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SUBJECT TO AMENDMENT AND COMPLETION
PRELIMINARY PRICING SUPPLEMENT DATED 2 JUNE 2021
CONFIDENTIAL

Pricing Supplement

SEMBCORP FINANCIAL SERVICES PTE. LTD.

S$3,000,000,000

Multicurrency Debt Issuance Programme

Unconditionally and irrevocably guaranteed by

SEMBCORP INDUSTRIES LTD

SERIES NO: 001

TRANCHE NO: 001

Issue of S$**[•]** **[•]** Per Cent. Fixed Rate Notes due 20[31]

Issue Price: 100 per cent.

DBS BANK LTD.

UNITED OVERSEAS BANK LIMITED

Issuing and Paying Agent
DBS Bank Ltd.
10 Toh Guan Road
#04-11 (Level 4B)
DBS Asia Gateway
Singapore 608838

The date of this Pricing Supplement is **[•]** 2021.

This Pricing Supplement relates to the Tranche of Notes referred to above.

This Pricing Supplement, under which the Notes described herein (the "**Notes**") are issued, is supplemental to, and should be read in conjunction with, the Information Memorandum (the "**Information Memorandum**") dated 3 April 2020 issued in relation to the S$3,000,000,000 Multicurrency Debt Issuance Programme of Sembcorp Financial Services Pte. Ltd., the "**Issuer**"), unconditionally and irrevocably guaranteed by Sembcorp Industries Ltd (the "**Guarantor**"). Terms defined in the Information Memorandum have the same meaning in this Pricing Supplement. The Notes will be issued on the terms of this Pricing Supplement read together with the Information Memorandum. In the event of any inconsistency between the Information Memorandum and the Pricing Supplement, the Pricing Supplement shall prevail. The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement which, when read together with the Information Memorandum, contains information that is material in the context of the issue of the Notes.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Pricing Supplement in any jurisdiction where such action is required.

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from any of the Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the "**ITA**"), shall not apply if such person acquires such Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.

Notification under Section 309B of the Securities and Futures Act, Chapter 289 of Singapore: The Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRIIPs REGULATION - PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs REGULATION - PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the EU Prospectus Regulation as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

SEMBCORP FINANCIAL SERVICES PTE. LTD.

Signed: ________________________________

Eugene Cheng Chee Mun (Zheng Zhiwen)
Director

Signed: ________________________________

Thoh Jing Li
Department Head of Group Corporate Finance and Treasury

SEMBCORP INDUSTRIES LTD

Signed: ________________________________

Wong Kim Yin
Director

Signed: ________________________________

Looi Lee Hwa
General Counsel

The terms of the Notes and additional provisions relating to their issue are as follows:

1.	Issuer:		Sembcorp Financial Services Pte. Ltd.
2.	Guarantor:		Sembcorp Industries Ltd
3.	Series No.:		001
4.	Tranche No.:		001
5.	Currency:		Singapore Dollars ("**S$**")
6.	Principal Amount of Series:		S$**[•]**
7.	Principal Amount of Tranche:		S$**[•]**
8.	Denomination Amount:		S$250,000
9.	Calculation Amount (if different from Denomination Amount):		Not Applicable
10.	Issue Date:		**[•]** 2021
11.	Redemption Amount (including early redemption):		Denomination Amount
12.	Interest Basis:		Fixed Rate
13.	Interest Commencement Date:		**[•]** 2021
14.	Fixed Rate Note		Applicable
	(a)	Maturity Date:	**[•]** 20[31]
	(b)	Day Count Fraction:	Actual/365 (Fixed)
	(c)	Interest Payment Date(s):	Semi-annually in arrear on **[•]** and **[•]** in each year up to and including the Maturity Date
	(d)	Initial Broken Amount:	Not applicable
	(e)	Final Broken Amount:	Not applicable
	(f)	Interest Rate:	**[•]** per cent. per annum
15.	Floating Rate Note		Not applicable

16.	Variable Rate Note	Not applicable
17.	Hybrid Note	Not applicable
18.	Zero Coupon Note	Not applicable
19.	Issuer's Redemption Option	No
	Issuer's Redemption Option Period (Condition 6(d)):	Not applicable
20.	Noteholders' Redemption Option	No
	Noteholders' Redemption Option Period (Condition 6(e)):	Not applicable
21.	Issuer's Purchase Option	No
	Issuers' Purchase Option Period (Condition 6(b)):	Not applicable
22.	Noteholders' VRN Purchase Option	No
	Noteholders' VRN Purchase Option Period (Condition 6(c)(i)):	Not applicable
23.	Noteholders' Purchase Option	No
	Noteholders' Purchase Option Period (Condition 6(c)(ii):	Not applicable
24.	Redemption for Taxation Reasons:	Yes
25.	Form of Notes	Bearer The Notes will be represented on issue by a Permanent Global Security
26.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	No
27.	Applicable TEFRA exemption:	C Rules
28.	Listing:	Singapore Exchange Securities Trading Limited
29.	ISIN Code:	**[•]**
30.	Common Code:	**[•]**

31.	Clearing System(s):	The Central Depository (Pte) Limited
32.	Depository:	The Central Depository (Pte) Limited
33.	Delivery:	Delivery free of payment
34.	Method of issue of Notes:	Syndicated Issue
35.	The following Dealer(s) are subscribing the Notes:	DBS Bank Ltd. United Overseas Bank Limited
36.	Stabilising Manager (if any)	Not applicable
37.	Prohibition of Sales to EEA and UK Retail Investors	Applicable
38.	The aggregate principal amount of Notes issued has been translated in Singapore dollars at the rate of [•] producing a sum of (for Notes not denominated in Singapore dollars):	Not applicable
39.	Use of proceeds:	Please refer to Schedule 1 to this Pricing Supplement
40.	Private Bank Selling Commission	Not applicable
41.	Other terms:	Please refer to Schedules 1 to 4 to this Pricing Supplement
	Details of any additions or variations to terms and conditions of the Notes as set out in the Information Memorandum:	None
	Any additions or variations to the selling restrictions:	None

SCHEDULE 1 TO THE PRICING SUPPLEMENT
SUPPPLEMENTARY DISCLOSURE

The Information Memorandum is hereby supplemented with the following information, which shall be deemed to be incorporated in, and to form part of, the Information Memorandum. Save as otherwise defined herein, terms defined in the Information Memorandum have the same meaning when used in this Schedule.

1. The section "*Definitions*" appearing on pages 7 to 12 of the Information Memorandum shall be deemed to be supplemented with the following:

""**Demerger**"	:	The demerger of Sembcorp Marine from Sembcorp Industries as described in Section 6 under the section "Sembcorp Industries Ltd" of this Information Memorandum"

2. The definition of "Marine business" appearing in the section entitled "*Definitions*" appearing on page 9 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

   "The Group's marine business, which has been divested pursuant to the Demerger".

3. The definition of "Sembcorp Marine" appearing in the section entitled "*Definitions*" appearing on page 10 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

   "Sembcorp Marine Ltd, a former subsidiary of Sembcorp Industries Ltd which has been divested pursuant to the Demerger and which is listed on the SGX-ST".

4. The first paragraph appearing in the section entitled "*Investment Considerations – Investment considerations relating to the Group*" appearing on pages 13 to 14 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

   "The Group comprises companies that are involved in and have interests in many businesses in energy and urban development. The Group operates in both Singapore and overseas. Notwithstanding the industries and countries referred to in this Information Memorandum, the Group may in future expand its businesses to include other industries and countries. The risk profile of the Group therefore, will encompass the risks involved in each of the countries, industries or businesses that the Group operates in. The results of operations, businesses, assets, financial condition, performance or prospects of the Group may be adversely affected by any of such risks. Adverse economic developments, locally and/or globally, in the countries or industries that the businesses operate in may also have a material adverse effect on the operating results, businesses, assets, financial condition, performance or prospects of the Group."

5. The section entitled "*Investment Considerations – Investment considerations relating to the Group – The Group's earnings may be affected by general economic and business conditions in markets in which it operates, such as Singapore, rest of Southeast Asia, China, India, UK, Brazil and Rest of the World.*" appearing on pages 14 to 15 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"*The Group's earnings may be affected by general economic and business conditions in markets in which it operates, such as Singapore, rest of Southeast Asia, China, India, UK and Rest of the World[1].*

Significant dislocations and liquidity disruptions in the United States and Europe in recent years have created increasingly difficult conditions in the financial markets. In addition, global markets have experienced significant volatility in recent years and growth in major economies has slowed moderately toward their longer-term growth rates. On 31 January 2020, the UK withdrew from the European Union ("**Brexit**") and entered into a "transition period" which had expired on 31 December 2020. Brexit has and may continue to have a negative economic impact and increase volatility in the global market. Although the European Union and the UK agreed to an EU-UK Trade and Cooperation Agreement on 24 December 2020, some aspects are still to be ratified and it is not yet fully certain what arrangements will define the future relationship between the European Union and the UK, or the length of time that this may take. The effect of Brexit remains uncertain, and it is not possible to determine the impact that Brexit may have on the wider global financial markets or on the operating results, businesses, assets, financial condition, performance or prospects of the Group.

Trade friction remains elevated among the largest trading partners in the world, the U.S. and China, with potential negative impact on global growth. Volatility in China's growth or downside risks such as a credit crunch could have a considerable impact on regional economies and commodity prices. The slower growth trajectory of the U.S. could leave the economy more vulnerable to a large negative confidence shock. Growth and financial performance in emerging markets, Asia and trade-exposed economies such as Singapore are particularly vulnerable to disruptions to global trade flows, capital flows, business investments and global supply chains in the event of an escalation in trade tensions or a protracted slowdown. There is less fiscal and monetary policy space for policymakers in developed economies to respond to the next slowdown as compared to the last global shock. This could potentially result in a more prolonged recession if the global economy experiences another negative growth shock. Geopolitics also continues to be an area of concern, including ongoing threats of terrorism, instability in the Middle East and tensions in the Korean peninsula. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity, restrict the ability of key market participants to operate in certain financial markets or restrict the Group's access to capital. These conditions have resulted in higher historic volatility, less liquidity, widening of credit spreads and a lack of price transparency in certain markets.

As witnessed by the previous global financial crisis, an economic downturn could bring about, among other things, significant reductions in and heightened credit quality standards for available capital and liquidity from banks and other providers of credit, substantial reductions and/or fluctuations in equity and currency values worldwide, and concerns that the worldwide economy may enter into a prolonged recessionary period. Such events may make it difficult for the Group to raise additional capital or obtain additional credit, when needed, on acceptable terms or at all.

[1] "Rest of the World" comprises Australia, Bangladesh and Middle East.

As at 31 December 2020, approximately 22% of the Group's total assets are located in Singapore and 78% are located overseas. The fundamentals for the Group's businesses remain sound as its Energy business has both short and long term customer contracts. The Group's customers may default in their contracts/payments with the Group, close their plants or reduce their off-take from the Group. It is difficult to predict how long these conditions will exist and how the Group's related markets, products and businesses will be adversely affected. These conditions may be exacerbated by persisting volatility in the financial sector and the capital markets. Accordingly, these conditions could cause a decrease in demand for the Group's products and services, thereby adversely affecting the Group's earnings."

6. The section entitled "*Investment Considerations – Investment considerations relating to the Group – Terrorist attacks, other acts of violence or war and adverse political developments, pandemic or endemic outbreaks of avian influenza, coronavirus such as COVID-19 or other infectious diseases, or any other serious public health concerns in Asia and elsewhere could adversely impact the Group's operating results, businesses, assets, financial condition, performance or prospects.*" appearing on page 18 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"Terrorist attacks, including in the United States and Europe, have resulted in substantial and continuing economic volatility and social unrest globally. The political unrest and terrorist attacks in certain regions in Asia have exacerbated this volatility. Additionally, a coup d'état in Myanmar began in February 2021, when Myanmar's military seized control of the government, detaining members of the National League for Democracy party and proclaiming a year-long state of emergency. Civil resistance efforts have emerged within Myanmar, in opposition to the coup, including public protests and labour strikes, while the Burmese military has responded violently in putting down dissent, resulting in multiple deaths since the coup. This has also resulted in a disruption to the economy, contributed to in part by interruption of business operations, curfews, internet restrictions, sanctions and a drop in foreign direct investments. Sembcorp through its subsidiary, Sembcorp Myingyan Power Company Limited, operates a 225 megawatt ("**MW**") gas-fired power plant in Mandalay, Myanmar, which commenced full commercial operation in October 2018. There is no assurance that the power plant will be able to continue operations if the situation worsens.

Further developments stemming from these events or other similar events could cause further volatility. The direct and indirect consequences of any of these terrorist attacks or armed conflicts are unpredictable, and the Group may not be able to foresee events that could have an adverse effect on the operating results, businesses, assets, financial condition, performance or prospects of the Group.

An increase in the frequency, severity or geographic reach of terrorist acts or armed conflicts could destabilise the jurisdictions in which the Group operates. Such developments and any additional significant military or other response by the U.S., its allies and/or any other parties could also materially and adversely affect international financial markets and the Singapore economy, and may adversely affect the operations, revenues and profitability of the Group.

The Group's business could also be adversely affected by the effects of coronavirus, avian influenza, Severe Acute Respiratory Syndrome, H1N1 Influenza, Ebola, Zika virus, Middle East Respiratory Syndrome or other similar pandemic or endemic outbreaks of infectious diseases. In particular, the COVID-19 outbreak which surfaced in December 2019 was declared a pandemic by the World Health Organisation in March 2020. There have been border controls and travel restrictions imposed by various countries as a result of the COVID-19 outbreak. Such outbreak of an infectious disease together with any resulting restrictions on travel and/or imposition of quarantine measures may result in protracted volatility in international markets and/or result in a global recession as a consequence of disruptions to travel and retail segments, tourism, and manufacturing supply chains and may adversely impact the operations, revenues, cashflows and profitability of the Group. There can be no assurance that any precautionary or other measures taken against infectious diseases would be effective.

