



SEMBCORP INDUSTRIES LTD
Registration Number: 199802418D

SECOND QUARTER AND HALF YEAR ENDED JUNE 30, 2016 FINANCIAL STATEMENTS & DIVIDEND ANNOUNCEMENT

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SEBMCORP INDUSTRIES LTD

UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED JUNE 30, 2016

The Board of Directors of Sembcorp Industries Ltd wishes to announce the following unaudited results of the Group for the second quarter and half year ended June 30, 2016.

In March 2016, Sembcorp Marine's (Marine) interest in Gravifloat AS (Gravifloat) was increased from 12% to 56%; and Sembcorp Utilities' (Utilities) interest in Sembcorp Gayatri Power Ltd (SGPL) was increased from 49% to 65%. Both Gravifloat and SGPL became subsidiaries of the Group. Consequently, Gravifloat and SGPL's financials were consolidated into the Group's financial statements.

1. GROUP INCOME STATEMENT

	Note	GROUP			GROUP		
		2Q16 \$'000	2Q15 \$'000	+ / (-) %	1H16 \$'000	1H15 \$'000	+ / (-) %
Turnover	2a	1,846,503	2,387,948	(22.7)	3,741,728	4,726,025	(20.8)
Cost of sales	2a	(1,558,538)	(2,034,943)	(23.4)	(3,185,115)	(4,084,475)	(22.0)
Gross profit	2a	287,965	353,005	(18.4)	556,613	641,550	(13.2)
General & administrative expenses	2b	(94,334)	(90,587)	4.1	(184,116)	(175,177)	5.1
Other income	2c	25,729	70,802	(63.7)	56,467	90,522	(37.6)
Other expense (net)	2d	(49,431)	(27,362)	80.7	(57,155)	(37,384)	52.9
Finance income	2e	6,239	6,459	(3.4)	15,995	12,170	31.4
Finance costs	2e	(91,298)	(56,550)	61.4	(177,605)	(87,797)	102.3
Share of results of associates and joint ventures, net of tax	2f	38,083	58,541	(34.9)	73,699	98,550	(25.2)
Profit before tax		122,953	314,308	(60.9)	283,898	542,434	(47.7)
Tax expense	2g	(28,195)	(41,144)	(31.5)	(58,095)	(81,613)	(28.8)
Profit for the period		94,758	273,164	(65.3)	225,803	460,821	(51.0)
Attributable to:							
Owners of the Company		86,456	223,563	(61.3)	193,490	365,774	(47.1)
Non-controlling interests		8,302	49,601	(83.3)	32,313	95,047	(66.0)
		94,758	273,164	(65.3)	225,803	460,821	(51.0)
Earnings per ordinary share (cents)							
	2h						
- basic		4.29	12.19	(64.8)	9.74	20.02	(51.3)
- diluted		4.25	12.09	(64.8)	9.67	19.88	(51.4)

2. NOTES TO THE CONSOLIDATED INCOME STATEMENT

2a. Turnover, Cost of Sales

	GROUP			GROUP		
	2Q16 \$'000	2Q15 \$'000	+ / (-) %	1H16 \$'000	1H15 \$'000	+ / (-) %
Turnover	1,846,503	2,387,948	(22.7)	3,741,728	4,726,025	(20.8)
Cost of sales	(1,558,538)	(2,034,943)	(23.4)	(3,185,115)	(4,084,475)	(22.0)
Gross profit	287,965	353,005	(18.4)	556,613	641,550	(13.2)
Included in Cost of sales:-						
Depreciation and amortisation (i)	(102,471)	(98,486)	4.0	(203,281)	(182,845)	11.2

Group turnover – refer to Page 18, note 11.

Group gross profit decreased by 18% in 2Q16 against 2Q15 mainly due to Marine. Overall decreased in Marine's gross profit was mainly from its rig building projects. The decrease from Marine was partially mitigated by higher contribution from Utilities' India operations in 2Q16.

- (i) Depreciation and amortisation in 2Q16 was higher mainly due to Marine's depreciation for its yards.

2b. General & administrative expenses

	GROUP			GROUP		
	2Q16 \$'000	2Q15 \$'000	+ / (-) %	1H16 \$'000	1H15 \$'000	+ / (-) %
General & administrative expenses	(94,334)	(90,587)	4.1	(184,116)	(175,177)	5.1
Included in general & administrative expenses:-						
Depreciation and amortisation	(5,881)	(4,417)	33.1	(11,855)	(9,189)	29.0
Allowance for doubtful debts and bad debts	(1,581)	(2,075)	(23.8)	(2,781)	(3,611)	(23.0)
Intangible assets written off (i)	(8,297)	-	NM	(8,297)	-	NM

General & administrative expenses for 2Q16 were higher mainly due to intangible assets written off from Utilities' operations in India. On comparable basis on 2Q15, general & administrative expenses for 2Q16 were lower mainly due to Marine's lower personnel related costs and lower professional fees.

- (i) The amount pertained to write-off of development rights relating to some wind sites.

2. NOTES TO THE CONSOLIDATED INCOME STATEMENT (Cont'd)

2c. Other income

	GROUP			GROUP		
	2Q16 \$'000	2Q15 \$'000	+ / (-) %	1H16 \$'000	1H15 \$'000	+ / (-) %
Other income	25,729	70,802	(63.7)	56,467	90,522	(37.6)
Included in other income: -						
Dividend income	-	557	(100.0)	-	747	(100.0)
Fair value gain on re-measurement of pre-existing equity interest in joint venture and available-for-sale financial asset (AFS), which became subsidiaries, see Note 5(b)	-	-	-	10,702	-	NM
Gain on disposal of subsidiary (i)	-	54,706	(100.0)	-	54,706	(100.0)
Gain on disposal of joint venture	-	-	-	186	-	NM
Gain on disposal of other financial assets	432	410	5.4	1,589	590	169.3
Gain on disposal of investment held for sale (ii)	3,411	-	NM	3,411	-	NM

- (i) Gain on disposal of subsidiary for 2Q15 pertained to the gain on sale of Sembcorp Bournemouth Water Investment (SBWI) in April 2015.
- (ii) Gain on disposal of investment held for sale pertained to the gain on disposal of Sembcorp Air Products (SembAP), with final price consideration adjustments.

2d. Other expense (net)

	GROUP			GROUP		
	2Q16 \$'000	2Q15 \$'000	+ / (-) %	1H16 \$'000	1H15 \$'000	+ / (-) %
Other expense (net)	(49,431)	(27,362)	80.7	(57,155)	(37,384)	52.9
Included in other expense (net): -						
Changes in fair value of financial instruments (i)	2,536	(8,023)	NM	19,949	(18,259)	NM
Changes in fair value of available-for-sale assets (ii)	(8,355)	(122)	NM	(14,126)	64	NM
Foreign exchange loss (iii)	(43,022)	(17,604)	144.4	(62,249)	(16,873)	268.9

- (i) Changes in fair value of financial instruments in 2Q16 was mainly due to mark-to-market adjustments of foreign currency forward contracts.
- (ii) Changes in fair value of available-for-sale assets in 2Q16 included predominantly Marine's impairment of its available-of-sale financial assets.
- (iii) Foreign exchange loss arose mainly from Marine's revaluation of assets and liabilities denominated Pounds sterling and United States dollar to Singapore dollar against the foreign exchange rate as at the previous quarter.

2e. Finance income and finance costs

	GROUP			GROUP		
	2Q16 \$'000	2Q15 \$'000	+ / (-) %	1H16 \$'000	1H15 \$'000	+ / (-) %
Finance income	6,239	6,459	(3.4)	15,995	12,170	31.4
Finance costs (i)	(91,298)	(56,550)	61.4	(177,605)	(87,797)	102.3

- (i) Higher finance costs in 2Q16 was mainly due to Utilities' India operations with full commercial operations of Thermal Powertech Corporation India Limited's (TPCIL) power plant in September 2015. Higher finance costs in 2Q16 was also due to Marine's higher bank borrowings.

