquisition of subsidiary was at fair value.

vii. In 2015, due to changes in its operating environment with the closures of certain customers' facilities and its estimated future ongoing operating costs, management has decided to retire these wastewater treatment plants and boilers. Based on value-in-use method, the carrying amount of the above assets amounting to S$69,052,000 was fully impaired and the impairment losses was recognised in cost of sales.

Owing to the sluggish market developments in the offshore marine sector, there was an indication that the Group's marine accommodation vessel might be impaired. The Group used the discounted cash flow projections which took into account: (i) the existing charter rates over the remaining contractual period through 2018; and (ii) the renewal rates, which were adjusted assuming a certain level of discount from the current contractual rates as well as 2% inflationary adjustment till the end of the economic useful life of the vessel. The assumed operating cost is based on approved budgets and adjusted for inflation at 2% per annum throughout the cash flow periods. The utilisation rate is assumed to be at 95%; and the terminal value is based on expected scrap value at the end of the economic useful life of the vessel. These cash flows have been discounted using the weighted average cost of capital at 9.55% (2015: 9.55%). Based on the Group's assessment of the recoverable amount of the marine accommodation vessel, no additional impairment loss (2015: S$1,400,000) was recognised in the current year's profit or loss.

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.

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

Group *(cont'd)*

ix. During the year, property, plant and equipment included provision for restoration costs amounting to S$13,568,000 (2015: S$6,020,000) (Note 17).

x. In 2015, construction-in-progress of a subsidiary in the Group's China water treatment business had ceased, pending the receipt of the Environmental Protection Bureau's approval. In 2016, the approval was obtained and construction has resumed.

xi. 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, 2016, the land has not been transferred to the subsidiary. Pursuant to the current lease agreement, it is provided that in the event that the land is not transferred, the lessor is obliged to renew the lease for a further period on mutually agreed terms and conditions. No impairment, revision of useful life or provision for restoration cost has been recorded nor assessment of impact to the tax benefit availed under the Mega Power Status amounting to S$166,400,000 (2015: S$164,600,000) as at December 31, 2016, as the alienation of this leasehold land is in progress (approved by the Chief Minister and awaiting final approval of the Group of Ministers).

xii. 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, 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 2015, due to change in operating environment with the closures of certain customers' facilities and estimated ongoing operating costs to be incurred, management has decided to retire certain wastewater treatment plants, boilers and other assets. Management has estimated the recoverable amount based on the value-in-use method, to be zero due to no incoming cash flows being estimated for the foreseeable future. Accordingly, an impairment loss of S$35,357,000 was recognised in cost of sales.

ii. During the year, property, plant and equipment included provision for restoration costs amounting to S$5,396,000 (2015: S$nil) (Note 17).

Change in estimates

During the year, the Group revised its estimates for the useful lives and residual values of certain assets in the UK after conducting an operational review of their useful lives and residual values. The Group and the Company also conducted external valuations on the estimated restoration cost and residual values of the respective plants which is an exercise undertaken on a regular basis. As a result, there was a change in the expected useful lives and residual values of these assets. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

	2016 S$'000	2017 S$'000	2018 S$'000	2019 S$'000	2020 S$'000	Later S$'000
Group						
(Decrease) / Increase in depreciation expense and (increase) / decrease in profit before tax	(5,899)	(7,728)	(1,123)	2,513	2,512	9,908

4. Investment Properties

	Note	Investment properties S$'000	Group Investment properties work-in-progress S$'000	Total S$'000
Cost				
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
Accumulated Depreciation and Impairment Losses				
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
Carrying Amount				
At January 1, 2016		21,081	–	21,081
At December 31, 2016		20,580	40,684	61,264
Cost				
Balance at January 1, 2015		44,061	–	44,061
Translation adjustments		391	–	391
Additions		4,323	–	4,323
Transfer from property, plant and equipment	3	834	–	834
Disposals		(13,216)	–	(13,216)
Balance at December 31, 2015		36,393	–	36,393
Accumulated Depreciation and Impairment Losses				
Balance at January 1, 2015		20,482	–	20,482
Translation adjustments		2	–	2
Depreciation for the year	28(a)	1,044	–	1,044
Disposals		(6,216)	–	(6,216)
Balance at December 31, 2015		15,312	–	15,312
Carrying Amount				
At January 1, 2015		23,579	–	23,579
At December 31, 2015		21,081	–	21,081

4. Investment Properties *(cont'd)*

The following amounts are recognised in profit or loss:

	Group 2016 S$'000	Group 2015 S$'000
Rental income	**6,081**	6,443
Operating expenses arising from rental of investment properties	**4,647**	4,552

The fair value of the investment properties as at the balance sheet date is S$90,793,000 (2015: S$58,683,000). 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$39,871,000 (2015: S$nil) have been pledged to secure loan facilities.

5. Investment in Subsidiaries

	Company 2016 S$'000	Company 2015 S$'000
At cost and carrying value:		
Quoted equity shares	**739,225**	739,225
Unquoted equity shares	**1,413,780**	1,443,912
Preference shares	**287,500**	287,500
Share-based payments reserve	**3,505**	1,547
	2,444,010	2,472,184

The fair value of the equity interest of the listed subsidiary with carrying amount of S$739,225,000 (2015: S$739,225,000), amounts to S$1,758,494,000 (2015: S$2,229,974,000) based on the last transacted market price as at December 31, 2016 (December 31, 2015).

Details of key subsidiaries are set out in Note 43.

6. Interests in Associates and Joint Ventures

	Note	Group 2016 S$'000	Group 2015 S$'000
Interests in associates and joint ventures		**1,697,530**	2,292,190
Quasi-equity loan to an associate	(a)	**48,219**	57,067
		1,745,749	2,349,257

In 2016, the Group received dividends of S$93,964,000 (2015: S$58,521,000) from its investments in associates and joint ventures.

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

	Group 2016 S$'000	Group 2015 S$'000
Balance at January 1	**9,292**	9,335
Translation during the year	**(199)**	(43)
Goodwill derecognised on deemed disposal of a joint venture	**(8,735)**	–
Goodwill on acquisition	**1,523**	–
Balance at December 31	**1,881**	9,292

a. The quasi-equity loan to an associate is unsecured, bears interest at 11.5% (2015: 3.72%) per annum and the settlement of the amount is neither planned nor likely to occur in the foreseeable future.

Associates

As at the reporting date, the Group has no associate (2015: one) that is material and a number of associates that are individually immaterial to the Group. All are equity accounted. The following information applies to the material associate:

Name of material associate	Principal activity	Country of incorporation	Effective equity held by the Group 2016 %	Effective equity held by the Group 2015 %
Cosco Shipyard Group Co., Ltd*	Provision of services for repairs of vessels; repairs, construction and conversion of offshore platforms and offshore engineering facilities; and related services	People's Republic of China	–*	18.30

* On November 15, 2016, Sembcorp Marine Ltd (SCM) entered into a conditional sale and purchase agreement with China Ocean Shipping (Group) Company to dispose its 30% equity interest in Cosco Shipyard Group Co., Ltd (CSG), for a consideration of RMB 1,059.23 million (approximately S$220.68 million). As at December 31, 2016, CSG has been re-classified as assets held for sale (Note 13).

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

Associates *(cont'd)*

The following summarises the financial information of the Group's material associate based on the financial statements prepared in accordance with FRS, as well as summarised financial information for the Group's interest in immaterial associates, based on the amounts reported in the Group's consolidated financial statements:

	Cosco Shipyard Group Co., Ltd* 2016 S$'000	Immaterial associates 2016 S$'000	Total 2016 S$'000
Revenue	2,102,682		
Loss from continuing operations	(217,782)		
Other comprehensive income	–		
Total comprehensive income	(217,782)		
Attributable to non-controlling interests	(115,485)		
Attributable to investee's shareholders	(102,297)		
Group's interest in net assets of investees at January 1	234,834	497,000	731,834
Group's share of:			
– (Loss) / Profit from continuing operations	(30,689)	23,583	(7,106)
– Other comprehensive income	–	(16,565)	(16,565)
– Total comprehensive income	(30,689)	7,018	(23,671)
Translation	(12,161)	(7,900)	(20,061)
Dividend received / receivables	(9,769)	(22,511)	(32,280)
Impairment of investment in associate	–	(2,120)	(2,120)
Reclassification to assets held for sale	(182,215)	–	(182,215)
Others	–	(321)	(321)
Carrying amount of interest in investees at December 31	–	471,166	471,166

* The profit or loss items are measured from January 1, 2016 to September 30, 2016. With effect from October 1, 2016, the Group ceased equity accounting and reclassified CSG as "Asset held for sale".

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

Associates *(cont'd)*

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

The fair value of the equity interest of a listed associate amounts to S$327,633,000 (2015: S$341,030,000) based on the last transacted market price as at December 31, 2016 (December 31, 2015).

As at the reporting date, the Group concluded that the carrying amount of an investment in associate, after equity accounting of post-acquisition losses is higher than the recoverable amount, and therefore, recognised an impairment loss of S$1,778,000 (2015: S$nil) on this associate.

The Group had independently and separately from the associate, performed an impairment analysis in accordance with FRS 28 *Investments in Associates and Joint Ventures* and FRS 36 *Impairment of Assets*. The recoverable amount of the investment in the associate 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 21% (2015: 23% to 55%), 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.

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

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 2016 S$'000	Group 2015 S$'000
Carrying amount	**1,274,583**	1,617,423
Profit for the year	**132,227**	128,920
Other comprehensive income	**(18,256)**	(12,329)
Total comprehensive income	**113,971**	116,591

The Group's share of the capital commitments of the joint ventures at the balance sheet date amounted to S$287,587,000 (2015: S$303,398,000).

The Group's interest in joint ventures with total carrying amount of S$55,386,000 (2015: S$365,260,000) 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 provisionally determined fair values of the identifiable assets acquired and liabilities assumed of Aragon AS, a provisional 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%. In 2015, the Group paid S$215,509,000 for Fully and Compulsory Convertible Debentures (FCCDs) of SGPL, which was converted into equity after SGPL became a subsidiary.

2015

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

In 2015, the Group classified its 30% interest in a joint venture, Sakra Island Carbon Dioxide Pte Ltd (SICD), as assets held for sale (Note 13). SICD was subsequently divested in 2016.

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

7. Other Financial Assets

		Group	
		2016	2015
	Note	S$'000	S$'000
Non-current Assets			
Available-for-sale financial assets:			
– Equity shares	(a)	**151,151**	244,155
– Unit trusts and funds	(b)	**10,319**	12,137
		161,470	256,292
Financial assets at fair value through profit or loss, on initial recognition:			
– Cross currency swaps		**10,533**	11,155
– Interest rate swaps		**52**	–
		10,585	11,155
Hedge of net investment in foreign operations:			
– Cross currency swaps		**13,284**	–
Cash flow hedges:			
– Forward foreign exchange contracts		**12,994**	3,189
– Fuel oil swaps		**1,693**	83
– Interest rate swaps		**879**	12,839
		15,566	16,111
		200,905	283,558

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

		Group	
		2016	2015
	Note	S$'000	S$'000
Current Assets			
Available-for-sale financial assets:			
– Unit trusts and funds	(b)	**32,338**	25,855
Financial assets at fair value through profit or loss, on initial recognition:			
– Equity shares	(c)	**–**	51,033
– Forward foreign exchange contracts		**18,829**	56,253
– Foreign exchange swap contracts		**228**	77
– Electricity future market contract		**40**	–
		19,097	107,363
Hedge of net investment in foreign operations:			
– Forward foreign exchange contracts		**–**	122
Cash flow hedges:			
– Forward foreign exchange contracts		**34,037**	16,217
– Fuel oil swaps		**28,236**	49
– Interest rate swaps		**1,602**	–
		63,875	16,266
Fair value hedges:			
– Forward foreign exchange contracts		**4,146**	–
		119,456	149,606

a. During the year, impairment losses on available-for-sale financial assets amounting to S$78,938,000 (2015: S$51,569,000) 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$32,348,000 (2015: S$26,219,000) pledged to secure loan facilities.

c. The non-derivative financial assets designated at fair value through profit or loss relate to investment in equity shares of Yangcheng International Power Generating Company Limited (YIPCG), which owns, operates and manages a coal-fired power plant in the People's Republic of China. The co-operative joint venture agreement expired in October 2016. Following the expiration of this agreement, the Group is in the process of transferring all its rights and interest to other shareholders.

8. Trade and Other Receivables

		Group						Company					
		2016			2015			2016			2015		
		Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
	Note	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		2,922	1,153,122	1,156,044	6,000	1,037,208	1,043,208	–	98,430	98,430	2,484	99,205	101,689
Service concession receivables	(a)	460,646	12,268	472,914	228,271	11,764	240,035	–	–	–	–	–	–
Amounts due from related parties	9	141,956	46,105	188,061	127,809	57,972	185,781	200,000	5,355	205,355	135,000	13,741	148,741
Amount due from non-controlling interests		–	–	–	–	75,414	75,414	–	–	–	–	–	–
Staff loans		–	338	338	34	27	61	–	1	1	–	–	–
Deposits		59,381	16,492	75,873	23,769	21,864	45,633	–	1,609	1,609	–	1,664	1,664
Sundry receivables	(b)	8,110	142,381	150,491	17,620	94,936	112,556	–	262	262	–	495	495
Unbilled receivables	(c)	–	381,384	381,384	–	271,291	271,291	–	80,525	80,525	–	38,626	38,626
Loan receivables		–	3,781	3,781	–	3,803	3,803	–	–	–	–	–	–
Recoverables		1,039	29,524	30,563	1,105	7,901	9,006	–	1,353	1,353	–	1,068	1,068
Interest receivables		–	8,134	8,134	–	1,992	1,992	–	122	122	–	61	61
Dividend receivables	(d)	–	110,084	110,084	–	–	–	–	–	–	–	–	–
		674,054	1,903,613	2,577,667	404,608	1,584,172	1,988,780	200,000	187,657	387,657	137,484	154,860	292,344
Allowance for doubtful trade and other receivables		(9,358)	(226,057)	(235,415)	(18,837)	(208,036)	(226,873)	–	(20,686)	(20,686)	–	(20,686)	(20,686)
Loan and receivables	36(b)	664,696	1,677,556	2,342,252	385,771	1,376,136	1,761,907	200,000	166,971	366,971	137,484	134,174	271,658
Prepayments	(f)	69,427	76,687	146,114	64,777	59,479	124,256	5,843	3,813	9,656	6,273	2,590	8,863
Advance to suppliers		–	203,787	203,787	–	131,942	131,942	–	244	244	–	313	313
		734,123	1,958,030	2,692,153	450,548	1,567,557	2,018,105	205,843	171,028	376,871	143,757	137,077	280,834

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

a. Service concession receivables

The subsidiaries in Singapore, Chile and Panama each have entered into service concession arrangements with the local governments. Under these arrangements, the subsidiaries are to supply treated water to the local governments for periods ranging from 25 years to 30 years. In 2016, the subsidiary in Myanmar has entered into service concession arrangement with the local government to supply electricity to the local Government for a period of 22 years. During the year, the Group recorded construction revenue and profit of S$162,200,000 and S$11,069,000 accordingly for the service concession arrangement in Myanmar. All of these arrangements fall within the scope of INT FRS 112.

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

i. The subsidiaries will receive a minimum guaranteed sum from the grantors in exchange for services performed. The subsidiaries recognised these as financial receivables as they have contractual rights under the concession arrangements. The financial receivables are measured on initial recognition at their fair values using interest rates ranging from 3.62% to 17.0%;

ii. Under the arrangements, the operator is required to design, construct, operate, manage and maintain the assets; and

iii. Upon expiry of the concession arrangements, the assets are to be transferred to the local governments between 2024 to 2039. Any extension will be based on mutual agreement.

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)).

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$44.6 million (2015: S$5.4 million) due from related companies.

d. Dividend receivables

Dividend receivables represent the dividends declared to the Group from an investment in equity shares of a company in the People's Republic of China (Note 7(c)).

e. Trade and other receivables

Trade and other receivables of S$721,388,000 (2015: S$428,195,000) have been pledged to secure loan facilities.

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

i. Connection fees prepaid under the Generation Connection and Use of System Agreement for the use of the transmission lines to a related corporation amounted to S$30,229,000 (2015: S$32,208,000);

ii. Service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of the tank; and

iii. Capacity charges prepaid for the use of gas delivery pipelines, prepaid insurance premium, transport tariff recoverable and maintenance of plant.

Company

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

The impairment losses on loans and receivables are as follow:

	Note	Gross 2016 S$'000	Impairment 2016 S$'000	Net 2016 S$'000	Gross 2015 S$'000	Impairment 2015 S$'000	Net 2015 S$'000
Group							
Trade receivables		**1,156,044**	**(204,844)**	**951,200**	1,043,208	(192,575)	850,633
Amounts due from related parties	9	**188,061**	**(6,280)**	**181,781**	185,781	(2,422)	183,359
Other receivables		**1,233,562**	**(24,291)**	**1,209,271**	759,791	(31,876)	727,915
	36(b)	**2,577,667**	**(235,415)**	**2,342,252**	1,988,780	(226,873)	1,761,907
Company							
Trade receivables		**98,430**	**(20,686)**	**77,744**	101,689	(20,686)	81,003
Amounts due from related parties	9	**205,355**	**–**	**205,355**	148,741	–	148,741
Other receivables		**83,872**	**–**	**83,872**	41,914	–	41,914
	36(b)	**387,657**	**(20,686)**	**366,971**	292,344	(20,686)	271,658

9. Amounts Due from Related Parties

		Associates		Joint ventures		Related companies		Total	
		2016	2015	2016	2015	2016	2015	2016	2015
	Note	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group									
Amounts due from:									
Trade		**3,416**	17,444	**10,610**	7,111	**6,569**	2,750	**20,595**	27,305
Non-trade		**3,145**	3,764	**7,106**	1,300	**–**	–	**10,251**	5,064
Loans		**–**	–	**145,440**	141,637	**11,775**	11,775	**157,215**	153,412
	8	**6,561**	21,208	**163,156**	150,048	**18,344**	14,525	**188,061**	185,781
Allowance for doubtful receivables		**(578)**	(620)	**(5,702)**	(1,802)	**–**	–	**(6,280)**	(2,422)
		5,983	20,588	**157,454**	148,246	**18,344**	14,525	**181,781**	183,359
Amount due within 1 year		**(5,983)**	(20,588)	**(16,746)**	(21,654)	**(18,344)**	(14,525)	**(41,073)**	(56,767)
		–	–	**140,708**	126,592	**–**	–	**140,708**	126,592

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

The loans to joint ventures of S$140,708,000 (2015: S$126,592,000) are unsecured, not expected to be repaid in the next 12 months and bear interest rates ranging from 0.67% to 2.99% (2015: 0.46% to 2.38%) per annum. The remaining balance is repayable in the next 12 months.