The COVID-19 pandemic has caused stock markets worldwide to lose significant value and impacted economic activity worldwide, and it is possible that the pandemic will continue to cause a prolonged global economic crisis or recession. According to the International Energy Agency, with the recovery of the world economy in 2021, demand for electricity is expected to rebound in 2021, following a decline in 2020 due to the measures taken against COVID-19. However, significant challenges remain for economies around the world. Uncertainties continue to persist with regard to the strength of recovery from the COVID-19 pandemic. There is no assurance that the Group's supply chains for fuel, raw materials, goods and other commodities, including without limitation, coal, gas, equipment and spares will not continue to be affected as a result of restrictions of movement of people and goods imposed by governments worldwide and any such restriction may affect the Group's operations. In addition, the Group has faced and may continue to face delays associated with the collection of receivables from its customers as a result of such restrictions or economic slowdown caused by COVID-19 which may adversely affect the Group's cashflows. The COVID-19 pandemic has affected the take-up and demand for certain of the Group's developments arising from disruptions to overall economic activity and may continue to have an adverse impact on such developments or on other aspects of the Group's Urban business. Looking ahead, the emergence of new COVID-19 variants and potential new waves of outbreaks pose potential risks of protracted economic recovery. The successful development of COVID-19 vaccines from late 2020 is a major milestone. However, supply and distribution constraints have limited the effectiveness of the vaccines and there is no assurance as to the long-term effectiveness of the vaccines in bringing the pandemic under control. Any of the aforementioned factors, if materialised, may have an adverse effect on the Group's operating results, businesses, assets, financial condition, performance or prospects although at this point, the long-term impact of COVID-19 on the Group's results remains uncertain.

The consequences of a future outbreak of infectious disease, terrorist attacks or armed conflicts are unpredictable, and the Group may not be able to foresee events that could have an adverse effect on its operating results, businesses, assets, financial condition, performance or prospects."

7. The first paragraph appearing in the section entitled "*Investment Considerations – Investment considerations relating to the Group – The Group's operations involve significant risks and hazards that could have a material adverse effect on the Group's operating results, businesses, assets, financial condition, performance or prospects.*" appearing on page 22 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"The Group's operations in its Energy business involve hazardous activities. In addition to natural risks such as earthquakes, floods, lightning, hurricanes and winds, other hazards, such as fire, structural collapse and machinery failure are inherent risks in the Group's operations. These and other hazards can cause significant personal injury or loss of life, severe damage to and destruction of property, plant and equipment and contamination of, or damage to, the environment and suspension of operations. The occurrence of any one of these events may result in the Group being named as a defendant in lawsuits asserting claims for substantial damages, including for environmental clean-up costs, personal injury and property damage and fines and/or penalties."

8. The first sentence appearing in the section entitled "*Investment Considerations – Investment considerations relating to the Group – The Group is susceptible to fluctuations in the prices of energy, raw materials and other commodities.*" appearing on page 25 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"The Group is subject to fluctuations in energy prices such as oil and natural gas (for its Energy business)."

9. The first sentence appearing in the section entitled "*Investment Considerations – Investment considerations relating to the Group – The controlling shareholder of SCI may have interests that differ from the interests of SCI.*" appearing on page 26 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"Temasek Holdings (Private) Limited ("**Temasek**") holds 49.48% in SCI.[3]"

10. The section entitled "*Investment Considerations – Investment considerations relating to the Programme and the Securities generally – Application of Singapore insolvency and related laws to the Relevant Issuer and the Guarantor may result in a material adverse effect on the Securityholders.*" appearing on pages 32 to 33 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"*Application of Singapore insolvency and related laws to the Relevant Issuer and the Guarantor may result in a material adverse effect on the Securityholders*.

There can be no assurance that the Relevant Issuer and/or the Guarantor will not become bankrupt, unable to pay its debts or insolvent or be the subject of judicial management, schemes of arrangement, winding-up or liquidation orders or other insolvency-related proceedings or procedures. In the event of an insolvency or near insolvency of the Relevant Issuer and/or the Guarantor, the application of certain provisions of Singapore insolvency and related laws may have a material adverse effect on the Securityholders. Without being exhaustive, below are some matters that could have a material adverse effect on the Securityholders.

Where the Relevant Issuer or the Guarantor is insolvent or close to insolvent and the Relevant Issuer or the Guarantor (as the case may be) undergoes certain insolvency procedures, there may be a moratorium against actions and proceedings which may apply in the case of judicial management, schemes of arrangement and/or winding-up in relation to the Relevant Issuer or the Guarantor (as the case may be). It may also be possible that if a company related to the Relevant Issuer or the Guarantor (as the case may be) proposes a creditor scheme of arrangement and obtains an order for a moratorium, the Relevant Issuer or the Guarantor (as the case may be) may also seek a moratorium even if the Relevant Issuer or the Guarantor (as the case may be) is not in itself proposing a scheme of arrangement. These moratoriums can be lifted with court permission and in the case of judicial management, with the consent of the

[3] As at 31 December 2020 and includes direct and deemed interests.

judicial manager or with court permission. Accordingly, if for instance there is any need for the Trustee to bring an action against the Relevant Issuer or the Guarantor (as the case may be), the need to obtain court permission or the judicial manager's consent may result in delays in being able to bring or continue legal proceedings that may be necessary in the process of recovery.

Further, Securityholders may be made subject to a binding scheme of arrangement where the majority in number representing 75% in value of creditors and the court approve such scheme. In respect of company-initiated creditor schemes of arrangement, there are cram-down provisions that may apply to a dissenting class of creditors. The court may, notwithstanding a single class of dissenting creditors, approve a scheme provided an overall majority in number representing 75% in value of the creditors meant to be bound by the scheme have agreed to it and provided that the scheme does not unfairly discriminate and is fair and equitable to each dissenting class and the court is of the view that it is appropriate to approve the scheme. In such scenarios, Securityholders may be bound by a scheme of arrangement to which they may have dissented.

The Insolvency, Restructuring and Dissolution Act 2018 (Act 40 of 2018) (the "**IRD Act**") was passed in Parliament on 1 October 2018 and came into force on 30 July 2020. The IRD Act includes a prohibition against terminating, amending or claiming an accelerated payment or forfeiture of the term under, any agreement (including a security agreement) with a company that commences certain insolvency or rescue proceedings (and before the conclusion of such proceedings), by reason only that the proceedings are commenced or that the company is insolvent. This prohibition is not expected to apply to any contract or agreement that is, or that is directly connected with, the Securities. However, it may apply to related contracts that are not found to be directly connected with the Securities."

11. The section entitled "*Investment Considerations – Investment considerations relating to the Programme and the Securities generally*" appearing on pages 26 to 33 of the Information Memorandum shall be deemed to be supplemented with the following:

"*The Notes may not be a suitable investment for all investors seeking exposure to green assets.*

Sembcorp Industries has developed the Sembcorp Green Financing Framework (as set out in Schedule 2 to the Pricing Supplement and as may be updated or amended from time to time, the "**Sembcorp Green Financing Framework**"), which sets out how the Group intends to enter into green finance transactions to fund projects which will deliver environmental benefits. No assurance is given by the Relevant Issuer and the Guarantor that the use of such proceeds for any Eligible Green Projects (as set out in the Sembcorp Green Financing Framework) will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply with, whether by any present or future applicable law or regulations, its own by-laws, other governing rules or investment portfolio mandates.

The Group has received from Ernst & Young LLP an independent limited assurance report dated 29 April 2021 (the "**Report**") on the alignment of the Sembcorp Green Financing Framework to the Climate Bond Standard Version 3.0 issued by the Climate Bonds Initiative (the "**Climate Bond Standard**").

The Report is not incorporated into and does not form part of the Pricing Supplement or the Information Memorandum. None of the Relevant Issuer, the Guarantor, the Group or the Joint Lead Managers make any representation as to the suitability of the Report or any documentation provided in connection therewith to fulfil such environmental criteria. Prospective investors should have regard to the factors described in the Information Memorandum and in the "*Use of Proceeds*" section below regarding the use of proceeds. Each potential purchaser of Notes should determine for itself the relevance of the information contained in the Pricing Supplement and the Information Memorandum regarding the use of proceeds, and its purchase of Notes should be based upon such investigation as it deems necessary.

The Report and any further assurance statement or third party opinion that may be issued (collectively the "**Assurance Reports**") may not reflect the potential impact of all risks related to the structure, market and other factors that may affect the value of the Notes. The Assurance Reports are not a recommendation to buy, sell or hold securities and are only current as of the date that they were initially issued. The Assurance Reports are for information purposes only and none of the Relevant Issuer, the Guarantor, the Group or the Joint Lead Managers nor the person issuing the Assurance Reports accepts any form of liability for the substance of such Assurance Reports and/or any liability for loss arising from the use of such Assurance Reports and/or the information provided therein.

Further, although the Relevant Issuer may agree at the Issue Date to allocate the net proceeds of the issue of the Notes towards the financing and/or refinancing of Eligible Green Projects in accordance with certain prescribed eligibility criteria as described under the Sembcorp Green Financing Framework, there is no contractual obligation to do so and accordingly, it would not be an event of default or breach of contract with respect to the Notes if (i) the Relevant Issuer were to fail to use the proceeds in the manner specified in the Pricing Supplement, (ii) the Report issued in connection with the Sembcorp Green Financing Framework were to be withdrawn and/or (iii) the Notes were to fail to meet the investment requirements of certain environmentally focused investors regarding any "green", "sustainable" or similar labels with respect to such Notes. A withdrawal of the Report, any loss of qualification as a green asset under any relevant principles, or any failure by the Relevant Issuer to use the net proceeds from the Notes on Eligible Green Projects or to meet or continue to meet the investment requirements of certain environmentally focused investors with respect to such Notes may have a material adverse effect on the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets (which consequences may include the need to sell the Notes as a result of the Notes not falling within the investor's investment criteria or mandate).

The Climate Bonds Initiative certification does not provide any assurances relating to the Notes or the Eligible Green Projects.

The certification of the Notes as "Climate Bonds" by the Climate Bonds Initiative is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Notes or any Eligible Green Project, including but not limited to the Pricing Supplement, the Information Memorandum, the transaction documents, the Relevant Issuer or the Guarantor, or their respective management.

The certification of the Notes as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of the Issuers and is not a recommendation to any person to purchase, hold or sell the Notes and such certification does not address the market price or suitability of the Notes for a particular investor. The certification also does not address the merits of the decision by the Relevant Issuer, the Guarantor or any third party to participate in any Eligible Green Project and does not express and should not be deemed to be an expression of an opinion as to the Relevant Issuer, the Guarantor or any aspect of any Eligible Green Project (including but not limited to the financial viability of any Eligible Green Project) other than with respect to conformance with the Climate Bond Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Eligible Green Project, the Relevant Issuer or the Guarantor. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Eligible Green Project. The certification may only be used with the Notes and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Notes and/or the payment of principal at maturity or any other date. The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

The certification of the Notes by the Climate Bonds Initiative is not incorporated into, and does not form part of, the Pricing Supplement or the Information Memorandum. None of the Relevant Issuer, the Guarantor and the Joint Lead Managers make any representation as to the suitability of the certification of the Notes. The certification is not a recommendation to buy, sell or hold securities. A withdrawal of the certification may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets. Neither ceasing to comply with the Climate Bond Standard nor the withdrawal of the certification of the Notes as Climate Bonds shall constitute an event of default, potential event of default or other default by the Relevant Issuer or the Guarantor under the terms of the Notes.

There is no current market consensus on what constitutes a "green" or "sustainable" project.

There is no current market consensus on what precise attributes are required for a particular project to be defined as "green" or "sustainable" and therefore the Eligible Green Projects may not meet the criteria and expectations of all investors regarding environmental impact and sustainability performance. Although the underlying projects have been selected in accordance with the categories recognised by the Climate Bond Standard and will be developed in accordance with relevant legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and operation of the projects. In addition, where negative impacts are insufficiently mitigated, the projects may become controversial, and/or may be criticised by activist groups or other stakeholders. The Relevant Issuer may not meet or continue to meet the investment requirements of certain environmentally focused investors with respect to the

Notes, which may also have consequences for certain investors with portfolio mandates to invest in green assets. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in the Pricing Supplement and the Information Memorandum regarding the use of proceeds of the Notes.

While it is the intention that the proceeds of any Notes so specified for Eligible Green Projects be applied by the Relevant Issuer in the manner described below under the section "*Use of Proceeds*", there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Green Projects will be capable of being implemented in, or substantially in, such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such projects. Nor can there be any assurance that such Eligible Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by Sembcorp Industries."

12. The section entitled "*Sembcorp Industries Ltd – History and Background*" appearing on page 113 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"**1. HISTORY AND BACKGROUND**

Sembcorp Industries was incorporated in Singapore on 20 May 1998. Soon after, on 3 October 1998, Singapore Technologies Industrial Corporation and Sembawang Corporation were merged under Sembcorp Industries and became its wholly-owned subsidiaries. From 16 businesses, Sembcorp Industries underwent a decades-long process to sharpen its focus to three core businesses: Energy, Marine and Urban. Then in September 2020, Sembcorp Industries and its marine subsidiary Sembcorp Marine demerged. This resulted in Sembcorp Industries becoming a focused energy and sustainable solutions company.

Sembcorp Industries has a balanced energy portfolio of over 12,800 MW of power, with more than 3,300 MW of renewable energy capacity comprising solar, wind and energy storage globally. It also has a proven track record of transforming raw land into sustainable urban developments, with a project portfolio spanning over 12,000 hectares across Asia.

In May 2021, Sembcorp Industries unveiled a strategic plan to transform its portfolio from brown to green, with a vision to be a leading provider of sustainable solutions. This strategic plan is underpinned by the following targets:

More sustainable

By 2025, Sembcorp Industries aims for its sustainable solutions portfolio to comprise 70% of the Group's net profit. In 2020, the sustainable solutions portfolio contributed to around 40% of the Group's net profit. By 2025, its renewable energy portfolio is expected to achieve a compounded annual growth rate ("**CAGR**") of 30% and its integrated urban solutions portfolio a CAGR of 10%.

More renewables

By 2025, Sembcorp Industries aims to quadruple its gross installed renewable energy capacity to 10 gigawatts ("**GW**"). In 2020, its gross installed renewable energy capacity (comprising wind, solar and energy storage) was 2.6GW.

More sustainable urban developments

By 2025, Sembcorp Industries aims to triple its Urban business' land sales to 500 hectares. In 2020, land sales amounted to 172 hectares.

Lower carbon emissions

By 2025, Sembcorp Industries aims to reduce its greenhouse gas emissions ("**GHG**") intensity to 0.40 tonnes of carbon dioxide equivalent ("**tCO_2e**") per megawatt hour ("**tCO_2e/MWh**") from 0.54 tCO_2e/MWh in 2020. In addition, Sembcorp Industries aims to halve GHG emissions by 2030 (from a 2010 baseline of 5.4 million tCO_2e) and deliver net-zero emissions by 2050. Sembcorp Industries also commits to not investing in new coal-fired energy assets.

Sembcorp Industries has total assets of over S$13 billion as at 31 December 2020 and over 5,000 employees. Listed on the Mainboard of the SGX-ST, it is a component stock of the Straits Times Index and sustainability indices including the FTSE4Good Index and the iEdge SG ESG indices."