2. NOTES TO THE CONSOLIDATED INCOME STATEMENT (Cont'd)

2f. Share of results of Associates and Joint Ventures, net of tax

The Group recorded lower share of profit from associates and joint ventures in 2Q16 compared to 2Q15 mainly due to Marine's share of losses from associates, lower contribution from Urban Development's China operations and absence of contribution from SembSita Pacific Pte Ltd (SembSita) which was divested in November 2015.

2g. Tax expense

	GROUP			GROUP		
	2Q16 \$'000	2Q15 \$'000	+ / (-) %	1H16 \$'000	1H15 \$'000	+ / (-) %
Tax expense (i)	(28,195)	(41,144)	(31.5)	(58,095)	(81,613)	(28.8)
<i>Included in tax expense:-</i>						
Tax expense						
- Net (under-provision) / write-back of tax in respect of prior years	(156)	112	NM	(179)	1,683	NM

- (i) Lower 2Q16 and 1H16 tax expense was mainly due to Marine's lower taxable profit. The higher effective tax rate in 2Q16 and 1H16 was due to higher profit from overseas operations, which have higher tax rates. In 2Q16, the higher effective tax rate was also due to Marine's deferred tax assets recognised only to the extent that it is probable that the related tax benefit will be realised.

2h. Earnings per ordinary share

Earnings per ordinary share of the Group based on net profit attributable to the owners of the Company, less distribution to holders of perpetual securities:	Group			Group		
	2Q16	2Q15	+ / (-) %	1H16	1H15	+ / (-) %
(i) Based on the weighted average number of shares (in cents)	4.29	12.19	(64.8)	9.74	20.02	(51.3)
- Weighted average number of shares (in million)	1,787.4	1,786.7	0.0	1,786.6	1,785.8	0.0
(ii) On a fully diluted basis (in cents)	4.25	12.09	(64.8)	9.67	19.88	(51.4)
- Adjusted weighted average number of shares (in million)	1,804.9	1,801.9	0.2	1,800.6	1,798.1	0.1

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	GROUP		GROUP	
		2Q16 \$'000	2Q15 \$'000	1H16 \$'000	1H15 \$'000
Profit for the period		94,758	273,164	225,803	460,821
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations	(i)	(110,884)	(189,621)	(229,401)	42,466
Exchange differences on monetary items forming part of net investment in foreign operation		(1,514)	(3,759)	139	1,329
Net change in fair value of cash flow hedges	(ii)	37,684	62,559	55,402	27,138
Net change in fair value of cash flow hedges reclassified to profit or loss	(iii)	11,359	18,170	35,879	49,606
Net change in fair value of available-for-sale financial assets	(iv)	(8,089)	(5,834)	(27,201)	(4,522)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(v)	7,747	-	7,747	-
Share of other comprehensive income of associates and joint ventures		(1,852)	(2,603)	(22,479)	(39,357)
		<u>(65,549)</u>	<u>(121,088)</u>	<u>(179,914)</u>	<u>76,660</u>
Items that may not be reclassified subsequently to profit or loss:					
Defined benefit plan actuarial (losses) and gains		-	1,354	-	(5,130)
Other comprehensive income for the period, net of tax		<u>(65,549)</u>	<u>(119,734)</u>	<u>(179,914)</u>	<u>71,530</u>
Total comprehensive income for the period		<u>29,209</u>	<u>153,430</u>	<u>45,889</u>	<u>532,351</u>
Attributable to:					
Owners of the Company		36,832	129,093	46,775	422,886
Non-controlling interests		<u>(7,623)</u>	<u>24,337</u>	<u>(886)</u>	<u>109,465</u>
Total comprehensive income for the period		<u>29,209</u>	<u>153,430</u>	<u>45,889</u>	<u>532,351</u>

3a. Notes to Consolidated Statement of Comprehensive Income

- (i) The movement in foreign currency translation reserves in 2Q16 arose primarily due to depreciation of United States dollar, Renminbi and Indian Rupee against Singapore dollar relative to the rate as at end of previous quarter.
- (ii) The fair value changes of cash flow hedges in 2Q16 was primarily due to changes in fair value on fuel oil swaps, foreign currency forward contract and interest rate swaps.
- (iii) Mainly due to maturity of fuel oil swaps.
- (iv) Mainly due to changes in mark-to-market of quoted prices of available-for-sale assets.
- (v) Mainly reclassification to profit or loss on impairment of the Group's available-for-sale financial assets.

4. BALANCE SHEETS

	GROUP		COMPANY	
	As at 30/06/2016 \$'000	As at 31/12/2015 \$'000	As at 30/06/2016 \$'000	As at 31/12/2015 \$'000
Non-current assets				
Property, plant and equipment	10,473,320	8,685,182	510,468	529,691
Investment properties	59,111	21,081	-	-
Investments in subsidiaries	-	-	2,441,353	2,472,184
Interests in associates and joint ventures	1,873,152	2,349,257	-	-
Other financial assets	247,145	283,558	-	-
Trade and other receivables	436,572	450,548	184,124	143,757
Tax recoverable	9,928	6,938	-	-
Intangible assets	558,443	442,956	22,596	22,224
Deferred tax assets	64,088	68,283	-	-
	<u>13,721,759</u>	<u>12,307,803</u>	<u>3,158,541</u>	<u>3,167,856</u>
Current assets				
Inventories and work-in-progress	4,123,433	4,232,509	13,051	12,341
Trade and other receivables	1,982,101	1,567,557	115,893	137,077
Tax recoverable	9,780	9,726	-	-
Assets held for sale	-	41,803	-	5,893
Other financial assets	100,231	149,606	-	-
Cash and cash equivalents	1,682,790	1,606,488	327,492	325,831
	<u>7,898,335</u>	<u>7,607,689</u>	<u>456,436</u>	<u>481,142</u>
Total assets	<u>21,620,094</u>	<u>19,915,492</u>	<u>3,614,977</u>	<u>3,648,998</u>
Current liabilities				
Trade and other payables	3,307,842	3,387,921	103,943	131,073
Excess of progress billings over work-in-progress	588,756	320,151	-	-
Provisions	54,573	58,664	26,487	22,486
Liabilities held for sale	-	5,430	-	-
Other financial liabilities	109,706	181,471	-	-
Current tax payable	211,068	191,785	52,780	46,671
Interest-bearing borrowings	1,505,756	1,800,607	1	3
	<u>5,777,701</u>	<u>5,946,029</u>	<u>183,211</u>	<u>200,233</u>
Net current assets	<u>2,120,634</u>	<u>1,661,660</u>	<u>273,225</u>	<u>280,909</u>
Non-current liabilities				
Deferred tax liabilities	336,415	319,605	53,987	53,987
Provisions	58,876	58,742	593	593
Other financial liabilities	211,045	258,880	-	-
Retirement benefit obligations	6,574	8,891	-	-
Interest-bearing borrowings	7,021,119	5,032,342	-	-
Other long-term payables	241,446	247,509	282,211	283,572
	<u>7,875,475</u>	<u>5,925,969</u>	<u>336,791</u>	<u>338,152</u>
Total liabilities	<u>13,653,176</u>	<u>11,871,998</u>	<u>520,002</u>	<u>538,385</u>
Net assets	<u>7,966,918</u>	<u>8,043,494</u>	<u>3,094,975</u>	<u>3,110,613</u>
Equity attributable to owners of the Company:-				
Share capital	565,572	565,572	565,572	565,572
Other reserves	(257,589)	(142,938)	(8,312)	(13,660)
Revenue reserve	5,274,591	5,207,742	1,734,881	1,756,013
	<u>5,582,574</u>	<u>5,630,376</u>	<u>2,292,141</u>	<u>2,307,925</u>
Perpetual securities	802,834	802,688	802,834	802,688
	<u>6,385,408</u>	<u>6,433,064</u>	<u>3,094,975</u>	<u>3,110,613</u>
Non-controlling interests	1,581,510	1,610,430	-	-
Total equity	<u>7,966,918</u>	<u>8,043,494</u>	<u>3,094,975</u>	<u>3,110,613</u>

Footnote:

The Group Balance Sheet as at June 30, 2016, included the consolidation of Gravifloat and SGPL, which became subsidiaries in March 2016 (Note 5b).