		Subsidiaries		Associates		Joint ventures		Related companies		Total	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Note	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company											
Amounts due from related parties	8	**205,238**	148,586	**50**	21	**–**	110	**67**	24	**205,355**	148,741
Amount due within 1 year	8	**(5,238)**	(13,586)	**(50)**	(21)	**–**	(110)	**(67)**	(24)	**(5,355)**	(13,741)
	8	**200,000**	135,000	**–**	–	**–**	–	**–**	–	**200,000**	135,000

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

The loan to a related party of S$200,000,000 (2015: S$135,000,000) is unsecured, not expected to be repaid in the next 12 months and bears interest rate of 4.75% (2015: 4.75%) per annum.

10. 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
Group								
Cost								
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
Accumulated Amortisation and Impairment Losses								
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
Carrying Amount								
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

10. Intangible Assets *(cont'd)*

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

Intangible assets of S$1,468,000 (2015: S$487,000) have been pledged to secure loan facilities.

10. Intangible Assets *(cont'd)*

	Note	Goodwill S$'000	Others S$'000	Total S$'000
Company				
Cost				
Balance at January 1, 2016		18,946	8,373	27,319
Additions		–	3,046	3,046
Disposals / Write-offs		–	(46)	(46)
Transfer from property, plant and equipment	3	–	168	168
Balance at December 31, 2016		18,946	11,541	30,487
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2016		–	5,095	5,095
Amortisation charge for the year		–	2,299	2,299
Disposals / Write-offs		–	(10)	(10)
Balance at December 31, 2016		–	7,384	7,384
Carrying Amount				
At January 1, 2016		18,946	3,278	22,224
At December 31, 2016		18,946	4,157	23,103
Company				
Cost				
Balance at January 1, 2015		18,946	6,095	25,041
Additions		–	1,910	1,910
Transfer from property, plant and equipment	3	–	368	368
Balance at December 31, 2015		18,946	8,373	27,319
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2015		–	3,184	3,184
Amortisation charge for the year		–	1,911	1,911
Balance at December 31, 2015		–	5,095	5,095
Carrying Amount				
At January 1, 2015		18,946	2,911	21,857
At December 31, 2015		18,946	3,278	22,224

10. Intangible Assets *(cont'd)*

Amortisation

The amortisation of intangible assets is analysed as follows:

	Group 2016 S$'000	Group 2015 S$'000
Cost of sales	**34,416**	17,256
Administrative expenses	**3,258**	3,104
Capitalised as capital work-in-progress	**102**	–
Total	**37,776**	20,360

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.

10. 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.

- In 2015, the acquired subsidiaries in the renewables sector in India have long-term contracts with India's State Electricity Boards in Gujarat, Karnataka, Maharashtra, Rajasthan and Tamil Nadu, with tenures ranging from 10 to 30 years. These subsidiaries also sell electricity to commercial customers with tenures ranging from 10 to 25 years.

Intellectual property rights

Intellectual property rights relate to acquired patents 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:

		Group	
		2016	2015
	Note	S$'000	S$'000
Cash-generating Unit (CGU)			
SUT Division	(a)	**18,946**	18,946
Sembcorp Cogen Pte Ltd	(b)	**26,378**	26,378
Sembcorp Gas Pte Ltd	(c)	**41,986**	41,986
Thermal Powertech Corporation India Limited	(d)	**26,813**	26,586
Sembcorp Green Infra Limited and its subsidiaries	(e)	**41,795**	41,441
Sembcorp Gayatri Power Limited	(f)	**45,387**	–
Multiple units with insignificant goodwill		**23,427**	17,870
		224,732	173,207

10. Intangible Assets *(cont'd)*

Goodwill (cont'd)

Group *(cont'd)*

Impairment Testing for Goodwill *(cont'd)*

The recoverable amounts for SUT Division, Sembcorp Cogen Pte Ltd, Sembcorp Gas Pte Ltd, Thermal Powertech Corporation India Limited, 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 4.7% to 12.0% (2015: 4.7% to 5.8%) had been used.

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

a. SUT Division

i. Use cash flow projections over the remaining useful life of the plants of up to 22 years (2015: up to 23 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 0.2% to 1.9% (2015: 0.8% to 2.1%) 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 24 years (2015: up to 25 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 conditions;

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 0.2% to 1.9% (2015: 0.8% to 2.1%) has been used to project overheads and other general expenses.

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. Forward USD / SGD exchange rate and High Sulphur Fuel Oil (HSFO) prices against current financial year were assumed in the forecast performance;

iii. Expected capital expenditure to service the pipelines has been included in the projections in accordance with plant maintenance programme; and

iv. Inflation rate assumption ranging from 0.2% to 1.9% (2015: 0.8% to 2.1%) has been used to project overheads and other general expenses.

10. Intangible Assets *(cont'd)*

Goodwill (cont'd)

Group *(cont'd)*

d. Thermal Powertech Corporation India Limited

i. Use of cash flow projections over the remaining useful life of the plant of 24 years (2015: 25 years) with residual value of 5% of asset value;

ii. Revenues are projected primarily based on long-term contracts secured with customers at contracted tariffs as well as short-term supply at market tariffs. Contract renewals are assumed based on estimated demand and supply as well as margin;

iii. Scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme;

iv. Inflation rate of 5% (2015: 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(xi)).

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 30 years (2015: 25 years). No terminal value is considered;

ii. Revenues are 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% (2015: 5%) has been used to project overheads and other general expenses.

f. Sembcorp Gayatri Power Limited

i. Use of cash flow projections over the remaining useful life of the plant of 25 years. The plant is still under construction as at December 31, 2016;

ii. Revenues are projected primarily based on the forecasted combination of long-term and short-term contracts with reference to estimated demand and supply of electricity as well as margin;

iii. Scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme; and

iv. Inflation rate of 5% (2015: 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.

11. 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 S$'000	Recognised in profit or loss (Note 27) S$'000	Recognised in equity (Note 24) S$'000	Disposal of subsidiary (Note 33) S$'000	Acquisition of subsidiary (Note 34) S$'000	Translation adjustments S$'000	At Dec 31 S$'000
Group							
2016							
Deferred tax liabilities							
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)

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

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

	At Jan 1, 2015 S$'000	Recognised in profit or loss S$'000	Recognised in equity S$'000	At Dec 31, 2015 S$'000	Recognised in profit or loss S$'000	Recognised in equity S$'000	At Dec 31, 2016 S$'000
Company							
Deferred tax liabilities							
Property, plant and equipment	57,838	(3,851)	–	53,987	11,814	–	65,801
Derivative assets	(265)	–	265	–	–	–	–
Total	57,573	(3,851)	265	53,987	11,814	–	65,801
Deferred tax assets							
Trade and other payables	(1,059)	1,059	–	–	–	–	–
Provisions	(3,216)	3,216	–	–	(5,245)	–	(5,245)
Derivative liabilities	–	–	–	–	–	(55)	(55)
Total	(4,275)	4,275	–	–	(5,245)	(55)	(5,300)

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

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheet are as follows:

	Group 2016 S$'000	Group 2015 S$'000	Company 2016 S$'000	Company 2015 S$'000
Deferred tax liabilities	**402,431**	319,605	**60,501**	53,987
Deferred tax assets	**(51,520)**	(68,283)	**–**	–
	350,911	251,322	**60,501**	53,987

As at December 31, a deferred tax liability of S$23,652,000 (2015: S$17,018,000) for potential taxable temporary differences arising from undistributed retained earnings related to investment in subsidiaries and joint ventures were not recognised.

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

	Group 2016 S$'000	Group 2015 S$'000
Deductible temporary differences	**19,973**	12,348
Tax losses	**407,856**	243,893
Capital allowances	**110,668**	28,925
	538,497	285,166

Tax losses of the Group amounting to S$68,265,000 (2015: S$47,847,000) will expire between 2017 and 2024 (2015: 2016 and 2023). 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:

a. Where they qualified for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; and

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

12. Inventories and Work-In-Progress

		Group		Company	
		2016	2015	2016	2015
	Note	S$'000	S$'000	S$'000	S$'000
Raw materials		**170,417**	160,871	**3,062**	3,338
Finished goods		**151,055**	153,947	**8,903**	8,538
		321,472	314,818	**11,965**	11,876
Allowance for inventory obsolescence		**(26,065)**	(24,754)	**(2,789)**	–
		295,407	290,064	**9,176**	11,876
Work-in-progress	(a)	**3,080,548**	3,829,050	**1,439**	465
Properties under development		**90,325**	113,395	**–**	–
		3,466,280	4,232,509	**10,615**	12,341

In 2016, raw materials and changes in finished goods included as cost of sales amounted to S$467,702,000 (2015: S$316,261,000).

In 2016, the net write-down of inventories to net realisable value by the Group amounted to S$3,080,000 (2015: S$2,492,000) and is included in cost of sales.

Inventories of S$88,543,000 (2015: S$63,663,000) and properties under development of S$66,834,000 (2015: S$nil) have been pledged to secure loan facilities.

		Group		Company	
		2016	2015	2016	2015
	Note	S$'000	S$'000	S$'000	S$'000
(a) Work-in-progress:					
Costs and attributable profits less allowance for foreseeable losses		**9,665,706**	10,623,888	**1,439**	465
Progress billings		**(6,808,231)**	(7,114,989)	**–**	–
		2,857,475	3,508,899	**1,439**	465
Comprising:					
Due from customers on construction contracts	36	**2,242,882**	3,325,798	**–**	–
Work-in-progress		**837,666**	503,252	**1,439**	465
		3,080,548	3,829,050	**1,439**	465
Excess of progress billings over work-in-progress		**(223,073)**	(320,151)	**–**	–
		2,857,475	3,508,899	**1,439**	465

The Group conducted a review of all work-in-progress to have their carrying values to reflect the lower of cost or net realisable value. In the previous year, a net realisable value write-down of S$85,518,000 was recognised in the profit or loss. Based on the Group's re-evaluation as at the reporting date, no additional write-down or reversal of previously recognised write-down is required.

The Group conducted a review of all of its long-term construction contracts. In the previous year, the Group concluded that certain contracts with a few customers were loss-making, resulting in an allowance of S$277,961,000. Such losses took into account the expected contract price adjustments from modifications to the original contract terms and deterioration in credit risk assessment on these customers. Other considerations include the total costs to complete these construction contracts where the costs are expected to exceed the revised contract revenue. Based on the Group's re-evaluation as at the reporting date, no additional allowance is required. A portion of the allowance was utilised during the year, resulting in the allowance as at the reporting date amounting to S$189,806,000.

13. Assets Held for Sale

		Assets held for sale 2016	Investment held for sale 2015	Assets held for sale 2015	Total 2015
	Note	S$'000	S$'000	S$'000	S$'000
Group					
Property, plant and equipment	3	–	–	5,556	5,556
Inventories and work-in-progress		–	–	337	337
Interest in associate	6	182,215	–	–	–
Interest in joint venture	6	–	452	–	452
Trade and other receivables		–	29,209	–	29,209
Cash and cash equivalents		–	6,249	–	6,249
Assets held for sale		182,215	35,910	5,893	41,803
Trade and other payables		–	3,783	–	3,783
Current tax payable		–	1,647	–	1,647
Liabilities held for sale		–	5,430	–	5,430

		Assets held for sale 2016	Assets held for sale 2015
	Note	S$'000	S$'000
Company			
Property, plant and equipment	3	**–**	5,556
Inventories and work-in-progress		**–**	337
Assets held for sale		**–**	5,893

2016

On November 15, 2016, the Group's subsidiary, Sembcorp Marine Ltd, has 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 on January 19, 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.

2015

As at December 31, 2015, the assets and liabilities related to Sembcorp Air Products (Hyco) Pte Ltd (SembAP) had been classified as assets and liabilities held for sale given the Group's plan to divest the entire stake in SembAP and SembAP's 50% owned joint venture, Sakra Island Carbon Dioxide Pte Ltd (SICD). The disposal was completed on January 28, 2016 and a gain of S$3,820,000 was recognised in "Other Income".

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

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

14. Cash and Cash Equivalents

		Group		Company	
		2016	2015	2016	2015
	Note	S$'000	S$'000	S$'000	S$'000
Fixed deposits with banks		**487,377**	419,074	**–**	–
Cash and bank balances		**1,395,170**	1,187,414	**389,905**	325,831
Cash and cash equivalents in the balance sheets		**1,882,547**	1,606,488	**389,905**	325,831
Restricted bank balances		**(11,049)**	–	**–**	–
Bank overdrafts	20	**(16,785)**	(2,023)	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows		**1,854,713**	1,604,465	**389,905**	325,831

Fixed deposits with banks of the Group earn interest at rates ranging from 0.01% to 14.14% (2015: 0.01% to 14.14%) per annum.

Included in the cash and bank balances are amounts of S$601,444,000 (2015: S$298,385,000) placed with a related corporation.

Included in the Group's cash and cash equivalents in the balance sheet is an amount of S$216,942,000 (2015: S$104,497,000) 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$11,049,000 (2015: S$nil).

Included in the Company's cash and cash equivalents at the balance sheet date are amounts of S$385.0 million (2015: S$325.1 million) placed with a subsidiary and amounts of S$4.9 million (2015: S$0.7 million) placed with a related corporation.

15. Trade and Other Payables

		Group		Company	
		2016	2015	2016	2015
	Note	S$'000	S$'000	S$'000	S$'000
Current liabilities					
Trade payables		**2,305,645**	2,668,166	**8,790**	4,318
Advance payments from customers		**42,056**	36,843	**1,605**	1,377
Amounts due to related parties	16	**12,436**	8,073	**4,319**	24,854
Amounts due to non-controlling interests		**279**	989	**–**	–
Accrued capital and operating expenditure	(a)	**855,800**	510,706	**116,845**	96,229
Deposits		**29,637**	28,745	**446**	342
Accrued interest payable		**44,834**	44,495	**–**	–
Retirement benefit obligations	19	**330**	259	**–**	–
Other creditors	(b)	**106,998**	89,645	**6,052**	3,953
		3,398,015	3,387,921	**138,057**	131,073
Non-current liabilities					
Deferred income	(c)	**106,749**	110,181	**14,133**	15,928
Deferred grants	(d)	**1,987**	2,802	**–**	–
Amounts due to related parties	16	**–**	–	**245,000**	246,000
Other payables	(e)	**149,330**	134,526	**22,777**	21,644
Other long-term payables		**258,066**	247,509	**281,910**	283,572

a. Included in the Company's accrued operating expenses are amounts of S$40.8 million (2015: S$25.2 million) due to related companies.

b. Included in the Group's other creditors are payables arising from the acquisitions of subsidiaries during the year, amounting to S$7,977,000 (2015: S$nil).

c. Deferred income relates mainly to:

   i. advance payments received from customers in respect of connection and capacity charges for the supply and delivery of gas and utilities; and

   ii. the difference between the fair value of the construction services provided pursuant to service concession arrangements and the fair value of the financial asset receivable.

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

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

16. Amounts Due to Related Parties

		Associates		Joint ventures		Related companies		Total	
		2016	2015	2016	2015	2016	2015	2016	2015
	Note	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group									
Amounts due to:									
Trade		**1,623**	23	**3,872**	3,605	**3,923**	728	**9,418**	4,356
Non-trade		**357**	300	**44**	9	**1**	–	**402**	309
Advance payment – trade		**–**	–	**2,616**	3,408	**–**	–	**2,616**	3,408
	15	**1,980**	323	**6,532**	7,022	**3,924**	728	**12,436**	8,073

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

		Subsidiaries		Joint ventures		Related companies		Total	
		2016	2015	2016	2015	2016	2015	2016	2015
	Note	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company									
Amounts due to:									
Trade	(i)	**2,730**	21,574	**2**	–	**6**	95	**2,738**	21,669
Non-trade		**1,581**	2,185	**–**	–	**–**	–	**1,581**	2,185
Loans from a related party	(ii)	**245,000**	247,000	**–**	–	**–**	–	**245,000**	247,000
		249,311	270,759	**2**	–	**6**	95	**249,319**	270,854
Amounts due after 1 year		**(245,000)**	(246,000)	**–**	–	**–**	–	**(245,000)**	(246,000)
	15	**4,311**	24,759	**2**	–	**6**	95	**4,319**	24,854

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 (2015: S$247,000,000) bear interest rates ranging from 3.72% to 3.82% (2015: 1.84% to 3.82%) per annum and were unsecured.

17. Provisions

	Note	Claims S$'000	Restoration costs S$'000	Warranty S$'000	Others S$'000	Total S$'000
Group						
2016						
Balance at January 1		28,966	65,289	17,257	5,894	117,406
Translation adjustments		(447)	122	(106)	77	(354)
Provisions made / (written back) during the year, net		(4,836)	14,118	10,849	1,810	21,941
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
2015						
Balance at January 1		54,814	62,338	54,649	7,336	179,137
Translation adjustments		256	(84)	401	221	794
Provisions made / (written back) during the year, net		(9,362)	2,752	(37,464)	(85)	(44,159)
Provisions utilised during the year		(20,087)	(3,246)	(329)	(1,578)	(25,240)
Acquisition of subsidiaries	34	–	3,268	–	–	3,268
Disposal of subsidiaries	33	3,345	–	–	–	3,345
Unwind of discount on restoration costs	26	–	261	–	–	261
Balance at December 31		28,966	65,289	17,257	5,894	117,406
Provisions due:						
– within 1 year		28,826	10,129	17,257	2,452	58,664
– after 1 year but within 5 years		140	1,882	–	1,755	3,777
– after 5 years		–	53,278	–	1,687	54,965
		28,966	65,289	17,257	5,894	117,406

17. Provisions *(cont'd)*

	Claims S$'000	Restoration costs S$'000	Total S$'000
Company			
2016			
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
2015			
Balance at January 1	13,416	593	14,009
Provisions made during the year, net	9,137	–	9,137
Provisions utilised during the year	(67)	–	(67)
Balance at December 31	22,486	593	23,079
Provisions due:			
– within 1 year	22,486	–	22,486
– after 5 years	–	593	593
	22,486	593	23,079

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.