13. The section entitled "*Sembcorp Industries Ltd – Group Structure*" appearing on pages 114 to 115 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"**2. GROUP STRUCTURE**

ENERGY

Sembcorp Utilities	**100%**
Singapore	
Sembcorp Cogen	100%
Sembcorp Power	100%
Sembcorp Gas	100%
Sembcorp NEWater	100%
Sembcorp Solar Singapore	100%
Sembcorp Floating Solar Singapore	100%
Sembcorp Fuels	100%
Sembcorp Fuels (Singapore)	100%
Sembcorp Energy Markets	100%
Sembcorp RECS	100%
Sembcorp Energy Vietnam	100%
Sembcorp Renewable Energy Vietnam	100%
Sembcorp Solar Vietnam	100%
Sembcorp Smart Energy Solutions Vietnam	100%

Sembcorp Energy China	100%
<u>China</u>	
Sembcorp (China) Holding Co	100%
Shanghai Cao Jing Co-generation Co	30%
Zhangjiagang Free Trade Zone Sembcorp Water Co	80%
Zhangjiagang Free Trade Zone Sembcorp Reclaimed Water Co	80%
Sembcorp Qidong Water Co	96.45%
Sembcorp Nanjing SUIWU Co	95%
Sembcorp NCIP 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	94.34%
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 Qitaihe Water Co	90.91%
ChongQing SongZao Sembcorp Electric Power Co	49%
Sembcorp Qinzhou Water Co	80%
Sembcorp Energy (Shanghai) Holding Co	100%
Sembcorp WaterTech (Nanjing) Co	100%
<u>India</u>	
Sembcorp India	100%
Sembcorp Energy India	100%
Sembcorp Green Infra	100%
<u>Indonesia</u>	
PT Adhya Tirta Batam	50%
PT Adhya Tirta Sriwijaya	40%
<u>Myanmar</u>	
Sembcorp Myingyan Power Co	100%
<u>Philippines</u>	
Subic Water and Sewerage Co	30%
<u>Vietnam</u>	
Phu My 3 BOT Power Co	66.67%
Sembcorp Energy Vietnam Co	100%
Sembcorp Solar Vietnam Co	100%
Vietnam-Singapore Smart Energy Solutions Joint Stock Company	54%
<u>Malaysia</u>	
Sembcorp Solar Solutions Sdn Bhd	100%

<u>Bangladesh</u>	
Sembcorp North-West Power Co	71%
<u>Oman</u>	
Sembcorp Salalah Power and Water Co	40%
Sembcorp Salalah O&M Services Co	70%
<u>UAE</u>	
Emirates Sembcorp Water & Power Co	40%
Sembcorp Gulf O&M Co	100%
<u>UK</u>	
Sembcorp Utilities (UK)	100%
Merseyside Energy Recovery	40%
Sembcorp Energy UK	100%
UK Power Reserve	100%
Sembcorp Environment	**100%**
<u>Singapore</u>	
SembWaste	100%
URBAN	
Sembcorp Development	**100%**
<u>Vietnam</u>	
Vietnam Singapore Industrial Park JV Co	49.26%
Vietnam Singapore Industrial Park & Township Development Joint Stock Co	46.48%
VSIP Bac Ninh Co	46.48%
VSIP Hai Phong Co	46.48%
VSIP Quang Ngai Co	49.26%
VSIP Hai Duong Co	46.48%
VSIP Nghe An Co	49.26%
VSIP-Sembcorp Gateway Development Co	51.56%
Hai Phong Lakeside Garden Development Co	100%
Sembcorp Infra Services Hai Phong	52.5%
Sembcorp Infra Services Hai Duong	52.5%
Vietnam-Singapore Smart Energy Solutions Joint Stock co	9.85%
<u>China</u>	
Wuxi-Singapore Industrial Park Development Co	45.4%
Sino-Singapore (Chengdu) Innovation Park Development Co	10%
Sino-Singapore Nanjing Eco Hi-tech Island Development Co	21.5%
Nanjing Riverside Quay Co	100%

<u>Indonesia</u>	
Kawasan Industri Kendal	49%
<u>Myanmar</u>	
Myanmar Singapore (Hlegu) Industrial Park JV Co	50.6%
<u>Singapore</u>	
Sembcorp Properties	100%
Sembcorp Properties (China)	100%
Sembcorp Properties (Vietnam)	100%
Sembcorp Infra Holdings	70%
Sembcorp Infra Services	52.5%
Sembcorp Development Indonesia	100%
Sembcorp Development India	100%
Sembcorp Development Vietnam	100%
Sembcorp Parks Management	75%

OTHER BUSINESSES

Singapore Precision Industries / Singapore Mint	100%
Sembcorp Specialised Construction	100%

Notes:

- This list of companies is not exhaustive.
- The Energy business also includes certain utilities operations under SCI.
- Figures reflect shareholdings as at 30 April 2021.
- Shareholding figures for entities listed under Sembcorp Utilities, Sembcorp Environment and Sembcorp Development reflect stakes held by the above companies in these entities."

14. The section entitled "*Sembcorp Industries Ltd – Key Businesses – Energy*" appearing on pages 116 to 117 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"**(a) Energy**

Sembcorp Utilities is a leading energy player with a balanced portfolio of over 12,800 MW of power, of which more than 3,300 MW is renewable energy capacity comprising wind, solar and energy storage. It also manages over 8.2 million cubic metres of water and wastewater treatment capacity per day. Sembcorp Utilities pioneered the provision of one-stop centralised utilities on Jurong Island, Singapore's energy and chemicals hub providing energy, water and on-site logistics to multinational petrochemical and chemical companies. It is a key player in Singapore's gas value chain, offering gas sourcing, importation and trading solutions. It is Singapore's first commercial importer and retailer of natural gas and the first to import liquefied natural gas ("**LNG**") cargo under Singapore's Spot Import Policy.

From its roots on Jurong Island, Sembcorp Utilities has grown to be an established energy player in the Asian region, building a strong track record with proven capabilities in executing and operating large-scale power projects. It has also leveraged on its expertise to deliver solutions that support energy transition. Today, Sembcorp Utilities is one of Singapore's largest home-grown renewable energy players, operating an international portfolio of wind, solar and energy storage assets. It is a leading renewable energy player in Singapore with 371 MW-peak of solar capacity in operation and under development. It is a leading wind power developer in India, operating a portfolio of high-quality wind and solar power assets of over 1,700 MW and developing another 400 MW. In the UK, it is currently operating one of the largest energy storage portfolios. It has 60 megawatt-hour ("**MWh**") battery storage systems in operation and another 60MWh under development.

Sembcorp Utilities also operates conventional power generation assets in nine countries with a combined generation capacity of approximately 9,500 MW. This includes a portfolio of small-scale, rapid-response gas engines in the UK that helps to bridge supply gaps from the intermittency of renewable power sources. In the water sector, Sembcorp Utilities provides specialised total water and wastewater treatment solutions. From specialised industrial wastewater treatment and water reclamation, to desalination and the supply of potable and industrial water, it offers innovative solutions to even the most challenging water needs of industries and water-stressed regions. The business is able to integrate water supply, wastewater treatment and water reclamation in a closed "loop", minimising liquid discharge and conserving water resources."

15. The section "*Sembcorp Industries Ltd*" appearing on pages 113 to 122 of the Information Memorandum shall be deemed to be supplemented with the following:

"**6. RECENT DEVELOPMENTS**

Sembcorp Marine Rights Issue and Demerger

On 8 June 2020, Sembcorp Industries and Sembcorp Marine announced the proposed recapitalisation of Sembcorp Marine through a S$2.1 billion renounceable rights issue by Sembcorp Marine (the "**Rights Issue**"), followed by a proposed demerger of the two companies via a distribution *in specie* of Sembcorp Industries' stake in the recapitalised Sembcorp Marine to the shareholders of Sembcorp Industries (the "**Demerger**", and together with the Rights Issue, the "**Transaction**"). The aim of the Transaction was to strengthen the financial positions of both companies and to unlock shareholder value. In addition, the Transaction enabled Sembcorp Industries and Sembcorp Marine to better focus on their respective industries by giving them greater flexibility to pursue their own sustainable growth paths following the Demerger.

<u>The Rights Issue</u>

In connection with the Rights Issue, Sembcorp Industries gave an irrevocable undertaking (the "**Irrevocable Undertaking**") to subscribe for its *pro rata* entitlement of S$1.27 billion and to take up an additional S$0.23 billion if necessary, resulting in a total commitment of up to S$1.5 billion under the Rights Issue.

The Rights Issue was completed on 11 September 2020 where 10,462,690,870 rights shares in Sembcorp Marine were allotted and issued to the respective subscribers. Pursuant to the Irrevocable Undertaking, 7,500,000,000 rights shares were allotted and issued to Sembcorp Industries, and the subscription moneys for the Rights Issue aggregating S$1.5 billion were set off against the S$1.5 billion subordinated loan extended by Sembcorp Industries to Sembcorp Marine in June 2019.

The Demerger

After the completion of the Rights Issue, Sembcorp Industries distributed its stake in the recapitalised Sembcorp Marine (including the 7,500,000,000 rights shares that had been allotted and issued to it under the Rights Issue) to the shareholders of Sembcorp Industries on a *pro rata* basis as dividends. This resulted in the demerger of Sembcorp Marine from Sembcorp Industries. Accordingly, Sembcorp Marine ceased to be a part of the Group."

16. The section entitled "*Sembcorp Financial Services Pte. Ltd. – Financial Summary of SFS*" appearing on pages 123 to 124 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"**3 Financial Summary of SFS**

(i) A summary of the audited income statement of SFS for the years ended 31 December 2018, 31 December 2019 and 31 December 2020, which have been prepared in accordance with SFRS(I), is set out as follows:

Income Statement

	Audited Financial Year Ended 31 December		
	2020	**2019**	**2018***
	<---------------------------(S$'000) --------------------------->		
Revenue	135,516	141,377	93,309
Cost of sales	(123,514)	(122,563)	(79,624)
Gross profit	12,002	18,814	13,685
Other operating income	10,677	821	-
Other operating expenses	(15,977)	(6,320)	(4,731)
Profit before tax	6,702	13,315	8,954
Tax expense	(1,212)	(2,713)	(1,601)
Profit for the year	5,490	10,602	7,353

Note:

* Certain comparative figures have been reclassified to conform with current period presentation.

(ii) A summary of the audited balance sheet of SFS as at 31 December 2018, 31 December 2019 and 31 December 2020, which have been prepared in accordance with SFRS(I), is set out as follows:

Balance Sheet

	Audited Financial Year Ended 31 December 2020	 2019	 2018*
	<-----------------------------	(S$'000)	----------------------------->
Non-current assets	3,971,057	3,791,269	2,982,423
Current assets	659,249	1,520,833	780,262
Total assets	4,630,306	5,312,102	3,762,685
Share capital	15,000	15,000	15,000
Other reserves	(9,383)	(4,709)	(269)
Revenue reserve	44,730	39,240	28,638
Total equity	50,347	49,531	43,369
Non-current liabilities	3,448,506	2,937,037	2,425,329
Current liabilities	1,131,453	2,325,534	1,293,987
Total liabilities	4,579,959	5,262,571	3,719,316
Total equity and liabilities	4,630,306	5,312,102	3,762,685

Note:

* Certain comparative figures have been reclassified to conform with current period presentation."

17. The section entitled "*Use of Proceeds*" appearing on page 125 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"The proceeds arising from the issue of the Series 001 Notes (after deducting issue expenses) will be used to finance or refinance, in whole or in part, new or existing projects which fall in the list of Eligible Green Projects in Table 1 of the Sembcorp Green Financing Framework and that meet Climate Bonds Initiative sector-specific technical criteria."

18. The paragraph 1 appearing in the section entitled "*General Information – Information on Directors*" appearing on page 134 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"1. (a) The name and position of each of the Directors of SCI are set out below:

Name	Position
Ang Kong Hua	Chairman, Non-executive & Independent Director
Tham Kui Seng	Non-executive & Independent Director
Ajaib Haridass	Non-executive & Independent Director
Nicky Tan Ng Kuang	Non-executive & Independent Director
Yap Chee Keong	Non-executive & Independent Director
Dr Josephine Kwa Lay Keng	Non-executive & Independent Director
Nagi Adel Hamiyeh	Non-executive & Non-independent Director
Tow Heng Tan	Non-executive & Non-independent Director
Lim Ming Yan	Non-executive & Independent Director
Wong Kim Yin	Group President & CEO

(b) The name and position of each of the Directors of SFS are set out below:

Name	Position
Eugene Cheng Chee Mun	Director
Looi Lee Hwa	Director
Foo Fei Voon	Director”

19. The paragraphs 4 and 5 appearing in the section entitled “*General Information – Share Capital*” appearing on page 134 of the Information Memorandum shall be deleted in their entirety and substituted therefor with the following:

“4. The issued share capital of SCI as at 31 December 2020 is as follows:

Share Designation	**Issued Share Capital**	
	(Number)	**(S$)**
Ordinary Shares	1,787,547,732	576,553,519

The number of issued ordinary shares of SCI includes 6,238,773 ordinary shares (S$10,981,835) held as treasury shares.

5. The issued share capital of SFS as at 31 December 2020 is as follows:

Share Designation	**Issued Share Capital**	
	(Number)	**(S$)**
Ordinary Shares	15,000,000	15,000,000”

20. The paragraph 6 appearing in the section entitled “*General Information – Borrowings*” appearing on pages 134 to 135 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

“6. Save as disclosed in the most recent audited accounts of SCI and SFS respectively, none of SCI, SFS or their respective subsidiaries has as at 31 December 2020 any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities, other than borrowings in the ordinary course of business.”

21. The paragraph 8 appearing in the section entitled “*General Information – Changes in Accounting Policies*” appearing on page 135 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

“8. There has been no significant change in the accounting policies of the Issuers or of the Guarantor since their respective audited accounts for the year ended 31 December 2020.”

22. The section entitled “*General Information – Litigation*” appearing on pages 135 to 136 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"9. Save as disclosed below and in this Information Memorandum, there are no legal, arbitration or administrative proceedings or prosecutions or investigations pending or threatened against the Issuers or the Guarantor or any of its subsidiaries, the outcome of which may have a material adverse effect on the financial position of the Issuers or on the Guarantor and its subsidiaries, taken as a whole:

Legal Proceedings in respect of Divested Municipal Water Assets

In December 2018, the Group announced the completion of the sale by its wholly-owned subsidiary Sembcorp Utilities (Netherlands) N.V. ("**SUNNV**") of SUNNV's 100% stake in Sembcorp Utilities South Africa ("**SUSA**") and its 100% effective stake in Sembcorp Silulumanzi to South African Water Works Pty Ltd (the "**Sale**"). The Sale was subject to the consent (the "**Municipality Consent**") of the Mbombela Local Municipality, South Africa and such Municipality Consent had been obtained prior to the completion of the Sale.

