

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES OR TO U.S. PERSONS

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached information memorandum. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached information memorandum. In accessing the attached information memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: In order to be eligible to view the attached information memorandum or make an investment decision with respect to the securities, investors must not be (i) a U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended (the “**Securities Act**”)) or (ii) located within the United States (“**U.S.**”). The attached information memorandum is being sent at your request and by accepting this e-mail and accessing the attached information memorandum, you shall be deemed to have represented to us (1) that you are not resident in the U.S. nor a U.S. person, as defined in Regulation S under the Securities Act nor are you acting on behalf of a U.S. person, the e-mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. and, to the extent you purchase the securities described in the attached information memorandum, you will be doing so pursuant to Regulation S under the Securities Act, and (2) that you consent to delivery of the attached information memorandum and any amendments or supplements thereto by electronic transmission. By accepting this e-mail and accessing the attached information memorandum, if you are an investor in Singapore, you (A) represent and warrant that you are either an institutional investor as defined under Section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), a relevant person as defined under Section 275(2) of the SFA or a person to whom an offer, as referred to in Section 275(1A) of the SFA, is being made and (B) agree to be bound by the limitations and restrictions described therein.

The attached information memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of Sembcorp Industries Ltd, Sembcorp Financial Services Pte. Ltd. and DBS Bank Ltd. or any person who controls any of them nor any of their respective directors, officers, employees, agents, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the information memorandum distributed to you in electronic format and the hard copy version.

Restrictions: The attached information memorandum is being furnished in connection with an offering of securities exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the subscription for or purchase of the securities described therein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission or in the attached information memorandum constitutes an offer or an invitation by or on behalf of Sembcorp Industries Ltd, Sembcorp Financial Services Pte. Ltd. and DBS Bank Ltd. to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (as defined in Regulation S under the Securities Act).

The attached information memorandum or any materials relating to the offering of securities do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering of securities be made by a licenced broker or dealer and the dealers or any affiliate of the dealers is a licenced broker or dealer in that jurisdiction, the offering of securities shall be deemed to be made by the dealers or such affiliate on behalf of Sembcorp Industries Ltd or, as the case may be, Sembcorp Financial Services Pte. Ltd. in such jurisdiction. The attached information memorandum may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

You are reminded that you have accessed the attached information memorandum on the basis that you are a person into whose possession the attached information memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this information memorandum, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to subscribe for or purchase any of the securities described therein.**

Actions that You May Not Take: If you receive the attached information memorandum by e-mail, you should not reply by e-mail, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED INFORMATION MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH INFORMATION MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED INFORMATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive the attached information memorandum by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



SEMBCORP INDUSTRIES LTD

(Incorporated in the Republic of Singapore on 20 May 1998)
(UEN/Company Registration No. 199802418D)

and

SEMBCORP FINANCIAL SERVICES PTE. LTD.

(Incorporated in the Republic of Singapore on 14 March 2003)
(UEN/Company Registration No. 200302373G)

S\$3,000,000,000

Multicurrency Debt Issuance Programme (the "Programme")

(in the case of Securities issued by an Issuer other than Sembcorp Industries Ltd) guaranteed by SEMBCORP INDUSTRIES LTD

This Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of notes (the "Notes") and perpetual securities (the "Perpetual Securities" and, together with the Notes, the "Securities") to be issued from time to time by Sembcorp Industries Ltd ("SCI") and Sembcorp Financial Services Pte. Ltd. ("SFS") (each an "Issuer" and together, the "Issuers") pursuant to the Programme may not be circulated or distributed, nor may Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

All sums payable in respect of the Securities issued from time to time by an Issuer other than SCI are unconditionally and irrevocably guaranteed by SCI (in such capacity, the "Guarantor").

Application has been made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Programme and application will be made to the SGX-ST for permission to deal in and the listing and quotation of any Securities which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Securities have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Securities on the SGX-ST are not to be taken as an indication of the merits of the Issuers, the Guarantor, their respective subsidiaries and associated companies, the Programme or such Securities.

Potential investors should pay attention to the risk factors and considerations set out in the section on "Investment Considerations".

THE SECURITIES AND THE GUARANTEE (AS DEFINED HEREIN) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT (AS DEFINED HEREIN) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE SECURITIES MAY INCLUDE BEARER SECURITIES (AS DEFINED HEREIN) THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED, SOLD OR, IN THE CASE OF BEARER SECURITIES, DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S).



The date of this Information Memorandum is 3 April 2020

TABLE OF CONTENTS

	Page
NOTICE	1
DOCUMENTS INCORPORATED BY REFERENCE	5
FORWARD-LOOKING STATEMENTS	6
DEFINITIONS	7
INVESTMENT CONSIDERATIONS	13
SUMMARY OF THE PROGRAMME	37
TERMS AND CONDITIONS OF THE NOTES	49
TERMS AND CONDITIONS OF THE PERPETUAL SECURITIES	80
SEMBCORP INDUSTRIES LTD	113
SEMBCORP FINANCIAL SERVICES PTE. LTD.	123
USE OF PROCEEDS	125
CLEARING AND SETTLEMENT	126
SINGAPORE TAXATION	127
SUBSCRIPTION, PURCHASE AND DISTRIBUTION	131
GENERAL INFORMATION	134
APPENDICES	
I. 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 2019	I-1
II. 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 2018	II-1
III. 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 2017	III-1
IV. AUDITED FINANCIAL STATEMENTS OF SEMBCORP FINANCIAL SERVICES PTE. LTD. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019	IV-1
V. AUDITED FINANCIAL STATEMENTS OF SEMBCORP FINANCIAL SERVICES PTE. LTD. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018	V-1
VI. AUDITED FINANCIAL STATEMENTS OF SEMBCORP FINANCIAL SERVICES PTE. LTD. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017	VI-1

NOTICE

DBS Bank Ltd. (the “**Arranger**”) has been authorised by Sembcorp Industries Ltd (“**SCI**”) and Sembcorp Financial Services Pte. Ltd. (“**SFS**”) (each, an “**Issuer**” and together, the “**Issuers**”) to arrange the S\$3,000,000,000 Multicurrency Debt Issuance Programme (the “**Programme**”) described herein. Under the Programme, each of the Issuers may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes (the “**Notes**”) and perpetual securities (the “**Perpetual Securities**”) and, together with the Notes, the “**Securities**”) denominated in Singapore Dollars and/or any other currencies. The payment of all amounts payable in respect of the Securities issued by any Issuer other than SCI will be unconditionally and irrevocably guaranteed by SCI (in such capacity, the “**Guarantor**”). Unless and until a supplementary Information Memorandum is published providing details of the accession of a Specified Issuer (as defined herein) under the Programme, references in this Information Memorandum to “the Issuers” should be taken as references to SCI and SFS only. References in this Information Memorandum to the Guarantor and the Guarantee shall only apply to the Securities that are issued by SFS or the Specified Issuers.

This Information Memorandum contains information with regard to the Issuers, the Guarantor, the Programme, the Securities and the Guarantee. Each of the Issuers and the Guarantor, to the best of its knowledge and belief, having made all reasonable enquiries, confirms that the information given in this Information Memorandum in respect of each Issuer, the Guarantor and the Group is true and accurate in all material respects, the opinions, expectations and intentions of each Issuer or of the Guarantor (if any) expressed in this Information Memorandum have been carefully considered, and that there are no other facts the omission of which in the context of the Programme and the issue and offering of the Securities would or might make any such statement herein misleading in any material respect.

Notes may be issued in series having one or more issue dates and the same maturity date, and on identical terms (including as to listing) except (in the case of Notes other than Variable Rate Notes (as described under the section “Summary of the Programme”)) for the issue dates, issue prices and/or the dates of the first payment of interest, or (in the case of Variable Rate Notes) for the issue prices and rates of interest. Each series may be issued in one or more tranches on the same or different issue dates.

The Notes will be issued in bearer form or registered form and may be listed on a stock exchange. The Notes will initially be represented by either a Temporary Global Security (as defined herein) in bearer form or a Permanent Global Security (as defined herein) in bearer form or a registered Global Certificate (as defined herein) which will be deposited on the issue date with, or registered in the name of, or in the name of a nominee of, either CDP (as defined herein) or a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) or otherwise delivered as agreed between the Relevant Issuer (as defined herein) and the relevant Dealer (as defined herein). Subject to compliance with all relevant laws, regulations and directives, the Notes may have maturities of such tenor as may be agreed between the Relevant Issuer and the relevant Dealer and may be subject to redemption or purchase in whole or in part. The Notes may bear interest at a fixed, floating, variable or hybrid rate or may not bear interest or may be such other notes as may be agreed between the Relevant Issuer and the relevant Dealer. The Notes will be repayable at par, at a specified amount above or below par or at an amount determined by reference to a formula, in each case with terms as specified in the Pricing Supplement (as defined herein) issued in relation to each series or tranche of Notes. Details applicable to each series or tranche of Notes will be specified in the applicable Pricing Supplement which is to be read in conjunction with this Information Memorandum.

Perpetual Securities may be issued in series having one or more issue dates, and on identical terms (including as to listing) except for the issue dates, issue prices and/or the dates of the first payment of distribution. Each series may be issued in one or more tranches on the same or different issue dates. The Perpetual Securities will be issued in bearer form or registered form and may be listed on a stock exchange. The Perpetual Securities will initially be represented by either a Temporary Global Security in bearer form or a Permanent Global Security in bearer form or a registered Global Certificate which will be deposited on the issue date with or registered in the name of, or in the name of a nominee of, either CDP or a common depositary for Euroclear and Clearstream, Luxembourg or otherwise delivered as agreed between the Relevant Issuer and the relevant Dealer. Subject to compliance with all relevant laws, regulations and directives, the Perpetual Securities may be subject to redemption or

purchase in whole or in part. The Perpetual Securities may confer a right to receive distributions at a fixed or floating rate. Details applicable to each series or tranche of Perpetual Securities will be specified in the applicable Pricing Supplement which is to be read in conjunction with this Information Memorandum.

The maximum aggregate principal amount of the Securities to be issued, when added to the aggregate principal amount of all Securities outstanding (as defined in the Trust Deed referred to below) shall be S\$3,000,000,000 (or its equivalent in any other currencies) or such higher amount as may be increased pursuant to the terms and upon the conditions set out in the Programme Agreement (as defined herein).

No person has been authorised by the Issuers or the Guarantor to give any information or to make any representation other than those contained in this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuers, the Guarantor, the Arranger, the Dealers, the Trustee (as defined herein) or any of the Agents (as defined herein). Save as expressly stated in this Information Memorandum, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of any of the Issuers, the Guarantor, any of their respective subsidiaries or associated companies (if any). Neither this Information Memorandum nor any other document or information (or any part thereof) which may be delivered or supplied under or in relation to the Programme may be used for the purpose of, and does not constitute, an offer of, or solicitation or invitation by or on behalf of any of the Issuers, the Guarantor, the Arranger, the Dealers, the Trustee or any of the Agents to subscribe for or purchase, the Securities in any jurisdiction or under any circumstances in which such offer, solicitation or invitation is unlawful, or not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. The distribution and publication of this Information Memorandum (or any part thereof) or any such other document or information (or any part thereof) and the offer of the Securities in certain jurisdictions may be prohibited or restricted by law. Persons who distribute or publish this Information Memorandum (or any part thereof) or any such other document or information or into whose possession this Information Memorandum (or any part thereof) or any such other document or information (or any part thereof) comes are required to inform themselves about and to observe any such prohibitions and restrictions and all applicable laws, orders, rules and regulations.

The Securities and the Guarantee have not been, and will not be, registered under the Securities Act (as defined herein) or with any securities regulatory authority of any state or other jurisdiction of the United States and includes Securities in bearer form that are subject to U.S. tax law requirements and restrictions. Subject to certain exceptions, the Securities may not be offered, sold or, in the case of Bearer Securities, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder).

Neither this Information Memorandum nor any other document or information (or any part thereof) which may be delivered or supplied under or in relation to the Programme shall be deemed to constitute an offer of, or an invitation by or on behalf of the Issuers, the Guarantor, the Arranger, the Dealers, the Trustee or the Agents to subscribe for or purchase, any of the Securities.

This Information Memorandum and any other documents or materials in relation to the issue, offering or sale of the Securities have been prepared solely for the purpose of the initial sale by the relevant Dealers of the Securities from time to time to be issued pursuant to the Programme. This Information Memorandum and such other documents or materials are made available to the recipients thereof solely on the basis that they are persons falling within the ambit of Section 274 and/or Section 275 of the SFA (as defined herein) and may not be relied upon by any person other than persons to whom the Securities are sold or with whom they are placed by the relevant Dealers as aforesaid or for any other purpose. Recipients of this Information Memorandum shall not reissue, circulate or distribute this Information Memorandum or any part thereof (including copies thereof) in any manner whatsoever.

Neither the issue nor delivery of this Information Memorandum (or any part thereof) or the issue, offering, purchase or sale of the Securities shall, under any circumstances, constitute a representation, or give rise to any implication, that there has been no change in the results of operations, businesses, assets, financial condition, performance or prospects of any of the Issuers, the Guarantor, any of their respective subsidiaries or associated companies (if any) or in the information herein since the date hereof or the date on which this Information Memorandum has been most recently amended or supplemented.

The Arranger, the Dealers, the Trustee and the Agents have not separately verified the information contained in this Information Memorandum. None of the Arranger, the Dealers, the Trustee, the Agents or any of their respective officers, employees or agents is making any representation, warranty or undertaking expressed or implied as to the merits of the Securities or the subscription for, purchase or acquisition thereof, the creditworthiness, prospects, financial condition or otherwise of any of the Issuers, the Guarantor and their respective subsidiaries or associated companies (if any). Further, none of the Arranger, the Dealers, the Trustee and the Agents gives any representation or warranty, and no responsibility or liability is accepted by the Arranger, the Dealers, the Trustee or the Agents, as to any of the Issuers, the Guarantor or their respective subsidiaries or associated companies (if any) or as to the accuracy, reliability or completeness of the information set out herein (including the legal and regulatory requirements pertaining to Sections 274, 275 and 276 or any other provisions of the SFA) and/or the documents which are referred to in or incorporated by reference in, and form part of this Information Memorandum or any other information provided by any of the Issuers, the Guarantor or any of its respective officers, employees or agents in connection with the Securities or their distribution.

To the fullest extent permitted by law, none of the Dealers, the Arranger, the Trustee or any of the Agents accepts any responsibility for the contents of this Information Memorandum or for any other statement, made or purported to be made by the Arranger, the Dealers, the Trustee or any of the Agents on its behalf in connection with any of the Issuers, the Guarantor, or the issue and offering of the Securities. The Arranger, the Dealers, the Trustee and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Information Memorandum or any such statement.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the issue of the Securities is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuers, the Guarantor, the Arranger, the Dealers, the Trustee or the Agents that any recipient of this Information Memorandum or such other document or information (or such part thereof) should subscribe for or purchase any of the Securities. A prospective subscriber or purchaser shall make its own assessment of the foregoing and other relevant matters including the financial condition, affairs and the creditworthiness of the Relevant Issuer, the Guarantor and their respective subsidiaries and associated companies (if any), and obtain its own independent legal or other advice thereon, and its investment shall be deemed to be based on its own independent investigation of the financial condition and affairs and its appraisal of the creditworthiness of the Relevant Issuer and the Guarantor and their respective subsidiaries or associated companies (if any). Accordingly, notwithstanding anything herein, none of the Issuers, the Guarantor, the Arranger, the Dealers, the Trustee or any of the Agents and their respective officers, employees and agents shall be held responsible or liable for any loss or damage suffered or incurred by the recipients of this Information Memorandum or such other document or information (or any part thereof) as a result of or arising from anything expressly or impliedly contained in or referred to in this Information Memorandum or such other document or information (or any part thereof) and the same shall not constitute a ground for rescission of any purchase or acquisition of any of the Securities by a recipient of this Information Memorandum or such other document or information (or any part thereof).

Any purchase or acquisition of the Securities is in all respects conditional on the satisfaction of certain conditions set out in the Programme Agreement (as defined herein) and the issue of the Securities by the Relevant Issuer pursuant to the Programme Agreement. Any offer, invitation or agreement made in connection with the purchase or acquisition of the Securities or pursuant to this Information Memorandum shall (without any liability or responsibility on the part of the Issuers, (where applicable) the Guarantor, the Arranger, the Dealers, the Trustee or any of the Agents) lapse and cease to have any effect if (for any other reason whatsoever) the Securities are not issued by the Relevant Issuer pursuant to the Programme Agreement.

Any discrepancies in the tables and charts included herein between the listed amounts and totals thereof are due to rounding.

The attention of recipients of this Information Memorandum is drawn to the restrictions on resale of the Securities set out under the section "Subscription, Purchase and Distribution".

Any person(s) who is invited to purchase or subscribe for the Securities or to whom this Information Memorandum is furnished shall not make any offer or sale, directly or indirectly, of any Securities or

distribute or cause to be distributed any document or other material in connection therewith, including this Information Memorandum, in any country or jurisdiction except in such manner and in such circumstances as will result in compliance with any applicable laws and regulations.

It is recommended that persons proposing to subscribe for or purchase any of the Securities consult their own legal, financial, tax and other advisers before purchasing or acquiring the Securities.

Prospective investors should pay attention to the risk factors set out in the section “Investment Considerations”.

In connection with the issue of any Tranche or Series of Securities, one or more Dealer(s) named as stabilising manager(s) (the “**Stabilising Manager(s)**”) (or persons acting on behalf of any Stabilising Manager) in the relevant Pricing Supplement may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager) will undertake any stabilisation action. Any stabilisation action may begin at any time, on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Securities is made and, if begun, may be ended or discontinued at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of Securities and 60 days after the date of the allotment of the relevant Series of Securities. Any stabilisation action will be conducted in accordance with the applicable laws.

Notification under Section 309B of the SFA

Unless otherwise stated in the Pricing Supplement in respect of any Securities, all Securities issued or to be issued under the Programme shall be 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).

Markets in Financial Instruments Directive II

The Pricing Supplement in respect of any Securities may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Securities and which channels for distribution of the Securities are appropriate. Any person subsequently offering, selling or recommending the Securities (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “**MiFID II**”) is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Securities is a manufacturer in respect of such Securities, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Packaged Retail Investment and Insurance Products – Prohibition of Sales to Retail Investors

If the Pricing Supplement in respect of any Securities includes a legend entitled “Prohibition of Sales to EEA and UK Retail Investors”, the Securities 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**”) or in the United Kingdom (the “**UK**”). 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 (as amended or superseded, 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 (as amended or superseded, the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended or superseded, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated by reference in, and to form part of, this Information Memorandum: (1) the most recently published annual reports and audited consolidated accounts or publicly announced unaudited interim results or published financial statements (if available) of the Issuers, SCI and its subsidiaries, taken as a whole from time to time (if any), SFS and its subsidiaries, taken as a whole from time to time, (2) any supplement or amendment to this Information Memorandum issued by any of the Issuers and (3) any announcements made by any of the Issuers and/or the Guarantor on the SGX-ST. This Information Memorandum is to be read in conjunction with all such documents which are incorporated by reference herein and, with respect to any series or tranche of Securities, any Pricing Supplement in respect of such series or tranche. Any statement contained in this Information Memorandum or in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in this Information Memorandum or in such subsequent document that is also deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

Copies of all documents deemed incorporated by reference herein are available for inspection during usual office hours with prior notice at the specified office of the Issuing and Paying Agent (as defined herein).

FORWARD-LOOKING STATEMENTS

All statements contained in this Information Memorandum that are not statements of historical fact constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would” and “could” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the expected financial position, business strategy, plans and prospects of each Issuer, the Guarantor and/or the Group (including statements as to each Issuer’s, the Guarantor’s and/or the Group’s revenue and profitability, prospects, future plans and other matters discussed in this Information Memorandum regarding matters that are not historical facts and including the financial forecasts, profit projections, statements as to the expansion plans of each Issuer, the Guarantor and/or the Group, expected growth in each Issuer, the Guarantor and/or the Group and other related matters), if any, are forward-looking statements and accordingly, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of each Issuer, the Guarantor and/or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others:

- changes in general political, social and economic conditions;
- changes in the tax and regulatory regimes;
- changes in currency exchange and interest rates;
- demographic changes;
- changes in competitive conditions; and
- other factors beyond the control of the Issuers, the Guarantor and the Group.

Some of these factors are discussed in greater detail under, in particular, but not limited to, the section “Investment Considerations”.

Given the risks and uncertainties that may cause the actual future results, performance or achievements of each Issuer, the Guarantor or the Group to be materially different from the results, performance or achievements expected, expressed or implied by the financial forecasts, profit projections and forward-looking statements in this Information Memorandum, undue reliance must not be placed on those forecasts, projections and statements. The Issuers, the Guarantor, the Arranger and the Dealers do not represent or warrant that the actual future results, performance or achievements of the Issuers, the Guarantor or the Group will be as discussed in those statements.

Neither the delivery of this Information Memorandum nor the issue of any Securities by the Issuers shall under any circumstances constitute a continuing representation or create any suggestion or implication that there has been no change in the prospects, results of operations or affairs of the Issuers, the Guarantor, the Group or any statement of fact or information contained in this Information Memorandum since the date of this Information Memorandum or the date on which this Information Memorandum has been most recently amended or supplemented.

Further, the Issuers, the Guarantor, the Arranger and the Dealers disclaim any responsibility, and undertake no obligation, to update or revise any forward-looking statements contained herein to reflect any changes in the expectations with respect thereto after the date of this Information Memorandum or to reflect any change in events, conditions or circumstances on which any such statements are based.

DEFINITIONS

The following definitions have, where appropriate, been used in this Information Memorandum:

- “Agency Agreement”** : The Agency Agreement dated 3 April 2020 between (1) SCI and SFS, as issuers and acceded to by Specified Issuers from time to time by the execution of a Deed of Accession, (2) the Guarantor, as guarantor, (3) the Issuing and Paying Agent, as issuing and paying agent, (4) the Agent Bank, as agent bank, and (5) DBS Bank Ltd., as registrar, (6) DBS Bank Ltd., as transfer agent and (7) the Trustee, as trustee, as amended, varied or supplemented from time to time
- “Agent Bank”** : DBS Bank Ltd.
- “Agents”** : The Issuing and Paying Agent, the Paying Agents, the Agent Bank, the Registrar, the Transfer Agents and shall include such other agent or agents as may be appointed from time to time
- “Arranger”** : DBS Bank Ltd.
- “Bearer Securities”** : Securities in bearer form
- “Business Day”** : A day (other than Saturday, Sunday or a gazetted public holiday) on which commercial banks in Singapore are open for business
- “CDP” or “Depository”** : The Central Depository (Pte) Limited
- “CEO”** : Chief Executive Officer
- “Certificate”** : A registered certificate representing one or more Registered Securities of the same Series, being substantially in the form set out in Part II of Schedule 1 or, as the case may be, Part II of Schedule 5 to the Trust Deed and, save as provided in the Conditions of the Notes or, as the case may be, the Conditions of the Perpetual Securities, comprising the entire holding by a holder of Registered Securities of that Series
- “Clearstream, Luxembourg”** : Clearstream Banking S.A., and includes a reference to its successors and permitted assigns
- “Common Depository”** : In relation to a Series of the Securities, a depository common to Euroclear and Clearstream, Luxembourg
- “Companies Act”** : The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
- “Conditions”** : (1) In relation to the Notes of any Series, the terms and conditions applicable thereto, which shall be substantially in the form set out in Part III of Schedule 1 to the Trust Deed, as modified, with respect to any Notes represented by a Global Security or a Global Certificate, by the provisions of such Global Security or, as the case may be, Global Certificate, shall incorporate any additional or amendment provisions forming part of such terms and conditions set out in the Pricing Supplement(s) relating to the Notes of such Series and shall be endorsed on the Definitive Securities or, as the case may be, Certificates, subject to amendment and completion as referred to in the first paragraph appearing after the heading “Terms and Conditions of the Notes” as set out in Part III of Schedule 1 to the Trust Deed, and any

reference to a particularly numbered Condition shall be construed accordingly; and

- (2) in relation to the Perpetual Securities of any Series, the terms and conditions applicable thereto, which shall be substantially in the form set out in Part III of Schedule 5 to the Trust Deed, as modified, with respect to any Perpetual Securities represented by a Global Security or a Global Certificate, by the provisions of such Global Security or, as the case may be, Global Certificate, shall incorporate any additional or amendment provisions forming part of such terms and conditions set out in the Pricing Supplement(s) relating to the Perpetual Securities of such Series and shall be endorsed on the Definitive Securities or, as the case may be, Certificates, subject to amendment and completion as referred to in the first paragraph appearing after the heading "Terms and Conditions of the Perpetual Securities" as set out in Part III of Schedule 5 to the Trust Deed, and any reference to a particularly numbered Condition shall be construed accordingly

"Couponholders"	:	The holders of the Coupons
"Coupons"	:	The bearer coupons appertaining to an interest or distribution bearing Bearer Security
"Dealers"	:	Persons appointed as dealers under the Programme
"Deed of Accession"	:	A deed of accession between a Specified Issuer, the Guarantor, the Dealers, the Issuing and Paying Agent, the Agent Bank, the Registrar, the Transfer Agent and the Trustee, pursuant to which the relevant Specified Issuer agrees to become bound by each of the Issue Documents as an Issuer therein in respect of any Securities issued by it
"Deeds of Covenant"	:	The SCI Deed of Covenant, the SFS Deed of Covenant and, in the case of a Specified Issuer, such other deed of covenant as may be referred to in the Deed of Accession to which it is a party
"Definitive Security"	:	A definitive Bearer Security being substantially in the form set out in Part I of Schedule 1 or, as the case may be, Part I of Schedule 5, to the Trust Deed and having, where appropriate, Coupons and/or a Talon attached on issue
"Depository Agreements"	:	The SCI Depository Agreement, the SFS Depository Agreement and, in the case of a Specified Issuer, such other application form signed by such Specified Issuer and accepted by the Depository together with the terms and conditions for the provision of depository services by the Depository as may be referred to in the Deed of Accession to which such Specified Issuer is a party
"Directors"	:	The directors (including alternate directors, if any) of the Issuers and/or the Guarantor as the case may be as at the date of this Information Memorandum
"Energy business"	:	The Group's energy business as described in Section 3(a) under the section "Sembcorp Industries Ltd" of this Information Memorandum
"EURIBOR"	:	Euro Interbank Offered Rate

“Euroclear”	:	Euroclear Bank SA/NV, and includes a reference to its successors and permitted assigns
“FY”	:	Financial year ended/ending 31 December
“Global Certificate”	:	A global Certificate representing Registered Securities of one or more Tranches of the same Series that are registered in the name of, or in the name of a nominee of, (i) the Common Depository, (ii) CDP and/or (iii) any other clearing system
“Global Security”	:	A global Security representing Bearer Securities of one or more Tranches of the same Series, being a Temporary Global Security and/or, as the context may require, a Permanent Global Security, in each case without Coupons or Talons
“Group”	:	SCI (whether as Issuer or Guarantor) and its subsidiaries
“Guarantee”	:	The guarantee and indemnity of the Guarantor contained in the Trust Deed and shall, where the context so requires, mean either the Senior Guarantee or the Subordinated Guarantee
“Guarantor”, “SCI” or “Sembcorp Industries”	:	Sembcorp Industries Ltd
“IRAS”	:	The Inland Revenue Authority of Singapore
“Issue Documents”	:	The Programme Agreement, the Agency Agreement, the Depository Agreements, the Deeds of Covenant, the Trust Deed and any other agreement entered into pursuant thereto
“Issuers”	:	Sembcorp Industries Ltd Sembcorp Financial Services Pte. Ltd.
“Issuing and Paying Agent”	:	DBS Bank Ltd.
“ITA”	:	Income Tax Act, Chapter 134 of Singapore, as amended or modified from time to time
“LIBOR”	:	London Interbank Offered Rate
“Marine business”	:	The Group’s marine business as described in Section 3(b) under the section “Sembcorp Industries Ltd” of this Information Memorandum
“MAS”	:	The Monetary Authority of Singapore
“Noteholders”	:	The holders of the Notes
“Notes”	:	The notes to be issued by the Issuers under the Programme
“Permanent Global Security”	:	A Global Security representing Bearer Securities of one or more Tranches of the same Series, either on issue or upon exchange of interests in a Temporary Global Security
“Perpetual Securities”	:	The perpetual securities to be issued by the Issuers under the Programme
“Perpetual Securityholders”	:	The holders of the Perpetual Securities
“Pricing Supplement”	:	In relation to any Tranche or Series, a pricing supplement specifying the relevant issue details in relation to such Tranche or Series

“Programme”	:	The S\$3,000,000,000 Multicurrency Debt Issuance Programme of the Issuers
“Programme Agreement”	:	The Programme Agreement dated 3 April 2020 made between (1) SCI and SFS, as issuers, and acceded to by Specified Issuers from time to time by the execution of a Deed of Accession, (2) the Guarantor, as guarantor, (3) the Arranger, as arranger and dealer, as amended, varied or supplemented from time to time
“Registered Security”	:	A Security in registered form
“Registrar”	:	DBS Bank Ltd.
“Relevant Issuer”	:	In relation to any Tranche or Series, the Issuer which has concluded an agreement with the relevant Dealer(s) to issue, or which has issued, the Securities of that Tranche or Series
“SCI Deed of Covenant”	:	The deed of covenant dated 3 April 2020 executed by SCI by way of deed poll in relation to the Securities (which are represented by a Global Security or a Global Certificate and which are deposited with the Depository), as amended, varied or supplemented from time to time
“SCI Depository Agreement”	:	The application form dated 3 April 2020 signed by SCI and accepted by the Depository together with the terms and conditions for the provision of depository services by the Depository referred to therein, as amended, varied, supplemented or replaced from time to time
“Securities”	:	The Notes and the Perpetual Securities
“Securities Act”	:	Securities Act of 1933 of the United States, as amended, varied or supplemented from time to time
“Securityholders”	:	The Noteholders and the Perpetual Securityholders
“Sembcorp Development”	:	Sembcorp Development Ltd, a subsidiary of Sembcorp Industries Ltd
“Sembcorp Marine”	:	Sembcorp Marine Ltd, a subsidiary of Sembcorp Industries Ltd listed on the SGX-ST
“Sembcorp Utilities”	:	Sembcorp Utilities Pte Ltd, a subsidiary of Sembcorp Industries Ltd
“Senior Guarantee”	:	The Guarantee by the Guarantor of the Notes, the Senior Perpetual Securities and the Coupons relating thereto on a senior basis
“Senior Perpetual Securities”	:	Perpetual Securities which are expressed to rank as senior obligations of the Relevant Issuer pursuant to Condition 3(a) of the Perpetual Securities
“Series”	:	(1) (in relation to Securities other than Variable Rate Notes) a Tranche, together with any further Tranche or Tranches, which are (a) expressed to be consolidated and forming a single series and (b) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of interest and (2) (in relation to Variable Rate Notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest

“SFA”	:	Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
“SFS Deed of Covenant”	:	The deed of covenant dated 3 April 2020 executed by SFS by way of deed poll in relation to the Notes, in relation to the Securities (which are represented by a Global Security or a Global Certificate and which are deposited with the Depository), as amended, varied or supplemented from time to time
“SFS Depository Agreement”	:	The application form dated 3 April 2020 signed by SFS and accepted by the Depository together with the terms and conditions for the provision of depository services by the Depository referred to therein, as amended, varied, supplemented or replaced from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shares”	:	Ordinary shares in the capital of the Guarantor
“SIBOR”	:	Singapore Interbank Offered Rate
“SOR”	:	Swap Offer Rate
“Specified Issuer”	:	A subsidiary of the Guarantor based either within or outside Singapore which is a subsidiary of the Guarantor and which has executed a Deed of Accession
“Subordinated Guarantee”	:	The Guarantee by the Guarantor of the Subordinated Perpetual Securities and the Coupons relating thereto on a subordinated basis
“Subordinated Perpetual Securities”	:	Perpetual Securities which are expressed to rank as subordinated obligations of the Relevant Issuer pursuant to Condition 3(b) of the Perpetual Securities
“Talons”	:	Talons for further Coupons or, as the context may require, a specific number of them and includes any replacement Talons issued pursuant to the Conditions
“Temporary Global Security”	:	A Global Security representing Bearer Securities of one or more Tranches of the same Series on issue
“Tranche”	:	Securities which are identical in all respects (including as to listing)
“Transfer Agent”	:	DBS Bank Ltd.
“Trust Deed”	:	The Trust Deed dated 3 April 2020 made between (1) SCI and SFS, as issuers and acceded to by Specified Issuers from time to time by the execution of a Deed of Accession, (2) the Guarantor, as guarantor, and (3) the Trustee, as trustee, as amended, varied or supplemented from time to time
“Trustee”	:	DBS Trustee Limited
“UAE”	:	United Arab Emirates
“UK”	:	United Kingdom
“United States” or “U.S.”	:	United States of America
“Urban business”	:	The Group’s urban business as described in Section 3(c) under the section “Sembcorp Industries Ltd” of this Information Memorandum

“S\$”, “\$” or “Singapore Dollars” and “cents”	:	Singapore dollars and cents, respectively
“US\$” or “US dollars”	:	United States Dollars
“%”	:	Per cent.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include firms and corporations. Any reference to a time of day in this Information Memorandum shall be a reference to Singapore time unless otherwise stated. Any reference in this Information Memorandum to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the SFA or any statutory modification thereof and used in this Information Memorandum shall, where applicable, have the meaning ascribed to it under the Companies Act or, as the case may be, the SFA.

INVESTMENT CONSIDERATIONS

Prior to making an investment or divestment decision, prospective investors in or existing holders of the Securities should carefully consider all the information set forth in this Information Memorandum including the investment considerations set out below. The investment considerations set out below do not purport to be complete or comprehensive of all the risks that may be involved in the businesses, assets, financial condition, performance or prospects of the Issuers, the Guarantor or the Group or any decision to subscribe for, purchase, sell, hold, own or dispose of the Securities. Additional risks which the Issuers or the Guarantor are currently unaware of or currently deem immaterial may also impair the businesses, assets, results of operations, financial condition, net sales, revenues, profitability, liquidity, capital resources, performance and/or prospects of the Issuers, the Guarantor or the Group. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Limitations of this Information Memorandum

This Information Memorandum does not purport to nor does it contain all the information that a prospective investor in or existing holder of the Securities may require in investigating the Issuers or the Guarantor, prior to making an investment or divestment decision in relation to the Securities. In particular, any announcement made by any of the Issuers and/or the Guarantor on the SGX-ST is deemed to be incorporated by reference in, and to form part of, this Information Memorandum and prospective investors should therefore consider the information found in such announcements, which is to be read in conjunction with this Information Memorandum, before making any investment decision. This Information Memorandum is not, and does not purport to be, investment advice. A prospective investor should make an investment in the Securities only after it has determined that such investment is suitable for its investment objectives. Determining whether an investment in the Securities is suitable is a prospective investor's sole responsibility, even if the investor has received information to assist it in making such determination.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the Securities (or any part thereof) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuers, the Guarantor, the Arranger or the Dealers that any recipient of this Information Memorandum or any such other document or information (or such part thereof) should subscribe for or purchase or sell any of the Securities. Each person receiving this Information Memorandum acknowledges that such person has not relied on the Issuers, the Guarantor, the Arranger or the Dealers or any person affiliated with each of them in connection with its investigation of the accuracy, reliability or completeness of the information contained herein or of any additional information considered by it to be necessary in connection with its investment or divestment decision. Any recipient of this Information Memorandum contemplating subscribing for or purchasing or selling any of the Securities should determine for itself the relevance of the information contained in this Information Memorandum and any such other document or information (or any part thereof) and its investment or divestment should be, and shall be deemed to be, based solely upon its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers, the Guarantor, their respective subsidiaries and associated companies (if any), the Conditions of the Securities and any other factors relevant to its decision, including the merits and risks involved. A prospective investor should consult with its legal, tax and financial advisers prior to deciding to make an investment in the Securities.

Investment considerations relating to the Group

The Group comprises companies that are involved in and have interests in many businesses in energy, marine 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.

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 World¹.

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 29 March 2017, the UK issued a formal notification of its intention to withdraw from the European Union and withdrew from the European Union on 31 January 2020 under the terms of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the "**Withdrawal Agreement**"). Following the UK's departure from the European Union, there will be a "transition period" ending 31 December 2020 during which almost all European Union law will continue to apply to the UK as if it were a Member State of the European Union, with limited exceptions. The Withdrawal Agreement allows for this "transition period" to be extended by one or two years if both the European Union and the UK agree to such extension before 1 July 2020, but the UK government is currently legislating to require the transition period to end on 31 December 2020 without the possibility to extend further. In that scenario, among other things, the trading relationship between the UK and the European Union will be governed by whatever agreement the two parties can reach in the course of 2020. On that short timetable, the UK and the European Union are likely to focus on ensuring tariff-free trade but it is unclear whether there would be any formal regulatory alignment between the UK and the European Union rules after 1 January 2021. In the unlikely event that the UK leaves the European Union without any form of agreement or arrangement, so called "hard Brexit", the UK will be separated from the European Union from a regulatory perspective upon the expiry of the "transition period" and lose the benefits and obligations of European Union membership. Until there is further clarity on how the future relationship between the UK and the European Union will be governed after the "transition period", it is not possible to determine the impact that the withdrawal process may have on the wider global financial markets or the business 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 Americas, Australia, Bangladesh and Middle East.

As at 31 December 2019, approximately 40% of the Group's total assets are located in Singapore and 60% are located overseas. The fundamentals for the Group's businesses remain sound as its Energy business has both short and long term customer contracts, and its Marine business has secured an order book of S\$2.4 billion, excluding the Sete Brasil drillships, as at 31 December 2019. However, a prolonged downturn in the oil and gas industry, uncertainty surrounding the business environment in which the Group operates in such as economic and political instability in Brazil and persistently challenging industry outlook with low oil prices could affect the recovery of the Group's Marine business and in particular, adversely impact the Group's businesses in relation to rig building, conversion jobs and ship repairs. 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.

The Group faces increasing competition in its key markets.

Domestic companies have extensive knowledge of the local market and in some cases, longer operational track records, and international companies are able to capitalise on their overseas experience and greater financial resources. Both domestic and international companies can compete in the markets in which the Group has an overseas presence. As a result, there can be no assurance that the Group will be able to compete successfully in the future against its existing or potential competitors or in the context of increased competition with respect to the Group's activities and this may have a material adverse effect on the Group's operating results, businesses, financial condition, performance or prospects.

The Group may be involved in legal and other proceedings from time to time.

The Group operates in many countries. This means the Group, from time to time, is confronted with complex legal and regulatory requirements and judicial systems in many jurisdictions. From time to time, the Group may be involved in disputes with various parties such as contractors, subcontractors, consultants, suppliers, construction companies, purchasers and other joint venture partners involved in the development, construction, operation, purchase and sale of its offshore engineering products and services, rigs, facilities, power and utilities plants and urban development parks. These disputes may lead to legal and other proceedings, and may cause the Group to suffer additional costs and delays in the construction or completion of its offshore engineering products, rigs, facilities, power and utilities plants and urban development parks.

In addition, the Group may have disagreements with regulatory bodies in the course of its operations or may be investigated by regulatory bodies, which may subject it to administrative proceedings, unfavourable orders, directives, decrees or sanctions such as fines or other penalties that may adversely affect the Group's operating results, businesses, assets, financial condition, performance or prospects.

For instance, part of the Group's business activity is conducted in Brazil and there are ongoing investigations being conducted in connection with corruption allegations in Brazil, known as "Operação Lava Jato" ("**Operation Car Wash**"). The potential outcome of Operation Car Wash as well as other ongoing corruption-related investigations is uncertain but such investigations may have a negative impact on the Group's operations in Brazil, investor sentiments towards the Group's operations in Brazil, general market perception of the Brazilian economy and its political environment, and the general business environment in which the Group operates in. The Group has no control over and cannot predict whether such investigations or allegations will lead to further political and economic instability or whether new allegations will arise in the future or will adversely affect the Group. Please also refer to paragraph 9 of the section "General Information" for more information on the investigations surrounding, among others, Estaleiro Jurong Aracruz Ltd ("**EJA**"), Sembcorp Marine's Brazilian subsidiary, and Mr Martin Cheah Kok Choon, the former president of EJA, in relation to Operation Car Wash. The Group has no control over and cannot predict whether such investigations on the Group will lead to new allegations or investigations against the Group and there can be no assurance that such investigations will not result in fines and/or penalties imposed on the Group or would not have a material adverse effect on the Group's operating results, businesses, assets, financial condition, performance or prospects.

The Group is currently involved in litigation, arbitration and other proceedings arising from its operations. In respect of such proceedings, the Group has obtained legal advice where relevant and the Group does not expect that the outcome of such proceedings would have a material adverse effect on the Group's financial condition. However, there can be no assurance that the Group will not be subject to disputes, investigations by regulatory bodies or regulatory action in the course of its operations or that any existing or new disputes, investigations or proceedings (including those referred to in paragraph 9 of the section "General Information") will be concluded or settled on favourable or reasonable terms, or at all. In the event any new or existing disputes or investigations are not concluded or settled on favourable or reasonable terms, or at all, the Group's operating results, businesses, assets, financial condition, performance or prospects may be adversely affected.

The performance of the Group may be affected by the Group's ability to attract and retain employees.

Generally, in order to develop, support and market the products and services offered by the Group and to grow the Group's businesses internationally, the Group depends on its ability to attract, train, retain and motivate high quality skilled and professional employees with the relevant expertise, especially for its management and technical teams. Whilst the Group recognises the importance of human capital and the desirability of developing and retaining key employees, key employees may resign or retire for reasons out of the Group's control and the loss of key employees may have an adverse effect on the Group's businesses and operations. The implementation of the Group's strategic business plans could be undermined by failure in recruiting or retaining competent key personnel or in the Group's succession planning.

The Group's business is subject to external factors, such as the ability to comply with government policies and obtain approvals, in the countries where it operates.

The Group is involved in a wide range of business activities and has development projects in many countries where the Group's operation is subject to and dependent on obtaining approvals from various governmental authorities at different levels. There is no assurance that these approvals will be granted. These development projects have been, and may in the future be, subject to certain risks, including changes in governmental regulations and economic policies, limitations on extensions of credit, shortages in building material, increases in labour and material costs and changes in credit conditions. If, as a result of the Group's failure to comply with such regulations or policies or obtain such approvals, the Group is unable to fulfil its contractual obligations, its operations, operating results or financial condition could potentially be adversely affected.

It should also be noted that the Group currently operates and has investments in various jurisdictions. The Group is unable to foresee the nature of governmental laws and regulations applicable to its operations or investments that may be introduced in future. Laws and regulations governing business entities in these countries may change and may be subject to a number of possibly conflicting interpretations, both by business entities and by the courts. At times, the interpretation, application or enforcement of laws and regulations may be unclear and the content of applicable laws and regulations may not be immediately available to the public. Such laws and regulations may become more stringent or onerous in the future and if additional compliance procedures are introduced, the Group's operational costs may increase.

There is also no assurance that the Group can adequately comply with government policies and regulations, particularly in the areas of corporate law, competition law, consumer protection and environmental law, as they may be amended from time to time. If the Group's operations have unintended or unexpected legal consequences due to a failure to keep up with, or implement appropriate measures in response to, such changes, this may adversely affect the Group's operating results, businesses, assets, financial condition, performance or prospects.

The Group could incur significant costs related to environmental, health and safety, and social matters in the countries where the Group operates.

The Group may be subject to various laws and regulations relating to protection of the environment and health and safety in the countries where the Group operates. Such laws and regulations may impose liability without regard to whether the operator knew of, or was responsible for, the presence of the regulated substances or materials. The cost of investigation, remediation or removal of these

substances or materials may be substantial and failure to comply with these laws may result in penalties or other sanctions.

Further, the Group may have to comply with new laws or regulations (or any revisions or reinterpretations of existing laws and regulations), such as stricter environmental or safety controls. The Group may also be subject to liabilities or penalties relating to environmental matters which could adversely affect the Group's operating results, businesses, assets, financial condition, performance or prospects. The Group may also be involved in, or be held responsible in, litigation or proceedings relating to environmental or health and safety matters in the future, the costs of which may be significant, and which could adversely affect the Group's operating results, businesses, assets, financial condition, performance or prospects.

Climate change concerns manifested in public sentiment, government policies, laws and regulations, international agreements and treaties, and other actions may reduce global demand for hydrocarbons and propel a shift to lower carbon intensity fossil fuels such as gas or alternative energy sources. In particular, increasing pressure on governments to reduce carbon emissions has led to a variety of actions that aim to reduce the use of fossil fuels, including, among others, carbon emission cap and trade regimes, carbon taxes, increased energy efficiency standards, and incentives and mandates for renewable energy and other alternative energy sources. In particular, there could be more stringent regulations on coal-fired power plant emissions which could significantly increase costs of coal-fired power plants and, at the same time, increase the cost competitiveness of renewable energy. The Group has incurred, and expects to continue to incur, operating costs and capital expenditure to improve the impact of the Group's facilities on the environment. For instance, in relation to the Group's operations in India, the Group may have to implement flue gas heat recovery to increase energy efficiency or flue gas desulphurisation to reduce emissions to comply with relevant laws and regulations. Implementation of flue gas desulphurisation for the Group may require capital expenditure of approximately S\$340 million. There can be no assurance that operating costs, capital expenditure or expenses spent on improving the environmental impact of the Group's facilities or compliance with new laws or regulations will be recovered via tariffs or from its customers. In addition, while the Group has set greenhouse gas intensity targets and renewable energy capacity targets as part of its climate change strategy, there can be no assurance that such targets will be achieved. Should the Group not achieve its targets, it may be vulnerable to risks relating to tightening of regulations involving greenhouse gas emissions. The inability to limit the Group's greenhouse gas emissions may have a material adverse effect on the Group's reputation, operating results, businesses, assets, financial condition, performance or prospects.

The Group is also exposed to various social risks which may be directly or indirectly caused by its projects such as those associated with land and natural resource tenure and use, including potential impact by its projects on local land use patterns, tenurial arrangements and various other resettlement related issues. These could entail legislative change and in turn, higher compliance costs for the Group, the Group's entities facing legal proceedings relating to the impact of the Group's projects on such areas and the Group's projects facing strikes and riots. Generally, any of these effects could also lead to reputational loss on the part of the Group. Further, during the course of the project life-cycle, there is a possibility that workers and communities affected by the project may bring up issues relating to health, safety and well-being, which may result in potential settlement costs and other liabilities.

The Group has in the past recognised significant impairment charges for certain assets and, if market and industry conditions deteriorate, further impairment charges may be recognised.

Impairment charges or write-downs may need to be recorded due to, among others, market and industry conditions, unforeseen liabilities in connection with acquisitions, economic downturn, operating conditions or increased competition. The Group has in the past recognised significant impairment charges for certain assets.

There can be no assurance that the Group will not be required to record any impairment losses in the future. Market and industry conditions may deteriorate resulting in impairment losses. Any such impairment could adversely affect the Group's operating results, businesses, assets, financial condition, performance or prospects.

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.

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. 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 results of its business operations.

An increase in the frequency, severity or geographic reach of terrorist acts could destabilise the jurisdictions in which the Group operates. Any additional significant military or other response by the U.S. and/or its allies or any further terrorist activities 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 December 2019, a novel strain of coronavirus, COVID-19, was reported to have surfaced in Wuhan City, Hubei Province, China and the World Health Organisation has declared the outbreak a pandemic on 12 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. In particular, the COVID-19 outbreak has caused stock markets worldwide to lose significant value and impacted economic activity worldwide. A number of governments (including the Singapore government) revised gross domestic product growth forecasts for 2020 downwards in response to the economic slowdown caused by the spread of COVID-19, and it is possible that the outbreak of COVID-19 will cause a prolonged global economic crisis or recession. 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 be affected as a result of any restriction of movement of people and goods imposed by any government and any such restriction may affect the Group's operations. In addition, the Group may 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. 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 extent to which COVID-19 may impact the Group's results is 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.

The Group's success in the future may depend on the successful implementation of its strategies.

The Group's ability to successfully pursue new growth opportunities will depend on its continued ability to implement its strategies. There can be no assurance that the Group will be able to successfully implement its strategies. As part of its business strategy, the Group intends to focus on certain sectors and to do so, the Group may need to build up capabilities and/or acquire or develop technologically superior products, which may lead to increased costs. Further, there can be no assurance that such sectors will generate favourable returns for the Group, if at all, as such sectors can be significantly affected by changes in general and local economic conditions, including employment levels, heightened competition, availability of financing, interest rates, consumer confidence and demand for products. Any adverse change may have an adverse material effect on the Group's operating results, businesses, assets, financial condition, performance or prospects.

The Group anticipates its future growth will come from the expansion of its operations within and outside Singapore. The Group's overseas projects are located in countries of varying economic growth such as the Southeast Asia, China, India, UK, Brazil and the Rest of the World. Overseas expansion may also include entering into new markets. As a participant in such markets, the Group's businesses are subject to various risks beyond its control, such as instability of foreign economies and governments and changes in laws and policies in overseas countries affecting trade and investment. The materialisation of such risks could potentially affect the Group's overseas businesses in the future.

The Group's ability to further expand its operations successfully depends on its ability to successfully identify suitable opportunities for investment and reach agreements with potential partners on satisfactory commercial terms. There can be no assurance that such opportunities or agreements can be established or that any of the Group's proposed agreements will be completed on the commercial terms contemplated or at all. The Group's risk assessments carried out on, and mitigation strategies implemented for, its investments may also be insufficient to exhaustively address the inherent risks in the investments. Consequently, there can be no assurance that the Group's investments would yield the expected returns.