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

18. Other Financial Liabilities

		Group		Company	
		2016	2015	2016	2015
	Note	S$'000	S$'000	S$'000	S$'000
Current Liabilities					
Financial liabilities at fair value through profit or loss, on initial recognition:					
– Forward foreign exchange contracts		**17,475**	298	**–**	–
– Foreign exchange swap contracts		**5,161**	1,318	**–**	–
– Electricity future market contract		**83**	–	**–**	–
Hedge of net investment in foreign operations:					
– Foreign exchange swap contracts		**–**	596	**–**	–
Cash flow hedges:					
– Interest rate swaps		**350**	477	**–**	–
– Forward foreign exchange contracts		**8,716**	106,040	**326**	–
– Fuel oil swaps		**5,148**	72,742	**–**	–
– Electricity future market contract		**43**	–	**–**	–
		36,976	181,471	**326**	–
Non-current Liabilities					
Financial liabilities at fair value through profit or loss, on initial recognition:					
– Forward foreign exchange contracts		**–**	575	**–**	–
– Interest rate swaps		**63**	157	**–**	–
– Electricity future market contract		**154**	–	**–**	–
– Foreign exchange option contracts		**314**	–	**–**	–
– Cross currency swaps		**1,044**			
Hedge of net investment in foreign operations:					
– Cross currency swaps		**–**	46,526	**–**	–
Cash flow hedges:					
– Interest rate swaps		**4,068**	2,198	**–**	–
– Forward foreign exchange contracts		**23,310**	2,399	**–**	–
– Fuel oil swaps		**3,599**	13,912	**–**	–
– Cross currency swaps		**8,217**	–	**–**	–
– Put liability to acquire non-controlling interests	(a)	**215,885**	193,113	**–**	–
		256,654	258,880	**–**	–

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

- Put option – Non-controlling shareholder has the right to sell to the Group its entire shares during the option period (February 11, 2015 to July 31, 2018) at the put option consideration.

- Call option – The Group has the right to buy the entire shares of the non-controlling shareholder during the option period (January 1, 2018 to July 31, 2018) at the call option consideration.

- IPO call option – The Group has the right to buy the entire shares of the non-controlling shareholder during the option period (within 20 days from the final determination of the valuation of the shares for IPO prospects) at 90% of the valuation to be determined.

19. Retirement Benefit Obligations

		Group	
		2016	2015
	Note	S$'000	S$'000
Provision for retirement gratuities	(a)	**3,791**	3,284
Defined benefit obligations	(b)	**3,104**	5,866
		6,895	9,150
Current	15	**330**	259
Non-current		**6,565**	8,891

a. Provision for Retirement Gratuities

	Group	
	2016	2015
	S$'000	S$'000
Balance at January 1	**3,284**	2,624
Translation adjustments	**65**	144
Provision made during the year	**627**	816
Less: Amount paid	**(185)**	(300)
Balance at December 31	**3,791**	3,284

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.

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, 2016 and December 31, 2015.

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

	Group	
	2016	2015
	S$'000	S$'000
Present value of funded defined benefit obligations	**238,826**	236,339
Fair value of plan assets	**(235,722)**	(230,473)
Deficit in scheme	**3,104**	5,866

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

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

The amounts included in the balance sheet are as follows:

	Group	
	2016	2015
	S$'000	S$'000
Defined benefit obligations	**3,104**	5,866
Defined benefit assets	**–**	–
	3,104	5,866

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

	Group	
	2016	2015
	S$'000	S$'000
Equity instruments	**79,551**	78,466
Debt instruments	**133,941**	125,722
Other assets	**22,230**	26,285
	235,722	230,473

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

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability / (asset)	
	2016	2015	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
Balance at January 1	**236,339**	405,596	**(230,473)**	(399,207)	**5,866**	6,389
Included in income statement						
Service cost	**172**	(3,427)	**–**	–	**172**	(3,427)
Interest cost / (income)	**7,658**	8,756	**(7,480)**	(8,292)	**178**	464
Administrative expenses	**–**	–	**–**	(9)	**–**	(9)
	7,830	5,329	**(7,480)**	(8,301)	**350**	(2,972)
Included in other comprehensive income						
Re-measurements loss / (gain):						
– Actuarial loss / (gain) arising from:						
– demographic assumptions	**–**	(1,893)	**–**	–	**–**	(1,893)
– financial assumptions	**43,120**	10,849	**–**	–	**43,120**	10,849
– experience adjustment	**(2,142)**	(3,752)	**–**	–	**(2,142)**	(3,752)
– Return on plan assets excluding interest income	**–**	–	**(40,999)**	2,335	**(40,999)**	2,335
Effect of movements in exchange rates	**(38,680)**	3,510	**37,495**	(3,453)	**(1,185)**	57
	2,298	8,714	**(3,504)**	(1,118)	**(1,206)**	7,596
Other						
Contributions paid by employer	**–**	–	**(2,052)**	(2,412)	**(2,052)**	(2,412)
Benefits paid	**(7,828)**	(7,907)	**7,787**	7,874	**(41)**	(33)
Disposal of subsidiaries (see Note 33)	**–**	(175,697)	**–**	172,860	**–**	(2,837)
Acquisition of subsidiaries (see Note 34)	**187**	304	**–**	(169)	**187**	135
	(7,641)	(183,300)	**5,735**	178,153	**(1,906)**	(5,147)
Balance at December 31	**238,826**	236,339	**(235,722)**	(230,473)	**3,104**	5,866

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 (2015: 19) years.

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 were as follows:

	Group	
	2016	2015
	%	%
Discount rate at December 31	**2.7**	3.8
Future rate of pension increases	**1.9 – 3.0**	1.9 – 3.1

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 (2015: 21) for male and 25 (2015: 24) for female.

A 1% increase / decrease in discount rate would have decreased / increased the defined benefit obligations by 16.5% / 21.4% (2015: 15.5% / 19.8%). A 1% increase / decrease in future rate of pension increases would have increased / decreased the defined benefit obligations by 15.2% / 13.6% (2015: 14.2% / 12.8%).

20. Interest-bearing Borrowings

		Group		Company	
		2016	2015	2016	2015
	Note	S$'000	S$'000	S$'000	S$'000
Current Liabilities					
Secured term loans	(b)	**548,509**	794,434	**–**	–
Unsecured term loans	(c)	**1,559,793**	1,003,863	**–**	–
Bank overdrafts	14	**16,785**	2,023	**–**	–
Finance lease liabilities	(d)	**500**	287	**–**	3
		2,125,587	1,800,607	**–**	3
Non-current Liabilities					
Non-convertible debentures	(a)	**10,613**	10,523	**–**	–
Secured term loans	(b)	**3,209,950**	1,451,860	**–**	–
Unsecured term loans	(c)	**3,872,806**	3,569,483	**–**	–
Finance lease liabilities	(d)	**2,348**	476	**–**	–
		7,095,717	5,032,342	**–**	–
		9,221,304	6,832,949	**–**	3

Included in interest-bearing borrowings are S$1,000,178,000 (2015: S$1,181,325,000) 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		Company	
	2016	2015	2016	2015
	%	%	%	%
Floating rate loans	**1.59 – 16.05**	0.68 – 15.15	**–**	–
Fixed rate loans	**1.55 – 16.09**	1.10 – 14.90	**–**	–
Bonds & notes	**2.94 – 4.25**	2.22 – 4.25	**–**	–
Debentures	**12.00**	12.00	**–**	–

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Within 1 year	**2,125,087**	1,800,320	**–**	–
After 1 year but within 5 years	**4,041,847**	2,956,551	**–**	–
After 5 years	**3,051,522**	2,075,315	**–**	–
Total borrowings	**9,218,456**	6,832,186	**–**	–

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 collaterised by the following assets:

		Group	
		Net Book Value	
		2016	2015
	Note	S$'000	S$'000
Property, plant and equipment	3(i)	**4,972,484**	2,903,500
Investment properties	4	**39,871**	–
Unit trusts and funds	7	**32,348**	26,219
Trade and other receivables	8	**721,388**	428,195
Intangible assets	10	**1,468**	487
Inventories	12	**88,543**	63,663
Properties under development	12	**66,834**	–
Cash and cash equivalents	14	**216,942**	104,497
Equity shares of a subsidiary		**723,548**	402,431

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, increased its Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme") limit from S$2 billion to S$2.5 billion on November 25, 2016. 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, 2016 and 2015, SFS has the following outstanding medium term notes issued under the Programme:

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

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

As at December 31, an amount of S$165,000,000 (2015: S$140,000,000) medium term notes was held by a related corporation.

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

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

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

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

As at December 31, 2016 and 2015, 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, 2016, an amount of S$167,500,000 (2015: S$167,500,000) medium term notes was held by a related corporation.

d. Finance Lease Liabilities

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

	2016 Payments S$'000	2016 Interest S$'000	2016 Principal S$'000	2015 Payments S$'000	2015 Interest S$'000	2015 Principal S$'000
Group						
Within 1 year	**772**	**272**	**500**	336	49	287
After 1 year but within 5 years	**1,913**	**755**	**1,158**	524	48	476
After 5 years	**1,849**	**659**	**1,190**	–	–	–
Total	**4,534**	**1,686**	**2,848**	860	97	763

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 1.75% to 14.70% (2015: 1.60% to 13.92%) per annum.

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

	2016 Payments S$'000	2016 Interest S$'000	2016 Principal S$'000	2015 Payments S$'000	2015 Interest S$'000	2015 Principal S$'000
Company						
Within 1 year	**–**	**–**	**–**	3	–	3
After 1 year but within 5 years	**–**	**–**	**–**	–	–	–
Total	**–**	**–**	**–**	3	–	3

Under the terms of the lease agreements, no contingent rents are payable. The effective interest rate is nil% (2015: 8.4%) per annum.

21. Share Capital

	Group and Company No. of ordinary shares 2016	2015
Issued and fully paid, with no par value:		
At the beginning and end of the year	**1,787,547,732**	1,787,547,732

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

22. Other Reserves

		Group		Company	
	Note	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
Distributable					
Reserve for own shares	(a)	**(5,490)**	(8,645)	**(5,490)**	(8,645)
Non-distributable					
Currency translation reserve	(b)	**(113,534)**	(84,321)	**–**	–
Capital reserve	(c)	**109,103**	114,766	**(131,503)**	(121,709)
Merger reserve	(d)	**29,201**	29,201	**–**	–
Share-based payments reserve	(e)	**(13,712)**	(18,050)	**130,479**	116,694
Fair value reserve	(f)	**20,773**	27,398	**–**	–
Hedging reserve	(g)	**(78,488)**	(203,287)	**(207)**	–
		(52,147)	(142,938)	**(6,721)**	(13,660)

a. Reserve for Own Shares
At December 31, 2016, the Company held 1,990,038 (2015: 2,371,253) of its own uncancelled shares as treasury shares.

b. Currency Translation Reserve
The currency translation reserve comprises:

i. Foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group;

ii. Exchange differences on monetary items which form part of the Group's net investment in foreign operations; and

iii. Gains or losses on instruments used to hedge the Group's net investment in foreign operations that are determined to be effective hedges.

22. Other Reserves *(cont'd)*

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, 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.

In 2016, 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.

In 2015, capital reserve also comprises the charge of the present value of a put liability in relation to put options entered into with the non-controlling shareholders on their equity interests in a subsidiary. Subsequent changes in the carrying value of the put liability are also recognised within capital reserve.

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 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 were recognised in equity as a deduction from proceeds.

Such perpetual securities bear distributions at a rate of 4.75% 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$39,013,000 (2015: S$27,939,000) were accrued to perpetual security holders.

As at December 31, 2016, an amount of S$17,000,000 (2015: 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 2016 Before tax S$'000	Group 2016 Tax expense S$'000	Group 2016 Net of tax S$'000	Group 2015 Before tax S$'000	Group 2015 Tax expense S$'000	Group 2015 Net of tax S$'000
Foreign currency translation differences for foreign operations	**(41,597)**	**–**	**(41,597)**	116,765	–	116,765
Exchange differences on monetary items forming part of net investment in a foreign operation	**9,893**	**–**	**9,893**	765	–	765
Share of other comprehensive income of associates and joint ventures	**18,376**	**–**	**18,376**	(23,835)	–	(23,835)
Cash flow hedges: net movement in hedging reserves (Note (a))	**155,893**	**(27,901)**	**127,992**	43,628	(7,520)	36,108
Available-for-sale financial assets: net movement in fair value reserve (Note (b))	**(11,083)**	**92**	**(10,991)**	48,611	18	48,629
Defined benefit plan actuarial gains and losses	**(102)**	**(97)**	**(199)**	(7,539)	1,310	(6,229)
Other comprehensive income	**131,380**	**(27,906)**	**103,474**	178,395	(6,192)	172,203

	Group 2016 S$'000	Group 2015 S$'000
a. Cash flow hedges:		
Net change in fair value of hedging instruments	**105,282**	(92,754)
Amount reclassified to profit or loss	**50,611**	136,382
Tax expense	**(27,901)**	(7,520)
Net movement in the hedging reserve during the year recognised in other comprehensive income	**127,992**	36,108
b. Available-for-sale financial assets:		
Changes in fair value	**(19,420)**	(2,958)
Amount reclassified to profit or loss	**8,337**	51,569
Tax expense	**92**	18
Net changes in fair value during the year recognised in other comprehensive income	**(10,991)**	48,629

25. Turnover

	Group 2016 S$'000	Group 2015 S$'000
Sale of gas, water, electricity and related services	**3,763,025**	4,099,551
Ship and rig repair, building, conversion, charter hire and related services	**3,521,650**	4,944,732
Construction and engineering related activities	**210,090**	303,092
Service concession revenue	**278,092**	47,173
Others	**134,191**	150,073
	7,907,048	9,544,621

Included in the service concession revenue is deemed finance income of S$13.3 million (2015: S$5.7 million).

26. Finance Income and Finance Costs

	Group 2016 S$'000	Group 2015 S$'000
Finance income		
– associates and joint ventures	**5,726**	4,988
– bank and others	**24,692**	27,868
	30,418	32,856

The finance income arose from loan and receivables.

	Group 2016 S$'000	Group 2015 S$'000
Finance costs		
Interest paid and payable to, measured at amortised cost:		
– banks and others	**385,973**	232,118
Amortisation of capitalised transaction costs	**9,605**	6,928
Unwind of discount on restoration costs	**6,977**	261
Interest rate swap:		
– termination of interest rate swaps	**(403)**	(1,122)
– changes in fair value through profit or loss	**(143)**	(201)
	402,009	237,984

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27. Tax Expense / (Credit)

	Group	
	2016	2015
	S$'000	S$'000
Current tax expense		
Current year	**98,564**	104,989
Over provided in prior years	**(35,470)**	(29,664)
Foreign withholding tax	**5,128**	2,224
	68,222	77,549
Deferred tax expense		
Movements in temporary differences	**21,045**	(100,825)
Under / (Over) provided in prior years	**13,530**	(4,776)
Effect of changes in tax rates	**(2,513)**	–
	32,062	(105,601)
Tax expense / (credit)	**100,284**	(28,052)

	Group	
	2016	2015
	S$'000	S$'000
Reconciliation of effective tax rate		
Profit for the year	**437,154**	454,402
Total tax expense / (credit)	**100,284**	(28,052)
Share of results of associates and joint ventures, net of tax	**(125,121)**	(6,199)
Profit before share of results of associates and joint ventures, and tax expense	**412,317**	420,151
Tax using Singapore tax rate of 17%	**70,094**	71,426
Effect of changes in tax rates	**(2,513)**	–
Effect of different tax rates in foreign jurisdictions	**(16,361)**	410
Tax incentives and income not subject to tax	**(40,740)**	(131,503)
Expenses not deductible for tax purposes	**36,557**	47,988
Utilisation of deferred tax benefits not previously recognised	**(607)**	(2,073)
Over provided in prior years	**(21,940)**	(34,440)
Deferred tax benefits not recognised	**69,563**	28,705
Foreign withholding tax	**5,128**	2,224
Tax adjustment on changes in undistributed profits from foreign entities	**(1,534)**	(8,576)
Others	**2,637**	(2,213)
Tax expense / (credit)	**100,284**	(28,052)

28. Profit for the Year

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

		Group	
		2016	2015
	Note	S$'000	S$'000
a. Expenses			
(Write back) / allowance made for impairment losses (net)			
– property, plant and equipment	3	**(6,707)**	70,452
– associates		**2,120**	–
– joint venture		**(1,134)**	–
– receivables	36(b)	**1,735**	198,223
– inventory obsolescence	12	**3,080**	2,492
Amortisation of intangible assets	10	**37,674**	20,360
Audit fees paid / payable			
– auditors of the Company		**1,996**	1,955
– overseas affiliates of the auditors of the Company		**1,242**	822
– other auditors		**470**	717
Non-audit fees paid / payable			
– auditors of the Company		**823**	826
– overseas affiliates of the auditors of the Company		**204**	253
– other auditors		**828**	445
Depreciation			
– property, plant and equipment	3	**414,912**	383,557
– investment properties	4	**1,127**	1,044
Professional fee paid to directors or a firm in which a director is a member		**2**	1
Operating lease expenses		**26,337**	31,994
Property, plant and equipment written off		**3,489**	1,317
Intangible assets written off	10	**8,335**	354
Bad debts written off		**2,936**	3,247
Net change in fair value of cash flow hedges		**48,563**	119,788
Work-in-progress written-down		**–**	85,518
Provision for foreseeable losses on construction work-in-progress		**–**	277,961
Staff costs			
Staff costs		**834,549**	863,954
Included in staff costs are:			
Equity-settled share-based payments		**18,807**	22,894
Cash-settled share-based payments		**(131)**	(827)
Contributions to:			
– defined benefit plan		**172**	(3,427)
– defined contribution plan		**47,247**	46,661

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

	Note	Group 2016 S$'000	Group 2015 S$'000
b. Other income			
Grants received			
– income related		**8,488**	7,741
Gross dividend income from available-for-sale financial assets		**275**	1,026
Gain on disposal of			
– property, plant and equipment		**73**	661
– investment properties		**–**	2,983
– subsidiaries		**–**	72,409
– joint venture / associate		**34,758**	353,157
– other financial assets		**2,796**	2,453
– assets held for sale		**3,820**	–
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	**2,858**	–
Settlement amounts from customers		**–**	24,150
c. Other expenses (net)			
Net exchange gain / (loss)		**9,228**	(14,728)
Net change in fair value of cash flow hedges		**2,567**	(34,691)
Net change in fair value of fair value hedges		**4,146**	–
Net change in fair value of financial assets measured at fair value through profit or loss		**(37,783)**	(9,088)
Impairment losses on available-for-sale financial assets	7	**(78,938)**	(51,569)

29. Non-controlling Interests

The following subsidiary has material non-controlling interests:

Name of company	Country of incorporation	Operating Segment	Ownership interests held by non-controlling interests 2016 %	Ownership interests held by non-controlling interests 2015 %
Sembcorp Marine Group	Singapore	Marine	**39.0**	39.0

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

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

	Sembcorp Marine Group S$'000
2016	
Revenue	3,544,816
Profit for the year	75,160
Other comprehensive income	51,668
Total comprehensive income	**126,828**
Attributable to non-controlling interests:	
Profit for the year	27,116
Other comprehensive income	17,467
Total comprehensive income	**44,583**
Non-current assets	4,396,528
Current assets	5,018,305
Non-current liabilities	(3,058,930)
Current liabilities	(3,748,282)
Net assets	**2,607,621**
Net assets attributable to non-controlling interests	**1,040,215**
Cash flows from operating activities	568,513
Cash flows used in investing activities	(490,485)
Cash flows from financing activities	534,374
Net increase in cash and cash equivalents	**612,402**
Dividends paid to non-controlling interests	**(29,089)**
2015	
Revenue	4,968,132
Loss for the year	(299,966)
Other comprehensive income	99,429
Total comprehensive income	**(200,537)**
Attributable to non-controlling interests:	
Loss for the year	(123,237)
Other comprehensive income	45,391
Total comprehensive income	**(77,846)**
Non-current assets	4,084,086
Current assets	5,117,036
Non-current liabilities	(2,639,797)
Current liabilities	(3,897,046)
Net assets	**2,664,279**
Net assets attributable to non-controlling interests	**1,127,277**
Cash flows used in operating activities	(989,099)
Cash flows used in investing activities	(932,197)
Cash flows from financing activities	1,467,085
Net decrease in cash and cash equivalents	**(454,211)**
Dividends paid to non-controlling interests	**(103,410)**

30. Earnings Per Share

	Group 2016 S$'000	Group 2015 S$'000
a. Basic earnings per share		
Basic earnings per share is based on:		
i. Profit attributable to owners of the Company:		
Profit attributable to equity holders of the Company	**394,889**	548,855
Less: Profit attributable to perpetual security holders of the Company	**(39,013)**	(27,939)
Profit attributable to owners of the Company	**355,876**	520,916
	No. of shares '000	**No. of shares '000**
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at January 1	**1,785,176**	1,784,228
Effect of share options exercised, performance shares and restricted shares released	**2,408**	2,356
Effect of own shares held	**(1,028)**	(819)
Weighted average number of ordinary shares at December 31	**1,786,556**	1,785,765

	Group 2016 S$'000	Group 2015 S$'000
b. Diluted earnings per share		
Diluted earnings per share is based on:		
i. Profit attributable to owners of the Company:		
Profit attributable to equity holders of the Company	**394,889**	548,855
Less: Profit attributable to perpetual security holders of the Company	**(39,013)**	(27,939)
Profit attributable to owners of the Company	**355,876**	520,916
	No. of shares '000	**No. of shares '000**
ii. Weighted average number of shares issued used in the calculation of basic earnings per share	**1,786,556**	1,785,765
Weighted average number of unissued ordinary shares from:		
– share options	**9**	187
– performance shares	**3,266**	2,787
– restricted shares	**12,371**	10,659
Weighted average number of ordinary shares	**1,802,202**	1,799,398

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

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

For share options, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the year). The difference between the weighted average number of shares to be issued at the exercise prices under the options and the weighted average number of shares that would have been issued at the fair value (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 4.0 cents per share (2015: one-tier tax exempt dividend of 6.0 cents per share) amounting to an estimated net dividend of S$71,422,000 (2015: S$107,111,000) in respect of the year ended December 31, 2016, based on the number of issued shares as at December 31, 2016.