In November 2020, the Group announced that the Municipality Consent had recently been challenged in the South African High Court by a party who had made an unsuccessful bid to become a local Broad Based Black Economic Empowerment minority shareholder in Sembcorp Silulumanzi (the "**Proceedings**"). Neither the Group nor any of its subsidiaries were parties to the Proceedings when they were launched in July 2019.

One of the potential consequences of the Proceedings is that the completed Sale may be reversed and that the parties to the Sale would have to re-apply for the Municipal Consent. To protect its interests, the Group requested and has been granted approval by the South African High Court for SUNNV and SUSA to be joined as parties to the Proceedings.

As at 31 May 2021, the Proceedings are still ongoing and the Group will make an appropriate announcement in the event of any material developments."

23. The paragraph 10 appearing in the section entitled "*General Information – Material Adverse Change*" appearing on page 136 of the Information Memorandum shall be deleted in its entirety and substituted therefor with the following:

"10. Save as disclosed in this Information Memorandum or in any public announcement by the Issuers and the Guarantor, there has been no material adverse change in the financial position or condition or business prospects of the Issuers or of the Guarantor since 31 December 2020 or the Issuers' or the Guarantor's publicly announced unaudited interim results or published financial statements, as the case may be."

24. The following shall be deleted in their entirety:

(i) the third paragraph and all references to "rigs" appearing in the section entitled "*Investment Considerations – Investment considerations relating to the Group – The Group may be involved in legal and other proceedings from time to time.*" appearing on page 15 of the Information Memorandum;

(ii) the reference to “Brazil” in the second paragraph appearing in the section entitled “*Investment Considerations – Investment considerations relating to the Group – The Group’s success in the future may depend on the successful implementation of its strategies.*” appearing on page 19 of the Information Memorandum;

(iii) the second and third paragraphs appearing in the section entitled “*Investment Considerations – Investment considerations relating to the Group – The Guarantor relies on its investment income, including dividends and distributions from its subsidiaries, associated companies and joint ventures and proceeds from divestments, to meet its obligations, including obligations under the Guarantee.*” appearing on page 21 of the Information Memorandum;

(iv) the first two sentences of the first paragraph appearing in the section entitled “*Investment Considerations – Investment considerations relating to the Group – The Group may not be able to refinance its indebtedness and funds may not be available to the Group.*” appearing on page 22 of the Information Memorandum;

(v) the reference to “Brazilian Reals” in the first sentence appearing in the section entitled “*Investment Considerations – Investment considerations relating to the Group – The Group is subject to foreign exchange rate fluctuations.*” appearing on page 25 of the Information Memorandum;

(vi) the paragraph (b) appearing in the section entitled “*Sembcorp Industries Ltd – Key Businesses*” appearing on page 116 of the Information Memorandum; and

(vii) the section entitled “*Sembcorp Industries Ltd – Key Businesses – Marine*” appearing on page 117 of the Information Memorandum.

SCHEDULE 2 TO THE PRICING SUPPLEMENT
SEMBCORP GREEN FINANCING FRAMEWORK

sembcorp

Green Financing Framework

Sembcorp Industries

May 2021

Introduction

Sembcorp Industries (Sembcorp) is a leading energy and urban solutions provider, driven by our purpose to do good and play our part in building a sustainable future.

Leveraging our sector expertise and global track record, Sembcorp delivers innovative energy and urban solutions that support the energy transition and sustainable development. By focusing on growing our renewables and integrated urban solutions businesses, we aim to transform our portfolio towards a greener future and be a leading provider of sustainable solutions. Sembcorp has a global energy portfolio and a proven track record of transforming raw land into sustainable urban developments across Asia.

Sembcorp is listed on the main board of the Singapore Exchange.

Sembcorp's Approach to Sustainability

Sustainability is central to Sembcorp's purpose and strategy. We believe we must be part of the sustainable development agenda, and have a responsibility to our stakeholders to provide solutions that create value and positive impact for society. By meeting the needs of society, while managing our material environmental, social and governance (ESG) risks and opportunities, we believe that we will succeed as a business and provide our shareholders a sustainable return.

Sembcorp's sustainability framework articulates three ambitions for the future. We aim to:

1) Enable a low-carbon and circular economy

2) Empower people and communities

3) Embed responsible business practices

OUR PURPOSE

Sembcorp's purpose and passion is to do good and play our part in building a sustainable future.
Our vision is to be a leading provider of sustainable solutions - supporting development and creating value for our stakeholders and communities.

Responding to climate change is central to Sembcorp's strategy

A growing renewables portfolio

The world is rapidly moving towards a low-carbon economy, creating significant disruption, risks and opportunities. Sembcorp understands it has a responsibility to respond to climate change, and we have articulated our aim to grow our renewables portfolio, reduce our emissions intensity and become a regional leader in this sector.

We were the first Singaporean energy company to launch a comprehensive climate change strategy in 2018. The strategy sets out our approach to managing risks and opportunities arising from climate change and the global energy transition, and lays out substantive targets to reduce emissions intensity and grow renewables capacity.

Sembcorp is a signatory to the United Nations Global Compact (UNGC), a supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD) and Carbon Pricing Leadership Coalition (CPLC).

Green Financing Framework

We believe that to limit global warming, the transformation of the world's energy systems towards low-carbon is key. To demonstrate our commitment to a more sustainable future and drive renewable energy investments across our markets, Sembcorp has developed this Green Financing Framework.

The Sembcorp Green Financing Framework (Framework) outlines the criteria and guidelines for allocating the proceeds from the Group's Green Finance Transactions (GFTs). The Framework supports investment in renewable energy projects and projects that enables a low-carbon future, encourages the growth of GFTs in our projects globally, and demonstrates commitment to our long-term strategy focused on sustainability. The Framework is aligned with the relevant international market standards and guidelines listed below, collectively referred to as "Principles":

- Climate Bonds Standard by Climate Bonds Initiative (CBI)
- Green Bond Principles by the International Capital Market Association (ICMA)
- Green Loan Principles by the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications and Trading Association
- ASEAN Green Bond Standards by the ASEAN Capital Market Forum (ACMF)

The Framework has the following four core components:

1) Use of proceeds

2) Process for project evaluation and selection

3) Management of proceeds

4) Reporting

Sembcorp intends to enter into multiple GFTs under this Framework, including but not limited to the products listed below:

- Green bonds / notes
- Green perpetual securities
- Green loans

For the avoidance of doubt, the GFTs may be in any currency, tenor or with other terms and conditions, including covenants, arising from the Group's financing strategy as well as the outcome of the commercial discussions between the Group and its lenders and investors. The GFTs may also be undertaken by any subsidiary of the Group.

1.1 Use of proceeds

The net proceeds raised from the GFTs (Net Proceeds) will be used exclusively to finance or refinance, in whole or in part, new or existing projects which falls in the Eligible Green Projects list in Table 1. The GFTs from CBI certified green bonds or loans will be used to finance or refinance only Eligible Green Projects that fall under investment areas listed in CBI taxonomy and meet CBI sector specific technical criteria (Eligibility Criteria).

Sembcorp aims to allocate all Net Proceeds within 24 months from the issuance of each GFT. We are committed to ensuring that the total outstanding value of GFTs issued is always covered by the value of its selected Eligible Green Projects assets.

Eligibility criteria for green projects

Table 1: List of Eligible Green Projects

Eligible Green Projects Category	Eligibility Criteria
Renewable Energy	Generation facilities, supply chain facilities, transmission and supporting infrastructure • Wind Energy (onshore and offshore) • Solar Energy (onshore and offshore) • Geothermal Energy • Hydropower[1]
	• Bio-energy
Energy Storage	• Energy storage assets and facilities[1]

[1] The Sector Criteria by CBI is under development as of date of the Framework publication

All Eligible Green Projects should provide clear environmental benefits and fall into one of the Eligible Green Projects Categories and Eligibility Criteria as mentioned in Table 1.

Net Proceeds will not be used for fossil-fuel related projects or investments.

1.2 Process for project evaluation and selection

Project evaluation and selection is a key process in ensuring that the projects financed by the GFTs meet the Eligibility Criteria.

The Group Treasury team will nominate Eligible Green Project(s) (Nominated Projects). The Group Sustainability team (together with relevant subject experts, where necessary) will review the Nominated Project(s)'s conformance to the Eligibility Projects Category and Criteria in Table 1. The prioritised projects will be presented by the Group Treasury and Group Sustainability teams to Sembcorp's Green Financing Committee for validation and approval on the Nominated Projects.

The Green Financing Committee comprises the Group Chief Financial Officer (Chair), Head of Group Sustainability and Head of Group Treasury.

This Committee will meet at least once a year to:

- Validate compliance of Nominated Project(s) with the Green Financing Framework
- Validate update reports to investors
- Approve updates to the Framework (where necessary)

1.3 Management of proceeds

Allocation of GFT proceeds will be tagged using Sembcorp's Treasury Management System. A register (Green Project Register), managed by Group Treasury, will be set up to track the use of proceeds. Information captured in the Green Project Register includes:

1) Net Proceeds from GFTs;

2) Net Proceeds earmarked and / or allocated to Nominated Projects; and

3) Value of Nominated Projects (for existing assets) or estimated project value (for projects under development / construction)

Any unallocated GFT proceeds will be temporarily invested in cash or cash equivalent instruments as permitted under Sembcorp's Group Treasury Risk Management Policy until it is used to finance the Nominated Projects. All GFT proceeds will be allocated to Nominated Projects within 24 months of issuance of the GFT.

1.4 Reporting

Sembcorp is committed to transparency in reporting on its GFTs.

We will make the following information, but not limited to, on GFTs available on its website and update it at least annually over the period of the GFTs still outstanding:

a) Allocation reporting

- List and details of Nominated Projects to which Net Proceeds have been allocated
- Total amount of proceeds allocated to Nominated Projects
- Share of Net Proceeds used for financing and refinancing of Nominated Projects
- Unallocated amount, if any (in accordance with the management of proceeds as set out in paragraph 1.3 above)

b) Eligibility reporting

- Confirmation that Nominated Projects are in conformance with the Framework and Eligibility Criteria
- Details of environmental characteristics of the Nominated Projects as per the Eligibility Criteria

c) Impact reporting

We will provide qualitative and / or quantitative performance indicators along with methods and key underlying assumptions used in deriving the performance indicators for expected or actual outcomes from Nominated Projects (where possible and relevant). Below are the examples of impact indicators that may be reported:

Table 2: Environmental Impact Indicators

Eligible Green Projects Category	Environmental Impact Indicators (not limited to)
Renewable Energy	• Renewable energy installation capacity (MW) • Renewable energy generation (MWh) • Annual GHG emissions reduced/avoided (tCO_2e)
Energy Storage	• Storage capacity (MW)

Subject to the nature of Nominated Projects and availability of information, the Group will look to utilise the impact reporting guidelines as detailed within the Climate Bond Standard.

Framework review

The Framework has been reviewed and assured by EY, a Climate Bonds Initiative-approved verifier. The assurance report is publicly available on our website (https://www.sembcorp.com/en/investor-relations).

GFTs verification

Pre-issuance: Sembcorp will engage a CBI-approved verifier under the CBI certification programme, to provide a Verifiers' Report for the GFTs' conformance with pre-issuance requirements of the Climate Bond Standard.

Post-issuance: Sembcorp will continue to engage a CBI-approved verifier to provide the Verifiers' Report for the GFTs' conformance with post-issuance requirements of the Climate Bond Standard.

Disclaimer

This Green Financing Framework is for information purposes only. Unless specifically referred to in an offering document, this Green Financing Framework cannot be relied upon in connection with, and does not constitute or form part of, any offer to sell or offer to buy securities of Sembcorp (including any subsidiary of Sembcorp).

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SCHEDULE 3 TO THE PRICING SUPPLEMENT
CONSOLIDATED BALANCE SHEETS, PROFIT & LOSS ACCOUNTS AND STATEMENT OF CASH FLOWS OF SEMBCORP INDUSTRIES LTD AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The information contained in this Schedule has been extracted from the annual report of Sembcorp Industries Ltd for the financial year ended 31 December 2020 and has not been specifically prepared for inclusion in this Pricing Supplement. The financial statements of Sembcorp Industries Ltd for the financial year ended 31 December 2020 have been prepared in accordance with SFRS(I) and IFRS.