Further, the Group continually looks to divest its non-core assets and to acquire suitable opportunities for investment. Such strategy to recycle capital may not be successful. The Group may not be able to divest selected assets or may not be able to achieve satisfactory prices for divested assets. There can be no assurance that such divestments will not result in a reduction of the Group's earnings or that the Group will be able to acquire suitable assets or businesses to replace such divestments.

The Group's success and financial performance will also depend on the ability of the Group to restructure its business and carry out strategic projects, such as recapitalisation or initial public offerings of its subsidiaries, in a timely and cost effective manner. There can be no assurance as to whether or when existing and planned strategic projects will be successfully completed. Although the Group plans to apply many of the same development strategies that it has employed in the past, new strategic projects may pose unforeseen challenges and demands on the Group's managerial and financial resources. Non-completion of such strategic projects may have a material adverse effect on the Group's operating results, businesses, assets, financial condition, performance or prospects.

Several of the Group's business segments operate in mature industries characterised by technological innovation and which are experiencing heightened competition and industry consolidation. The Group may experience pricing pressure as a result.

The industries in which the Group is active are characterised by rapid technological innovation, keen global competition, consolidation through mergers, joint ventures and alliances and limited access to markets with local dominant players. It is incumbent on the Group to offer a range of products and services that accords with the markets in which the Group operates. Accordingly, the Group has to continuously place emphasis on product and service development, build up capabilities and acquire or develop technologically superior products and services which may lead to increased costs. For instance, the Group may invest in technologies offering more efficient conversion of natural gas to electricity such as H-class gas turbines, which may require capital expenditure of approximately S\$600 million. Unless the Group is able to succeed in such research and development efforts to build up capabilities or produce technologically superior products and services and maintain a competitive cost structure, it will not be able to compete effectively on a global scale, which would adversely affect the Group's operating results, businesses, assets, financial condition, performance or prospects.

In addition, investments in research and development activities for the development of products and services are subject to considerable uncertainty, given that such costs may not be recovered should the research prove incapable of industrial application or otherwise unfeasible. While the Group seeks to develop new products and services in existing and new markets, new technologies may not be developed or implemented according to anticipated schedules or may not achieve commercial acceptance in the markets. Any failure to develop and implement technologies in a timely manner could delay the implementation of new products and services, reduce the quality and functionality of the Group's products and services, increase its operational costs, reduce its actual and potential market share and hinder it from realising its revenue streams. The failure of a technology to achieve commercial acceptance could result in additional capital expenditure or a reduction in profitability due to the recognition of the impairment of assets.

The Group's portfolio has, and will continue to have, certain levels of concentration related to geography and industry.

The Group's portfolio has, and will continue to have, certain levels of concentration related to geography and industry. Notwithstanding the expansion and diversification of the Group's portfolio, some levels of concentration in terms of industry, client, and product types will remain given the nature of its business. Given this concentration of the Group's business activities, any changes in the governments, the specific laws, regulations, practices, economic and financial conditions, market and other aspects of each of such geographies and their corresponding micro-regions or industries could have significant impact on the Group's operating results, businesses, assets, financial condition, performance or prospects.

For instance, India is one of the Group's focus markets and an integral part of the Group's emerging market strategy. In relation to the Group's utilities operations in India, the Group depends on the sale of electricity to certain key customers, and the Group's operations in India are highly dependent upon the ability of the Group to enter into power purchase agreements, as well as customers fulfilling their contractual obligations under the power purchase agreements. The Group enters into agreements with many state owned distribution companies and there may be delays associated with collection of receivables from government owned or controlled entities because of the financial condition of these entities. Many of these distribution companies may have low credit ratings. Although the central and state governments in India have taken steps to improve the liquidity, financial condition and viability of such distribution companies, there can be no assurance that such distribution companies that are currently the Group's customers will have the resources to pay the Group on time, or at all. The Group has in the past faced, and continues to face, delays in payment by certain distribution companies in India. Such conditions could cause working capital shortages and adversely affect the Group's cash flows, which in turn could have an adverse effect on the Group's operating results, businesses, assets, financial condition, performance or prospects.

The Group's operating results and financial performance may be adversely affected by lack of, or delays in the award of, new contracts or cancellation of contracts.

The long-term sustainability of the Group's economic and financial performance depends on the Group's ability to service its existing contracts and to secure new contracts, such as power purchase agreements. The Group's contracts may be completed or expire, or they may be altered or terminated. The Group may be unable to replace these contracts with new contracts of comparable size or in a timely manner. The award of new contracts is subject to competition and is affected by factors outside of the Group's control. Any failure to secure or any delay in securing a consistent number of long-term contracts or any interruption to or termination of existing contracts may cause an insufficient workload that would adversely affect the Group's operating results, businesses, assets, financial condition, performance or prospects.

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.

The Guarantor is a holding company incorporated for the purpose of holding investments, both in Singapore and abroad, which are generally made through joint ventures and direct equity. The Issuers (other than SCI) may rely on funding and credit support from the Guarantor and the Guarantor will rely on its investment income, including dividends and distributions from its subsidiaries, associated companies and joint ventures and proceeds from divestments, to meet their respective obligations, including obligations under the Securities and the Guarantee. The ability of the Guarantor's subsidiaries, associated companies and joint ventures to pay dividends and other distributions and, to the extent that the Guarantor relies on dividends and distributions to meet its obligations, the ability of the Guarantor to make payments, are subject to applicable laws and restrictions (contractual or otherwise) on the payment of dividends and distributions contained in the relevant financing and other agreements of such companies. If there is a decrease in the dividends and distributions paid to the Guarantor by its subsidiaries, associated companies and joint ventures, it may adversely affect the Guarantor's business, results of operations, financial condition and prospects.

For instance, the Group has a 60.96% shareholding interest in Sembcorp Marine². While the Guarantor is a shareholder of Sembcorp Marine, Sembcorp Marine is separately listed on the SGX-ST and managed independently by its board of directors. The Guarantor does not have day-to-day or operational control over Sembcorp Marine. The Group's Marine business continues to face a difficult environment with prices of oil and natural gas being volatile. When lower oil and gas prices prevail, major oil and gas companies generally reduce their spending budgets for offshore drilling, exploration and development. Accordingly, overall business volume and activity for its Marine business has remained low, while competition continues to be intense. Further, the recent COVID-19 outbreak may result in supply chain disruptions leading to possible delays in execution of projects undertaken by the Group's Marine business, or may result in reduced business volume and activities in the oil and gas industry. Any decline in the level of activities in the offshore oil and gas industry resulting in a decrease in demand for its Marine business's products and services could adversely affect the Group's Marine business.

On 21 June 2019, the Group provided Sembcorp Marine with a five-year subordinated loan facility for a total aggregate amount of S\$2.0 billion, of which S\$1.5 billion has been disbursed as at 31 December 2019. Any material adverse impact on the Group's Marine business or results of operations may result in the Group having to provide further loans to Sembcorp Marine. There is also no assurance that Sembcorp Marine will be able to repay the interests and principal of the facilities owed to the Guarantor in a timely manner or at all. Any of the above factors, if materialised, could have a material adverse effect on the Group's operating results, businesses, assets, financial condition, performance or prospects.

The Group is exposed to project cost overruns and delays.

In preparation for tender submissions for projects, internal costing and estimates of labour and materials costs are compiled by project managers. The contract value quoted in the tender submission is determined after the evaluation of the scope of work and all related costs including indicative prices of suppliers and sub-contractors. However, unforeseen circumstances such as unanticipated price fluctuations in the cost of materials, equipment and labour costs, as well as damages and errors in estimation, may arise during the course of the project. As these circumstances may require additional costs and work which are not factored into the contract value, they may lead to cost overruns and delays which may erode the Group's profit margin for the project and have an adverse impact on the Group's overall profitability. Such cost overruns and delays may also incur penalties and fines and lead to proceedings being brought against the Group.

Changes in technology may render the Group's current technologies obsolete or require the Group to make substantial capital investments.

Changes in technology may require the Group to make additional capital expenditure to build new plants or facilities or upgrade the Group's plants or facilities. The development and implementation of such technology entails technical and business risks and significant costs of employee training and implementation. The cost of building new plants and upgrading or implementing new technologies could be significant and could adversely affect the Group's results of operations. Failure to respond to current and future technological changes in the industry in an effective and timely manner may have a material adverse effect on the Group's operating results, businesses, assets, financial condition, performance or prospects.

The Group may be adversely affected if there is any significant downtime of its assets.

Each asset is subject to normal wear and tear as a natural consequence of its operations. Normal wear and tear results from exposure to elements and deterioration of equipment, whether from use or otherwise. As a result, the assets held by the Group may require periodic downtime for repairs and maintenance. Repairs and maintenance are also expected to become more frequent as the plants get older. In addition, defects which may not have been apparent during the testing and commissioning of the assets may become apparent only after some period of operation. In such an event, such assets may require downtime for rectification or modification. As the assets held by the Group reaches its end of life, such assets may be subject to extensive wear and tear and there may be a need to replace such assets which could lead to increased costs for the Group. For instance, there may be a need to explore re-powering options for the Group's power plants as such assets reach their end of life.

² As at 28 February 2020.

If any extraordinary or extensive repairs to the assets or equipment are required due to any mechanical breakdown, fire, natural calamity or any event (whether natural or manmade) or wear and tear, the assets could require significant downtime during which such assets would not be productive. Any significant downtime of the assets may have far-reaching consequences, and could lead to the termination of, and/or compensation liabilities arising under, the relevant agreements. Further, the Group may have to incur significant costs to carry out such extraordinary or extensive repairs. Such repairs and the inability to use any of the Group's plants will materially and adversely affect the Group's operating results, businesses, assets, financial condition, performance or prospects.

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.

The Group's operations in its Marine business and 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.

Accidents or mishaps may also occur at the work sites of the Group's projects. Such accidents or mishaps may severely disrupt the operations of the Group and lead to delays in the completion of projects. In the event of such delay, the Group may be liable to pay liquidated damages to its clients and its business, financial condition and results of operations may be materially and adversely affected. Furthermore, such accidents or mishaps may subject the Group to claims from workers or other persons involved in such accidents or mishaps for damages, and any claims which are not covered by the Group's insurance policies may materially and adversely affect the Group's operating results, businesses, assets, financial condition, performance or prospects.

In addition, in the event that the Group's work sites contravene the requisite safety standards imposed by the regulatory authorities, the Group may be subject to penalties which include being fined or issued with partial or full stop-work orders. The issuance of such stop-work orders may disrupt operations and lead to a delay in the completion of a project. These circumstances may have a material and adverse impact on the Group's operating results, businesses, assets, financial condition, performance or prospects.

The Group's insurance coverage may not adequately cover all situations, some of which may not be insurable.

The Group currently maintains broad insurance coverage on its assets (including, in most cases, business interruption due to insurable damage to its assets), its employees (including comprehensive health and surgical insurance) and against legal liability arising from third party claims, bodily injury and property damage arising from tortious conduct of its business and operations. However, such insurance coverage does not cover all types of losses, and are subject to insurance deductibles. In the event of an uninsured or uninsurable incident or the amounts of claims exceed the insurance coverage or fall within the policy deductibles of the insurance policies which the Group has taken up, the Group may be liable to cover the amounts or the shortfall of the amounts claimed. If such events were to occur, the Group's operating results, businesses, assets, financial condition, performance or prospects may be materially and adversely affected.

The Group may not be able to refinance its indebtedness and funds may not be available to the Group.

As at 31 December 2019, the Group had approximately S\$10,800 million equivalent of total indebtedness, including approximately S\$2,643 million equivalent which is repayable in one year or less of which S\$1,422 million was under the Group's Marine business. Sembcorp Marine is in discussions with its lenders to re-finance and re-profile these loans into loans with longer term maturities. While the Group has unutilised facilities and funds available for use, the availability of such facilities and funds depends on a number of factors that are beyond the Group's control, including general economic conditions, availability of liquidity in the market amidst the global credit crunch, and

changes in government policies, laws and regulations, which may affect the terms on which financial institutions are willing to extend credit to it. There can be no assurance that the Group will be able to refinance its indebtedness as they become due on commercially reasonable terms or at all.

Further, the Group may require additional financing to fund working capital requirements and support the future growth of its business. The Group's level of indebtedness means that a portion of its expected cash flow may be required to be dedicated to the payment of interest on its indebtedness, thereby reducing the funds available to the Group for use in its general business operations. The Group's level of indebtedness could restrict its ability to obtain additional financing for capital expenditure, acquisitions or general corporate purposes and may cause it to be particularly vulnerable in the event of a general economic downturn. Accordingly, there can also be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on commercially reasonable terms or at all.

Foreign exchange controls may limit the Group's ability to receive dividends and other payments from its subsidiaries.

The Group's overseas subsidiaries are subject to the rules and regulations on currency conversion of the jurisdictions in which they are incorporated and/or have operations in.

The ability of these subsidiaries to pay dividends or make other distributions to the Group may be restricted by foreign exchange control restrictions imposed by the jurisdictions in which they are incorporated and/or have operations in. There can be no assurance that the relevant regulations will not be amended to the Group's disadvantage and that the ability of its overseas subsidiaries to distribute dividends to the Group will not be adversely affected.

The Group relies on third parties to fulfil their obligations on a timely basis and any delay or default would impair the Group's ability to conduct business.

The Group outsources to, or depends on, many third parties for various aspects of the Group's businesses. Accordingly, the Group faces the risk that its suppliers, customers and service providers may fail to fulfil their contractual obligations. Amongst others, the Group relies on third parties to supply fuel and raw materials, to provide shipping services for the shipment of materials and inventory and for waste collection services. The failure of these third parties to fulfil their obligations to the Group or to provide the services they have agreed to provide may in turn lead to the Group's inability to fulfil its contractual obligations to other parties. In the event of the termination of contracts with suppliers and/or contractors, the time and effort taken to search for new suppliers and/or contractors will almost invariably translate into financial losses and the Group may only be able to secure new contracts with terms and conditions which are less favourable. These will in turn subject the Group to claims and other liabilities which may have a material adverse effect on the Group's operating results, businesses, assets, financial condition, performance or prospects.

The Group is subject to credit risk exposures.

The Group is also exposed to credit risk arising from sales to its trade customers and downpayments which have to be placed with the Group's suppliers and contractors. There is no assurance on the timeliness of customers' payment or whether they will be able to fulfil their payment obligations. The Group is therefore subject to the risk of unrecoverable debts should any of its customers fail to promptly settle the amounts due to the Group, particularly if these customers experience a deterioration in their business performance and financial position. Significant unanticipated and systemic incidence of unrecoverable debts may have an adverse impact on the Group's operating results, businesses, assets, financial condition, performance or prospects.

The Group is reliant upon a limited number of manufacturers and suppliers.

The Group relies on a limited number of manufacturers and suppliers for certain specialised equipment used in the Group's businesses (such as engines, propellers, bulk tanks, compressors, winches and generator sets) as there are only a few manufacturers of such equipment and the supply of such equipment is limited. The Group also prefers to purchase these specialised equipment from manufacturers and suppliers with established track records. In the event that these manufacturers and suppliers are unable to provide the Group with the equipment needed on a timely basis, or on terms

which are commercially acceptable to the Group, the Group may encounter delays in securing or may be unable to secure alternative manufacturers and suppliers on favourable terms or at all. As a result, the cost of the Group's equipment may increase or the Group may not be able to undertake or to complete a particular project. If the Group is unable to undertake a project or to complete a project for which the Group has already contracted, this could have a material adverse effect on the Group's revenues, profits and reputation and the Group may be subject to contractual claims by customers.

Information relating to the Group's order book may not be representative of its future results.

Although the contracts that make up the Group's order book have a significant impact on its future revenues and profits, they do not necessarily indicate future earnings related to the Group's performance. Further, while projects in the order book represent business that the Group considers firm, defaults or scope adjustments by the customers or other unforeseen delays may occur. Because of these uncertainties, the Group cannot predict when or if the projects in the order book will be performed and will generate revenue. In addition, even where a project proceeds as scheduled, it is possible that contracting parties may default and fail to pay amounts owed or dispute the amounts owed. There can be no assurance that the Group would be able to recover against such defaulting parties. There may also be delays associated with collection of receivables from its customers. Any delay, cancellation or payment default could materially harm the Group's cash flow position, revenues or profits.

The Group may suffer losses if its customers prematurely terminate or seek to renegotiate their contracts with the Group.

The Group's contracts may be prematurely terminated by its customers. Although such contracts may require the customer in default to make an early termination payment, such payment may not fully compensate the Group for the loss of the contract. In periods of rapid market downturn, the Group's customers may also not honour the terms of existing contracts, and in cases of material breach by them, the Group may be forced to prematurely terminate the contracts and make claims against them. In such an event, there can be no assurance that the amount of damages awarded to the Group upon successful litigation would fully compensate the Group for the loss of the contract. Further, the Group's customers may seek to renegotiate contract rates and terms to conform to depressed market conditions. The Group's operating results may be adversely affected by such premature termination of contracts and contract renegotiations.

The Group's operating results may be negatively impacted as a result of any tariff adjustment, volatility in spreads and carbon pricing and reduction in the demand of electricity.

The operating results for the Group's Energy business are heavily dependent on tariff levels which are subject to price controls set by the relevant governmental and/or regulatory authorities in the jurisdictions that the Group operates in. The Group's Energy business sells carbon credit in some countries in which it operates. Hence, the volatility in the spreads and carbon pricing can adversely affect the Group's operating results, businesses, assets, financial condition, performance or prospects.

Further, certain of the Group's Energy business operates in merchant markets and is subject to market volatility. For instance, the Group owns power plants and is a retailer under the Open Electricity Market in Singapore. The Group also provides flexible electricity and services to the UK power market through UK Power Reserve. As a producer and retailer of electricity, the Group is subject to price competition from other producers and retailers of electricity in the Singapore and the UK market and changes to demand for electricity. Changes in demand for electricity are driven largely by general factors outside the Group's control, such as the retail price of electricity, increases in energy efficiency, cooler weather and changes in the mix of industries and a reduction in the demand for electricity. Further, alternative end-user generation can be made possible through current or future advances in technology, Technology such as solar photovoltaic, fuel cells and microturbines could provide alternative sources of electricity and permit customers to generate electricity for their own use. As these and other technologies are created, developed and improved, the volume of electricity usage through the Group's distribution network by customers could decline. Any adverse change to the above factors could have an adverse effect on the Group's operating results, businesses, assets, financial condition, performance or prospects.

The Group is susceptible to fluctuations in the prices of energy, raw materials and other commodities.

The Group is subject to fluctuations in energy prices such as oil and natural gas (for its Energy business), and prices of raw materials such as steel and copper (for its Marine business). The Group endeavours to incorporate pricing formulae for coal, oil, natural gas and raw material costs such that these costs may be passed on to its customers and, in accordance with its risks management policy, hedges the residual risks arising from the price fluctuation of these items. However, the prices of such raw materials and commodities are unpredictable because they are closely dependent on global demand and supply conditions. There can be no assurance that the Group will be able to fully and adequately hedge against such increases in prices and/or pass on all, or any of, the incremental costs to its customers. If the Group is unable to successfully manage the risks associated with these cost fluctuations, its financial results and condition may be adversely affected.

The Group is subject to interest rate fluctuations.

The Group faces risks in relation to interest rate movements, particularly as a result of debts undertaken to finance its developments and working capital. Part of the Group's debts bear floating interest rates which are subject to fluctuations in interest rates. This could in turn have a material and adverse effect on the Group's results of operations. In addition, the Group is subject to market disruption clauses contained in its loan agreements with banks. Such clauses may state that to the extent that banks face difficulties in raising funds in the interbank market or pay materially more for interbank deposits than the displayed screen rates, they may pass on the higher costs of funds to the borrower despite the margins agreed. Although the Group may enter into some hedging transactions to partially mitigate the risk of interest rate fluctuations, they may not adequately cover the Group's exposure to interest rate fluctuations. As a result, the Group's operations or financial condition could potentially be adversely affected by interest rate fluctuations.

In addition, interest rate hedging transactions may limit gains and increase costs. Interest rate hedging activities may not have the desired beneficial impact on the operations or financial condition of the Group. Interest rate hedging could fail to protect the Group or adversely affect the Group because among others:

- the party owing money in the hedging transaction may default on its obligation to pay;
- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs the Group ability to sell or assign its side of the hedging transaction; and
- the value of the derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value. Such changes although unrealised, would reduce the net asset value of the Group if it is due to downward adjustments.

Interest rate hedging activities may involve risks and transaction costs, which may reduce overall returns.

The Group is subject to foreign exchange rate fluctuations.

The Group operates globally and the Group's revenue, costs and capital expenditure are mainly denominated in Singapore Dollars, US dollars, Sterling Pounds, Indian Rupees, Euros and Brazilian Reals. Consequently, portions of the Group's costs and its margins are exposed to and affected by fluctuations in the exchange rates of the above-mentioned currencies. Although the Group engages in certain hedging activities to mitigate currency exchange rate exposure, the impact of future exchange rates fluctuations among the US dollar, the Singapore Dollar and other currencies on the Group's cost of sales and margins cannot be accurately predicted. Some of the currencies may not be convertible or exchangeable or may be subject to exchange controls. The reporting currency for the Group is Singapore Dollars. Exchange rate fluctuations will arise when the assets and liabilities in foreign currencies are translated into Singapore Dollars for financial reporting purposes. If the foreign currencies depreciate against the Singapore Dollar, this may adversely affect the consolidated financial statements of the Group.

The Group's ability to borrow in the bank or capital markets may be materially adversely affected by a financial crisis in a particular geographic region, industry or economic sector.

The Group's ability to borrow in the bank or the debt or equity capital markets to meet its financial requirements is dependent on favourable market conditions. Financial crises in particular geographic regions, industries or economic sectors have, in the recent past, led and could in the future lead to sharp declines in the currencies, stock markets and other asset prices in those geographic regions, industries or economic sectors, in turn threatening affected companies, financial systems and economies.

In recent years, credit markets worldwide have experienced periods of significant volatility including a reduction in liquidity levels, increasing costs for credit protection and a general decline in lending activity between financial institutions and in commercial lending markets worldwide. The functioning of financial markets has also become increasingly impaired and financial volatility has increased substantially. Dislocations, market shifts, increased volatility or instability in the global credit and financial markets have in recent years affected the availability of credit and at times led to an increase in the cost of financing. The Group may have difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding or reduce the Group's flexibility to recapitalise in the future. If sufficient sources of financing are not available in the future for these or other reasons, the Group may not be able to meet the financial requirements of the Group. There can be no assurance that the Group will be able to raise financing at favourable terms or at all. The Group may also be subject to solvency risks of its banks and of its counterparties in its financial investments and arrangements. This could materially and adversely affect the Group's operating results, businesses, assets, financial condition, performance or prospects.

The controlling shareholder of SCI may have interests that differ from the interests of SCI.

Temasek Holdings (Private) Limited ("**Temasek**") holds 49.58% in SCI³. Temasek is an investment company headquartered in Singapore with a diversified investment portfolio with business in, among other areas, telecommunications, real estate, financial services, transportation and industrials. Temasek owns, controls or holds interests in various other entities that hold licences to operate in the electricity industry in Singapore and which may have interests that differ from the interests of the Group. While Temasek does not direct its portfolio companies' business decisions or operations, no assurance can be given that the objectives of Temasek will not conflict with the Group's business goals and objectives or that any such conflict will not have an adverse effect on Group's operating results, businesses, assets, financial condition, performance or prospects.

Investment considerations relating to the Programme and the Securities generally

Limited liquidity of the Securities issued under the Programme.

There can be no assurance regarding the future development of the market for the Securities issued under the Programme, the ability of the Securityholders, or the price at which the Securityholders may be able, to sell their Securities. The Securities may have no established trading market when issued, and one may never develop. Even if a market for the Securities develops, there can be no assurance as to its liquidity or sustainability. Investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments with a developed secondary market. Even if there is a secondary market, there can be no assurance that any secondary market activities will be continuous or regular. Value of the Securities may fluctuate for various reasons. This may particularly be the case for Securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Securities generally may have a more limited secondary market and higher price volatility than conventional debt securities. If the Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuers and the Guarantor. If the Securities are trading at a discount, investors may not receive a favourable price for their Securities, and in some circumstances, investors may not be able to sell their Securities at their fair market value or at all. The lack of liquidity may have a severely adverse effect on the market value of the Securities.

³ As at 4 March 2020 and includes direct and deemed interests.

Although the issue of additional Securities may increase the liquidity of the Securities, there can be no assurance that the price of such Securities will not be adversely affected by the issue in the market of such additional Securities.

Fluctuation of market value of Securities.

Trading prices of the Securities are influenced by numerous factors, including the operating results and/or financial condition of the Issuers, the Guarantor and/or the Group, political, economic, financial and any other factors that can affect the capital markets, the industry, the Issuers, the Guarantor and/or the Group generally. Adverse economic developments, in Singapore and countries with significant trade relations with Singapore or in which the Group operates or has business dealings, could have a material adverse effect on the Singapore economy and the results of operations and/or the financial condition of the Group.

Further, recent global financial turmoil has resulted in substantial and continuing volatility in international capital markets. Any further deterioration in global financial conditions could have a material adverse effect on worldwide financial markets, which may also adversely affect the market price of the Securities.

Interest rate risk.

An investment in fixed-rate Securities involves the risk that subsequent changes in interest rates may adversely affect the value of the Securities and Securityholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in note and/or perpetual security prices, resulting in a capital loss for the Securityholders. However, the Securityholders may reinvest the interest or distribution payments at higher prevailing interest rates. Conversely, when interest rates fall, note and/or perpetual security prices may rise. The Securityholders may enjoy a capital gain but interest or distribution payments received may be reinvested at lower prevailing interest rates.

Inflation risk.

Securityholders may suffer erosion on the return of their investments due to inflation. Securityholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Securities. An unexpected increase in inflation could reduce the actual returns.

Currency risk associated with Securities denominated in foreign currencies.

As the Securities can be denominated in currencies other than the currencies which the Group's revenue, costs and capital expenditure are mainly denominated in, the Relevant Issuer may be affected by fluctuations of currencies in meeting the payment obligations under Securities denominated in foreign currencies. There can be no assurance that the Relevant Issuer will be able to fully hedge the currency risks associated with Securities denominated in foreign currencies.

Exchange rate risks and exchange controls may result in Securityholders receiving less interest, distributions and/or principal than expected.

The Relevant Issuer will pay principal and interest or distribution on the Securities in the currency specified. This presents certain risks relating to currency conversions if the Securityholder's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the currency in which the Securities are denominated. These include the risk that exchange rates may significantly change (including changes due to devaluation of the currency in which the Securities are denominated or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the currency in which the Securities are denominated would decrease (i) the Investor's Currency equivalent yield on the Securities, (ii) the Investor's Currency equivalent value of the principal payable on the Securities, and (iii) the Investor's Currency equivalent market value of the Securities. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Securityholders may receive less interest and/or distribution or principal than expected, or no interest and/or distribution or principal at all.

Securities may be issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The regulation and reform of “benchmark” rates of interest and indices may adversely affect the value of Securities linked to or referencing such “benchmarks”.

The Programme allows for the issuance of Securities that reference certain interest rates or other types of rates or indices which are deemed to be “benchmarks”, including LIBOR, EURIBOR, SOR or SIBOR, in particular with respect to certain Floating Rate Notes or Floating Rate Perpetual Securities where the reference rate may be LIBOR, EURIBOR, SIBOR, SOR or another such benchmark. The Pricing Supplement for the Securities will specify whether LIBOR, EURIBOR, SIBOR, SOR or another such benchmark is applicable.

Interest rates and indices which are deemed to be, or used as, “benchmarks” are the subject of recent international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Security linked to, or referencing, such a benchmark.

More broadly, any of the international reforms or the general increased regulatory scrutiny of benchmarks could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “**FCA Announcement**”). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. As the SOR methodology relies on USD LIBOR in its computation, the likely discontinuation of LIBOR after end of 2021 will impact the future sustainability of SOR. On 30 August 2019, the MAS announced that it has established a steering committee to oversee an industry wide interest rate benchmark transition from the SOR to the Singapore Overnight Rate Average. Similarly, The Association of Banks in Singapore has also proposed to discontinue certain tenors for SIBOR and to amend the methodology for determining SIBOR.

The potential elimination of the LIBOR, EURIBOR or SIBOR benchmarks or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Securities linked to such benchmark. Such factors may have the following effects on certain benchmarks:

- (i) discourage market participants from continuing to administer or contribute to the benchmark;
- (ii) trigger changes in the rules or methodologies used in the benchmark; or
- (iii) lead to the disappearance of the benchmark.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. The elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the interest calculation provisions of the Conditions, or result in adverse consequences to holders of any securities linked to such benchmark (including but not limited to Floating Rate Securities or Securities whose interest or distribution rates are linked to LIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative rates and as to potential changes to such benchmark may adversely affect such benchmark

during the term of the relevant Securities, the return on the relevant Securities and the trading market for securities based on the same benchmark.

Any of the above changes or any other consequential changes as a result of international reforms or other initiatives or investigations, could have a material adverse effect on the value of, and return on, any Securities linked to, or referencing, a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Securities linked to, or referencing, a benchmark.

The Securities and the Guarantee are not secured.

The Notes and Senior Perpetual Securities and Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Relevant Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Relevant Issuer. The Subordinated Perpetual Securities and Coupons relating to them constitute direct, unconditional, subordinated and unsecured obligations of the Relevant Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves and with any Parity Obligations (as defined in the Conditions of the Perpetual Securities) of the Relevant Issuer.

The payment obligations of the Guarantor under the Senior Guarantee and the Trust Deed constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall at all times rank *pari passu* with all other unsecured obligations (other than subordinated obligations and priorities created by law) of the Guarantor. The payment obligations of the Guarantor under the Subordinated Guarantee and the Trust Deed constitute direct, unconditional, subordinated and unsecured obligations of the Guarantor and shall at all times rank *pari passu* with any Parity Obligations of the Guarantor.

Accordingly, on a winding-up or insolvency of the Relevant Issuer or, as the case may be, the Guarantor at any time prior to maturity of any Securities, the Securityholders will not have recourse to any specific asset of the Relevant Issuer or, as the case may be, the Guarantor or their respective subsidiaries and/or associated companies (if any) as security for outstanding payment or other obligations under the Securities and/or Coupons owed to the Securityholders and there can be no assurance that there would be sufficient value in the assets of the Relevant Issuer or the Guarantor, as the case may be, after meeting all claims ranking ahead of the Securities, to discharge all outstanding payment and other obligations under the Securities and/or Coupons or Guarantee, as the case may be, owed to the Securityholders.

Provisions in the Trust Deed and the terms and conditions of the Securities may be modified.

The Conditions contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.

The terms and conditions of the Securities also provide that the Trustee may agree, without the consent of the Securityholders or Couponholders, to (i) any modification to certain provisions in the Trust Deed which in the opinion of the Trustee it may be expedient to make, provided the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Securityholders, (ii) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature, and is made to correct a manifest error or to comply with mandatory provisions of Singapore law or (in the event the Securities are listed) is required by any Stock Exchange (as defined in the Trust Deed) or is required by Euroclear and/or Clearstream, Luxembourg and/or the Depository and/or any other clearing system in which the Securities may be held, and (iii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which in the opinion of the Trustee is not materially prejudicial to the interests of the Securityholders. Any such modification, authorisation or waiver shall be binding on the Securityholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Securityholders as soon as practicable.

The Trustee may request the Securityholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before taking action on behalf of Securityholders.

In certain circumstances (including giving of notice to the Relevant Issuer pursuant to Condition 10 of the Notes and Condition 9 of the Perpetual Securities), the Trustee may (at its sole discretion) request Securityholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes action on behalf of Securityholders. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken.

The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, if doing so will or may result in a breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations. In such circumstances, to the extent permitted by the agreements and the applicable law, it may be for the Securityholders to take action directly.

Enforcement of remedies.

Enforcement of available remedies under the Trust Deed, the Securities, the Coupons and the Talons, could result in delays in recovery of amounts owed to the Securityholders by the Relevant Issuer or, failing whom, (where the Securities are issued by SFS or a Specified Issuer) the Guarantor. There is no assurance that the Trustee would recover all amounts secured upon such enforcement, and funds received may not be sufficient to make all required payments to any Securityholders.

The Relevant Issuer's or, failing whom, (where Notes are issued by SFS or a Specified Issuer) the Guarantor's ability to comply with its obligation to repay the Securities is dependent upon the earnings of, and distributions by, the members of the Group and future performance of the Group.

The Relevant Issuer's or, failing whom, (where the Securities are issued by SFS or a Specified Issuer) the Guarantor's ability to comply with its obligation to repay the Securities will depend on the earnings of the Group and the distribution of funds amongst members of the Group, primarily in the form of dividends. Whether or not the members of the Group can make distributions to the Relevant Issuer or, failing whom, (where the Securities are issued by SFS or a Specified Issuer) the Guarantor depends on distributable earnings, cash flow conditions and restrictions that may be contained in the debt instruments of its members, applicable law and other arrangements. These restrictions could reduce the amount of distributions that the Issuer receives from its members, which would restrict the Group's ability to fund its business operations and the Issuer's ability to comply with its payment obligations under the Securities.

Further, the ability of the Relevant Issuer or, failing whom, (where the Securities are issued by SFS or a Specified Issuer) the Guarantor to make scheduled principal, distribution or interest payments on its indebtedness, including the Securities, and to fund its growth aspirations, will depend on the Group's future performance and its ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in this section "Investment Considerations", many of which are beyond the control of the Relevant Issuer and the Guarantor. If the Relevant Issuer's or, failing whom, (where the Securities are issued by SFS or a Specified Issuer) the Guarantor's future cash flow from operations and other capital resources are insufficient to pay its debt obligations, including the Securities, or to fund its other liquidity needs, it may be forced to sell assets, attempt to restructure or refinance its existing indebtedness. No assurance can be given that the Relevant Issuer would be able to accomplish any of these measures on a timely basis or on satisfactory terms or at all.

Performance of contractual obligations by the Relevant Issuer is dependent on other parties.

The ability of the Relevant Issuer to make payments in respect of the Securities may depend upon the due performance by the other parties to the Trust Deed and the Agency Agreement of their obligations thereunder including the performance by the Trustee and each of the Agents, of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Relevant Issuer of its obligations to make payments in respect of the Securities, the Relevant Issuer may not, in such circumstances, be able to fulfil its obligations to the Securityholders and the Couponholders.

The Securities may be represented by Global Securities or Global Certificates and holders of a beneficial interest in a Global Security or Global Certificate must rely on the procedures of the relevant Clearing System(s).

Securities issued under the Programme may be represented by one or more Global Securities or Global Certificates. Such Global Securities or Global Certificates will be deposited with or registered in the name of, or in the name of a nominee of, the Common Depositary, or lodged with CDP (each of Euroclear, Clearstream, Luxembourg, CDP and/or such other clearing system, a “**Clearing System**”). Except in the circumstances described in the relevant Global Security or Global Certificate, investors will not be entitled to receive Definitive Securities or Certificates.

While the Securities are represented by one or more Global Securities or Global Certificates, investors can trade their beneficial interests only through the relevant Clearing System. The relevant Clearing System(s) will maintain records of their direct account holders in relation to the Global Securities and Global Certificates.

While the Securities are represented by one or more Global Securities or Global Certificates, the Relevant Issuer or, failing whom, (where Securities are issued by SFS or a Specified Issuer) the Guarantor, will discharge its payment obligations under the Securities by paying to the Common Depositary, CDP or such other clearing system for distribution to their account holders, or to the CDP Issuing and Paying Agent for distribution to the holders as appearing in the records of the relevant Clearing System. A holder of beneficial interest in the Global Securities or Global Certificates must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Securities. The Relevant Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities or Global Certificates. Holders of beneficial interests in the Global Securities and Global Certificates will not have a direct right to vote in respect of the relevant Securities. Instead, such holders may act only if they are enabled by the relevant Clearing System(s) to appoint proxies. Similarly, holders of beneficial interests in the Global Securities and the Global Certificates will not have a direct right under the Global Securities and the Global Certificates to take enforcement action against the Relevant Issuer or the Guarantor if a default or an enforcement event occurs under the relevant Securities but must rely upon their rights under the Trust Deed.

The Securities may not be a suitable investment for all investors.

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including Securities with principal, interest or distributions (as the case may be) payable in one or more currencies, or where the currency for principal, interest or distribution payments is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Securities are complex financial instruments. Investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall

portfolios. A potential investor should not invest in Securities which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact such investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Securities are legal investments for it, (2) the Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

Definitive Securities and Certificates with a denomination that is not an integral multiple of the specified minimum denomination may be illiquid and difficult to trade.

In relation to issues of Securities which have a denomination consisting of a minimum Denomination Amount (as defined in the Conditions) plus a higher integral multiple of another smaller amount, it is possible that the Securities may be traded in amounts in excess of the minimum Denomination Amount that are not integral multiples of such minimum Denomination Amount. In such a case, a Securityholder who, because of trading such amounts, holds a principal amount of less than the minimum Denomination Amount will not receive a Definitive Security or Certificate in respect of its holding (should Definitive Securities or Certificates be issued) and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more Denomination Amounts. If Definitive Securities or Certificates are issued, holders should be aware that Definitive Securities or Certificates which have a denomination that is not an integral multiple of the minimum Denomination Amount may be illiquid and difficult to trade. Definitive Securities and Certificates will in no circumstances be issued to any person holding Securities in an amount lower than the minimum denomination and such Securities will be cancelled and holders will have no rights against the Relevant Issuer and (where Securities are issued by SFS or a Specified Issuer) the Guarantor (including rights to receive principal or interest or to vote or attend meetings of Securityholders) in respect of such Securities.

A change in Singapore law or administrative practice which governs the Securities may adversely affect Securityholders.

The terms and conditions of the Securities are based on Singapore law in effect as at the date of issue of the Securities. No assurance can be given as to the impact of any possible judicial decision or change to Singapore law or administrative practice after the date of issue of the Securities and any such change could materially impact the value of any Securities affected by it.

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 or the Guarantor will not become bankrupt 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 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 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 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, additionally with the permission of the judicial manager. Accordingly, if for instance there is any need for the Trustee to bring an action against the Relevant Issuer or the Guarantor, the need to obtain court permission 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, amendments to the Companies Act in 2017 have introduced cram-down provisions for where there is 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.

Further to the amendments that took effect on 23 May 2017 (some of which have been highlighted above), the Insolvency, Restructuring and Dissolution Bill (the “**IRD Bill**” or as passed, the “**IRD Act**”) was passed in Parliament on 1 October 2018, but is not yet in force. 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. The extent to which the provisions in the IRD Act will impact the Programme and transactions contemplated under the Programme (if at all) will depend on the extent to which such transactions will be exempted from the application of such provisions. While the relevant authorities have indicated that bonds will generally be exempted from the prohibition described above, the relevant details are not yet available and there is no certainty as to whether or the extent to which the transactions contemplated under the Programme will fall within such exemptions.

If specified in the relevant Pricing Supplement, the Securities may be subject to optional redemption by the Relevant Issuer.

An optional redemption feature is likely to limit the market value of the Securities with the feature. During any period when the Relevant Issuer may elect to redeem the Securities issued by it, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Relevant Issuer may be expected to redeem any or all of the Securities when its cost of borrowing is lower than the interest rate on the Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate that is as high as the interest rate on the Securities being redeemed and may only be able to do so at a significantly lower rate.

Investment considerations relating to the Notes

Variable Rate Notes may have a multiplier or other leverage factor.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Singapore Taxation Risk.

The Notes to be issued from time to time under the Programme, during the period from the date of this Information Memorandum to 31 December 2023, are intended to be “qualifying debt securities” for the purposes of the ITA, subject to the fulfilment of certain conditions more particularly described in the section “Singapore Taxation”.

However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws be amended or revoked at any time.

Investment considerations relating to the Perpetual Securities

Perpetual Securities may be issued for which investors have no right to require redemption.

The Perpetual Securities have no final maturity date. Perpetual Securityholders have no right to require the Relevant Issuer to redeem Perpetual Securities at any time, and an investor who acquires Perpetual Securities may only dispose of such Perpetual Securities by sale. Perpetual Securityholders who wish to sell their Perpetual Securities may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, holders of Perpetual Securities should be aware that they may be required to bear the financial risks of an investment in Perpetual Securities for an indefinite period of time.

If specified in the relevant Pricing Supplement, Perpetual Securityholders may not receive distribution payments if the Relevant Issuer elects not to pay all or a part of a distribution under the Conditions of the Perpetual Securities.

If Optional Payment (as referred to in the Conditions) is specified in the relevant Pricing Supplement, the Relevant Issuer may, at its sole discretion, elect not to pay any scheduled distribution on the Perpetual Securities in whole or in part for any period of time. The Relevant Issuer may be subject to certain restrictions in relation to the declaration or payment of distributions on its Junior Obligations (as defined in the Conditions of the Perpetual Securities) and (except on a *pro rata* basis) its Parity Obligations and the redemption and repurchase of its Junior Obligations and (except on a *pro rata* basis) its Parity Obligations in the event that it does not pay a distribution in whole or in part. The Relevant Issuer is not subject to any limit as to the number of times or the amount with respect to which the Relevant Issuer can elect not to pay distributions under the Perpetual Securities, subject to compliance with the foregoing restrictions. While the Relevant Issuer may, at its sole discretion, and at any time, elect to pay an Optional Distribution, being an optional amount equal to the amount of distribution which is unpaid in whole or in part, there is no assurance that the Relevant Issuer will do so, and distributions which are not paid in whole or in part may remain unpaid for an indefinite period of time. Any non-payment of a distribution in whole or in part shall not constitute a default for any purpose. Any election by the Relevant Issuer not to pay a distribution, whether in whole or in part, will likely have an adverse effect on the market price of the Perpetual Securities. In addition, as a result of any potential non-cumulative distribution feature of the Perpetual Securities and the Relevant Issuer's ability to elect not to pay a distribution in whole or in part, the market price of the Perpetual Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such election not to pay and may be more sensitive generally to adverse changes in the Group's financial condition.

If specified in the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the Relevant Issuer's option on the date(s) specified in the relevant Pricing Supplement or on the occurrence of certain other events.

The Perpetual Securities are perpetual and have no fixed final redemption date. If specified in the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Relevant Issuer on certain date(s) specified in the relevant Pricing Supplement at their principal amount (or such other redemption amount stated in the relevant Pricing Supplement) together with all outstanding Arrears of Distribution, Additional Distribution Amounts and distribution accrued to (but excluding) the date fixed for redemption. In addition, if specified in the relevant Pricing Supplement, the Relevant Issuer may, at its option, redeem the Perpetual Securities in whole, but not in part, on any Distribution Payment Date (as defined in the Conditions), or any time after such Distribution Payment Date, upon the occurrence of certain other events. See "Terms and Conditions of the Perpetual Securities – Redemption and Purchase".

The date on which the Relevant Issuer elects to redeem the Perpetual Securities may not accord with the preference of individual Perpetual Securityholders. This may be disadvantageous to Perpetual Securityholders in light of market conditions or the individual circumstances of the holder of Perpetual Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Perpetual Securities.

There are limited remedies for default under the Perpetual Securities and the Guarantee.

Any scheduled distribution will not be due if, as provided for in the relevant Pricing Supplement, the Relevant Issuer elects not to pay all or a part of that distribution pursuant to the Conditions of the Perpetual Securities. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment under the Perpetual Securities has become due and the Relevant Issuer (failing which, the Guarantor) fails to make the payment when due. The only remedy against the Relevant Issuer and/or the Guarantor available to any Perpetual Securityholder for recovery of amounts in respect of the Perpetual Securities following the occurrence of a payment default after any sum becomes due in respect of the Perpetual Securities and/or the Guarantee will be proving in such winding-up and/or claiming in the liquidation of the Relevant Issuer and/or the Guarantor in respect of any payment obligations of the Relevant Issuer or, as the case may be, the Guarantor arising from the Perpetual Securities and/or the Guarantee.

The Relevant Issuer may raise or redeem other capital which affects the price of the Perpetual Securities.

The Relevant Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Relevant Issuer may issue or incur and which rank senior to, or *pari passu* with, the Perpetual Securities. Similarly, subject to compliance with the Conditions of the Perpetual Securities, the Relevant Issuer may redeem securities that rank junior to, *pari passu* with, or senior to the Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities or the redemption of any such securities may reduce the amount (if any) recoverable by holders of Perpetual Securities on a winding-up of the Relevant Issuer, and may increase the likelihood of a deferral of distribution under the Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities or the redemption of any such securities might also have an adverse impact on the trading price of the Perpetual Securities and/or the ability of holders of Perpetual Securities to sell their Perpetual Securities.

The Subordinated Perpetual Securities and the Subordinated Guarantee are subordinated obligations.

The obligations of the Relevant Issuer under the Subordinated Perpetual Securities, and the Guarantor under the Subordinated Guarantee, will constitute unsecured and subordinated obligations of the Relevant Issuer and Guarantor respectively. In the event of the winding-up of the Relevant Issuer or the Guarantor, the rights of the holders of Subordinated Perpetual Securities to receive payments in respect of the Subordinated Perpetual Securities or the Subordinated Guarantee will rank senior to the holders of all Junior Obligations and *pari passu* with the holders of all Parity Obligations, but junior to the claims of all other creditors, including, for the avoidance of doubt, the holders of Senior Perpetual Securities and/or Notes. In the event of a shortfall of funds or a winding-up, there is a real risk that an investor in the Subordinated Perpetual Securities will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid Arrears of Distribution, Additional Distribution Amounts or accrued distribution.

In addition, subject to the limit on the aggregate principal amount of Securities that can be issued under the Programme (which can be amended from time to time by the Issuers and the Guarantor without the consent of the Securityholders), there is no restriction on the amount of unsubordinated securities or other liabilities which the Relevant Issuer may issue or incur and which rank senior to, or *pari passu* with, the Subordinated Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Subordinated Perpetual Securities on a winding-up of the Relevant Issuer or the Guarantor and/or may increase the likelihood of a non-payment under the Subordinated Perpetual Securities and/or the Subordinated Guarantee.

A change in the law governing the subordination provisions of the Perpetual Securities may adversely affect the Perpetual Securityholders.

The provisions of the Conditions of the Perpetual Securities that relate to subordination are governed by Singapore law. No assurance can be given as to the impact of any possible judicial decision or change to such law or administrative practice after the date of issue of the relevant Perpetual Securities.

Tax treatment of the Perpetual Securities is unclear.

It is not clear whether any particular tranche of the Perpetual Securities (the “**Relevant Tranche of the Perpetual Securities**”) will be regarded as “debt securities” by the IRAS for the purposes of the ITA, or whether distribution payments made under each tranche of the Perpetual Securities will be regarded by the IRAS as interest payable on indebtedness for the purposes of the ITA, and whether the tax exemptions or tax concessions available for qualifying debt securities under the qualifying debt securities scheme (as set out in the section “Singapore Taxation”) would apply to the Relevant Tranche of the Perpetual Securities.

If the Relevant Tranche of the Perpetual Securities is not regarded as “debt securities” for the purposes of the ITA, or distribution payments made under the Relevant Tranche of the Perpetual Securities are not regarded as interest payable on indebtedness or holders thereof are not eligible for the tax concessions under the qualifying debt securities scheme, the tax treatment to holders may differ. Investors and holders of the Relevant Tranche of the Perpetual Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Relevant Tranche of the Perpetual Securities.

SUMMARY OF THE PROGRAMME

The following summary is derived from, and should be read in conjunction with and qualified in its entirety by, the full text of this Information Memorandum (and any relevant supplement to this Information Memorandum), the Programme Agreement, the Trust Deed, the Agency Agreement and the relevant Pricing Supplement. Capitalised terms used in this summary shall have the same meanings as ascribed to them in the Conditions or, as the case may be, the Trust Deed.