The proposed dividend of 4.0 (2015: 6.0) cents per share has not been included as a liability in the financial statements.

	Group and Company 2016 S$'000	Group and Company 2015 S$'000
Dividend paid		
Interim one-tier tax exempt dividend of 4.0 cents per share in respect of year 2016 (2015: 5.0 cents per share in respect of year 2015)	**71,478**	89,338
Final one-tier tax exempt dividend of 6.0 cents per share in respect of year 2016 (2015: 11.0 cents per share in respect of year 2015)	**107,246**	196,528
	178,724	285,866

32. Share-based Incentive Plans

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

The Executive Resource & Compensation Committee (the "Committee") of the Company has been designated as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Ang Kong Hua (Chairman)
Margaret Lui
Tan Sri Mohd Hassan Marican
Dr Teh Kok Peng

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:

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 and 2015, 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.

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

Sembcorp Industries Ltd
Ordinary shares
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	Exercise period
09/06/2006	S$2.52	319,549	(169,250)	(150,299)	–	319,549	–	–
		319,549	**(169,250)**	**(150,299)**	**–**	**319,549**	**–**	

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

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

Sembcorp Industries Ltd
Ordinary shares
2015

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

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

Sembcorp Marine Ltd
Ordinary shares
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	Exercise period
02/10/2006	S$2.38	973,312	–	(973,312)	–	973,312	–	–
		973,312	**–**	**(973,312)**	**–**	**973,312**	**–**	

2015

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

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

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

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

Sembcorp Industries Ltd's options exercised in 2016 and 2015 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 during the year was S$2.74 (2015: S$3.81).

Sembcorp Marine Ltd's options were not exercised in 2016. In 2015, the options exercised in 2015 resulted in 414,000 ordinary shares being issued at a weighted average price of S$3.09. Sembcorp Marine Ltd's options were exercised on a regular basis throughout 2015. The weighted average share price during the year was S$1.48 (2015: S$2.68).

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

b. Performance Share Plan

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

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

To create alignment between senior management and other employees at the time of vesting, SCI PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2016 to 2018 will be vested to the senior management participants only if the restricted shares for the performance period 2017 to 2018 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:

	2016	2015
At January 1	**2,081,250**	2,004,861
Conditional performance shares awarded	**987,000**	831,250
Conditional performance shares lapsed	**(25,000)**	–
Performance shares lapsed arising from targets not met	**(625,000)**	(754,861)
At December 31	**2,418,250**	2,081,250

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2015 (2015: performance period 2012 to 2014), no performance shares were released via the issuance of treasury shares (2015: nil).

In 2016, 625,000 (2015: 754,861) performance shares were lapsed for under-achievement of the performance targets for the performance period 2013 to 2015 (2015: 2012 to 2014).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2016, was 2,418,250 (2015: 2,081,250). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,627,375 (2015: 3,121,875) 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:

	2016	2015
At January 1	**3,200,000**	2,810,000
Conditional performance shares awarded	**1,918,000**	1,215,000
Conditional performance shares lapsed	**–**	(150,000)
Performance shares lapsed arising from targets not met	**(605,000)**	(675,000)
At December 31	**4,513,000**	3,200,000

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 2013 to 2015 (2015: performance period 2012 to 2014), no performance shares were released via the issuance of treasury shares (2015: nil).

In 2016, 605,000 (2015: 675,000) performance shares were lapsed for under-achievement of the performance targets for the performance period 2013 to 2015 (2015: 2012 to 2014).

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, 2016, was 4,513,000 (2015: 3,200,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 6,769,500 (2015: 4,800,000) performance shares.

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 10, 2016	Fair value of Sembcorp Industries Ltd performance shares granted on May 11, 2015	Fair value of Sembcorp Marine Ltd performance shares granted on May 27, 2016	Fair value of Sembcorp Marine Ltd performance shares granted on May 27, 2015
Fair value at measurement date	**S$1.40**	S$2.44	**S$0.85**	S$1.40
Assumptions under the Monte Carlo model				
Share price	**S$2.69**	S$4.29	**S$1.56**	S$2.99
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	**27.1%**	18.0%	**29.2%**	18.3%
Morgan Stanley Capital International (MSCI) AC Asia Pacific excluding Japan Industrials Index	**13.9%**	11.8%	**13.4%**	11.6%
Correlation with MSCI	**42.6%**	32.9%	**43.2%**	39.5%
Risk-free interest rate	**1.11%**	1.23%	**1.2%**	1.2%
Expected dividend	**5.95%**	4.35%	**2.9%**	4.3%

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

During the year, the Group charged S$3,576,000 (2015: S$3,513,000) 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 2016.

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

The managerial participants of the Group will be awarded restricted shares under SCI RSP 2010, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Challenge Bonus.

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

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

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

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

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

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Tang Kin Fei, who is the Group President & CEO, and who does not receive any directors' fees). In 2016 and 2015, 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.

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

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

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:

	2016	2015
At January 1	**7,829,129**	7,332,929
Conditional restricted shares awarded	**3,980,832**	3,225,075
Conditional restricted shares lapsed	**(416,046)**	(238,043)
Additional restricted shares awarded arising from targets met	**536,350**	291,760
Conditional restricted shares released	**(2,834,537)**	(2,782,592)
At December 31	**9,095,728**	7,829,129

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2015, a total of 910,442 restricted shares were released in 2016. For awards in relation to the performance period 2013 to 2014, a total of 734,804 (2015: 802,901) were released in 2016. For awards in relation to the performance period 2012 to 2013, a total of 966,691 (2015: 1,033,746) restricted shares were released in 2016. For awards in relation to the performance period 2011 to 2012, no restricted shares were released in 2016 (2015: 823,882). In 2016, there were 218,100 (2015: 119,000) shares released to non-executive directors. In 2016, there were additional 4,500 (2015: 3,063) shares released to employees due to sale of a subsidiary. Of the restricted shares released, 32,572 (2015: 53,354) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

In 2016, additional 536,350 (2015: 291,760) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2014 to 2015 (2015: performance period 2013 to 2014).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2016, was 9,095,728 (2015: 7,829,129). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,686,507 (2015: 5,267,075). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 10,029,760 (2015: 7,900,613) 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 2014 to 2015 (2015: performance period 2013 to 2014), a total of S$1,239,046, equivalent to 401,914 (2015: S$1,792,563, equivalent to 375,838) notional restricted shares, were paid. A total of 566,000 (2015: 440,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2016 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 2016, was 1,002,012 (2015: 890,000). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 1,503,018 (2015: 1,335,000).

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

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

ii. Restricted shares of a listed subsidiary

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

	2016	2015
At January 1	**10,101,585**	8,262,801
Conditional restricted shares awarded	**8,232,700**	5,130,501
Conditional restricted shares lapsed	**(474,378)**	(420,956)
Additional restricted shares awarded arising from targets met	**–**	198,159
Restricted shares lapsed arising from targets not met	**(1,471,967)**	–
Conditional restricted shares released	**(2,671,798)**	(3,068,920)
At December 31	**13,716,142**	10,101,585

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 2015, a total of 461,541 restricted shares were released. For awards in relation to the performance period 2013 to 2014, a total of 845,290 (2015: 1,013,899) restricted shares were released. For awards in relation to the performance period 2012 to 2013, a total of 848,667 (2015: 950,779) restricted shares were released. For awards in relation to the performance period 2011 to 2012, no restricted shares were released (2015: 945,042). In 2016, 516,300 (2015: 159,200) restricted shares were released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

In 2016, 1,471,967 Sembcorp Marine Ltd's restricted shares were lapsed for under-achievement of the performance targets for the performance period 2014 to 2015. (2015: additional 198,159 restricted shares were awarded for the over-achievement of the performance targets for the performance period 2013 to 2014).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2016, was 13,716,142 (2015: 10,101,585). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 12,239,840 (2015: 7,623,701). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 18,359,760 (2015: 11,435,552) restricted shares.

Challenge Bonus of a listed subsidiary

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2015 (2015: performance period 2013 to 2014), a total of S$766,416 (2015: S$2,849,108), equivalent to 456,064 (2015: 942,290) notional restricted shares, were paid.

A total of 3,387,850 (2015: 2,140,509) notional restricted shares were awarded on May 27, 2016 (2015: May 27, 2015) 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, 2016, was 4,827,393 (2015: 3,070,668). 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 7,241,090 (2015: 4,606,002).

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

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

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

Fair value of restricted shares

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

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

	Fair value of Sembcorp Industries Ltd restricted shares granted on May 10, 2016	Fair value of Sembcorp Industries Ltd restricted shares granted on May 11, 2015	Fair value of Sembcorp Marine Ltd restricted shares granted on May 27, 2016	Fair value of Sembcorp Marine Ltd restricted shares granted on May 27, 2015
Fair value at measurement date	**S$2.26**	S$3.79	**S$1.40**	S$2.65
Assumptions under the Monte Carlo model				
Share price	**S$2.69**	S$4.29	**S$1.56**	S$2.99
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	**27.1%**	18.0%	**29.2%**	18.3%
Risk-free interest rate	**0.94%–1.28%**	1.06%–1.41%	**1.0%–1.4%**	1.0%–1.4%
Expected dividend	**5.95%**	4.35%	**2.9%**	4.3%

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$15,231,000 (2015: S$18,492,000) to the profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

Fair value of Sembcorp Challenge Bonus

During the year, the Group wrote back charges of S$131,000 (2015: wrote back charges of S$827,000) 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

i. 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 "Other Income".

2015

i. On April 16, 2015, the Group's wholly-owned UK subsidiary, Sembcorp Holdings Limited, completed the sale of its 100% stake in Sembcorp Bournemouth Water Investment (SBWI) to the Pennon group PLC (Pennon) for an enterprise value of £191.5 million (approximately S$393 million), with cash proceeds from the sale of £104.5 million (approximately S$214 million). The gain on disposal of S$54.7 million was recognised in "Other Income".

ii. On August 24, 2015, the Group's wholly-owned subsidiary, China Water Company (Zhumadian) Limited has completed the sale of its entire 51% stake in Zhumadian China Water Company Limited to Beijing Enfei Environmental Protection Co for RMB90 million (approximately S$19.5 million). The gain on disposal of S$17.7 million was recognised in "Other Income".

		Group
		2015
	Note	S$'000
Property, plant and equipment	3	401,171
Long-term receivables		10,026
Intangible assets	10	38,113
Deferred tax assets	11	19
Inventories and work-in-progress		1,191
Trade and other receivables		32,919
Cash and cash equivalents		28,841
Trade and other payables		(44,383)
Current tax payable		(472)
Deferred tax liabilities	11	(44,613)
Provisions	17	3,345
Retirement benefit obligations		(2,837)
Interest bearing borrowings		(209,986)
Other long-term payables		(71,595)
Net assets derecognised		141,739
Non-controlling interests		8,460
Realisation of currency translation reserve upon disposal		10,406
		160,605
Gain on disposal of subsidiaries	28(b)	72,409
Consideration received, satisfied in cash		233,014
Less: Cash and cash equivalents disposed of due to de-consolidation		(28,841)
Net cash inflow		204,173

iii. In 2015, the Group's wholly-owned subsidiary, Sembcorp Environment has disposed its 40% interest in SembSita Pacific Pte Ltd (SembSita) to its 60% joint venture partner, Suez Environnement Asia (Suez), for a consideration of S$487.9 million and a gain of S$353.2 million has been recognised in "Other Income".

34. Acquisition of Significant Subsidiaries and Non-controlling Interests

2016

Acquisition of Significant Subsidiaries

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$'000
a. *Effect on cash flows of the Group*		
Cash paid		47,258
Less: Cash and cash equivalents in subsidiaries acquired		(7)
Cash outflow on acquisition		47,251
		At fair value
	Note	S$'000
b. *Identifiable assets acquired and liabilities assumed*		
Intangible assets	10	134,575
Other receivables		8
Cash and cash equivalents		7
Total assets		134,590
Deferred tax liabilities	11	33,633
Total liabilities		33,633
Total net identifiable assets		100,957
Less: Non-controlling interests		(44,421)
Add: Goodwill	10	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

2016 *(cont'd)*

Acquisition of Significant Subsidiaries *(cont'd)*

i. ***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	• Royalty rates based on existing patents
		• Useful life of 10 years
		• Discount rate of 24.5%

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 "Other 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.

34. Acquisition of Significant Subsidiaries and Non-controlling Interests

2016 *(cont'd)*

Acquisition of Significant Subsidiaries *(cont'd)*

ii. ***Consideration transferred***

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

	2016 S$'000
a. *Effect on cash flows of the Group*	
Cash paid	72,575
Less: Cash and cash equivalents in subsidiaries acquired*	(67,408)
Cash outflow on acquisition	5,167

	Note	At fair value S$'000
b. *Identifiable assets acquired and liabilities assumed*		
Property, plant and equipment	3	1,704,742
Intangible assets	10	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	10	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

34. Acquisition of Significant Subsidiaries and Non-controlling Interests

2016 *(cont'd)*

Acquisition of Significant Subsidiaries *(cont'd)*

ii. ***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.

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 immaterial.

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.

34. Acquisition of Significant Subsidiaries and Non-controlling Interests

2016 *(cont'd)*

Acquisition of Significant Subsidiaries *(cont'd)*

iii. ***Consideration transferred***

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

	2016 S$'000
a. Effect on cash flows of the Group	
Cash paid	24,564
Less: Cash and cash equivalents in subsidiaries acquired	(5,462)
Cash outflow on acquisition	19,102

	Note	At fair value S$'000
b. Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	3	32,191
Intangible assets	10	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

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Year ended December 31, 2016

34. Acquisition of Significant Subsidiaries and Non-controlling Interests

2016 *(cont'd)*

Acquisition of Significant Subsidiaries *(cont'd)*

iii. ***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	• Freehold land – Prevailing market rates of similar agricultural lands from certified land valuer. • Plant and machinery – Current replacement costs derived from market quotes received from suppliers / manufacturers.
Intangible assets	Relief-from-royalty method	• Royalty rates based on existing ship design • Useful life of 10 years • Discount rates range from 26.4% to 34.2%

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.

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.

2015

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

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

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

Revenue and profit contribution

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

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

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

2015 *(cont'd)*

Consideration transferred

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

		2015 S$'000
a.	*Effect on cash flows of the Group*	
	Cash paid	232,483
	Less: Cash and cash equivalents in subsidiary acquired	(18,847)
	Cash outflow on acquisition	213,636

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2016

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

2015 *(cont'd)*

Measurement of fair values

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

Assets acquired	Valuation technique	Key assumptions
Property, plant and equipment	Freehold land – Sales comparison Buildings, Plant and machinery – Depreciated replacement / reproduction cost	• Freehold land – Prevailing market rates of similar agricultural lands from real estate agent / property brokers. • Buildings, Plant and machinery – Current replacement costs were derived from market quotes received from suppliers / manufacturers.
Intangible assets	Multi-period excess earnings method (MEEM)	• Revenue forecasted based on contracted tariffs as per long-term Power Purchase Agreements. • The excess earning is obtained after deducting the Contributory Asset Charges (CACs) which represents the required return on all other assets employed to generate future income. • Discount rate of 17%.

Acquired receivables

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

Non-controlling interests

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

Goodwill

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

Acquisition-related costs

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

Acquisition of Significant Non-controlling Interests

i. 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.

ii. As at December 31, 2015, the Company's effective holding in Thermal Powertech Corporation (TPCIL) was at 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 TPCIL to 86.87%.