Balance Sheets
As at December 31, 2020

(S$ million)	Note	Group December 31, 2020	Group December 31, 2019	Company December 31, 2020	Company December 31, 2019
Non-current assets					
Property, plant and equipment	D1	7,204	12,203	383	409
Investment properties	D2	135	128	–	–
Investments in subsidiaries	G1	–	–	2,308	2,646
Associates and joint ventures	G5	1,588	1,696	–	–
Other financial assets	H2	250	266	–	–
Trade and other receivables	E1	995	2,170	3	349
Contract costs	B2(c)	1	2	–	–
Intangible assets	D3	348	630	26	26
Deferred tax assets	B3(b)	37	62	–	–
		10,558	17,157	2,720	3,430
Current assets					
Inventories	E2	196	386	4	4
Trade and other receivables	E1	1,571	2,048	91	83
Contract assets	B2(c)	15	1,501	–	–
Contract costs	B2(c)	1	90	–	–
Assets held for sale	B6	30	75	–	–
Other financial assets	H2	159	228	–	–
Cash and cash equivalents	E4	1,032	1,767	358	1,123
		3,004	6,095	453	1,210
Total assets		13,562	23,252	3,173	4,640
Current liabilities					
Trade and other payables	E3	1,159	2,844	99	244
Lease liabilities	D1.1	11	34	4	4
Contract liabilities	B2(c)	141	172	3	3
Provisions	H3	26	34	11	11
Liabilities held for sale	B6	–	31	–	–
Other financial liabilities	H2	40	50	–	–
Current tax payable		157	204	55	74
Interest-bearing borrowings	C6	593	2,643	–	–
		2,127	6,012	172	336
Net current assets		877	83	281	874

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

(S$ million)	Note	Group December 31, 2020	Group December 31, 2019	Company December 31, 2020	Company December 31, 2019
Non-current liabilities					
Deferred tax liabilities	B3(b)	294	348	28	29
Other long-term payables	E3	108	131	1,613	171
Lease liabilities	D1.1	215	470	112	116
Provisions	H3	38	142	11	10
Other financial liabilities	H2	98	44	–	–
Interest-bearing borrowings	C6	7,135	8,157	–	–
Contract liabilities	B2(c)	71	69	28	30
		7,959	9,361	1,792	356
Total liabilities		10,086	15,373	1,964	692
Net assets		3,476	7,879	1,209	3,948
Equity attributable to owners of the Company:					
Share capital	C2	566	566	566	566
Reserve for own shares	C3	(11)	(4)	(11)	(4)
Other reserves	C3	(369)	(319)	*	*
Revenue reserve		3,153	5,827	654	2,585
		3,339	6,070	1,209	3,147
Perpetual securities	C4	–	801	–	801
		3,339	6,871	1,209	3,948
Non-controlling interests	G4	137	1,008	–	–
Total equity		3,476	7,879	1,209	3,948

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

Consolidated Income Statement

Year ended December 31, 2020

(S$ million)	Note	Group 2020	Group 2019*
Continuing operations			
Turnover	B1, B2	5,447	6,735
Cost of sales		(4,660)	(5,753)
Gross profit		787	982
General and administrative expenses		(344)	(356)
Other operating income		126	189
Non-operating income		49	26
Non-operating expenses		(176)	(135)
Finance income	C7	35	39
Finance costs	C7	(499)	(483)
Share of results of associates and joint ventures, net of tax		233	186
Profit before tax		211	448
Tax expense	B3	(32)	(115)
Profit from continuing operations[1]	B4	179	333
Discontinued operation			
Loss from discontinued operation, net of tax[1]	G3	(330)	(116)
Loss on the Distribution		(970)	–
Loss from discontinued operation		(1,300)	(116)
(Loss) / Profit for the year		(1,121)	217
Profit attributable to:			
Owners of the Company:			
Profit for the year from continuing operations		157	305
Loss for the year from discontinued operation		(1,154)	(58)
(Loss) / Profit for the year attributable to owners of the Company		(997)	247
Non-controlling interests:			
Profit for the year from continuing operations		22	28
Loss for the year from discontinued operation		(146)	(58)
Loss for the year attributable to non-controlling interests		(124)	(30)
(Loss) / Profit for the year		(1,121)	217
Earnings per share (cents):	B5		
Basic		(56.81)	11.81
Diluted		(56.81)	11.74
Earnings per share (cents) – Continuing operations:	B5		
Basic		7.84	15.06
Diluted		7.78	14.96

* Comparative information has been re-presented due to a discontinued operation (Note G3).

[1] After elimination of inter-segment finance income of S$38 million (2019: S$27 million) with corresponding reduction of inter-segment finance expense in discontinued operation.

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

Consolidated Statement of Cash Flows

Year ended December 31, 2020

(S$ million)	Group 2020	Group 2019
Cash flows from operating activities		
Profit for the year:		
Continuing operations	179	333
Discontinued operation	(1,300)	(116)
Adjustments for:		
Dividend	(2)	*
Finance income	(73)	(132)
Finance costs	569	586
Depreciation and amortisation	579	682
Amortisation of deferred income and capital grants	(4)	–
Share of results of associates and joint ventures, net of tax	(233)	(184)
(Gain) / Loss on disposal of:		
– property, plant and equipment, intangible assets and other financial assets	(9)	(21)
– assets held for sale	30	(70)
Gain on disposal and liquidation of investments in subsidiaries	(20)	(16)
Changes in fair value of financial instruments	25	8
Loss on the Distribution	970	–
Equity settled share-based compensation expenses	8	10
Allowance for:		
– impairment of investment in an associate and a joint venture	113	–
– impairment loss in value of assets and assets written off, net	70	96
– impairment of goodwill	27	65
– expected credit loss	12	7
– intangible assets	6	64
– impairment on assets reclassified to held for sale	4	64
Negative goodwill	(17)	(6)
Provision for fines	–	7
Provision for site restoration	4	–
Inventories written down and allowance for stock obsolescence (net)	134	*
Tax expense (Note B3(a))	(25)	78
Operating profit before working capital changes	1,047	1,455
Changes in:		
Inventories	(50)	124
Receivables (Note (b))	(51)	239
Payables	(302)	(206)
Contract costs	(5)	188
Contract assets	(163)	(479)
Contract liabilities	118	(245)
	594	1,076
Tax paid	(103)	(99)
Net cash from operating activities	491	977

(S$ million)	Group 2020	Group 2019
Cash flows from investing activities		
Dividend received	198	229
Interest received	68	104
Proceeds from:		
– disposal of interests in subsidiaries, net of cash disposed	54	(10)
– divestment of asset held for sale	47	197
– sale of property, plant and equipment	14	27
– sale of intangible assets	*	7
– disposal of other financial assets and business	150	503
Loan repayment from related parties	1	10
Non-trade balances with related corporations, net of repayment	5	(2)
Acquisition of subsidiaries, net of cash acquired	(9)	–
Acquisition of additional investments in joint ventures and associates	(2)	(11)
Acquisition of other financial assets	(165)	(567)
Purchase of property, plant and equipment and investment properties (Note (c))	(318)	(925)
Purchase of intangible assets	(15)	(9)
Cash balances transferred to held for sale, net of advance received	–	(4)
Distribution *in specie*, net of cash in SCM	(1,309)	–
Net cash used in investing activities	(1,281)	(451)

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

Consolidated Statement of Cash Flows

Year ended December 31, 2020

(S$ million)	Group 2020	2019
Cash flows from financing activities		
Proceeds from share issued to non-controlling interests of subsidiaries	599	19
Proceeds from share options exercised with issue of treasury shares	(1)	–
Purchase of treasury shares	(15)	(4)
Repayment of lease liability	(28)	(35)
Proceeds from borrowings	5,241	4,007
Repayment of borrowings	(4,351)	(3,886)
Acquisition of non-controlling interests	–	(91)
Dividends paid to owners of the Company	(54)	(71)
Dividends paid to non-controlling interests of subsidiaries	(8)	(20)
(Payment) / receipt in restricted cash held as collateral	5	(27)
Perpetual securities distribution paid	(818)	(36)
Capital reduction paid to non-controlling interests	*	(4)
Interest paid	(515)	(544)
Net cash from / (used in) financing activities	55	(692)
Net decrease in cash and cash equivalents	(735)	(166)
Cash and cash equivalents at beginning of the year	1,740	1,923
Effect of exchange rate changes on balances held in foreign currency	4	(17)
Cash and cash equivalents at end of the year (Note E4)	1,009	1,740

a. In September 2020, the Company subscribed to SCM's S$1.5 billion equity rights issue through the conversion of a loan receivable from SCM. The Company subsequently distributed all its shares in SCM to its ordinary shareholders through a distribution *in specie*.

b. During the year, the Group has received strategic spares of S$16 million as settlement with a vendor recognised in 2019 under other receivables.

c. In 2019, SCM acquired property, plant and equipment with an aggregate cost of S$1,068 million of which S$48 million was settled via offset of payables and dividend receivable from a joint venture (Note D1(xiii)).

d. In 2019, S$24 million was advance paid to a supplier in prior year and S$3 million relates to provision for restoration costs as disclosed in Note H3. Included in the Group's trade and other payables is an amount of S$256 million relating to accrued capital expenditure.

e. In 2019, the Group acquired intangible assets with an aggregate cost of S$18 million of which S$9 million was acquired by means of a swap of shares in Note D3(c).

f. In 2019, changes in receivables included an amount of S$58 million of service concession receivables from the Sirajganj Unit 4 power projects which was recognised in accordance with SFRS(I) INT 12 *Service Concession Arrangements* accounting guidelines. The receivables will be collected over the period of the concession contracts from the time the power plants commence commercial operations. In 2020, all power plants have commenced commercial operations.

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

SCHEDULE 4 TO THE PRICING SUPPLEMENT
AUDITED FINANCIAL STATEMENTS OF
SEMBCORP FINANCIAL SERVICES PTE. LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The information contained in this Schedule has been extracted from the financial statements of Sembcorp Financial Services Pte. Ltd. for the financial year ended 31 December 2020 and has not been specifically prepared for inclusion in this Pricing Supplement. The financial statements of Sembcorp Financial Services Pte. Ltd. for the financial year ended 31 December 2020 have been prepared in accordance with SFRS(I).

Sembcorp Financial Services Pte Ltd
Registration Number: 200302373G

Annual Report
Year ended December 31, 2020

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended December 31, 2020.

In our opinion:

(a) the financial statements set out on pages FS1 to FS42 are drawn up so as to give a true and fair view of the financial position of the Company as at December 31, 2020 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) (SFRS(I)); 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:

Graham Cockroft
Foo Fei Voon
Looi Lee Hwa

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Graham Cockroft		
Sembcorp Industries Ltd		
- ordinary shares	10,481	58,748
- conditional award of		
- 175,000 Performance Shares to be delivered after 2020 (Note 1a)	Up to 262,500	Up to 521,952
- 230,000 Performance Shares to be delivered after 2021 (Note 1b)	Up to 345,000	Up to 688,130

Directors' statement (cont'd)

Directors' interests (cont'd)

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Graham Cockroft (cont'd)		
Sembcorp Industries Ltd (cont'd)		
- grant of 41,922 restricted shares to be delivered between 2019 to 2022 (Note 2c)	31,441	41,786
- grant of 151,144 restricted shares to be delivered between 2020 to 2023 (Note 2d)	–	226,671
Foo Fei Voon		
Sembcorp Industries Ltd		
- ordinary shares	763,210	781,253
- conditional award of		
- 20,000 Restricted Shares to be delivered after 2017 (Note 2a)	3,932	–
- 16,000 Restricted Shares to be delivered after 2018 (Note 2b)	6,613	6,563
- grant of 17,000 restricted shares to be delivered between 2019 to 2022 (Note 2c)	12,750	16,946
- grant of 26,215 restricted shares to be delivered between 2020 to 2023 (Note 2d)	–	39,313
Looi Lee Hwa		
Sembcorp Industries Ltd		
- ordinary shares	21,215[1]	47,456[1]
- conditional award of		
- 68,000 Performance Shares to be delivered after 2020 (Note 1a)	Up to 102,000	Up to 202,815
- 73,000 Performance Shares to be delivered after 2021 (Note 1b)	Up to 109,500	Up to 218,406
- grant of 47,258 restricted shares to be delivered between 2019 to 2022 (Note 2c)	35,443	47,106
- grant of 57,701 restricted shares to be delivered between 2020 to 2023 (Note 2d)	–	86,532

[1] Of the SCI shares, 9,400 shares are held in the name of OCBC Nominee Bank.

Directors' statement (cont'd)

Directors' interests (cont'd)

Note 1: The actual number delivered will depend on the achievement of set targets over a 3-year performance 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 2018 to 2020
For this period, outstanding conditional award of Performance shares were adjusted **

(b) Period from 2019 to 2021
For this period, outstanding conditional award of Performance shares were adjusted **

Note 2: The actual number delivered will depend on the achievement of set targets at the end of the performance period, where applicable 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 2016 to 2017

For this period, 3,932 (final release of the 1/3 of 11,800) SCI shares were vested under the award to Foo Fei Voon on 31 March 2020.

(b) Period from 2017 to 2018

For this period, 3,307 (2^{nd} release of the 1/3 of 9,920) SCI shares were vested under the award to Foo Fei Voon on 31 March 2020. The remaining adjusted shares** will be vested in Year 2021.

With effect from FY2019, restricted shares were granted based on the financial performance and corporate objectives achieved in the preceding year.

Directors' statement (cont'd)

Directors' interests (cont'd)

(c) RSP 2018

In FY2020, 10,481 (2nd release of the 1/4 of 41,922), 4,250 (2nd release of the 1/4 of 17,000) and 11,815 (2nd release of the 1/4 of 47,258) SCI shares were vested under the award to Graham Cockroft, Foo Fei Voon and Looi Lee Hwa on 31 March 2020 respectively. The remaining adjusted shares** will be vested in Year 2021 and 2022.

(d) RSP 2019

In FY2020, 37,786 (1st release of the 1/4 of 151,144), 6,554 (1st release of the 1/4 of 26,215), 14,426 (1st release of the 1/4 of 57,701) SCI shares were vested under the award to Graham Cockroft, Foo Fei Voon and Looi Lee Hwa on 31 March 2020 respectively. The remaining adjusted shares** will be vested in Year 2021, 2022 and 2023.

** On 11 September 2020, the distribution in specie of ordinary shares in the capital of Sembcorp Marine Ltd (the "Distribution") by Sembcorp Industries Ltd was completed. Following the Distribution, the Executive Resource and Compensation Committee ("ERCC") has determined the unvested awards granted under either the SCI Restricted Shares Plan ("RSP") and/or SCI Performance Shares Plan ("PSP") shall be adjusted by the following adjustment factor:-

Grant	Adjusting Factor
RSP 2017-2018	1.98544
RSP 2018	1.99366
RSP 2019	1.99961
PSP 2018-2020	1.98839
PSP 2019-2021	1.99458

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 or at the end of the financial year.

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.

Directors' statement (cont'd)

Auditors

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

On behalf of the Board of Directors

Graham Cockroft
Director

Foo Fei Voon
Director

February 25, 2021

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Independent auditors' report

Member of the Company
Sembcorp Financial Services Pte Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sembcorp Financial Services Pte Ltd ('the Company'), which comprise the balance sheet as at December 31, 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS42.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the financial position of the Company as at December 31, 2020 and of the financial performance, changes in equity and cash flows of the Company 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 Company 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. We have determined that there are no key audit matters to communicate in our report.

Other information

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

Independent auditors' report (cont'd)

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

Other information (cont'd)

We have obtained the Directors' statement prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do 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 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, 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.

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 SFRS(I)s, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company'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.

Independent auditors' report (cont'd)

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

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

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 controls.

- Obtain an understanding of internal controls 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 Company's internal controls.

- 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 Company'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 Company 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.

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 controls that we identify during our audit.