Issuers	:	Sembcorp Industries Ltd Sembcorp Financial Services Pte. Ltd., a wholly-owned subsidiary of the Guarantor Other subsidiaries of the Guarantor based either within or outside Singapore may become issuers under the Programme by executing a deed of accession in accordance with the terms of the Programme Agreement
Guarantor (in the case of Securities issued by Issuers other than SCI)	:	Sembcorp Industries Ltd
Arranger	:	DBS Bank Ltd.
Dealers	:	DBS Bank Ltd. and/or such other Dealers as may be appointed by the Relevant Issuer in accordance with the terms of the Programme Agreement
Issuing and Paying Agent, Agent Bank, Transfer Agent and Registrar	:	DBS Bank Ltd.
Trustee	:	DBS Trustee Limited
Description	:	Multicurrency Debt Issuance Programme
Programme Size	:	The maximum aggregate principal amount of the Securities outstanding at any time shall be S\$3,000,000,000 (or its equivalent in other currencies) or such higher amount as may be agreed between the Issuers and the Arranger in accordance with the terms of the Programme Agreement
Guarantee	:	The payment of all sums expressed to be payable by the Relevant Issuer (other than SCI) under the Trust Deed, the Securities and the Coupons relating to them will be unconditionally and irrevocably guaranteed by the Guarantor
Currency	:	Subject to compliance with all relevant laws, regulations and directives, Securities may be issued in Singapore Dollars or any other currency agreed between the Relevant Issuer and the relevant Dealer(s)
Method of Issue	:	Securities may be issued from time to time under the Programme on a syndicated or non-syndicated basis. Each Series may be issued in one or more Tranches, on the same or different issue dates. The specific terms of each Series or Tranche will be specified in the relevant Pricing Supplement
Issue Price	:	Securities may be issued at par or at a discount, or premium, to par

- Form and Denomination of Securities : The Securities will be issued in bearer form or registered form and in such denominations as may be agreed between the Relevant Issuer and the relevant Dealer(s). Each Tranche or Series of Bearer Securities may initially be represented by a Temporary Global Security or a Permanent Global Security. Each Temporary Global Security may be deposited on the relevant issue date with CDP, a Common Depository and/or any other agreed clearing system and will be exchangeable, upon request as described therein, either for a Permanent Global Security or Definitive Securities (as indicated in the applicable Pricing Supplement). Each Permanent Global Security may be exchanged, unless otherwise specified in the applicable Pricing Supplement, upon request as described therein, in whole (but not in part) for Definitive Securities upon the terms therein. Each Tranche or Series of Registered Securities will initially be represented by a Global Certificate. Each Global Certificate may be registered in the name of, or in the name of a nominee of, a Common Depository, CDP and/or any other agreed clearing system. Each Global Certificate may be exchanged, upon request as described therein, in whole (but not in part) for Certificates upon the terms therein. A Certificate shall be issued in respect of each Securityholder's entire holding of Registered Securities of one Series
- Custody of the Securities : Securities which are to be listed on the SGX-ST may be cleared through CDP. Securities which are to be cleared through CDP are required to be kept with CDP as the authorised depository. Securities which are to be cleared through Euroclear and/or Clearstream, Luxembourg are required to be kept with a Common Depository
- Taxation : All payments in respect of the Securities by or on behalf of the Relevant Issuer or, as the case may be, the Guarantor shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore (or, if the Relevant Issuer is not incorporated in Singapore, such other jurisdiction in which the Relevant Issuer is incorporated) or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Relevant Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, save for certain exceptions. For further details, see the section on "Singapore Taxation" below
- Listing : Each Series of the Securities may, if so agreed between the Relevant Issuer and the relevant Dealer(s), be listed on the SGX-ST or any stock exchange(s) as may be agreed between the Relevant Issuer and the relevant Dealer(s), subject to all necessary approvals having been obtained. For so long as any Securities are listed on the SGX-ST and the rules of the SGX-ST so require, such Securities will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) or such other amount as may be allowed or required from time to time

- Selling Restrictions : For a description of certain restrictions on offers, sales and deliveries of Securities and the distribution of offering material relating to the Securities, see the section on “Subscription, Purchase and Distribution” below. Further restrictions may apply in connection with any particular Series or Tranche of Securities
- Governing Law : The Programme, the Guarantee and any Securities issued under the Programme will be governed by, and construed in accordance with, the laws of Singapore

NOTES

- Maturities : Subject to compliance with all relevant laws, regulations and directives, Notes shall have such maturities as may be agreed between the Relevant Issuer and the relevant Dealer(s)
- Mandatory Redemption : Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount on the maturity date shown on its face (if it is a Fixed Rate Note, Hybrid Note (during the Fixed Rate Period) or Zero Coupon Note) or on the interest payment date falling in the redemption month shown on its face (if it is a Floating Rate Note, Variable Rate Note or Hybrid Note (during the Floating Rate Period))
- Interest Basis : Notes may bear interest at fixed, floating, variable or hybrid rates or may not bear interest
- Fixed Rate Notes : Fixed Rate Notes will bear a fixed rate of interest which will be payable in arrear on specified dates and at maturity
- Floating Rate Notes : Floating Rate Notes which are denominated in Singapore Dollars will bear interest to be determined separately for each Series by reference to S\$ SIBOR or S\$ Swap Rate (or in any other case such other benchmark as may be agreed between the Relevant Issuer and the relevant Dealer(s)), as adjusted for any applicable margin. Interest periods in relation to the Floating Rate Notes will be agreed between the Relevant Issuer and the relevant Dealer(s) prior to their issue
- Floating Rate Notes which are denominated in other currencies will bear interest to be determined separately for each Series by reference to such other benchmark as may be agreed between the Relevant Issuer and the relevant Dealer(s)
- Variable Rate Notes : Variable Rate Notes will bear interest at a variable rate determined in accordance with the Conditions of the Notes. Interest periods in relation to the Variable Rate Notes will be agreed between the Relevant Issuer and the relevant Dealer(s) prior to their issue
- Hybrid Notes : Hybrid Notes will bear interest, during the fixed rate period to be agreed between the Relevant Issuer and the relevant Dealer(s), at a fixed rate of interest which will be payable in arrear on specified dates and, during the floating rate period to be agreed between the Relevant Issuer and the relevant Dealer(s), at the rate of interest to be determined by reference to S\$ SIBOR or S\$ Swap Rate (or such other

benchmark as may be agreed between the Relevant Issuer and the relevant Dealer(s)) (in the case of Hybrid Notes denominated in Singapore Dollars), as adjusted for any applicable margin (provided that if the Hybrid Notes are denominated in a currency other than Singapore Dollars, such Hybrid Notes will bear interest to be determined separately by reference to such benchmark as may be agreed between the Relevant Issuer and the relevant Dealer(s)), in each case payable at the end of each interest period to be agreed between the Relevant Issuer and the relevant Dealer(s). S\$ SIBOR and S\$ Swap Rate shall be determined as set out in Condition 5 of the Notes

Zero Coupon Notes : Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest other than in the case of late payment

Status of the Notes and the Senior Guarantee : The Notes and Coupons of all Series will constitute direct, unconditional, unsubordinated and unsecured obligations of the Relevant Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Relevant Issuer

The payment obligations of the Guarantor under the Senior Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall at all times rank *pari passu* with all other unsecured obligations (other than subordinated obligations and priorities created by law) of the Guarantor

Redemption and Purchase : If so provided on the face of the Note and the relevant Pricing Supplement, Notes may be redeemed (either in whole or in part) prior to their stated maturity at the option of the Relevant Issuer and/or the holders of the Notes or if so provided thereon, Notes may be purchased by the Relevant Issuer (either in whole or in part) prior to their stated maturity at the option of the Relevant Issuer and/or the holders of the Notes

Negative Pledge : The Notes will have the benefit of a negative pledge as described in Condition 4 (Negative Pledge) of the Notes

Events of Default : The events of default are as described in Condition 10 (Events of Default) of the Notes

PERPETUAL SECURITIES

No Fixed Maturity : The Perpetual Securities are perpetual securities in respect of which there is no fixed redemption date and the Relevant Issuer shall only have the right (but not the obligation) to redeem or purchase them in accordance with the provisions of the Conditions of the Perpetual Securities

Distribution Basis : Perpetual Securities may confer a right to distribution at fixed or floating rates

Fixed Rate Perpetual Securities : Fixed Rate Perpetual Securities will confer a right to distribution at a fixed rate which will be payable in arrear on specified dates. If so provided on the face of the Fixed Rate

Perpetual Securities, the distribution rate may be subject to reset on such date and bases as may be set out in the relevant Pricing Supplement

Floating Rate Perpetual Securities : Floating Rate Perpetual Securities which are denominated in Singapore Dollars will confer a right to distribution at a rate to be determined separately for each Series by reference to S\$ SIBOR or S\$ Swap Rate (or in any other case such other benchmark as may be agreed between the Relevant Issuer and the relevant Dealer(s)), as adjusted for any applicable margin. Distribution periods in relation to the Floating Rate Perpetual Securities will be agreed between the Relevant Issuer and the relevant Dealer(s) prior to their issue

Floating Rate Perpetual Securities which are denominated in other currencies will confer a right to distribution at a rate to be determined separately for each Series by reference to such other benchmark as may be agreed between the Relevant Issuer and the relevant Dealer(s)

Distribution Discretion : If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Relevant Issuer may, at its sole discretion, elect not to pay a distribution (or to pay only part of a distribution) which is scheduled to be paid on a Distribution Payment Date by giving notice (an "**Optional Payment Notice**") to the Trustee and the Issuing and Paying Agent and the Perpetual Securityholders (in accordance with Condition 14 of the Perpetual Securities) not more than 15 nor less than five Business Days (or such other notice period as may be specified thereon) prior to a scheduled Distribution Payment Date.

If Dividend Pusher is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Relevant Issuer may not elect to defer any distribution if during the "**Reference Period**" (as specified in the applicable Pricing Supplement) ending on the day before that scheduled Distribution Payment Date, either or both of the following have occurred:

- (a) a discretionary dividend, distribution or other payment has been declared or paid on or in respect of any of the Relevant Issuer's Junior Obligations or the Guarantor's Junior Obligations or, in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the Relevant Issuer's Parity Obligations or any of the Guarantor's Parity Obligations; or
- (b) any of the Relevant Issuer's Junior Obligations or the Guarantor's Junior Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration or, in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the Relevant Issuer's Parity Obligations or any of the Guarantor's Parity Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of

the employees, directors or consultants of the Group or (2) as a result of the exchange or conversion of Parity Obligations of the Relevant Issuer or, as the case may be, the Guarantor for Junior Obligations of the Relevant Issuer or, as the case may be, the Guarantor and/or as otherwise specified in the applicable Pricing Supplement

Non-Cumulative Deferral and Cumulative Deferral

: If Non-Cumulative Deferral is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, any distribution deferred pursuant to Condition 4(IV) of the Perpetual Securities is non-cumulative and will not accrue distribution. The Relevant Issuer is not under any obligation to pay that or any other distributions that have not been paid in whole or in part. The Relevant Issuer may, at its sole discretion, and at any time, elect to pay an amount up to the amount of distribution which is unpaid (“**Optional Distribution**”) (in whole or in part) by complying with the notice requirements in Condition 4(IV)(e) of the Perpetual Securities. There is no limit on the number of times or the extent of the amount with respect to which the Relevant Issuer can elect not to pay distributions pursuant to Condition 4(IV) of the Perpetual Securities. Any partial payment of outstanding Optional Distribution by the Relevant Issuer shall be shared by the holders of all outstanding Perpetual Securities and the Coupons related to them on a *pro-rata* basis

If Cumulative Deferral is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, any distribution deferred pursuant to Condition 4(IV) of the Perpetual Securities shall constitute “**Arrears of Distribution**”. The Relevant Issuer may, at its sole discretion, elect to (in the circumstances set out in Condition 4(IV)(a) of the Perpetual Securities) further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued distribution. The Relevant Issuer is not subject to any limit as to the number of times distributions and Arrears of Distribution can or shall be deferred pursuant to Condition 4(IV) of the Perpetual Securities except that Condition 4(IV)(c) of the Perpetual Securities shall be complied with until all outstanding Arrears of Distribution have been paid in full

If Additional Distribution is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Securities at the Distribution Rate or Rate of Distribution (as the case may be) and the amount of such interest (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be due and payable pursuant to Condition 4 of the Perpetual Securities and shall be calculated by applying the applicable Distribution Rate or Rate of Distribution (as the case may be) to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of Condition 4 of the Perpetual Securities. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the

amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution

Restrictions in the case of Non-Payment

: If Dividend Stopper is so provided on the face of the Perpetual Security and the relevant Pricing Supplement and on any Distribution Payment Date, payments of all distribution scheduled to be made on such date are not made in full by reason of Condition 4(IV) of the Perpetual Securities, the Relevant Issuer and the Guarantor shall not and shall procure that none of its subsidiaries shall:

(a) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on, any of the Relevant Issuer's or the Guarantor's Junior Obligations or in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the Relevant Issuer's or the Guarantor's Parity Obligations; or

(b) redeem, reduce, cancel, buy-back or acquire for any consideration and will procure that no redemption, reduction, cancellation, buy-back or acquisition is made in respect of any of the Relevant Issuer's or the Guarantor's Junior Obligations or in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the Relevant Issuer's or the Guarantor's Parity Obligations,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group or (2) as a result of the exchange or conversion of Parity Obligations of the Relevant Issuer or, as the case may be, the Guarantor for Junior Obligations of the Relevant Issuer or, as the case may be, the Guarantor, unless and until (A) (if Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) the Relevant Issuer has satisfied in full all outstanding Arrears of Distribution, (B) (if Non-Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) a redemption of all the outstanding Perpetual Securities has occurred, the next scheduled distribution has been paid in full or an Optional Distribution equal to the amount of a distribution payable with respect to the most recent Distribution Payment Date that was unpaid in full or in part, has been paid in full or (C) the Relevant Issuer or, as the case may be, the Guarantor is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Perpetual Securityholders and/or as otherwise specified in the applicable Pricing Supplement

Status of the Senior Perpetual Securities and the Senior Guarantee

: The Senior Perpetual Securities and Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Relevant Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Relevant Issuer

- The obligations of the Guarantor under the Senior Guarantee are contained in the Trust Deed. The payment obligations of the Guarantor under the Senior Guarantee and the Trust Deed constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall at all times rank *pari passu* with all other unsecured obligations (other than subordinated obligations and priorities created by law) of the Guarantor
- Status of the Subordinated Perpetual Securities and the Subordinated Guarantee : The Subordinated Perpetual Securities and Coupons relating to them constitute direct, unconditional, subordinated and unsecured obligations of the Relevant Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves and *pari passu* with any Parity Obligations of the Relevant Issuer
- The obligations of the Guarantor under the Subordinated Guarantee are contained in the Trust Deed. The obligations of the Guarantor under the Subordinated Guarantee and the Trust Deed constitute direct, unconditional, subordinated and unsecured obligations of the Guarantor and shall at all times rank *pari passu* with any Parity Obligations of the Guarantor
- Subordination of Subordinated Perpetual Securities : Subject to the insolvency laws of Singapore and other applicable laws, in the event of the winding-up of the Relevant Issuer or the Guarantor, the rights of the Perpetual Securityholders and Couponholders in respect of Subordinated Perpetual Securities to payment of principal of and distribution on the Subordinated Perpetual Securities and the Coupons relating to them or, as the case may be, the Subordinated Guarantee are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Relevant Issuer or, as the case may be, the Guarantor but at least *pari passu* with all other subordinated obligations of the Relevant Issuer or, as the case may be, the Guarantor that are not expressed by their terms to rank junior to the Subordinated Perpetual Securities or, as the case may be, the Subordinated Guarantee and in priority to the claims of shareholders of the Relevant Issuer or, as the case may be, the Guarantor and/or as otherwise specified in the applicable Pricing Supplement
- No set-off in relation to Subordinated Perpetual Securities : Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Relevant Issuer or the Guarantor in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them or, as the case may be, the Subordinated Guarantee, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Relevant Issuer and the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of Subordinated Perpetual Securities or any Coupons relating to them by the Relevant Issuer or the Guarantor in respect of, or arising under or in connection with the Subordinated Perpetual Securities or

Coupons relating to them or, as the case may be, the Subordinated Guarantee is discharged by set-off, such holder of Subordinated Perpetual Securities or any Coupons relating to them shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Relevant Issuer or, as the case may be, the Guarantor (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Relevant Issuer or, as the case may be, the Guarantor) and, until such time as payment is made, shall hold such amount in trust for the Relevant Issuer or, as the case may be, the Guarantor (or the liquidator or, as appropriate, administrator of the Relevant Issuer or, as the case may be, the Guarantor) and accordingly any such discharge shall be deemed not to have taken place

Redemption at the Option of the Relevant Issuer : If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Relevant Issuer may, on giving irrevocable notice to the Perpetual Securityholders falling within the Issuer's Redemption Option Period shown on the face thereof, redeem all or, if so provided, some of the Perpetual Securities at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Perpetual Securities shall be at their Redemption Amount, together with distribution accrued (including any Arrears of Distribution and any Additional Distribution Amount) (if any) to (but excluding) the date fixed for redemption

Redemption for Taxation Reasons : If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including Arrears of Distribution and any Additional Distribution Amount) (if any) accrued to (but excluding) the date fixed for redemption), if:

(i) the Relevant Issuer receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that:

(A) the Perpetual Securities will not be regarded as "debt securities" for the purposes of Section 43N(4) of the ITA and Regulation 2 of the Income Tax (Qualifying Debt Securities) Regulations; or

(B) the distributions (including Arrears of Distribution and any Additional Distribution Amount) will not be regarded as interest payable by the Relevant Issuer for the purposes of the withholding tax exemption on interest for "qualifying debt securities" under the ITA; or

(ii) (A) the Relevant Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 7 of the Perpetual Securities, or increase the payment of such additional amounts, as a result

of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore (or, if the Relevant Issuer is not incorporated in Singapore, such other jurisdiction in which the Relevant Issuer is incorporated) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement, and

- (B) such obligations cannot be avoided by the Relevant Issuer or, as the case may be, the Guarantor, taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Relevant Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Perpetual Securities then due

Redemption for Accounting Reasons : If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including Arrears of Distribution and any Additional Distribution Amount) accrued (if any) to (but excluding) the date fixed for redemption) if, on such Distribution Payment Date or at any time after that Distribution Payment Date, as a result of any changes or amendments to Singapore Financial Reporting Standards (International) issued by the Singapore Accounting Standards Council, as amended from time to time (the "**SFRS(I)**") or any other accounting standards that may replace SFRS(I) for the purposes of the consolidated financial statements of the Relevant Issuer (the "**Relevant Accounting Standard**"), the Perpetual Securities will not or will no longer be recorded as "equity" of the Relevant Issuer pursuant to the Relevant Accounting Standard

Redemption for Tax Deductibility : If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including Arrears of Distribution and any Additional Distribution Amount) (if any) accrued to (but excluding) the date fixed for redemption), if the Relevant Issuer satisfies the Trustee immediately before giving such notice that, as a result of:

- (i) any amendment to, or change in, the laws (or any rules or regulations thereunder) of Singapore or any political

subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective otherwise on or after the issue date of such Perpetual Securities;

- (ii) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or becomes effective otherwise on or after the issue date of such Perpetual Securities; or
- (iii) any generally applicable official interpretation or pronouncement which is issued or announced on or after the issue date of such Perpetual Securities that provides for a position with respect to such laws or regulations that differs from the previous generally accepted position which is issued or announced before the issue date of such Perpetual Securities,

the distributions (including Arrears of Distribution and any Additional Distribution Amount) by the Relevant Issuer are no longer, or would in the Distribution Period immediately following that Distribution Payment Date no longer be regarded as sums “payable by way of interest upon any money borrowed” for the purpose of Section 14(1)(a) of the ITA, provided that no such notice of redemption may be given earlier than 90 days prior to such effective date on which the distribution (including Arrears of Distribution and any Additional Distribution Amount) would not be regarded as such sums

Redemption in the case of Minimal Outstanding Amount : If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days’ notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including Arrears of Distribution and any Additional Distribution Amount) accrued (if any) to (but excluding) the date fixed for redemption)) if, immediately before giving such notice, the aggregate principal amount of the Perpetual Securities outstanding is less than 10% of the aggregate principal amount originally issued

Redemption upon a Change of Control : If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days’ notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distribution (including Arrears of Distribution and any Additional Distribution Amount) accrued (if any) to the date fixed for redemption), following the occurrence of a Change of Control (as defined in the applicable Pricing Supplement)

- Limited right to institute proceedings in relation to Perpetual Securities : Notwithstanding any of the provisions in Condition 9 of the Perpetual Securities, the right to institute proceedings for winding-up is limited to circumstances where payment has become due. In the case of any distribution, such distribution will not be due if the Relevant Issuer has elected not to pay that distribution in accordance with Condition 4(IV) of the Perpetual Securities
- Proceedings for winding-up : If (i) an order is made or an effective resolution is passed for the bankruptcy, winding-up, liquidation, receivership or similar proceedings of the Relevant Issuer and/or the Guarantor or (ii) the Relevant Issuer fails to make payment in respect of the Perpetual Securities when due or the Guarantor fails to pay any amount under the Guarantee when due and, in each case, such failure continues for a period of more than 14 days (in the case of distribution) or seven days (in the case of principal) (together, the “**Enforcement Events**”), the Relevant Issuer or, as the case may be, the Guarantor shall be deemed to be in default under the Trust Deed and the Perpetual Securities or, as the case may be, the Guarantee and the Trustee may, subject to the provisions of Condition 9(d) of the Perpetual Securities, institute proceedings for the winding-up of the Relevant Issuer and/or the Guarantor and/or prove in the winding-up of the Relevant Issuer and/or the Guarantor and/or claim in the liquidation of the Relevant Issuer and/or the Guarantor for such payment

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Notes in definitive form issued in exchange for the Global Security(ies) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme, details of the relevant Series being shown on the face of the relevant Notes and in the relevant Pricing Supplement.

The Notes are constituted by a trust deed dated 3 April 2020 made between (1) SembCorp Industries Ltd (“**SCI**”) and SembCorp Financial Services Pte. Ltd. (“**SFS**”) and acceded to by Specified Issuers from time to time by the execution of a Deed of Accession (each an “**Issuer**” and together, the “**Issuers**”), (2) SCI, in its capacity as guarantor for securities issued by SFS and the Specified Issuers (the “**Guarantor**”), and (3) DBS Trustee Limited, as trustee for the Noteholders (as defined below) (the “**Trustee**”, which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed), as amended, restated or supplemented from time to time, the “**Trust Deed**”, and (where applicable) the Notes are issued with the benefit of [a deed of covenant, as amended, restated or supplemented from time to time, the “**Deed of Covenant**”] dated 3 April 2020, relating to the Notes executed by SCI/SFS]⁴/[a deed of covenant (as amended, restated or supplemented from time to time, the “**Deed of Covenant**”) dated [●]⁵ relating to the Notes executed by [●]⁶]. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. SFS and SCI have entered into an Agency Agreement dated 3 April 2020 made between (1) SFS and SCI and acceded to by Specified Issuers from time to time by the execution of a Deed of Accession, (2) SCI, as guarantor, (3) DBS Bank Ltd., as issuing and paying agent (in such capacity, the “**Issuing and Paying Agent**” and, together with any other paying agents that may be appointed, the “**Paying Agents**”), (4) DBS Bank Ltd., as agent bank (in such capacity, the “**Agent Bank**”), (5) DBS Bank Ltd., as registrar (in such capacity, the “**Registrar**”) and (6) the Trustee, as trustee, as amended, restated or supplemented from time to time, the “**Agency Agreement**”). The Noteholders and the holders (the “**Couponholders**”) of the coupons (the “**Coupons**”) appertaining to the interest-bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) are bound by and are deemed to have notice of all of the provisions of the Trust Deed, the Agency Agreement and the Deed of Covenant.

Issues of Notes by an Issuer other than SCI will be guaranteed by SCI. References in these Conditions to the Guarantor and the Guarantee (as defined in the Trust Deed) shall apply only to Notes issued by an Issuer other than SCI.

Copies of the Trust Deed, the Agency Agreement and the Deed of Covenant are available for inspection at the principal office of the Trustee for the time being and at the specified office of the Issuing and Paying Agent for the time being.

4 The language indicated in brackets should be included in the Terms and Conditions of the Notes which are issued by SCI or SFS, as the case may be.

5 Insert date of relevant Deed of Covenant.

6 Insert name of the Issuer where the Issuer is not SCI or SFS

7 The language indicated in brackets shall be included in the Terms and Conditions of the Notes which are issued by any other issuer (other than SCI or SFS).

1. Form, Denomination and Title

(a) Form and Denomination

- (i) The Notes of the Series of which this Note forms part (in these Conditions, the “**Notes**”) are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Denomination Amount shown hereon. Subject to applicable laws, in the case of Registered Notes, such Notes are in the Denomination Amount shown hereon, which may include a minimum denomination and higher integral multiples of a smaller amount, in each case, as specified in the applicable Pricing Supplement.
- (ii) This Note is a Fixed Rate Note, a Floating Rate Note, a Variable Rate Note, a Hybrid Note or a Zero Coupon Note (depending upon the Interest Basis shown on its face).
- (iii) Bearer Notes are serially numbered and issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero-Coupon Notes in which case references to interest (other than in relation to default interest referred to in Condition 7(h)) in these Conditions are not applicable.
- (iv) Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

(b) Title

- (i) Title to the Bearer Notes and the Coupons and Talons appertaining thereto shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the relevant Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”).
- (ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.
- (iii) For so long as any of the Notes is represented by a Global Security (as defined in the Trust Deed) or, as the case may be, a Global Certificate (as defined in the Trust Deed) and such Global Security or Global Certificate is held by The Central Depository (Pte) Limited (the “**Depository**”), each person who is for the time being shown in the records of the Depository as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by the Depository as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor, the Issuing and Paying Agent, the other Paying Agents, the Agent Bank, the Registrar, the other Transfer Agents, all other agents of the relevant Issuer and the Trustee as the holder of such principal amount of Notes other than with respect to the payment of principal, interest and any other amounts in respect of the Notes, for which purpose the bearer of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the relevant Issuer, the Guarantor, the Issuing and Paying Agent, the other Paying Agents, the Agent Bank, the Registrar, the other Transfer Agents, all other agents of the relevant Issuer and the Trustee as the holder of such Notes in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly). Notes which are represented by the Global Security or, as the case may be, the Global Certificate and held by the Depository will be transferable only in accordance with the rules and procedures for the time being of the Depository. For so long as any of the Notes is represented by a Global Security or, as the case may be, a Global Certificate and such Global Security or, as the case may be, such Global Certificate is held by the Depository, the record date for the purposes of

determining entitlements to any payment of principal, interest and any other amounts in respect of the Note shall, unless otherwise specified by the relevant Issuer, be the date falling five business days prior to the relevant payment date (or such other date as may be prescribed by the Depository from time to time).

- (iv) For so long as any of the Notes is represented by a Global Security or, as the case may be, a Global Certificate and such Global Security or Global Certificate is held by a common depository for Euroclear SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the principal amount of such Notes (as the case may be) standing to the account of any person shall be conclusive and binding for all purposes, save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor, the Issuing and Paying Agent, the other Paying Agents, the Agent Bank, the Registrar, the other Transfer Agents, all other agents of the relevant Issuer and the Trustee as the holder of such principal amount of such Notes other than with respect to the payment of principal, interest and any other amounts in respect of such Notes, for which purpose the bearer of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the Relevant Issuer, the Guarantor, the Issuing and Paying Agent, the other Paying Agents, the Agent Bank, the Registrar, the other Transfer Agents, all other agents of the Issuer and the Trustee as the holder of such Notes in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions, where the context requires, shall be construed accordingly). Notes which are represented by a Global Security or, as the case may be, the Global Certificate and held by Euroclear and/or Clearstream, Luxembourg will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg. For so long as any of the Notes is represented by a Global Security or, as the case may be, the Global Certificate and such Global Security or, as the case may be, the Global Certificate is held by a common depository for Euroclear and/or Clearstream, Luxembourg, the record date for the purposes of determining entitlements to any payment of principal, interest, and any other amounts in respect of the Note shall be the close of business on the Clearing System Business Day immediately prior to the relevant payment date, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January (or such other date as may be prescribed by Euroclear and/or Clearstream, Luxembourg).
- (v) In these Conditions, "**Global Security**" means the relevant Temporary Global Security representing each Series or the relevant Permanent Global Security representing each Series, "**Global Certificate**" means the relevant Global Certificate representing each Series that is registered in the name of, or in the name of a nominee of, (1) the Depository, (2) a common depository for Euroclear and/or Clearstream Luxembourg and/or (3) any other clearing system, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be) and "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be), "**Series**" means (a) (in relation to Notes other than Variable Rate Notes) a Tranche, together with any further Tranche or Tranches, which are (i) expressed to be consolidated and forming a single series and (ii) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of interest and (b) (in relation to Variable Rate Notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest and "**Tranche**" means Notes which are identical in all respects (including as to listing).
- (vi) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

2. No Exchange of Notes and Transfers of Registered Notes

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Denomination Amount may not be exchanged for Bearer Notes of another Denomination Amount. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** Subject to Condition 2(f) below, one or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any other Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the relevant Issuer) duly completed and executed and any other evidence as the Registrar or such other Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuers, with the prior written approval of the Registrar, Transfer Agents and the Trustee and in the case of any change proposed by the Registrar or the Trustee, with the prior written approval of the Issuer(s) affected by such change. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any other Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(b) or 2(c) shall be available for delivery within five business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or such other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the other relevant Transfer Agent (as the case may be).
- (e) **Transfers Free of Charge:** Transfers of Notes and registrations and issues of Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the relevant Issuer, the Guarantor, the Registrar or the other Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the other relevant Transfer Agent may require) in respect of tax or governmental charges.
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days prior to any date on which Notes may be called for redemption by the relevant Issuer at its option pursuant to Condition 6(d), (ii) after any such Note has been called

for redemption or (iii) during the period of 15 days ending on (and including) any Record Date (as defined in Condition 7(b)(ii)).

3. Status and Guarantee

(a) Status

The Notes and Coupons of all Series constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the relevant Issuer.

(b) Guarantee

The payment of all sums expressed to be payable by the relevant Issuer (other than SCI) under the Trust Deed, the Notes and the Coupons relating to them are unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee are contained in the Trust Deed. The payment obligations of the Guarantor under the Guarantee and the Trust Deed constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall rank at all times *pari passu* with all other unsecured obligations (other than subordinated obligations and priorities created by law) of the Guarantor.

4. Negative Pledge

- (i) In the Trust Deed, the relevant Issuer (other than SCI) has covenanted that, so long as any of the Notes remains outstanding (as defined in the Trust Deed), such Issuer will not, and will procure that none of its subsidiaries will, create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Encumbrance**") (except for Permitted Encumbrance, as defined below) upon the whole or any part of their respective undertakings, assets, property or revenues, present or future to secure any Relevant Indebtedness (as defined below), except where the principal amounts secured by such Encumbrance do not at any particular time exceed in aggregate 15 per cent. of the Consolidated Net Worth (as defined below) of SCI and its Consolidated Subsidiaries (as defined below), unless (a) such security is forthwith extended equally and rateably to the indebtedness of such Issuer in respect of the Notes to the satisfaction of the Trustee or (b) the indebtedness of such Issuer in respect of the Notes have the benefit of such other security or other arrangement as the Trustee in its absolute discretion shall deem not to be materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution of Noteholders.
- (ii) In the Trust Deed, SCI (whether as issuer or guarantor) has covenanted that, so long as any of the Notes remains outstanding, it will not, and will procure that none of its Material Subsidiaries (as defined below) will, create or permit to subsist any Encumbrance (except for Permitted Encumbrance) upon the whole or any part of their respective undertaking, assets or revenues present or future to secure any Relevant Indebtedness, except where the principal amounts secured by such Encumbrance do not at any particular time exceed in aggregate 15 per cent. of the Consolidated Net Worth of SCI and its Consolidated Subsidiaries unless, at the same time or prior thereto, SCI's obligations under the Notes, the Guarantee and the Trust Deed (as applicable) (a) are secured equally and rateably therewith to the satisfaction of the Trustee or (b) have the benefit of such other security or other arrangement as the Trustee in its absolute discretion shall deem not to be materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution of Noteholders.

In these Conditions:

"**Balance Sheet Date**" means 30 June and 31 December or other semi-annual date at which SCI prepares its audited or unaudited Consolidated Accounts;

"**Consolidated Accounts**" means, in relation to any annual or other Fiscal Period, the consolidated accounts of SCI and the Consolidated Subsidiaries prepared in accordance with accounting principles generally accepted in Singapore;

“Consolidated Net Worth” means the shareholders’ equity of SCI and its Consolidated Subsidiaries (including any credit balance on its profit and loss account but less the aggregate of any debit balance on its profit and loss account) as shown in SCI’s latest audited or unaudited Consolidated Accounts prepared as at a Balance Sheet Date less any amount included in the above which is attributable to goodwill, amounts set aside for taxation, fair value reserve, hedging reserve and minority interests in subsidiaries;

“Consolidated Subsidiary” means every subsidiary of SCI the accounts of which were in the latest Consolidated Accounts, or should, in the written opinion of the Auditors given following a request from SCI or the Trustee (to which request SCI shall ensure that the Auditors shall, as soon as reasonably practicable, reply), be in the next Consolidated Accounts, consolidated with those of SCI in accordance with the accounting principles in accordance with which such Consolidated Accounts were or will be prepared. A report by the Auditors that in their opinion a subsidiary is or is not a Consolidated Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

“Fiscal Period” means, as the context may require, a period (i) commencing on 1 January and ending on the succeeding 31 December, or (ii) commencing on 1st January and ending on the succeeding 30 June provided that if SCI shall change its financial year so as to end a date other than 31 December, the foregoing shall be amended as necessary;

“Indebtedness” means any obligation present or future (actual or contingent) for the payment or repayment of money which has been borrowed or raised;

“Material Subsidiary” means at any time any subsidiary of SCI:

- (a) whose profits or (in the case of a subsidiary which has subsidiaries) consolidated profits, before taxation and extraordinary items as shown by its latest audited profit and loss account are at least 15 per cent. of the consolidated profits before taxation and extraordinary items of SCI and its Consolidated Subsidiaries as shown by the latest published audited consolidated profit and loss account of SCI and its Consolidated Subsidiaries; or
- (b) whose gross assets or (in the case of a subsidiary which has subsidiaries) gross consolidated assets as shown by its latest audited balance sheet are at least 15 per cent. of the gross consolidated assets of SCI and its Consolidated Subsidiaries as shown by the then latest published audited consolidated balance sheet of SCI and its Consolidated Subsidiaries; or
- (c) whose gross liabilities or (in the case of a subsidiary which has subsidiaries) gross consolidated liabilities as shown by its latest audited balance sheet are at least 15 per cent. of the gross consolidated liabilities of SCI and its Consolidated Subsidiaries as shown by the then latest published audited consolidated balance sheet of SCI and its Consolidated Subsidiaries; or
- (d) to which is transferred the whole or substantially the whole of the assets and undertaking of a subsidiary which immediately prior to such transfer is a Material Subsidiary, provided that, in such a case, the subsidiary so transferring its assets and undertaking shall thereupon cease to be a Material Subsidiary.

For the purpose of the above calculations, the consolidated profits before taxation and extraordinary items, gross consolidated assets and gross consolidated liabilities of SCI and its subsidiaries will be as shown by the then latest published audited consolidated profit and loss account and balance sheet of SCI and its subsidiaries.

A report by the Auditors that in their opinion a subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties concerned. References to the audited profit and loss account and balance sheet of a subsidiary which has subsidiaries shall be construed as references to the audited consolidated profit and loss account and consolidated balance sheet of such subsidiary and its subsidiaries, if such are required to be produced, or if no such profit and

loss account or balance sheet are produced, to a *pro forma* profit and loss account or balance sheet, prepared for the purpose of such report;

“Permitted Encumbrance” means (1) any Encumbrance existing as at the date of the Trust Deed, (2) any Encumbrance created on any asset solely for the purpose of securing the financing or refinancing of the purchase, construction or development costs of such asset (including any Encumbrance created over the share capital of any special purpose vehicle acting as the borrower of limited recourse financing for the purchase, construction, development and operation of such asset) or (3) liens arising solely by operation of law (or by an agreement evidencing the same); and

“Relevant Indebtedness” means Indebtedness which is listed or capable of being listed on any stock exchange in Singapore and is expressed or denominated or payable or which, at the option of the relevant creditor, may be payable in Singapore dollars.

5. (I) Interest on Fixed Rate Notes

(a) Interest Rate and Accrual

Each Fixed Rate Note bears interest on its Calculation Amount (as defined in Condition 5(II)(d)) from the Interest Commencement Date in respect thereof and as shown on the face of such Note at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of such Note in each year and on the Maturity Date shown on the face of such Note if that date does not fall on an Interest Payment Date.

The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date (and if the Interest Commencement Date is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the Maturity Date falls before the date on which the first payment of interest would otherwise be due. If the Maturity Date is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the Interest Commencement Date, as the case may be) to the Maturity Date will amount to the Final Broken Amount shown on the face of the Note.

Interest will cease to accrue on each Fixed Rate Note from (and including) the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount shown on the face of the Note is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(I) to (but excluding) the Relevant Date (as defined in Condition 8).

(b) Calculations

In the case of a Fixed Rate Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction (as defined below) specified hereon. The amount of interest payable per Calculation Amount in respect of any Fixed Rate Note shall be calculated by multiplying the product of the Interest Rate and the Calculation Amount, by the Day Count Fraction shown on the Note and rounding the resultant figure to the nearest sub-unit of the Relevant Currency (as defined below).

(II) Interest on Floating Rate Notes or Variable Rate Notes

(a) Interest Payment Dates

Each Floating Rate Note or Variable Rate Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note, and such interest will be payable in arrear on each interest payment date (**“Interest Payment Date”**). Such Interest Payment Date is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of

months specified as the Interest Period (as defined below) on the face of the Note (the “**Specified Number of Months**”) after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (and which corresponds numerically with such preceding Interest Payment Date or the Interest Commencement Date, as the case may be), provided that the Agreed Yield (as defined in Condition 5(II)(c)) in respect of any Variable Rate Note for any Interest Period relating to that Variable Rate Note shall be payable on the first day of that Interest Period. If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day (as defined below), then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an “**Interest Period**”.

Interest will cease to accrue on each Floating Rate Note or Variable Rate Note from (and including) the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(II) to the Relevant Date.

(b) Rate of Interest – Floating Rate Notes

- (i) Each Floating Rate Note bears interest at a floating rate determined by reference to a Benchmark as stated on the face of such Floating Rate Note, being (in the case of Notes which are denominated in Singapore dollars) SIBOR (in which case such Note will be a SIBOR Note) or Swap Rate (in which case such Note will be a Swap Rate Note) or in any other case (or in the case of Notes which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Note.

Such floating rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Note. The “Spread” is the percentage rate per annum specified on the face of such Note as being applicable to the rate of interest for such Note. The rate of interest so calculated shall be subject to Condition 5(V)(a) below.

The rate of interest payable in respect of a Floating Rate Note from time to time is referred to in these Conditions as the “**Rate of Interest**”.

- (ii) The Rate of Interest payable from time to time in respect of each Floating Rate Note will be determined by the Agent Bank on the basis of the following provisions:

(1) In the case of Floating Rate Notes which are S\$ SIBOR Notes:

- (A) the Agent Bank will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen ABSIRFIX01 Page under the caption

“ABS SIBOR FIX – SIBOR AND SWAP OFFER RATES – RATES AT 11.00 HRS SINGAPORE TIME” and under the column headed “SGD SIBOR” (or such replacement page thereof for the purpose of displaying SIBOR or such other Screen Page as may be specified in the applicable Pricing Supplement) and as adjusted by the Spread (if any);

- (B) if no such rate appears on the Reuters Screen ABSIRFIX01 Page (or such other replacement page as aforesaid) or if the Reuters Screen ABSIRFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will request the principal Singapore offices of each of the Reference Banks to provide the Agent Bank with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore interbank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of such offered quotations and as adjusted by the Spread (if any), as determined by the Agent Bank;
 - (C) if on any Interest Determination Date two but not all the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (B) above on the basis of the quotations of those Reference Banks providing such quotations; and
 - (D) if on any Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Agent Bank at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate and as adjusted by the Spread (if any) or if on such Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any).
- (2) in the case of Floating Rate Notes which are S\$ Swap Rate Notes:
- (A) the Agent Bank will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the Average Swap Rate (the “Average Swap Rate”) for such Interest Period (determined by the Agent Bank as being the rate which appears on the Reuters Screen ABSFIX01 Page under the caption “SGD SOR rates as of 11:00 hrs London Time” under the column headed “SGD SOR” (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period) and as adjusted by the Spread (if any);
 - (B) if on any Interest Determination Date no such rate is quoted on the Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) or the

Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will determine the Average Swap Rate for such Interest Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to the nearest four decimal places)) for a period equal to the duration of such Interest Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as may be agreed between the Agent Bank and the Issuer, and as adjusted by the Spread (if any); and

- (C) if on any Interest Determination Date the Agent Bank is unable to determine the Average Swap Rate under paragraph (B) above or if no agreement on the relevant authority is reached between the Agent Bank and the Issuer under paragraph (B) above, the Average Swap Rate shall be determined by the Agent Bank to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Singapore offices of the Reference Banks or those of them (being at least two in number) to the Agent Bank at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate and the Rate of Interest for the relevant Interest Period shall be the Average Swap Rate (as so determined by the Agent Bank) and as adjusted by the Spread (if any), or if on such Interest Determination Date one only or none of the Singapore offices of the Reference Banks provides the Agent Bank with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Singapore offices of the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any).
- (3) in the case of Floating Rate Notes which are not S\$ SIBOR Notes or S\$ Swap Rate Notes or which are denominated in a currency other than Singapore dollars, the Agent Bank will determine the Rate of Interest in respect of any Interest Period at or about the Relevant Time on the Interest Determination Date in respect of such Interest Period as follows:
- (A) if the Primary Source (as defined below) for the Floating Rate Note is a Screen Page (as defined below), subject as provided below, the Rate of Interest in respect of such Interest Period shall be:
- (aa) the Relevant Rate (as defined below) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or
- (bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page, in each case appearing on such Screen Page at the Relevant Time on the Interest Determination Date, and as adjusted by the Spread (if any);
- (B) if the Primary Source for the Floating Rate Note is Reference Banks or if sub-paragraph (aa) above applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (bb) above applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if

necessary, to the nearest four decimal places) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined below) at the Relevant Time on the Interest Determination Date and as adjusted by the Spread (if any); and

- (C) if sub-paragraph (B) above applies and the Agent Bank determines that fewer than two Reference Banks are so quoting Relevant Rates, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date.
- (iii) On the last day of each Interest Period, the relevant Issuer will pay interest on each Floating Rate Note to which such Interest Period relates at the Rate of Interest for such Interest Period.
- (iv) For the avoidance of doubt, in the event that the Rate of Interest in relation to any Interest Period is less than zero, the Rate of Interest in relation to such Interest Period shall be equal to zero.

(c) Rate of Interest – Variable Rate Notes

- (i) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this paragraph (c). The interest payable in respect of a Variable Rate Note on the first day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the “**Agreed Yield**” and the rate of interest payable in respect of a Variable Rate Note on the last day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the “**Rate of Interest**”.
- (ii) The Agreed Yield or, as the case may be, the Rate of Interest payable from time to time in respect of each Variable Rate Note for each Interest Period shall, subject as referred to in paragraph (c)(iv) below, be determined as follows:
 - (1) not earlier than 9.00 a.m. (Singapore time) on the ninth business day nor later than 3.00 p.m. (Singapore time) on the third business day prior to the commencement of each Interest Period, the relevant Issuer and the Relevant Dealer (as defined below) shall endeavour to agree on the following:
 - (A) whether interest in respect of such Variable Rate Note is to be paid on the first day or the last day of such Interest Period;
 - (B) if interest in respect of such Variable Rate Note is agreed between the relevant Issuer and the Relevant Dealer to be paid on the first day of such Interest Period, an Agreed Yield in respect of such Variable Rate Note for such Interest Period (and, in the event of the relevant Issuer and the Relevant Dealer so agreeing on such Agreed Yield, the Interest Amount (as defined below) for such Variable Rate Note for such Interest Period shall be zero); and
 - (C) if interest in respect of such Variable Rate Note is agreed between the relevant Issuer and the Relevant Dealer to be paid on the last day of such Interest Period, a Rate of Interest in respect of such Variable Rate Note for such Interest Period (an “**Agreed Rate**”) and, in the event of the relevant Issuer and the Relevant Dealer so agreeing on an Agreed Rate, such Agreed Rate shall be the Rate of Interest for such Variable Rate Note for such Interest Period; and
 - (2) if the relevant Issuer and the Relevant Dealer shall not have agreed either an Agreed Yield or an Agreed Rate in respect of such Variable Rate Note for such Interest Period by 3.00 p.m. (Singapore time) on the third business day prior to the commencement of such Interest Period, or if there shall be no Relevant Dealer during the period for agreement referred to in (1) above, the Rate of Interest for such Variable Rate Note for such Interest Period shall automatically be the rate per annum equal to the Fall Back Rate (as defined below) for such Interest Period.

- (iii) The relevant Issuer has undertaken to the Issuing and Paying Agent and the Agent Bank that it will as soon as possible after the Agreed Yield or, as the case may be, the Agreed Rate in respect of any Variable Rate Note is determined but not later than 10.30 a.m. (Singapore time) on the next following business day:
 - (1) notify (in the case where the relevant Issuer is not SCI) the Guarantor, the Issuing and Paying Agent and the Agent Bank of the Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note for such Interest Period; and
 - (2) cause such Agreed Yield or, as the case may be, Agreed Rate for such Variable Rate Note to be notified by the Issuing and Paying Agent to the relevant Noteholder at its request.
- (iv) For the purposes of sub-paragraph (ii) above, the Rate of Interest for each Interest Period for which there is neither an Agreed Yield nor Agreed Rate in respect of any Variable Rate Note or no Relevant Dealer in respect of the Variable Rate Note(s) shall be the rate (the “**Fall Back Rate**”) determined by reference to a Benchmark as stated on the face of such Variable Rate Note(s), being (in the case of Variable Rate Notes which are denominated in Singapore dollars) SIBOR (in which case such Variable Rate Note(s) will be SIBOR Note(s)) or Swap Rate (in which case such Variable Rate Note(s) will be Swap Rate Note(s)) or (in any other case or in the case of Variable Rate Notes which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Variable Rate Note(s).

Such rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Variable Rate Note. The “Spread” is the percentage rate per annum specified on the face of such Variable Rate Note as being applicable to the rate of interest for such Variable Rate Note. The rate of interest so calculated shall be subject to Condition 5(V)(a) below.

The Fall Back Rate payable from time to time in respect of each Variable Rate Note will be determined by the Agent Bank in accordance with the provisions of Condition 5(II)(b)(ii) above (*mutatis mutandis*) and references therein to “**Rate of Interest**” shall mean “**Fall Back Rate**”.

- (v) If interest is payable in respect of a Variable Rate Note on the first day of an Interest Period relating to such Variable Rate Note, the relevant Issuer will pay the Agreed Yield applicable to such Variable Rate Note for such Interest Period on the first day of such Interest Period. If interest is payable in respect of a Variable Rate Note on the last day of an Interest Period relating to such Variable Rate Note, the relevant Issuer will pay the Interest Amount for such Variable Rate Note for such Interest Period on the last day of such Interest Period.
- (vi) For the avoidance of doubt, in the event that the Rate of Interest in relation to any Interest Period is less than zero, the Rate of Interest in relation to such Interest Period shall be equal to zero.

(d) Definitions

As used in these Conditions:

“**Benchmark**” means the rate specified as such in the applicable Pricing Supplement;

“**business day**” means:

- (i) (in the case of Notes denominated in Singapore dollars), a day (other than a Saturday, a Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore; and
- (ii) (in the case of Notes denominated in a currency other than Singapore dollars), a day (other than a Saturday, a Sunday or a gazetted public holiday) on which commercial banks and foreign exchange markets are open for business in Singapore and the principal financial centre for that currency;

“Calculation Amount” means the amount specified as such on the face of any Note or, if no such amount is so specified, the Denomination Amount of such Note as shown on the face thereof;

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with Condition 5:

- (i) if “Actual/Actual” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period divided by 365 (or, if any portion of that Fixed Rate Interest Period or, as the case may be, Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Fixed Rate Interest Period or, as the case may be, Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Fixed Rate Interest Period or, as the case may be, Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period in respect of which payment is being made divided by 360
- (iii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period in respect of which payment is being made divided by 365; and

if “30/360” is specified in the applicable Pricing Supplement, the number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Fixed Rate Interest Period or, as the case may be, the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Fixed Rate Interest Period or, as the case may be, the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Fixed Rate Interest Period or, as the case may be, the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Fixed Rate Interest Period or, as the case may be, the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Fixed Rate Interest Period or, as the case may be, the Interest Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Fixed Rate Interest Period or, as the case may be, the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

“Interest Commencement Date” means the Issue Date or such other date as may be specified as the Interest Commencement Date on the face of such Note;

“Interest Determination Date” means, in respect of any Interest Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Note;

“Issue Date” means the date specified as such in the applicable Pricing Supplement;

“Primary Source” means (i) the Screen Page specified as such in the applicable Pricing Supplement and (in the case of any Screen Page provided by any information service other than the Reuters Monitor Money Rates Service (“**Reuters**”)) agreed to by the Agent Bank or (ii) the Reference Banks, as the case may be;

“Reference Banks” means the institutions specified as such in the applicable Pricing Supplement or, if none, three major banks selected by the Agent Bank (in consultation with the Issuer) in the interbank market that is most closely connected with the Benchmark;

“Relevant Currency” means the currency in which the Notes are denominated;

“Relevant Dealer” means, in respect of any Variable Rate Note, the Dealer party to the Programme Agreement specified in the Pricing Supplement with whom the relevant Issuer has concluded or is negotiating an agreement for the issue of such Variable Rate Note pursuant to the Programme Agreement;

“Relevant Financial Centre” means, in the case of interest to be determined on an Interest Determination Date with respect to any Floating Rate Note or Variable Rate Note, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

“Relevant Rate” means the Benchmark for a Calculation Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the relevant Interest Period;

“Relevant Time” means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the inter-bank market in the Relevant Financial Centre; and

“Screen Page” means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters) as may be specified hereon for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark.

(III) Interest on Hybrid Notes

(a) Interest Rate and Accrual

Each Hybrid Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note.

(b) Fixed Rate Period

- (i) In respect of the Fixed Rate Period shown on the face of such Note, each Hybrid Note bears interest on its Calculation Amount from the first day of the Fixed Rate Period at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of the Note in each year and on the last day of the Fixed Rate Period if that date does not fall on an Interest Payment Date.