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

2015 *(cont'd)*

Acquisition of Significant Non-controlling Interests *(cont'd)*

iii. In July 2015, the Group increased its stake in Sembcorp Green Infra Limited (SGI) from 60% to 64.06% for a consideration amounting to S$42,912,000. In 2016, the Group increased its stake from 64.06% to 68.74% for a consideration amounting to S$60,434,000.

iv. 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:

	PPL S$'000	TPCIL S$'000	SGI S$'000	SGPL S$'000
2016				
Group's ownership interest at beginning	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

	TPCIL S$'000	SGI S$'000
2015		
Group's ownership interest at January 1 / February 13, 2015	353,210	189,376
Effect of increase in Group's ownership interest	14,676	(1,953)
Share of comprehensive income and capital injection during the year	45,181	43,528
Group's ownership interest at December 31, 2015	413,067	230,951

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	
	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
Related Corporations				
Sales	**6,569**	2,750	**46,143**	84,067
Purchases including rental	**3,923**	728	**180,760**	196,557
Loans due from	**11,775**	11,775	**–**	–
Finance income	**–**	–	**1,952**	3,536
Finance expense	**–**	–	**23,336**	33,591

35. Related Parties *(cont'd)*

a. Related party transactions *(cont'd)*

	Outstanding balances		Transactions	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Associates and Joint Ventures				
Sales	**9,365**	23,769	**68,147**	78,890
Purchases including rental	**8,111**	7,036	**14,008**	18,740
Payment on behalf	**–**	–	**6,026**	5,566
Loans due from	**144,399**	140,621	**–**	–

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

b. Compensation of key management personnel

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

The key management personnel compensation paid is as follows:

	Group	
	2016	2015
	S$'000	S$'000
Directors' fees and remuneration	**6,221**	8,432
Other key management personnel remuneration	**7,480**	9,606
	13,701	18,038
Fair value of share-based compensation	**4,525**	4,739

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.

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, 2016, the Group had interest rate swaps and cross currency swaps with an aggregate notional amount of S$1,677,395,000 (2015: S$1,197,097,000), of which S$1,619,167,000 (2015: S$1,135,153,000) was designated as cash flow hedges. The Group receives a variable interest rate and pays a fixed rate interest ranging from 0.98% to 13.05% (2015: 0.98% to 13.05%) per annum on the notional amount. Interest rate swaps with notional amounts of S$506,231,000 (2015: S$326,000,000) are taken with a related corporation.

36. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

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

Sensitivity analysis

It is estimated that 100 basis points (bp) change in interest rate at the reporting date would increase / (decrease) equity and profit before tax by the following amounts. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit before tax		Equity	
	100 bp Increase S$'000	100 bp Decrease S$'000	100 bp Increase S$'000	100 bp Decrease S$'000
Group				
December 31, 2016				
Variable rate financial instruments	(30,762)	30,762	32,269	(32,603)
December 31, 2015				
Variable rate financial instruments	(5,452)	5,452	27,479	(28,063)
Company				
December 31, 2016				
Variable rate financial instruments	3,850	(3,850)	–	–
December 31, 2015				
Variable rate financial instruments	3,231	(3,231)	–	–

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 (2015: S$333,758,000), which mitigates the currency risks arising from the subsidiaries' net assets. The Group's investments in its Middle East (ME) subsidiaries are hedged by a USD / SGD foreign exchange swap contract with a notional amount of S$26,615,000 (2015: S$73,024,000). On consolidation, the effective portions of the fair value gain of S$59,810,000 (2015: Fair value loss of S$8,859,000), fair value loss of S$637,000 (2015: S$2,263,000) 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, 2016.

Foreign exchange forward contracts and cross currency swaps with notional amounts of S$334,883,000 (2015: S$270,275,000) and S$339,607,000 (2015: S$239,608,000) respectively are taken with a related corporation.

36. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

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

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

	SGD S$'000	USD S$'000	EURO S$'000	GBP S$'000	INR S$'000	BRL S$'000	Others S$'000
Group							
2016							
Financial assets							
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
Financial liabilities							
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: Foreign exchange forward contracts	32,208	(581,441)	57,853	(639,516)	(167,548)	–	(175,965)
Net currency exposure	(45,664)	510,618	(290,118)	(46,094)	26,475	40,024	(60,602)
2015							
Financial assets							
Cash and cash equivalents	39,168	358,377	26,467	92,757	–	–	12,368
Trade and other receivables	9,078	1,293,143	18,548	88,893	–	–	74,026
Due from customers on construction contracts	118	2,025,446	8,546	–	–	156,030	41,068
Other financial assets	–	27,463	–	–	32,725	–	–
	48,364	3,704,429	53,561	181,650	32,725	156,030	127,462
Financial liabilities							
Trade and other payables	157,324	917,885	107,485	81,905	49	51,284	94,624
Interest-bearing borrowings	–	1,387,029	–	–	–	–	14,037
	157,324	2,304,914	107,485	81,905	49	51,284	108,661
Net financial (liabilities) / assets	(108,960)	1,399,515	(53,924)	99,745	32,676	104,746	18,801
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(24,451)	(94,066)	(111,507)	213,944	(46,734)	(26,897)	(41,011)
Less: Foreign exchange forward contracts	23,209	(232,056)	117,000	(297,127)	46,734	–	(648)
Net currency exposure	(110,202)	1,073,393	(48,431)	16,562	32,676	77,849	(22,858)

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 S$'000	EURO S$'000	GBP S$'000	Others S$'000
Company				
2016				
Financial assets				
Cash and cash equivalents	13,984	–	21	–
Trade and other receivables	126,128	–	52	–
Long-term trade receivables	–	–	–	–
	140,112	–	73	–
Financial liabilities				
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)
2015				
Financial assets				
Cash and cash equivalents	19,350	–	20	–
Trade and other receivables	72,384	30	31	–
Long-term trade receivables	2,484	–	–	–
	94,218	30	51	–
Financial liabilities				
Trade and other payables	17,848	110	155	913
Net financial assets / (liabilities)	76,370	(80)	(104)	(913)
Net currency exposure	76,370	(80)	(104)	(913)

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 2015.

	Group		Company	
	Equity S$'000	Profit before tax S$'000	Equity S$'000	Profit before tax S$'000
2016				
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)
2015				
SGD	1,512	(10,422)	–	–
USD	(25,620)	126,921	–	7,637
EURO	27,106	(5,391)	–	(8)
GBP	(19,591)	4,984	–	(10)
INR	8,872	(5)	–	–
BRL	–	10,475	–	–
Others	489	1,228	–	(91)

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

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	
	2016	2015
	S$'000	S$'000
Equity	**19,117**	27,450
Profit before tax	**–**	5,103

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. The analysis is performed on the same basis for 2015 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	
	2016	2015
	S$'000	S$'000
Equity	**12,806**	8,426

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 2015 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	
	2016	2015
	Notional amount	Notional amount
	S$'000	S$'000
Fuel oil swap agreements	**133,109**	188,038

There is no fuel oil swap agreement taken with a related corporation in 2016. In 2015, fuel oil swaps with notional amounts of SS$331,000 are taken with a related corporation.

b. Credit risk

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

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

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

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

		Group		Company	
		2016	2015	2016	2015
	Note	S$'000	S$'000	S$'000	S$'000
By business activity					
Utilities		**1,742,770**	1,068,235	**366,971**	271,658
Marine		**2,751,652**	3,898,236	**–**	–
Urban Development		**7,976**	21,795	**–**	–
Others		**82,736**	99,439	**–**	–
		4,585,134	5,087,705	**366,971**	271,658
Loans and receivables					
Non-current *		**664,696**	385,771	**200,000**	137,484
Current		**3,920,438**	4,701,934	**166,971**	134,174
	8, 12	**4,585,134**	5,087,705	**366,971**	271,658

* Not past due.

36. Financial Instruments *(cont'd)*

b. Credit risk *(cont'd)*

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

	Gross 2016 S$'000	Impairment 2016 S$'000	Gross 2015 S$'000	Impairment 2015 S$'000
Group				
Not past due	**3,449,492**	9,419	**4,410,901**	9,161
Past due 0 to 3 months	**261,231**	2,333	**214,861**	363
Past due 3 to 6 months	**97,564**	571	**42,648**	161
Past due 6 to 12 months	**65,390**	2,716	**142,448**	103,729
More than 1 year	**272,818**	211,018	**99,112**	94,622
	4,146,495	226,057	**4,909,970**	208,036
Company				
Not past due	**113,109**	–	**67,718**	–
Past due 0 to 3 months	**3,309**	–	**19,755**	–
Past due 3 to 6 months	**351**	–	**13,157**	–
Past due 6 to 12 months	**2,403**	–	**52,032**	19,519
More than 1 year	**68,485**	20,686	**2,198**	1,167
	187,657	20,686	**154,860**	20,686

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

		Group		Company	
	Note	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
Balance at January 1		**226,873**	36,423	**20,686**	1,603
Currency translation difference		**9,000**	3,249	**–**	–
Allowance made		**9,683**	205,128	**–**	19,172
Allowance utilised		**(2,361)**	(9,310)	**–**	(10)
Allowance written back		**(7,948)**	(6,905)	**–**	(79)
Acquisition of subsidiary		**168**	1,036	**–**	–
Disposal of subsidiary		**–**	(2,748)	**–**	–
Balance at December 31	8	**235,415**	226,873	**20,686**	20,686

In 2015, impairment losses amounting to S$173,156,000 were related to two customers undergoing financial restructuring. In 2015, impairment losses of S$24,969,000 related to a receivable that was not past due (based on rescheduled payment arrangement), of which S$7,492,000 was written back in 2016 (being monies received).

The total net impairment losses of S$1,735,000 (2015: S$198,223,000) have been recognised in the general and administrative expenses.

The allowance account in respect of loans and receivables are 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:

		Cash Flows			
	Carrying amount S$'000	Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Group					
2016					
Derivatives					
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)	–
Non-derivative financial liabilities					
Trade and other payables*	3,454,853	(3,454,853)	(3,341,692)	(35,208)	(77,953)
Put liability to acquire non-controlling interests	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.

36. Financial Instruments *(cont'd)*

c. Liquidity risk *(cont'd)*

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

		Cash Flows			
	Carrying amount S$'000	Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Group					
2015					
Derivatives					
Derivative financial liabilities	247,238				
– inflow		2,067,024	1,699,078	367,946	–
– outflow		(2,316,712)	(1,884,455)	(432,195)	(62)
Derivative financial assets	(99,984)				
– inflow		1,273,717	1,175,743	92,439	5,535
– outflow		(1,171,406)	(1,100,535)	(70,871)	–
Non-derivative financial liabilities					
Trade and other payables*	3,362,571	(3,362,571)	(3,340,714)	(19,696)	(2,161)
Put liability to acquire non-controlling interests	193,113	(193,113)	–	(193,113)	–
Interest-bearing borrowings	6,832,949	(8,739,384)	(2,112,435)	(3,882,096)	(2,744,853)
	10,535,887	(12,442,445)	(5,563,318)	(4,137,586)	(2,741,541)
Company					
2016					
Non-derivative financial liabilities					
Trade and other payables*	400,513	(452,962)	(141,951)	(153,042)	(157,969)
Interest-bearing borrowings	–	–	–	–	–
	400,513	(452,962)	(141,951)	(153,042)	(157,969)
2015					
Non-derivative financial liabilities					
Trade and other payables*	394,922	(456,639)	(136,511)	(156,765)	(163,363)
Interest-bearing borrowings	3	(3)	(3)	–	–
	394,925	(456,642)	(136,514)	(156,765)	(163,363)

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

36. Financial Instruments *(cont'd)*

c. Liquidity risk *(cont'd)*

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

		Cash Flows			
	Carrying amount S$'000	Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Group					
2016					
Derivative financial liabilities	53,451				
– inflow		1,376,080	376,926	999,154	–
– outflow		(1,451,071)	(403,158)	(1,044,944)	(2,969)
Derivative financial assets	(79,441)				
– inflow		691,700	510,472	180,772	456
– outflow		(613,513)	(447,678)	(165,835)	–
	(25,990)	3,196	36,562	(30,853)	(2,513)
2015					
Derivative financial liabilities	197,768				
– inflow		1,257,454	1,227,467	29,987	–
– outflow		(1,456,871)	(1,408,648)	(48,223)	–
Derivative financial assets	(32,377)				
– inflow		554,209	467,390	86,819	–
– outflow		(520,512)	(449,641)	(70,871)	–
	165,391	(165,720)	(163,432)	(2,288)	–
Company					
2016					
Derivative financial liabilities	326				
– inflow		28,038	28,038	–	–
– outflow		(28,364)	(28,364)	–	–
	326	(326)	(326)	–	–
2015					
Derivative financial liabilities					
– inflow	–	–	–	–	–
– outflow	–	–	–	–	–
	–	–	–	–	–

36. Financial Instruments *(cont'd)*

d. Estimation of fair values

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

- Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.

- Level 2 – Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).

- Level 3 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

Securities

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

Derivatives

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

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

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

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

Non-derivative non-current financial assets and liabilities

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.

36. Financial Instruments *(cont'd)*

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

Other financial assets and liabilities

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

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

e. Fair value hierarchy

The following table sets forth by level within the fair value hierarchy of the financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2016. 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
Group				
At December 31, 2016				
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
At December 31, 2015				
Available-for-sale financial assets	239,524	500	34,477	274,501
Financial assets at fair value through profit or loss	–	–	51,033	51,033
Derivative financial assets	–	99,984	–	99,984
	239,524	100,484	85,510	425,518
Put liability	–	–	(193,113)	(193,113)
Derivative financial liabilities	–	(247,238)	–	(247,238)
	239,524	(146,754)	(107,603)	(14,833)

36. Financial Instruments *(cont'd)*

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

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

	Fair value measurement using:			
	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Company				
At December 31, 2016				
Derivative financial liabilities	–	326	–	326
	–	326	–	326
At December 31, 2015				
Derivative financial liabilities	–	–	–	–
	–	–	–	–

In 2016 and 2015, there have been no transfers between the different levels of the fair value hierarchy.

Level 3 fair values

i. Available-for-sale financial assets

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

	Available-for-sale S$'000
Group	
At January 1, 2016	34,477
Additions	2,661
Net change in fair value recognised in other comprehensive income	239
At December 31, 2016	37,377
At January 1, 2015	28,068
Additions	1,652
Net change in fair value recognised in other comprehensive income	4,757
At December 31, 2015	34,477

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

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

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

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

36. Financial Instruments *(cont'd)*

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

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

Level 3 fair values (cont'd)

ii. Fair value through profit or loss financial assets

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

	Fair value through profit or loss S$'000
Group	
At January 1, 2015	52,431
Currency translation adjustments	1,424
Total loss recognised in profit or loss	(2,822)
At December 31, 2015	51,033

As at December 31, 2016, the co-operative joint venture agreement relating to the investment in equity shares of the company has expired. The Group is in the process of transferring all its rights and interest to other shareholders.

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

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

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

- Forecast coal prices growth at 10%; and
- Risk-adjusted discount rate at 22%.

Sensitivity analysis

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

	Profit or loss	
	Favourable S$'000	(Unfavourable) S$'000
Group		
December 31, 2015		
Fair value through profit or loss	13,347	–

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

In 2015, there is no unfavourable effect as there is a minimum return guaranteed to be received in 2016, when the co-operative joint venture agreement to the investment expires.

36. Financial Instruments *(cont'd)*

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

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

Level 3 fair values (cont'd)

iii. Put liability

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

	Put Liability S$'000
Group	
At January 1, 2016	193,113
Net changes in present value recognised in capital reserve (Note 22(c))	22,772
At December 31, 2016	215,885

The valuation model considers the present value of the expected payment, discounted using the Company's cost of debt. Key inputs and assumptions used in the model include the Company's cost of debt with tenure of 1 to 2 years (2015: 2 to 3 years) at 7.1% (2015: 8.5%). The expected payment is determined by considering the exercise price on July 31, 2018.

Sensitivity analysis

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

	Equity	
	Favourable S$'000	(Unfavourable) S$'000
Group		
December 31, 2016		
Capital reserve	2,231	(2,269)
December 31, 2015		
Capital reserve	3,854	(3,964)

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

36. Financial Instruments *(cont'd)*

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

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

	Fair value measurement using:			
	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Group				
At December 31, 2016				
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)
At December 31, 2015				
Investment properties	–	21,600	37,083	58,683
Interests in an associate	341,030	–	–	341,030
Long-term service concession receivables	–	232,620	–	232,620
Long-term trade receivables	–	2,305	–	2,305
Due from customers on construction contracts	–	3,320,849	–	3,320,849
Long-term interest-bearing borrowings	–	(4,995,230)	–	(4,995,230)
Company				
At December 31, 2016				
Interest in a subsidiary	1,758,494	–	–	1,758,494
Amounts due from related parties	–	198,276	–	198,276
At December 31, 2015				
Interest in a subsidiary	2,229,974	–	–	2,229,974
Long-term trade receivables	–	2,305	–	2,305
Amounts due from related parties	–	135,879	–	135,879

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

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

The fair value of the investment properties (Level 3) is calculated based on a combination of direct comparison method and investment income method. The direct comparison method looks at researching recent sales of similar properties and comparing those properties with the subject property. Key inputs correspond to prices per square meter for comparable buildings. The latter method involves applying an investment yield to the property to work out rental income which is then discounted to determine market value. Key inputs correspond to market rents for comparable buildings.

Key unobservable inputs in relation to the investment income method correspond to:

- Investment property yields derived from specialised publications from the related markets and comparable transactions.
- Discount rate, based on the risk-free rate in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in the asset class.

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
Group									
December 31, 2016									
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	–	–	–	181,781	–	–	181,781	181,781
Due from customers on construction contracts	12	–	–	–	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	6,423,190	–	–	6,743,551	6,738,777

* Excludes Goods and Services Tax.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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
Group									
December 31, 2016									
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
– Forward foreign 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.

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
Group									
December 31, 2015									
Cash and cash equivalents	14	–	–	–	1,606,488	–	–	1,606,488	1,606,488
Trade receivables	8	–	–	–	850,633	–	–	850,633	850,454
Service concession receivables	8	–	–	–	240,035	–	–	240,035	244,384
Amounts due from non-controlling interests	8	–	–	–	75,414	–	–	75,414	75,414
Other loans and receivables*	8	–	–	–	365,877	–	–	365,877	365,877
Amounts due from related parties	9	–	–	–	183,359	–	–	183,359	181,590
Due from customers on construction contracts	12	–	–	–	3,325,798	–	–	3,325,798	3,320,849
Available-for-sale financial assets:									
– Equity shares	7	–	–	244,155	–	–	–	244,155	236,509
– Unit trusts and funds	7	–	–	37,992	–	–	–	37,992	37,992
Financial assets at fair value through profit or loss, on initial recognition:									
– Equity shares	7	51,033	–	–	–	–	–	51,033	51,033
– Forward foreign exchange contracts	7	56,253	–	–	–	–	–	56,253	56,253
– Foreign exchange swap contracts	7	77	–	–	–	–	–	77	77
– Cross currency swaps	7	11,155	–	–	–	–	–	11,155	11,155
Hedge of net investment in foreign operations:									
– Forward foreign exchange contracts	7	–	122	–	–	–	–	122	122
Cash flow hedges:									
– Forward foreign exchange contracts	7	–	19,406	–	–	–	–	19,406	19,406
– Fuel oil swaps	7	–	132	–	–	–	–	132	132
– Interest rate swaps	7	–	12,839	–	–	–	–	12,839	12,839
		118,518	32,499	282,147	6,647,604	–	–	7,080,768	7,070,574

* Excludes Goods and Services Tax.