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

Independent auditors' report (cont'd)

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

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

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 the law or regulations preclude 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 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 Koh Wei Peng.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
February 25, 2021

Balance sheet
As at December 31, 2020

	Note	2020 $'000	2019 $'000
Non-current assets			
Long term receivables and prepayments	3	3,943,162	3,778,017
Deferred tax assets	4	1,770	969
Other financial assets	5	25,191	11,785
Intangible assets		934	498
		3,971,057	3,791,269
Current assets			
Trade and other receivables	6	506,057	996,002
Other financial assets	5	10,388	23,482
Cash and cash equivalents	7	142,804	501,349
		659,249	1,520,833
Total assets		4,630,306	5,312,102
Share capital	10	15,000	15,000
Other reserves	11	(9,383)	(4,709)
Revenue reserve		44,730	39,240
Total equity		50,347	49,531
Non-current liabilities			
Other financial liabilities	12	3,448,506	2,937,037
Current liabilities			
Trade and other payables	13	340,926	287,185
Other financial liabilities	12	786,834	2,033,598
Current tax payable		3,693	4,751
		1,131,453	2,325,534
Total liabilities		4,579,959	5,262,571
Total equity and liabilities		4,630,306	5,312,102

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

Income statement
Year ended December 31, 2020

	Note	2020 $'000	2019 $'000
Revenue	14	135,516	141,377
Cost of sales		(123,514)	(122,563)
Gross profit		12,002	18,814
Other operating income		10,677	821
Other operating expenses		(15,977)	(6,320)
Profit before tax	15	6,702	13,315
Tax expense	16	(1,212)	(2,713)
Profit for the year		5,490	10,602

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

Statement of comprehensive income
Year ended December 31, 2020

	2020 $'000	2019 $'000
Profit for the year	5,490	10,602
Items that may be reclassified subsequently to profit or loss:		
Net fair value changes on cash flow hedges	(8,546)	(1,176)
Fair value changes of cash flow hedges reclassified to profit or loss	3,862	(3,249)
Other comprehensive loss for the year, net of tax	(4,684)	(4,425)
Total comprehensive income for the year	806	6,177

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

Statement of changes in equity
Year ended December 31, 2020

	Share capital $'000	Share-based payment reserve $'000	Hedging reserve $'000	Revenue reserve $'000	Total $'000
At January 1, 2020	15,000	24	(4,733)	39,240	49,531
Total comprehensive income for the year					
Profit for the year	–	–	–	5,490	5,490
Other comprehensive income, net of tax					
Net fair value changes on cash flow hedges	–	–	(8,546)	–	(8,546)
Fair value changes of cash flow hedges reclassified to profit or loss	–	–	3,862	–	3,862
Total comprehensive income for the year	–	–	(4,684)	5,490	806
Transactions with owner recognised directly in equity					
Contributions by and distributions to owner of the Company					
Value of employee services received for restricted shares plan issued by immediate holding company	–	40	–	–	40
Treasury shares of immediate holding company transferred to employees	–	(30)	–	–	(30)
Total contributions by and distributions to owner of the Company	–	10	–	–	10
At December 31, 2020	15,000	34	(9,417)	44,730	50,347

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

Statement of changes in equity
Year ended December 31, 2020

	Share capital $'000	Share-based payment reserve $'000	Hedging reserve $'000	Revenue reserve $'000	Total $'000
At January 1, 2019	15,000	39	(308)	28,638	43,369
Total comprehensive income for the year					
Profit for the year	–	–	–	10,602	10,602
Other comprehensive income, net of tax					
Net fair value changes on cash flow hedges	–	–	(1,176)	–	(1,176)
Fair value changes of cash flow hedges reclassified to profit or loss	–	–	(3,249)	–	(3,249)
Total comprehensive income for the year	–	–	(4,425)	10,602	6,177
Transactions with owner recognised directly in equity					
Contributions by and distributions to owner of the Company					
Value of employee services received for restricted shares plan issued by immediate holding company	–	11	–	–	11
Treasury shares of immediate holding company transferred to employees	–	(26)	–	–	(26)
Total contributions by and distributions to owner of the Company	–	(15)	–	–	(15)
At December 31, 2019	15,000	24	(4,733)	39,240	49,531

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

Statement of cash flow
Year ended December 31, 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Profit for the year		5,490	10,602
Adjustments for:			
Fair value of restricted shares expensed off		40	11
Amortisation of intangible assets		183	–
Amortisation of transactions costs		3,625	2,497
Fair value loss/(gain) on derivative contracts		918	(1,469)
Tax expense		1,212	2,713
		11,468	14,354
Changes in:			
Trade and other receivables		323,319	(1,126,386)
Trade and other payables		55,584	127,680
Income tax paid		(2,129)	(933)
Net cash from/(used in) operating activities		388,242	(985,285)
Cash flows from investing activities			
Acquisition of intangible assets		(619)	(498)
Net cash used in investing activities		(619)	(498)
Cash flows from financing activities			
Repayment of borrowings		(2,611,870)	(626,283)
Proceeds from borrowings		2,720,245	1,595,611
Increase in restricted cash		–	(3,800)
Net cash from financing activities		108,375	965,528
Net increase/(decrease) in cash and cash equivalents		495,998	(20,255)
Cash and cash equivalents at beginning of year		(1,035,728)	(1,015,473)
Cash and cash equivalents at end of year	7	(539,730)	(1,035,728)
Cash and cash equivalents comprise:			
- Cash and bank balances and fixed deposits		142,804	501,349
- Bank overdrafts	12	(677,734)	(1,532,277)
- Restricted bank balances		(4,800)	(4,800)
		(539,730)	(1,035,728)

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

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on February 25, 2021.

1 Domicile and Activities

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

The principal activities of the Company are those relating to the business of finance and acting as the finance and treasury centre for Sembcorp Industries Ltd and its subsidiaries.

The immediate and ultimate holding companies are Sembcorp Industries Ltd and Temasek Holdings (Private) Limited respectively. All companies are incorporated in the Republic of Singapore.

2 Summary of Significant Accounting Policies

2.1 Basis of Preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

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

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

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is discussed in Note 2.14.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

2 Summary of Significant Accounting Policies (cont'd)

2.2 Foreign currency transactions and balances

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

- Foreign currency monetary assets and liabilities are re-translated 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 rates at the date of the transaction while those measured at fair value are retranslated to the functional currency at exchange rates at the date the fair value was determined.

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

Foreign exchange differences arising on retranslation are recognised directly in profit or loss, except for the differences arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective, which are recognised in other comprehensive income.

2.3 Non-derivative financial assets

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

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

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

The Company does not have non-derivative financial assets measured at FVOCI and FVTPL.

2 Summary of Significant Accounting Policies (cont'd)

2.3 Non-derivative financial assets (cont'd)

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

Financial assets measured at amortised cost

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

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

Financial assets at amortised cost comprise cash and cash equivalents, long-term receivables and trade and other receivables, excluding prepayments.

Cash and cash equivalents comprise cash balances and short-term deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of short term commitments.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the respective financial assets and the operation of those policies in practice;
- how the performance of the respective financial assets is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model and how those risks are managed; and
- the frequency, volume and timing of disposals of investments in prior periods, the reasons for such disposals and its expectations about future activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

2 Summary of significant accounting policies (cont'd)

2.3 Non-derivative financial assets (cont'd)

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

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial assets contains a contractual term that could change the timing and amount of contractual cash flows that would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Subsequent measurement and gains and losses

The assets are subsequently measured at amortised costs using the effective interest method. The amortised costs is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(iii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfer nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Impairment

The Company recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised costs.

2 Summary of Significant Accounting Policies (cont'd)

2.3 Non-derivative financial assets (cont'd)

(v) Impairment (cont'd)

The Company measures loss allowances at an amount equal to 12-month ECLs.

12-month ECLs are the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected credit life of the instrument is less than 12 months).

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

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

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

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

- the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend.

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

For amounts due from related parties, the Company considers the financial assets to have a low credit risk by taking into consideration the immediate holding company's (Sembcorp Industries Limited) commitment as well as its financial ability to settle the amount, in estimating the risk of default used in measuring ECL.

Measurement of ECLs

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

2 Summary of Significant Accounting Policies (cont'd)

2.3 Non-derivative financial assets (cont'd)

(v) Impairment (cont'd)

Credit-impaired financial assets

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

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

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

Presentation of loss allowance for ECLs in the balance sheet

Loss allowance for financial assets measured at amortised costs are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

2.4 Derivatives

Derivatives are used to manage exposures to foreign exchange and interest rate risks arising from operational and financing activities. Derivatives are not used for trading purposes. The Company currently holds forward foreign currency contracts, interest rate swaps and cross currency swaps to hedge its interest rate and foreign currency exposures.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are re-measured at fair value and any changes in its fair value are recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant changes in the fair value depends on the nature of the item being hedged as described in Note 2.5.

2 Summary of Significant Accounting Policies (cont'd)

2.5 Hedging activities

The Company designates certain derivatives as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

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. The cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged transaction is no longer expected to take place, the balance in equity is reclassified to profit or loss.

2 Summary of Significant Accounting Policies (cont'd)

2.5 Hedging activities (cont'd)

Cash flow hedges (cont'd)

Hedges directly affected by Interest Rate Benchmark Reform (IRBR)

On initial designation of the hedging relationship, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated. For the purpose of evaluating whether the hedging relationship is expected to be highly effective (i.e. prospective effectiveness assessment), the Company assumes that the benchmark interest rate is not altered as a result of IRBR.

The Company will cease to apply the amendments to its effectiveness assessment of the hedging relationship when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued.

2.6 Non-derivative financial liabilities

The Company initially recognises debt securities issued 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 Company becomes a party to the contractual provisions of the instrument.

The Company classifies non-derivative financial liabilities as measured at amortised cost.

Non-derivative financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables (excluding long-term employee benefits). Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantively different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

2 Summary of Significant Accounting Policies (cont'd)

2.7 Share capital

Ordinary shares are classified as equity.

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

2.8 Intra-group financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Company'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.

2.9 Employee benefits

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.

Long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. This has been reported in other long-term payables.

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 Company 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.

2 Summary of Significant Accounting Policies (cont'd)

2.9 Employee benefits (cont'd)

Equity and equity-related compensation benefits

Restricted 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 the 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.

Cash-related compensation benefits

Sembcorp Challenge Bonus

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the share price of the immediate holding company. The Company 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 performance achieved for the year and the probability of achieving the performance conditions in the future.

Until the liability is settled, the Company 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 year.

2.10 Revenue recognition

Interest income is recognised as it accrues, using the effective interest method.

2 Summary of Significant Accounting Policies (cont'd)

2.11 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 items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable on the taxable income 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 temporary differences arising from 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.

The measurement of deferred tax reflects the consequences that would follow the manner in which the Company 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.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax 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. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

2 Summary of Significant Accounting Policies (cont'd)

2.12 Segment reporting

An operating segment is a component of the Company 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 Company's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.13 Government grants and government assistance

Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In that case, the grant is recognised when it becomes receivable.

2.14 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 Company'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:

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 Company 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 Company 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 Company makes certain assumptions in 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 Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2 Summary of Significant Accounting Policies (cont'd)

2.14 Significant accounting estimates and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

Cash flow hedges

For cash flow hedging relationships directly impacted by IRBR (i.e. hedges of SOR), the Company assumes that the cash flows of the hedged item and hedging instrument will not be altered as a result of IRBR.

In Singapore, SIBOR and SOR continue to be used as reference rates in financial markets and are used in the valuation of instruments with maturities that exceed the expected end date for SIBOR and SOR. Therefore, the Company believes the current market structure supports the continuation of hedge accounting as at December 31, 2020.

3 Long Term Receivables and Prepayments

	Note	**2020 $'000**	**2019 $'000**
Long-term loans due from:			
- immediate holding company	8	1,595,000	145,000
- related corporations	9	2,346,358	3,630,216
		3,941,358	3,775,216
Prepayments		1,804	2,801
		3,943,162	3,778,017

Prepayments relate to upfront fees charged for facilities of $2,250,000,000 (2019: $1,600,000,000) of which $1,496,539,000 has been drawn down as at December 31, 2020 (2019: $240,330,000).

4 Deferred Tax Assets and Liabilities

	At January 1, 2019 $'000	**Recognised in equity (Note 16) $'000**	**At December 31, 2019 $'000**	**Recognised in profit or loss (Note 16) $'000**	**Recognised in equity (Note 16) $'000**	**At December 31, 2020 $'000**
Deferred tax assets						
Derivatives	63	906	969	–	960	1,929
Deferred tax liabilities						
Intangible assets	–	–	–	(159)	–	(159)
Net deferred tax assets	63	906	969	(159)	960	1,770

5 Other Financial Assets

	2020 $'000	2019 $'000
Non-current assets		
Interest rate swaps	14,257	8,284
Foreign exchange contracts	7,814	–
Cross currency swaps (2019: Cross currency swaps designated in cash flow hedges)	3,120	3,501
	25,191	11,785
Current assets		
Foreign exchange contracts	10,388	23,423
Interest rate swaps	–	59
	10,388	23,482
Total other financial assets	35,579	35,267

6 Trade and Other Receivables

	Note	2020 $'000	2019 $'000
Grant receivables		24	–
Other receivables		118	251
Amounts due from:			
- immediate holding company	8	1,684	101,425
- related corporations	9	503,232	892,930
		505,058	994,606
Prepayments		999	1,396
		506,057	996,002

Prepayments relate to upfront fees charged for facilities of $2,250,000,000 (2019: $1,600,000,000) of which $1,496,539,000 has been drawn down as at December 31, 2020 (2019: $240,330,000).

7 Cash and Cash Equivalents

	Note	2020 $'000	2019 $'000
Cash at bank and in hand		142,804	428,349
Fixed deposits		–	73,000
Cash and cash equivalents in the balance sheet		142,804	501,349
Restricted bank balances		(4,800)	(4,800)
Bank overdrafts*	12	(677,734)	(1,532,277)
Cash and cash equivalents in the cash flow statement		(539,730)	(1,035,728)

The interest rate per annum of cash and cash equivalents, excluding bank overdrafts of the Company range from 0.09% to 3.25% (2019: 0.25% to 2.75%). Included in this balance is restricted cash of $4,800,000 (2019: $4,800,000) and cash placed with a related corporation of $989,000 (2019: $243,000) respectively.

7 Cash and Cash Equivalents (cont'd)

* The Company runs a cash pool via a related corporation for Sembcorp Group of companies as part of its cash management and treasury activities. The Company's bank overdrafts represent the cash placed by Sembcorp Group of companies with the Company as part of the cash pooling system. The cash pool pays interest rates ranging from 0.07% to 1.52% (2019: 1.47% to 2.45%) per annum.

8 Amounts Due from/(to) Immediate Holding Company

	Note	2020 $'000	2019 $'000
Amount due from:			
- long-term loans	3	1,595,000	145,000
Amount due from:			
- trade	6	1,684	1,425
- short-term loans		–	100,000
		1,684	101,425
Amount due to:			
- trade	13	(18)	(1,396)

The long-term loans due from immediate holding company bear interest ranging from 1.36% to 3.72% (2019: 3.72%) per annum, are unsecured and repayable from 2022 to 2024 (2019: 2020 to 2024).