- (ii) The first payment of interest will be made on the Interest Payment Date next following the first day of the Fixed Rate Period (and if the first day of the Fixed Rate Period is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the last day of the Fixed Rate Period falls before the date on which the first payment of interest would otherwise be due. If the last day of the Fixed Rate Period is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the first day of the Fixed Rate Period, as the case may be) to the last day of the Fixed Rate Period will amount to the Final Broken Amount shown on the face of the Note.

Where the due date of redemption of any Hybrid Note falls within the Fixed Rate Period, interest will cease to accrue on the Note from (and including) the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the principal or, as the case may be, the Redemption Amount is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(III) to (but excluding) the Relevant Date.

- (iii) In the case of a Hybrid Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction specified hereon during the Fixed Rate Period.

(c) Floating Rate Period

- (i) In respect of the Floating Rate Period shown on the face of such Note, each Hybrid Note bears interest on its Calculation Amount from the first day of the Floating Rate Period, and such interest will be payable in arrear on each interest payment date (“**Interest Payment Date**”). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the “**Specified Number of Months**”) after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the first day of the Floating Rate Period (and which corresponds numerically with such preceding Interest Payment Date or the first day of the Floating Rate Period, as the case may be). If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day, then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.
- (ii) The period beginning on (and including) the first day of the Floating Rate Period and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an “**Interest Period**”.
- (iii) Where the due date of redemption of any Hybrid Note falls within the Floating Rate Period, interest will cease to accrue on the Note from (and including) the due date for redemption thereof unless, upon due presentation thereof, payment of the principal amount or, as the case may be, the Redemption Amount is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(III) and the Agency Agreement to (but excluding) the Relevant Date.

- (iv) The provisions of Condition 5(II)(b) shall apply to each Hybrid Note during the Floating Rate Period as though references therein to Floating Rate Notes are references to Hybrid Notes.

(IV) Zero Coupon Notes

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount (as defined in Condition 6(h) below) of such Note (determined in accordance with Condition 6(h)). As from the Maturity Date, the rate of interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 6(h) below).

(V) Calculations

(a) Determination of Rate of Interest and Calculation of Interest Amounts

The Agent Bank will, as soon as practicable after the Relevant Time on each Interest Determination Date determine the Rate of Interest and calculate the amount of interest payable (the “**Interest Amounts**”) in respect of each Calculation Amount of the relevant Floating Rate Notes, Variable Rate Notes or (where applicable) Hybrid Notes for the relevant Interest Period. The amount of interest payable per Calculation Amount in respect of any Floating Rate Note, Variable Rate Note or (where applicable) Hybrid Note shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount, by the Day Count Fraction shown on the Note and rounding the resultant figure to the nearest sub-unit of the relevant currency. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(b) Notification

The Agent Bank will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Issuing and Paying Agent, the Trustee, the relevant Issuer and the Guarantor as soon as practicable after their determination but in no event later than the fourth business day thereafter. In the case of Variable Rate Notes and Floating Rate Notes, the Agent Bank will also cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to Noteholders in accordance with Condition 16 as soon as practicable after their determination unless otherwise informed by the relevant Issuer and/or the Guarantor that the relevant Issuer and/or the Guarantor will give such notice to the Noteholders by way of an announcement issued on the Stock Exchange. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period by reason of any Interest Payment Date not being a business day. If the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes become due and payable under Condition 10, the Rate of Interest and Interest Amounts payable in respect of the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest and Interest Amounts need to be made unless the Trustee requires otherwise.

(c) Determination or Calculation by the Trustee

If the Agent Bank does not at any time for any reason so determine or calculate the Rate of Interest for an Interest Period or any Interest Amount, the Trustee shall do so and such determination or calculation shall be deemed to have been made by the Agent Bank. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(d) Agent Bank and Reference Banks

The relevant Issuer will procure that, so long as any Floating Rate Note, Variable Rate Note or Hybrid Note remains outstanding, there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Note, Variable Rate Note, Hybrid Note or Zero Coupon Note remains outstanding, there shall at all times be an Agent Bank. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Agent Bank is unable or unwilling to act as such or if the Agent Bank fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the relevant Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Agent Bank may not resign from its duties without a successor having been appointed as aforesaid.

(VI) Benchmark Discontinuation and Replacement

(a) Independent Adviser

Notwithstanding the provisions above in this Condition 5, if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the relevant Issuer shall use commercially reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(VI)(b)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5(VI)(c)) and any Benchmark Amendments (in accordance with Condition 5(VI)(d)). An Independent Adviser appointed pursuant to this Condition 5(VI) as an expert shall act in good faith and in a commercially reasonable manner and in consultation with the relevant Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Trustee, the Issuing and Paying Agent, the Noteholders or the Couponholders for any determination made by it or for any advice given to the relevant Issuer in connection with any determination made by the relevant Issuer, pursuant to this Condition 5(VI).

If the relevant Issuer is unable to appoint an Independent Adviser after using commercially reasonable endeavours, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Rate prior to the relevant Interest Determination Date or Interest Payment Date (as the case may be), the relevant Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(VI)(b)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5(VI)(c)) and any Benchmark Amendments (in accordance with Condition 5(VI)(d)).

(b) Successor Rate or Alternative Rate

If the Independent Adviser or the relevant Issuer (in the circumstances set out in Condition 5(VI)(a)) (as the case may be) determines that:

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5(VI)(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(VI)); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5(VI)(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(VI)).

(c) Adjustment Spread

If the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (in the circumstances set out in Condition 5(VI)(a)) (as the case may be) determines (i) that an

Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(d) Benchmark Amendments

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5(VI) and the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (in the circumstances set out in Condition 5(VI)(a)) (as the case may be) determines (i) that amendments to these Conditions and/or the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the relevant Issuer shall, subject to giving notice thereof in accordance with Condition 5(VI)(e), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the relevant Issuer, but subject to receipt by the Trustee and (if the Benchmark Amendments affect the Issuing and Paying Agent) the Issuing and Paying Agent of a certificate in English signed by the duly authorised officer(s) of the relevant Issuer pursuant to Condition 5(VI)(e), the Trustee and the Issuing and Paying Agent shall (at the expense of the relevant Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the relevant Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed or agreement supplemental to or amending the Trust Deed, the Agency Agreement and these Conditions), provided that neither the Trustee nor the Issuing and Paying Agent shall be obliged so to concur if in its opinion doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to it in these Conditions, the Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed) in any way. For the avoidance of doubt, the Trustee, the Issuing and Paying Agent and the Agent Bank shall, at the direction and expense of the relevant Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(VI). Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Trustee, the Issuing and Paying Agent or the Agent Bank (if required). In connection with any such variation in accordance with Condition 5(VI)(d), the relevant Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(e) Notices

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5(VI) will be notified promptly in writing by the relevant Issuer to the Trustee, the Issuing and Paying Agent, the Agent Bank and, in accordance with Condition 16, the Noteholders. Such notice shall be irrevocable and shall specify the effective date for such Successor Rate, such Alternative Rate (as the case may be), any related Adjustment Spread and the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the relevant Issuer shall deliver to the Trustee and (if the Benchmark Amendments affect the Issuing and Paying Agent) the Issuing and Paying Agent a certificate in English addressed to the Trustee and (if the Benchmark Amendments affect the Issuing and Paying Agent) the Issuing and Paying Agent and signed by the duly authorised officer(s) of the relevant Issuer:

- (i) confirming (1) that a Benchmark Event has occurred, (2) the Successor Rate or, as the case may be, the Alternative Rate, and (3) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5(VI); and

- (ii) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Trustee and (if the Benchmark Amendments affect the Issuing and Paying Agent) the Issuing and Paying Agent shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's and (if the Benchmark Amendments affect the Issuing and Paying Agent) the Issuing and Paying Agent's ability to rely on such certificate as aforesaid) be binding on the relevant Issuer, the Trustee, the Issuing and Paying Agent, the Agent Bank and the Noteholders.

(f) Survival of Original Reference Rate

Without prejudice to the obligations of the relevant Issuer under Conditions 5(VI)(a), 5(VI)(b), 5(VI)(c) and 5(VI)(d), the Original Reference Rate and the fallback provisions provided for in Condition 5 will continue to apply unless and until the Agent Bank has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with Condition 5(VI)(e).

(g) Definitions

As used in this Condition 5(VI):

"Adjustment Spread" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (in the circumstances set out in Condition 5(VI)(a)) (as the case may be) determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate for which no such recommendation has been made, or in the case of an Alternative Rate, the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (in the circumstances set out in Condition 5(VI)(a)) (as the case may be) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (iii) if no such industry standard is recognised or acknowledged, the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (in the circumstances set out in Condition 5(VI)(a)) (as the case may be) determines to be appropriate;

"Alternative Rate" means an alternative benchmark or screen rate which the Independent Adviser or the relevant Issuer (in the circumstances set out in Condition 5(VI)(a)) (as the case may be) determines in accordance with Condition 5(VI)(b) has replaced the Original Reference Rate in customary market usage in the local or international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for the same interest period and in the same currency as the Notes;

"Benchmark Amendments" has the meaning given to it in Condition 5(VI)(d);

“Benchmark Event” means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five business days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or
- (v) it has become unlawful for the Issuing and Paying Agent, the Agent Bank, the relevant Issuer or any other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

“Independent Adviser” means an independent financial institution of good repute or an independent financial adviser with experience in the local or international debt capital markets appointed by and at the cost of the relevant Issuer under Condition 5(VI)(a);

“Original Reference Rate” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes;

“Relevant Nominating Body” means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (2) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (3) a group of the aforementioned central banks or other supervisory authorities or (4) the Financial Stability Board or any part thereof; and

“Successor Rate” means the rate that the Independent Adviser or the relevant Issuer (in the circumstances set out in Condition 5(VI)(a)) (as the case may be) determines is a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

6. Redemption and Purchase

(a) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, this Note will be redeemed at its Redemption Amount shown on its face on the Maturity Date shown on its face (if this Note is shown on its face to be a Fixed Rate Note, Hybrid Note (during the Fixed Rate Period) or Zero Coupon Note) or on the Interest Payment Date falling in the Redemption Month shown on its face (if this Note is shown on its face to be a Floating Rate Note, Variable Rate Note or Hybrid Note (during the Floating Rate Period)).

(b) Purchase at the Option of the Relevant Issuer

If so provided hereon, the relevant Issuer shall have the option to purchase all or any of the Fixed Rate Notes, Floating Rate Notes, Variable Rate Notes or Hybrid Notes at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Noteholders shall be bound to sell such Notes to the relevant Issuer accordingly. To exercise such option, the relevant Issuer shall give irrevocable notice to the Noteholders within the Issuer's Purchase Option Period shown on the face hereof. Such Notes may be held, resold or surrendered to the Issuing and Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the relevant Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

In the case of a purchase of some only of the Notes, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes, shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be purchased, which shall have been drawn by or on behalf of the relevant Issuer in such place and in such manner as may be agreed between the relevant Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Notes are listed on the Singapore Exchange Securities Trading Limited, the relevant Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any purchase of Notes.

(c) Purchase at the Option of Noteholders

- (i) Each Noteholder shall have the option to have all or any of his Variable Rate Notes purchased by the relevant Issuer at their Redemption Amount on any Interest Payment Date and the relevant Issuer will purchase such Variable Rate Notes accordingly. To exercise such option, a Noteholder shall deposit (in the case of Bearer Notes) such Variable Rate Note (together with all unmatured Coupons and unexchanged Talons) with the Issuing and Paying Agent or any other Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Variable Rate Note(s) to be purchased with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent, any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Noteholders' VRN Purchase Option Period shown on the face hereof. Any Variable Rate Notes or Certificates representing Variable Rate Notes so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the relevant Issuer. Such Variable Rate Notes may be held, resold or surrendered for cancellation, in the case of Bearer Notes, by surrendering such Variable Rate Note (together with all unmatured Coupons and unexchanged Talons) to the Issuing and Paying Agent and in the case of Registered Notes, by surrendering the Certificate representing such Variable Rate Notes to the Registrar. The Variable Rate Notes so purchased, while held by or on behalf of the relevant Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.
- (ii) If so provided hereon, each Noteholder shall have the option to have all or any of his Fixed Rate Notes, Floating Rate Notes or Hybrid Notes purchased by the relevant Issuer at their Redemption Amount on any date on which interest is due to be paid on such Notes and the relevant Issuer will purchase such Notes accordingly. To exercise such option, a Noteholder shall deposit (in the case of Bearer Notes) such Note to be purchased (together with all unmatured Coupons and unexchanged Talons) with the Issuing and Paying Agent or any other Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Note(s) to be purchased with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent, any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Noteholders' Purchase Option Period shown on the face hereof. Any Notes or Certificates so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the relevant Issuer. Such Notes may be held, resold or surrendered for cancellation, in the case of Bearer Notes, by surrendering

such Note (together with all unmatured Coupons and unexchanged Talons) to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar. The Notes so purchased, while held by or on behalf of the relevant Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

(d) Redemption at the Option of the Relevant Issuer

If so provided hereon, the relevant Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer's Redemption Option Period shown on the face hereof, redeem all or, if so provided, some of the Notes at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount, together with interest accrued to the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption of the Notes, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes, shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn by or on behalf of the relevant Issuer in such place and in such manner as may be agreed between the relevant Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Notes are listed on the Singapore Exchange Securities Trading Limited, the relevant Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of such Notes.

(e) Redemption at the Option of Noteholders

If so provided hereon, the relevant Issuer shall, at the option of the holder of any Note, redeem such Note on the date or dates so provided at its Redemption Amount, together with interest accrued to the date fixed for redemption. To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with the Issuing and Paying Agent or any other Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar, any other Transfer Agent or the relevant Issuer (as applicable) within the Noteholders' Redemption Option Period shown on the face hereof. Any Note or Certificate so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the relevant Issuer.

(f) Redemption for Taxation Reasons

If so provided hereon, the Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Redemption Amount or (in the case of Zero Coupon Notes) Early Redemption Amount (together with interest accrued to (but excluding) the date fixed for redemption), if (i) the relevant Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore (or, if the relevant Issuer is not incorporated in Singapore, such other jurisdiction in which the relevant Issuer is incorporated) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement, and (ii) such obligations cannot be avoided by the relevant Issuer or, as the case may be, the Guarantor, taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or, as the case may be, the Guarantor would be

obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the relevant Issuer shall deliver to the Issuing and Paying Agent and the Trustee a certificate signed by the duly authorised officer(s) of the relevant Issuer or, as the case may be, the Guarantor, stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the relevant Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing (whether or not such opinion is addressed to the Trustee) to the effect that the relevant Issuer or, as the case may be, the Guarantor, has or is likely to become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion (whether or not such opinion is addressed to the Trustee) as sufficient evidence of the satisfaction of the conditions precedent set out above, and shall not be responsible for determining or verifying the circumstances set out in such certificate or opinion in which event it shall be conclusive and binding on the Noteholders.

(g) Purchases

The relevant Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Notes at any price (provided that they are purchased together with all unmaturing Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is in compliance with all relevant laws, regulations and directives.

Notes purchased by the relevant Issuer, the Guarantor or any of their respective subsidiaries may be surrendered by the purchaser through the relevant Issuer to the Issuing and Paying Agent for cancellation or may at the option of the relevant Issuer or relevant subsidiary be held or resold.

For the purposes of these Conditions, “**directive**” includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation, or stock exchange.

(h) Early Redemption of Zero Coupon Notes

- (i) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or formula, upon redemption of such Note pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (ii) Subject to the provisions of sub-paragraph (iii) below, the Amortised Face Amount of any such Note shall be the scheduled Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (iii) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph will continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Redemption Amount of such Note on the Maturity Date together with any interest which may accrue in accordance with Condition 5(IV).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(i) Cancellation

All Notes purchased by or on behalf of the relevant Issuer, the Guarantor or any of their respective subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent at its specified office and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the relevant Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes or Certificates so surrendered for cancellation may not be reissued or resold.

7. Payments

(a) Principal and Interest in respect of Bearer Notes

Payments of principal (which shall include the Redemption Amount and the Early Redemption Amount) and interest in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Notes or Coupons, as the case may be, at the specified office of any Paying Agent by a cheque drawn in the currency in which payment is due on, or, at the option of the holders, by transfer to an account maintained by the payee in that currency with, a bank in the principal financial centre for that currency.

(b) Principal and Interest in respect of Registered Notes

- (i) Payments of principal in respect of Registered Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made by a cheque drawn in the currency in which payment is due on and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any other Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account maintained by the payee in that currency with, a bank in the principal financial centre for that currency.

(c) Payments subject to law etc.

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) Appointment of Agents

The Issuing and Paying Agent, the Paying Agent, the Agent Bank, the Transfer Agent and the Registrar initially appointed by the Issuers and the Guarantor and their specified offices are listed below. The Issuers and the Guarantor reserve the right at any time to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Agent Bank, any Transfer Agent and the Registrar and to appoint additional or other Issuing and Paying Agents, Agent Banks, Transfer Agents and Registrars, provided that they will at all times maintain (i) an Issuing and Paying Agent having a specified office in Singapore, (ii) an Agent Bank having a specified office in Singapore, (iii) a Transfer Agent in relation to Registered Notes, having a specified office in Singapore and (iv) a Registrar in relation to Registered Notes, having a specified office in Singapore.

Notice of any such change or any change of any specified office will promptly be given to the Noteholders in accordance with Condition 16.

The Agency Agreement may be amended by the Issuers, the Guarantor, the Issuing and Paying Agent, the Agent Bank, the Transfer Agent, the Registrar and the Trustee, without the consent of

the holder of any Note or Coupon, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which the Issuers, the Guarantor, the Issuing and Paying Agent, the Agent Bank, the Transfer Agent, the Registrar and the Trustee may mutually deem necessary or desirable and which does not, in the opinion of the Issuers, the Guarantor and the Trustee, adversely affect the interests of the holders of the Notes or the Coupons.

(e) Unmatured Coupons and unexchanged Talons

- (i) Bearer Notes which comprise Fixed Rate Notes and Hybrid Notes should be surrendered for payment together with all unmaturing Coupons (if any) relating to such Notes (and, in the case of Hybrid Notes, relating to interest payable during the Fixed Rate Period), failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of five years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Subject to the provisions of the relevant Pricing Supplement, upon the due date for redemption of any Bearer Notes comprising a Floating Rate Note, Variable Rate Note or Hybrid Note, unmaturing Coupons relating to such Note (and, in the case of Hybrid Notes, relating to interest payable during the Floating Rate Period) (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note comprising a Floating Rate Note, Variable Rate Note or Hybrid Note is presented for redemption without all unmaturing Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it (and, in the case of Hybrid Notes, relating to interest payable during the Floating Rate Period), redemption shall be made only against the provision of such indemnity as the relevant Issuer may require.
- (v) If the due date for redemption or repayment of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate.

(f) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent on any business day in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(g) Non-business days

Subject as provided in the relevant Pricing Supplement or subject as otherwise provided in these Conditions, if any date for the payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) Default Interest

If on or after the due date for payment of any sum in respect of the Notes, payment of all or any part of such sum is not made against due presentation of the Notes or, as the case may be, the Coupons, the relevant Issuer shall pay interest on the amount so unpaid from such due date up to

the day of actual receipt by the relevant Noteholders or, as the case may be, Couponholders (as well after as before judgment) at a rate per annum determined by the Issuing and Paying Agent to be equal to 1.5 per cent. per annum above (in the case of a Fixed Rate Note or a Hybrid Note during the Fixed Rate Period) the Interest Rate applicable to such Note, (in the case of a Floating Rate Note or a Hybrid Note during the Floating Rate Period) the Rate of Interest applicable to such Note or (in the case of a Variable Rate Note) the variable rate by which the Agreed Yield applicable to such Note is determined or, as the case may be, the Rate of Interest applicable to such Note, or in the case of a Zero Coupon Note, as provided for in the relevant Pricing Supplement. So long as the default continues then such rate shall be re-calculated on the same basis at intervals of such duration as the Issuing and Paying Agent may select, save that the amount of unpaid interest at the above rate accruing during the preceding such period shall be added to the amount in respect of which the relevant Issuer is in default and itself bear interest accordingly. Interest at the rate(s) determined in accordance with this paragraph shall be calculated on the Day Count Fraction specified hereon and the actual number of days elapsed, shall accrue on a daily basis and shall be immediately due and payable by the relevant Issuer.

8. Taxation

All payments in respect of the Notes and the Coupons by or on behalf of the relevant Issuer or, as the case may be, the Guarantor shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore (or, if the relevant Issuer is not incorporated in Singapore, such other jurisdiction in which the relevant Issuer is incorporated) or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the relevant Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented (or in respect of which the Certificate representing it is presented) for payment:

- (a) by or on behalf of a holder who is subject to such taxes, duties, assessments or governmental charges by reason of his being connected with Singapore (or, if the relevant Issuer is not incorporated in Singapore, such other jurisdiction in which the relevant Issuer is incorporated) otherwise than by reason only of the holding of such Note or Coupon or the receipt of any sums due in respect of such Note or Coupon (including, without limitation, the holder being a resident of, or a permanent establishment in, Singapore (or, if the relevant Issuer is not incorporated in Singapore, such other jurisdiction in which the relevant Issuer is incorporated)); or
- (b) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Noteholders in accordance with Condition 16 that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Redemption Amounts, Early Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 6, "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 and any reference to "**principal**" and/or "**premium**" and/or "**Redemption Amounts**" and/or "**interest**" and/or "**Early Redemption Amounts**" shall be deemed to include any additional amounts which may be payable under these Conditions.

9. Prescription

The Notes and Coupons shall become void unless presented for payment within five years from the appropriate Relevant Date for payment.

10. Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may (but is not obliged to), and if so requested in writing by holders of at least 30 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, in each case subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, give notice to the relevant Issuer that the Notes are immediately repayable, whereupon the Redemption Amount of such Notes or (in the case of Zero Coupon Notes) the Early Redemption Amount of such Notes together with accrued interest to (but excluding) the date of payment shall become immediately due and payable:

- (a) default is made for more than 14 days (in the case of interest) or 7 days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; or
- (b) the relevant Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Notes, the Guarantee or the Trust Deed which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the relevant Issuer and the Guarantor by the Trustee; or
- (c) the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or
- (d) any other indebtedness of the relevant Issuer, the Guarantor or any of its Material Subsidiaries (as defined in Condition 4) becomes due and payable prior to its stated maturity as a result of a default or other breach of the terms thereof or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the relevant Issuer, the Guarantor or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (d) have occurred equals or exceeds S\$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or
- (e) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the relevant Issuer, the Guarantor or any of its Material Subsidiaries and is not discharged or stayed within 30 days and, in relation to the Material Subsidiaries only, such event is likely to materially and adversely affect the ability of the relevant Issuer or the Guarantor to perform or comply with its obligations under any of the Issue Documents or any of the Notes; or
- (f) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the relevant Issuer, the Guarantor or any of its Material Subsidiaries with respect to any material part of the property, assets or revenues of the relevant Issuer, the Guarantor or any of its Material Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and, in relation to the Material Subsidiaries only, such event is likely to materially and adversely affect the ability of the relevant Issuer or the Guarantor to perform or comply with its obligations under any of the Issue Documents or any of the Notes; or
- (g) the relevant Issuer, the Guarantor or any of its Material Subsidiaries is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or any material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of all or any material part of its debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts

of the relevant Issuer, the Guarantor or any of its Material Subsidiaries and, in relation to the Material Subsidiaries only, such event is likely to materially and adversely affect the ability of the relevant Issuer or the Guarantor to perform or comply with its obligations under any of the Issue Documents or any of the Notes; or

- (h) an order is made or an effective resolution passed for the winding-up or dissolution of the relevant Issuer, the Guarantor or any of its Material Subsidiaries, or the relevant Issuer, the Guarantor or any of its Material Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on the whole or substantially the whole of its business or operations, in each case except (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the relevant Issuer, the Guarantor or any of its Material Subsidiaries; or
- (i) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the relevant Issuer or the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, the Guarantee and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes, the Guarantee and the Trust Deed admissible in evidence in the courts of Singapore is not taken, fulfilled or done; or
- (j) it is or will become unlawful for the relevant Issuer or the Guarantor to perform or comply with any one or more of its payment or other material obligations under any of the Notes, the Guarantee or the Trust Deed; or
- (k) any step is taken by any governmental authority or agency or similar body with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or any material part of the assets of the relevant Issuer, the Guarantor or any of its Material Subsidiaries and, in relation to the Material Subsidiaries only, such event is likely to materially and adversely affect the ability of the relevant Issuer or the Guarantor to perform or comply with its obligations under any of the Issue Documents or any of the Notes; or
- (l) the relevant Issuer or the Guarantor is declared by the Minister for Finance to be a declared company under the provisions of Part IX of the Companies Act, Chapter 50 of Singapore; or
- (m) any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

In these Conditions, “**subsidiary**” has the meaning ascribed to it in Section 5 of the Companies Act, Chapter 50 of Singapore.

11. Enforcement of Rights

At any time after the Notes shall have become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the relevant Issuer or the Guarantor as it may think fit to enforce repayment of the Notes, together with accrued interest, but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by Noteholders holding not less than 30 per cent. in principal amount of the Notes outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded by the Noteholders to its satisfaction against all actions, proceedings, claims, demands and liabilities to which it may thereby become liable and all costs, charges, losses, damages and expenses (including without limitation legal expenses) which may be incurred by it in connection therewith. No Noteholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or the Guarantor unless the Trustee, having become bound to do so, fails or neglects to do so within a reasonable period and such failure or neglect shall be continuing.

12. Meeting of Noteholders and Modifications

The Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes) or any of the provisions of the Trust Deed.

The Trustee, the relevant Issuer or the Guarantor at any time may, and the Trustee upon the request in writing by Noteholders holding not less than 10 per cent. of the principal amount of the Notes of any Series for the time being outstanding shall, convene a meeting of the Noteholders of that Series. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders of the relevant Series, whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (a) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (b) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (c) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates of interest or the basis for calculating any Interest Amount in respect of the Notes, (d) to vary any method of, or basis for, calculating the Redemption Amount or the Early Redemption Amount including the method of calculating the Amortised Face Amount, (e) to vary the currency or currencies of payment or denomination of the Notes, (f) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (g) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (h) to modify or cancel the Guarantee, will only be binding if passed at a meeting of the Noteholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or to comply with mandatory provisions of Singapore law or (in the event the Notes are listed) is required by any Stock Exchange or is required by Euroclear and/or Clearstream, Luxembourg and/or the Depository and/or any other clearing system in which the Notes may be held and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, waiver, authorisation or substitution) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders.

These Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

13. Replacement of Notes, Certificates, Coupons and Talons

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates), or at the specified office of such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the relevant Issuer for the purpose and notice of whose designation is given to Noteholders in accordance with Condition 16, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment, there will be paid to the relevant Issuer on demand the amount payable by the relevant Issuer in respect of such Note, Certificate, Coupon or Talon) and otherwise as the relevant Issuer may require. Mutilated or

defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

14. Further Issues

The relevant Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes of any Series and so that the same shall be consolidated and form a single Series with such Notes, and references in these Conditions to “**Notes**” shall be construed accordingly.

15. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed also contains a provision entitling the Trustee to enter into business transactions with the relevant Issuer, the Guarantor or any of their respective subsidiaries without accounting to the Noteholders or Couponholders for any profit resulting from such transactions.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

16. Notices

Notices to the holders of Bearer Notes will be valid if (i) published in a daily newspaper of general circulation in Singapore (or, if the holders of any Series of Notes can be identified, notices to such holders will also be valid if they are given to each of such holders with the expectation that such publication will be made in the Business Times); or (ii) for so long as the Notes are listed on the Singapore Exchange Securities Trading Limited, the publication of the relevant notice on the website of the Singapore Exchange Securities Trading Limited at <http://www.sgx.com>. Notices will be deemed to have been given on the date of the publication or if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above, and/or the publication of such notice on the website of the Singapore Exchange Securities Trading Limited.

Notices to the holders of Registered Notes shall be valid if mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Notes in accordance with this Condition 16.

So long as the Notes are represented by a Global Security or a Global Certificate and such Global Security or Global Certificate is held in its entirety on behalf of (i) Euroclear, Clearstream, Luxembourg and/or any other clearing system save for the Depository, there may be substituted for such publication in such newspapers the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or any other clearing system save for the Depository for communication by it to the Noteholders, (ii) the Depository, there may be substituted for such publication in such newspapers, (A) (subject to the agreement of the Depository) the delivery of the relevant notice to the Depository for communication by them to the holders of the Notes, (B) the delivery of the relevant notice to the persons shown in the records maintained by the Depository no earlier than three business days preceding the date of despatch of such notice as holding interests in the relevant Global Security or a Global Certificate, or (C) for so long as the Notes are listed on the Singapore Exchange Securities Trading Limited, the publication of the relevant notice on the website of the Singapore Exchange Securities Trading Limited at <http://www.sgx.com>, and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to

the Noteholders on the seventh day after day on which the said notice was given to Euroclear, Clearstream, Luxembourg, the Depository and/or any other clearing system, as the case may be, and/or the date of the despatch of such notice to the persons shown in the records maintained by the Depository, and/or the publication of such notice on the website of the Singapore Exchange Securities Trading Limited.

Notices to be given by any Noteholder pursuant hereto (including to the relevant Issuer) shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Certificates). Whilst the Notes are represented by a Global Security or a Global Certificate, such notice may be given by any Noteholder to the Issuing and Paying Agent or, as the case may be, the Registrar through Euroclear, Clearstream, Luxembourg, the Depository and/or other clearing system in such manner as the Issuing and Paying Agent or, as the case may be, the Registrar, and Euroclear, Clearstream, Luxembourg, the Depository and/or other clearing system may approve for this purpose.

Notwithstanding the other provisions of this Condition, in any case where the identity and addresses of all the Noteholders are known to the relevant Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and will be deemed to have been given when received at such addresses.

17. Governing Law

The Notes, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of Singapore.

18. Contracts (Rights of Third Parties) Act

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore (as amended, modified or supplemented from time to time).

Issuing and Paying Agent, Paying Agent, Agent Bank, Registrar and Transfer Agent

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

TERMS AND CONDITIONS OF THE PERPETUAL SECURITIES

*The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Perpetual Securities in definitive form issued in exchange for the Global Security(ies) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Perpetual Securities. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on such Bearer Perpetual Securities or on the Certificates relating to such Registered Perpetual Securities. References in the Conditions to “**Perpetual Securities**” are to the Perpetual Securities of one Series only, not to all Perpetual Securities that may be issued under the Programme, details of the relevant Series being shown on the face of the relevant Perpetual Securities and in the relevant Pricing Supplement.*

The Perpetual Securities are constituted by a trust deed dated 3 April 2020 made between (1) SembCorp Industries Ltd (“**SCI**”), SembCorp Financial Services Pte. Ltd. (“**SFS**”) and acceded to by Specified Issuers from time to time by the execution of a Deed of Accession (each an “**Issuer**” and together, the “**Issuers**”), (2) SCI, in its capacity as guarantor for securities issued by SFS and the Specified Issuers (the “**Guarantor**”), and (3) DBS Trustee Limited, as trustee for the holders of the Perpetual Securities (the “**Trustee**”, which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed (as defined herein)), as amended, restated or supplemented from time to time, the “**Trust Deed**”, and (where applicable) the Perpetual Securities are issued with the benefit of [a deed of covenant, as amended, restated or supplemented from time to time, the “**Deed of Covenant**”) dated 3 April 2020, relating to the Perpetual Securities executed by SFS/SCI]⁸/[a deed of covenant (as amended, restated or supplemented from time to time, the “**Deed of Covenant**”) dated [●]⁹ relating to the Perpetual Securities executed by [●]¹⁰]¹¹. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Perpetual Securities, Certificates, Coupons and Talons referred to below. The Issuers have entered into an Agency Agreement dated 3 April 2020 made between (1) SCI and SFS, as issuers, and acceded to by Specified Issuers from time to time by the execution of a Deed of Accession, (2) SCI, as guarantor, (3) DBS Bank Ltd., as issuing and paying agent (in such capacity, the “**Issuing and Paying Agent**” and, together with any other paying agents that may be appointed, the “**Paying Agents**”), (4) DBS Bank Ltd., as agent bank (in such capacity, the “**Agent Bank**”), (5) DBS Bank Ltd., as transfer agent (and, together with any other transfer agents that may be appointed, the “**Transfer Agents**”), (6) DBS Bank Ltd., as registrar (in such capacity, the “**Registrar**”), and (7) the Trustee, as trustee, as amended, restated or supplemented from time to time, the “**Agency Agreement**”). The Perpetual Securityholders and the holders (the “**Couponholders**”) of the distribution coupons (the “**Coupons**”) appertaining to the Perpetual Securities in bearer form and, where applicable in the case of such Perpetual Securities, talons for further Coupons (the “**Talons**”) are bound by and are deemed to have notice of all of the provisions of the Trust Deed, the Agency Agreement and the Deed of Covenant.

Issues of Perpetual Securities by an Issuer other than SCI will be guaranteed by SCI. References in these Conditions to the Guarantor and the Guarantee (as defined in the Trust Deed) shall apply only to Perpetual Securities issued by an Issuer other than SCI.

Copies of the Trust Deed, the Agency Agreement and the Deed of Covenant are available for inspection at the principal office of the Trustee for the time being and at the specified office of the Issuing and Paying Agent for the time being.

⁸ The language indicated in brackets should be included in the Terms and Conditions of the Perpetual Securities which are issued by SCI or SFS, as the case may be.

⁹ Insert date of relevant Deed of Covenant.

¹⁰ Insert name of the Issuer where the Issuer is not SCI or SFS.

¹¹ The language indicated in brackets shall be included in the Terms and Conditions of the Perpetual Securities which are issued by any other issuer (other than SCI or SFS).

1. Form, Denomination and Title

(a) Form and Denomination

- (i) The Perpetual Securities of the Series of which this Perpetual Security forms part (in these Conditions, the “**Perpetual Securities**”) are issued in bearer form (“**Bearer Perpetual Securities**”) or in registered form (“**Registered Perpetual Securities**”) in each case in the Denomination Amount shown hereon. Subject to applicable laws, in the case of Registered Perpetual Securities, such Perpetual Securities are in the Denomination Amount shown hereon, which may include a minimum denomination and higher integral multiples of a smaller amount, in each case, as specified in the applicable Pricing Supplement.
- (ii) This Perpetual Security is a Fixed Rate Perpetual Security or a Floating Rate Perpetual Security (depending upon the Distribution Basis shown on its face).
- (iii) Bearer Perpetual Securities are serially numbered and issued with Coupons (and, where appropriate, a Talon) attached.
- (iv) Registered Perpetual Securities are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Perpetual Securities by the same holder.

(b) Title

- (i) Title to the Bearer Perpetual Securities and the Coupons and Talons appertaining thereto shall pass by delivery. Title to the Registered Perpetual Securities shall pass by registration in the register that the relevant Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”).
- (ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Perpetual Security, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Perpetual Security, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Perpetual Security, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.
- (iii) For so long as any of the Perpetual Securities is represented by a Global Security (as defined in the Trust Deed) or, as the case may be, a Global Certificate (as defined in the Trust Deed) and such Global Security or Global Certificate is held by The Central Depository (Pte) Limited (the “**Depository**”), each person who is for the time being shown in the records of the Depository as the holder of a particular principal amount of such Perpetual Securities (in which regard any certificate or other document issued by the Depository as to the principal amount of such Perpetual Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor, the Issuing and Paying Agent, the other Paying Agents, the Agent Bank, the Registrar, the other Transfer Agents, all other agents of the relevant Issuer and the Trustee as the holder of such principal amount of Perpetual Securities other than with respect to the payment of principal, distribution and any other amounts in respect of the Perpetual Securities, for which purpose the bearer of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the relevant Issuer, the Guarantor, the Issuing and Paying Agent, the other Paying Agents, the Agent Bank, the Registrar, the other Transfer Agents, all other agents of the relevant Issuer and the Trustee as the holder of such Perpetual Securities in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions “**Perpetual Securityholder**” and “**holder of Perpetual Securities**” and related expressions shall be construed accordingly). Perpetual Securities which are represented by the Global Security or, as the case may be, the Global Certificate and held by the Depository will be transferable only in accordance with the rules and procedures for the time being of the Depository. For so long as any of the Perpetual Securities is represented by a Global Security or, as the case may be, a Global Certificate and such Global Security or, as the case may be,

such Global Certificate is held by the Depository, the record date for the purposes of determining entitlements to any payment of principal, distribution and any other amounts in respect of the Perpetual Security shall, unless otherwise specified by the relevant Issuer, be the date falling five business days prior to the relevant payment date (or such other date as may be prescribed by the Depository from time to time).

- (iv) For so long as any of the Perpetual Securities is represented by a Global Security or, as the case may be, a Global Certificate and such Global Security or Global Certificate is held by a common depository for Euroclear SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular principal amount of such Perpetual Securities (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the principal amount of such Perpetual Securities (as the case may be) standing to the account of any person shall be conclusive and binding for all purposes, save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor, the Issuing and Paying Agent, the other Paying Agents, the Agent Bank, the Registrar, the other Transfer Agents, all other agents of the relevant Issuer and the Trustee as the holder of such principal amount of such Perpetual Securities other than with respect to the payment of principal, interest and any other amounts in respect of such Perpetual Securities, for which purpose the bearer of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the Relevant Issuer, the Guarantor, the Issuing and Paying Agent, the other Paying Agents, the Agent Bank, the Registrar, the other Transfer Agents, all other agents of the Issuer and the Trustee as the holder of such Perpetual Securities in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions "**Perpetual Securityholder**" and "**holder of Perpetual Securities**" and related expressions, where the context requires, shall be construed accordingly). Perpetual Securities which are represented by a Global Security or, as the case may be, the Global Certificate and held by Euroclear and/or Clearstream, Luxembourg will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg. For so long as any of the Perpetual Securities is represented by a Global Security or, as the case may be, the Global Certificate and such Global Security or, as the case may be, the Global Certificate is held by a common depository for Euroclear and/or Clearstream, Luxembourg, the record date for the purposes of determining entitlements to any payment of principal, interest, and any other amounts in respect of the Perpetual Security shall be the close of business on the Clearing System Business Day immediately prior to the relevant payment date, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January (or such other date as may be prescribed by Euroclear and/or Clearstream, Luxembourg).
- (v) In these Conditions, "**Global Security**" means the relevant Temporary Global Security representing each Series or the relevant Permanent Global Security representing each Series, "**Global Certificate**" means the relevant Global Certificate representing each Series that is registered in the name of, or in the name of a nominee of, (1) the Depository, (2) a common depository for Euroclear and/or Clearstream, Luxembourg, and/or (3) any other clearing system, "**Perpetual Securityholder**" means the bearer of any Bearer Perpetual Security or the person in whose name a Registered Perpetual Security is registered (as the case may be) and "**holder**" (in relation to a Perpetual Security, Coupon or Talon) means the bearer of any Bearer Perpetual Security, Coupon or Talon or the person in whose name a Registered Perpetual Security is registered (as the case may be), "**Series**" means a Tranche, together with any further Tranche or Tranches, which are (a) expressed to be consolidated and forming a single series and (b) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of distribution and "**Tranche**" means Perpetual Securities which are identical in all respects (including as to listing).
- (vi) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

2. No Exchange of Perpetual Securities and Transfers of Registered Perpetual Securities

- (a) **No Exchange of Perpetual Securities:** Registered Perpetual Securities may not be exchanged for Bearer Perpetual Securities. Bearer Perpetual Securities of one Denomination Amount may not be exchanged for Bearer Perpetual Securities of another Denomination Amount. Bearer Perpetual Securities may not be exchanged for Registered Perpetual Securities.
- (b) **Transfer of Registered Perpetual Securities:** Subject to Condition 2(f) below, one or more Registered Perpetual Securities may be transferred upon the surrender (at the specified office of the Registrar or any other Transfer Agent) of the Certificate representing such Registered Perpetual Securities to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the relevant Issuer) duly completed and executed and any other evidence as the Registrar or such other Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Perpetual Securities represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Perpetual Securities and entries on the Register will be made subject to the detailed regulations concerning transfers of Perpetual Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuers, with the prior written approval of the Registrar, the Transfer Agents, and the Trustee and in the case of any change proposed by the Registrar or the Trustee, with the prior written approval of the Issuer(s) affected by such change. A copy of the current regulations will be made available by the Registrar to any Perpetual Securityholder upon request.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Perpetual Securities:** In the case of an exercise of an Issuer's option in respect of, or a partial redemption of, a holding of Registered Perpetual Securities represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Perpetual Securities of the same holding having different terms, separate Certificates shall be issued in respect of those Perpetual Securities of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any other Transfer Agent. In the case of a transfer of Registered Perpetual Securities to a person who is already a holder of Registered Perpetual Securities, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(b) or 2(c) shall be available for delivery within five business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or such other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday or gazette public holiday, on which banks are open for business in the place of the specified office of the Registrar or the other relevant Transfer Agent (as the case may be).
- (e) **Transfers Free of Charge:** Transfers of Perpetual Securities and registrations and issues of Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the relevant Issuer, the Guarantor, the Registrar or the other Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the other relevant Transfer Agent may require) in respect of tax or governmental charges.

- (f) **Closed Periods:** No Perpetual Securityholder may require the transfer of a Registered Perpetual Security to be registered (i) during the period of 15 days prior to any date on which Perpetual Securities may be called for redemption by the relevant Issuer at its option pursuant to Condition 5(b), (ii) after any such Perpetual Security has been called for redemption or (iii) during the period of 15 days ending on (and including) any Record Date (as defined in Condition 6(b)(ii)).

3. Status and Guarantee

- (a) **Senior Perpetual Securities:** This Condition 3(a) applies to Perpetual Securities that are Senior Perpetual Securities (being the Perpetual Securities that specify their status as senior in the applicable Pricing Supplement).

(i) **Status of Senior Perpetual Securities**

The Senior Perpetual Securities and Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the relevant Issuer.

(ii) **Guarantee of Senior Perpetual Securities**

The payment of all sums expressed to be payable by the relevant Issuer (other than SCI) under the Trust Deed, the Senior Perpetual Securities and the Coupons relating to them are unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Senior Guarantee (as defined in the Trust Deed) are contained in the Trust Deed. The payment obligations of the Guarantor under the Senior Guarantee and the Trust Deed constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall at all times rank *pari passu* with all other unsecured obligations (other than subordinated obligations and priorities created by law) of the Guarantor.

- (b) **Subordinated Perpetual Securities:** This Condition 3(b) applies to Perpetual Securities that are Subordinated Perpetual Securities (being the Perpetual Securities that specify their status as subordinated in the applicable Pricing Supplement).

(i) **Status of Subordinated Perpetual Securities**

The Subordinated Perpetual Securities and Coupons relating to them constitute direct, unconditional, subordinated and unsecured obligations of the relevant Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves and *pari passu* with any Parity Obligations of the relevant Issuer. The rights and claims of the Perpetual Securityholders and Couponholders in respect of the Subordinated Perpetual Securities are subordinated as provided in this Condition 3(b).

In these Conditions, “**Parity Obligation**” means, in relation to the relevant Issuer or the Guarantor, any instrument or security (including without limitation any preference shares) issued, entered into or guaranteed by the relevant Issuer or, as the case may be, the Guarantor (a) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with (in the case of the relevant Issuer) the Subordinated Perpetual Securities or (in the case of the Guarantor) the Subordinated Guarantee (as defined in the Trust Deed) and (b) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the relevant Issuer or, as the case may be, the Guarantor and/or, in the case of an instrument or security guaranteed by the relevant Issuer or the Guarantor, the issuer thereof.

(ii) **Ranking of claims on winding-up – relevant Issuer**

Subject to the insolvency laws of Singapore and other applicable laws, in the event of the winding-up of the relevant Issuer, the rights of the Perpetual Securityholders and Couponholders in respect of Subordinated Perpetual Securities to payment of principal of and distribution on the Subordinated Perpetual Securities and the Coupons relating to them are expressly subordinated and subject in right of payment to the prior payment in full of all claims

of senior creditors of the relevant Issuer but at least *pari passu* with all other subordinated obligations of the relevant Issuer that are not expressed by their terms to rank junior to the Subordinated Perpetual Securities and in priority to the claims of shareholders of the relevant Issuer and/or as otherwise specified in the applicable Pricing Supplement.

(iii) No set-off – relevant Issuer

Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the relevant Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the relevant Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of Subordinated Perpetual Securities or any Coupons relating to them by the relevant Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them is discharged by setoff, such holder of Subordinated Perpetual Securities or any Coupons relating to them shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the relevant Issuer (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the relevant Issuer) and, until such time as payment is made, shall hold such amount in trust for the relevant Issuer (or the liquidator or, as appropriate, administrator of the relevant Issuer) and accordingly any such discharge shall be deemed not to have taken place.

(iv) Guarantee of Subordinated Perpetual Securities

The payment of all sums expressed to be payable by the relevant Issuer (other than SCI) under the Trust Deed, the Subordinated Perpetual Securities and the Coupons relating to them are unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor. The obligations of the Guarantor under the Subordinated Guarantee are contained in the Trust Deed. The payment obligations of the Guarantor under the Subordinated Guarantee and the Trust Deed constitute direct, unconditional, subordinated and unsecured obligations of the Guarantor and shall at all times rank *pari passu* with any Parity Obligations of the Guarantor. The rights and claims of the Perpetual Securityholders in respect of the Subordinated Guarantee are subordinated as provided in this Condition 3(b).

(v) Ranking of claims on winding up – Guarantor

Subject to the insolvency laws of Singapore and other applicable laws, in the event of the winding-up of the Guarantor, the rights of the Perpetual Securityholders and Couponholders in respect of Subordinated Perpetual Securities to payment under the Subordinated Guarantee are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Guarantor but at least *pari passu* with all other subordinated obligations of the Guarantor that are not expressed by their terms to rank junior to the Subordinated Guarantee and in priority to the claims of shareholders of the Guarantor and/or as otherwise specified in the applicable Pricing Supplement.

(vi) No set-off– Guarantor

Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Guarantor in respect of, or arising under or in connection with, the Subordinated Guarantee, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of Subordinated Perpetual Securities or any Coupons relating to them by the Guarantor in respect of, or arising under or in connection with, the Subordinated Guarantee is discharged

by set-off, such holder of Subordinated Perpetual Securities or any Coupons relating to them shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Guarantor (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Guarantor) and, until such time as payment is made, shall hold such amount in trust for the Guarantor (or the liquidator or, as appropriate, administrator of the Guarantor) and accordingly any such discharge shall be deemed not to have taken place.

4. Distribution and other Calculations

(I) Distribution on Fixed Rate Perpetual Securities

(a) Distribution Rate and Accrual

Each Fixed Rate Perpetual Security confers a right to receive distribution on its Calculation Amount (as defined in Condition 4(II)(c)) from the Distribution Commencement Date in respect thereof and as shown on the face of such Perpetual Security at the rate per annum (expressed as a percentage) equal to the Distribution Rate shown on the face of such Perpetual Security payable in arrear on each Distribution Payment Date or Distribution Payment Dates shown on the face of such Perpetual Security in each year.

The first payment of distribution will be made on the Distribution Payment Date next following the Distribution Commencement Date (and if the Distribution Commencement Date is not a Distribution Payment Date, will amount to the Initial Broken Amount shown on the face of such Perpetual Security).

Distribution will cease to accrue on each Fixed Rate Perpetual Security from (and including) the due date for redemption thereof unless, upon due presentation thereof and subject to the provisions of the Trust Deed, payment of the Redemption Amount shown on the face of the Perpetual Security is improperly withheld or refused, in which event distribution at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(I) (but excluding) to the Relevant Date (as defined in Condition 7).

(b) Distribution Rate

The Distribution Rate applicable to each Fixed Rate Perpetual Security shall be:

- (i) (if no Reset Date is specified in the applicable Pricing Supplement),
 - a. if no Step-Up Margin is specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security; or
 - b. if a Step-Up Margin is specified in the applicable Pricing Supplement, (1) for the period from (and including) the Distribution Commencement Date to (but excluding) the Step-Up Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security and (2) for the period from (and including) the Step-Up Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security plus the Step-Up Margin (as specified in the applicable Pricing Supplement); and
- (ii) (if a Reset Date is specified in the applicable Pricing Supplement), (1) for the period from (and including) the Distribution Commencement Date to (but excluding) the First Reset Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security and (2) for the period from (and including) the First Reset Date and each Reset Date (as specified in the applicable Pricing Supplement) falling thereafter to (but excluding) the immediately following Reset Date, the Reset Distribution Rate,

Provided always that if Redemption upon a Change of Control is specified hereon and a Change of Control Margin is specified in the applicable Pricing Supplement, in the event that a Change of Control (as defined in Condition 5(f)) has occurred, so long as the relevant Issuer has not already redeemed the Perpetual Securities in accordance with Condition 5(f), the then prevailing Distribution Rate shall be increased by the Change of Control Margin with effect

from (and including) the Distribution Payment Date immediately following the date on which the Change of Control occurred (or, if the Change of Control occurs on or after the date which is two business days prior to the immediately following Distribution Payment Date, the next following Distribution Payment Date).