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
Group									
December 31, 2015									
Trade payables	15	–	–	–	–	2,668,166	–	2,668,166	2,668,166
Amounts due to non-controlling interests**	15	–	–	–	–	989	–	989	989
Other payables**	15	–	–	–	–	666,894	–	666,894	666,894
Other long-term payables**	15	–	–	–	–	21,857	–	21,857	18,810
Amounts due to related parties**	16	–	–	–	–	4,665	–	4,665	4,665
Financial liabilities at fair value through profit or loss, on initial recognition:									
– Forward foreign exchange contracts	18	873	–	–	–	–	–	873	873
– Foreign exchange swap contracts	18	1,318	–	–	–	–	–	1,318	1,318
– Interest rate swaps	18	157	–	–	–	–	–	157	157
Hedge of net investment in foreign operations:									
– Foreign exchange swap contracts	18	–	596	–	–	–	–	596	596
– Cross currency swaps	18	–	46,526	–	–	–	–	46,526	46,526
Cash flow hedges:									
– Forward foreign exchange contracts	18	–	108,439	–	–	–	–	108,439	108,439
– Interest rate swaps	18	–	2,675	–	–	–	–	2,675	2,675
– Fuel oil swaps	18	–	86,654	–	–	–	–	86,654	86,654
Put liability to acquire non-controlling interests	18	–	–	–	–	193,113	–	193,113	193,113
Interest-bearing borrowings:									
– Short-term borrowings	20	–	–	–	–	1,800,320	–	1,800,320	1,800,320
– Long-term borrowings	20	–	–	–	–	5,031,866	–	5,031,866	4,995,230
– Finance lease liabilities	20	–	–	–	–	–	763	763	763
		2,348	244,890	–	–	10,387,870	763	10,635,871	10,596,188

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

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
Company							
December 31, 2016							
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
December 31, 2015							
Cash and cash equivalents	14	–	325,831	–	–	325,831	325,831
Trade receivables	8	–	81,003	–	–	81,003	80,824
Other loans and receivables*	8	–	41,914	–	–	41,914	41,914
Amounts due from related parties	9	–	148,741	–	–	148,741	149,620
		–	597,489	–	–	597,489	598,189
Trade payables	15	–	–	4,318	–	4,318	4,318
Other payables**	15	–	–	98,106	–	98,106	98,106
Amounts due to related parties	16	–	–	270,854	–	270,854	269,143
Cash flow hedges:							
– Forward foreign exchange contracts	18	–	–	–	–	–	–
Interest-bearing borrowings:							
– Finance lease liabilities	20	–	–	–	3	3	3
		–	–	373,278	3	373,281	371,570

* Excludes Goods and Services Tax.

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

36. Financial Instruments *(cont'd)*

g. Capital management

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

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

	Group 2016 S$'000	Group 2015 S$'000
Debt	**9,221,304**	6,832,949
Total equity	**8,162,714**	8,043,494
Total debt and equity	**17,384,018**	14,876,443
Debt-to-capitalisation ratio	**0.53**	0.46

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

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

37. Contingent Assets / Liabilities (Unsecured)

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

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

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

Contingent Assets

Group

Two of the Group's entities in India suffered asset damage and coal loss as a result of the cyclone that occurred in November 2015. As at December 31, 2015, these entities have reported losses to be claimed from the respective insurers. As at December 31, 2016, a portion of insurance claims had been received, with the remaining expected to be received after 2016.

37. Contingent Assets / Liabilities (Unsecured) *(cont'd)*

Contingent Liabilities

Group

The Group has provided guarantees to banks to secure banking facilities provided to joint ventures. These financial guarantee contracts are accounted for as insurance contracts. As at the balance sheet date, the Group had the following contingent liabilities:

	Group	
	2016	**2015**
	S$'000	**S$'000**
Guarantees given to banks to secure banking facilities provided to:		
– Joint ventures	**517,416**	1,135,887
– Others	**35,139**	3,154
Performance guarantees to external parties	**518,857**	234,492

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

	Group	
	2016	**2015**
	S$'000	**S$'000**
Less than 1 year	**139,151**	577,595
Between 1 to 5 years	**325,785**	264,708
More than 5 years	**87,619**	296,738
	552,555	1,139,041

a. A Wayleave Agreement was entered into between Sembcorp Gas Pte Ltd (SembGas) and the Government of Singapore with respect to certain pipelines where SembGas would indemnify the Government of Singapore against all claims, actions, demands, proceedings, liabilities, damages, costs and expenses arising out of or in connection with any occurrence during the use, maintenance or operations of these pipelines. No such claim has arisen to date.

b. Certain of the Group's subsidiaries are involved in litigations and land disputes in India as at the year end. Due to the nature of these disputes and also in view of the uncertainty of the outcome, the Group believes that the amount of exposure cannot currently be determinable.

37. Contingent Assets / Liabilities (Unsecured) *(cont'd)*

Contingent Liabilities *(cont'd)*

Group *(cont'd)*

c. In the previous year, 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 amounting to S$30,094,000 (US$21,430,000) along with related interest charges. The subsidiary terminated the contract after MPD continued not to make payment of the residual balance 50% of the initial instalment, which has been due since February 2014.

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

   No provision for refund has been recognised because the subsidiary believes it is contractually entitled to retain these monies.

   The remaining 50% of the initial instalment has not been recognised as at the reporting date because it does not fulfil the "virtually certain" threshold in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The Group views this as a "contingent asset".

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$3,530 million (2015: S$3,618 million), which include S$1,099 million (2015: S$1,190 million) drawn down as at balance sheet date. The periods in which the financial guarantees expire are as follows:

	Company	
	2016	**2015**
	S$'000	**S$'000**
Less than 1 year	**194,952**	91,494
Between 1 to 5 years	**453,628**	548,580
More than 5 years	**450,000**	550,000
	1,098,580	1,190,074

37. Contingent Assets / Liabilities (Unsecured) *(cont'd)*

Contingent Liabilities *(cont'd)*

Company *(cont'd)*

b. The Company has provided corporate guarantees of S$79.8 million (2015: S$81.2 million) to a subsidiary, Sembcorp Cogen Pte Ltd (SembCogen) for the following:

i. Long-term contract (End User Agreement) dated January 15, 1999 with a fellow subsidiary, SembGas to purchase natural gas over the period of 22 years.

Under the End User Guarantee Agreement, the Company and one of its subsidiaries, Sembcorp Utilities Pte Ltd, issued corporate guarantees in favour of SembGas for 70% and 30% respectively of SembCogen's obligations under the End User Agreement.

ii. Two long-term agreements entered in 2010 for the purchase of a total 42 BBtud (Billion British thermal units per day) of liquefied natural gas (LNG) from BG Singapore Gas Marketing Pte Ltd (BG). The agreements have a term of 10 years and SembCogen has an option to extend the term by 2 successive periods of 5 years each subject to fulfilment of conditions set in the agreements. The obligations of SembCogen under the LNG purchase agreements are currently secured by corporate guarantees issued by the Company in favour of BG.

38. Commitments

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

	Group	
	2016	2015
	S$'000	S$'000
– Commitments in respect of contracts placed	**761,562**	672,949
– Uncalled capital and commitments to subscribe for additional shares in joint ventures and other investments	**112,266**	182,362
	873,828	855,311

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	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Lease payments due:				
Within 1 year	**38,138**	38,613	**9,406**	9,885
Between 1 and 5 years	**112,377**	117,824	**29,999**	23,912
After 5 years	**453,188**	478,180	**45,572**	56,446
	603,703	634,617	**84,977**	90,243

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

There are no significant contingent rentals on the above leases.

38. Commitments *(cont'd)*

On January 15, 1999, Sembcorp Gas Pte Ltd (SembGas) entered into a long-term Gas Sales Agreement to purchase 2,625,000 BBtu (Billion British thermal units) of natural gas over a period of 22 years. SembGas also entered into agreements with certain customers for the on-sale of this gas, which agreements incorporated provisions, which specifically deal with, *inter alia*, SembGas' liability for shortfalls in deliveries of gas and relief from such liability in certain circumstances.

On April 15, 2008, SembGas entered into another agreement to import an additional tranche of 90 BBtu per day of natural gas over a period of 15 years, with first delivery of gas taken place in 2011.

In 2010, Sembcorp Cogen Pte Ltd entered into two long-term agreements to purchase liquefied natural gas (LNG), usage of LNG Terminal and other charges over a period of 10 years and has the option to extend the term by two successive periods of 5 years.

In 2012, Thermal Powertech Corporation India Limited (TPCIL) had entered into a 10-year agreement with PT. Bayan Resources TBK, to purchase a total of 10 million metric tonnes of coal. The coal price shall be based on Global Coal Index at the time of delivery. In 2013, TPCIL entered into a 20-year agreement with Mahanadi Coalfields Limited, to purchase a 2.54 million metric tonnes at the price governed by local government authority.

The Group leases out its investment properties and marine vessel. Non-cancellable operating lease rentals are receivable as follows:

	Group	
	2016	2015
	S$'000	S$'000
Lease receivable:		
Within 1 year	**72,980**	72,231
Between 1 and 5 years	**43,572**	112,104
More than 5 years	**2,898**	1,235
	119,450	185,570

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.

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 S$'000	Marine S$'000	Urban Development S$'000	Others / Corporate S$'000	Elimination S$'000	Total S$'000
2016						
Turnover						
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)	–
Total	4,132,883	3,544,816	11,224	276,036	(57,911)	7,907,048
Results						
Segment results	632,980	205,871	(11,923)	(43,020)	–	783,908
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)
	338,143	125,142	(14,642)	(36,326)	–	412,317
Share of results of associates and joint ventures, net of tax	104,241	(35,134)	50,315	5,699	–	125,121
	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)
Net profit / (loss) for the year	348,028	48,261	33,298	(34,698)	–	394,889
Assets						
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
Total assets	12,039,104	9,430,807	1,040,822	1,895,111	(2,115,609)	22,290,235
Liabilities						
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
Total liabilities	7,620,791	6,804,609	275,005	1,542,725	(2,115,609)	14,127,521
Capital expenditure	582,807	419,879	5,117	15,946	–	1,023,749
Significant non-cash items						
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	23,397	(1,029)	57,769	–	85,041
(Write-back of) / Allowance for doubtful debts and bad debts	(371)	5,255	35	(248)	–	4,671
Gain on disposal of investments in subsidiary, joint ventures and associate	(34,572)	(186)	–	–	–	(34,758)

39. Segment Reporting *(cont'd)*

a. Operating Segments *(cont'd)*

	Utilities S$'000	Marine S$'000	Urban Development S$'000	Others / Corporate S$'000	Elimination S$'000	Total S$'000
2015						
Turnover						
External sales	4,227,353	4,967,438	7,949	341,881	–	9,544,621
Inter-segment sales	31,098	694	4,224	2,057	(38,073)	–
Total	4,258,451	4,968,132	12,173	343,938	(38,073)	9,544,621
Results						
Segment results	825,849	(168,569)	(6,999)	(25,002)	–	625,279
Finance income	21,953	10,813	236	51,942	(52,088)	32,856
Finance costs	(194,555)	(46,775)	(2,631)	(46,111)	52,088	(237,984)
	653,247	(204,531)	(9,394)	(19,171)	–	420,151
Share of results of associates and joint ventures, net of tax	121,657	(173,499)	45,517	12,524	–	6,199
	774,904	(378,030)	36,123	(6,647)	–	426,350
Tax (expense) / credit	(43,596)	77,860	(1,381)	(4,831)	–	28,052
Non-controlling interests	(29,838)	123,731	(1,252)	1,812	–	94,453
Net profit / (loss) for the year	701,470	(176,439)	33,490	(9,666)	–	548,855
Assets						
Segment assets	8,386,532	8,862,186	409,377	1,687,124	(1,863,931)	17,481,288
Interests in associates and joint ventures	1,287,580	328,030	632,810	100,837	–	2,349,257
Tax assets	57,271	27,392	–	284	–	84,947
Total assets	9,731,383	9,217,608	1,042,187	1,788,245	(1,863,931)	19,915,492
Liabilities						
Segment liabilities	5,074,185	6,442,885	226,872	1,480,597	(1,863,931)	11,360,608
Tax liabilities	403,109	91,594	1,951	14,736	–	511,390
Total liabilities	5,477,294	6,534,479	228,823	1,495,333	(1,863,931)	11,871,998
Capital expenditure	535,693	904,891	682	7,011	–	1,448,277
Significant non-cash items						
Depreciation and amortisation	261,731	132,165	1,711	9,354	–	404,961
Allowance made for impairment in value of assets and assets written off (net)	70,685	20,122	19	34,538	–	125,364
Allowance made / (Written back) for doubtful debts and bad debts	47,589	153,894	37	(50)	–	201,470
Work-in-progress written down	–	85,518	–	–	–	85,518
Provision for foreseeable losses on construction work-in-progress	–	277,961	–	–	–	277,961
Gain on disposal of investments in subsidiary, joint ventures and associate	(425,566)	–	–	–	–	(425,566)

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
2016											
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
2015											
Revenue from external customers	3,727,411	165,952	456,871	394,983	105,884	465,764	2,658,376	89,466	1,403,199	76,715	9,544,621
Total assets	10,515,550	1,935,721	4,140,771	1,022,301	451,242	334,314	261,054	1,083,112	7,182	164,245	19,915,492
Non-current assets	4,533,966	1,534,751	3,487,111	762,070	392,469	201,197	238,003	1,011,258	5,089	141,889	12,307,803
Capital expenditure	559,864	79,954	308,814	15,442	5,229	18,122	–	449,692	112	11,048	1,448,277

40. Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Information on other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

a. Impairment of non-financial assets

The Group assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other intangible assets are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

This requires an estimation of the value in use of the cash-generating units to which the non-financial assets are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Information about the assumptions and their risk factors relating to non-financial assets are disclosed in Note 3 and 10.

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

b. Taxes

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

There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxes and deferred tax provisions in the period in which such determination is made. The tax expense is disclosed in Note 27.

c. Pension assumptions

The Group has decided on certain principal actuarial assumptions, as detailed in Note 19, in estimating its pension liability as at the balance sheet date. If there were adverse changes to these actuarial assumptions, then the Group's re-measurements from defined benefit plans would increase.

d. Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 80 years. The carrying amount of the Group's property, plant and equipment are set out in Note 3. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

e. Provision for restoration costs

The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration provisions. Those estimates and assumptions deal with uncertainties such as: changes to the relevant legal and regulatory framework; the timing, extent and costs required. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provisions recognised are periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the balance sheet by adjusting both the asset and provision. Such changes give rise to a change in future depreciation and interest charges.

f. Fair value measurement

The Group has made certain assumptions in estimating fair values which are defined in Note 2(ac).

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.

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

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

g. Provisions and contingent liabilities *(cont'd)*

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

The net realisable value of certain inventories 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.

Critical accounting judgements in applying the Group's accounting policies

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

a. Revenue recognition

The Group has recognised revenue on 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. Significant judgement is required in determining the appropriate stage of completion and estimating a reasonable contribution margin for revenue and costs recognition. Revenue from infrastructure construction contract, ship and rig repair, building and conversion is disclosed in Note 25.

Judgement is also required in determining the triggering point of suspension of revenue recognition or changes to the percentage of revenue recognised when it is no longer probable that inflow of economic benefits associated with the contracts will occur or as a result of contract modifications. Such considerations include the Group's assessment of the credit-worthiness of customers, contract modifications and an evaluation of the contract performance obligations discharged by the customers.

b. Assessment of risk of foreseeable losses and cost allocation method on long-term land development and construction contracts

The Group conducts critical review of all its long-term land development and construction contracts regularly. Allowance is made where necessary to account for foreseeable losses where total costs to complete the contracts exceed the contract revenue. To determine the total costs, the Group monitors and reviews constantly the progress of all long-term land development and construction contracts taking into consideration all inputs from both internal project managers and external customers. The review includes evaluation of any potential risks and factors which may affect the contract price and timely completion. The review also encompasses the cost analysis process whereby both actual costs incurred and future costs to complete are critically examined.

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

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

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

c. Impairment of investments and financial assets

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

- Note 7 – Other Financial Assets
- Note 8 – Trade and Other Receivables

In assessing whether there is any objective evidence that its investment in available-for-sale financial assets is impaired, the Group takes into consideration whether there is a significant or prolonged decline in the fair value of its investment, alongside with other considerations such as volatility of the share price relative to general stock indices, analysts' reports on outlook of the underlying security, and other qualitative factors such as the financial performance of the investment.

d. 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 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 sluggish 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 orderbook over a period of 5 years and 10 years for Singapore and Brazil (the "projection periods"), respectively, with applicable growth rates for Singapore and Brazil, respectively, beyond the projection periods (up to a maximum of 40 years). The forecasted orderbook and the related project margins are the key drivers supporting the recoverable amounts. The projected cash flows are supported by the Group's historical experience, market observable data surrounding the oil majors' capital commitment in oil and gas production and exploration activities, market expectations and developments for contract order prices, and other external analysts' forecast reports. These cash flows are then discounted using the applicable discount rates based on their weighted average cost of capital of 9.7% (2015: 9.4%) and 15.9% (2015: 16.5%) for the Singapore CGU and for Brazil CGU respectively; and the Group assessed that no impairment loss is required for all these individual CGUs.

The forecasted orderbook 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.

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

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

d. Impairment assessment of property, plant and equipment and associates *(cont'd)*

The estimation uncertainties of the forecasted orderbook of the Singapore CGU are, however, reduced by a certain level of orderbooks already secured by the Group. Nevertheless, there are remaining estimation uncertainties surrounding the remaining uncommitted orderbook, 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 year cash flow projection. Changes in the recoverable amount are sensitive to impairment losses if the forecast orderbook 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 marine vessel

In estimating the recoverable amount of the marine accommodation vessel, the Group assumed a post-contractual renewal rate subject to a certain level of discount from the existing contractual rate and operating at 95% utilisation rate throughout the cash flow periods. The assumed renewal rate, after the contract expires in 2018 and the assumed utilisation rate, however, continue to be subject to estimation uncertainty that may result in material adjustments on the vessel's recoverable amounts in future periods.

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 21%, 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.

e. Classification of development properties

In assessing the classification of development properties, management considers its intention with regards to the use of the properties, i.e. held with the intention of development and sale in the ordinary course of business or for rental and capital appreciation. Where there is a change in intended use, a change in classification may be required.

41. Subsequent Events

i. On January 25, 2017, the Group announced that its power plant in Chongqing has successfully commenced full commercial operation following the completion of its second 660-megawatt unit. The 1,320-megawatt coal-fired plant comprises two units of 660 megawatts each, with the first unit completed in November 2016. The approximately RMB 4.67 billion (S$966.5 million) power plant is developed by ChongQing SongZao Electric Power, a 49:51 joint venture between Sembcorp's wholly-owned subsidiary Sembcorp (China) Holding Co and Chongqing Energy Investment Group's subsidiary Chongqing Songzao Coal and Power.

ii. On January 30, 2017, Sembcorp Marine announced the completion of disposal of shares in Cosco Shipyard Group Co (CSG). The relevant Chinese regulatory authorities have approved the sale of shares in CSG to China Ocean Shipping (Group) Company (COSCO) and a new Foreign-Investment Enterprise Certificate was issued on January 19, 2017. Parties will finalise payment arrangements within the stipulated time under the sale and purchase agreement. This is expected to be completed by the first quarter of 2017. The Group's effective share of the divestment gain is approximately S$29 million.