9 Amounts Due from/(to) Related Corporations

	Note	2020 $'000	2019 $'000
Amount due from:			
- long-term loans	3	2,346,358	3,630,216
Amount due from:			
- trade		12,736	46,238
- short-term loans		490,496	846,248
	6	503,232	892,486
Amount due to:			
- trade		(4,170)	(2,116)
- short-term loans		(327,277)	(244,559)
	13	(331,447)	(246,675)

The long-term loans due from related corporations bear interest ranging from 1.07% to 4.99% (2019: 2.08% to 4.99%) per annum, are unsecured and are repayable from 2021 to 2026 (2019: 2020 to 2026).

9 Amounts Due from/(to) Related Corporations (cont'd)

The short-term loans due from related corporations bear interest ranging from 1.16% to 6.5% (2019: 2.33% to 6.5%) per annum, are unsecured and repayable within the next 12 months.

The short-term loans due to related corporations bear interest ranging from 0.04% to 0.59% (2019: 0.44% to 2.41%) per annum, are unsecured and repayable within the next 12 months.

10 Share Capital

	2020	2019
	No. of shares	
	'000	'000
Fully paid ordinary shares, with no par value:		
At January 1 and December 31	15,000	15,000

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.

11 Other Reserves

	2020	2019
	$'000	$'000
Share-based payment reserve	34	24
Hedging reserve	(9,417)	(4,733)
	(9,383)	(4,709)

(i) Share-based payment reserve

Share-based payments reserve comprises the cumulative value of services received from employees recorded on grant of equity-settled share options, performance share plan and restricted share plan of the penultimate holding company. The expenses for service received is recognised over the performance period and/or vesting period.

(ii) Hedging reserve

The hedging reserve of the Company 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, net of tax.

12 Other Financial Liabilities

	Note	2020 $'000	2019 $'000
Non-current liabilities			
Interest rate swaps		14,592	8,483
Cross currency swaps		–	520
Foreign exchange contracts		7,814	–
Interest rate swaps designated in cash flow hedges		11,346	4,277
Unsecured term loans		3,414,754	2,923,757
		3,448,506	2,937,037
Current liabilities			
Bank overdrafts	7	677,734	1,532,277
Foreign exchange contracts		9,110	21,241
Interest rate swaps		–	59
Unsecured term loans		99,990	480,021
		786,834	2,033,598
		4,235,340	4,970,635
Total loans and borrowings		4,192,478	4,936,055
Total derivatives		42,862	34,580
Total financial liabilities		4,235,340	4,970,635

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	2020	2019
Nominal interest rate		
S$ medium term notes	2.94% – 4.25%	2.94% – 4.25%
S$ guaranteed bonds	–	3.55%
S$ floating rate loans	0.88% – 2.84%	2.23% – 2.84%
JPY fixed rate loans	0.77%	0.77%
Bank overdrafts	Up to 1.52%	Up to 2.45%
Within 1 year	99,990	480,021
After 1 year but within 5 years	3,165,747	2,574,944
After 5 years	249,007	348,813
Total unsecured loans	3,514,744	3,403,778
Bank overdrafts	677,734	1,532,277
Total unsecured loans and bank overdrafts	4,192,478	4,936,055

In April 2020, the Company together with its immediate holding company established a $3 billion Multicurrency Debt Issuance Programme in additional to the existing S$2.5 billion Programme. Under the Programme, the Company, together with other subsidiaries of its immediate holding company (the Issuers and the "Issuing Subsidiaries") may from time to time issue Notes and Securities subject to availability of funds from the market. The obligations of the Company under the Programme are fully guaranteed by the immediate holding company. At balance sheet date, the Company had issued $550,000,000 (2019: $850,000,000) medium term notes.

12 Other Financial Liabilities (cont'd)

	Nominal interest rate	Year of issue	Year of maturity	Principal amount 2020 S$'000	2019 S$'000
S$ medium term notes	3.7325%	2010	2020	–	300,000
S$ medium term notes	4.25%	2010	2025	100,000	100,000
S$ medium term notes	3.64%	2013	2024	200,000	200,000
S$ medium term notes	2.94%	2014	2021	100,000	100,000
S$ medium term notes	3.593%	2014	2026	150,000	150,000
				550,000	850,000

At balance sheet date, an amount of $165,000,000 (2019: $165,000,000) medium term notes was subscribed by a related corporation.

In June 2019, the Company entered into a subscription agreement with DBS Bank to issue S$1.5 billion 3.55% per annum guaranteed bonds due in 2024. Proceeds from the issuance of bonds were used to fund the S$2.0 billion 5-year subordinated loan facility provided by the Company to a related corporation to repay S$1.5 billion of its borrowings. The bonds were fully guaranteed by its immediate holding company. Based on the agreement with the related corporation, transaction cost of S$2.25 million incurred by the Company was recharged to the related corporation.

In September 2020, the S$1.5 billion loan facility to a related corporation was novated to the immediate holding company, with an additional fee premium of $9.4 million.

In November 2020, the S$1.5 billion 3.55% guaranteed bonds were fully redeemed and as a result of the early redemption, an amount of S$6.5 million in break funding cost was paid to bond investors who are also related corporation.

	Nominal interest rate	Year of issue	Year of maturity	Principal amount 2020 S$'000	2019 S$'000
S$ guaranteed bonds	3.55%	2019	2024	–	1,500,000

At balance sheet date, there is no guaranteed bonds subscribed by a related corporation (2019: $200,000,000).

12 Other Financial Liabilities (cont'd)

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

	Unsecured term loans $'000
Balance at January 1, 2019	2,433,429
Changes from financing cash flows:	
Proceeds from borrowings	1,595,611
Repayment of borrowings	(626,283)
Total changes from financing cash flows	969,328
Non-cash items:	
Amortisation of transaction costs for loans	1,021
Total liability related – other changes	1,021
Balance at December 31, 2019	3,403,778
Balance at January 1, 2020	3,403,778
Changes from financing cash flows:	
Proceeds from borrowings	2,720,245
Repayment of borrowings	(2,611,870)
Total changes from financing cash flows	108,375
Non-cash items:	
Amortisation of transaction costs for loans	2,591
Total liability related – other changes	2,591
Balance at December 31, 2020	3,514,744

13 Trade and Other Payables

	Note	2020 $'000	2019 $'000
Interest payable to:			
- immediate holding company	8	18	1,396
- related corporations	9	4,170	3,721
- banks		7,762	36,062
Amounts due to:			
- related corporations	9	327,277	244,559
		339,227	285,738
Deferred grant income		39	–
Accrued operating expenses and other payables		1,660	1,447
		340,926	287,185

14 Revenue

	2020 $'000	2019 $'000
Interest income		
- immediate holding company	12,538	9,217
- related corporations	119,488	124,425
- banks and financial institutions	3,490	7,735
	135,516	141,377

15 Profit Before Tax

Profit before tax includes the following:

	2020 $'000	2019 $'000
Facility fee charged to a related corporation	(1,072)	(821)
Staff costs	1,512	1,424
Share-based payment expenses	40	11
Net increase / (decrease) in fair value of financial assets measured at fair value through profit or loss	918	(1,469)
Exchange loss	3,094	3,706
Amortisation of transaction costs for loans	3,625	2,497
Amortisation of intangible assets	183	–
Interest expense:		
- immediate holding company	4,391	13,016
- related corporations	15,884	15,578
- banks and financial institutions	96,207	88,621
Commitment fee		
- related corporations	472	375
- banks and financial institutions	2,935	2,476

16 Tax Expense

	2020 $'000	2019 $'000
Current tax expense		
Current year	1,513	2,673
Foreign withholding tax	(18)	108
Overprovided in prior years	(442)	(68)
	1,053	2,713
Deferred tax expense		
Movement in temporary differences	159	–
	159	–
Tax expense	1,212	2,713

17 Tax Expense (cont'd)

Tax recognised in other comprehensive income

	2020 Before tax $'000	2020 Tax expense/ (benefit) $'000	2020 Net of tax $'000	2019 Before tax $'000	2019 Tax expense/ (benefit) $'000	2019 Net of tax $'000
Fair value changes on cash flow hedges	(10,297)	1,751	(8,546)	(1,417)	241	(1,176)
Fair value changes of cash flow hedges reclassified to profit or loss	4,653	(791)	3,862	(3,914)	665	(3,249)
	(5,644)	960	(4,684)	(5,331)	906	(4,425)

Reconciliation of effective tax rate

	2020 $'000	2019 $'000
Profit before tax	6,702	13,315
Tax using the Singapore tax rate of 17% (2019: 17%)	1,139	2,264
Non-deductible expenses	655	426
Tax incentives and tax-exempt revenues	(51)	(17)
Foreign withholding tax	(18)	108
Overprovided in prior years	(442)	(68)
Others	(71)	–
	1,212	2,713

17 Significant Related Party Transactions

For the purposes of the financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Other than disclosed elsewhere in the financial statements, the Company had the following significant transactions with related parties during the year:

17 Significant Related Party Transactions (cont'd)

	2020 $'000	2019 $'000
Management fees to immediate holding company	2,047	1,940
Payment on behalf by immediate holding company – payroll costs	623	420

Compensation of Key Management Personnel

Key management personnel of the Company are those having the authority and responsibility for planning, directing and controlling the activities of the Company. The directors of the Company are considered as key management personnel of the Company.

None of the three directors earned any directors' fees or other remuneration in respect of their appointments as directors of the Company during the current year and prior year. The directors are not paid directly by the Company but receive remuneration from the Company's immediate holding company, in respect of their services to the larger group which includes the Company. No apportionment has been made as the services provided by these directors to the Company are incidental to their responsibilities to the larger group.

18 Share-based Incentive Plans

The Company participates in its immediate holding company, Sembcorp Industries Ltd's ("SCI") Performance Share Plan 2020 ("SCI PSP 2020") and Restricted Share Plan 2020 ("SCI RSP 2020") (collectively, the "2020 Share Plans") which were approved and adopted by the shareholders at an Annual General Meeting of SCI held on May 24, 2020. The 2020 Share Plans replaced the 2010 Share Plan which expired.

A participant's award under the 2020 and 2010 Share Plans are determined by the Executive Resource & Compensation Committee (the "Committee") of SCI taking into account, *inter alia*, the participant's performance during the relevant period, and his/her capability, entrepreneurship, scope of responsibility and skill set.

The details of SCI Group's share-based remuneration arrangements, including details of the 2020 and 2010 Share Plans, are set out and disclosed in SCI's publicly available annual report.

Restricted Share Plan

Award granted from 2019

Shares will be granted to eligible employees under the SCI RSP based on financial performance and corporate objectives achieved in the preceding year. The performance criteria for FY2020 and FY2019 restricted shares awards granted are calibrated based on Earnings Before Interest Tax Depreciation and Amortisation (EBITDA), Return On Equity (ROE) (excluding Sembcorp Marine Ltd), and non-financial performance targets, comprising transformation milestones and adherence to environment, health and safety standards achieved by the Group for the respective preceding financing year.

18 Share-based Incentive Plans (cont'd)

Restricted Share Plan (cont'd)

For managerial participants, depending on achievement on criteria outlined above, a quarter of the awards granted will vest immediately with the remaining three-quarters of the awards vest over the following three years in equal tranches, subject to individual performance and fulfilment of service conditions at vesting.

Based on achievement, the non-managerial participants of SCI Group will receive a cash-settled nominal restricted shares award known as the Sembcorp Challenge Bonus.

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

	2020 $'000	2019 $'000
At January 1	18,673	11,953
Conditional restricted shares awarded	24,386	3,750
Modification upon capital related changes	28,035	–
Restricted shares lapsed arising from targets not met	–	(2,660)
Restricted shares transferred out	–	11,593
Conditional restricted shares released	(14,921)	(5,963)
At December 31	56,173	18,673

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2019, a total of 6,098 restricted shares were released in 2020. For awards in relation to performance period 2018, a total of 3,688 restricted shares were released in 2020. For awards in relation to performance period 2017 to 2018, a total of 2,482 (2019: 2,386) restricted shares were released in 2020. For awards in relation to the performance period 2016 to 2017, a total of 2,653 (2019: 1,377) restricted shares were released in 2020. For awards in relation to the performance period 2015 to 2016, no (2019: 2,200) restricted shares were released in 2020.

In 2020, no (2019: 2,660) restricted shares lapsed from performance targets not met for the performance period (2019: 2017 to 2018).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2020, was 56,173 (2019: 18,673). The RSP balances represent 100% of targets achieved, but not released subject to individual performance and fulfilment of service conditions at vesting. The actual release of the awards is a maximum of 56,173 (2019: 18,673) 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 2019 (2019: performance period 2017 to 2018), a total of $5,092 equivalent to 2,600 (2019: $1,861 equivalent to 600) notional restricted shares, were paid and awarded.

18 Share-based Incentive Plans (cont'd)

Restricted Share Plan (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 in 2020 are as follows:

	Fair value of Sembcorp Industries Ltd restricted shares Year of Grant	
	2020	**2019**
Fair value at measurement date	S$1.81	S$2.44
Assumptions under the Monte Carlo model		
Share price	S$1.90	S$2.54
Expected volatility	23.4%	19.8%
Risk-free interest rate	0.77% - 0.96%	1.9%
Expected dividend	3.5%	2.7%

19 Financial Risk Management

Overview

The Company follows the risk management policies and guidelines of its immediate holding company which set out its overall business strategies, its tolerance of risk and its general risk management philosophy.

As part of the Company's Enterprise Risk Management framework, treasury policies and financial authority limits are documented and reviewed periodically. The policies set out the parameters for management of liquidity, counterparty risk, foreign exchange and derivative transactions and financing.

The Company utilises derivatives to manage exposures to interest rate risk and foreign exchange rate risk. 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.

Liquidity risk

The Company manages its liquidity risk with the view to maintain sufficient liquidity to fund its day-to-day operations, meet deposit withdrawals, loan disbursements and repayment of borrowings. Hence, liquidity is managed in a manner to address known as well as unanticipated cash funding needs. Liquidity requirements are maintained within the credit facilities established and are adequate and available to the Company to meet its obligations.