4. BALANCE SHEETS (Cont'd)

4a. Group's borrowings and debt securities

	As at 30/6/2016 \$'000	As at 31/12/2015 \$'000
Amount repayable:		
(i) <u>In one year or less, or on demand</u>		
Interest-bearing borrowings		
Secured	750,802	794,434
Unsecured	754,954	1,006,173
	<u>1,505,756</u>	<u>1,800,607</u>
(ii) <u>Between one to five years</u>		
Interest-bearing borrowings		
Secured	932,567	541,061
Unsecured	3,232,837	2,415,966
	<u>4,165,404</u>	<u>2,957,027</u>
(iii) <u>After five years</u>		
Interest-bearing borrowings		
Secured	1,701,228	921,322
Unsecured	1,154,487	1,153,993
	<u>2,855,715</u>	<u>2,075,315</u>
Total	<u>8,526,875</u>	<u>6,832,949</u>
(iv) The secured loans are collateralised by the following assets' net book value:-		
	As at 30/6/2016 \$'000	As at 31/12/2015 \$'000
Net assets and equity shares of subsidiaries, property, plant and equipment, and other assets	<u>6,048,259</u>	<u>3,928,992</u>

4b. Net asset value

	Group		Company	
	30/6/2016	31/12/2015	30/6/2016	31/12/2015
Net asset value per ordinary share based on issued share capital at the end of the financial period (in \$)	3.57	3.60	1.73	1.74

4c. Explanatory Notes to Balance Sheets

Significant variances for balance sheets items are explained as follows:

(i) Group

Non-current assets

"Property, plant and equipment" increased mainly due to consolidation of Sembcorp Gayatri Power Ltd (SGPL).

"Investment properties" increased primarily due to Urban Development's reclassification from properties under development upon finalized land allocation.

"Interests in associates and joint ventures" decreased primarily due to SGPL became a subsidiary in March 2016.

"Other financial assets" decreased mainly due to Marine's fair value adjustments of quoted equity shares and foreign currency forward contracts.

"Intangible assets" increased mainly due to Marine's acquisition of Gravifloat, which was acquired in March 2016.

4. **BALANCE SHEETS** (Cont'd)

4c. **Explanatory Notes to Balance Sheets** (Cont'd)

(i) **Group (cont'd)**

Net current assets

“Trade and other receivables” increased mainly due to billings for ongoing projects, timing of receipts and consolidation of SGPL. An amount of \$357.9 million was subsequently received for certain floater and offshore platform projects in July 2016.

“Assets held for sale” and “Liabilities held for sale” decreased primarily due to divestment of Sembcorp Air Products (SembAP) in January 2016.

“Other financial assets” decreased mainly due to fair value adjustments on foreign currency forward contracts.

“Excess of progress billings over work-in-progress” increased mainly due to billing to a customer for offshore platforms project.

“Other financial liabilities” decreased mainly due to fair value adjustments on foreign currency forward contracts and fuel oil swaps.

“Current tax payable” increased mainly due to consolidation of SGPL and current year tax provision, offset by payments made during the period.

“Interest-bearing borrowings” decreased mainly due to Marine’s refinancing of short-term borrowings to long-term borrowings. Marine has secured adequate committed long-term banking facilities to refinance the short-term borrowings as they fall due.

Non-current liabilities

“Other financial liabilities” decreased mainly due to fair value adjustments on cross currency swaps and foreign currency forward contracts.

“Retirement benefit obligations” decreased mainly due to employee benefits paid to employees from UK operations.

“Interest bearing borrowings” increased mainly due to consolidation of SGPL, increased in Marine’s borrowings for working capital and capital expenditures, and refinancing of short-term borrowings to long-term borrowings.

Equity

The deficit in “Other reserves” increased primarily due to foreign currency translation loss mainly arising from the depreciation of United States dollar, Renminbi and Indian Rupee against Singapore dollar.

(ii) **Company**

Non-current assets

“Trade and other receivables” increased mainly due to long-term funding extended to a wholly owned subsidiary.

Net current assets

“Trade and other receivables” decreased is in line with lower sales.

“Trade and other payables” decreased mainly due to payments made to a wholly-owned subsidiary.

5. CONSOLIDATED STATEMENT OF CASH FLOWS

Note	GROUP		GROUP	
	2Q16 \$'000	2Q15 \$'000	1H16 \$'000	1H15 \$'000
Cash flows from Operating Activities				
Profit for the period	94,758	273,164	225,803	460,821
Adjustments for :				
Dividend	-	(557)	-	(747)
Finance income	(6,239)	(6,459)	(15,995)	(12,170)
Finance costs	91,298	56,550	177,605	87,797
Depreciation and amortisation	108,352	102,903	215,136	192,034
Share of results of associates and joint ventures, net of tax	(38,083)	(58,541)	(73,699)	(98,550)
Gain on disposal of property, plant and equipment and other financial assets	(411)	(477)	(1,618)	(724)
Loss on disposal of intangible assets	-	-	-	9
Gain on disposal of investment in a joint venture	-	-	(186)	-
Gain on disposal of investment held for sale	(3,411)	-	(3,411)	-
Gain on disposal of investments in subsidiary	-	(54,706)	-	(54,706)
Fair value gain on re-measurement of pre-existing investments in other financial asset and joint venture, which became subsidiaries	-	-	(10,702)	-
Changes in fair value of financial instruments	(2,536)	8,145	(19,949)	18,195
Equity settled share-based compensation expenses	6,654	4,736	11,867	9,962
Allowance made for impairment loss in value of assets and assets written off (net)	17,379	140	23,352	254
Allowance for doubtful debts and bad debts	1,581	2,151	2,781	3,687
Tax expense	28,195	41,144	58,095	81,613
Operating profit before working capital changes	297,537	368,193	589,079	687,475
Changes in working capital:				
Inventories and work-in-progress	154,027	(254,244)	366,598	(164,147)
Receivables	(312,003)	(540,610)	(495,709)	(507,464)
Payables	74,586	78,480	(170,054)	(204,616)
Tax paid	214,147	(348,181)	289,914	(188,752)
Net cash from / (used in) operating activities	178,585	(399,388)	244,080	(260,457)
Cash flows from Investing Activities				
Dividend received	9,553	13,126	15,852	23,580
Interest received	2,935	2,359	12,471	7,604
Proceeds from divestment of investment/assets held for sale	22,485	-	22,485	-
Proceeds from disposal of interests in a joint venture	-	-	450	-
Proceeds from sale of other financial assets	1,751	295	4,268	9,066
Proceeds from sale of property, plant and equipment	88	262	3,001	652
Proceeds from sale of intangible assets	-	-	-	1
Proceeds from disposal of interests in a subsidiary, net of cash disposed of	5c	190,044	-	190,044
Net repayment from / (loan to) related parties	383	1,727	11,000	(14,123)
Non-trade balances with related corporations and external parties, net of repayment	11,017	(5,254)	(2,445)	(21,416)
Acquisition of subsidiaries, net of cash acquired	5b	-	(41,376)	(213,636)
Acquisition of / additional investments in joint ventures	(7,092)	(41,423)	(9,629)	(123,640)
Acquisition of other financial assets	(3,193)	(6,954)	(3,558)	(7,133)
Purchase of property, plant and equipment and investment property	(297,672)	(300,533)	(488,326)	(690,745)
Payment for intangible assets	-	(451)	(2,271)	(762)
Net cash used in investing activities	(259,745)	(146,802)	(478,078)	(840,508)
Cash flows from Financing Activities				
Proceeds from share issued to non-controlling interest of subsidiaries	1,852	1,272	2,062	28,199
Proceeds from share options exercised with issue of treasury shares	388	230	427	254
Proceeds from share options exercised with issue of treasury shares of a subsidiary	836	981	836	1,378
Purchase of treasury shares	(1,090)	-	(2,031)	(1,264)
Purchase of treasury shares by subsidiary	(828)	(475)	(2,349)	(10,980)
Proceeds from issue of perpetual securities, net of transaction costs	-	596,775	-	596,775
Proceeds from borrowings	506,614	639,599	1,471,453	1,204,882
Repayment of borrowings	(397,938)	(220,444)	(754,142)	(283,327)
Repayment of finance leases	(102)	(3,306)	(176)	(3,723)
Acquisition of non-controlling interests	-	-	-	(7,814)
Unclaimed dividends / (Dividend paid on previously unclaimed dividends)	5	(1)	2	(1)
Dividends paid to owners of the Company	(107,246)	(196,528)	(107,246)	(196,528)
Dividends paid to non-controlling interests of subsidiaries	(21,006)	(75,907)	(26,062)	(80,779)
Perpetual securities distribution paid	(14,211)	-	(19,252)	(5,041)
Interest paid	(112,629)	(55,596)	(197,096)	(93,202)
Net cash (used in) / from financing activities	(145,355)	686,600	366,426	1,148,829
Net (decrease) / increase in cash and cash equivalents	(226,515)	140,410	132,428	47,864
Cash and cash equivalents at beginning of the period	1,925,203	1,595,532	1,604,465	1,659,434
Effect of exchange rate changes on balances held in foreign currency	(17,573)	(20,722)	(55,778)	7,922
Cash and cash equivalents at end of the period	<u>1,681,115</u>	<u>1,715,220</u>	<u>1,681,115</u>	<u>1,715,220</u>