42. New or Revised Accounting Standards and Interpretations

New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016, and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, management has completed its preliminary assessment and will perform detailed analysis on certain available policy choices, transitional optional exemptions and practical expedients. The Group does not plan to adopt these standards early.

Applicable to 2017 financial statements

Summary of the requirements	Potential impact on the financial statements
Amendments to FRS 12 ***Income Tax***	**Recognition of deferred tax assets for unrealised losses** Provide guidance on recognition of deferred tax asset that is related to a debt instrument measured at fair value.
Amendments to FRS 7 ***Statement of Cash Flows***	**Disclosure initiative** To include a reconciliation of liabilities arising from financing activities.

Applicable to 2018 financial statements

Amendments

Summary of the requirements	Potential impact on the financial statements
Amendments to FRS 102 ***Share-Based Payment***	**Classification and Measurement of Share-Based Payment Transactions** Provide clarification on treatment of cash-settled share-based payments to follow the same approach as equity-settled share-based payment.
Amendments to FRS 40 ***Investment Property***	**Transfer of Investment Property** Provide guidance that property under construction or development, previously classified as inventory can be transferred to investment property when there is a change in use.
INT FRS 122 ***Foreign Currency Transactions and Advance Consideration***	Provide guidance on how to determine what exchange rate to use in circumstances when the company received or paid advance consideration in foreign currencies.

The management anticipates that the adoption of the above amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

42. New or Revised Accounting Standards and Interpretations *(cont'd)*

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 115 ***Revenue from Contracts with Customers*** FRS 115 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. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.	During 2016, the Group performed its initial assessment of the impact on the Group's financial statements. Based on its initial assessment, the Group expects the following key changes: **Identification of performance obligations, timing of revenue recognition, and financing component of long-term contracts** The Group currently recognises revenue from long-term contracts using the percentage of completion method. On adoption of FRS 115, the Group expects most of its long-term contracts from its rig & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding under Marine's operating segment and other infrastructure construction, to constitute a single performance obligation, due to the inter-dependence of services promised in these contracts. The Group expects to continue to recognise revenue on these long-term contracts over time when building a specialised asset according to customer order, and when the Group has an enforceable right to payment for performance completed to date. As most of these long-term contracts stipulate milestone payments according to the progress of project completion, the revenues recognised over time should approximate the cash revenues; and as such, any financing component included therein is not significant. Advance payments received from customers to fund the early construction of customer's asset, and if utilised within the 12 months period, will not result in any significant financing charges. Where the long-term contracts do not provide a continuous transfer of control of the asset to customer due to non-enforceability of right to payment for performance completed to date, the Group would defer revenue till project completion. In such cases, the contract revenue would also contain a significant financing component. **Contract modifications and Variable consideration** – The Group currently recognises revenue in relation to the sale of electricity at the fair value of the consideration received or receivable, net of returns, trade discounts, rebates, incentives and penalties provided the level of expected return of goods and amount of trade discounts and volume rebates can be estimated reliably. Such clauses represent variable consideration under FRS 115 and revenue is recognised to the extent that there would be no significant reversal in the future. The Group's long-term contracts may be subject to modifications including changes in scope or price. Because the services in a contract are inter-related, any contract modification is not likely to result in a separate contract. When there is a variable consideration, the additional revenue will be recognised only when the modification is approved. The accounting of contract modifications is not expected to give rise to any material change in revenue recognition. **Transition** – The Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach. The Group is currently performing a detailed analysis under FRS 115 to determine its election of the practical expedients.

42. New or Revised Accounting Standards and Interpretations *(cont'd)*

New standards *(cont'd)*

Summary of the requirements	Potential impact on the financial statements
FRS 109 *Financial Instruments* FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at January 1, 2018.	During 2016, the Group performed its initial assessment of the impact on the Group's financial statements. The Group's initial assessment of the three elements of FRS 109 is as described below. **Classification and measurement** – The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. For financial assets currently held at fair value, the Group expects to continue measuring most of these assets at fair value under FRS 109. The expected classification and measurement of these financial assets under FRS 109 is summarised below: • A significant portion of the AFS equity securities, unit trusts and funds are held as long-term investments. The remaining portion of the AFS equity securities may be sold from time to time for liquidity management. The Group expects to classify these as financial assets subsequently measured at fair value through profit or loss (FVTPL). **Impairment** – The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 115. The Group is currently refining its impairment loss estimation methodology to quantify the impact on its financial statements. **Hedge accounting** – The Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109. **Transition** – The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information. The Group will perform detailed analysis of certain available policy choices and other refinements as described above.

42. New or Revised Accounting Standards and Interpretations *(cont'd)*

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council (ASC) announced on May 29, 2014, that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending December 31, 2018, onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group will perform detailed analysis of certain available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analysis.

42. New or Revised Accounting Standards and Interpretations *(cont'd)*

Convergence with International Financial Reporting Standards (IFRS)

Applicable to 2019 financial statements

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 116 *Leases*	The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 38). Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. The operating lease commitments on an undiscounted basis amount to approximately 3% of the consolidated total assets and 5% of consolidated total liabilities. Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down.
FRS 116 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 plans to adopt the standard when it becomes effective in 2019. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients.
FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.	The Group expects that the impact on adoption of IFRS 16 *Leases* to be similar to adopting SG-FRS 116, after the transition to SG-IFRS in 2018 as described above.
When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.	
FRS 116 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if FRS 115 is also applied.	

43. Subsidiaries

Details of key subsidiaries are as follows:

Name of key subsidiaries	Country of incorporation	Effective equity held by the Group 2016 %	2015 %
Utilities			
Sembcorp Utilities Pte Ltd[1]	Singapore	**100**	100
Sembcorp Cogen Pte Ltd[1]	Singapore	**100**	100
Sembcorp Gas Pte Ltd[1]	Singapore	**70.00**	70.00
Sembcorp Utilities (UK) Limited[2]	United Kingdom	**100**	100
Sembcorp Utilities (Netherlands) N.V.[2]	The Netherlands	**100**	100
Sembcorp Environment Pte. Ltd.[1]	Singapore	**100**	100
Sembcorp Tay Paper Recycling[1]	Singapore	**60.00**	60.00
Thermal Powertech Corporation India Limited[2]	India	**86.87**	67.40
Sembcorp Green Infra Limited[2]	India	**68.74**	64.06
Sembcorp Gayatri Power Limited (formerly known as NCC Power Project Limited)[3*]	India	**88.00**	49.00
Marine			
Sembcorp Marine Ltd[1]	Singapore	**60.99**	61.01
Jurong Shipyard Pte Ltd[1]	Singapore	**60.99**	61.01
PPL Shipyard Pte Ltd[1]	Singapore	**60.99**	51.85
Sembcorp Marine Repairs & Upgrades Pte. Ltd.[1]	Singapore	**60.99**	61.01
Sembcorp Marine Offshore Platforms Pte Ltd[1]	Singapore	**60.99**	61.01
Urban Development			
Sembcorp Development Ltd[1]	Singapore	**100**	100
Vietnam Singapore Industrial Park Pte Ltd[1]	Singapore	**92.88**	92.88
Singapore Technologies Industrial Corp Ltd[1]	Singapore	**100**	100
Nanjing Riverside Quay Co., Ltd[4]	China	**100**	100
Others			
Sembcorp Design and Construction Pte Ltd[1]	Singapore	**100**	100
Singapore Precision Industries Pte Ltd[1]	Singapore	**100**	100

1. Audited by KPMG LLP, Singapore.
2. Audited by overseas affiliates of KPMG LLP.
3. Audited by Deloitte Haskins & Sells, Chartered Accountants, India.
4. Audited by BDO China Shu Lun Pan Certified Public Accountants Co., Ltd.

* Previously a joint venture in 2015

44. Associates, Joint Ventures and Joint Operations

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

Name of key associates	Country of incorporation	Effective equity held by the Group 2016 %	Effective equity held by the Group 2015 %
Utilities			
^^ Sembcorp Salalah Power and Water Company SAOG	Oman	**40.00**	40.00
Marine			
## Cosco Shipyard Group Co Ltd	People's Republic of China	–[1]	18.30
Urban Development			
^^ Wuxi-Singapore Industrial Park Development Co., Ltd	People's Republic of China	**45.36**	45.36

Name of key joint ventures	Country of incorporation	Effective equity held by the Group 2016 %	Effective equity held by the Group 2015 %
Utilities			
^ Phu My 3 BOT Power Company Ltd.	Vietnam	**66.67**	66.67
# Shanghai Cao Jing Co-generation Co. Ltd	People's Republic of China	**30.00**	30.00
* Emirates Sembcorp Water & Power Company P.J.S.C	United Arab Emirates	**40.00**	40.00
# Chongqing Songzao Sembcorp Electric Power Co., Ltd	People's Republic of China	**49.00**	49.00
Urban Development			
^^ Vietnam Singapore Industrial Park J.V. Co., Ltd.	Vietnam	**47.37**	47.37
** Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd	People's Republic of China	**21.50**	21.50
## Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	People's Republic of China	**25.00**	25.00
*** PT Kawansan Industri Kendal	Indonesia	**49.00**	49.00

Name of key joint operations	Country of incorporation	Effective equity held by the Group 2016 %	Effective equity held by the Group 2015 %
Others			
### Sinohydro-Sembcorp Joint Venture	Singapore	**50.00**	50.00

44. Associates, Joint Ventures and Joint Operations *(cont'd)*

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

^^ Audited by overseas affiliates of KPMG LLP.
Audited by Zhongrui Yuehua Certified Public Accountants Co., Ltd.
^ Audited by Ernst & Young Vietnam Limited.
# Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company.
* Audited by Ernst & Young, Abu Dhabi.
** Audited by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd, China.
Audited by RSM Chio Lim.
*** Audited by BDO Indonesia.
1. On November 2016, Sembcorp Marine has entered into a sale and purchase agreement with China Ocean Shipping (Group) Company to dispose of its 30% equity interest in Cosco Shipyard Group Co., Ltd (CSG). As at December 31, 2016, CSG has been classified as assets held for sale.

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

SUPPLEMENTARY INFORMATION

Year ended December 31, 2016

(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, 2016

Name of Director	Salary [1] S$'000	Bonus earned S$'000	Fair value of share-based compensation granted for the year [3] S$'000	Directors' fees Cash-based [4] S$'000	Directors' fees Share-based [5] S$'000	Brought forward bonus bank [2] S$'000
Payable by Company						
Ang Kong Hua	–	–	–	525	225	–
Tang Kin Fei	1,190	3,055	998	–	–	3,084
Bobby Chin Yoke Choong	–	–	–	166	71	–
Margaret Lui[4]	–	–	–	152	65	–
Tan Sri Mohd Hassan Marican	–	–	–	140	60	–
Tham Kui Seng	–	–	–	134	58	–
Dr Teh Kok Peng	–	–	–	154	66	–
Ajaib Haridass	–	–	–	144	62	–
Neil McGregor[4]	–	–	–	101	43	–
Nicky Tan[4]	–	–	–	107	46	–
Yap Chee Keong	–	–	–	32	14	–
Payable by Subsidiaries						
Tang Kin Fei[4]	–	–	–	266	77	–
Tan Sri Mohd Hassan Marican	–	–	–	420	180	–
Ajaib Haridass	–	–	–	198	85	–
Tham Kui Seng	–	–	–	33	–	–
Tan Cheng Guan[4]	662	930	403	–	–	1,586
Koh Chiap Khiong[4]	612	1,190	403	202	71	1,608
Ng Meng Poh[4]	611	1,182	403	96	–	1,544
Wong Weng Sun	926	1,419	810	–	–	2,690
Kelvin Teo[4]	412	298	180	10	–	335

(Under SGX-ST Listing Manual requirements)

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

Notes:

1. The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
2. The Brought Forward Bonus Bank is the outstanding balance of bonus as at December 31, 2016 (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.
3. 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.
4. Directors' fees for Margaret Liu are payable to Azalea Asset Management Pte Ltd. Directors' fees for Neil McGregor are payable to Temasek International Pte Ltd. Directors' fees for Nicky Tan are payable to Tan Kok Wah and Tee Min Foundation Ltd. Directors' fees in cash from subsidiaries for Tang Kin Fei, Tan Cheng Guan, Koh Chiap Khiong and Ng Meng Poh 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.
5. 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 is the Group President & CEO, and who does not receive any directors' fees) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth 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.

(Under SGX-ST Listing Manual requirements)

B. Interested Person Transactions

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) are as follows:

	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S$100,000) 2016 S$'000
Sale of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Accuron Technologies Limited and its Associates	105
– Mapletree Investments Pte Ltd and its Associates	1,308
– PSA International Pte Ltd and its Associates	6,223
– Singapore Power Limited and its Associates	13,741
– Temasek Capital (Private) Limited and its Associates	5,532
– Wildlife Reserves Singapore Pte Ltd and its Associates	238
	27,147
Olam International Ltd and its Associates	5,427
Starhub Ltd and its Associates	633
SATS Ltd and its Associates	101
Singapore Telecommunications Ltd and its Associates	114,321
Singapore Airlines Limited and its Associates	410
Singapore Technologies Engineering Ltd and its Associates	1,372
	149,411
Purchase of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Mapletree Investments Pte Ltd and its Associates	166
– Singapore Power Limited and its Associates	5,165
– Surbana-Jurong Private Limited	911
– Temasek Capital (Private) Limited and its Associates[1]	372,826
	379,068
Singapore Technologies Engineering Ltd and its Associates	8,932
	388,000
Management and support services	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates	3,155
Total interested person transactions	540,566

Note:

1. This relates mainly to the purchase of gas by Sembcorp Cogen Pte Ltd from Sembcorp Gas Pte Ltd for the generation of electricity. Sembcorp Gas Pte Ltd is 30% owned by Seletar Investments Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited.

EVA STATEMENT

	Note	2016 S$'000	2015 S$'000
Net operating profit before tax expense		**412,317**	420,151
Adjusted for:			
Share of associates' and joint ventures' profits		**153,668**	42,415
Interest expense	1	**406,048**	240,212
Others	2	**72,491**	(6,358)
Adjusted profit before interest and tax		**1,044,524**	696,420
Cash operating taxes	3	**(173,969)**	(154,774)
Net operating profit after tax (NOPAT)		**870,555**	541,646
Average capital employed	4	**17,467,795**	15,101,288
Weighted average cost of capital	5	**6.7%**	6.2%
Capital charge		**1,170,342**	936,280
Add: Capital Charge Deferral (net)	6	**201,274**	147,837
Economic Value Added (EVA)		**(98,513)**	(246,797)
Non-controlling share of EVA		**106,139**	250,728
EVA attributable to shareholders		**7,626**	3,931
Less: Unusual items (UI) gains	7	**(38,173)**	(421,023)
EVA attributable to shareholders (exclude UI)		**(30,547)**	(417,092)

Notes:

1. Interest expense includes imputed interest on present value of operating leases and capitalised interest charged to profit or loss upon disposal of the assets.
2. Other adjustments include recovery of investment costs, timing difference of allowances made for / (write-back) of doubtful debts, warranty, inventory obsolescence and goodwill written off / impaired and construction-in-progress.
3. The reported current tax is adjusted for the statutory tax impact of interest expense.
4. Average capital employed is computed by taking monthly average total assets less non-interest-bearing liabilities plus timing provision, goodwill written off / impaired and present value of operating leases.

	2016 S$'000	2015 S$'000
Major Capital Components:		
Property, plant and equipment	**10,570,175**	8,894,600
Investments	**2,372,686**	2,711,106
Other long-term assets	**914,641**	873,257
Net working capital and long-term liabilities	**3,610,293**	2,622,325
Average capital employed	**17,467,795**	15,101,288

5. The Weighted Average Cost of Capital is calculated in accordance with the Sembcorp Group EVA Policy as follows:
   i. Cost of Equity using Capital Asset Pricing Model with market risk premium at 5.0% (2015: 5.0%);
   ii. Risk-free rate 2.28% (2015: 2.26%) based on yield-to-maturity of Singapore Government 10-year Bonds;
   iii. Ungeared beta ranging from 0.5 to 1.0 (2015: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and
   iv. Cost of Debt rate at 3.45% (2015: 2.65%).
6. 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.
7. Unusual items (UI) refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major property, plant and equipment.

SHAREHOLDERS' INFORMATION

Statistics of Shareholders as of March 1, 2017

Issued and fully paid-up capital:	S$565,571,683.28
Number of issued shares:	1,787,547,732
Number / percentage of treasury shares:	3,020,038 (0.17%)
Number of shareholders:	37,208
Class of shares:	Ordinary shares with equal voting rights[1]

Shareholdings Held by the Public

Based on information available to the company as of March 1, 2017, 50.12%[2] 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	%[2]
Temasek Holdings (Private) Limited	871,200,328	12,718,760[3]	883,919,088	49.53

Top 20 Shareholders as of March 1, 2017

No.	Name	No. of Ordinary Shares Held	%[2]
1	Temasek Holdings (Private) Limited	871,200,328	48.82
2	DBS Nominees Pte Ltd	210,254,666	11.78
3	Citibank Nominees Singapore Pte Ltd	195,826,435	10.97
4	DBSN Services Pte Ltd	58,583,941	3.28
5	HSBC (Singapore) Nominees Pte Ltd	50,423,449	2.83
6	United Overseas Bank Nominees Private Limited	48,900,166	2.74
7	Raffles Nominees (Pte) Ltd	24,777,750	1.39
8	Startree Investments Pte Ltd	9,400,000	0.53
9	OCBC Nominees Singapore Private Limited	8,675,648	0.49
10	DB Nominees (S) Pte Ltd	8,398,748	0.47
11	BNP Paribas Securities Services	7,210,018	0.40
12	OCBC Securities Private Ltd	4,715,462	0.27
13	CIMB Securities (Singapore) Pte Ltd	3,940,026	0.22
14	Tang Kin Fei	3,894,406[4]	0.22
15	UOB Kay Hian Private Limited	2,640,729	0.15
16	DBS Vickers Securities (Singapore) Pte Ltd	2,204,959	0.12
17	Phillip Securities Pte Ltd	2,180,155	0.12
18	Societe Generale Singapore Branch	2,161,631	0.12
19	Maybank Kim Eng Securities Pte Ltd	2,097,160	0.12
20	Low Sin Leng	1,804,437	0.10
		1,519,290,114	85.14

[1] Ordinary shares purchased and held as treasury shares by the company will have no voting rights

[2] The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as of March 1, 2017 excluding 3,020,038 ordinary shares held as treasury shares as at that date

[3] 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

[4] In addition, Tang Kin Fei has 2,000,000 shares, of which 1,000,000 shares are held in the name of DBS Nominees Pte Ltd and another 1,000,000 shares are held in the name of Citibank Nominees Singapore Pte Ltd

Analysis of Shareholdings as of March 1, 2017

Range of Shareholdings	No. of Ordinary Shareholders	%	No. of Ordinary Shares Held (Excluding Treasury Shares)	%
1 – 99	559	1.50	19,936	0.00
100 – 1,000	6,708	18.03	5,559,563	0.31
1,001 – 10,000	25,225	67.80	98,710,573	5.53
10,001 – 1,000,000	4,693	12.61	157,705,238	8.84
1,000,001 and above	23	0.06	1,522,532,384	85.32
	37,208	100.00	1,784,527,694	100.00

GOVERNANCE DISCLOSURE GUIDE

Guideline	Questions	How has Sembcorp complied?
General	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. b. In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	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?
MEMBERS OF THE BOARD		
Guideline 2.6	a. What is the board's policy with regard to diversity in identifying director nominees? 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. c. What steps has the board taken to achieve the balance and diversity necessary to maximise its effectiveness?	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. b. In 2016, 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. c. With reference to the Group's strategies and business plans, the NC reviews the skills mix of board members to ensure that the board has the required diversity, including gender diversity, as well as the necessary competencies to support the company's growth. When the need for a new director arises, the NC consults with management and identifies a list of potential candidates. These candidates are sourced through an extensive network of contacts and external databases where appropriate, based on the skill sets, experience, knowledge and attributes required to lead the growth of the company. Thereafter, the NC will interview the candidates and make its recommendation to the board for approval. All appointments to the board are made on merit and measured against objective criteria. Candidates must be able to discharge their responsibilities as directors while upholding the highest standards of governance practised by the Group.