19 Financial Risk Management (cont'd)

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

		Cash flows			
	Carrying amount $'000	**Contractual cash flow $'000**	**Less than 1 year $'000**	**Between 1 and 5 years $'000**	**Over 5 years $'000**
December 31, 2020					
Derivatives					
Derivative financial assets	(35,579)				
- inflow		608,922	212,170	396,752	–
- outflow		(575,491)	(202,511)	(372,980)	–
Derivative financial liabilities	42,862				
- inflow		492,891	224,052	268,839	–
- outflow		(535,753)	(233,163)	(292,894)	(9,696)
Non-derivative financial liabilities					
Trade and other payables*	340,887	(340,887)	(340,887)	–	–
Other financial liabilities	4,192,478	(4,369,924)	(825,798)	(3,288,833)	(255,293)
	4,540,648	(4,720,242)	(1,166,137)	(3,289,116)	(264,989)
December 31, 2019					
Derivatives					
Derivative financial assets	(35,267)				
- inflow		690,789	680,915	9,874	–
- outflow		(659,272)	(657,535)	(1,737)	–
Derivative financial liabilities	34,580				
- inflow		553,119	450,133	102,986	–
- outflow		(595,899)	(472,613)	(119,029)	(4,257)
Non-derivative financial liabilities					
Trade and other payables	287,185	(287,185)	(287,185)	–	–
Other financial liabilities	4,936,055	(5,178,736)	(2,088,838)	(2,826,856)	(263,042)
	5,222,553	(5,477,184)	(2,375,123)	(2,834,762)	(267,299)

* *Excludes deferred grant income*

The maturity profile of financial guarantees is disclosed in Note 20.

19 Financial Risk Management (cont'd)

Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under contracts or arrangements. The Company does not have significant credit risk exposures.

The Company only deals with related parties and financial institutions with good credit rating. To minimise the Company's counterparty risk, the Company enters into derivative transactions only with creditworthy institutions. Cash and fixed deposits are placed in banks and financial institutions with good credit rating. For amounts due from related parties, the Company considers the financial assets to have a low credit risk by taking into consideration the immediate holding company's (Sembcorp Industries Limited) commitment as well as its financial ability to settle the amount, in estimating the risk of default used in measuring ECL.

As 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.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates and prices will affect the Company'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.

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's variable-rate debt obligations and loan portfolio. The Company primarily adopts natural hedge to manage the interest rate risk arising from its loan portfolio and debt obligations. In addition, the Company also uses interest rate swaps and cross currency swaps to hedge and manage its interest rate exposure, where applicable.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. The Company assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item by looking at the critical terms.

In these hedge relationships, the main sources of ineffectiveness could be due to:

- the effect of the counterparties' and the Company's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- changes in the timing of the hedged transactions.

The Company's exposure to the interest rate benchmark reform as at December 31, 2020 is attributable to the interest rate swaps (2019: interest rate swaps and cross currency swaps) to hedge SOR (2019: SOR and LIBOR) cash flows on the Company's bank loans maturing from 2025 to 2026 (2019: 2020 to 2026). The Company's exposure to SOR and LIBOR designated in a hedging relationship that is directly affected by the interest rate benchmark reform approximates nominal amount of S$160,000,000 (2019: S$149,667,000) at December 31, 2020.

19 Financial Risk Management (cont'd)

Market risk (cont'd)

Sensitivity analysis

It is estimated that 100 basis point (bp) change in interest rate at the reporting date would increase/(decrease) equity and profit before tax by the following amounts. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Equity		Profit before tax	
	100 bp Increase $'000	**100 bp Decrease $'000**	**100 bp Increase $'000**	**100 bp Decrease $'000**
December 31, 2020				
Variable rate instruments	7,152	(7,152)	3,104	(3,104)
December 31, 2019				
Variable rate instruments	6,217	(6,217)	(24)	24

The Company has outstanding interest rate swaps as follows:

	2020 $'000	**2019 $'000**
Interest rate swaps		
Notional amount	194,952	204,952
Derivative financial assets	14,257	8,343
Notional amount	359,999	309,999
Derivative financial liabilities	(25,938)	(12,819)

Outstanding interest rate swaps taken up with related corporations are as follows:

	2020 $'000	**2019 $'000**
Interest rate swaps		
Notional amount	194,952	204,952
Derivative financial assets	14,257	8,343
Notional amount	259,999	199,999
Derivative financial liabilities	(17,989)	(8,234)

Foreign currency risk

The Company is exposed to currency risk on transactions that are denominated in a currency other than the functional currency of the Company. The currencies in which these transactions primarily are denominated are the US dollar (USD), British Pound (GBP), Chinese Yuan (RMB), Chilean Peso (CLP) and Japanese Yen (JPY). Such risks are hedged either by forward foreign exchange contracts or cross currency swaps in respect of actual or forecasted currency exposures which are reasonably certain.

19 Financial Risk Management (cont'd)

Market risk (cont'd)

Foreign currency risk (cont'd)

The Company is exposed to foreign currency risk on lending and borrowings that are denominated in a currency other than Singapore dollars. The Company's exposures to foreign currency are as follows:

	USD $'000	GBP $'000	RMB $'000	CLP $'000	JPY $'000	Others $'000
December 31, 2020						
Financial assets						
Cash and cash equivalents	105,574	929	17	–	–	12
Trade and other receivables	138,812	135,196	63,632	–	375	–
	244,386	136,125	63,649	–	375	12
Trade and other payables	(38,786)	(91,244)	–	–	(375)	–
Other financial liabilities	(122,149)	–	–	–	(103,856)	–
	(160,935)	(91,244)	–	–	(104,231)	–
Net financial assets/ (liabilities)	83,451	44,881	63,649	–	(103,856)	12
(Less)/Add: Foreign exchange contracts and cross currency swaps (net)	(82,972)	(44,544)	(63,238)	–	103,856	–
Net currency exposure	479	337	411	–	–	12
December 31, 2019						
Financial assets						
Cash and cash equivalents	128,257	120	17	–	–	40
Trade and other receivables	165,126	134,532	60,439	45,333	–	–
	293,383	134,652	60,456	45,333	–	40
Trade and other payables	(34,471)	(103,086)	–	–	–	–
Other financial liabilities	(131,816)	–	–	–	(100,294)	–
	(166,287)	(103,086)	–	–	(100,294)	–
Net financial assets/ (liabilities)	127,096	31,566	60,456	45,333	(100,294)	40
(Less)/Add: Foreign exchange contracts and cross currency swaps (net)	(126,153)	(31,225)	(60,074)	(44,879)	100,294	–
Net currency exposure	943	341	382	454	–	40

19 Financial Risk Management (cont'd)

Market risk (cont'd)

Foreign currency risk (cont'd)

A 10% strengthening of foreign currencies against Singapore dollar at the reporting date would increase/(decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables (i.e. interest rates) remain constant.

	Profit before tax	
	2020	**2019**
	$'000	**$'000**
- USD	48	94
- GBP	34	34
- RMB	41	38
- CLP	–	45
- Others	1	4

The Company has outstanding foreign exchange contracts and cross currency swaps as follows:

	2020	**2019**
	$'000	**$'000**
Foreign exchange contracts		
Notional amount	1,459,598	967,415
Derivative financial assets	18,202	23,423
Notional amount	1,481,385	757,586
Derivative financial liabilities	(16,924)	(21,241)
Cross currency swaps		
Notional amount	99,999	49,667
Derivative financial assets	3,120	3,501
Notional amount	–	100,294
Derivative financial liabilities	–	(520)

Outstanding foreign exchange contracts and cross currency swaps taken up with related corporations are as follows:

	2020	**2019**
	$'000	**$'000**
Foreign exchange contracts		
Notional amount	875,890	243,691
Derivative financial assets	13,117	9,771
Notional amount	825,763	39,120
Derivative financial liabilities	(7,193)	(356)
Cross currency swaps		
Notional amount	99,999	–
Derivative financial assets	3,120	–
Notional amount	–	100,294
Derivative financial liabilities	–	(520)

19 Financial Risk Management (cont'd)

Cash flow hedges

The Company designates cross currency swaps in their entirety to hedge exposures to changes in foreign currency and interest rates and applies a hedge ratio of 1:1. The Company determines the existence of an economic relationship between the hedging instruments and hedged items based on the currency, amount and timing of their respective cash flows. The Company assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged items by looking at the critical terms. The Company did not identify any significant sources of ineffectiveness in the hedge relationships.

At the reporting date, the Company held the following instruments to hedge exposures to changes in interest rates:

			Maturity		
	Rate ($)	**Interest rate (%)**	**Within 1 year $'000**	**Between 1 to 5 years $'000**	**More than 5 years $'000**
2020					
Interest rate risk					
Interest rate swap (IRS)					
- Float-to-fixed	–	1.05 – 2.24	–	60,000	100,000
2019					
Interest rate risk					
Interest rate swap (IRS)					
- Float-to-fixed	–	2.24	–	–	100,000
Foreign currency and interest rate risk					
Cross currency swaps					
- USD/CLP	666.32 – 720.61	1.50 – 2.88	–	49,667	–

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

	Balance in hedging reserve for continuing hedges $'000
2020	
Interest rate risk	
Other financial liabilities	(9,417)
2019	
Interest rate risk	
Other financial liabilities	(3,779)
Foreign currency and interest rate risk	
Trade and other receivables and trade and other payables	(954)

19 Financial Risk Management (cont'd)

Cash flow hedges (cont'd)

The amounts related to items designated as hedging instruments are as follows:

	Nominal Amount $'000	Quantity '000	Carrying Amount Assets/ (Liabilities) $'000	Line item in the balance sheet where the hedging instrument is included	Change in value of hedging instrument recognised in other comprehensive income $'000	Amount reclassified from hedging reserve to profit or loss $'000	Line item affected in profit or loss because of the reclassification
2020							
Interest rate risk							
Interest rate swap	160,000	SGD160,000	(11,346)	Other financial liabilities	(6,793)	–	Other operating expenses
2019							
Interest rate risk							
Interest rate swap	100,000	SGD100,000	(4,277)	Other financial liabilities	(4,553)	–	Other operating expenses
Foreign currency and interest rate risk							
Cross currency swaps	49,667	CLP25,100,000	3,501	Other financial assets	3,136	(3,914)	Other operating expenses

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

	2020 Hedging reserve $'000	2019 Hedging reserve $'000
Balance at January 1	(4,733)	(308)
Changes in fair value:		
Foreign currency and interest rate risk	(3,504)	3,136
Interest rate risk	(6,793)	(4,553)
Amount reclassified to profit or loss:		
Foreign currency and interest rate risk	4,653	(3,914)
Tax on movements on reserves during the year	960	906
Balance at December 31	(9,417)	(4,733)

19 Financial Risk Management (cont'd)

Estimation of fair values

SFRS(I) 7 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value.

The three levels of the fair value input hierarchy defined by SFRS(I) 7 are as follows:

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

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Company.

Derivatives

The fair value of foreign exchange contracts 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 Company is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

Non-derivative non-current financial assets and liabilities

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 non-derivative non-current financial assets and liabilities which bear fixed interest 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.

For non-current financial assets and liabilities that are traded in the market, quoted market prices or dealer quotes for similar instruments are used to estimate the fair value for disclosure purposes.

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, other financial liabilities and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

19 Financial Risk Management (cont'd)

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 as of December 31, 2020. 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.

	Fair value measurement Level 2 $'000
At December 31, 2020	
Derivative financial assets	35,579
Derivative financial liabilities	(42,862)
At December 31, 2019	
Derivative financial assets	35,714
Derivative financial liabilities	(36,435)

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

	Fair value measurement Level 2 $'000
At December 31, 2020	
Long-term receivables	499,832
Unsecured term loans	499,832
At December 31, 2019	
Long-term receivables	2,049,752
Unsecured term loans	2,049,752

19 Financial Risk Management (cont'd)

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximate of fair value.

	Note	Mandatorily at FVTPL $'000	Fair value-hedging instruments $'000	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Total carrying value $'000	Fair value $'000
December 31, 2020							
Long-term receivables*	3	–	–	3,941,358	–	3,941,358	3,983,003
Other financial assets	5	35,579	–	–	–	35,579	35,579
		35,579	–	3,941,358	–	3,976,937	4,018,582
Other financial liabilities*	12	31,516	11,346	–	3,414,754	3,457,616	3,485,706
December 31, 2019							
Long-term receivables*	3	–	–	3,775,216	–	3,775,216	3,835,023
Other financial assets	5	31,766	3,501	–	–	35,267	35,267
		31,766	3,501	3,775,216	–	3,810,483	3,870,290
Other financial liabilities*	12	30,303	4,277	–	2,923,757	2,958,337	3,015,777

* *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 and where the effect of discounting is immaterial.*

19 Financial Risk Management (cont'd)

Working capital management

The Company manages its working capital requirements with the view to optimise interest cost. The net current liabilities as shown in the financial statements reflect management's intention to continue to utilise short-term bank loans and overdraft facilities to meet the working capital requirements having regard to the operating environment and expected cash flow of the Company. Such working capital requirements are within the credit facilities established and which are adequate and available to the Company to meet their obligations. The credit facilities are regularly reviewed by the directors to ensure that they meet the objectives of the Company.

Capital is defined as equity attributable to owners of the Company.

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

In its loan agreements, the Company has covenant requirements to maintain positive tangible net worth. The Company is in compliant of this loan covenant at the reporting date.

20 Contingent Liabilities

As at the balance sheet date, the Company has the following contingent liabilities:

	2020 $'000	2019 $'000
Guarantees issued under its banking facilities on behalf of:		
- immediate holding company	941	941

These guarantee contracts are accounted for as insurance contracts.

The Company is undertaking the credit risk of its immediate holding company in connection with the guarantees it has issued, of which management has assessed the credit risks to be minimal in 2020 and 2019.

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

Estimates of the Company's obligation arising from the guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of balance sheet date, there is no provision made in respect of the obligations as the probability of outflow of economic benefits was assessed to be remote.

The guarantee contracts will expire within the next 12 months.

21 Segment Reporting

The Company has one reportable operating segment relating to the financing and treasury services for Sembcorp Industries and its subsidiaries. Management monitors the Company's business as a whole and reviews the internal management at least on a quarterly basis. The accounting policies of the reportable segments are the same as described in Note 2.

Geographical segments

The Company operates only from its facility in Singapore and the segment assets are all based in Singapore. Its customers are mainly located in Singapore. In presenting segment revenue on the basis of geographical segment, they are based on geographical location of customers.

	2020	**2019**
	$'000	**$'000**
Revenue		
- Singapore	130,792	133,473
- Others	4,724	7,904
	135,516	141,377

Major customer

Revenue from Sembcorp Industries and its subsidiaries represents approximately 97% (2019: 95%) of the Company's total revenue.

22 New Standards and Interpretations not yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amendments to SFRS(I)s are not expected to have a significant effect on the financial statements of the Company:

- SFRS(I) 17 *Insurance Contracts*
- *Classification of liabilities as Current or Non-current Amendments (Amendments to SFRS(I) 1-1)*

The Company is still in the process of assessing the impact of *Interest Rate Benchmark Reform – Phase 2 (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7)* which is effective on January 1, 2021.