For the purposes of these Conditions:

“Reset Distribution Rate” means the Swap Offer Rate or such other Relevant Rate to be specified in the applicable Pricing Supplement with respect to the relevant Reset Date plus the Initial Spread (as specified in the applicable Pricing Supplement) plus the Step-Up Margin (if applicable, as specified in the applicable Pricing Supplement) plus the Change of Control Margin (if applicable) as specified in the applicable Pricing Supplement); and

“Swap Offer Rate” means:

- (aa) the rate per annum (expressed as a percentage) notified by the Agent Bank to the Issuer equal to the swap offer rate published by the Association of Banks in Singapore (or such other equivalent body) for a period equal to the duration of the Reset Period specified in the applicable Pricing Supplement on the second business day prior to the relevant Reset Date (the **“Reset Determination Date”**);
- (bb) if on the Reset Determination Date, there is no swap offer rate published by the Association of Banks in Singapore (or such other equivalent body), the Agent Bank will determine the swap offer rate for such Reset Period (determined by the Agent Bank to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates (excluding the highest and the lowest rates) which appears on Page TPIS on the monitor of the Bloomberg Agency under the caption “Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD” 89 and the column headed “Ask” (or if the Agent Bank determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Agent Bank after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business on each of the five consecutive business days prior to and ending on the Reset Determination Date);
- (cc) if on the Reset Determination Date, rates are not available on Page TPIS on the monitor of the Bloomberg Agency under the caption “Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD” and the column headed “Ask” (or if the Agent Bank determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Agent Bank after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business on one or more of the said five consecutive business days, the swap offer rate will be the rate per annum notified by the Agent Bank to the Issuer equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates which are available in such five-consecutive-business-day period or, if only one rate is available in such five-consecutive-business-day period, such rate; and
- (dd) if on the Reset Determination Date, no rate is available on Page TPIS on the monitor of the Bloomberg Agency under the caption “Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD” and the column headed “Ask” (or if the Agent Bank determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Agent Bank after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business in such five-consecutive-business-day period, the Agent Bank will request the principal Singapore offices of the Reference Banks to provide the Agent Bank with quotation(s) of their swap offer rates for a period equivalent to the duration of the Reset Period at the close of business on the Reset Determination Date. The swap offer rate for such Reset Period shall be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of such offered quotations, as determined by the Agent Bank or, if

only one of the Reference Banks provides the Agent Bank with such quotation, such rate quoted by that Reference Bank

provided that, in each case, in the event the Swap Offer Rate is less than zero, the Swap Offer Rate shall be equal to zero.

(c) Calculation of Reset Distribution Rate

The Agent Bank will, on the second business day prior to each Reset Date, calculate the applicable Reset Distribution Rate or (if a Change of Control has occurred) the applicable Distribution Rate payable in respect of each Perpetual Security. The Agent Bank will cause the applicable Reset Distribution Rate determined by it to be notified to the Issuing and Paying Agent, the Trustee, the Registrar, the relevant Issuer and the Guarantor as soon as practicable after their determination but in no event later than the fourth business day thereafter. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank will (in the absence of manifest error) be binding on the relevant Issuer, the Guarantor, the Paying Agents and the Perpetual Securityholders.

(d) Publication of Relevant Reset Distribution Rate

The relevant Issuer shall cause notice of the then applicable Reset Distribution Rate or (if a Change of Control has occurred) the applicable Distribution Rate to be promptly notified to the Perpetual Securityholders in accordance with Condition 14 after having been duly notified by the Agent Bank of such applicable Reset Distribution Rate.

(e) Determination or Calculation by Trustee

If the Agent Bank does not at any time for any reason so determine the applicable Reset Distribution Rate or (if a Change of Control has occurred) the applicable Distribution Rate, the Trustee shall do so and such determination or calculation shall be deemed to have been made by the Agent Bank. In doing so, the Trustee shall apply the foregoing provisions of this Condition 4(l), with any necessary consequential amendments, to the extent that, in its opinion, it can do so and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(f) Calculations

In the case of a Fixed Rate Perpetual Security, distribution in respect of a period of less than one year will be calculated on the Day Count Fraction specified hereon. The amount of distribution payable per Calculation Amount in respect of any Fixed Rate Perpetual Security shall be calculated by multiplying the product of the then applicable Distribution Rate and the Calculation Amount, by the Day Count Fraction shown on the Perpetual Security and rounding the resultant figure to the nearest sub-unit of the Relevant Currency.

(II) Distribution on Floating Rate Perpetual Securities

(a) Distribution Payment Dates

Each Floating Rate Perpetual Security confers a right to receive distribution on its Calculation Amount from the Distribution Commencement Date in respect thereof and as shown on the face of such Perpetual Security, and such distribution will be payable in arrear on each distribution payment date ("**Distribution Payment Date**"). Such Distribution Payment Date(s) is/are either shown hereon as Specified Distribution Payment Dates or, if no Specified Distribution Payment Date(s) is/are shown hereon, Distribution Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Distribution Period (as defined below) on the face of the Perpetual Security (the "**Specified Number of Months**") after the preceding Distribution Payment Date or, in the case of the first Distribution Payment Date, after the Distribution Commencement Date (and which corresponds numerically with such preceding Distribution Payment Date or the Distribution Commencement Date, as the case may be). If any Distribution Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with

a Business Day Convention shown on the face of the Perpetual Security would otherwise fall on a day that is not a business day (as defined below), then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on (and including) the Distribution Commencement Date and ending on (but excluding) the first Distribution Payment Date and each successive period beginning on (and including) a Distribution Payment Date and ending on (but excluding) the next succeeding Distribution Payment Date is herein called a “**Distribution Period**”.

Distribution will cease to accrue on each Floating Rate Perpetual Security from (and including) the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount is improperly withheld or refused, in which event distribution will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(II) to (but excluding) the Relevant Date.

(b) Rate of Distribution – Floating Rate Perpetual Securities

- (i) Each Floating Rate Perpetual Security confers a right to receive distribution on its Calculation Amount at a floating rate determined by reference to a Benchmark as stated on the face of such Floating Rate Perpetual Security, being (in the case of Perpetual Securities which are denominated in Singapore dollars) SIBOR (in which case such Perpetual Security will be a SIBOR Perpetual Security) or Swap Rate (in which case such Perpetual Security will be a Swap Rate Perpetual Security) or in any other case (or in the case of Perpetual Securities which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Perpetual Security. Such floating rate may be adjusted by adding or subtracting the Spread (if any) and the Step-Up Margin (if any) stated on the face of such Perpetual Security. The “Spread” and the Step-Up Margin are the percentage rate per annum specified on the face of such Perpetual Security as being applicable to the rate of distribution for such Perpetual Security. The rate of distribution so calculated shall be subject to Condition 4(IV)(a) below.

The rate of distribution payable in respect of a Floating Rate Perpetual Security from time to time is referred to in these Conditions as the “**Rate of Distribution**”.

- (ii) The Rate of Distribution payable from time to time in respect of each Floating Rate Perpetual Security will be determined by the Agent Bank on the basis of the following provisions:
 - (1) in the case of Floating Rate Perpetual Securities which are S\$SIBOR Perpetual Securities:
 - (A) the Agent Bank will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Distribution for such Distribution Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Distribution Period which appears on the Reuters Screen ABSIRFIX01 Page under the caption “ABS SIBOR FIX – SIBOR AND SWAP OFFER RATES – RATES AT 11.00 HRS SINGAPORE TIME” and under the column headed “SGD SIBOR” (or such replacement page thereof for the purpose of displaying

SIBOR or such other Screen Page as may be specified in the applicable Pricing Supplement) and as adjusted by the Spread (if any) and the Step-Up Margin (if any);

- (B) if no such rate appears on the Reuters Screen ABSIRFIX01 Page (or such other replacement page as aforesaid) or if the Reuters Screen ABSIRFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will request the principal Singapore offices of each of the Reference Banks to provide the Agent Bank with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Distribution Determination Date to prime banks in the Singapore interbank market for a period equivalent to the duration of such Distribution Period commencing on such Distribution Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Perpetual Securities. The Rate of Distribution for such Distribution Period shall be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of such offered quotations and as adjusted by the Spread (if any) and the Step-Up Margin (if any), as determined by the Agent Bank;
 - (C) if on any Distribution Determination Date two but not all the Reference Banks provide the Agent Bank with such quotations, the Rate of Distribution for the relevant Distribution Period shall be determined in accordance with (B) above on the basis of the quotations of those Reference Banks providing such quotations; and
 - (D) if on any Distribution Determination Date one only or none of the Reference Banks provides the Agent Bank with such quotations, the Rate of Distribution for the relevant Distribution Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Agent Bank at or about the Relevant Time on such Distribution Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Distribution Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Perpetual Securities for such Distribution Period by whatever means they determine to be most appropriate and as adjusted by the Spread (if any) and Step-Up Margin (if any) or if on such Distribution Determination Date one only or none of the Reference Banks provides the Agent Bank with such quotation, the Rate of Distribution for the relevant Distribution Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Distribution Determination Date and as adjusted by the Spread (if any) and the Step-Up Margin (if any).
- (2) in the case of Floating Rate Perpetual Securities which are S\$ Swap Rate Perpetual Securities:
- (A) the Agent Bank will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Distribution for such Distribution Period which shall be the Average Swap Rate (the **“Average Swap Rate”**) for such Distribution Period (determined by the Agent Bank as being the rate which appears on the Reuters Screen ABSFIX01 Page under the caption “SGD SOR rates as of 11:00 hrs London Time” under the column headed “SGD SOR” (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Distribution Determination Date and for a period equal to the duration of such Distribution Period) and as adjusted by the Spread (if any) and the Step-Up Margin (if any);

- (B) if on any Distribution Determination Date no such rate is quoted on the Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) or the Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will determine the Average Swap Rate for such Distribution Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to the nearest four decimal places)) for a period equal to the duration of such Distribution Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as may be agreed between the Agent Bank and the Issuer, and as adjusted by the Spread (if any) and the Step-Up Margin (if any); and
- (C) if on any Distribution Determination Date the Agent Bank is unable to determine the Average Swap Rate under paragraph (B) above or if no agreement on the relevant authority is reached between the Agent Bank and the Issuer under paragraph (B) above, the Average Swap Rate shall be determined by the Agent Bank to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Singapore offices of the Reference Banks or those of them (being at least two in number) to the Agent Bank at or about the Relevant Time on such Distribution Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Distribution Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Perpetual Securities for such Distribution Period by whatever means they determine to be most appropriate and the Rate of Distribution for the relevant Distribution Period shall be the Average Swap Rate (as so determined by the Agent Bank) and as adjusted by the Spread (if any) and the Step-Up Margin (if any), or if on such Distribution Determination Date one only or none of the Singapore offices of the Reference Banks provides the Agent Bank with such quotation, the Rate of Distribution for the relevant Distribution Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Singapore offices of the Reference Banks at or about the Relevant Time on such Distribution Determination Date and as adjusted by the Spread (if any) and the Step-Up Margin (if any).
- (3) in the case of Floating Rate Perpetual Securities which are not S\$ SIBOR Perpetual Securities or S\$ Swap Rate Perpetual Securities or which are denominated in a currency other than Singapore dollars, the Agent Bank will determine the Rate of Distribution in respect of any Distribution Period at or about the Relevant Time on the Distribution Determination Date in respect of such Distribution Period as follows:
- (A) if the Primary Source (as defined below) for the Floating Rate Perpetual Securities is a Screen Page (as defined below), subject as provided below, the Rate of Distribution in respect of such Distribution Period shall be:
- (aa) the Relevant Rate (as defined below) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or
- (bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page, in each case appearing on such Screen Page at the Relevant Time on the Distribution Determination Date, and as adjusted by the Spread (if any) and the Step-Up Margin (if any);
- (B) if the Primary Source for the Floating Rate Perpetual Securities is Reference Banks or if sub-paragraph (aa) above applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Distribution Determination Date or

if sub-paragraph (bb) above applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Distribution Determination Date, subject as provided below, the Rate of Distribution shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined below) at the Relevant Time on the Distribution Determination Date and as adjusted by the Spread (if any) and the Step-Up Margin (if any); and

(C) if sub-paragraph (B) above applies and the Agent Bank determines that fewer than two Reference Banks are so quoting Relevant Rates, the Rate of Distribution shall be the Rate of Distribution determined on the previous Distribution Determination Date.

(iii) On the last day of each Distribution Period, the relevant Issuer will pay distribution on each Floating Rate Perpetual Security to which such Distribution Period relates at the Rate of Distribution for such Distribution Period.

(iv) For the avoidance of doubt, in the event that the Rate of Distribution in relation to any Distribution Period is less than zero, the Rate of Distribution in relation to such Distribution Period shall be equal to zero.

(c) Definitions

As used in these Conditions:

“Benchmark” means the rate specified as such in the applicable Pricing Supplement;

“business day” means:

(i) (in the case of Perpetual Securities denominated in Singapore dollars), a day (other than a Saturday, a Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore; and

(ii) (in the case of Perpetual Securities denominated in a currency other than Singapore dollars), a day (other than a Saturday, a Sunday or a gazetted public holiday) on which commercial banks and foreign exchange markets are open for business in Singapore and the principal financial centre for that currency;

“Calculation Amount” means the amount specified as such on the face of any Perpetual Security or, if no such amount is so specified, the Denomination Amount of such Perpetual Security as shown on the face thereof;

“Day Count Fraction” means, in respect of the calculation of an amount of distribution in accordance with Condition 4:

(i) if “Actual/Actual” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period divided by 365 (or, if any portion of that Fixed Rate Distribution Period or, as the case may be, Distribution Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Fixed Rate Distribution Period or, as the case may be, Distribution Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Fixed Rate Distribution Period or, as the case may be, Distribution Period falling in a non-leap year divided by 365);

(ii) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period in respect of which payment is being made divided by 360;

(iii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate

Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period in respect of which payment is being made divided by 365; and

- (iv) if “30/360” is specified in the applicable Pricing Supplement, the number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Fixed Rate Distribution Period or, as the case may be, the Distribution Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Fixed Rate Distribution Period or, as the case may be, the Distribution Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Fixed Rate Distribution Period or, as the case may be, the Distribution Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Fixed Rate Distribution Period or, as the case may be, the Distribution Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Fixed Rate Distribution Period or, as the case may be, the Distribution Period, unless such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Fixed Rate Distribution Period or, as the case may be, the Distribution Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

“**Distribution Commencement Date**” means the Issue Date or such other date as may be specified as the Distribution Commencement Date on the face of such Perpetual Security;

“**Distribution Determination Date**” means, in respect of any Distribution Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Perpetual Security;

“**Issue Date**” means the date specified as such in the applicable Pricing Supplement;

“**Primary Source**” means the Screen Page specified as such in the applicable Pricing Supplement and (in the case of any Screen Page provided by any information service other than the Reuters Monitor Money Rates Service (“**Reuters**”)) agreed to by the Agent Bank;

“**Reference Banks**” means the institutions specified as such in the applicable Pricing Supplement or, if none, three major banks selected by the Agent Bank (in consultation with the Issuer) in the interbank market that is most closely connected with the Benchmark;

“**Relevant Currency**” means the currency in which the Perpetual Securities are denominated;

“**Relevant Financial Centre**” means, in the case of distribution to be determined on a Distribution Determination Date with respect to any Floating Rate Perpetual Security, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

“Relevant Rate” means the Benchmark for a Calculation Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the relevant Distribution Period;

“Relevant Time” means, with respect to any Distribution Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the inter-bank market in the Relevant Financial Centre; and

“Screen Page” means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters) as may be specified hereon for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark.

(III) Calculations

(a) Determination of Rate of Distribution and Calculation of Distribution Amounts

The Agent Bank will, as soon as practicable after the Relevant Time on each Distribution Determination Date determine the Rate of Distribution and calculate the amount of distribution payable (the **“Distribution Amounts”**) in respect of each Calculation Amount of the relevant Floating Rate Perpetual Securities for the relevant Distribution Period. The amount of distribution payable per Calculation Amount in respect of any Floating Rate Perpetual Security shall be calculated by multiplying the product of the Rate of Distribution and the Calculation Amount, by the Day Count Fraction shown on the Perpetual Security and rounding the resultant figure to the nearest sub-unit of the relevant currency. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(b) Notification

The Agent Bank will cause the Rate of Distribution and the Distribution Amounts for each Distribution Period and the relevant Distribution Payment Date to be notified to the Issuing and Paying Agent, the Trustee, the relevant Issuer and the Guarantor as soon as practicable after their determination but in no event later than the fourth business day thereafter. In the case of Floating Rate Perpetual Securities, the Agent Bank will also cause the Rate of Distribution and the Distribution Amounts for each Distribution Period and the relevant Distribution Payment Date to be notified to Perpetual Securityholders in accordance with Condition 14 as soon as practicable after their determination unless otherwise informed by the relevant Issuer and/or the Guarantor that the relevant Issuer and/or the Guarantor will give such notice to the Perpetual Securityholders by way of an announcement issued on the Stock Exchange. The Distribution Amounts and the Distribution Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Distribution Period by reason of any Distribution Payment Date not being a business day. If an Enforcement Event (as defined below) occurs in relation to the Floating Rate Perpetual Securities, the Rate of Distribution and Distribution Amounts payable in respect of the Floating Rate Perpetual Securities shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Distribution and Distribution Amounts need to be made unless the Trustee requires otherwise.

(c) Determination or Calculation by the Trustee

If the Agent Bank does not at any time for any reason so determine or calculate the Rate of Distribution for a Distribution Period or any Distribution Amount, the Trustee shall do so and such determination or calculation shall be deemed to have been made by the Agent

Bank. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(d) Agent Bank and Reference Banks

The relevant Issuer will procure that, so long as any Floating Rate Perpetual Security remains outstanding, there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Perpetual Security remains outstanding, there shall at all times be an Agent Bank. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Agent Bank is unable or unwilling to act as such or if the Agent Bank fails duly to establish the Rate of Distribution for any Distribution Period or to calculate the Distribution Amounts, the relevant Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Agent Bank may not resign from its duties without a successor having been appointed as aforesaid.

(IV) Distribution Discretion

(a) Optional Payment

If Optional Payment is set out hereon, the relevant Issuer may, at its sole discretion, elect not to pay a distribution (or to pay only part of a distribution) which is scheduled to be paid on a Distribution Payment Date by giving notice (an “**Optional Payment Notice**”) to the Trustee and the Issuing and Paying Agent and the Perpetual Securityholders (in accordance with Condition 14) not more than 15 nor less than five business days (or such other notice period as may be specified hereon) prior to a scheduled Distribution Payment Date.

If a Dividend Pusher is set out hereon, the relevant Issuer may not elect to defer any distribution if during the “Reference Period” (as specified in the applicable Pricing Supplement) ending on the day before that scheduled Distribution Payment Date, either or both of the following have occurred:

- (i) a discretionary dividend, distribution or other payment has been declared or paid on or in respect of any of the relevant Issuer’s Junior Obligations or the Guarantor’s Junior Obligations or, in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the relevant Issuer’s Parity Obligations or any of the Guarantor’s Parity Obligations; or
- (ii) any of relevant Issuer’s Junior Obligations or the Guarantor’s Junior Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration or, in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the relevant Issuer’s Parity Obligations or any of the Guarantor’s Parity Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group (as defined in the Trust Deed) or (2) as a result of the exchange or conversion of Parity Obligations of the relevant Issuer or, as the case may be, the Guarantor for Junior Obligations of the relevant Issuer or, as the case may be, the Guarantor (a “**Compulsory Distribution Payment Event**”) and/or as otherwise specified in the applicable Pricing Supplement.

In these Conditions, “**Junior Obligation**” means, in relation to the relevant Issuer or the Guarantor, any of its ordinary shares and any class of its share capital and any other instruments or securities (including without limitation any preference shares, preferred units or subordinated perpetual securities) issued, entered into or guaranteed by the relevant Issuer or, as the case may be, the Guarantor that ranks or is expressed to rank,

whether by its terms or by operation of law, junior to the Perpetual Securities or, as the case may be, the Guarantee (as defined in Trust Deed).

Each Optional Payment Notice shall be accompanied, in the case of the notice to the Trustee and the Issuing and Paying Agent, by a certificate signed by a director or a duly authorised officer of the relevant Issuer confirming that no Compulsory Distribution Payment Event has occurred. Any such certificate shall be conclusive evidence that no Compulsory Distribution Payment Event has occurred and the Trustee and the Issuing and Paying Agent shall be entitled to rely without any obligation to verify the same and without liability to any Perpetual Securityholder or any other person on any Optional Payment Notice or any certificate as aforementioned. Each Optional Payment Notice shall be conclusive and binding on the Perpetual Securityholders.

(b) No obligation to pay

If Optional Payment is set out hereon and subject to Condition 4(IV)(c) and Condition 4(IV)(d), the relevant Issuer shall have no obligation to pay any distribution on any Distribution Payment Date and any failure to pay a distribution in whole or in part shall not constitute a default of the relevant Issuer in respect of the Perpetual Securities.

(c) Non-Cumulative Deferral and Cumulative Deferral

(i) If Non-Cumulative Deferral is set out hereon, any distribution deferred pursuant to this Condition 4(IV) is non-cumulative and will not accrue distribution. The relevant Issuer is not under any obligation to pay that or any other distributions that have not been paid in whole or in part. The relevant Issuer may, at its sole discretion, and at any time, elect to pay an amount up to the amount of distribution which is unpaid ("**Optional Distribution**") (in whole or in part) by complying with the notice requirements in Condition 4(IV)(e). There is no limit on the number of times or the extent of the amount with respect to which the relevant Issuer can elect not to pay distributions pursuant to this Condition 4(IV).

Any partial payment of outstanding Optional Distribution by the relevant Issuer shall be shared by the holders of all outstanding Perpetual Securities and the Coupons related to them on a *pro-rata* basis.

(ii) If Cumulative Deferral is set out hereon, any distribution deferred pursuant to this Condition 4(IV) shall constitute "**Arrears of Distribution**". The relevant Issuer may, at its sole discretion, elect to (in the circumstances set out in Condition 4(IV)(a)) further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued distribution. The relevant Issuer is not subject to any limit as to the number of times distributions and Arrears of Distribution can or shall be deferred pursuant to this Condition 4(IV) except that this Condition 4(IV)(c) shall be complied with until all outstanding Arrears of Distribution have been paid in full.

(iii) If Additional Distribution is set out hereon, each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Securities at the Distribution Rate or Rate of Distribution (as the case may be) and the amount of such interest (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 4 and shall be calculated by applying the applicable Distribution Rate or Rate of Distribution (as the case may be) to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 4. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(d) Restrictions in the case of Non-Payment

If Dividend Stopper is set out hereon and on any Distribution Payment Date, payments of all distribution scheduled to be made on such date are not made in full by reason of this Condition 4(IV), the relevant Issuer and the Guarantor shall not and shall procure that none of its subsidiaries shall:

- (i) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on, any of the relevant Issuer's or the Guarantor's Junior Obligations or in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the relevant Issuer's or the Guarantor's Parity Obligations; or
- (ii) redeem, reduce, cancel, buy-back or acquire for any consideration and will procure that no redemption, reduction, cancellation, buy-back or acquisition is made in respect of any of the relevant Issuer's or the Guarantor's Junior Obligations or in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the relevant Issuer's or the Guarantor's Parity Obligations,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group or (2) as a result of the exchange or conversion of Parity Obligations of the relevant Issuer or, as the case may be, the Guarantor for Junior Obligations of the relevant Issuer or, as the case may be, the Guarantor, unless and until (A) (if Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) the relevant Issuer has satisfied in full all outstanding Arrears of Distribution, (B) (if Non-Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) a redemption of all the outstanding Perpetual Securities has occurred, the next scheduled distribution has been paid in full or an Optional Distribution equal to the amount of a distribution payable with respect to the most recent Distribution Payment Date that was unpaid in full or in part, has been paid in full or (C) the relevant Issuer or, as the case may be, the Guarantor is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Perpetual Securityholders and/or as otherwise specified in the applicable Pricing Supplement.

(e) Satisfaction of Optional Distribution or Arrears of Distribution

The relevant Issuer:

- (i) may, at its sole discretion, satisfy an Optional Distribution or Arrears of Distribution, as the case may be (in whole or in part) at any time by giving notice of such election to the Trustee and the Issuing and Paying Agent and the Perpetual Securityholders (in accordance with Condition 14) not more than 20 nor less than 10 business days (or such other notice period as may be specified hereon) prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the relevant Issuer to pay the relevant Optional Distribution or Arrears of Distribution on the payment date specified in such notice); and
- (ii) in any event shall satisfy any outstanding Arrears of Distribution (in whole but not in part) on the earliest of:
 - (A) the date of redemption of the Perpetual Securities in accordance with the redemption events set out in Condition 5 (as applicable);
 - (B) the next Distribution Payment Date following the occurrence of a breach of Condition 4(IV)(d) following the occurrence of a Compulsory Distribution Payment Event; and
 - (C) the date such amount becomes due under Condition 9 or on a winding-up of the relevant Issuer or the Guarantor.

Any partial payment of an Optional Distribution or Arrears of Distribution, as the case may be, by the relevant Issuer shall be shared by the Perpetual Securityholders of all outstanding Perpetual Securities on a *pro-rata* basis.

(e) No default

Notwithstanding any other provision in these Conditions, the non-payment of any distribution payment in accordance with this Condition 4(IV) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 9) on the part of the relevant Issuer under the Perpetual Securities.

(V) Benchmark Discontinuation and Replacement

(a) Independent Adviser

Notwithstanding the provisions above in this Condition 4, if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Distribution (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the relevant Issuer shall use commercially reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(V)(b)) and, in either case, an Adjustment Spread if any (in accordance with Condition 4(V)(c)) and any Benchmark Amendments (in accordance with Condition 4(V)(d)). An Independent Adviser appointed pursuant to this Condition 4(V) as an expert shall act in good faith and in a commercially reasonable manner and in consultation with the relevant Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Trustee, the Issuing and Paying Agent, the Perpetual Securityholders or the Couponholders for any determination made by it or for any advice given to the relevant Issuer in connection with any determination made by the relevant Issuer, pursuant to this Condition 4(V).

If the relevant Issuer is unable to appoint an Independent Adviser after using commercially reasonable endeavours, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Rate prior to the relevant Distribution Determination Date or Distribution Payment Date (as the case may be), the relevant Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(V)(b)) and, in either case, an Adjustment Spread if any (in accordance with Condition 4(V)(c)) and any Benchmark Amendments (in accordance with Condition 4(V)(d)).

(b) Successor Rate or Alternative Rate

If the Independent Adviser or the relevant Issuer (in the circumstances set out in Condition 4(V)(a)) (as the case may be) determines that:

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 4(V)(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Distribution (or the relevant component part thereof) for all future payments of distribution on the Perpetual Securities (subject to the operation of this Condition 4(V)); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 4(V)(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Distribution (or the relevant component part thereof) for all future payments of distribution on the Perpetual Securities (subject to the operation of this Condition 4(V)).

(c) Adjustment Spread

If the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (in the circumstances set out in Condition 4(V)(a)) (as the case may be) determines

(i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(d) Benchmark Amendments

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 4(V) and the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (in the circumstances set out in Condition 4(V)(a)) (as the case may be) determines (i) that amendments to these Conditions and/or the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the relevant Issuer shall, subject to giving notice thereof in accordance with Condition 4(V)(e), without any requirement for the consent or approval of Perpetual Securityholders, vary these Conditions and/or the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the relevant Issuer, but subject to receipt by the Trustee and (if the Benchmark Amendments affect the Issuing and Paying Agent) the Issuing and Paying Agent of a certificate in English signed by the duly authorised officer(s) of the relevant Issuer pursuant to Condition 4(V)(e), the Trustee and the Issuing and Paying Agent shall (at the expense of the relevant Issuer), without any requirement for the consent or approval of the Perpetual Securityholders, be obliged to concur with the relevant Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed or agreement supplemental to or amending the Trust Deed, the Agency Agreement and these Conditions), provided that neither the Trustee nor the Issuing and Paying Agent shall be obliged so to concur if in its opinion doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to it in these Conditions, the Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed) in any way. For the avoidance of doubt, the Trustee, the Issuing and Paying Agent and the Agent Bank shall, at the direction and expense of the relevant Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 4(V). Perpetual Securityholder consent shall not be required in connection with effecting the Successor Rate or Alternative Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Trustee, the Issuing and Paying Agent or the Agent Bank (if required). In connection with any such variation in accordance with Condition 4(V)(d), the relevant Issuer shall comply with the rules of any stock exchange on which the Perpetual Securities are for the time being listed or admitted to trading.

(e) Notices

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4(V) will be notified promptly in writing by the relevant Issuer to the Trustee, the Issuing and Paying Agent, the Agent Bank and, in accordance with Condition 14, the Perpetual Securityholders. Such notice shall be irrevocable and shall specify the effective date for such Successor Rate, such Alternative Rate (as the case may be), any related Adjustment Spread and the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the relevant Issuer shall deliver to the Trustee and (if the Benchmark Amendments affect the Issuing and Paying Agent) the Issuing and Paying Agent a certificate in English addressed to the Trustee and (if the

Benchmark Amendments affect the Issuing and Paying Agent) the Issuing and Paying Agent and signed by the duly authorised officer(s) of the relevant Issuer:

- (i) confirming (1) that a Benchmark Event has occurred, (2) the Successor Rate or, as the case may be, the Alternative Rate, and (3) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 4(V); and
- (ii) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Trustee and (if the Benchmark Amendments affect the Issuing and Paying Agent) the Issuing and Paying Agent shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's and (if the Benchmark Amendments affect the Issuing and Paying Agent) the Issuing and Paying Agent's ability to rely on such certificate as aforesaid) be binding on the relevant Issuer, the Trustee, the Issuing and Paying Agent, the Agent Bank and the Perpetual Securityholders.

(f) Survival of Original Reference Rate

Without prejudice to the obligations of the relevant Issuer under Conditions 4(V)(a), 4(V)(b), 4(V)(c) and 4(V)(d), the Original Reference Rate and the fallback provisions provided for in Condition 4 will continue to apply unless and until the Agent Bank has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with Condition 4(V)(e).

(g) Definitions

As used in this Condition 4(V):

"Adjustment Spread" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (in the circumstances set out in Condition 4(V)(a)) (as the case may be) determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Perpetual Securityholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate for which no such recommendation has been made, or in the case of an Alternative Rate, the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (in the circumstances set out in Condition 4(V)(a)) (as the case may be) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

- (iii) if no such industry standard is recognised or acknowledged, the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (in the circumstances set out in Condition 4(V)(a)) (as the case may be) determines to be appropriate;

“Alternative Rate” means an alternative benchmark or screen rate which the Independent Adviser or the relevant Issuer (in the circumstances set out in Condition 4(V)(a)) (as the case may be) determines in accordance with Condition 4(V)(b) has replaced the Original Reference Rate in customary market usage in the local or international debt capital markets for the purposes of determining rates of distribution (or the relevant component part thereof) for the same distribution period and in the same currency as the Perpetual Securities;

“Benchmark Amendments” has the meaning given to it in Condition 4(V)(d);

“Benchmark Event” means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five business days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or
- (v) it has become unlawful for the Issuing and Paying Agent, the Agent Bank, the relevant Issuer or any other party to calculate any payments due to be made to any Perpetual Securityholder using the Original Reference Rate;

“Independent Adviser” means an independent financial institution of good repute or an independent financial adviser with experience in the local or international debt capital markets appointed by and at the cost of the relevant Issuer under Condition 4(V)(a);

“Original Reference Rate” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Distribution (or any component part thereof) on the Perpetual Securities;

“Relevant Nominating Body” means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (2) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (3) a group of the aforementioned

central banks or other supervisory authorities or (4) the Financial Stability Board or any part thereof; and

“**Successor Rate**” means the rate that the Independent Adviser or the relevant Issuer (in the circumstances set out in Condition 4(V)(a)) (as the case may be) determines is a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

5. Redemption and Purchase

(a) No Fixed Redemption Date

The Perpetual Securities are perpetual securities in respect of which there is no fixed redemption date and the relevant Issuer shall (subject to the provisions of Condition 3 and without prejudice to Condition 9) only have the right (but not the obligation) to redeem or purchase them in accordance with the following provisions of this Condition 5.

(b) Redemption at the Option of the Issuer

If so provided hereon, the relevant Issuer may, on giving irrevocable notice to the Perpetual Securityholders falling within the Issuer’s Redemption Option Period shown on the face hereof, redeem all or, if so provided, some of the Perpetual Securities at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Perpetual Securities shall be at their Redemption Amount, together with distribution accrued (including any Arrears of Distribution and any Additional Distribution Amount) (if any) to (but excluding) the date fixed for redemption.

All Perpetual Securities in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption of the Perpetual Securities, the notice to Perpetual Securityholders shall also contain the certificate numbers of the Bearer Perpetual Securities or, in the case of Registered Perpetual Securities, shall specify the principal amount of Registered Perpetual Securities drawn and the holder(s) of such Registered Perpetual Securities, to be redeemed, which shall have been drawn by or on behalf of the relevant Issuer in such place and in such manner as may be agreed between the relevant Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Perpetual Securities are listed on the Singapore Exchange Securities Trading Limited, the relevant Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of such Perpetual Securities.

(c) Redemption for Taxation Reasons

If so provided hereon, the Perpetual Securities may be redeemed at the option of the relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days’ notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including Arrears of Distribution and any Additional Distribution Amount) (if any) accrued to (but excluding) the date fixed for redemption), if:

- (i) the relevant Issuer receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that:
 - (A) the Perpetual Securities will not be regarded as “debt securities” for the purposes of Section 43N(4) of the Income Tax Act, Chapter 134 of Singapore (“ITA”) and Regulation 2 of the Income Tax (Qualifying Debt Securities) Regulations; or
 - (B) the distributions (including Arrears of Distribution and any Additional Distribution Amount) will not be regarded as interest payable by the relevant Issuer for the purposes of the withholding tax exemption on interest for “qualifying debt securities” under the ITA; or

- (ii) (A) the relevant Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 7, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore (or, if the relevant Issuer is not incorporated in Singapore, such other jurisdiction in which the relevant Issuer is incorporated) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement, and
- (B) such obligations cannot be avoided by the relevant Issuer or, as the case may be, the Guarantor, taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Perpetual Securities then due.

Prior to the publication of any notice of redemption pursuant to this Condition 5(c), the relevant Issuer shall deliver to the Issuing and Paying Agent and the Trustee (I) a certificate signed by the duly authorised officer(s) of the relevant Issuer or, as the case may be, the Guarantor, stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the relevant Issuer so to redeem have occurred, and (II) in the case of a notice of redemption pursuant to this Condition 5(c)(i), a copy of the ruling from the Comptroller of Income Tax in Singapore (or other relevant authority) to such effect as stated in Condition 5(c)(i), or in the case of a notice of redemption pursuant to Condition 5(c)(ii), an opinion of independent legal advisers of recognised standing, (whether or not such opinion is addressed to the Trustee) to the effect that the relevant Issuer or, as the case may be, the Guarantor, has or is likely to become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept such certificate and opinion (whether or not such opinion is addressed to the Trustee) as sufficient evidence of the satisfaction of the conditions precedent set out above in which event it shall be conclusive and binding on the Perpetual Securityholders.

(d) Redemption for Accounting Reasons

If so provided hereon, the Perpetual Securities may be redeemed at the option of the relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including Arrears of Distribution and any Additional Distribution Amount) accrued (if any) to (but excluding) the date fixed for redemption) if, on such Distribution Payment Date or at any time after that Distribution Payment Date, as a result of any changes or amendments to Singapore Financial Reporting Standards (International) issued by the Singapore Accounting Standards Council, as amended from time to time (the "SFRS(I)") or any other accounting standards that may replace SFRS(I) for the purposes of the consolidated financial statements of the relevant Issuer (the "**Relevant Accounting Standard**"), the Perpetual Securities will not or will no longer be recorded as "equity" of the relevant Issuer pursuant to the Relevant Accounting Standard.

Prior to the publication of any notice of redemption pursuant to this Condition 5(d), the relevant Issuer shall deliver to the Trustee:

- (i) a certificate, signed by the duly authorised officer(s) of the relevant Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances; and
- (ii) an opinion of the relevant Issuer's independent auditors (whether or not such opinion is addressed to the Trustee) stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect.

The Trustee shall be entitled to accept such certificate and opinion (whether or not such opinion is addressed to the Trustee) as sufficient evidence of the satisfaction of the conditions precedent set out above in which event it shall be conclusive and binding on the Perpetual Securityholders.

(e) Redemption for Tax Deductibility

If so provided hereon, the Perpetual Securities may be redeemed at the option of the relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including Arrears of Distribution and any Additional Distribution Amount) (if any) accrued to (but excluding) the date fixed for redemption),

- (i) if the relevant Issuer satisfies the Trustee immediately before giving such notice that, as a result of:
 - (A) any amendment to, or change in, the laws (or any rules or regulations thereunder) of Singapore or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date;
 - (B) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date; or
 - (C) any generally applicable official interpretation or pronouncement which is issued or announced on or after the Issue Date that provides for a position with respect to such laws or regulations that differs from the previous generally accepted position which is issued or announced before the Issue Date,

the distribution (including Arrears of Distribution and any Additional Distribution Amount) by the relevant Issuer are no longer, or would in the Distribution Period immediately following that Distribution Payment Date no longer be, regarded as sums "payable by way of interest upon any money borrowed" for the purpose of Section 14(1)(a) of the ITA, provided that no such notice of redemption may be given earlier than 90 days prior to such effective date on which the distribution (including Arrears of Distribution and any Additional Distribution Amount) would not be regarded as such sums;

- (ii) if the relevant Issuer receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that the distribution (including Arrears of Distribution and any Additional Distribution Amount) will not be regarded as sums "payable by way of interest upon any money borrowed" for the purpose of Section 14(1)(a) of the ITA.

Prior to the publication of any notice of redemption pursuant to this Condition 5(e), the relevant Issuer shall deliver or procure that there is delivered to the Trustee:

- (i) a certificate, signed by the duly authorised officer(s) of the relevant Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances; and
- (ii) in the case of a notice of redemption pursuant to Condition 5(e)(i), an opinion of the relevant Issuer's independent tax or legal adviser of recognised standing (whether or not such opinion is addressed to the Trustee) stating that the circumstances referred to above prevail and the date on which the relevant change, amendment, interpretation or pronouncement has taken place or is due to take effect or, in the case of a notice of redemption pursuant to Condition 5(e)(ii), a copy of the ruling from the Comptroller of Income Tax of Singapore (or other relevant authority) to such effect stated in Condition 5(e)(ii),

and the Trustee shall be entitled to accept such certificate, and opinion (whether or not such opinion is addressed to the Trustee) or ruling (as the case may be) as sufficient evidence of the

satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Perpetual Securityholders.

(f) Redemption upon a Change of Control

If so provided hereon, the Perpetual Securities may be redeemed at the option of the relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distribution (including Arrears of Distribution and any Additional Distribution Amount) accrued (if any) to the date fixed for redemption), following the occurrence of a Change of Control (as defined in the applicable Pricing Supplement).

(g) Redemption in the case of Minimal Outstanding Amount

If so provided hereon, the Perpetual Securities may be redeemed at the option of the relevant Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including Arrears of Distribution and any Additional Distribution Amount) accrued (if any) to (but excluding) the date fixed for redemption) if, immediately before giving such notice, the aggregate principal amount of the Perpetual Securities outstanding is less than 10 per cent. of the aggregate principal amount originally issued.

(h) Purchases

The relevant Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Perpetual Securities at any price (provided that they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is in compliance with all relevant laws, regulations and directives.

Perpetual Securities purchased by the relevant Issuer, the Guarantor or any of their respective subsidiaries may be surrendered by the purchaser through the relevant Issuer to, in the case of Bearer Securities, the Issuing and Paying Agent and, in the case of Registered Securities, the Registrar for cancellation or may, at the option of the relevant Issuer, the Guarantor or, as the case may be, the relevant subsidiary, be held or resold.

For the purposes of these Conditions, "**directive**" includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation, or stock exchange.

(i) Cancellation

All Perpetual Securities purchased by or on behalf of the relevant Issuer, the Guarantor or any of their respective subsidiaries may be surrendered for cancellation, in the case of Bearer Perpetual Securities, by surrendering each such Perpetual Security together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent at its specified office and, in the case of Registered Perpetual Securities, by surrendering the Certificate representing such Perpetual Securities to the Registrar and, in each case, if so surrendered, shall, together with all Perpetual Securities redeemed by the relevant Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Perpetual Securities or Certificates so surrendered for cancellation may not be reissued or resold.

6. Payments

(a) Principal and Distribution in respect of Bearer Perpetual Securities

Payments of principal and distribution in respect of Bearer Perpetual Securities will, subject as mentioned below, be made against presentation and surrender of the relevant Perpetual Securities or Coupons, as the case may be, at the specified office of any Paying Agent by a

cheque drawn in the currency in which payment is due on, or, at the option of the holders, by transfer to an account maintained by the payee in that currency with, a bank in the principal financial centre for that currency.

(b) Principal and Distribution in respect of Registered Perpetual Securities

- (i) Payments of principal in respect of Registered Perpetual Securities will, subject as mentioned below, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 6(b)(ii).
- (ii) Distribution on Registered Perpetual Securities shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of distribution on each Registered Perpetual Security shall be made by a cheque drawn in the currency in which payment is due on and mailed to the holder (or to the first named of joint holders) of such Perpetual Security at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any other Transfer Agent before the Record Date, such payment of distribution may be made by transfer to an account maintained by the payee in that currency with, a bank in the principal financial centre for that currency.

(c) Payments subject to law etc.

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Perpetual Securityholders or Couponholders in respect of such payments.

(d) Appointment of Agents

The Issuing and Paying Agent, the Paying Agent, the Agent Bank, the Transfer Agent and the Registrar initially appointed by the Issuers and the Guarantor and their specified offices are listed below. The Issuers and the Guarantor reserve the right at any time to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Agent Bank, any Transfer Agent and the Registrar and to appoint additional or other Issuing and Paying Agents, Agent Banks, Transfer Agents and Registrars, provided that they will at all times maintain (i) an Issuing and Paying Agent having a specified office in Singapore, (ii) an Agent Bank having a specified office in Singapore, (iii) a Transfer Agent in relation to Registered Perpetual Securities, having a specified office in Singapore and (iv) a Registrar in relation to Registered Perpetual Securities, having a specified office in Singapore.

Notice of any such change or any change of any specified office will promptly be given to the Perpetual Securityholders in accordance with Condition 14.

The Agency Agreement may be amended by the Issuers, the Guarantor, the Issuing and Paying Agent, the Agent Bank, the Transfer Agent, the Registrar and the Trustee, without the consent of the holder of any Perpetual Security or Coupon, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which the Issuers, the Guarantor, the Issuing and Paying Agent, the Agent Bank, the Transfer Agent, the Registrar and the Trustee may mutually deem necessary or desirable and which does not, in the reasonable opinion of the Issuers, the Guarantor, and the Trustee, adversely affect the interests of the holders of the Perpetual Securities or the Coupons.

(e) Unmatured Coupons and unexchanged Talons

- (i) Bearer Perpetual Securities which comprise Fixed Rate Perpetual Securities should be surrendered for payment together with all unexpired Coupons (if any) relating to such Perpetual Securities, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such

missing Coupon within a period of five years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).

- (ii) Subject to the provisions of the relevant Pricing Supplement, upon the due date for redemption of any Bearer Perpetual Security comprising a Floating Rate Perpetual Security, unmatured Coupons relating to such Perpetual Security (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Perpetual Security, any unexchanged Talon relating to such Perpetual Security (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Perpetual Security comprising a Floating Rate Perpetual Security is presented for redemption without all unmatured Coupons, and where any Bearer Perpetual Security is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the relevant Issuer may require.
- (v) If the due date for redemption or repayment of any Perpetual Security is not a due date for payment of distribution, distribution accrued (if any) from the preceding due date for payment of distribution or the Distribution Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Perpetual Security or Certificate.

(f) Talons

On or after the Distribution Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Perpetual Security, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent on any business day in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8).

(g) Non-business days

Subject as provided in the relevant Pricing Supplement or subject as otherwise provided in these Conditions, if any date for the payment in respect of any Perpetual Security or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day and shall not be entitled to any further distribution or other payment in respect of any such delay.

7. Taxation

All payments in respect of the Perpetual Securities and the Coupons by or on behalf of the relevant Issuer or, as the case may be, the Guarantor shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore (or, if the relevant Issuer is not incorporated in Singapore, such other jurisdiction in which the relevant Issuer is incorporated) or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the relevant Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Perpetual Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable in respect of any Perpetual Security or Coupon presented (or in respect of which the Certificate representing it is presented) for payment:

- (a) by or on behalf of a holder who is subject to such taxes, duties, assessments or governmental charges by reason of his being connected with Singapore (or, if the relevant Issuer is not incorporated in Singapore, such other jurisdiction in which the relevant Issuer is incorporated) otherwise than by reason only of the holding of such Perpetual Security or Coupon or the receipt of any sums due in respect of such Perpetual Security or Coupon (including, without limitation, the holder being a resident of, or a permanent establishment in, Singapore (or, if the relevant Issuer is not incorporated in Singapore, such other jurisdiction in which the relevant Issuer is incorporated)); or

- (b) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

As used in these Conditions, “**Relevant Date**” in respect of any Perpetual Security or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Perpetual Securityholders in accordance with Condition 14 that, upon further presentation of the Perpetual Security (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to “**principal**” shall be deemed to include any premium payable in respect of the Perpetual Securities, all Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 5, “**distribution**” shall be deemed to include all Distribution Amounts and all other amounts payable pursuant to Condition 4 and any reference to “**principal**” and/or “**premium**” and/or “**Redemption Amounts**” and/or “**distribution**” shall be deemed to include any additional amounts which may be payable under these Conditions.

8. Prescription

The Perpetual Securities and Coupons shall become void unless presented for payment within five years from the appropriate Relevant Date for payment.

9. Non-Payment

(a) Non-payment when due

Notwithstanding any of the provisions below in this Condition 9, the right to institute proceedings for winding-up is limited to circumstances where payment has become due. In the case of any distribution, such distribution will not be due if the relevant Issuer has elected not to pay that distribution in accordance with Condition 4(IV). In addition, nothing in this Condition 9, including any restriction on commencing proceedings, shall in any way restrict or limit the rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the relevant Issuer and/or the Guarantor in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Perpetual Securities, the Guarantee or the Trust Deed.

(b) Proceedings for Winding-Up

If (i) an order is made or an effective resolution is passed for the bankruptcy, winding-up, liquidation, receivership or similar proceedings of the relevant Issuer and/or the Guarantor or (ii) the relevant Issuer fails to make payment in respect of the Perpetual Securities when due or the Guarantor fails to pay any amount under the Guarantee when due and, in each case, such failure continues for a period of more than 14 days (in the case of distribution) or seven days (in the case of principal) (together, the “**Enforcement Events**”), the relevant Issuer or, as the case may be, the Guarantor shall be deemed to be in default under the Trust Deed and the Perpetual Securities or, as the case may be, the Guarantee and the Trustee may, subject to the provisions of Condition 9(d), institute proceedings for the winding-up of the relevant Issuer and/or the Guarantor and/or prove in the winding-up of the relevant Issuer and/or the Guarantor and/or claim in the liquidation of the relevant Issuer and/or the Guarantor for such payment.

(c) Enforcement

Without prejudice to Condition 9(b) but subject to the provisions of Condition 9(d), the Trustee may without further notice to the relevant Issuer or the Guarantor institute such proceedings against the relevant Issuer and/or the Guarantor as it may think fit to enforce any term or condition binding on the relevant Issuer or the Guarantor under the Perpetual Securities, the Guarantee or the Trust Deed, as the case may be, (other than any payment obligation of the relevant Issuer or the Guarantor under or arising from the Perpetual Securities or the Guarantee, including, without limitation, payment of any principal or premium or satisfaction of any distributions (including any damages awarded for breach of any obligations)) and in no event shall the relevant Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) Entitlement of Trustee

The Trustee shall not and shall not be obliged to take any of the actions referred to in Condition 9(b) or Condition 9(c) against the relevant Issuer and/or the Guarantor to enforce the terms of the Trust Deed, the Guarantee or the Perpetual Securities unless (i) it shall have been so directed by an Extraordinary Resolution of the Perpetual Securityholders or so requested in writing by Perpetual Securityholders holding not less than 30 per cent. in principal amount of the Perpetual Securities outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded by the Perpetual Securityholders to its satisfaction against all actions, proceedings, claims, demands and liabilities to which it may thereby become liable and all costs, charges, losses, damages and expenses (including without limitation legal expenses) which may be incurred by it in connection therewith.

(e) Right of Perpetual Securityholders or Couponholder

No Perpetual Securityholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or the Guarantor or to institute proceedings for the winding-up or claim in the liquidation of the relevant Issuer and/or the Guarantor or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails or neglects to do so within a reasonable period and such failure or neglect shall be continuing, in which case the Perpetual Securityholder or Couponholder shall have only such rights against the relevant Issuer and/or the Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 9.

(f) Extent of Perpetual Securityholders' remedy

No remedy against the relevant Issuer or the Guarantor, other than as referred to in this Condition 9, shall be available to the Trustee or the Perpetual Securityholders or Couponholders, whether for the recovery of amounts owing in respect of the Trust Deed, the Perpetual Securities or the Guarantee or in respect of any breach by the relevant Issuer or the Guarantor of any of its other obligations under or in respect of the Trust Deed, the Perpetual Securities or the Guarantee (as applicable).

10. Meeting of Perpetual Securityholders and Modifications

The Trust Deed contains provisions for convening meetings of Perpetual Securityholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Perpetual Securities of such Series (including these Conditions insofar as the same may apply to such Perpetual Securities) or any of the provisions of the Trust Deed.