GOVERNANCE DISCLOSURE GUIDE

Guideline	Questions	How has Sembcorp complied?
MEMBERS OF THE BOARD		
Guideline 4.6	Please describe the board nomination process for the company in the last financial year for: a. Selecting and appointing new directors and b. Re-electing incumbent directors	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. b. While reviewing the re-appointment and re-election of directors, the NC considers the directors' contributions, other board representations and principal commitments to ensure they have sufficient time to discharge their responsibilities adequately. The board also recognises the contributions of directors who have, over time, developed deep insight into the Group's businesses. It exercises its discretion to retain the services of such directors where appropriate, to avoid an abrupt loss of experienced directors with a valuable understanding of the Group.

Guideline	Questions	How has Sembcorp complied?
MEMBERS OF THE BOARD		
Guideline 1.6	a. Are new directors given formal training? If not, please explain why. b. What are the types of information and training provided to i. new directors and ii. existing directors to keep them up to date?	a. Yes, the company conducts comprehensive orientation programmes for new directors. 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. 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 & 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 138 of the Corporate Governance Statement in this Annual Report. 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 132 of the Corporate Governance Statement in this Annual Report.

GOVERNANCE DISCLOSURE GUIDE

Guideline	Questions	How has Sembcorp complied?
MEMBERS OF THE BOARD		
Guideline 4.4	a. What is the maximum number of listed company board representations that the company has prescribed for its directors? What are the reasons for this number? b. If a maximum number has not been determined, what are the reasons? c. What are the specific considerations in deciding on the capacity of directors?	a. The board has determined that the maximum number of listed company board representations held by any Sembcorp Industries director should not exceed six. This is based on the total time commitment required of our directors for involvement in our board and board committees. It aims to ensure that all directors have sufficient time and attention to devote to the affairs of the company and discharge their duties adequately. b. Not applicable. c. In deciding such matters, the board considers the total time commitment required of the directors for involvement in our board and board committees, as well as for their other appointments outside our company.
BOARD EVALUATION		
Guideline 5.1	a. What was the process upon which the board reached the conclusion on its performance for the financial year? b. Has the board met its performance objectives?	a. Each director is required to complete a questionnaire on the effectiveness of the board and board committees, as well as directors' contributions and performance. The evaluation and feedback are then consolidated and presented to the board for discussion. b. Yes. The board believes that it has met its performance objectives. This is reflected in the overall long-term performance of the Group.
INDEPENDENCE OF DIRECTORS		
Guideline 2.1	Does the company comply with the guideline on the proportion of independent directors on the board? If not, please state the reasons for the deviation and the remedial action taken by the company.	Yes. The current board comprises 11 directors, eight of whom are independent directors.

Guideline	Questions	How has Sembcorp complied?
INDEPENDENCE OF DIRECTORS		
Guideline 2.3	a. Is there any director who is deemed to be independent by the board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such a relationship. b. What are the board's reasons for considering him independent? Please provide a detailed explanation.	a. Yes. Tan Sri Mohd Hassan Marican and Ajaib Haridass both sit on the board of Sembcorp Marine, a listed subsidiary of Sembcorp Industries from which the company has received payment in excess of S$200,000 in aggregate for consultancy services and provision of utilities services. In addition, Bobby Chin is a director on the board of Temasek Holdings (Temasek), the largest shareholder of Sembcorp, and Tan Sri Mohd Hassan Marican and Tham Kui Seng respectively hold the positions of Senior International Advisor and Corporate Advisor at Temasek International Advisors, a subsidiary of Temasek. b. The board has assessed this matter and is of the view that the payment received from Sembcorp Marine for consultancy services and provision of utilities services is not significant in the context of the Group's earnings. The board believes that Tan Sri Mohd Hassan Marican and Mr Haridass' directorships in Sembcorp Marine have not and will not interfere, or be reasonably perceived to interfere, with their ability to exercise independent judgement and act in the best interest of Sembcorp Industries. Furthermore, the board believes that Mr Chin, Tan Sri Mohd Hassan Marican and Mr Tham have consistently exercised strong independent judgement in their deliberations. They have acted and continue to act in the best interest of the company and are not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek.
Guideline 2.4	Has any independent director served on the board for more than nine years from the date of his first appointment? If so, please identify the director and set out the board's reasons for considering him independent.	No. The company does not have any director who has served beyond nine years from the date of his / her first appointment to the board. A term limit of nine years is set for independent directors of the Group. Should the board decide to retain any director beyond this nine-year term, it will rigorously review the independence of that director and determine if he / she should continue to be regarded as an independent director.

GOVERNANCE DISCLOSURE GUIDE

Guideline	Questions	How has Sembcorp complied?
DISCLOSURE ON REMUNERATION		
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	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? b. Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	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. b. The aggregate remuneration paid in the financial year 2016 to the top five key management personnel, excluding our Group President & CEO, amounted to approximately S$7.5 million, comprising salaries and bonuses.

Guideline	Questions	How has Sembcorp complied?
DISCLOSURE ON REMUNERATION		
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 2016 the company had no employees who were immediate family members of a director or the Group President & CEO.
Guideline 9.6	a. Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. b. What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? c. Were all of these performance conditions met? If not, what were the reasons?	a. With the exception of our Group President & 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. 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. 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. 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. c. All the performance conditions under the Restricted Share Plan were met. As for the Performance Share Plan, all the performance conditions were not met due to adverse market conditions. Arising from the under-achievement of performance targets, 625,000 performance shares lapsed in 2016 and were not paid out.

GOVERNANCE DISCLOSURE GUIDE

Guideline	Questions	How has Sembcorp complied?
RISK MANAGEMENT AND INTERNAL CONTROLS		
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?	On an ongoing basis, directors are provided with complete, adequate and timely information to enable them to make informed decisions and keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities. Management and operation reports as well as financial statements are presented to the board on a regular basis. On a quarterly basis, financial highlights of the Group's performance and key developments are presented at board meetings. On a regular basis, risk-related reports are submitted to the Risk Committee (RC). The RC, comprising of selected board members, assists the board in overseeing risk management for the Group. These reports include updates on the Group's risk portfolio, reports on major risk exposure and any other risk-related issues, as well as actions taken to monitor and manage exposure to such risks or issues. For more details on briefings, updates and information provided to our directors, please refer to pages 133 and 138 of the Corporate Governance Statement in this Annual Report.
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?
RISK MANAGEMENT AND INTERNAL CONTROLS		
Guideline 11.3	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. 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: 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 ii. the company's risk management and internal control systems are effective If not, how does the board assure itself of points i. and ii. above?	a. The Group has implemented a comprehensive enterprise risk management (ERM) framework. Supporting the ERM framework is a system of internal controls, comprising a code of business conduct, group-wide governance and internal control policies, procedures, guidelines dictating the segregation of duties, approval authorities and limits, as well as checks and balances embedded in business processes. The ERM framework is complemented by a governance assurance framework and a risk-based control self-assessment programme. 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. 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. Based on the internal controls established and maintained by the Group, work performed by external and internal auditors and reviews performed by senior management, the board, with the concurrence of the Audit Committee, is of the opinion that the company's internal controls were adequate and effective as at December 31, 2016 to address the financial, operational, compliance and information technology risks of the Group. b. Yes. For the financial year 2016, the board has been assured by the Group President & 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.

GOVERNANCE DISCLOSURE GUIDE

Guideline	Questions	How has Sembcorp complied?
RISK MANAGEMENT AND INTERNAL CONTROLS		
Guideline 12.6	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. 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.	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: (see table below) b. Non-audit fees amount to only 32% of the total annual audit fees and are not deemed substantial.

	S$'000
Audit fees paid / payable	
– To auditors of the company	1,996
– To overseas affiliates of the auditors of the company	1,242
	3,238
Non-audit fees paid / payable	
– To auditors of the company	823
– To overseas affiliates of the auditors of the company	204
	1,027

Guideline	Questions	How has Sembcorp complied?
COMMUNICATION WITH SHAREHOLDERS		
Guideline 15.4	a. Does the company regularly communicate with shareholders and attend to their questions? How often does the company meet with institutional and retail investors? b. Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? c. How does the company keep shareholders informed of corporate developments, apart from SGXNET announcements and the Annual Report?	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. 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. b. Yes, Sembcorp has a dedicated investor relations team that communicates with investors. 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.
Guideline 15.5	If the company is not paying any dividends for the financial year, please explain why.	Not applicable. For 2016, a final tax exempt one-tier dividend of 4 cents per ordinary share has been proposed subject to shareholders' approval. Together with the interim dividend of 4 cents per ordinary share that has already been paid out, this would bring our total dividend for the financial year to 8 cents per ordinary share.

CORPORATE INFORMATION

Registered Office
30 Hill Street #05-04
Singapore 179360
Tel: (65) 6723 3113
Fax: (65) 6822 3254
www.sembcorp.com

Board of Directors
Ang Kong Hua
Chairman

Tang Kin Fei
Group President & CEO

Bobby Chin Yoke Choong
Margaret Lui
Tan Sri Mohd Hassan Marican
Tham Kui Seng
Dr Teh Kok Peng
Ajaib Haridass
Neil McGregor
Nicky Tan Ng Kuang
Yap Chee Keong

Executive Committee
Ang Kong Hua
Chairman

Tang Kin Fei
Margaret Lui
Nicky Tan Ng Kuang

Audit Committee
Bobby Chin Yoke Choong
Chairman

Tham Kui Seng
Dr Teh Kok Peng
Ajaib Haridass
Yap Chee Keong

Risk Committee
Ajaib Haridass
Chairman

Bobby Chin Yoke Choong
Neil McGregor
Tham Kui Seng
Yap Chee Keong

Executive Resource & Compensation Committee
Ang Kong Hua
Chairman

Margaret Lui
Tan Sri Mohd Hassan Marican
Dr Teh Kok Peng

Nominating Committee
Ang Kong Hua
Chairman

Margaret Lui
Tan Sri Mohd Hassan Marican
Bobby Chin Yoke Choong

Technology Advisory Panel
Ang Kong Hua
Chairman

Tang Kin Fei
Dr Teh Kok Peng
Dr Josephine Kwa Lay Keng
Dr Ng How Yong
Prof Lui Pao Chuen

Company Secretary
Kwong Sook May

Registrar
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

Principal Bankers
Australia and New Zealand Banking Group Limited

CIMB Bank Berhad

Citibank N.A.

DBS Bank

Mizuho Bank Ltd

Oversea-Chinese Banking Corporation Limited

Standard Chartered Bank

Sumitomo Mitsui Banking Corporation

The Bank of Tokyo-Mitsubishi UFJ, Ltd

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

Auditors
KPMG LLP
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 Nineteenth 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 Wednesday, April 19, 2017 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, 2016 and the Auditors' Report thereon. **Resolution 1**

2. To declare a final ordinary one-tier tax exempt dividend of 4 cents per share for the year ended December 31, 2016. **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. Tham Kui Seng *(Independent Member of Audit Committee)* **Resolution 3**
   b. Ajaib Haridass *(Independent Member of Audit Committee)* **Resolution 4**
   c. Neil McGregor **Resolution 5**

   Bobby Chin Yoke Choong is also due to retire by rotation under article 94 of the Company's Constitution, but will not be offering himself for re-election.

4. To re-elect Yap Chee Keong *(Independent Member of Audit Committee)*, 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, 2017 (2016: 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**

NOTICE OF ANNUAL GENERAL MEETING

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: **Resolution 9**

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

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

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

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

   provided that:

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

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

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

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

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

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

Special Business *(cont'd)*

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) from time to time; and

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

9. That: **Resolution 11**

   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 28, 2017 (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.

Special Business *(cont'd)*

Resolution 12

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;

   c. in this Resolution:

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

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

   "**Maximum Limit**" means that number of issued Shares representing 2% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

Special Business *(cont'd)*

   "**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

   (a) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

   (b) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares; and

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

By Order of the Board

Kwong Sook May
Company Secretary

Singapore
March 28, 2017

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 2016. These directors (save for Mr McGregor who is the Head of Temasek International's Energy and Resources Group, Head of Australia and New Zealand and Senior Managing Director of the Enterprise Development Group) have no relationships (including immediate family relationships) with each other or with the other directors, the Company or its 10% shareholders.

If re-elected, Mr Tham and Mr Haridass will remain as members, and Mr Yap will be appointed as the Chairman, of the Audit Committee. They are independent directors.

Bobby Chin Yoke Choong is also due to retire by rotation at the Annual General Meeting, but will not be offering himself for re-election. Mr Chin will cease to be Chairman of the Audit Committee upon his retirement.

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, 2017. The exact amount of directors' fees received by each director for the financial year ended December 31, 2016 is disclosed in full in the Supplementary Information section of the Annual Report 2016. Directors and their associates will abstain from voting on Resolution 7.

The amount of the directors' fees is computed based on the anticipated number of board and committee meetings for year 2017, assuming full attendance by all of the non-executive directors. The amount also caters for additional ad-hoc board and committee meetings, and includes travel allowances for overseas non-executive directors. In the event that the amount proposed is insufficient, approval will be sought at the next Annual General Meeting in year 2018 ("**2018 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 2017 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 2016 for more details.

The cash component of the directors' fees for year 2017 is intended to be paid half-yearly in arrears. The share component of the directors' fees for year 2017 is intended to be paid after the 2018 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 2018 AGM (or, if no final dividend is proposed at the 2018 AGM, or the resolution to approve any such final dividend is not approved at the 2018 AGM, over the 14 trading days immediately following the date of the 2018 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 2017 (calculated on a pro-rated basis, where applicable) in cash.

Explanatory Notes: *(cont'd)*

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, of which up to 5% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares of the Company excluding treasury shares at the time that Resolution 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.

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) from time to time; and (b) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting to the next Annual General Meeting shall not exceed 1% of the total number of issued ordinary shares of the Company (excluding treasury shares) from time to time. Approval for the adoption of the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The grant of awards under the Share Plans will be made in accordance with their respective provisions.

Resolution 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 28, 2017 (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 March 1, 2017 (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 35,690,553 ordinary shares.

In the case of market purchases by the Company and assuming that the Company purchases or acquires 35,690,553 ordinary shares at the maximum price of S$3.43 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 35,690,553 ordinary shares is S$122,418,596.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes: *(cont'd)*

In the case of off-market purchases by the Company and assuming that the Company purchases or acquires 35,690,553 ordinary shares at the maximum price of S$3.59 for one ordinary share (being the price equivalent to 110% of the average of the last dealt prices of the ordinary shares for the five consecutive market days on which the ordinary shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 35,690,553 ordinary shares is S$128,129,085.

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, 2016 based on these assumptions are set out in paragraph 3.7 of the Letter.

Please refer to the Letter for more details.

Notes:

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

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

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

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

3. The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, 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 27, 2017 to determine the shareholders' entitlements to the proposed dividend. Duly completed transfers of shares received by the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902, up to 5.00 p.m. on April 26, 2017 (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 16, 2017.

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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 28, 2017.

Sembcorp Industries Ltd
Co Regn No. 199802418D
(Incorporated in the Republic of Singapore)

Nineteenth Annual General Meeting

I / We, ____ (Name), ____________________ (NRIC / Passport / Co Reg No.)

of ____ (Address)

being a member / members of SEMBCORP INDUSTRIES LTD ("the Company") hereby appoint:

Name	Address	NRIC / Passport No.	% of Shareholdings

and / or (delete as appropriate)

Name	Address	NRIC / Passport No.	% of Shareholdings

as my / our proxy / proxies to attend, speak and vote for me / us on my / our behalf at the Nineteenth Annual General Meeting ("19th AGM") of the Company to be held on Wednesday, April 19, 2017 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 19th 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 19th AGM.)

	Ordinary Resolutions	For	Against
	ROUTINE BUSINESS		
1.	To adopt the Directors' Statement and Audited Financial Statements		
2.	To declare a final dividend		
3.	To re-elect Tham Kui Seng		
4.	To re-elect Ajaib Haridass		
5.	To re-elect Neil McGregor		
6.	To re-elect Yap Chee Keong		
7.	To approve directors' fees for the year ending December 31, 2017		
8.	To re-appoint KPMG LLP as Auditors and to authorise the directors to fix their remuneration		
	SPECIAL BUSINESS		
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		

Total Number of Shares Held

____________________________________   ________________

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

Seal with clear tape. Do not staple.

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 (including any related attachment) appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by the Central Depository (Pte) Limited to the Company.

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Sembcorp Industries Financial Calendar 2017

February 23, 2017	Announcement of full year results for the year ended December 31, 2016
April 19, 2017	19th Annual General Meeting
April 24, 2017	Ex-dividend date for 2016 final dividend
May 3, 2017*	Announcement of first quarter results for the period ending March 31, 2017
May 16, 2017	Payment of 2016 final dividend
August 3, 2017*	Announcement of half year results for the period ending June 30, 2017
November 2, 2017*	Announcement of third quarter results for the period ending September 30, 2017

* *Provisional. Updates will be posted at www.sembcorp.com*

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