5. **CONSOLIDATED STATEMENT OF CASH FLOWS** (Cont'd)

5a. **Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of cash flows comprise the following balance sheet amounts:

	Group	
	30/06/2016	31/12/2015
	\$'000	\$'000
Fixed deposits with banks	353,078	419,074
Cash and bank balances	1,329,712	1,187,414
Cash and cash equivalents in the balance sheets	1,682,790	1,606,488
Bank overdrafts	(1,675)	(2,023)
Cash and cash equivalents in the consolidated statement of cash flows	<u>1,681,115</u>	<u>1,604,465</u>

5b. **Cash flow on acquisition of subsidiaries, net of cash acquired**

	1H 2016¹	1H 2015²
	\$'000	\$'000
Effect on cash flows of the Group		
Cash paid	119,833	232,483
Less: Cash and cash equivalents in subsidiaries acquired	(78,457)	(18,847)
Cash outflow on acquisition	<u>41,376</u>	<u>213,636</u>
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	1,739,644	720,815
Other financial assets	-	39,539
Long-term receivables and prepayments	28,830	30,385
Intangible assets	119,442	46,303
Inventories	95	-
Trade and other receivables	69,584	25,136
Tax Recoverable	-	3,548
Cash and cash equivalents	78,457	18,847
Total assets	<u>2,036,052</u>	<u>884,573</u>
Trade and other payables	139,766	86,692
Other financial liabilities	-	109
Current tax payable	7,146	775
Borrowings	1,184,678	443,627
Deferred tax liabilities	-	24,595
Retirement benefit obligations	-	96
Total liabilities	<u>1,331,590</u>	<u>555,894</u>
Net identifiable assets	704,462	328,679
Less: Non-controlling interests	(165,593)	(134,496)
Add: Goodwill	24,676	38,300
Less: Amount previously accounted for as available-for-sale financial asset and joint venture	(425,350)	-
Less: Foreign currency translation reserve realised when the joint venture became a subsidiary	(2,410)	-
Less: Gain on step up acquisition of available-for-sale financial asset and joint venture	(10,702)	-
Consideration transferred for the business	<u>125,083</u>	<u>232,483</u>

¹ Step-up of Gravifloat, previously an available-for-sale financial asset and SGPL, previously a joint venture

² Acquisition of Sembcorp Green Infra Ltd (SGI)

Note: The above are inclusive of fair value adjustments, determined on a provisional basis.

5. **CONSOLIDATED STATEMENT OF CASH FLOWS** (Cont'd)

5c. **Cash flow on sale of SBWI, net of cash disposed of**

	GROUP
	2Q15 / 1H15
	\$'000
Property, plant and equipment	359,011
Long-term receivables	10,026
Intangible assets	37,717
Deferred tax assets	19
Inventories and work-in-progress	340
Trade & other receivables	21,789
Cash & Cash equivalent	23,422
Trade & other payables	(22,369)
Current tax payable	(468)
Interest bearing borrowings	(178,540)
Deferred tax liabilities	(44,613)
Provisions	3,345
Retirement benefit obligations	(1,664)
Other long-term liabilities	(61,495)
Net assets derecognised	<u>146,520</u>
Realisation of currency translation reserve upon disposal	<u>12,240</u>
	158,760
Gain on disposal	<u>54,706</u>
Consideration received, satisfied in cash	213,466
Less: Cash and cash equivalents disposed of	<u>(23,422)</u>
Net cash inflow	<u>190,044</u>

5d. **Explanatory Notes to Consolidated Statement of Cash Flows**

(i) **Second Quarter**

The cash outflow from changes in working capital was mainly due to Marine's working capital for ongoing rig building projects and Utilities' India working capital for operations.

Net cash outflow from investing activities for 2Q16 was \$259.7 million, mainly from purchase of property, plant and equipment primarily for the expansion and operation of Marine's yards, partially offset by proceeds from divestment of SembAP and dividends received.

(ii) **Half Year**

The cash outflow from changes in working capital was mainly due to Marine's working capital for ongoing rig building projects and Utilities' India working capital for operations.

Net cash outflow from investing activities for 1H16 was \$478.1 million, mainly from step-up acquisition of subsidiaries and purchase of property, plant and equipment primarily for the expansion and operation of Marine's yards, partially offset by proceeds from divestment of SembAP and dividends received.

(iii) **Significant non-cash transactions**

There was no material non-cash transaction other than those disclosed in the cashflow statement.