The Trustee, the relevant Issuer or the Guarantor at any time may, and the Trustee upon the request in writing by Perpetual Securityholders holding not less than 10 per cent. of the principal amount of the Perpetual Securities of any Series for the time being outstanding and after being indemnified and/or secured and/or pre-funded to its satisfaction shall, convene a meeting of the Perpetual Securityholders of that Series. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Perpetual Securityholders of the relevant Series, whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (a) to amend the dates of redemption of the Perpetual Securities or any date for payment of distribution or Distribution Amounts on the Perpetual Securities, (b) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Perpetual Securities, (c) to reduce the rate or rates of distribution in respect of the Perpetual Securities or to vary the method or basis of calculating the rate or rates of distribution or the basis for calculating any Distribution Amount in respect of the Perpetual Securities, (d) to vary any method of, or basis for, calculating the Redemption Amount, (e) to vary the currency or currencies of payment or denomination of the Perpetual Securities, (f) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (g) to modify the provisions concerning the quorum required at any meeting of Perpetual Securityholders or the majority required to pass the Extraordinary Resolution, or (h) to modify or cancel the Guarantee, will only be binding if passed at a meeting of the Perpetual Securityholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

The Trustee may agree, without the consent of the Perpetual Securityholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or to comply with mandatory provisions of Singapore law or (in the event the Perpetual Securityholders are listed) is required by any Stock Exchange or is required by Euroclear and/or Clearstream, Luxembourg and/or the Depository and/or any other clearing system in which the Perpetual Securities may be held and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Perpetual Securityholders. Any such modification, authorisation or waiver shall be binding on the Perpetual Securityholders and the Couponholders and, if the Trustee so requires, such modification, authorisation or waiver shall be notified to the Perpetual Securityholders as soon as practicable.

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, waiver, authorisation or substitution) the Trustee shall have regard to the interests of the Perpetual Securityholders as a class and shall not have regard to the consequences of such exercise for individual Perpetual Securityholders or Couponholders.

These Conditions may be amended, modified, or varied in relation to any Series of Perpetual Securities by the terms of the relevant Pricing Supplement in relation to such Series.

11. Replacement of Perpetual Securities, Certificates, Coupons and Talons

If a Perpetual Security, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, at the specified office of the Issuing and Paying Agent (in the case of Bearer Perpetual Securities, Coupons or Talons) and of the Registrar (in the case of Certificates), or at the specified office of such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the relevant Issuer for the purpose and notice of whose designation is given to Perpetual Securityholders in accordance with Condition 14, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Perpetual Security, Certificate, Coupon or Talon is subsequently presented for payment, there will be paid to the relevant Issuer on demand the amount payable by the relevant Issuer in respect of such Perpetual Security, Certificate, Coupon or Talon) and otherwise as the relevant Issuer may require. Mutilated or defaced Perpetual Securities, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

12. Further Issues

The relevant Issuer may from time to time without the consent of the Perpetual Securityholders or Couponholders create and issue further perpetual securities having the same terms and conditions as the Perpetual Securities of any Series and so that the same shall be consolidated and form a single Series with such Perpetual Securities, and references in these Conditions to “**Perpetual Securities**” shall be construed accordingly.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction. The Trust Deed also contains a provision entitling the Trustee to enter into business transactions with the relevant Issuer, the Guarantor or any of their respective subsidiaries without accounting to the Perpetual Securityholders or Couponholders for any profit resulting from such transactions.

Each Perpetual Securityholder shall be solely responsible for making and continuing to take its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Perpetual Securityholder shall not rely on the Trustee in respect thereof.

14. Notices

Notices to the holders of Bearer Perpetual Securities will be valid if (i) published in a daily newspaper of general circulation in Singapore (or, if the holders of any Series of Perpetual Securities can be identified, notices to such holders will also be valid if they are given to each of such holders with the expectation that such publication will be made in the Business Times); or (ii) for so long as the Perpetual Securities are listed on the Singapore Exchange Securities Trading Limited, the publication of the relevant notice on the website of the Singapore Exchange Securities Trading Limited at <http://www.sgx.com>. Notices will be deemed to have been given on the date of the publication or, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above, and/or the publication of such notice on the website of the Singapore Exchange Securities Trading Limited.

Notices to the holders of Registered Perpetual Securities shall be valid if mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Perpetual Securities in accordance with this Condition 14.

So long as the Perpetual Securities are represented by a Global Security or a Global Certificate and such Global Security or Global Certificate is held in its entirety on behalf of (i) Euroclear, Clearstream, Luxembourg and/or any other clearing system save for the Depository, there may be substituted for such publication in such newspapers the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or any other clearing system save for the Depository for communication by it to the Perpetual Securityholders, (ii) the Depository, there may be substituted for such publication in such newspapers, (A) (subject to the agreement of the Depository) the delivery of the relevant notice to the Depository for communication by them to the holders of the Perpetual Securities, (B) the delivery of the relevant notice to the persons shown in the records maintained by the Depository no earlier than three business days preceding the date of despatch of such notice as holding interests in the relevant Global Security or a Global Certificate, or (C) for so long as the Perpetual Securities are listed on the Singapore Exchange Securities Trading Limited, the publication of the relevant notice on the website of the Singapore Exchange Securities Trading Limited at <http://www.sgx.com>, and, in addition, for so long as any Perpetual Securities are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the Perpetual Securityholders on the seventh day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg, the Depository and/or any other clearing, as the case may be, and/or the date of the despatch of such notice to the persons shown in the records maintained by the Depository, and/or the publication of such notice on the website of the Singapore Exchange Securities Trading Limited.

Notices to be given by any Perpetual Securityholder pursuant hereto (including to the relevant Issuer) shall be in writing and given by lodging the same, together with the relative Perpetual Security or Perpetual Securities, with the Issuing and Paying Agent (in the case of Bearer Perpetual Securities) or the Registrar (in the case of Certificates). Whilst the Perpetual Securities are represented by a Global Security or a Global Certificate, such notice may be given by any Perpetual Securityholder to the Issuing and Paying Agent or, as the case may be, the Registrar through Euroclear, Clearstream, Luxembourg, the Depository and/or any other clearing system in such manner as the Issuing and Paying Agent or, as the case may be, the Registrar, and Euroclear, Clearstream, Luxembourg, the Depository and/or any other clearing system may approve for this purpose.

Notwithstanding the other provisions of this Condition, in any case where the identity and addresses of all the Perpetual Securityholders are known to the relevant Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and will be deemed to have been given when received at such addresses.

15. Governing Law

The Perpetual Securities, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of Singapore.

16. Contracts (Rights of Third Parties) Act

No person shall have any right to enforce any term or condition of the Perpetual Securities under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore (as amended, modified or supplemented from time to time).

Issuing and Paying Agent, Paying Agent, Agent Bank, Registrar and Transfer Agent

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

SEBCORP INDUSTRIES LTD

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.

Today, Sembcorp Industries is a leading energy, marine and urban development group, operating across multiple markets worldwide.

As an integrated energy player, Sembcorp Industries is poised to benefit from the global energy transition. With a strong track record in developing and developed markets, it provides solutions across the energy and utilities value chain, with a focus on the Gas & Power, Renewables & Environment, and Merchant & Retail sectors. Sembcorp Industries has a balanced energy portfolio of over 12,600 megawatts of power, including thermal power plants, renewable wind and solar power assets and battery storage. In addition, Sembcorp Industries is a world leader in offshore and marine engineering, as well as an established brand name in urban development.

Sembcorp Industries has total assets of over S\$23 billion as at 31 December 2019 and over 7,000 employees. Listed on the Mainboard of the SGX-ST, it is a component stock of the Straits Times Index, several MSCI and FTSE indices including the FTSE4Good Index, the SGX Sustainability Leaders Index and the Dow Jones Sustainability Asia Pacific Index.

2. GROUP STRUCTURE



ENERGY	
<i>Gas & Power • Renewables & Environment • Merchant & Retail</i>	
Sembcorp Utilities	100%
Singapore	
Sembcorp Cogen	100%
Sembcorp Power	100%
Sembcorp Gas	100%
Sembcorp NEWater	100%
Sembcorp Energy Vietnam	100%
Sembcorp Project Engineering Co	100%
Changi Mega Solar	100%
Sembcorp Solar Singapore	100%
Sembcorp Fuels	100%
Sembcorp Fuels (Singapore)	100%
Sembcorp Energy Markets	100%
Sembcorp RECS	100%
Sembcorp Renewable Energy Vietnam	100%
Sembcorp Solar Vietnam	100%
Sembcorp Smart Energy Solutions Vietnam	100%
Sembcorp Energy China	100%
China	
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 Jingmen Water Co	95%
Sembcorp Qinzhou Water Co	80%
India	
Sembcorp India	100%
Sembcorp Energy India	100%
Sembcorp Green Infra	100%
Indonesia	
PT Adhya Tirta Batam	50%
PT Adhya Tirta Sriwijaya	40%
Myanmar	
Sembcorp Myingyan Power Co	100%
Philippines	
Subic Water and Sewerage Co	30%
Vietnam	
Phu My 3 BOT Power Co	66.7%
Bangladesh	
Sembcorp North-West Power Co	71%
Oman	
Sembcorp Salalah Power and Water Co	40%
Sembcorp Salalah O&M Services Co	70%
UAE	
Emirates Sembcorp Water & Power Co	40%
Sembcorp Gulf O&M Co	100%
UK	
Sembcorp Utilities (UK)	100%
Merseyside Energy Recovery	40%
Sembcorp Energy UK	100%
UK Power Reserve	100%
Panama	
Aguas de Panama	100%
Sembcorp Environment	
100%	
Singapore	
SembWaste	100%



MARINE

Rigs & Floaters • Repairs & Upgrades • Offshore Platforms • Specialised Shipbuilding

Sembcorp Marine 60.96%

Singapore	
Sembcorp Marine Integrated Yard	100%
Sembcorp Marine Rigs & Floaters	100%
Sembcorp Marine Repairs & Upgrades	
Sembcorp Marine Offshore Platforms	100%
Sembcorp Marine Specialised Shipbuilding	100%
Jurong Shipyard	100%
PPL Shipyard	100%
Semb-Eco	100%
Brazil	
Estaleiro Jurong Aracruz	100%
Jurong do Brasil Prestação de Serviços	100%
Indonesia	
SMOE Indonesia	90%
Karimun Sembawang Shipyard	100%
Norway	
Aragon	50%
Gravifloat	56%
LMG Marin	100%
Sevan SSP	100%
UK	
Sembmarine SLP	100%
USA	
Sembmarine SSP	100%
Baker Marine Technology	100%



URBAN

Industrial Parks • High-Tech Parks • Business Hubs • Residential Space • Commercial Space

Sembcorp Development 100%

Vietnam	
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%
China	
Wuxi-Singapore Industrial Park Development Co	45.4%
Sino-Singapore (Chengdu) Innovation Park Development Co	25%
Sino-Singapore Nanjing Eco Hi-tech Island Development Co	21.5%
Nanjing Riverside Quay Co	100%
Indonesia	
Kawasan Industri Kendal	49%
Singapore	
Sembcorp Properties	100%
Sembcorp Properties (China)	100%
Sembcorp Properties (Vietnam)	100%
Sembcorp Infra Services	70%
Sembcorp Development Indonesia	100%
Sembcorp Development India	100%
Sembcorp Development Vietnam	100%
Sembcorp Parks Management	75%

OTHER BUSINESSES

Shenzhen Chiwan Sembawang Engineering Co	32%
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 28 February 2020.
- Shareholding figures for entities listed under Sembcorp Utilities, Sembcorp Marine and Sembcorp Development reflect stakes held by the above companies in these entities.

3. KEY BUSINESSES

Sembcorp Industries is listed on the SGX-ST with assets totalling more than S\$23 billion as at 31 December 2019. The Group is primarily involved in the following businesses:

- (a) Energy
- (b) Marine
- (c) Urban

(a) Energy

Sembcorp Utilities is an integrated energy player with a balanced energy portfolio of over 12,600 megawatts of power and over 8.6 million cubic metres of water and wastewater treatment capacity per day. As an integrated energy player, it is poised to benefit from the global energy transition. With a strong track record in developing and developed markets, the Energy business provides solutions across the utility and energy value chain, with a focus on Gas & Power, Renewables & Environment and Merchant & Retail.

As an integrated energy player, the Energy business offers a differentiated integrated energy platform business model. This provides customers with value propositions across the energy and utilities value chain by integrating multiple energy offerings around anchor assets. Sembcorp Utilities is the pioneer and leader in the provision of one-stop centralised utilities on Jurong Island, Singapore's energy and chemicals hub. The business serves over 40 multinational petrochemical and chemical companies on Jurong Island.

Through its Gas & Power business line, the Energy business offers reliable, competitive solutions across the gas value chain. It has the expertise and capabilities to offer services such as gas sourcing and importation, gas trading and regasification infrastructure. It is the largest player in Singapore's natural gas market and is Singapore's first commercial importer and retailer of natural gas. It is also the first to import liquefied natural gas ("LNG") cargo under Singapore's Spot Import Policy.

An established player in the power generation sector, the Energy business has a strong track record and proven capabilities in executing large-scale brownfield and greenfield thermal power projects, including gas and coal-based generation. It actively applies technologies for greater efficiency and lower emissions, such as combined cycle gas turbine, combined power and desalination and supercritical technologies. It also owns and operates 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. The business' thermal power generation assets are located in Singapore, Myanmar, Vietnam, China, India, Bangladesh, Oman, UAE and the UK, and have a combined generation capacity of around 9,800 megawatts.

Through its Renewables & Environment business line, the Energy business offers innovative renewable energy and environmental solutions, including total water management and waste-to-resource offerings. The business has a 2,600 megawatt renewable energy portfolio that includes wind and solar assets in Singapore, China and India. It is one of India's leading wind power developers and operates high-quality wind and solar power projects across seven renewable resource-rich states in India with a combined renewable power of over 1,700 megawatts. It is also one of the leading solar energy players in Singapore with 180 megawatt peak of capacity. Furthermore, it is also developing a 120-megawatt battery energy storage system fleet in the UK of which the first 60 megawatts started operations in October 2019. This fleet represents one of Europe's largest battery-based storage projects.

The Energy business also 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.

Through its Merchant & Retail business line, the Energy business offers a full range of merchant & retail energy capabilities as part of its integrated energy offering. This includes merchant & retail power sales, gas & power trading and optimisation, and flexible distributed energy.

(b) Marine

Sembcorp Marine is a leading industry player providing innovative engineering solutions to the global offshore, marine and energy industries, drawing on more than 50 years of proven track record.

The Marine business focuses on four key capabilities, namely, Rigs & Floaters; Repairs & Upgrades; Offshore Platforms; and Specialised Shipbuilding. It operates strategically located shipyards and other facilities in Singapore, Indonesia, Norway, the UK and Brazil. Operating as pooled resources, these facilities are a critical component of its global hub strategy, providing customers with timely, efficient and innovative engineering solutions worldwide. Its customers include major energy companies, drilling contractors, shipping companies as well as owners and operators of floating production units.

Internationally renowned for its rig building and offshore conversion expertise, the Marine business has strong capabilities in the design of rigs and drillships as well as a proven track record in the fast-track turnkey construction of semi-submersibles and jack-ups, the engineering and construction of offshore platforms, and the conversion of floating production and storage facilities. The Marine business is also recognised as an industry leader in ship repair and upgrading, where it is currently the world's top service provider in the LNG ship segment and Asia's number one in the cruise ship segment.

Innovative designs and engineering solutions that deliver extended value to customers are two key differentiators of the Marine business. Over the years, the Marine business has successfully expanded its engineering capabilities through a combination of organic development and business acquisitions. Examples of its design solutions include the proprietary Espadon drillship design which represents the next generation of high specification drillships with advanced capabilities for operational efficiency and ultra-deepwater operations worldwide; Gravifloat platforms, which are re-deployable, modularised LNG and liquefied petroleum gas terminals designed for installation in shallow waters; and the SEVAN Frustoconical Hull floater, an innovative circular hull form offering a complete range of offshore applications.

With the global economy's transition towards a cleaner energy mix, the Marine business is actively developing new solutions for a market that extends beyond its traditional oil and gas domain to include offshore wind, battery and hydrogen fuel cell segments. In 2018, the Marine business broke new ground in renewable energy engineering solutions by winning a contract to build three battery-powered zero-emission ropax ferries designed by LMG Marin, a wholly-owned subsidiary in Norway specialising in naval architecture and ship design.

Complementing the Marine business' engineering capabilities is its flagship Tuas Boulevard Yard, a fully integrated offshore & marine engineering hub. Currently spanning 148 hectares, it has room for further expansion on the 206 hectares of land it occupies at Tuas South Boulevard in the western part of Singapore. The yard serves a wide range of vessels and rigs, including very large crude carriers, mega-containerships, LNG carriers and passenger ships. It is a new-generation smart yard designed to maximise operational synergy, production efficiency and critical mass with optimised docking and berthing facilities, an improved dock and quay ratio, a centralised work-efficient layout and integrated facilities. It is also home to an offshore dry-dock equipped with a new pair of gantry cranes that can hoist 30,000 tonnes in a single lift, enabling the Marine business to fabricate and fully assemble gigantic offshore structures.

The Tuas Boulevard Yard sharpens Sembcorp Marine's competitive edge in delivering innovative, value-added and cost-effective solutions to customers.

(c) Urban

Sembcorp Development is a leading Asian developer with a strong track record in transforming raw land into sustainable urban developments, supporting industrialisation and urbanisation.

Over the last 30 years, the Urban business has acquired broad experience in the conceptualisation and development of large-scale integrated urban developments, comprising industrial parks as well as business, commercial and residential spaces. It is a valued partner to governments with its ability to attract local and international investments, delivering the economic engine to support growth. Today, it has a portfolio of 13 private sector-led and government-supported projects spanning around 11,000 hectares in Vietnam, China and Indonesia. These projects have attracted US\$34 billion in direct investments and over 1,000 customers, comprising multinational companies and leading local enterprises as tenants.

In Vietnam, the Urban business has partnered with the Vietnamese government to create integrated townships and industrial parks since 1996. There are nine Vietnam Singapore Industrial Park projects (“**VSIP**”) in Vietnam’s southern, northern and central economic zones. These projects uniquely integrate industrial, commercial and residential solutions localised to suit the demands of Vietnam’s rapid urbanisation and industrialisation. VSIP has consistently been named “Best Industrial/Warehouse Developer” by Euromoney.

In China, the Urban business has partnered the Chinese government in industry development for more than two decades, starting with Wuxi-Singapore Industrial Park and China-Singapore Suzhou Industrial Park when the Chinese government initiated major economic reforms in China’s coastal cities. Through its participation in Sino-Singapore Nanjing Eco Hi-tech Island in Nanjing and Singapore-Sichuan Hi-tech Innovation Park in Chengdu, the Urban business supports China’s aspirations to be a growth centre for innovative and high-tech industries.

In Indonesia, it pioneered the Batamindo Industrial Park in the Riau Islands, setting the first model for export-oriented bonded industrial zone. It is currently developing Kendal Industrial Park in Central Java, along the Jakarta-Semarang-Surabaya Economic Corridor. The Kendal Industrial Park has also been gazetted as the first special economic zone for industrial development on Java Island.

Apart from large-scale urban development where land parcels are sold for industrial, commercial and residential uses, the Urban business also engages in selective property development. It has developed a portfolio of more than 800,000 square metres of industrial property including ready-built factories, built-to-specification industrial offices and warehouses. Commercial buildings for office and retail uses as well as residential projects are also selectively undertaken within its urban developments to create vibrant business hubs for work and living.

4. FINANCIAL SUMMARY OF THE GROUP

- (i) A summary of the audited consolidated income statement of the Group for the financial years ended 31 December 2017, 2018 and 2019, which has been prepared in accordance with SFRS(I) and International Financial Reporting Standards (“IFRS”), is set out as follows:

Consolidated Income Statement

	Audited Financial Year Ended 31 December		
	2019	2018	2017
	← (S\$'million) →		
Turnover	9,618	11,689	9,026
Cost of sales	(8,726)	(10,769)	(7,791)
Gross profit	892	920	1,235
General and administrative expenses	(447)	(408)	(420)
Other operating income	222	107	75
Non-operating income	32	50	74
Non-operating expenses	(134)	(2)	(44)
Finance income	132	87	54
Finance costs	(586)	(508)	(527)
Share of results of associates and joint ventures, net of tax	184	174	164
Profit before tax	295	420	611
Tax expense	(78)	(88)	(118)
Profit for the year	217	332	493
Profit attributable to:			
Owners of the Company	247	347	383
Non-controlling interests	(30)	(15)	110
	217	332	493
Earnings per Share (cents)			
– Basic	11.81	16.98	19.06
– Diluted	11.74	16.87	18.89

	Audited Financial Year Ended 31 December		
	2019	2018	2017
	← (S\$'million) →		
Turnover by Activity			
Energy	6,170	6,569	5,726
Marine	2,883	4,888	3,035
Urban	280	5	12
Others/Corporate	330	314	351
Elimination	(45)	(87)	(98)
Total	9,618	11,689	9,026
Net Profit/(Loss) Attributable to Owners of the Company			
Energy	195	312	140
Marine	(85)	(48)	157
Urban	117	86	83
Others/Corporate	20	(3)	3
Total	247	347	383

- (ii) A summary of the audited consolidated balance sheets of the Group as at 31 December 2017, 2018 and 2019, which has been prepared in accordance with SFRS(I) and IFRS, is set out as follows:

Consolidated Balance Sheet

	Audited As at 31 December		
	2019	2018	2017
	← (S\$'million) →		
Non-current assets			
Property, plant and equipment	11,739	11,672	11,158
Right-of-use assets	464	–	–
Investment properties	128	110	91
Associates and joint ventures	1,696	1,741	1,765
Other financial assets	266	262	175
Trade and other receivables	2,170	2,366	1,191
Contract costs	2	*	128
Assets held for sale	–	–	100
Intangible assets	630	779	581
Deferred tax assets	62	67	64
	17,157	16,997	15,253
Current assets			
Inventories	386	513	524
Trade and other receivables	2,048	2,311	2,115
Contract assets	1,501	1,022	661
Contract costs	90	329	2,363
Assets held for sale	75	129	–
Other financial assets	228	95	142
Cash and cash equivalents	1,767	1,925	2,687
	6,095	6,324	8,492
Total assets	23,252	23,321	23,745
Current liabilities			
Trade and other payables	2,844	2,968	3,340
Lease liabilities	34	–	–
Contract liabilities	172	445	1,157
Provisions	34	86	92
Liabilities held for sale	31	–	–
Other financial liabilities	50	62	13
Current tax payable	204	153	159
Interest-bearing borrowings	2,643	1,862	1,572
	6,012	5,576	6,333
Net current assets	83	748	2,159
Non-current liabilities			
Deferred tax liabilities	348	425	428
Other long-term payables	131	242	260
Lease liabilities	470	–	–
Provisions	142	163	105
Other financial liabilities	44	43	54
Interest-bearing borrowings	8,157	8,870	8,275
Contract liabilities	69	64	116
	9,361	9,807	9,238
Total Liabilities	15,373	15,383	15,571
Net assets	7,879	7,938	8,174
Equity attributable to owners of the Company:			
Share capital	566	566	566
Reserve for own shares	(4)	(9)	*
Other reserves	(319)	(239)	(85)
Revenue reserve	5,827	5,669	5,460
	6,070	5,987	5,941
Perpetual securities	801	801	1,003
	6,871	6,788	6,944
Non-controlling interests	1,008	1,150	1,230
Total equity	7,879	7,938	8,174

The audited figures of the Group's fair value reserve and hedging reserve as at 31 December 2017, 2018 and 2019 are set out as follows:

	←———(S\$'million)———→		
	2019	2018	2017
Fair value reserve	74	34	27
Hedging reserve	(87)	(87)	(27)

"*" denotes financial information that is less than S\$1 million.

5. REVIEW OF THE FINANCIAL PERFORMANCE OF THE GROUP

FY2019 compared with FY2018

Overview

The Group posted a net profit of S\$247 million and turnover of S\$9,618 million in 2019, compared to S\$347 million and S\$11,689 million respectively in 2018. Excluding exceptional items, net profit grew 17% to S\$395 million.

The Group recorded exceptional items totalling negative S\$148 million in 2019. The Energy business accounted for negative S\$165 million of the exceptional items. This was offset by a S\$3 million goodwill adjustment from the Marine business and S\$14 million of divestment gain from the Other Businesses segment. In 2018, the Group's exceptional items amounted to S\$8 million, comprising divestment gains of S\$17 million from the Urban business and Other Businesses segment, offset by negative S\$9 million from the Energy business.

Energy

In 2019, the Energy business contributed a net profit of S\$195 million to the Group, compared to S\$312 million in 2018. Net profit, before exceptional items, was S\$360 million, up 12% from S\$321 million in 2018, with overseas markets performing better. China contributed a net profit of S\$106 million, a 22% growth from the year before due primarily to new renewable wind power capacity coming into operations and higher plant load factor at the Chongqing Songzao power plant. India posted a net profit of S\$100 million in 2019, an increase from S\$47 million in 2018. This was due to higher contribution from its thermal power plants, as well as improved operating performance by its renewable energy assets on better wind resource and new capacity addition. It also benefitted from one-off insurance and vendor settlements. The better performance in UK was driven by the recognition of revenue from the capacity market, which resumed in the fourth quarter of 2019.

Exceptional items recorded by the Energy business in 2019 amounted to a negative S\$165 million. This comprised impairments of S\$245 million and S\$7 million of additional provision for potential fines and claims at Sembcorp Nanjing SUIWU in China, offset by net gains of S\$86 million from the divestment of businesses and assets. There was also a S\$1 million revision on purchase price allocation for a solar project in Singapore.

Marine

Amidst challenging market conditions, the Marine business turned in a net loss of S\$85 million to the Group in 2019, compared to a net loss of S\$48 million in 2018. The loss recorded in 2019 was mainly due to accelerated depreciation for the Tanjong Kling yard and continued low overall business volume, partly offset by profits from the repairs and upgrade business, which saw a rise in profits on improved margins and better product mix.

Urban

The Urban business delivered another year of record profits in 2019. Net profit grew 36% to S\$117 million in 2019 compared to S\$86 million in 2018, driven by profit recognition from the successful completion and handover of *Riverside Grandeur*, a wholly-owned residential development in China.

FY2018 compared with FY2017

Overview

The Group recorded net profit of S\$347 million and turnover of S\$11,689 million in 2018. Compared to 2017, turnover was S\$2,663 million or 30% higher, while net profit was S\$36 million or 9% lower.

Energy

In 2018, the Energy business contributed net profit of S\$312 million to the Group, compared to S\$140 million in 2017. Net profit, before exceptional items, was S\$321 million, up 23% compared to S\$261 million in 2017, with Singapore, China and India being the main contributors. The India Energy business posted a net profit of S\$47 million in 2018 compared to a loss of S\$58 million in 2017. China's operations benefitted from a higher plant load factor at Chongqing Songzao power plant and a full-year contribution from Changzhi Total Water Management Plant, which commenced operations in September 2017. However, the increase in 2018 net profit was partially offset by provisions made for the delayed start-up of the Sembcorp Myingyan Independent Power Plant in Myanmar and losses in UK Power Reserve.

Exceptional losses recorded by the business in 2018 amounted to S\$9 million, lower than the 2017 exceptional losses of S\$121 million. 2018 exceptional items comprised S\$23 million of divestment gains recognised from the sale of various businesses, S\$25 million of additional provision for potential fines and claims at an overseas water business, and a non-cash S\$7 million expensing of capitalised cost at UK Power Reserve upon refinancing in December.

Exceptional losses recorded by the business in 2017 amounted to S\$121 million. These included a provision of S\$25 million for potential fines and claims at an overseas water business, impairment charges of S\$56 million mainly relating to assets and investments in Singapore, as well as S\$39 million in refinancing cost incurred for our second thermal power plant in India.

Marine

The Marine business reported a loss of S\$48 million in 2018, compared to a net profit in 2017 of S\$157 million. The business' loss in 2018 was mainly due to loss from the sale of a semi-submersible rig and continued low overall business volume. This was partially offset by margin recognition from newly secured production floater projects and delivery of rigs. 2017 net profit was higher due to the net positive effects of contract terminations, which arose from entitlement to down payments on termination of five rig contracts and a one-off gain on disposal of its equity stake in Cosco Shipyard Group.

Urban

The Urban business continued to deliver good performance with steady contributions from Vietnam and China. 2018 net profit was S\$86 million, slightly higher than net profit of S\$83 million in 2017.

SEMBCORP FINANCIAL SERVICES PTE. LTD.

1 History and Background

SFS was incorporated in Singapore on 14 March 2003 and is a wholly-owned subsidiary of SCI.

As at 31 December 2019, the issued and paid-up capital of SFS is S\$15,000,000 comprising 15 million ordinary shares.

2 Principal Business Activities

The principal activities of SFS include the provision of financial and treasury services to the Group. Apart from the issue of Securities under the Programme, it is also intended that SFS, as a central funding vehicle for the Group, may enter into other transactions for the purpose of raising funds to meet the financial requirements of the Group.

3 Financial Summary of SFS

- (i) A summary of the audited income statement of SFS for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019, which has been prepared in accordance with SFRS(I), is set out as follows:

Income Statement

	Financial Year 2019	Audited Financial Year Ended 31 December 2018	2017
	← (S\$'000) →		
Revenue	141,377	93,309	67,550
Cost of sales	(117,215)	(75,154)	(53,988)
Gross profit	24,162	18,155	13,562
Other operating expenses	(10,847)	(9,201)	(10,720)
Profit before tax	13,315	8,954	2,842
Tax expense	(2,713)	(1,601)	(601)
Profit for the year	10,602	7,353	2,241

- (ii) A summary of the audited balance sheet of SFS as at 31 December 2017, 31 December 2018 and 31 December 2019, which have been prepared in accordance with SFRS(I), is set out as follows:

Balance Sheet

	Financial Year 2019	Audited Financial Year Ended 31 December 2018 (S\$'000)	2017
Non-current assets	3,791,675	2,982,491	2,475,607
Current assets	1,520,427	780,194	778,507
Total assets	<u>5,312,102</u>	<u>3,762,685</u>	<u>3,254,114</u>

	Financial Year 2019	Audited Financial Year Ended 31 December 2018 (S\$'000)	2017
Share capital	15,000	15,000	15,000
Other reserves	(4,709)	(269)	(1,060)
Revenue reserve	39,240	28,638	21,285
Total equity	<u>49,531</u>	<u>43,369</u>	<u>35,225</u>
Non-current liabilities	2,938,851	2,426,478	1,995,270
Current liabilities	2,323,720	1,292,838	1,223,619
Total liabilities	<u>5,262,571</u>	<u>3,719,316</u>	<u>3,218,889</u>
Total equity and liabilities	<u>5,312,102</u>	<u>3,762,685</u>	<u>3,254,114</u>

USE OF PROCEEDS

The proceeds arising from the issue of Securities under the Programme (after deducting issue expenses) will be used for the purpose of financing the general corporate working capital requirements of the Group or for such other purposes as may be specified in the relevant Pricing Supplement.

CLEARING AND SETTLEMENT

Clearance and Settlement under the Depository System

In respect of Securities which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities (“**Depository System**”) maintained by CDP. Securities that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Securities which are accepted for clearance by CDP, the entire issue of the Securities is to be held by CDP in the form of a Global Security or a Global Certificate for persons holding the Securities in securities accounts with CDP (“**Depositors**”). Delivery and transfer of Securities between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors.

Settlement of over-the-counter trades in the Securities through the Depository System may be effected through securities sub-accounts held with corporate depositors (“**Depository Agents**”). Depositors holding the Securities in direct securities accounts with CDP, and who wish to trade Securities through the Depository System, must transfer the Securities to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between the Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and distribution and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Securities in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuers, the Guarantor, the Trustee, the Agents or any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

CLEARANCE AND SETTLEMENT UNDER EUROCLEAR AND CLEARSTREAM

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfer. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deals with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems which enables their respective participants to settle trades with one another. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to other financial institutions, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

A participant’s overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under those rules and operating procedures only on behalf of their respective participants, and have no record of, or relationship with, persons holding any interests through their respective participants. Distributions of principal with respect to book-entry interests in the Securities held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the relevant Paying Agent, to the cash accounts of the relevant Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

SINGAPORE TAXATION

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the IRAS and MAS in force as at the date of this Information Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Information Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Securities or of any person acquiring, selling or otherwise dealing with the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to acquire, own or dispose of the Securities and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Holders and prospective holders of the Securities are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Securities, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuers, the Arranger, the Guarantor and any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Securities.

In addition, the disclosure below is on the assumption that the IRAS regards each tranche of the Perpetual Securities as “debt securities” for the purposes of the ITA and that distribution payments made under each tranche of the Perpetual Securities will be regarded as interest payable on indebtedness and holders thereof may therefore enjoy the tax concessions and exemptions available for qualifying debt securities, provided that the other conditions for the qualifying debt securities scheme are satisfied. If any tranche of the Perpetual Securities is not regarded as “debt securities” for the purposes of the ITA, or distribution payments made under any tranche of the Perpetual Securities are not regarded as interest payable on indebtedness or holders thereof are not eligible for the tax concessions under the qualifying debt securities scheme, the tax treatment to holders may differ. Investors and holders of any tranche of the Perpetual Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of any tranche of the Perpetual Securities.

1. Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17%. The applicable rate for non-resident individuals is currently 22%. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively

connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The rate of 15% may be reduced by applicable tax treaties.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after 1 January 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and
- (c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

References to “prepayment fee”, “redemption premium” and “break cost” in this Singapore tax disclosure have the same meaning as defined in the ITA.

The terms “prepayment fee”, “redemption premium” and “break cost” are defined in the ITA as follows:

- “prepayment fee”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities;
- “redemption premium”, in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity; and
- “break cost”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption.

In addition, as the Programme is arranged as a whole by DBS Bank Ltd., which is a Financial Sector Incentive (Capital Market) Company or Financial Sector Incentive (Standard Tier) Company (as defined in the ITA) at such time, any tranche of the Securities (“**Relevant Securities**”) issued or to be issued as debt securities under the Programme during the period from the date of this Information Memorandum to 31 December 2023 would be qualifying debt securities (“**QDS**”) for the purposes of the ITA, to which the following treatment shall apply:

- (i) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Relevant Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities in respect of the Relevant Securities in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Securities as the MAS may require and the inclusion by the Relevant Issuer in all offering documents relating to the Relevant Securities of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Securities is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Securities using the funds and profits of such person’s operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), “prepayment fee”, “redemption premium” and “break cost” (collectively, the “**Specified Income**”) from the Relevant Securities paid by the Relevant Issuer and derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Securities are not obtained from such person’s operation through a permanent establishment in Singapore, are exempt from Singapore tax; and

- (ii) subject to certain conditions having been fulfilled (including the furnishing by the Relevant Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities in respect of the Relevant Securities in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Securities as the MAS may require), Specified Income from the Relevant Securities paid by the Relevant Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore, other than any non-resident who qualifies for the tax exemption as described in paragraph (i) above, is subject to tax at a concessionary rate of 10% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and
- (iii) subject to:
 - (aa) the Relevant Issuer including in all offering documents relating to the Relevant Securities a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Securities is not exempt from tax shall include such income in a return of income made under the ITA; and
 - (bb) the furnishing by the Relevant Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Relevant Securities within such period as the MAS may specify and such other particulars in connection with the Relevant Securities as the MAS may require,

payments of Specified Income derived from the Relevant Securities are not subject to withholding of tax by the Relevant Issuer.

Notwithstanding the foregoing:

- (a) if during the primary launch of any tranche of Relevant Securities, the Relevant Securities of such tranche are issued to fewer than four persons and 50% or more of the issue of such Relevant Securities is beneficially held or funded, directly or indirectly, by related parties of the Relevant Issuer, such Relevant Securities would not qualify as QDS; and
- (b) even though a particular tranche of Relevant Securities are QDS, if, at any time during the tenor of such tranche of Relevant Securities, 50% or more of such Relevant Securities which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Relevant Issuer, Specified Income derived from such Relevant Securities held by:
 - (i) any related party of the Relevant Issuer; or
 - (ii) any other person where the funds used by such person to acquire such Relevant Securities are obtained, directly or indirectly, from any related party of the Relevant Issuer,

shall not be eligible for the tax exemption or the concessionary rate of tax as described above.

The term “**related party**”, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Specified Income) is derived from the Relevant Securities 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 QDS under the ITA (as mentioned above) shall not apply if such person acquires such Relevant Securities using the funds and profits of such person’s operations through a permanent establishment in Singapore.

Notwithstanding that the Relevant Issuer is permitted to make payments of Specified Income in respect of the Relevant Securities without deduction or withholding of tax under Section 45 or Section 45A of the ITA, any person whose Specified Income (whether it is interest, discount income, prepayment fee, redemption premium or break cost) derived from the Relevant Securities is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.

2. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Securities will not be taxable in Singapore. However, any gains derived by any person from the sale of the Securities which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

There are no specific laws or regulations which deal with the characterisation of capital gains. The characterisation of the gains arising from a sale of the Securities will depend on the individual facts and circumstances of the holder and relating to that sale of the Securities.

Holders of the Securities who apply, or who are required to apply Singapore Financial Reporting Standard (“**FRS**”) 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 (“**SFRS(I) 9**”) (as the case may be), may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Securities, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below on “Adoption of FRS 39, FRS 109 and SFRS(I) 9 for Singapore Income Tax Purposes”.

3. Adoption of FRS 39, FRS 109 and SFRS(I) 9 for Singapore Income Tax Purposes

Section 34A of the ITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and “opt-out” provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The IRAS has also issued an e-Tax Guide entitled “Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement”.

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 (as the case may be) for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued an e-Tax Guide entitled “Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments”.

Holders of the Securities who may be subject to the tax treatment under Sections 34A or 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Securities.

4. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

SUBSCRIPTION, PURCHASE AND DISTRIBUTION

The Programme Agreement provides for Securities to be offered from time to time through one or more Dealers. The price at which a Series or Tranche will be issued will be determined prior to its issue between the Relevant Issuer and the relevant Dealer(s). The obligations of the Dealers under the Programme Agreement will be subject to certain conditions set out in the Programme Agreement. Each Dealer (acting as principal) will subscribe or procure subscribers for Securities from the Relevant Issuer pursuant to the Programme Agreement.

The Arranger, the Dealers or any of their respective affiliates may have performed certain banking and advisory services for the Issuers, the Guarantor and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuers, the Guarantor and/or their respective affiliates in the ordinary course of the Issuers', the Guarantor's or affiliates' business. The Relevant Issuer may also from time to time agree with the relevant Dealer(s) that the Relevant Issuer may pay certain third party commissions (including, without limitation, rebates to private banks as may be specified in the applicable Pricing Supplement).

If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Dealers or any affiliate of the Dealers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Relevant Issuer in such jurisdiction.

In connection with the issue of any Tranche of Securities, such Securities, when issued, may not have a market. The Dealer or Dealers (if any) may advise the Relevant Issuer and (where the Securities are issued by SFS or a Specified Issuer) the Guarantor that they intend to make a market in such Securities as permitted by applicable law. They are not obligated, however, to make a market in the Securities and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for such Securities.

The Arranger, the Dealers or any of their respective affiliates may purchase Securities for its own account or enter into secondary market transactions or derivative transactions relating to the Securities, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackaging and credit default swaps, at the same time as the offering of the Securities. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Securities to which this Information Memorandum relates (notwithstanding that such selected counterparties may also be a purchaser of the Securities). As a result of such transactions, the Arranger, the Dealers or any of their respective affiliates may hold long or short positions relating to the Securities.

The Arranger, the Dealer(s) and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuers, the Guarantor and/or their respective subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealer(s) and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuers, the Guarantor or their respective subsidiaries, jointly controlled entities or associated companies, including Securities issued under the Programme, may be entered into at the same time or proximate to offers and sales of Securities or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Securities. Securities issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

Accordingly, references herein to the Securities being “offered” should be read as including any offering of the Securities to the Arranger, the Dealers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so.

While the Arranger, the Dealers and/or any of their respective affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause the Arranger, the Dealers or any of their respective affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Securities. The Arranger, the Dealers or any of their respective affiliates may receive returns on such transactions and have no obligations to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Securities.

United States

The Securities and the Guarantee have not been and will not be registered under the Securities Act, and the Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions not subject to the registration requirements of Regulation S under the Securities Act (“**Regulation S**”). Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver the Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Securities are a part, as determined and certified to the Issuing and Paying Agent, by such Dealer (or, in the case of an identifiable tranche of Securities sold to or through more than one Dealer, by each of such Dealers with respect to Securities of an identifiable tranche purchased by or through it, in which case the Issuing and Paying Agent shall notify such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Securities are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of any identifiable tranche of Securities within the United States by any dealer that is not participating in the offering of such tranche of Securities may violate the registration requirements of the Securities Act.

This Information Memorandum has been prepared by the Issuers for use in connection with the offer and sale of the Securities outside the United States. The Issuers, (where Notes are issued by SFS or a Specified Issuer) the Guarantor and the Dealers reserve the right to reject any offer to purchase the Securities, in whole or in part, for any reason. This Information Memorandum does not constitute an offer to any person in the United States. Distribution of this Information Memorandum by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without the prior written consent of the Issuers of any of its contents to any such U.S. person or other person within the United States is prohibited.

Hong Kong

Each Dealer has represented, warranted and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to “professional investors” as defined in the Securities and Futures

Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

Each Dealer acknowledges that this Information Memorandum has not been registered as a prospectus with the MAS. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Any reference to the “SFA” is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

General

The selling restrictions herein contained may be modified, varied or amended from time to time by notification from the Relevant Issuer to the Dealers and each Dealer undertakes that it will at all times comply with all such selling restrictions.

Each Dealer has agreed that it will comply with all applicable securities laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers Securities or any interest therein or rights in respect thereof or has in its possession or distributes, this Information Memorandum or any Pricing Supplement in connection with the offer, or sale or invitation for subscription or purchase, of the Securities.

Any person who may be in doubt as to the restrictions set out in the SFA or the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Securities or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional advisers and should make his own inquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.

GENERAL INFORMATION

INFORMATION ON DIRECTORS

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

Name	Position
Ang Kong Hua	Chairman
Neil McGregor	Group President & CEO ¹²
Margaret Lui	Director
Tan Sri Mohd Hassan Marican	Director
Tham Kui Seng	Director
Dr Teh Kok Peng	Director
Ajaib Haridass	Director
Nicky Tan Ng Kuang	Director
Yap Chee Keong	Director
Jonathan Asherson OBE	Director
Dr Josephine Kwa Lay Keng	Director
Nagi Adel Hamiyeh	Director

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

Name	Position
Looi Lee Hwa	Director
Foo Fei Voon	Director
Graham Cockroft	Director

2. No Director is interested, directly or indirectly, in the promotion of any assets acquired or disposed of by or leased to, SCI, SFS or any of their respective subsidiaries, within the two years preceding the date of this Information Memorandum, or in any proposal for such acquisition, disposal or lease as aforesaid.

SHARE CAPITAL

3. As at the date of this Information Memorandum, there is only one class of ordinary shares in SCI and only one class of ordinary shares in SFS. The rights and privileges attached to such shares are stated in the Constitutions of SCI and SFS, respectively.
4. The issued share capital of SCI as at 31 December 2019 is as follows:

Share Designation	Issued Share Capital	
	(Number)	(S\$)
Ordinary Shares	1,785,581,456	565,571,683.28

The number of issued ordinary shares of SCI excludes 1,966,276 ordinary shares (S\$4,485,524.05) held as treasury shares.

5. The issued share capital of SFS as at 31 December 2019 is as follows:

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

BORROWINGS

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 2019 any other borrowings or

¹² As announced by the Guarantor on 16 March 2020, Neil McGregor will be retiring as the Group President & CEO on 30 June 2020 and will be succeeded by Wong Kim Yin with effect from 1 July 2020. Neil McGregor will remain as advisor until 31 December 2020.

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.

WORKING CAPITAL

7. The Directors are of the opinion that, after taking into account the present banking facilities and the net proceeds of the issue of the Securities, each of the Issuers and the Guarantor will have adequate working capital for their present requirements.

CHANGES IN ACCOUNTING POLICIES

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 2019.

LITIGATION

9. Save as disclosed below, 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:

Operation Car Wash

In 2012, Sembcorp Marine's subsidiaries (together with Sembcorp Marine, "**Sembcorp Marine Group**") secured a number of drill rig construction contracts (the "**Contracts**") with the subsidiaries of Sete Brasil. Companies connected to Mr Guilherme Esteves de Jesus ("**GDJ**") were engaged by Sembcorp Marine's subsidiaries as consultants in Brazil.

In February 2015, there were various media reports that, *inter alia*, Mr Pedro Jose Barusco ("**PJB**"), Petrobras' former engineering manager, had made statements to the effect that illegal payments had been made in connection with contracts entered into by Petrobras and/or Sete Brasil. Sembcorp Marine announced on 30 March 2015 that it had received a copy of a plea bargain entered into between PJB and the Brazilian authorities in which PJB made allegations against GDJ in connection with the Contracts, and that GDJ was arrested by the Brazilian authorities in late March 2015.

GDJ was charged by the Brazilian authorities and he defended the charges throughout the proceedings.

All contracts for consultancy services provided to Sembcorp Marine's subsidiaries by companies connected to GDJ were suspended and remain suspended by Sembcorp Marine Group indefinitely. The Sembcorp Marine Group has not had any dealings with GDJ or the companies connected to GDJ following such suspension.

On 3 July 2019, Sembcorp Marine announced that the Brazilian authorities had executed a search warrant on EJA, Sembcorp Marine's Brazilian subsidiary, in connection with the ongoing investigations related to Operation Car Wash and against GDJ, who has been arrested by the Brazilian Federal Police. Sembcorp Marine co-operated fully with the Brazilian Federal Police and provided materials within the scope of the warrant. Sembcorp Marine also learnt that the investigations which led to the execution of the search warrant on EJA have been expanded to include Mr Martin Cheah Kok Choon ("**MCKC**"), the former president of EJA whose employment with the Sembcorp Marine Group was terminated in June 2015. In light of the investigation by the Brazilian authorities into the activities of MCKC during the time he was in the employment of the Sembcorp Marine Group, Sembcorp Marine has lodged a suspicious transaction report in respect of MCKC with the Commercial Affairs Department of the Singapore Police Force.

On 3 February 2020, Sembcorp Marine announced that it has come to its attention on 1 February 2020 that the Ministério Público Federal in Brazil has filed charges against GDJ for money laundering and MCKC for money laundering and corruption in connection with the Contracts. Sembcorp Marine will continue to monitor developments in Brazil and other jurisdictions with respect to the proceedings.

On 21 February 2020, Sembcorp Marine announced that it has come to its attention on 20 February 2020 that GDJ has been convicted by the Federal Courts of Curitiba of the crimes of corruption, money laundering and participation in a criminal organisation. GDJ was sentenced to 19 years and 4 months in prison and was also fined.

Other than MCKC, Sembcorp Marine is not aware of any other employee past or present of Sembcorp Marine that is a subject of the current investigations being conducted by the Brazilian authorities in relation to Operation Car Wash.

As stated in Sembcorp Marine's announcement as of 8 July 2019, 3 February 2020 and 21 February 2020, the Sembcorp Marine Group is committed to the highest standards of compliance with anti-corruption laws and does not condone and will not tolerate any improper business conduct. The Sembcorp Marine Group has a strict compliance programme and continuously works to ensure that policies and procedures are in place to prevent any violation of any anti-corruption laws applicable to its operations.

As Sembcorp Marine is separately listed on the SGX-ST and managed independently by its board of directors, the above disclosure on Operation Car Wash is extracted from Sembcorp Marine's announcements issued on the website of the SGX-ST.

The Company will continue to monitor developments in Brazil and other jurisdictions with respect to the above matters.

MATERIAL ADVERSE CHANGE

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 2019 or the Issuers' or the Guarantor's publicly announced unaudited interim results or published financial statements, as the case may be.

FINANCIAL CONDITION AND OPERATIONS

11. Save as disclosed in this Information Memorandum or in any public announcement by the Issuers and the Guarantor, to the best of the knowledge of the Issuers and of the Guarantor, the financial condition and operations of each Issuer, the Guarantor and the Group are not likely to be materially affected by any of the following:
 - (a) known trends, demands, commitments, events or uncertainties that will result in or are reasonably likely to result in its liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditures;
 - (c) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations;
 - (d) known trends or uncertainties that have had or that any of them reasonably expects to have a material favourable or unfavourable impact on its revenues or operating income; and
 - (e) any material information which may be relevant to the financial or trading prospects of the Issuers, the Guarantor or the Group including special trading factors or risks, which are not mentioned elsewhere in this Information Memorandum or in any public announcement by any of the Issuers and the Guarantor and which are unlikely to be known or anticipated by the general public and which could materially and adversely affect the profits of the Issuers, the Guarantor or the Group.

AUTHORISATION

12. The establishment of the Programme and the issue of the Guarantee were authorised by resolutions of the Board of Directors of SCI passed on 31 March 2020. The establishment of the Programme were authorised by resolutions of the Board of Directors of SFS passed on 30 March 2020.

DOCUMENTS AVAILABLE FOR INSPECTION

13. So long as any Securities are capable of being issued under the Programme or any Securities are outstanding, copies of the following documents may be inspected at the registered office of either of the Issuers at 30 Hill Street #05-04, Singapore 179360 or the Trustee at 10 Toh Guan Road, #04-11 (Level 4B) DBS Asia Gateway, Singapore 608838 during usual business hours with prior notice:
- (a) the Constitution of each of SCI and SFS;
 - (b) the Trust Deed;
 - (c) the Agency Agreement;
 - (d) the Depository Agreements;
 - (e) the Deeds of Covenant; and
 - (f) the most recently publicly available audited accounts of SCI and SFS and its subsidiaries beginning with such audited accounts for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019.