6. STATEMENTS OF CHANGES IN EQUITY

6a. Statements of Changes in Equity of the Group

	Attributable to owners of the Company									
	Other reserves				Revenue reserve	Total	Perpetual securities	Non-controlling		Total equity
	Share capital	Reserve for own shares	Currency translation reserve					Others	Total	
			\$'000	\$'000	\$'000	\$'000	\$'000			\$'000
1Q16										
At January 1, 2016	565,572	(8,645)	(84,321)	(49,972)	5,207,742	5,630,376	802,688	6,433,064	1,610,430	8,043,494
Total comprehensive income										
Profit for the period	-	-	-	-	107,034	107,034	-	107,034	24,011	131,045
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	(97,428)	-	-	(97,428)	-	(97,428)	(21,089)	(118,517)
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	1,653	-	-	1,653	-	1,653	-	1,653
Net change in fair value of cash flow hedges	-	-	-	6,602	-	6,602	-	6,602	11,116	17,718
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	24,079	-	24,079	-	24,079	441	24,520
Net change in fair value of available-for-sale financial assets	-	-	-	(11,370)	-	(11,370)	-	(11,370)	(7,742)	(19,112)
Share of other comprehensive of associates and joint ventures	-	-	-	(20,627)	-	(20,627)	-	(20,627)	-	(20,627)
Total other comprehensive income	-	-	(95,775)	(1,316)	-	(97,091)	-	(97,091)	(17,274)	(114,365)
Total comprehensive income	-	-	(95,775)	(1,316)	107,034	9,943	-	9,943	6,737	16,680
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	-	-	-	-	-	-	-	-	210	210
Share-based payments	-	-	-	4,679	-	4,679	-	4,679	534	5,213
Purchase of treasury shares	-	(941)	-	-	-	(941)	-	(941)	-	(941)
Treasury shares transferred to employees	-	9,107	-	(9,068)	-	39	-	39	-	39
Treasury shares of a subsidiary	-	-	-	(928)	-	(928)	-	(928)	(593)	(1,521)
Non-controlling interests of subsidiary acquired	-	-	-	-	-	-	-	-	165,593	165,593
Acquisition of non-controlling interests	-	-	-	(603)	-	(603)	-	(603)	590	(13)
Put liability to acquire non-controlling interests	-	-	-	(749)	-	(749)	-	(749)	-	(749)
Realisation of reserve upon disposal of subsidiary	-	-	-	(25)	-	(25)	-	(25)	(6,311)	(6,336)
Realisation of reserve when a joint venture became a subsidiary	-	-	2,410	-	-	2,410	-	2,410	-	2,410
Perpetual securities distribution paid	-	-	-	-	-	-	(5,041)	(5,041)	-	(5,041)
Accrued perpetual securities distribution	-	-	-	-	(9,699)	(9,699)	9,699	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(7,456)	(7,456)
Unclaimed dividends	-	-	-	-	(3)	(3)	-	(3)	-	(3)
Total transactions with owners	-	8,166	2,410	(6,694)	(9,702)	(5,820)	4,658	(1,162)	145,187	144,025
At March 31, 2016	565,572	(479)	(177,686)	(57,982)	5,305,074	5,634,499	807,346	6,441,845	1,762,354	8,204,199
2Q16										
Total comprehensive income										
Profit for the period	-	-	-	-	86,456	86,456	-	86,456	8,302	94,758
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	(88,304)	-	-	(88,304)	-	(88,304)	(22,580)	(110,884)
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	(1,514)	-	-	(1,514)	-	(1,514)	-	(1,514)
Net change in fair value of cash flow hedges	-	-	-	31,650	-	31,650	-	31,650	6,034	37,684
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	11,108	-	11,108	-	11,108	251	11,359
Net change in fair value of available-for-sale financial assets	-	-	-	(5,398)	-	(5,398)	-	(5,398)	(2,691)	(8,089)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	4,686	-	4,686	-	4,686	3,061	7,747
Share of other comprehensive of associates and joint ventures	-	-	-	(1,852)	-	(1,852)	-	(1,852)	-	(1,852)
Total other comprehensive income	-	-	(89,818)	40,194	-	(49,624)	-	(49,624)	(15,925)	(65,549)
Total comprehensive income	-	-	(89,818)	40,194	86,456	36,832	-	36,832	(7,623)	29,209
Transactions with owners of the Company, recognised directly in equity										
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	1,852	1,852
Share-based payments	-	-	-	5,268	-	5,268	-	5,268	1,386	6,654
Purchase of treasury shares	-	(1,090)	-	-	-	(1,090)	-	(1,090)	-	(1,090)
Treasury shares transferred to employees	-	1,114	-	(726)	-	388	-	388	-	388
Treasury shares of a subsidiary	-	-	-	5	-	5	-	5	1	6
Acquisition of non-controlling interests	-	-	-	23,786	-	23,786	-	23,786	(157,854)	(134,068)
Put liability to acquire non-controlling interests	-	-	-	(175)	-	(175)	-	(175)	-	(175)
Perpetual securities distribution paid	-	-	-	-	-	-	(14,211)	(14,211)	-	(14,211)
Accrued perpetual securities distribution	-	-	-	-	(9,698)	(9,698)	9,699	1	-	1
Dividend paid	-	-	-	-	(107,246)	(107,246)	-	(107,246)	(18,606)	(125,852)
Unclaimed dividends	-	-	-	-	5	5	-	5	-	5
Total transactions with owners	-	24	-	28,158	(116,939)	(88,757)	(4,512)	(93,269)	(173,221)	(266,490)
At June 30, 2016	565,572	(455)	(267,504)	10,370	5,274,591	5,582,574	802,834	6,385,408	1,581,510	7,966,918

6. STATEMENTS OF CHANGES IN EQUITY (Cont'd)

6a. Statements of Changes in Equity of the Group (Cont'd)

	Attributable to owners of the Company									
	Other reserves						Perpetual securities	Non-controlling		
	Share capital	Currency translation		Others	Revenue reserve	Total		Total	interests	Total equity
		Reserve for own shares	reserve							
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
1Q15										
At January 1, 2015	565,572	(15,041)	(200,461)	85,205	4,978,291	5,413,566	202,565	5,616,131	1,616,143	7,232,274
Total comprehensive income										
Profit for the period	-	-	-	-	142,211	142,211	-	142,211	45,446	187,657
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	178,521	-	-	178,521	-	178,521	53,566	232,087
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	5,088	-	-	5,088	-	5,088	-	5,088
Net change in fair value of cash flow hedges	-	-	-	(20,644)	-	(20,644)	-	(20,644)	(14,777)	(35,421)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	31,029	-	31,029	-	31,029	407	31,436
Net change in fair value of available-for-sale financial assets	-	-	-	826	-	826	-	826	486	1,312
Defined benefit plan actuarial gains and losses	-	-	-	-	(6,484)	(6,484)	-	(6,484)	-	(6,484)
Share of other comprehensive of associates and joint ventures	-	-	-	(36,754)	-	(36,754)	-	(36,754)	-	(36,754)
Total other comprehensive income	-	-	183,609	(25,543)	(6,484)	151,582	-	151,582	39,682	191,264
Total comprehensive income	-	-	183,609	(25,543)	135,727	293,793	-	293,793	85,128	378,921
Transactions with owners of the Company, recognised directly in equity										
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	26,927	26,927
Share-based payments	-	-	-	4,513	-	4,513	-	4,513	713	5,226
Purchase of treasury shares	-	(1,264)	-	-	-	(1,264)	-	(1,264)	-	(1,264)
Treasury shares transferred to employees	-	11,799	-	(11,775)	-	24	-	24	-	24
Treasury shares of a subsidiary	-	-	-	(6,165)	-	(6,165)	-	(6,165)	(3,943)	(10,108)
Non-controlling interests of subsidiary acquired	-	-	-	-	-	-	-	-	134,655	134,655
Acquisition of non-controlling interests	-	-	-	6,702	-	6,702	-	6,702	(14,676)	(7,974)
Perpetual securities distribution paid	-	-	-	-	-	-	(5,041)	(5,041)	-	(5,041)
Accrued perpetual securities distribution	-	-	-	-	(2,497)	(2,497)	2,497	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(4,872)	(4,872)
Total transactions with owners	-	10,535	-	(6,725)	(2,497)	1,313	(2,544)	(1,231)	138,804	137,573
At March 31, 2015	565,572	(4,506)	(16,852)	52,937	5,111,521	5,708,672	200,021	5,908,693	1,840,075	7,748,768
2Q15										
Total comprehensive income										
Profit for the period	-	-	-	-	223,563	223,563	-	223,563	49,601	273,164
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	(143,977)	-	-	(143,977)	-	(143,977)	(45,644)	(189,621)
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	(3,759)	-	-	(3,759)	-	(3,759)	-	(3,759)
Net change in fair value of cash flow hedges	-	-	-	41,420	-	41,420	-	41,420	21,139	62,559
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	17,770	-	17,770	-	17,770	400	18,170
Net change in fair value of available-for-sale financial assets	-	-	-	(4,675)	-	(4,675)	-	(4,675)	(1,159)	(5,834)
Defined benefit plan actuarial gains and losses	-	-	-	-	1,354	1,354	-	1,354	-	1,354
Share of other comprehensive of associates and joint ventures	-	-	-	(2,603)	-	(2,603)	-	(2,603)	-	(2,603)
Total other comprehensive income	-	-	(147,736)	51,912	1,354	(94,470)	-	(94,470)	(25,264)	(119,734)
Total comprehensive income	-	-	(147,736)	51,912	224,917	129,093	-	129,093	24,337	153,430
Transactions with owners of the Company, recognised directly in equity										
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	1,272	1,272
Issue of perpetual securities	-	-	-	-	-	-	596,775	596,775	-	596,775
Share-based payments	-	-	-	3,976	-	3,976	-	3,976	760	4,736
Treasury shares transferred to employees	-	948	-	(718)	-	230	-	230	-	230
Treasury shares of a subsidiary	-	-	-	310	-	310	-	310	197	507
Realisation of reserve upon disposal of subsidiaries	-	-	12,240	-	-	12,240	-	12,240	-	12,240
Realisation of reserve upon liquidation of subsidiary	-	-	(4)	-	-	(4)	-	(4)	-	(4)
Accrued perpetual securities distribution	-	-	-	-	(5,834)	(5,834)	5,834	-	-	-
Dividend paid	-	-	-	-	(196,528)	(196,528)	-	(196,528)	(75,907)	(272,435)
Unclaimed dividends	-	-	-	-	(1)	(1)	-	(1)	-	(1)
Total transactions with owners	-	948	12,236	3,568	(202,363)	(185,611)	602,609	416,998	(73,678)	343,320
At June 30, 2015	565,572	(3,558)	(152,352)	108,417	5,134,075	5,652,154	802,630	6,454,784	1,790,734	8,245,518

6. STATEMENTS OF CHANGES IN EQUITY (Cont'd)

6b. Statements of Changes in Equity of the Company

	Attributable to owners of the Company							
	Share capital	Other reserves			Revenue reserve	Total	Perpetual securities	Total
		own shares	Others					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
1Q16								
At January 1, 2016	565,572	(8,645)	(5,015)	1,756,013	2,307,925	802,688	3,110,613	
Total comprehensive income								
Profit for the period	-	-	-	25,785	25,785	-	25,785	
Other comprehensive income								
Net change in fair value of cash flow hedges	-	-	-	-	-	-	-	
Total other comprehensive income	-	-	-	-	-	-	-	
Total comprehensive income	-	-	-	25,785	25,785	-	25,785	
Transactions with owners of the Company, recognised directly in equity								
Share-based payments	-	-	3,521	-	3,521	-	3,521	
Purchase of treasury shares	-	(941)	-	-	(941)	-	(941)	
Treasury shares transferred to employees	-	9,107	(9,068)	-	39	-	39	
Perpetual securities distribution paid	-	-	-	-	-	(5,041)	(5,041)	
Accrued perpetual securities distribution	-	-	-	(9,699)	(9,699)	9,699	-	
Unclaimed dividends	-	-	-	(3)	(3)	-	(3)	
Total transactions with owners	-	8,166	(5,547)	(9,702)	(7,083)	4,658	(2,425)	
At March 31, 2016	565,572	(479)	(10,562)	1,772,096	2,326,627	807,346	3,133,973	
2Q16								
Total comprehensive income								
Profit for the period	-	-	-	79,724	79,724	-	79,724	
Other comprehensive income								
Net change in fair value of cash flow hedges	-	-	-	-	-	-	-	
Total other comprehensive income, net of tax	-	-	-	-	-	-	-	
Total comprehensive income	-	-	-	79,724	79,724	-	79,724	
Transactions with owners of the Company, recognised directly in equity								
Share-based payments	-	-	3,431	-	3,431	-	3,431	
Purchase of treasury shares	-	(1,090)	-	-	(1,090)	-	(1,090)	
Treasury shares transferred to employees	-	1,114	(726)	-	388	-	388	
Perpetual securities distribution paid	-	-	-	-	-	(14,211)	(14,211)	
Accrued perpetual securities distribution	-	-	-	(9,698)	(9,698)	9,699	1	
Dividends paid	-	-	-	(107,246)	(107,246)	-	(107,246)	
Unclaimed dividends	-	-	-	5	5	-	5	
Total transactions with owners	-	24	2,705	(116,939)	(114,210)	(4,512)	(118,722)	
At June 30, 2016	565,572	(455)	(7,857)	1,734,881	2,292,141	802,834	3,094,975	
	Attributable to owners of the Company							
	Share capital	Other reserves			Revenue reserve	Total	Perpetual securities	Total
		own shares	Others					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
1Q15								
At January 1, 2015	565,572	(15,041)	(7,345)	1,383,446	1,926,632	202,565	2,129,197	
Total comprehensive income								
Profit for the period	-	-	-	45,541	45,541	-	45,541	
Other comprehensive income								
Net change in fair value of cash flow hedges	-	-	(491)	-	(491)	-	(491)	
Total other comprehensive income	-	-	(491)	-	(491)	-	(491)	
Total comprehensive income	-	-	(491)	45,541	45,050	-	45,050	
Transactions with owners of the Company, recognised directly in equity								
Share-based payments	-	-	3,308	-	3,308	-	3,308	
Purchase of treasury shares	-	(1,264)	-	-	(1,264)	-	(1,264)	
Treasury shares transferred to employees	-	11,799	(11,775)	-	24	-	24	
Perpetual securities distribution paid	-	-	-	-	-	(5,041)	(5,041)	
Accrued perpetual securities distribution	-	-	-	(2,497)	(2,497)	2,497	-	
Total transactions with owners	-	10,535	(8,467)	(2,497)	(429)	(2,544)	(2,973)	
At March 31, 2015	565,572	(4,506)	(16,303)	1,426,490	1,971,253	200,021	2,171,274	
2Q15								
Total comprehensive income								
Profit for the period	-	-	-	178,475	178,475	-	178,475	
Other comprehensive income								
Net change in fair value of cash flow hedges	-	-	961	-	961	-	961	
Total other comprehensive income	-	-	961	-	961	-	961	
Total comprehensive income	-	-	961	178,475	179,436	-	179,436	
Transactions with owners of the Company, recognised directly in equity								
Issue of perpetual securities	-	-	-	-	-	596,775	596,775	
Share-based payments	-	-	3,432	-	3,432	-	3,432	
Treasury shares transferred to employees	-	948	(718)	-	230	-	230	
Accrued perpetual securities distribution	-	-	-	(5,834)	(5,834)	5,834	-	
Dividends paid	-	-	-	(196,528)	(196,528)	-	(196,528)	
Unclaimed dividends	-	-	-	(1)	(1)	-	(1)	
Total transactions with owners	-	948	2,714	(202,363)	(198,701)	602,609	403,908	
At June 30, 2015	565,572	(3,558)	(12,628)	1,402,602	1,951,988	802,630	2,754,618	

6. STATEMENTS OF CHANGES IN EQUITY (Cont'd)

6c. Changes in the Company's share capital

Issued and paid up capital

As at June 30, 2016, the Company's issued and paid up capital excluding treasury shares comprises 1,787,387,694 (December 31, 2015: 1,785,176,479) ordinary shares.

Share Options

During 2Q16, 153,750 (2Q15: 91,500) share options under the Company's Share Option Plan ("SOP") were exercised and settled by way of issuance of treasury shares.

As at June 30, 2016, there were nil (June 30, 2015: 569,799) unissued ordinary shares under options granted to eligible employees and directors under the Company's SOP. All options have expired as of June 2016.

Performance Shares

During 2Q16, 987,000 (2Q15: 800,000) performance shares were awarded under the Company's Performance Share Plan ("PSP"), nil (2Q15: nil) performance shares were released and 25,000 (2Q15: nil) performance shares were lapsed.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at June 30, 2016, was 2,418,250 (June 30, 2015: 2,050,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,627,375 (June 30, 2015: 3,075,000) performance shares.

Restricted Shares

During 2Q16, 3,980,832 (2Q15: 3,200,700) restricted shares were awarded under the Restricted Share Plan ("RSP"), 222,600 (2Q15: 126,153) restricted shares were released and 54,443 (2Q15: 33,387) restricted shares were lapsed. Of the restricted shares released, 222,600 (2Q15: 119,000) were settled by way of issuance of treasury shares and nil (2Q15: 7,153) restricted shares were cash-settled.

In 2Q16, 1,500 (2Q15: nil) restricted shares were awarded for the over-achievement of the performance targets.

The total number of restricted shares outstanding, including awards achieved but not released, as at end June 30, 2016 was 9,231,036 (June 30, 2015: 7,900,396). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,782,607 (June 30, 2015: 5,306,800). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 10,173,911 (June 30, 2015: 7,960,200) restricted shares.

Treasury shares

During 2Q16, the Company acquired 400,000 (2Q15: nil) ordinary shares in the Company by way of on-market purchases. 376,350 (2Q15: 210,500) treasury shares were re-issued pursuant to the SOP and RSP.

As at June 30, 2016, 160,038 (June 30, 2015: 789,643) treasury shares were held that may be re-issued upon the exercise of options under the SOP and upon the vesting of performance shares and restricted shares under the PSP and RSP respectively.

7. AUDIT

The figures have not been audited or reviewed by the Company's auditors.

8. AUDITORS' REPORT

Not applicable.

9. ACCOUNTING POLICIES

Except as disclosed in paragraph 10 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at December 31, 2015.

10. CHANGES IN ACCOUNTING POLICIES

The following new/amended FRSs have become effective from January 1, 2016.