FUNCTIONS, RIGHTS AND OBLIGATIONS OF THE TRUSTEE

14. The functions, rights and obligations of the Trustee are set out in the Trust Deed.

APPENDIX I

**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 2019**

The information contained in this Appendix has been extracted from the annual report of Sembcorp Industries Ltd for the financial year ended 31 December 2019 and has not been specifically prepared for inclusion in this Information Memorandum. The financial statements of Sembcorp Industries Ltd for the financial year ended 31 December 2019 have been prepared in accordance with SFRS(I) and IFRS.

Balance Sheets

As at December 31, 2019

(\$ million)	Note	Group		Company	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Non-current assets					
Property, plant and equipment	D1	11,739	11,672	309	328
Right-of-use assets	D2	464	–	100	–
Investment properties	D3	128	110	–	–
Investments in subsidiaries	G1	–	–	2,646	2,647
Associates and joint ventures	G4	1,696	1,741	–	–
Other financial assets	H3	266	262	–	–
Trade and other receivables	E1	2,170	2,366	349	273
Contract costs	B2(c)	2	*	–	–
Intangible assets	D4	630	779	26	24
Deferred tax assets	B3(b)	62	67	–	–
		17,157	16,997	3,430	3,272
Current assets					
Inventories	E2	386	513	4	7
Trade and other receivables	E1	2,048	2,311	83	96
Contract assets	B2(c)	1,501	1,022	–	10
Contract costs	B2(c)	90	329	–	–
Assets held for sale	B6	75	129	–	127
Other financial assets	H3	228	95	–	–
Cash and cash equivalents	E4	1,767	1,925	1,123	759
		6,095	6,324	1,210	999
Total assets		23,252	23,321	4,640	4,271
Current liabilities					
Trade and other payables	E3	2,844	2,968	244	130
Lease liabilities	D2	34	–	4	–
Contract liabilities	B2(c)	172	445	3	1
Provisions	H4	34	86	11	19
Liabilities held for sale	B6	31	–	–	–
Other financial liabilities	H3	50	62	–	–
Current tax payable		204	153	74	58
Interest-bearing borrowings	C6	2,643	1,862	–	–
		6,012	5,576	336	208
Net current assets		83	748	874	791

* Denotes financial value that is less than S\$1 million

(\$ million)	Note	Group		Company	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Non-current liabilities					
Deferred tax liabilities	B3(b)	348	425	29	50
Other long-term payables	E3	131	242	171	268
Lease liabilities	D2	470	–	116	–
Provisions	H4	142	163	10	16
Other financial liabilities	H3	44	43	–	–
Interest-bearing borrowings	C6	8,157	8,870	–	–
Contract liabilities	B2(c)	69	64	30	30
		9,361	9,807	356	364
Total liabilities		15,373	15,383	692	572
Net assets		7,879	7,938	3,948	3,699
Equity attributable to owners of the Company:					
Share capital	C2	566	566	566	566
Reserve for own shares	C2	(4)	(9)	(4)	(9)
Other reserves	C3	(319)	(239)	*	2
Revenue reserve		5,827	5,669	2,585	2,339
		6,070	5,987	3,147	2,898
Perpetual securities	C4	801	801	801	801
		6,871	6,788	3,948	3,699
Non-controlling interests	G3	1,008	1,150	–	–
Total equity		7,879	7,938	3,948	3,699

Consolidated Income Statement

Year ended December 31, 2019

<i>(\$ million)</i>	Note	Group	
		2019	2018
Turnover	B1, B2	9,618	11,689
Cost of sales		(8,726)	(10,769)
Gross profit		892	920
General and administrative expenses		(447)	(408)
Other operating income		222	107
Non-operating income		32	50
Non-operating expenses		(134)	(2)
Finance income	C7	132	87
Finance costs	C7	(586)	(508)
Share of results of associates and joint ventures, net of tax		184	174
Profit before tax		295	420
Tax expense	B3	(78)	(88)
Profit for the year	B4	217	332
Profit attributable to:			
Owners of the Company		247	347
Non-controlling interests		(30)	(15)
Profit for the year		217	332
Earnings per share (cents):	B5		
Basic		11.81	16.98
Diluted		11.74	16.87

Consolidated Statement of Cash Flows

Year ended December 31, 2019

(\$ million)	Group	
	2019	2018
Cash flows from operating activities		
Profit for the year	217	332
Adjustments for:		
Dividend	*	*
Finance income	(132)	(87)
Finance costs	586	508
Depreciation and amortisation	682	595
Share of results of associates and joint ventures, net of tax	(184)	(174)
(Gain) / Loss on disposal of:		
– property, plant and equipment and other financial assets	(19)	(8)
– intangible assets	(2)	*
– joint venture and associate	*	(18)
– disposal of business	*	(15)
– assets held for sale	(70)	–
Gain on disposal and liquidation of investments in subsidiaries	(16)	(11)
Changes in fair value of financial instruments	8	(15)
Equity settled share-based compensation expenses	10	11
Allowance for:		
– impairment loss in value of assets and assets written off, net	96	16
– impairment of goodwill	65	1
– expected credit loss	7	3
– intangible assets	64	–
– impairment on assets reclassified to held for sale	64	–
Negative goodwill	(6)	*
Provision for fines	7	25
Inventories written down / (written-back) and allowance for stock obsolescence, net	*	(1)
Tax expense (Note B3(a))	78	88
Operating profit before working capital changes	1,455	1,250
Changes in working capital:		
Inventories	124	(9)
Receivables (Note (b))	239	(1,216)
Payables	(206)	(215)
Contract costs	188	2,160
Contract assets	(479)	(361)
Contract liabilities	(245)	(748)
	1,076	861
Tax paid	(99)	(122)
Net cash from operating activities	977	739

<i>(S\$ million)</i>	Group	
	2019	2018
Cash flows from investing activities		
Dividend received	229	167
Interest received	104	74
Proceeds from:		
– disposal of interests in subsidiaries, net of cash disposed	(10)	73
– divestment of asset held for sale	197	–
– sale of property, plant and equipment	27	11
– sale of intangible assets	7	*
– disposal of other financial assets and business	503	315
– disposal of joint ventures / associate	–	66
Loan repayment from related parties	10	25
Non-trade balances with related corporations, net of repayment	(2)	–
Acquisition of subsidiaries, net of cash acquired	–	(426)
Acquisition of additional investments in joint ventures and associates	(11)	(85)
Acquisition of other financial assets	(567)	(310)
Purchase of property, plant and equipment and investment properties (Note (a))	(925)	(1,107)
Purchase of intangible assets	(9)	(20)
Cash balances transferred to held for sale, net of advance received	(4)	–
Net cash used in investing activities	(451)	(1,217)

Consolidated Statement of Cash Flows

Year ended December 31, 2019

(\$ million)	Group	
	2019	2018
Cash flows from financing activities		
Proceeds from share issued to non-controlling interests of subsidiaries	19	25
Proceeds from share options exercised with issue of treasury shares	–	*
Proceeds from share options exercised with issue of treasury shares of a subsidiary	–	1
Purchase of treasury shares	(4)	(17)
Purchase of treasury shares by a subsidiary	–	(1)
Repayment of lease liability	(35)	–
Proceeds from borrowings	4,007	3,011
Repayment of borrowings	(3,886)	(2,156)
Acquisition of non-controlling interests	(91)	(292)
Dividends paid to owners of the Company	(71)	(71)
Dividends paid to non-controlling interests of subsidiaries	(20)	(29)
(Payment) / receipt in restricted cash held as collateral	(27)	4
Perpetual securities distribution paid	(36)	(245)
Unclaimed dividends	–	*
Capital reduction paid to non-controlling interests	(4)	–
Interest paid	(544)	(486)
Net cash used in financing activities	(692)	(256)
Net decrease in cash and cash equivalents	(166)	(734)
Cash and cash equivalents at beginning of the year	1,923	2,682
Effect of exchange rate changes on balances held in foreign currency	(17)	(25)
Cash and cash equivalents at end of the year (Note E4)	1,740	1,923

- a. During the year, the Group acquired property, plant and equipment with an aggregate cost of S\$1,068 million (2018: S\$1,146 million) of which S\$48 million (2018: S\$nil) was settled via offset of payables and dividend receivable from a joint venture (Note D1(xi)). S\$24 million was advance paid to supplier in prior year and S\$3 million (2018: S\$4 million) relates to provision for restoration costs as disclosed in Note H4. Included in the Group's trade and other payables is an amount of S\$256 million (2018: S\$167 million) relating to accrued capital expenditure.
- b. During the year, the Group acquired intangible assets with an aggregate cost of S\$18 million (2018: S\$20 million) of which S\$9 million (2018: S\$nil) was acquired by means of a swap of shares in Note B6(b).
- c. Changes in receivables included an amount of S\$58 million (2018: S\$191 million) of service concession receivables from the Sirajganj Unit 4 power projects (2018: Myingyan and 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.

APPENDIX II

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 2018

The information contained in this Appendix has been extracted from the annual report of Sembcorp Industries Ltd for the financial year ended 31 December 2018 and has not been specifically prepared for inclusion in this Information Memorandum. The financial statements of Sembcorp Industries Ltd for the financial year ended 31 December 2018 have been, and these are the Group's first financial statements to be, prepared in accordance with SFRS(I) and IFRS.

Balance Sheets

As at December 31, 2018

(S\$ million)	Note	Group			Company		
		December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
Non-current assets							
Property, plant and equipment	3	11,672	11,158	11,226	328	347	498
Investment properties	4	110	91	61	–	–	–
Investments in subsidiaries	5	–	–	–	2,647	2,649	2,444
Associates and joint ventures	6	1,741	1,765	1,746	–	–	–
Other financial assets	7	262	175	201	–	–	–
Trade and other receivables	8	2,349	1,184	734	273	226	206
Tax recoverable		17	7	10	–	–	–
Contract costs	15	*	128	–	–	–	–
Assets held for sale	11	–	100	–	–	100	–
Intangible assets	12	779	581	637	24	25	23
Deferred tax assets	13	67	64	113	–	–	–
		16,997	15,253	14,728	3,272	3,347	3,171
Current assets							
Inventories	14	513	524	457	7	9	11
Trade and other receivables	8	2,289	2,094	2,006	96	141	171
Contract assets	9	1,022	661	453	10	–	–
Tax recoverable		22	21	16	–	–	–
Contract costs	15	329	2,363	2,612	–	–	–
Assets held for sale	11	129	–	182	127	–	–
Other financial assets	7	95	142	120	–	–	–
Cash and cash equivalents	16	1,925	2,687	1,882	759	720	390
		6,324	8,492	7,728	999	870	572
Total assets		23,321	23,745	22,456	4,271	4,217	3,743
Current liabilities							
Trade and other payables	17	2,968	3,340	3,164	130	136	137
Contract liabilities	18	445	1,157	682	1	1	1
Provisions	20	86	92	42	19	16	15
Other financial liabilities	21	62	13	37	–	–	–
Current tax payable		153	159	190	58	50	48
Interest-bearing borrowings	23	1,862	1,572	2,126	–	–	–
		5,576	6,333	6,241	208	203	201
Net current assets		748	2,159	1,487	791	667	371

	Note	Group			Company		
		December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
<i>(\$ million)</i>							
Non-current liabilities							
Deferred tax liabilities	13	425	428	402	50	53	60
Other long-term payables	17	237	256	229	268	275	269
Provisions	20	163	105	92	16	16	11
Other financial liabilities	21	43	54	257	–	–	–
Retirement benefit obligations	22	5	4	7	–	–	–
Interest-bearing borrowings	23	8,870	8,275	7,096	–	–	–
Contract liabilities	18	64	116	271	30	13	14
		9,807	9,238	8,354	364	357	354
Total liabilities		15,383	15,571	14,595	572	560	555
Net assets		7,938	8,174	7,861	3,699	3,657	3,188
Equity attributable to owners of the Company:							
Share capital	24	566	566	566	566	566	566
Other reserves	25	(248)	(85)	(62)	(7)	2	(7)
Revenue reserve		5,669	5,460	5,209	2,339	2,086	1,826
		5,987	5,941	5,713	2,898	2,654	2,385
Perpetual securities	26	801	1,003	803	801	1,003	803
		6,788	6,944	6,516	3,699	3,657	3,188
Non-controlling interests	32	1,150	1,230	1,345	–	–	–
Total equity		7,938	8,174	7,861	3,699	3,657	3,188

Consolidated Income Statement

Year ended December 31, 2018

<i>(\$ million)</i>	Note	Group	
		2018	2017
Turnover	28	11,689	9,026
Cost of sales		(10,769)	(7,791)
Gross profit		920	1,235
General and administrative expenses		(408)	(420)
Other operating income		107	75
Non-operating income		50	74
Non-operating expenses		(2)	(44)
Finance income	29	87	54
Finance costs	29	(508)	(527)
Share of results of associates and joint ventures, net of tax		174	164
Profit before tax		420	611
Tax expense	30	(88)	(118)
Profit for the year	31	332	493
Profit attributable to:			
Owners of the Company		347	383
Non-controlling interests		(15)	110
Profit for the year		332	493
Earnings per share (cents):			
	33		
Basic		16.98	19.06
Diluted		16.87	18.89

Consolidated Statement of Cash Flows

Year ended December 31, 2018

(\$ million)	Group	
	2018	2017
Cash flows from operating activities		
Profit for the year	332	493
Adjustments for:		
Dividend	*	*
Finance income	(87)	(54)
Finance costs	508	527
Depreciation and amortisation	595	571
Share of results of associates and joint ventures, net of tax	(174)	(164)
Gain on disposal of property, plant and equipment and other financial assets	(8)	(20)
(Gain) / Loss on disposal of intangible assets	*	*
Gain on disposal of joint venture and associate	(18)	–
Gain on disposal of investment held for sale	–	(47)
Gain on disposal and liquidation of investments in subsidiaries	(11)	(5)
Gain on disposal of business	(15)	–
Changes in fair value of financial instruments	(15)	5
Equity settled share-based compensation expenses	11	17
Allowance made for impairment loss in value of assets and assets written off (net)	16	31
Negative goodwill	*	*
Allowance / (Write-back) of doubtful debts and bad debts (net)	3	(16)
Provision for fines	25	25
Assumption of liabilities on behalf of a joint venture	–	11
Impairment of goodwill	1	26
Impairment of investment in associates	–	4
Contract costs written back (net)	–	(20)
Inventories (written back) / written down and allowance for stock obsolescence (net)	(1)	10
Tax expense (Note 30)	88	118
Operating profit before working capital changes	1,250	1,512
Changes in working capital:		
Inventories	(9)	295
Receivables (Note (c))	(1,216)	(810)
Payables	(215)	(527)
Contract costs	2,160	139
Contract assets	(361)	(208)
Contract liabilities	(748)	320
	861	721
Tax paid	(122)	(70)
Net cash from operating activities	739	651

(\$ million)	Group	
	2018	2017
Cash flows from investing activities		
Dividend received	167	266
Interest received	74	41
Proceeds from disposal of interests in subsidiaries, net of cash disposed	73	–
Proceeds from divestment of investments / asset held for sale	–	206
Proceeds from sale of property, plant and equipment	11	18
Proceeds from sale of intangible assets	*	*
Proceeds from disposal of other financial assets and business	315	195
Proceeds from disposal of joint ventures / associate	66	53
Loan repayment from related parties	25	76
Loan to related parties	–	*
Non-trade balances with related corporations, net of repayment	–	(16)
Acquisition of subsidiaries, net of cash acquired	(426)	(3)
Acquisition of additional investments in joint ventures and associates	(85)	(15)
Acquisition of other financial assets	(310)	(166)
Purchase of property, plant and equipment and investment properties (Note (a))	(1,107)	(736)
Purchase of intangible assets (Note (b))	(20)	(11)
Net cash used in investing activities	(1,217)	(92)

Consolidated Statement of Cash Flows

Year ended December 31, 2018

(\$ million)	Group	
	2018	2017
Cash flows from financing activities		
Proceeds from share issued to non-controlling interests of subsidiaries	25	–
Proceeds from share options exercised with issue of treasury shares	*	–
Proceeds from share options exercised with issue of treasury shares of a subsidiary	1	*
Purchase of treasury shares	(17)	(4)
Purchase of treasury shares by a subsidiary	(1)	(6)
Proceeds from issue of perpetual securities, net of transaction costs	–	200
Proceeds from borrowings	3,011	3,206
Repayment of borrowings	(2,156)	(2,427)
Payment on finance leases	–	(1)
Acquisition of non-controlling interests	(292)	(10)
Dividends paid to owners of the Company	(71)	(125)
Dividends paid to non-controlling interests of subsidiaries	(29)	(37)
Receipt in restricted cash held as collateral	4	6
Perpetual securities distribution paid	(245)	(42)
Unclaimed dividends	*	*
Interest paid	(486)	(484)
Net cash (used in) / from financing activities	(256)	276
Net (decrease) / increase in cash and cash equivalents	(734)	835
Cash and cash equivalents at beginning of the year	2,682	1,855
Effect of exchange rate changes on balances held in foreign currency	(25)	(8)
Cash and cash equivalents at end of the year (Note 16)	1,923	2,682

- a. During the year, the Group acquired property, plant and equipment with an aggregate cost of S\$1,146 million (2017: S\$676 million) of which S\$nil (2017: S\$1 million) relates to non-cash expenditures which have been capitalised during the year and S\$4 million (2017: S\$21 million) relates to provision for restoration costs as disclosed in Note 20. Included in the Group's trade and other payables is an amount of S\$167 million (2017: S\$108 million) relating to accrued capital expenditure.
- b. During the year, the Group acquired intangible assets with an aggregate cost of S\$20 million (2017: S\$13 million) of which S\$nil (2017: S\$2 million) was acquired by means of finance lease.
- c. The increase in receivables included an amount of S\$191 million (2017: S\$431 million) of service concession receivables from the Myingyan and Sirajganj Unit 4 power projects which was recognised in accordance with SFRS(I) INT 12 accounting guidelines. The receivables will be collected over the period of the concession contracts from the time the power plants commence commercial operations.

APPENDIX III

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 2017

The information contained in this Appendix has been extracted from the annual report of Sembcorp Industries Ltd for the financial year ended 31 December 2017 and has not been specifically prepared for inclusion in this Information Memorandum. The financial statements of Sembcorp Industries Ltd for the financial year ended 31 December 2017 have been prepared in accordance with the FRS.

Balance Sheets

As at December 31, 2017

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

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

Consolidated Income Statement

Year ended December 31, 2017

	Note	Group	
		2017	2016
		55'000	55'000
Turnover	25	8,345,605	7,907,048
Cost of sales		(7,399,538)	(6,801,916)
Gross profit		946,067	1,105,132
General and administrative expenses		(420,089)	(359,841)
Other operating income		75,550	66,300
Non-operating income		73,640	44,507
Non-operating expenses		(43,937)	(72,190)
Finance income	26	42,596	30,418
Finance costs	26	(525,782)	(402,009)
Share of results of associates and joint ventures, net of tax		164,058	125,121
Profit before tax		312,103	537,438
Tax expense	27	(67,391)	(100,284)
Profit for the year	28	244,712	437,154
Profit attributable to:			
Owners of the Company		230,772	394,889
Non-controlling interests		13,940	42,265
Profit for the year		244,712	437,154
Earnings per share (cents):			
	30		
Basic		10.51	19.92
Diluted		10.42	19.75

Consolidated Statement of Cash Flows

Year ended December 31, 2017

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

	Group	
	2017	2016
	S\$'000	S\$'000
Cash flows from investing activities		
Dividend received	265,615	94,239
Interest received	41,235	27,912
Proceeds from disposal of interests in subsidiaries, net of cash disposed of	50	–
Proceeds from sale of assets held for sale, net of cash disposed of	205,690	22,894
Proceeds from disposal of interests in joint ventures and associate	–	584
Proceeds from sale of property, plant and equipment	17,885	11,567
Proceeds from sale of intangible assets	337	54
Proceeds from disposal of other financial assets	194,683	223,117
Proceeds from call option premium	–	4,330
Proceeds from prior year's disposal of joint ventures	53,081	–
Loan repayment from related parties	75,744	15,784
Loan to related parties	(213)	(4,464)
Non-trade balances with related corporations, net of repayment	(15,223)	(1,622)
Acquisition of subsidiaries, net of cash acquired (Note 34)	(3,287)	(71,520)

Consolidated Statement of Cash Flows

Year ended December 31, 2017

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

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

APPENDIX IV
AUDITED FINANCIAL STATEMENTS OF
SEMBCORP FINANCIAL SERVICES PTE. LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The information contained in this Appendix has been extracted from the financial statements of Sembcorp Financial Services Pte. Ltd. for the financial year ended 31 December 2019 and has not been specifically prepared for inclusion in this Information Memorandum. The financial statements of Sembcorp Financial Services Pte. Ltd. for the financial year ended 31 December 2019 have been prepared in accordance with SFRS(I).



Sembcorp Financial Services Pte Ltd
Registration Number: 200302373G

Annual Report
Year ended December 31, 2019

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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, 2019.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS45 are drawn up so as to give a true and fair view of the financial position of the Company as at December 31, 2019 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
- conditional award of		
- 175,000 Performance Shares to be delivered after 2020 (Note 1a)	Up to 262,500	Up to 262,500
- 230,000 Performance Shares to be delivered after 2021 (Note 1b)	–	Up to 345,000
- grant of award of 41,922 Restricted Shares to be delivered between 2019 to 2022 (Note 2d)	–	31,441

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
Foo Fei Voon		
Sembcorp Industries Ltd		
- ordinary shares	744,519	763,210
- conditional award of		
- 18,000 Restricted Shares to be delivered after 2016 (Note 2a)	7,200	-
- 20,000 Restricted Shares to be delivered after 2017 (Note 2b)	7,866	3,932
- 16,000 Restricted Shares to be delivered after 2018 (Note 2c)	Up to 24,000	6,613
- grant of award of 17,000 Restricted Shares to be delivered between 2019 to 2022 (Note 2d)	-	12,750
Sembcorp Marine Ltd		
- ordinary shares	79,800	79,800
Looi Lee Hwa		
Sembcorp Industries Ltd ("SCI")		
- ordinary shares	9,400 ¹	21,215 ¹
- conditional award of		
- 68,000 Performance Shares to be delivered after 2020 (Note 1a)	Up to 102,000	Up to 102,000
- 73,000 Performance Shares to be delivered after 2021 (Note 1b)	-	Up to 109,500
- grant of award of 47,258 Restricted Shares to be delivered between 2019 to 2022 (Note 2d)	-	35,443

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
(b) Period from 2019 to 2021

¹ Of the 21,215 SCI shares, 9,400 shares are held in the name of OCBC Nominee Bank.

Directors' statement (cont'd)

Directors' interests (cont'd)

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 2015 to 2016

For this period, 7,200 (final release of the 1/3 of 21,600) SCI shares were vested under the award to Foo Fei Voon on 28 March 2019. The 1st and 2nd release of SCI shares have each been vested in 2017 and 2018 respectively.

(b) Period from 2016 to 2017

For this period, 3,934 (2nd release of the 1/3 of 11,800) SCI shares were vested under the award to Foo Fei Voon on 28 March 2019 and the remaining shares will be vested in Year 2020. The 1st release of SCI shares has been vested on 28 March 2018.

(c) Period from 2017 to 2018

For this period, 3,307 (1st release of the 1/3 of 9,920) SCI shares were vested under the award to Foo Fei Voon on 28 March 2019 and the remaining shares will be vested in Year 2020 and 2021.

(d) With effect from FY2019, restricted shares will be granted based on the financial performance and corporate objectives achieved in the preceding year.

Period between 2019 to 2022

In FY2019, 10,481 (1st release of the 1/4 of 41,922), 4,250 (1st release of the 1/4 of 17,000) and 11,815 (1st 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 28 March 2019 respectively and the remaining shares will be vested in Year 2020, 2021 and 2022.

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 27, 2020



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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, 2019, 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 FS45.

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, 2019 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.

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Independent auditors' report (cont'd)

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

Other information

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

We have obtained the 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.

A handwritten signature in black ink, appearing to read 'Koh Wei Peng'.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
February 27, 2020

Balance sheet
As at December 31, 2019

	Note	2019 \$'000	2018 \$'000
Non-current assets			
Long term receivables and prepayments	3	3,778,017	2,977,473
Deferred tax assets	4	969	63
Other financial assets	5	12,191	4,955
Intangible Assets		498	–
		<u>3,791,675</u>	<u>2,982,491</u>
Current assets			
Trade and other receivables	6	995,555	671,190
Other financial assets	5	23,523	33,148
Cash and cash equivalents	7	501,349	75,856
		<u>1,520,427</u>	<u>780,194</u>
Total assets		<u>5,312,102</u>	<u>3,762,685</u>
Share capital	10	15,000	15,000
Other reserves	11	(4,709)	(269)
Revenue reserve		39,240	28,638
Total equity		<u>49,531</u>	<u>43,369</u>
Non-current liabilities			
Other financial liabilities	12	2,938,851	2,426,478
Current liabilities			
Trade and other payables	13	285,330	157,517
Other financial liabilities	12	2,033,639	1,132,242
Current tax payable		4,751	3,079
		<u>2,323,720</u>	<u>1,292,838</u>
Total liabilities		<u>5,262,571</u>	<u>3,719,316</u>
Total equity and liabilities		<u>5,312,102</u>	<u>3,762,685</u>

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

Income statement
Year ended December 31, 2019

	Note	2019 \$'000	2018 \$'000
Revenue	14	141,377	93,309
Cost of sales		(117,215)	(75,154)
Gross profit		<hr/> 24,162	18,155
Other operating expenses		(10,847)	(9,201)
Profit before tax	15	<hr/> 13,315	8,954
Tax expense	16	(2,713)	(1,601)
Profit for the year		<hr/> <hr/> 10,602	7,353

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

Statement of comprehensive income
Year ended December 31, 2019

	2019	2018
	\$'000	\$'000
Profit for the year	10,602	7,353
Items that may be reclassified subsequently to profit or loss:		
Net fair value changes on cash flow hedges	(1,176)	3,939
Fair value changes of cash flow hedges reclassified to profit or loss	(3,249)	(3,047)
Other comprehensive income for the year, net of tax	(4,425)	892
Total comprehensive income for the year	<u>6,177</u>	<u>8,245</u>

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

Statement of changes in equity
Year ended December 31, 2019

	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 changes in equity (cont'd)
Year ended December 31, 2019

	Share capital \$'000	Share- based payment reserve \$'000	Hedging reserve \$'000	Revenue reserve \$'000	Total \$'000
At January 1, 2018	15,000	140	(1,200)	21,285	35,225
Total comprehensive income for the year					
Profit for the year	-	-	-	7,353	7,353
Other comprehensive income, net of tax					
Net fair value changes on cash flow hedges	-	-	3,939	-	3,939
Fair value changes of cash flow hedges reclassified to profit or loss	-	-	(3,047)	-	(3,047)
Total comprehensive income for the year	-	-	892	7,353	8,245
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	-	(81)	-	-	(81)
Treasury shares of immediate holding company transferred to employees	-	(20)	-	-	(20)
Total contributions by and distributions to owner of the Company	-	(101)	-	-	(101)
At December 31, 2018	15,000	39	(308)	28,638	43,369

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

Statement of cash flow
Year ended December 31, 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Profit for the year		10,602	7,353
Adjustments for:			
Fair value of restricted shares expensed/(credited) off		11	(81)
Amortisation of transactions costs		2,497	2,213
Fair value gain on derivative contracts		(1,469)	(12,502)
Tax expense		2,713	1,601
		<u>14,354</u>	<u>(1,416)</u>
Changes in:			
Trade and other receivables		(1,126,386)	(1,029,579)
Trade and other payables		127,680	34,648
Income tax paid		(933)	(26)
Net cash used in operating activities		<u>(985,285)</u>	<u>(996,373)</u>
Cash flows from investing activities			
Acquisition of intangible assets		(498)	-
Net cash used in financing activities		<u>(498)</u>	<u>-</u>
Cash flows from financing activities			
Repayment of borrowings		(626,283)	(208,968)
Proceeds from borrowings		1,595,611	637,639
Increase in restricted cash		(3,800)	-
Net cash from financing activities		<u>965,528</u>	<u>428,671</u>
Net decrease in cash and cash equivalents		(20,255)	(567,702)
Cash and cash equivalents at beginning of year		(1,015,473)	(447,771)
Cash and cash equivalents at end of year	7	<u>(1,035,728)</u>	<u>(1,015,473)</u>
Cash and cash equivalents comprise:			
- Cash and bank balances and fixed deposits		501,349	75,856
- Bank overdrafts	12	(1,532,277)	(1,090,329)
- Restricted bank balances		(4,800)	(1,000)
		<u>(1,035,728)</u>	<u>(1,015,473)</u>

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 27, 2020.

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 2.13.

With effect from January 1, 2019, the Company adopted the new or revised SFRS(I) that are mandatory for application from that date. The adoption of these new or revised SFRS(I) does not have any significant impact on the financial statements.

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 foreign exchange rates at the dates of the transactions. At each reporting date:

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

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

Foreign 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.

2 Summary of significant accounting policies (cont'd)

2.3 Non-derivative financial assets (cont'd)

(v) *Impairment*

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

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.

2 Summary of significant accounting policies (cont'd)

2.3 Non-derivative financial assets (cont'd)

(v) *Impairment (cont'd)*

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.

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 Summary of significant accounting policies (cont'd)

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.

2.5 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.

2 Summary of significant accounting policies (cont'd)

2.5 Hedging activities (cont'd)

Cash flow hedges (cont'd)

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.

Specific policies applicable from January 1, 2019 for 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.

2 Summary of significant accounting policies (cont'd)

2.6 Non-derivative financial liabilities (cont'd)

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.

2.7 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.

2 Summary of significant accounting policies (cont'd)

2.9 Employee benefits (cont'd)

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.

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 probability of achieving the performance conditions in the future. With effect from 2018, the liability takes into account the performance achieved for the year.

2 Summary of significant accounting policies (cont'd)

2.9 Employee benefits (cont'd)

Cash-related compensation benefits (cont'd)

Sembcorp Challenge Bonus (cont'd)

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.

2.11 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.

2 Summary of significant accounting policies (cont'd)

2.11 Tax expense (cont'd)

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.

2.12 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 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.

2 Summary of significant accounting policies (cont'd)

2.13 Significant accounting estimates and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

Fair value measurement (cont'd)

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.

Cash flow hedges

For cash flow hedging relationships directly impacted by IRBR (i.e. hedges of SOR and USD LIBOR), 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, 2019.

2.14 Changes in Accounting Policies

Amendments to SFRS(I) 9 and SFRS(I) 7 Interest Rate Benchmark Reform (IRBR)

The Company applied the IRBR SFRS (I) amendments retrospectively to hedging relationship that existed at January 1, 2019 or were designated thereafter and that are directly affected by IRBR. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IRBR. The reliefs have the effect that IRBR should not generally cause hedge accounting to terminate. The details of the accounting policies and related disclosures are in Note 2.5 and 19.

3 Long term receivables and prepayments

	Note	2019 \$'000	2018 \$'000
Long-term loans due from:			
- immediate holding company	8	145,000	245,000
- related corporations	9	3,630,216	2,727,158
		<u>3,775,216</u>	<u>2,972,158</u>
Prepayments		2,801	5,315
		<u>3,778,017</u>	<u>2,977,473</u>

Prepayments relate to upfront fees charged for facilities of \$1,600,000,000 (2018: \$1,700,000,000) of which \$240,330,000 has been drawn down as at December 31, 2019 (2018: \$535,873,000).

4 Deferred tax assets and liabilities

	At January 1, 2018 \$'000	Recognised in equity (Note 16) \$'000	At December 31, 2018 \$'000	Recognised in equity (Note 16) \$'000	At December 31, 2019 \$'000
Deferred tax assets					
Derivatives	246	(183)	63	906	969

5 Other financial assets

	2019 \$'000	2018 \$'000
<i>Non-current assets</i>		
Interest rate swaps	8,687	4,955
Cross currency swaps designated in cash flow hedges	3,504	—
	<u>12,191</u>	<u>4,955</u>
<i>Current assets</i>		
Interest rate swaps	100	—
Foreign exchange contracts	23,423	32,780
Cross currency swaps designated in cash flow hedges	—	368
	<u>23,523</u>	<u>33,148</u>
Total other financial assets	<u>35,714</u>	<u>38,103</u>

6 Trade and other receivables

	Note	2019 \$'000	2018 \$'000
Other receivables		248	96
Amounts due from:			
- immediate holding company	8	101,425	1,458
- related corporations	9	892,486	668,252
		<u>994,159</u>	<u>669,806</u>
Prepayments		1,396	1,384
		<u>995,555</u>	<u>671,190</u>

Prepayments relate to upfront fees charged for facilities of \$1,600,000,000 (2018: \$1,700,000,000) of which \$240,330,000 has been drawn down as at December 31, 2019 (2018: \$535,873,000).

7 Cash and cash equivalents

	Note	2019 \$'000	2018 \$'000
Cash at bank and in hand		428,349	75,856
Fixed deposits		73,000	-
Cash and cash equivalents in the balance sheet		<u>501,349</u>	<u>75,856</u>
Restricted bank balances		(4,800)	(1,000)
Bank overdrafts*	12	<u>(1,532,277)</u>	<u>(1,090,329)</u>
Cash and cash equivalents in the cash flow statement		<u>(1,035,728)</u>	<u>(1,015,473)</u>

The interest rate per annum of cash and cash equivalents, excluding bank overdrafts of the Company range from 0.25% to 2.75% (2018: 0.25% to 2.05%). Included in this balance is restricted cash of \$4,800,000 (2018: \$1,000,000) and cash placed with a related corporation of \$243,000 (2018: \$2,937,000) respectively.

* 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 1.47% to 2.45% (2018: 0.77% to 2.26%) per annum.

8 Amounts due from/(to) immediate holding company

	Note	2019 \$'000	2018 \$'000
Amount due from:			
- long-term loans	3	<u>145,000</u>	<u>245,000</u>

8 Amounts due from/(to) immediate holding company (cont'd)

	Note	2019 \$'000	2018 \$'000
Amount due from:			
- trade	6	1,425	1,458
- short-term loans		100,000	—
		101,425	1,458
Amount due to:			
- trade	13	(1,396)	(912)

The long-term loans due from immediate holding company bear interest at 3.72% (2018: 3.72% to 3.82%) per annum, are unsecured and repayable from 2020 to 2024 (2018: 2020 to 2024).

9 Amounts due from/(to) related corporations

	Note	2019 \$'000	2018 \$'000
Amount due from:			
- long-term loans	3	3,630,216	2,727,158
Amount due from:			
- trade		46,238	16,712
- short-term loans		846,248	651,540
	6	892,486	668,252
Amount due to:			
- trade		(2,116)	(625)
- short-term loans		(244,559)	(144,108)
	13	(246,675)	(144,733)

The long-term loans due from related corporations bear interest ranging from 2.08% to 4.99% (2018: 1.75% to 4.33%) per annum, are unsecured and are repayable from 2020 to 2026 (2018: 2020 to 2026).

The short-term loans due from related corporations bear interest ranging from 2.33% to 6.5% (2018: 1.97% 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 0.44% to 2.41% (2018: 0.43% to 3.09%) per annum, are unsecured and repayable within the next 12 months.

10 Share capital

	2019 '000	2018 '000
<i>Fully paid ordinary shares, with no par value:</i>		
At January 1 and December 31	15,000	15,000

10 Share capital (cont'd)

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

	2019 \$'000	2018 \$'000
Share-based payment reserve	24	39
Hedging reserve	(4,733)	(308)
	<u>(4,709)</u>	<u>(269)</u>

(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	2019 \$'000	2018 \$'000
<i>Non-current liabilities</i>			
Interest rate swaps		8,899	5,072
Cross currency swaps		1,642	2,263
Interest rate swaps designated in cash flow hedges		4,553	—
Unsecured term loans		2,923,757	2,419,143
		<u>2,938,851</u>	<u>2,426,478</u>
<i>Current liabilities</i>			
Interest rate swaps		100	—
Foreign exchange contracts		21,241	27,627
Bank overdrafts	7	1,532,277	1,090,329
Unsecured term loans		480,021	14,286
		<u>2,033,639</u>	<u>1,132,242</u>
		<u>4,972,490</u>	<u>3,558,720</u>
Total loans and borrowings		4,936,055	3,523,758
Total derivatives		36,435	34,962
Total financial liabilities		<u>4,972,490</u>	<u>3,558,720</u>

12 Other financial liabilities (cont'd)

Terms and debt repayment schedule

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

	2019	2018
Nominal interest rate		
S\$ medium term notes	2.94% – 4.25%	2.94% – 4.25%
S\$ guaranteed bonds	3.55%	–
S\$ floating rate loans	2.23% – 2.84%	1.97% – 3.09%
GBP floating rate loans	–	1.6%
JPY fixed rate loans	0.77%	0.77%
Bank overdrafts	Up to 2.45%	Up to 2.26%
Within 1 year	480,021	14,286
After 1 year but within 5 years	2,574,944	1,769,428
After 5 years	348,813	649,715
Total unsecured loans	<u>3,403,778</u>	<u>2,433,429</u>
Bank overdrafts	1,532,277	1,090,329
Total unsecured loans and bank overdrafts	<u>4,936,055</u>	<u>3,523,758</u>

The Company together with its immediate holding company (the “Issuers”) have established a \$2.5 billion Multicurrency Debt Issuance Programme (the “Programme”). Pursuant to this, the Company, together with other subsidiaries of its immediate holding company (together with the Issuers, the “Issuing Subsidiaries”) may from time to time issue debt under the Programme. The obligations of the Issuing Subsidiaries under the programme will be fully guaranteed by its immediate holding company. At balance sheet date, the Company had issued \$850,000,000 (2018: \$850,000,000) medium term notes.

	Nominal interest rate	Year of issue	Year of maturity	Principal amount	
				2019 S\$'000	2018 S\$'000
S\$ medium term notes	3.7325%	2010	2020	300,000	300,000
S\$ medium term notes	4.25%	2010	2025	100,000	100,000
S\$ medium term notes	3.64%	2013	2024	200,000	200,000
S\$ medium term notes	2.94%	2014	2021	100,000	100,000
S\$ medium term notes	3.593%	2014	2026	150,000	150,000
				<u>850,000</u>	<u>850,000</u>

At balance sheet date, an amount of \$165,000,000 (2018: \$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 are 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.

12 Other financial liabilities (cont'd)

Terms and debt repayment schedule (cont'd)

	Nominal interest rate	Year of issue	Year of maturity	Principal amount	
				2019 S\$'000	2018 S\$'000
S\$ guaranteed bonds	3.55%	2019	2024	1,500,000	–

At balance sheet date, an amount of \$200,000,000 guaranteed bonds was subscribed by a related corporation.

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

	Unsecured term loans \$'000
Balance at January 1, 2018	2,003,399
Changes from financing cash flow:	
Proceeds from borrowings	637,639
Repayment of borrowings	(208,968)
Total changes from financing activity	428,671
Non-cash items:	
Amortisation of transaction costs for loans	1,359
Total liability related – other changes	1,359
Balance at December 31, 2018	2,433,429
Balance at January 1, 2019	2,433,429
Changes from financing cash flow:	
Proceeds from borrowings	1,595,611
Repayment of borrowings	(626,283)
Total changes from financing activity	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

13 Trade and other payables

	Note	2019 \$'000	2018 \$'000
Interest payable to:			
- immediate holding company	8	1,396	910
- related corporations	9	2,116	625
- banks		35,812	10,594
Amounts due to:			
- immediate holding company	8	-	2
- related corporations	9	244,559	144,108
		<u>283,883</u>	<u>156,239</u>
Accrued operating expenses and other payables		1,447	1,278
		<u>285,330</u>	<u>157,517</u>

14 Revenue

	2019 \$'000	2018 \$'000
Interest income		
- immediate holding company	9,217	9,217
- related corporations	124,425	80,947
- banks and financial institutions	7,735	3,145
	<u>141,377</u>	<u>93,309</u>

15 Profit before tax

Profit before tax includes the following:

	2019 \$'000	2018 \$'000
Facility fee charged to a related corporation	(821)	(4)
Staff costs	1,424	978
Share-based payment expenses	11	(81)
Net increase in fair value of financial assets measured at fair value through profit or loss	(1,469)	(12,502)
Exchange loss	3,706	14,160
Amortisation of transaction costs for loans	2,497	2,213
Interest expense:		
- immediate holding company	13,016	8,215
- related corporations	15,578	8,327
- banks and financial institutions	88,621	58,612

16 Tax expense

	2019	2018
	\$'000	\$'000
Current tax expense		
Current year	2,673	1,849
Foreign withholding tax	108	108
Overprovided in prior years	(68)	(356)
	2,713	1,601

Tax recognised in other comprehensive income

	2019			2018		
	Tax		Tax			
	expense/		expense/			
	(benefit)	Net of tax	(benefit)	Net of tax	Net of tax	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Fair value changes on cash flow hedges	(1,417)	241	(1,176)	4,746	(807)	3,939
Fair value changes of cash flow hedges reclassified to profit or loss	(3,914)	665	(3,249)	(3,671)	624	(3,047)
	(5,331)	906	(4,425)	1,075	(183)	892

	2019	2018
	\$'000	\$'000

Reconciliation of effective tax rate

Profit before tax	13,315	8,954
Tax using the Singapore tax rate of 17% (2018: 17%)	2,264	1,522
Non-deductible expenses	426	363
Tax incentives and tax-exempt revenues	(17)	(36)
Foreign withholding tax	108	108
Overprovided in prior years	(68)	(356)
	2,713	1,601

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)

	2019 \$'000	2018 \$'000
Management fees to penultimate holding company	1,940	1,768
Payment on behalf by immediate holding company – payroll costs	420	266

Key management personnel compensation

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

The Company's directors are directors and employees of related corporations and no consideration is paid to the related corporations.

18 Share-based incentive plans

The Company participates in its immediate holding company, Sembcorp Industries Ltd's ("SCI") Performance Share Plan ("SCI PSP 2010") and Restricted Share Plan ("SCI RSP 2010") (collectively, the "2010 Share Plans") which were approved and adopted by the shareholders at an Extraordinary General Meeting of SCI held on April 22, 2010.

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

Ang Kong Hua (Chairman)
 Margaret Lui
 Tan Sri Mohd Hassan Marican
 Nicky Tan Ng Kuang
 Tham Kui Seng

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

The 2010 Share Plans are intended to increase SCI's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling SCI to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of SCI Group.

18 Share-based incentive plans (cont'd)

The 2010 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for shareholders. They provide incentives to high performing senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to SCI Group. Through the 2010 Share Plans, SCI will be able to motivate key senior management and senior executives to continue to strive for SCI Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within SCI Group which align the interests of shareholders, and to improve performance and achieve sustainable growth for SCI Group in the changing business environment. Generally, it is envisaged that the range of performance targets to be set under the SCI PSP 2010 and the SCI RSP 2010 will be different, with the former emphasising stretched or strategic targets aimed at sustaining longer term growth.

While the 2010 Share Plans cater principally to SCI Group executives, we recognised that there are other persons who can make significant contributions to SCI Group through their close working relationship with SCI Group. Such persons include employees of associated companies over which SCI Group has operational control.

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

Other information regarding the 2010 Share Plans is as follows:

Restricted Share Plan

Award granted until 2017

Under SCI RSP 2010, the awards granted up to 2017 were conditional on performance targets set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria for the restricted shares are calibrated based on Return on Total Assets and Group Profit from Operations (both excluding Sembcorp Marine Ltd) for awards granted in 2017.

A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Based on the criteria, restricted shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

A specific number of restricted shares will be awarded at the end of the two-year performance cycle depending on the extent of achievement of the performance conditions established at the onset. There is a further vesting period of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

18 Share-based incentive plans (cont'd)

Award granted from 2019

After comprehensive review of the Group's total remuneration structure, with effect from FY2019, shares will be granted to eligible employees under the SCI RSP 2010 based on financial performance and corporate objectives achieved in the preceding year. The performance criteria for 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 FY2018.

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

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

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees. In 2019 and 2018, the awards granted comprised fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the Singapore Exchange (SGX) over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting (AGM) (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the payment of the share component will receive all of his director's fees for the year (calculated on a pro-rated basis, where applicable) in cash.

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

The managerial participants of SCI Group will be awarded restricted shares under SCI RSP 2010, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Challenge Bonus.

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

18 Share-based incentive plans (cont'd)

Restricted Share Plan (cont'd)

Award granted from 2019 (cont'd)

	2019 \$'000	2018 \$'000
At January 1	11,953	82,607
Conditional restricted shares awarded	3,750	–
Conditional restricted shares lapsed	–	(36,232)
Restricted shares lapsed arising from targets not met	(2,660)	(23,895)
Restricted shares transferred out	11,593	(3,783)
Conditional restricted shares released	(5,963)	(6,744)
At December 31	<u>18,673</u>	<u>11,953</u>

As detailed in the 2018 Annual Report, with effect from 2019, shares will be granted to eligible employees under the SCI RSP 2010 based on financial performance and corporate objectives achieved in the preceding year.

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

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2017 to 2018, 2,386 restricted shares were released in 2019. For awards in relation to the performance period 2016 to 2017, 1,377 (2018: 1,869) restricted shares were released in 2019. For awards in relation to the performance period 2015 to 2016, a total of 2,200 (2018: 3,000) restricted shares were released in 2019. For awards in relation to the performance period 2014 to 2015, no restricted shares were released in 2019 (2018: 1,875).

In 2019, 2,660 (2018: 23,895) restricted shares lapsed from performance targets not met for the performance period 2017 to 2018 (2018: 2016 to 2017).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2019, was 18,673 (2018: 11,953). With the change in the remuneration structure, with effect from 2019 award, 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 18,673 (2018: 10,500) 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 2017 to 2018 (2018: performance period 2016 to 2017), a total of \$1,861 equivalent to 600 (2018: nil) notional restricted shares, were paid and awarded.

Fair value of restricted shares

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

18 Share-based incentive plans (cont'd)

Restricted Share Plan (cont'd)

The fair values of restricted shares granted in 2019 are as follows:

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

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

During the year, the Company charged \$11,000 (2018: reversed \$81,000) to the profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

From 2018 onwards, the fair value of the compensation cost is estimated based on performance achievement for the year.

Fair value of Sembcorp Challenge Bonus

During the year, the Company charged \$500 (2018: reversed \$100) to the profit or loss based on the market values of the shares at the reporting date.

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.

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:

	Carrying amount \$'000	Cash flows			
		Contractual cash flow \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
December 31, 2019					
Derivatives					
Derivative financial asset	(35,714)				
- inflow		979,091	968,811	10,280	-
- outflow		(947,128)	(945,391)	(1,737)	-
Derivative financial liabilities	36,435				
- inflow		841,344	738,358	102,986	-
- outflow		(885,979)	(761,959)	(119,487)	(4,533)
Non-derivative financial liabilities					
Trade and other payables	285,330	(285,330)	(285,330)	-	-
Other financial liabilities	4,936,055	(5,178,736)	(2,088,838)	(2,826,856)	(263,042)
	<u>5,222,106</u>	<u>(5,476,738)</u>	<u>(2,374,349)</u>	<u>(2,834,814)</u>	<u>(267,575)</u>

19 Financial risk management (cont'd)

Liquidity risk (cont'd)

	Carrying amount \$'000	Cash flows			
		Contractual cash flow \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
December 31, 2018					
Derivatives					
Derivative financial asset	(38,103)				
- inflow		1,160,018	1,154,999	325	4,694
- outflow		(1,121,291)	(1,121,291)	-	-
Derivative financial liabilities	34,962				
- inflow		625,897	625,897	-	-
- outflow		(661,476)	(654,141)	(261)	(7,074)
Non-derivative financial liabilities					
Trade and other payables	157,517	(157,517)	(157,517)	-	-
Other financial liabilities	3,523,758	(3,664,460)	(1,137,235)	(1,851,625)	(675,600)
	<u>3,678,134</u>	<u>(3,818,829)</u>	<u>(1,289,288)</u>	<u>(1,851,561)</u>	<u>(677,980)</u>

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

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.

19 Financial risk management (cont'd)

Market risk (cont'd)

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, 2019 is attributable to the interest rate swaps and cross currency swaps to hedge SOR and LIBOR cash flows on the Company's bank loans maturing from 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\$149,667,000 at December 31, 2019.