Amendments to FRSs

- FRS 1	Presentation of Financial Statements
- FRS 16	Property, Plant and Equipment
- FRS 27	Separate Financial Statements
- FRS 28	Investments in Associates and Joint Ventures
- FRS 38	Intangible Assets
- FRS 110	Consolidated Financial Statements
- FRS 111	Joint Arrangements
- FRS 112	Disclosure of Interests in Other Entities

Improvements to FRSs (November 2014)

- FRS 19	Employee Benefit Plans: Employee Contributions
- FRS 105	Non-current Assets Held for Sale and Discontinued Operations

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

11. REVIEW OF GROUP PERFORMANCE

Group Overview

The Group reported a net profit of \$193.5 million in 1H16 compared to 1H15's net profit of \$365.8 million, while turnover decreased 21% to \$3.7 billion from \$4.7 billion the previous year. In 2Q16, the Group's net profit was \$86.5 million compared to \$223.6 million in 2Q15, while turnover decreased 23% to \$1.8 billion.

Turnover

	<u>2Q16</u>	<u>2Q15</u>	<u>Growth</u>		<u>1H16</u>	<u>1H15</u>	<u>Growth</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Utilities	894,668	1,123,569	(228,901)	(20)	1,789,669	2,081,957	(292,288)	(14)
Marine	908,047	1,207,306	(299,259)	(25)	1,826,455	2,510,776	(684,321)	(27)
Urban Development	1,481	1,934	(453)	(23)	2,790	3,344	(554)	(17)
Others/Corporate	42,307	55,139	(12,832)	(23)	122,814	129,948	(7,134)	(6)
	1,846,503	2,387,948	(541,445)	(23)	3,741,728	4,726,025	(984,297)	(21)

The Utilities' turnover in 2Q16 and 1H16 was lower primarily due to Singapore operations' lower HSFO prices recorded during the period, partially mitigated by higher contribution from India operations.

Marine's turnover for 2Q16 and 1H16 decreased mainly due to lower revenue recognition for rig building projects resulting from customer deferment requests. For the offshore platform projects, turnover was higher in 2Q16 and 1H16.

Turnover of Others/Corporate was mainly contributed by a subsidiary dealing in specialized construction activities. Decrease in turnover in 2Q16 and 1H16 was mainly due to timing difference in recognition of projects.

11. REVIEW OF GROUP PERFORMANCE (Cont'd)

Net profit attributable to owners of the Company ("Net Profit")

	2Q16	2Q15	Growth		1H16	1H15	Growth	
	\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000	%
Utilities	74,645	141,454	(66,809)	(47)	149,871	215,986	(66,115)	(31)
Marine	7,055	66,716	(59,661)	(89)	40,567	131,380	(90,813)	(69)
Urban Development	6,199	11,910	(5,711)	(48)	7,422	12,979	(5,557)	(43)
Others/Corporate	(1,443)	3,483	(4,926)	NM	(4,370)	5,429	(9,799)	NM
	86,456	223,563	(137,107)	(61)	193,490	365,774	(172,284)	(47)

Utilities' net profit in 2Q16 and 1H16 was lower compared to 2Q15 and 1H15 mainly due the \$54.7 million gain from the divestment of SBWI recognised in 2Q15. Singapore operations remained weak on lower turnover and lower profit from operations. Overseas operations in India, China and the Middle East performed better, while net profit from the Rest of Asia declined mainly due to the absence of contribution from SembSita Pacific Pte Ltd (SembSita), which was divested in 4Q15.

Marine's net profit for 2Q16 and 1H16 decreased mainly due to lower contribution from rig building projects resulting from customer deferment requests, higher finance costs, impairment of available-for-sale financial assets and share of losses from associates. These are offset by gain on deemed disposal of available-for-sale financial asset arising from the step-up acquisition of Gravifloat.

Urban Development's net profit in 2Q16 and 1H16 decreased mainly due to lower contribution from its Nanjing Eco Hi-tech Island project.

Net loss for Others/Corporate in 1H16 included the mark-to-market impairment for Gallant Venture of \$5.8 million and lower contribution from our offshore engineering business compared to 1H15.

12. VARIANCE FROM PROSPECT STATEMENT

There is no material change from the previous prospect statement.

13. PROSPECTS

Utilities

The Singapore utilities business continues to face intense competition in the power market.

In India, the SGPL power plant will be completed by the end of the year. SGPL is working to secure long-term power purchase agreements. TPCIL will see a full year's contribution underpinned by secured long-term contracts.

Meanwhile, Utilities' operations in China are expected to deliver a steady performance.

Marine

The global oil and gas industry remains subdued and uncertain. Sembcorp Marine remains focused on delivering from its order backlog with net orders totaling S\$9.2 billion as at end-June 2016. The business' recent significant and successful project deliveries have improved cash flow. During these challenging times, the Marine business will continue to focus on costs, liquidity and balance sheet management.

Sembcorp Marine's strategic investments in infrastructure and technology over the years have enhanced its resilience to navigate through these tough times. The business has gone through several down-cycles in the past and have built up a strong core that will enable it to weather the elements during this difficult period.

Urban Development

The Urban Development business is expected to deliver a steady operating performance in 2016.

Group

The current market environment remains challenging. With our strategic presence in key emerging markets and strong capabilities, the Group is confident that it will continue to create and deliver long-term value and growth.

This release contains forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, exchange rate movement, availability and cost of fuel and materials, cost of capital and capital availability, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy, directives and changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of the management on future events and impact on the Group.

14. **DIVIDEND**

(a) **Current Financial Period Reported On**

Name of Dividend	2016 Interim Ordinary Exempt-1-Tier
Dividend Type	Cash
Dividend Amount (cents per shares)	4.0

(b) **Corresponding Period of the Immediately Preceding Financial Year**

Name of Dividend	2015 Interim Ordinary Exempt-1-Tier
Dividend Type	Cash
Dividend Amount (cents per shares)	5.0

(c) **Date payable**

The interim dividend will be paid on August 31, 2016.

(d) **Books closure date**

Notice is hereby given that the Register of Members and Share Transfer Books of the Company will be closed on August 19, 2016 to determine the shareholders' entitlements to the proposed dividend. Duly completed transfers of shares received by the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01 Singapore 068902, up to 5.00 p.m. on August 18, 2016 (the "Book Closure Date") will be registered to determine shareholders' entitlements to the proposed dividend. Subject as aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on the Book Closure Date will be entitled to the proposed dividend.

15. SEGMENTAL REPORTING

1H16

(i) Operating segments

	Utilities	Marine	Urban Development	Others/ Corporate	Elimi- nation	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover						
External sales	1,789,669	1,826,455	2,790	122,814	-	3,741,728
Inter-segment sales	9,990	462	2,087	7,806	(20,345)	-
Total	1,799,659	1,826,917	4,877	130,620	(20,345)	3,741,728
Results						
Segment results	259,964	126,228	(6,446)	(7,937)	-	371,809
Finance income	13,074	3,576	106	26,317	(27,078)	15,995
Finance costs	(139,646)	(40,373)	(1,224)	(23,440)	27,078	(177,605)
	133,392	89,431	(7,564)	(5,060)	-	210,199
Share of results of associates and joint ventures, net of tax	56,955	(2,106)	16,145	2,705	-	73,699
	190,347	87,325	8,581	(2,355)	-	283,898
Tax expense	(33,734)	(21,084)	(431)	(2,846)	-	(58,095)
Non-controlling interests	(6,742)	(25,674)	(728)	831	-	(32,313)
Net profit / (loss) for the period	149,871	40,567	7,422	(4,370)	-	193,490

Assets

Segment assets	9,979,722	9,594,527	399,481	1,615,383	(1,925,967)	19,663,146
Investment in associates and joint ventures	831,893	312,051	634,413	94,795	-	1,873,152
Tax assets	56,660	25,972	660	504	-	83,796
Total assets	10,868,275	9,932,550	1,034,554	1,710,682	(1,925,967)	21,620,094

Liabilities

Segment liabilities	6,276,847	7,092,269	243,723	1,418,821	(1,925,967)	13,105,693
Tax liabilities	423,639	107,094	2,329	14,421	-	547,483
Total liabilities	6,700,486	7,199,363	246,052	1,433,242	(1,925,967)	13,653,176

Capital expenditure

	227,810	186,140	654	6,911	-	421,515
Significant non-cash items						
Depreciation and amortisation	138,479	70,553	988	5,116	-	215,136
Allowance for impairment in value of assets and assets written off (net)	9,131	8,366	84	5,771	-	23,352
Allowance made / (Written back) for doubtful debts and bad debts	2,660	268	-	(147)	-	2,781

(ii) Geographical segments

	Revenue		Non-current Assets		Total Assets		Capital Expenditure	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	1,339,107	36	4,466,685	33	10,767,803	50	103,486	25
Rest of ASEAN & Australia	166,601	4	798,670	6	942,522	4	38,589	9
China	79,186	2	1,545,226	11	1,891,823	9	36,232	9
India	422,049	11	4,709,447	34	5,596,714	26	119,772	28
Middle East & Africa	51,036	1	381,592	3	419,404	2	2,669	1
UK	355,982	10	151,327	1	261,059	1	6,385	1
Rest of Europe	847,510	23	347,579	3	381,281	2	-	-
Brazil	41,738	1	1,163,293	8	1,190,874	5	96,898	23
U.S.A.	412,866	11	5,029	-	6,766	-	7	-
Other Countries	25,653	1	152,911	1	161,848	1	17,477	4
Total	3,741,728	100	13,721,759	100	21,620,094	100	421,515	100

15. SEGMENTAL REPORTING (Cont'd)

1H15

(i) Operating segments

	Utilities	Marine	Urban Development	Others/ Corporate	Elimi- nation	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover						
External sales	2,081,957	2,510,776	3,344	129,948	-	4,726,025
Inter-segment sales	14,603	477	2,115	1,725	(18,920)	-
Total	2,096,560	2,511,253	5,459	131,673	(18,920)	4,726,025
Results						
Segment results	241,303	285,678	(4,978)	(2,492)	-	519,511
Finance income	8,968	4,747	22	28,497	(30,064)	12,170
Finance costs	(69,375)	(20,728)	(1,419)	(26,339)	30,064	(87,797)
	180,896	269,697	(6,375)	(334)	-	443,884
Share of results of associates and joint ventures, net of tax	69,091	1,252	20,362	7,845	-	98,550
	249,987	270,949	13,987	7,511	-	542,434
Tax expense	(29,148)	(48,986)	(451)	(3,028)	-	(81,613)
Non-controlling interests	(4,853)	(90,583)	(557)	946	-	(95,047)
Net profit for the period	215,986	131,380	12,979	5,429	-	365,774

Assets

Segment assets	8,280,276	8,036,453	362,549	1,888,148	(2,162,893)	16,404,533
Investment in associates and joint ventures	1,078,097	497,604	593,471	98,741	-	2,267,913
Tax assets	54,936	8,335	485	90	-	63,846
Total assets	9,413,309	8,542,392	956,505	1,986,979	(2,162,893)	18,736,292

Liabilities

Segment liabilities	5,056,654	5,046,784	174,045	1,699,188	(2,162,893)	9,813,778
Tax liabilities	403,604	257,062	1,024	15,306	-	676,996
Total liabilities	5,460,258	5,303,846	175,069	1,714,494	(2,162,893)	10,490,774

Capital expenditure

	304,814	419,702	2,658	1,835	-	729,009
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Significant non-cash items

Depreciation and amortisation	124,424	62,412	805	4,393	-	192,034
Allowance for / (Write-back of) impairment in value of assets and assets written off (net)	247	7	-	-	-	254
(Written back) / Allowance made for doubtful debts and bad debts	1,482	2,243	(101)	(13)	-	3,611

(ii) Geographical segments

	Revenue		Non-current Assets		Total Assets		Capital Expenditure	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	2,125,288	45	4,402,947	37	10,121,350	54	236,465	32
Rest of ASEAN & Australia	186,089	4	803,751	7	829,771	5	11,073	2
China	77,006	2	1,577,399	13	1,856,627	10	22,155	3
India	118,742	2	3,317,431	27	3,713,843	20	204,477	28
Middle East & Africa	57,398	1	391,746	3	442,595	2	1,086	-
UK	218,529	5	202,261	2	356,884	2	11,269	2
Rest of Europe	1,261,448	27	234,329	2	248,800	1	-	-
Brazil	40,741	1	949,343	8	993,513	5	239,587	33
U.S.A.	532,587	11	4,938	-	6,805	-	101	-
Other Countries	108,197	2	139,551	1	166,104	1	2,796	-
Total	4,726,025	100	12,023,696	100	18,736,292	100	729,009	100

15. SEGMENTAL REPORTING (Cont'd)

Notes to Segmental Analysis

15a. Operating Segments

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- (i) The Utilities segment's principal activities are in the provision of energy, water, on-site logistics and solid waste management to industrial and municipal customers. Key activities in the energy sector include power generation and retail, process steam production and supply, as well as natural gas import, supply and retail. In the water sector, the business offers wastewater treatment as well as the production and supply of reclaimed, desalinated and potable water and water for industrial use.
- (ii) The Marine segment focuses principally on providing integrated solutions for the marine and offshore industry. Key capabilities include rigs & floaters; repairs & upgrades; offshore platforms and specialized shipbuilding.
- (iii) The Urban Development segment owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Asia.
- (iv) Others / Corporate segment comprises businesses mainly relating to minting, design and construction activities, offshore engineering and others.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

15b. Geographical Segments

The Group operates in ten principal geographical areas: Singapore, Rest of ASEAN & Australia, China, India, Middle East & Africa, UK, Rest of Europe, Brazil, U.S.A and Other Countries. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and total assets are based on the geographical location of the assets.

15c. Review of segment performance

Please refer to Paragraph 11 for analysis by operating segments.

16. INTERESTED PERSON TRANSACTIONS

**Aggregate value of all interested person transactions conducted under
shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing
Manual (excluding transactions less than \$100,000)**

	2Q16	1H16
	\$'000	\$'000
<u>Sale of Goods and Services</u>		
Temasek Holdings (Private) Limited and its Associates		
- Accuron Technologies Limited and its Associates	-	105
- PSA International Pte Ltd and its Associates	1,550	2,964
- Singapore Power Limited and its Associates	4,050	10,235
- Temasek Capital (Private) Limited and its Associates	369	4,747
- Wildlife Reserves Singapore Pte Ltd and its Associates	-	238
	<hr/>	<hr/>
	5,969	18,289
Olam International Ltd and its Associates	779	1,637
Starhub Ltd and its Associates	-	633
SATS Ltd and its Associates	-	101
Singapore Telecommunications Ltd and its Associates	114,000	114,000
Singapore Airlines Limited and its Associates	-	410
Singapore Technologies Engineering Ltd and its Associates	-	1,372
	<hr/>	<hr/>
	120,748	136,442
<u>Purchase of Goods and Services</u>		
Temasek Holdings (Private) Limited and its Associates		
- Mapletree Investments Pte Ltd and its Associates	-	166
- Singapore Power Limited and its Associates	1,282	2,564
- Temasek Capital (Private) Limited and its Associates ¹	84,778	168,984
	<hr/>	<hr/>
	86,060	171,714
Singapore Technologies Engineering Ltd and its Associates	3,833	3,833
Surbana-Jurong Private Limited	638	638
	<hr/>	<hr/>
	90,531	176,185
<u>Management and Support Services</u>		
Temasek Holdings (Private) Limited and its Associates		
- Temasek Capital (Private) Limited and its Associates	296	2,205
	<hr/>	<hr/>
	211,575	314,832

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.

17. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

18. CONFIRMATION PURSUANT TO THE RULE 705(5) OF THE LISTING MANUAL

We, Ang Kong Hua, and Tang Kin Fei, being two directors of Sembcorp Industries Ltd (the "Company"), do hereby confirm on behalf of the directors of the Company, that to the best of their knowledge, nothing has come to their attention which would render the second quarter and half year ended June 30, 2016 unaudited financial results to be false or misleading.

The Board has noted that the board of directors of the Company's listed subsidiary, Sembcorp Marine Ltd, has also announced and confirmed the results for second quarter and half year ended June 30, 2016.

On behalf of the board of directors

Ang Kong Hua
Chairman

Tang Kin Fei
Director

BY ORDER OF THE BOARD

Kwong Sook May (Ms)
Company Secretary
August 2, 2016