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, 2019				
Variable rate instruments	78	(78)	14,976	(14,976)
December 31, 2018				
Variable rate instruments	749	(749)	9	(9)

19 Financial risk management (cont'd)

Market risk (cont'd)

Sensitivity analysis (cont'd)

The Company has outstanding interest rate swaps as follows:

	2019	2018
	\$'000	\$'000
Interest rate swaps		
Notional amount	204,952	211,952
Derivative financial assets	8,787	4,955
Notional amount	309,999	216,999
Derivative financial liabilities	<u>(13,552)</u>	<u>(5,072)</u>

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

	2019	2018
	\$'000	\$'000
Interest rate swaps		
Notional amount	204,952	211,952
Derivative financial assets	8,787	4,955
Notional amount	199,999	99,999
Derivative financial liabilities	<u>(8,758)</u>	<u>(2,317)</u>

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, 2019						
Financial assets						
Cash and cash equivalents	128,257	120	17	–	–	40
Trade and other receivables	165,126	134,532	60,439	45,333	–	–
	<u>293,383</u>	<u>134,652</u>	<u>60,456</u>	<u>45,333</u>	<u>–</u>	<u>40</u>
Trade and other payables	(34,471)	(103,086)	–	–	–	–
Other financial liabilities	(131,816)	–	–	–	(100,294)	–
	<u>(166,287)</u>	<u>(103,086)</u>	<u>–</u>	<u>–</u>	<u>(100,294)</u>	<u>–</u>
Net financial assets	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	<u>943</u>	<u>341</u>	<u>382</u>	<u>454</u>	<u>–</u>	<u>40</u>
December 31, 2018						
Financial assets						
Cash and cash equivalents	23,351	2,107	236	–	–	413
Trade and other receivables	181,307	706,685	16,218	44,562	–	–
	<u>204,658</u>	<u>708,792</u>	<u>16,454</u>	<u>44,562</u>	<u>–</u>	<u>413</u>
Trade and other payables	(9,390)	(99,227)	–	–	–	–
Other financial liabilities	(96,924)	(316,352)	–	–	(100,643)	–
	<u>(106,314)</u>	<u>(415,579)</u>	<u>–</u>	<u>–</u>	<u>(100,643)</u>	<u>–</u>
Net financial assets	98,344	293,213	16,454	44,562	(100,643)	413
(Less)/Add: Foreign exchange contracts and Cross currency swaps (net)	(98,021)	(296,653)	(15,868)	(43,820)	100,643	–
Net currency exposure	<u>323</u>	<u>(3,440)</u>	<u>586</u>	<u>742</u>	<u>–</u>	<u>413</u>

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	
	2019	2018
	\$'000	\$'000
- USD	94	32
- GBP	34	(344)
- RMB	38	59
- CLP	45	74
- JPY	—	—
- Others	4	41
	4	41

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

	2019	2018
	\$'000	\$'000
Foreign exchange contracts		
Notional amount	967,415	1,152,830
Derivative financial assets	23,423	32,780
Notional amount	757,586	652,395
Derivative financial liabilities	(21,241)	(27,627)
	(21,241)	(27,627)
Cross currency swaps		
Notional amount	49,667	30,214
Derivative financial assets	3,504	368
Notional amount	100,294	100,643
Derivative financial liabilities	(1,642)	(2,263)
	(1,642)	(2,263)

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

	2019	2018
	\$'000	\$'000
Foreign exchange contracts		
Notional amount	243,691	214,104
Derivative financial assets	9,771	12,583
Notional amount	39,120	21,530
Derivative financial liabilities	(356)	(168)
	(356)	(168)
Cross currency swaps		
Notional amount	100,294	100,643
Derivative financial liabilities	(1,642)	(2,263)
	(1,642)	(2,263)

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 foreign currency and interest rates:

	Rate (\$)	Interest rate (%)	Within 1 year \$'000	Maturity Between 1 to 5 years \$'000	More than 5 years \$'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	-
2018					
Foreign currency and interest rate risk					
Cross currency swaps					
- USD/CLP	676.62	3.07	30,214	-	-

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

	Balance in hedging reserve for continuing hedges \$'000
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)
2018	
Foreign currency and interest rate risk	
Trade and other receivables and trade and other payables	(308)

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 comprehen- -sive income \$'000	Amount reclassified from hedging reserve to profit or loss \$'000	Line item affected in profit or loss because of the reclassi- fication
2019							
Interest rate risk							
Interest rate swap	100,000	SGD100,000	(4,553)	Other financial liabilities	(4,553)	-	Other operating expenses
Foreign currency and interest rate risk							
Cross currency swaps	49,667	CLP25,100,000	3,504	Other financial assets	3,136	(3,914)	Other operating expenses
2018							
Foreign currency and interest rate risk							
Cross currency swaps	30,214	CLP 15,000,000	368	Other financial assets	4,746	(3,671)	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:

	2019 Hedging reserve \$'000	2018 Hedging reserve \$'000
Balance at January 1	(308)	(1,200)
Changes in fair value:		
Foreign currency and interest rate risk	3,136	4,746
Interest rate risk	(4,553)	-
Amount reclassified to profit or loss:		
Foreign currency and interest rate risk	(3,914)	(3,671)
Tax on movements on reserves during the year	906	(183)
Balance at December 31	(4,733)	(308)

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, 2019. 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, 2019	
Derivative financial assets	35,714
Derivative financial liabilities	<u>(36,435)</u>
At December 31, 2018	
Derivative financial assets	38,103
Derivative financial liabilities	<u>(34,962)</u>

*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, 2019	
Long-term receivables	2,049,752
Unsecured term loans	<u>2,049,752</u>
At December 31, 2018	
Long-term receivables	849,740
Unsecured term loans	<u>849,740</u>

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, 2019							
Long-term receivables*	3	—	—	3,775,216	—	3,775,216	3,835,023
Other financial assets	5	32,210	3,504	—	—	35,714	35,714
Other financial liabilities	12	31,882	4,553	—	4,936,055	4,972,490	4,972,490
December 31, 2018							
Long-term receivables*	3	—	—	2,972,158	—	2,972,158	2,971,898
Other financial assets	5	37,735	368	—	—	38,103	38,103
Other financial liabilities	12	34,962	—	—	3,523,758	3,558,720	3,558,801

* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature, frequent repricing 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:

	2019 \$'000	2018 \$'000
Guarantees issued under its banking facilities on behalf of:		
- immediate holding company	941	1,668

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 2019 and 2018.

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.

	2019	2018
	\$'000	\$'000
Revenue		
- Singapore	133,473	89,905
- Others	7,904	3,404
	<u>141,377</u>	<u>93,309</u>

Major customer

Revenue from Sembcorp Industries and its subsidiaries represents approximately 95% (2018: 96%) 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, 2019 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

APPENDIX V
AUDITED FINANCIAL STATEMENTS OF
SEMBCORP FINANCIAL SERVICES PTE. LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The information contained in this Appendix has been extracted from the financial statements of Sembcorp Financial Services Pte. Ltd. for the financial year ended 31 December 2018 and has not been specifically prepared for inclusion in this Information Memorandum. The financial statements of Sembcorp Financial Services Pte. Ltd. for the financial year ended 31 December 2018 have been prepared in accordance with SFRS(I).



Sembcorp Financial Services Pte Ltd
Registration Number: 200302373G

Annual Report
Year ended December 31, 2018

KPMG LLP (Registration No. T08LL1287L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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, 2018.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS49 are drawn up so as to give a true and fair view of the financial position of the Company as at December 31, 2018 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	(Appointed on September 3, 2018)
Foo Fei Voon	
Looi Lee Hwa	(Appointed on June 29, 2018)

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/ date of appointment	Holdings at end of the year
Graham Cockroft		
Sembcorp Industries Ltd		
- conditional award of - 175,000 Performance Shares to be delivered after 2020 (Note 1)		- Up to 262,500

Directors' statement (cont'd)**Directors' interests (cont'd)**

Name of director and corporation in which interests are held	Holdings at beginning of the year/ date of appointment	Holdings at end of the year
Foo Fei Voon		
Sembcorp Industries Ltd		
- ordinary shares	727,553	744,519
- conditional award of		
- 14,000 Restricted Shares to be delivered after 2015 (Note 2a)	5,832	—
- 18,000 Restricted Shares to be delivered after 2016 (Note 2b)	14,400	7,200
- 20,000 Restricted Shares to be delivered after 2017 (Note 2c)	Up to 30,000	7,866
- 16,000 Restricted Shares to be delivered after 2018 (Note 2d)	Up to 24,000	Up to 24,000
Sembcorp Marine Ltd		
- ordinary shares	79,800	79,800
Looi Lee Hwa		
Sembcorp Industries Ltd ("SCI")		
- ordinary shares	9,400 ¹	9,400 ¹
- conditional award of		
- 68,000 Performance Shares to be delivered after 2020 (Note 1)	—	Up to 102,000

¹ 9,400 SCI shares are held in the name of OCBC Nominees Bank

Directors' statement (cont'd)

Directors' interests (cont'd)

Note 1: The actual number to be delivered will depend on the achievement of set targets over a 3-year performance period from 2018 to 2020. Achievement of targets below threshold level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered.

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

(a) Period from 2014 to 2015

For this period, 5,832 SCI shares (final release of the 1/3 of 17,500 shares) were vested under the award to Foo Fei Voon on March 28, 2018. The 1st and 2nd release of SCI shares each have been vested in 2016 & 2017 respectively.

(b) Period from 2015 to 2016

For this period, 7,200 SCI shares (2nd release of the 1/3 of 21,600 shares) were vested under the award to Foo Fei Voon on March 28, 2018 and the remaining shares will be vested in 2019. The 1st release of SCI shares has been vested on March 28, 2017.

(c) Period from 2016 to 2017

For this period, 3,934 SCI shares (1st release of the 1/3 of 11,800 shares) were vested under the award to Foo Fei Voon on March 28, 2018 and the remaining shares will be vested in 2019 and 2020.

(d) Period from 2017 to 2018

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 date of appointment if later, 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)

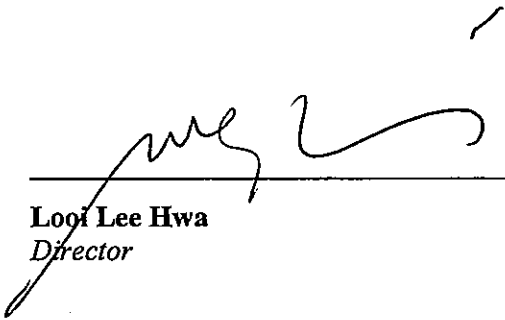
Auditors

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

On behalf of the Board of Directors



Foo Fei Voon
Director



Looi Lee Hwa
Director

February 21, 2019



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, 2018, 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 FS49.

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, 2018 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.



Independent auditors' report (cont'd)

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

Other information

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

We have obtained the 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 Ling Su Min.

KPMG UP
KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
February 21, 2019

Balance sheet
As at December 31, 2018

	Note	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Non-current assets				
Long term receivables and prepayments	3	2,977,473	2,474,642	1,730,754
Deferred tax assets	4	63	246	245
Other financial assets	5	4,955	719	14,719
		<u>2,982,491</u>	<u>2,475,607</u>	<u>1,745,718</u>
Current assets				
Trade and other receivables	6	671,190	145,296	288,046
Other financial assets	5	33,148	17,118	9,362
Cash and cash equivalents	7	75,856	616,093	106,964
		<u>780,194</u>	<u>778,507</u>	<u>404,372</u>
Total assets		<u>3,762,685</u>	<u>3,254,114</u>	<u>2,150,090</u>
Equity				
Share capital	10	15,000	15,000	15,000
Other reserves	11	(269)	(1,060)	(1,070)
Revenue reserve		28,638	21,285	19,044
Total equity		<u>43,369</u>	<u>35,225</u>	<u>32,974</u>
Non-current liabilities				
Other financial liabilities	12	2,426,478	1,995,270	1,085,779
Current liabilities				
Trade and other payables	13	157,517	121,741	56,813
Other financial liabilities	12	1,132,242	1,100,266	972,907
Current tax payable		3,079	1,612	1,617
		<u>1,292,838</u>	<u>1,223,619</u>	<u>1,031,337</u>
Total liabilities		<u>3,719,316</u>	<u>3,218,889</u>	<u>2,117,116</u>
Total equity and liabilities		<u>3,762,685</u>	<u>3,254,114</u>	<u>2,150,090</u>

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

Income statement
Year ended December 31, 2018

	Note	2018 \$'000	2017 \$'000
Revenue	14	93,309	67,550
Cost of sales		(75,154)	(53,988)
Gross profit		<u>18,155</u>	<u>13,562</u>
Other operating expenses		(9,201)	(10,720)
Profit before tax	15	<u>8,954</u>	<u>2,842</u>
Tax expense	16	(1,601)	(601)
Profit for the year		<u>7,353</u>	<u>2,241</u>

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

Statement of comprehensive income
Year ended December 31, 2018

	2018	2017
	\$'000	\$'000
Profit for the year	7,353	2,241
Items that may be reclassified subsequently to profit or loss:		
Net fair value changes on cash flow hedges	3,939	(2,437)
Fair value changes of cash flow hedges reclassified to profit or loss	(3,047)	2,434
Other comprehensive income for the year, net of tax	892	(3)
Total comprehensive income for the year	<u>8,245</u>	<u>2,238</u>

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

Statement of changes in equity
Year ended December 31, 2018

	Share capital \$'000	Share- based payment reserve \$'000	Hedging reserve \$'000	Revenue reserve \$'000	Total \$'000
At January 1, 2018	15,000	140	(1,200)	21,285	35,225
Total comprehensive income for the year					
Profit for the year	-	-	-	7,353	7,353
Other comprehensive income, net of tax					
Net fair value changes on cash flow hedges	-	-	3,939	-	3,939
Fair value changes of cash flow hedges reclassified to profit or loss	-	-	(3,047)	-	(3,047)
Total comprehensive income for the year	-	-	892	7,353	8,245
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	-	(81)	-	-	(81)
Treasury shares of immediate holding company transferred to employees	-	(20)	-	-	(20)
Total contributions by and distributions to owner of the Company	-	(101)	-	-	(101)
At December 31, 2018	15,000	39	(308)	28,638	43,369

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

Statement of changes in equity (cont'd)
Year ended December 31, 2018

	Share capital S'000	Share- based payment reserve S'000	Hedging reserve S'000	Revenue reserve S'000	Total S'000
At January 1, 2017	15,000	127	(1,197)	19,044	32,974
Total comprehensive income for the year					
Profit for the year	-	-	-	2,241	2,241
Other comprehensive income, net of tax					
Net fair value changes on cash flow hedges	-	-	(2,437)	-	(2,437)
Fair value changes of cash flow hedges reclassified to profit or loss	-	-	2,434	-	2,434
Total comprehensive income for the year	-	-	(3)	2,241	2,238
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	-	89	-	-	89
Treasury shares of immediate holding company transferred to employees	-	(76)	-	-	(76)
Total contributions by and distributions to owner of the Company	-	13	-	-	13
At December 31, 2017	15,000	140	(1,200)	21,285	35,225

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

Statement of cash flow
Year ended December 31, 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Profit for the year		7,353	2,241
Adjustments for:			
Fair value of restricted shares (credited)/expensed off		(81)	89
Amortisation of transactions costs		2,213	1,556
Fair value (gain)/loss on derivative contracts		(12,502)	3,259
Tax expense		1,601	601
		(1,416)	7,746
Changes in:			
Trade and other receivables		(1,029,579)	(602,210)
Trade and other payables		34,648	64,804
Income tax paid		(26)	(562)
Net cash used in operating activities		(996,373)	(530,222)
Cash flows from financing activities			
Repayment of borrowings		(208,968)	(195,409)
Proceeds from borrowings		637,639	934,955
Net cash from financing activities		428,671	739,546
Net (decrease)/increase in cash and cash equivalents		(567,702)	209,324
Cash and cash equivalents at beginning of year		(447,771)	(657,095)
Cash and cash equivalents at end of year	7	(1,015,473)	(447,771)
Cash and cash equivalents comprise:			
- Cash and bank balances and fixed deposits		75,856	616,093
- Bank overdrafts	12	(1,090,329)	(1,063,864)
- Restricted bank balances		(1,000)	-
		(1,015,473)	(447,771)

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 21, 2019.

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)). These are the Company’s first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation on the effect of the transition to SFRS(I) and application of SFRS(I) 9 *Financial Instruments* is provided in note 22.

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.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

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 2.13.

With effect from January 1, 2018, the Company adopted the new or revised SFRS(I) that are mandatory for application from that date. The adoption of these new or revised SFRS(I) does not have any significant impact on the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at January 1, 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

2.2 Foreign currency transactions and balances

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

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

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

Foreign 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

Policies applicable from January 1, 2018:

(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.

2 Summary of significant accounting policies (cont'd)

2.3 Non-derivative financial assets (cont'd)

(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.

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.

2 Summary of significant accounting policies (cont'd)

2.3 Non-derivative financial assets (cont'd)

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

Business model assessment (cont'd)

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.

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.

2 Summary of significant accounting policies (cont'd)

2.3 Non-derivative financial assets (cont'd)

(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.

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.

2 Summary of significant accounting policies (cont'd)

2.3 Non-derivative financial assets (cont'd)

(v) *Impairment (cont'd)*

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.

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 Summary of significant accounting policies (cont'd)

2.3 Non-derivative financial assets (cont'd)

Policies applicable before January 1, 2018:

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

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

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

The Company classifies non-derivative financial assets into the category of loans and receivables.

On December 31, 2017 and January 1, 2017, the Company did not hold any financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets.

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, long-term receivables and trade and other receivables, excluding prepayments.

Impairment - financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

2 Summary of significant accounting policies (cont'd)

2.3 Non-derivative financial assets (cont'd)

Impairment - financial assets (cont'd)

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in the profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Reversals of impairment

An impairment loss in respect of receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. The decrease in impairment loss is reversed through profit or loss.

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.

Hedging relationship designated under FRS39 that were still existing as at December 31, 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of SFRS(I) 9.

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)

2.6 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.

2.7 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 Summary of significant accounting policies (cont'd)

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.

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.

2 Summary of significant accounting policies (cont'd)

2.9 Employee benefits (cont'd)

Equity and equity-related compensation benefits (cont'd)

Restricted Share Plan

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 probability of achieving the performance conditions in the future. With effect from 2018, the liability takes into account the performance achieved for the year.

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.

2.11 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.

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.

2 Summary of significant accounting policies (cont'd)

2.11 Tax expense (cont'd)

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.

2.12 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 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.

2 Summary of significant accounting policies (cont'd)

2.13 Significant accounting estimates and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

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.

3 Long term receivables and prepayments

	Note	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Long-term loans due from:				
- immediate holding company	8	245,000	245,000	245,000
- related corporations	9	2,727,158	2,226,421	1,484,364
		<u>2,972,158</u>	<u>2,471,421</u>	<u>1,729,364</u>
Prepayments		5,315	3,221	1,390
		<u>2,977,473</u>	<u>2,474,642</u>	<u>1,730,754</u>

Prepayments relate to upfront fees charged for facilities of \$1,350,000,000 (December 31, 2017: \$1,850,000,000; January 1, 2017: \$1,350,000,000) of which \$188,997,000 has been drawn down as at December 31, 2018 (December 31, 2017: \$905,873,000; January 1, 2017: \$166,000,000).

4 Deferred tax assets and liabilities

	At January 1, 2017 \$'000	Recognised in equity (Note 16) \$'000	At December 31, 2017 \$'000	Recognised in equity (Note 16) \$'000	At December 31, 2018 \$'000
Deferred tax assets					
Derivative liabilities	245	1	246	(183)	63

5 Other financial assets

	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
<i>Non-current assets</i>			
Interest rate swaps	4,955	719	1,435
Cross currency swaps	–	–	13,284
	<u>4,955</u>	<u>719</u>	<u>14,719</u>
<i>Current assets</i>			
Interest rate swaps	–	–	350
Cross currency swaps	–	13,468	–
Foreign exchange contracts	32,780	3,650	9,012
Cross currency swaps designated in cash flow hedges	368	–	–
	<u>33,148</u>	<u>17,118</u>	<u>9,362</u>
Total other financial assets	<u>38,103</u>	<u>17,837</u>	<u>24,081</u>

6 Trade and other receivables

	Note	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Other receivables		96	147	20
Amounts due from:				
- immediate holding company	8	1,458	1,416	1,381
- related corporations	9	668,252	142,537	285,708
		<u>669,806</u>	<u>144,100</u>	<u>287,109</u>
Prepayments		1,384	1,196	937
		<u>671,190</u>	<u>145,296</u>	<u>288,046</u>

Prepayments relate to upfront fees charged for facilities of \$1,350,000,000 (December 31, 2017: \$1,850,000,000; January 1, 2017: \$1,350,000,000) of which \$188,997,000 has been drawn down as at December 31, 2018 (December 31, 2017: \$905,873,000; January 1, 2017: \$166,000,000).

7 Cash and cash equivalents

	Note	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Cash at bank and in hand		75,856	464,191	55,859
Fixed deposits		–	151,902	51,105
Cash and cash equivalents in the balance sheet		75,856	616,093	106,964
Restricted bank balances		(1,000)	–	–
Bank overdrafts*	12	(1,090,329)	(1,063,864)	(764,059)
Cash and cash equivalents in the cash flow statement		(1,015,473)	(447,771)	(657,095)

The interest rate per annum of cash and cash equivalents, excluding bank overdrafts of the Company range from 0.25% to 2.05% (December 31, 2017: 0.25% to 1.25%; January 1, 2017: 0.25% to 0.95%). Included in this balance is restricted cash of \$1,000,000 (December 31, 2017: nil; January 1, 2017: nil) and cash placed with a related corporation of \$2,937,000 (December 31, 2017: \$95,000; January 1, 2017: \$408,000) respectively.

* The Company runs a cash pooling system via a related corporation for Sembcorp Group of companies as part of its cash management and treasury activities. At the end of the year, the Company's bank overdrafts represent the net surplus cash placed with the Company by Sembcorp Group of companies and drawn by the Company as part of the cash pooling system. The cash pooling fund bears interest rates ranging from 0.77% to 2.26% (December 31, 2017: 0.28% to 1.3%; January 1, 2017: 0.05% to 1.45%) per annum.

8 Amounts due from/(to) immediate holding company

	Note	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Amount due from:				
- long-term loans	3	245,000	245,000	245,000
Amount due from:				
- trade	6	1,458	1,416	1,381
Amount due to:				
- trade	13	(912)	(481)	(73)

The long-term loans due from immediate holding company bear interest ranging from 3.72% to 3.82% (December 31, 2017: 3.72% to 3.82%; January 1, 2017: 3.72% to 3.82%) per annum, are unsecured and repayable from 2020 to 2024 (December 31, 2017: 2020 to 2024; January 1, 2017: 2020 to 2024).

9 Amounts due from/(to) related corporations

	Note	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Amount due from:				
- long-term loans	3	2,727,158	2,226,421	1,484,364
Amount due from:				
- trade		16,712	10,387	9,694
- short-term loans		651,540	132,150	276,014
	6	668,252	142,537	285,708
Amount due to:				
- trade		(625)	(294)	(153)
- short-term loans		(144,108)	(111,334)	(48,855)
	13	(144,733)	(111,628)	(49,008)

The long-term loans due from related corporations bear interest ranging from 1.75% to 4.33% (December 31, 2017: 1.65% to 6.5%; January 1, 2017: 1.22% to 6.50%) per annum, are unsecured and are repayable from 2020 to 2026 (December 31, 2017: 2019 to 2026; January 1, 2017: 2018 to 2026).

The short-term loans due from related corporations bear interest ranging from 1.97% to 6.5% (December 31, 2017: 1.37% to 6.5%; January 1, 2017: 1.21% 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 0.43% to 3.09% (December 31, 2017: 0.1% to 1.45%; January 1, 2017: 0.06% to 0.71%) per annum, are unsecured and repayable within the next 12 months.

10 Share capital

	2018 No. of shares '000	2017 '000
<i>Fully paid ordinary shares, with no par value:</i>		
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

	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Share-based payment reserve	39	140	127
Hedging reserve	(308)	(1,200)	(1,197)
	(269)	(1,060)	(1,070)

11 Other reserves (cont'd)

(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 immediate 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	December 31, 2018 S'000	December 31, 2017 S'000	January 1, 2017 S'000
<i>Non-current liabilities</i>				
Interest rate swaps		5,072	719	1,435
Cross currency swaps		2,263	7,097	14,082
Cross currency swaps designated in cash flow hedges		–	4,378	1,442
Unsecured term loans		2,419,143	1,983,076	1,068,820
		<u>2,426,478</u>	<u>1,995,270</u>	<u>1,085,779</u>
<i>Current liabilities</i>				
Interest rate swaps		–	–	350
Foreign exchange contracts		27,627	2,610	13,945
Cross currency swaps		–	13,469	–
Bank overdrafts	7	1,090,329	1,063,864	764,059
Unsecured term loans		14,286	20,323	194,553
		<u>1,132,242</u>	<u>1,100,266</u>	<u>972,907</u>
		<u>3,558,720</u>	<u>3,095,536</u>	<u>2,058,686</u>
Total loans and borrowings		3,523,758	3,067,263	2,027,432
Total derivatives		34,962	28,273	31,254
Total financial liabilities		<u>3,558,720</u>	<u>3,095,536</u>	<u>2,058,686</u>

12 Other financial liabilities (cont'd)

Terms and debt repayment schedule

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

	December 31, 2018	December 31, 2017	January 1, 2017
Nominal interest rate			
S\$ medium term notes	2.94% – 4.25%	2.94% – 4.25%	1.78% – 4.25%
S\$ floating rate loans	1.97% – 3.09%	1.47% – 1.77%	1.31% – 1.85%
GBP floating rate loans	1.6%	–	–
JPY fixed rate loans	0.77%	0.77%	–
Bank overdrafts	Up to 2.26%	Up to 1.30%	Up to 1.45%
Within 1 year	14,286	20,323	194,553
After 1 year but within 5 years	1,769,428	1,338,122	619,140
After 5 years	649,715	644,954	449,680
Total unsecured loans	2,433,429	2,003,399	1,263,373
Bank overdrafts	1,090,329	1,063,864	764,059
Total unsecured loans and bank overdrafts	3,523,758	3,067,263	2,027,432

The Company together with its immediate holding company (the “Issuers”) have established a \$2.5 billion Multicurrency Debt Issuance Programme (the “Programme”). Pursuant to this, the Company, together with other subsidiaries of its immediate holding company (together with the Issuers, the “Issuing Subsidiaries”) may from time to time issue debt under the Programme. The obligations of the Issuing Subsidiaries under the programme will be fully guaranteed by its immediate holding company. At balance sheet date, the Company had issued \$850,000,000 (December 31, 2017: \$850,000,000; January 1, 2017: \$950,000,000) medium term notes.

	Nominal interest rate	Year of issue	Year of maturity	Principal amount		
				December 31, 2018 S\$'000	December 31, 2017 S\$'000	January 1, 2017 S\$'000
	6 month SOR					
S\$ medium term notes	+ 0.55%	2010	2017	–	–	100,000
S\$ medium term notes	3.7325%	2010	2020	300,000	300,000	300,000
S\$ medium term notes	4.25%	2010	2025	100,000	100,000	100,000
S\$ medium term notes	3.64%	2013	2024	200,000	200,000	200,000
S\$ medium term notes	2.94%	2014	2021	100,000	100,000	100,000
S\$ medium term notes	3.593%	2014	2026	150,000	150,000	150,000
				850,000	850,000	950,000

At balance sheet date, an amount of \$165,000,000 (December 31, 2017: \$165,000,000; January 1, 2017: \$165,000,000) medium term notes was subscribed by a related corporation.

12 Other financial liabilities (cont'd)**Terms and debt repayment schedule (cont'd)**

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

	Unsecured term loans S'000
Balance at January 1, 2017	1,263,373
Changes from financing cash flow	
Proceeds from borrowings	934,955
Repayment of borrowings	<u>(195,409)</u>
Total changes from financing activity	739,546
Non-cash items	
Amortisation of transaction costs for loans	<u>480</u>
Total liability related – other changes	480
Balance at December 31, 2017	<u>2,003,399</u>
Balance at January 1, 2018	2,003,399
Changes from financing cash flow	
Proceeds from borrowings	637,639
Repayment of borrowings	<u>(208,968)</u>
Total changes from financing activity	428,671
Non-cash items	
Amortisation of transaction costs for loans	<u>1,359</u>
Total liability related – other changes	1,359
Balance at December 31, 2018	<u>2,433,429</u>

13 Trade and other payables

	Note	December 31, 2018 S'000	December 31, 2017 S'000	January 1, 2017 S'000
Interest payable to:				
- immediate holding company	8	910	479	67
- related corporations	9	625	294	153
- banks		10,594	8,851	7,139
Amounts due to:				
- immediate holding company	8	2	2	6
- related corporations	9	144,108	111,334	48,855
		<u>156,239</u>	<u>120,960</u>	<u>56,220</u>
Accrued operating expenses and other payables		1,278	781	593
		<u>157,517</u>	<u>121,741</u>	<u>56,813</u>

14 Revenue

	2018	2017
	\$'000	\$'000
Interest income		
- immediate holding company	9,217	9,217
- related corporations	80,947	55,218
- banks and financial institutions	3,145	3,115
	93,309	67,550

15 Profit before tax

Profit before tax includes the following:

	2018	2017
	\$'000	\$'000
Facility fee charged to a related corporation	(4)	(73)
Staff costs	978	890
Share-based payment expenses	(81)	89
Net (increase)/decrease in fair value of financial assets measured at fair value through profit or loss	(12,502)	3,259
Exchange loss	14,160	1,739
Amortisation of transaction costs for loans	2,213	1,556
Interest expense:		
- immediate holding company	8,215	2,953
- related corporations	8,327	3,659
- banks and financial institutions	58,612	47,376
	93,309	67,550

16 Tax expense

	2018	2017
	\$'000	\$'000
Current tax expense		
Current year	1,849	701
Foreign withholding tax	108	44
Overprovided in prior years	(356)	(144)
	1,601	601

Tax recognised in other comprehensive income

	2018	Tax	expense/	2017	Tax	expense/
	Before tax	(benefit)	Net of tax	Before tax	(benefit)	Net of tax
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value changes on cash flow hedges	4,746	(807)	3,939	(2,936)	499	(2,437)
Fair value changes of cash flow hedges reclassified to profit or loss	(3,671)	624	(3,047)	2,932	(498)	2,434
	1,075	(183)	892	(4)	1	(3)

16 Tax expense (cont'd)

	2018	2017
	\$'000	\$'000
<i>Reconciliation of effective tax rate</i>		
Profit before tax	8,954	2,842
Tax using the Singapore tax rate of 17% (2017: 17%)	1,522	483
Non-deductible expenses	363	254
Tax incentives and tax-exempt revenues	(36)	(36)
Foreign withholding tax	108	44
Overprovided in prior years	(356)	(144)
	1,601	601

17 Significant related party transactions

Key management personnel compensation

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

The key management personnel compensation is as follows:

	2018	2017
	\$'000	\$'000
Key management remuneration	–	277
Fair value of share-based compensation	–	66
	–	343

For the purpose of the financial statements, parties are considered to be related to the Company if the party has the ability, directly, or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, 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, there are no related party transactions during the year.

18 Share-based incentive plans

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

18 Share-based incentive plans (cont'd)

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

Ang Kong Hua (Chairman)
Margaret Lui
Tan Sri Mohd Hassan Marican
Nicky Tan Ng Kuang
Tham Kui Seng

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

The 2010 Share Plans are intended to increase SCI's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling SCI to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of SCI Group. The 2010 Share Plans will strengthen SCI's competitiveness in attracting and retaining talented key senior management and senior executives.

SCI RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while SCI PSP 2010 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCI RSP 2010 and SCI PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The 2010 Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to SCI. Through the 2010 Share Plans, SCI will be able to motivate key senior management and senior executives to continue to strive for SCI Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within SCI Group which align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for SCI in the changing business environment.

The 2010 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for shareholders. SCI believes that the 2010 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2010 Share Plans cater principally to SCI Group executives, it is recognised that there are other persons who can make significant contributions to SCI Group through their close working relationship with SCI Group. Such persons include employees of associated companies over which SCI has operational control.

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

18 Share-based incentive plans (cont'd)

Restricted Share Plan

Awards granted until 2017

Under the Restricted Share Plan (SCI RSP 2010), the awards granted until 2017 were conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. For awards granted in 2017, the performance criteria for the restricted shares are calibrated based on Return on Total Assets (excluding Sembcorp Marine Ltd) and Group Profit from Operations (excluding Sembcorp Marine Ltd) for awards granted in 2017.

A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Based on the criteria, restricted shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

The managerial participants of SCI Group will be awarded restricted shares under SCI RSP 2010, while the non-managerial participants of SCI Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Challenge Bonus.

A specific number of restricted shares shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting period of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

Awards granted from 2019

After a comprehensive review of the Group's total remuneration structure, with effect from FY 2019, shares will be granted to eligible employees under the SCI RSP 2010 based on financial performance and corporate objectives achieved in preceding year. The performance criteria for FY 2019 restricted shares awards granted are calibrated based on EBITDA and 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 FY 2018.

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

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

18 Share-based incentive plans (cont'd)

Restricted Share Plan (cont'd)

Awards granted from 2019 (cont'd)

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

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Tang Kin Fei, who was the SCI Group President & CEO until March 31, 2017, and who did not receive any directors' fees). In 2017 and 2016, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting ("AGM") (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the payment of the share component will receive all of his director's fees for the year (calculated on a pro-rated basis, where applicable) in cash.

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

	2018 \$'000	2017 \$'000
At January 1	82,607	83,196
Conditional restricted shares awarded	–	27,000
Conditional restricted shares lapsed (Restricted shares lapsed arising from targets not met)/additional restricted shares awarded arising from targets met	(36,232) (23,895)	(6,725) 5,500
Restricted shares transferred out	(3,783)	–
Conditional restricted shares released	(6,744)	(26,364)
At December 31	<u>11,953</u>	<u>82,607</u>

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2016 to 2017, 1,869 restricted shares were released in 2018. For awards in relation to the performance period 2015 to 2016, a total of 3,000 (2017: 11,000) restricted shares were released in 2018. For awards in relation to the performance period 2014 to 2015, a total of 1,875 (2017: 8,334) restricted shares were released in 2018. For awards in relation to the performance period 2013 to 2014, a total of nil (2017: 7,030) restricted shares were released in 2018. The remaining restricted shares were released via the issuance of treasury shares.

18 Share-based incentive plans (cont'd)

Restricted Share Plan (cont'd)

Awards granted from 2019 (cont'd)

In 2018, 23,895 restricted shares lapsed from performance targets not met for the performance period 2016 to 2017. In 2017, 5,500 restricted shares were awarded for the over-achievement of the performance targets for the performance period 2015 to 2016.

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2018, was 11,953 (2017: 82,607). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 7,000 (2017: 54,500). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 10,500 (2017: 81,750) 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 2017 to 2018 (2017: performance period 2015 to 2016), nil (2017: 715) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2018 for the Sembcorp Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2018, was nil (2017: 1,301). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of nil (2017: 1,952).

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 2017 are as follows:

	Fair value of Sembcorp Industries Ltd restricted shares granted on May 15, 2017
Fair value at measurement date	S\$2.81
Assumptions under the Monte Carlo model	
Share price	S\$3.18
Expected volatility:	
Sembcorp Industries Ltd	29.5%
Risk-free interest rate	1.13%-1.34%
Expected dividend	3.56%

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

18 Share-based incentive plans (cont'd)

Restricted Share Plan (cont'd)

Fair value of restricted shares (cont'd)

During the year, the Company reversed \$81,000 (2017: charged \$89,000) to the profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

From 2018 onwards, the fair value of the compensation cost is estimated based on performance achievement for the year.

Fair value of Sembcorp Challenge Bonus

During the year, the Company reversed \$100 (2017: charged \$800) to the profit or loss based on the market values of the shares at the balance sheet date. The fair value of the compensation cost is based on the notional number of restricted shares awarded for Sembcorp Challenge Bonus and the market price at the vesting date.

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)

Liquidity risk (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:

	Carrying amount \$'000	Cash flows			
		Contractual cash flow \$'000	Less than 1 year \$'000	between 1 and 5 years \$'000	Over 5 years \$'000
December 31, 2018					
Derivatives					
Derivative financial asset	(38,103)				
- inflow		1,160,018	1,154,999	325	4,694
- outflow		(1,121,291)	(1,121,291)	-	-
Derivative financial liabilities	34,962				
- inflow		625,897	625,897	-	-
- outflow		(661,476)	(654,141)	(261)	(7,074)
Non-derivative financial liabilities					
Trade and other payables	157,517	(157,517)	(157,517)	-	-
Other financial liabilities	3,523,758	(3,664,460)	(1,137,235)	(1,851,625)	(675,600)
	<u>3,678,134</u>	<u>(3,818,829)</u>	<u>(1,289,288)</u>	<u>(1,851,561)</u>	<u>(677,980)</u>
December 31, 2017					
Derivatives					
Derivative financial asset	(17,837)				
- inflow		260,996	259,886	1,110	-
- outflow		(242,113)	(242,113)	-	-
Derivative financial liabilities	28,273				
- inflow		152,983	152,983	-	-
- outflow		(181,101)	(169,717)	(4,288)	(7,096)
Non-derivative financial liabilities					
Trade and other payables	121,741	(121,741)	(121,741)	-	-
Other financial liabilities	3,067,263	(3,254,027)	(1,085,633)	(1,475,302)	(693,092)
	<u>3,199,440</u>	<u>(3,385,003)</u>	<u>(1,206,335)</u>	<u>(1,478,480)</u>	<u>(700,188)</u>

19 Financial risk management (cont'd)

Liquidity risk (cont'd)

	Carrying amount \$'000	Cash flows			
		Contractual cash flow \$'000	Less than 1 year \$'000	between 1 and 5 years \$'000	Over 5 years \$'000
January 1, 2017					
Derivatives					
Derivative financial asset	(24,081)				
- inflow		379,605	363,855	15,292	458
- outflow		(352,389)	(352,389)	—	—
Derivative financial liabilities	31,254				
- inflow		498,190	498,190	—	—
- outflow		(532,579)	(514,589)	(17,074)	(916)
Non-derivative financial liabilities					
Trade and other payables	56,813	(56,813)	(56,813)	—	—
Other financial liabilities	2,027,432	(2,231,476)	(995,434)	(726,598)	(509,444)
	<u>2,091,418</u>	<u>(2,295,462)</u>	<u>(1,057,180)</u>	<u>(728,380)</u>	<u>(509,902)</u>

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

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.

19 Financial risk management (cont'd)

Market risk (cont'd)

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 manage its interest rate exposure, where applicable.

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 S'000	100 bp Decrease S'000	100 bp Increase S'000	100 bp Decrease S'000
December 31, 2018				
Variable rate instruments	749	(749)	9	(9)
December 31, 2017				
Variable rate instruments	2,225	(2,225)	350	(350)

The Company has outstanding interest rate swaps as follows:

	December 31, 2018 S'000	December 31, 2017 S'000	January 1, 2017 S'000
Interest rate swaps			
Notional amount	211,952	27,000	105,278
Derivative financial assets	4,955	719	1,785
Notional amount	216,999	27,000	105,278
Derivative financial liabilities	(5,072)	(719)	(1,785)

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

	December 31, 2018 S'000	December 31, 2017 S'000	January 1, 2017 S'000
Interest rate swaps			
Notional amount	211,952	27,000	89,639
Derivative financial assets	4,955	719	1,536
Notional amount	99,999	-	47,779
Derivative financial liabilities	(2,317)	-	(633)

19 Financial risk management (cont'd)

Market risk (cont'd)

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.

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, 2018						
Financial assets						
Cash and cash equivalents	23,351	2,107	236	–	–	413
Trade and other receivables	181,307	706,685	16,218	44,562	–	–
	<u>204,658</u>	<u>708,792</u>	<u>16,454</u>	<u>44,562</u>	<u>–</u>	<u>413</u>
Trade and other payables	(9,390)	(99,227)	–	–	–	–
Other financial liabilities	(96,924)	(316,352)	–	–	(100,643)	–
	<u>(106,314)</u>	<u>(415,579)</u>	<u>–</u>	<u>–</u>	<u>(100,643)</u>	<u>–</u>
Net financial assets	98,344	293,213	16,454	44,562	(100,643)	413
(Less)/Add: Foreign exchange contracts and Cross currency Swaps (net)	(98,021)	(296,653)	(15,868)	(43,820)	100,643	–
Net currency exposure	<u>323</u>	<u>(3,440)</u>	<u>586</u>	<u>742</u>	<u>–</u>	<u>413</u>
December 31, 2017						
Financial assets						
Cash and cash equivalents	93,250	99,127	24	–	–	13
Trade and other receivables	107,393	–	14,738	37,596	–	–
	<u>200,643</u>	<u>99,127</u>	<u>14,762</u>	<u>37,596</u>	<u>–</u>	<u>13</u>
Financial liabilities						
Trade and other payables	–	(105,268)	(6,080)	–	–	–
Other financial liabilities	(131,766)	–	–	–	(96,026)	–
	<u>(131,766)</u>	<u>(105,268)</u>	<u>(6,080)</u>	<u>–</u>	<u>(96,026)</u>	<u>–</u>
Net financial assets	68,877	(6,141)	8,682	37,596	(96,026)	13
(Less)/Add: Foreign exchange contracts and Cross currency Swaps (net)	(67,780)	6,162	(8,393)	(34,317)	99,999	–
Net currency exposure	<u>1,097</u>	<u>21</u>	<u>289</u>	<u>3,279</u>	<u>3,973</u>	<u>13</u>

19 Financial risk management (cont'd)

Market risk (cont'd)

Foreign currency risk (cont'd)

	USD \$'000	GBP \$'000	RMB \$'000	CLP \$'000	JPY \$'000	Others \$'000
January 1, 2017						
Financial assets						
Cash and cash equivalents	60,411	48	301	-	-	13
Trade and other receivables	92,135	-	50,494	32,370	-	479
	<u>152,546</u>	<u>48</u>	<u>50,795</u>	<u>32,370</u>	<u>-</u>	<u>492</u>
Financial liabilities						
Trade and other payables	-	(48,901)	-	-	-	-
Other financial liabilities	(106,186)	-	-	-	-	-
	<u>(106,186)</u>	<u>(48,901)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net financial assets	46,360	(48,853)	50,795	32,370	-	492
(Less)/Add: Foreign exchange contracts and Cross currency Swaps (net)	(44,322)	48,713	(49,494)	(32,073)	99,999*	-
Net currency exposure	<u>2,038</u>	<u>(140)</u>	<u>1,301</u>	<u>297</u>	<u>99,999*</u>	<u>492</u>

* This Cross currency swap is intended to hedge a Japanese Yen denominated term loan of \$99,999,000 in 2017. The term loan was drawn down in January 2017.

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		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
- USD	32	110	204
- GBP	(344)	2	(14)
- RMB	59	29	130
- CLP	74	328	30
- JPY	-	397	10,000
- Others	41	1	49
	<u>41</u>	<u>1</u>	<u>49</u>

19 Financial risk management (cont'd)

Market risk (cont'd)

Foreign currency risk (cont'd)

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

	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Foreign exchange contracts			
Notional amount	1,152,830	244,427	352,769
Derivative financial assets	32,780	3,650	9,012
Notional amount	652,395	154,006	499,709
Derivative financial liabilities	(27,627)	(2,610)	(13,945)
Cross currency swaps			
Notional amount	30,214	333,758	333,758
Derivative financial assets	368	13,468	13,284
Notional amount	100,643	463,375	465,830
Derivative financial liabilities	(2,263)	(24,944)	(15,524)

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

	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Foreign exchange contracts			
Notional amount	214,104	110,510	309,683
Derivative financial assets	12,583	2,043	7,910
Notional amount	21,530	78,643	99,994
Derivative financial liabilities	(168)	(755)	(4,970)
Cross currency swaps			
Notional amount	–	239,608	239,608
Derivative financial assets	–	9,599	9,474
Notional amount	100,643	433,757	433,757
Derivative financial liabilities	(2,263)	(20,565)	(13,742)

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 December 31, 2018, the Company held the following instruments to hedge exposures to changes in foreign currency and interest rates:

	Within 1 year
Foreign currency and interest rate risk	
Cross currency swaps	
- Net exposure of nominal amount (\$'000)	30,214
- Average CLP:USD forward contract rate	676.62
- Average fixed CLP interest rate	6.04%
- Average floating USD interest rate	3.07%

The amounts at December 31, 2018 relating to items designated as hedged items were as follows:

	Balance in hedging reserve for continuing hedges 2018 \$'000
Foreign currency and interest rate risk	
Trade and other receivables and trade and other payables	(308)

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

			<u>Carrying Amount</u>				
Nominal Amount \$'000	Quantity '000	Assets \$'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 reclassi- fication	Other operating expenses
Foreign currency and interest rate risk							
Cross currency swaps							
30,214	15,000,000	368	Other financial assets	4,746	(3,671)		

19 Financial risk management (cont'd)

Cash flow hedges (cont'd)

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:

	2018 Hedging reserve \$'000
Balance at January 1	(1,200)
Changes in fair value:	
Foreign currency and interest rate risk	4,746
Amount reclassified to profit or loss:	
Foreign currency and interest rate risk	(3,671)
Tax on movements on reserves during the year	(183)
Balance at December 31	(308)

Comparative information under FRS 39

Foreign currency and interest rate risk

At December 31, 2017, the Company had cross currency swaps with the notional amount of \$29,618,000 (January 1, 2017: \$32,073,000).

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.

19 Financial risk management (cont'd)

Estimation of fair values (cont'd)

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, 2018. 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, 2018	
Derivative financial assets	38,103
Derivative financial liabilities	<u>(34,962)</u>
At December 31, 2017	
Derivative financial assets	17,837
Derivative financial liabilities	<u>(28,273)</u>
At January 1, 2017	
Derivative financial assets	24,081
Derivative financial liabilities	<u>(31,254)</u>

*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, 2018	
Long-term receivables	849,740
Unsecured term loans	<u>849,740</u>
At December 31, 2017	
Long-term receivables	871,342
Unsecured term loans	<u>871,342</u>
At January 1, 2017	
Long-term receivables	828,698
Unsecured term loans	<u>828,698</u>

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

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 date are as follows:

	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, 2018							
Cash and cash equivalents	7	-	-	75,856	-	75,856	75,856
Long-term receivables*	3	-	-	2,972,158	-	2,972,158	2,971,898
Trade and other receivables*	6	-	-	669,806	-	669,806	669,806
Other financial assets	5	37,735	368	-	-	38,103	38,103
		<u>37,735</u>	<u>368</u>	<u>3,717,820</u>	<u>-</u>	<u>3,755,923</u>	<u>3,755,663</u>
Trade and other payables	13	-	-	-	157,517	157,517	157,517
Other financial liabilities	12	34,962	-	-	3,523,758	3,558,720	3,558,801
		<u>34,962</u>	<u>-</u>	<u>-</u>	<u>3,681,275</u>	<u>3,716,237</u>	<u>3,716,318</u>

19 Financial risk management (cont'd)

Fair value versus carrying amounts (cont'd)

	Note	Designated at fair value \$'000	Fair value- hedging instruments \$'000	Loans and receivables \$'000	Other financial liabilities within the scope of FRS 39 \$'000	Total carrying value \$'000	Fair value \$'000
December 31, 2017							
Cash and cash equivalents	7	-	-	616,093	-	616,093	616,093
Long-term receivables*	3	-	-	2,471,421	-	2,471,421	2,491,228
Trade and other receivables*	6	-	-	144,100	-	144,100	144,100
Other financial assets	5	17,837	-	-	-	17,837	17,837
		17,837	-	3,231,614	-	3,249,451	3,269,258
January 1, 2017							
Trade and other payables	13	-	-	-	121,741	121,741	121,741
Other financial liabilities	12	23,895	4,378	-	3,067,263	3,095,536	3,117,929
		23,895	4,378	-	3,189,004	3,217,277	3,239,670
January 1, 2017							
Cash and cash equivalents	7	-	-	106,964	-	106,964	106,964
Long-term receivables*	3	-	-	1,729,364	-	1,729,364	1,708,565
Trade and other receivables*	6	-	-	287,109	-	287,109	287,109
Other financial assets	5	24,081	-	-	-	24,081	24,081
		24,081	-	2,123,437	-	2,147,518	2,126,719
January 1, 2017							
Trade and other payables	13	-	-	-	56,813	56,813	56,813
Other financial liabilities	12	29,812	1,442	-	2,027,432	2,058,686	2,037,888
		29,812	1,442	-	2,084,245	2,115,499	2,094,701

* Excludes prepayments.

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 compliance of this loan covenant at the reporting date.

20 Contingent liabilities

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

	2018 \$'000	2017 \$'000
Guarantees issued under its banking facilities on behalf of:		
- immediate holding company	1,668	880

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 2018 and 2017.

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.

	2018	2017
	\$'000	\$'000
Revenue		
- Singapore	89,905	64,246
- Others	3,404	3,304
	93,309	67,550

Major customer

Revenue from Sembcorp Industries and its subsidiaries represents approximately 96% (2017: 95%) of the Company's total revenue.

22 Explanation of transition to SFRS(I) and adoption of new standards

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at December 31, 2017 that are applicable for annual period beginning on January 1, 2018.

As stated in note 2.1, these are the first financial statements of the Company prepared in accordance with SFRS(I).

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended December 31, 2018, the comparative information presented in these financial statements for the year ended December 31, 2017 and in the preparation of the opening SFRS(I) balance sheet at January 1, 2017 (the Company's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

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

22 Explanation of transition to SFRS(I) and adoption of new standards (cont'd)

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

The application of the above standards and interpretations do not have material effect on the financial statements, except for SFRS(I) 9.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 have affected the Company's financial statements is set out below.

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

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

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Company adopted SFRS(I) 9 from January 1, 2018. In accordance with the exemption in SFRS(I) 1, the Company elected not to restate information for 2017.

The application of the requirements of SFRS(I) 9 does not have any significant impact on the financial statements, except for the financial assets which were previously classified as loans and receivables under FRS 39, are now classified as financial assets measured at amortised cost under SFRS(I) 9.

22 Explanation of transition to SFRS(I) and adoption of new standards (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

The Company has elected to adopt the new general hedge accounting model in SFRS(I) 9. This requires the Company to ensure that the hedging relationship are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assess hedge effectiveness. These new hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 Financial Instruments: Recognition and Measurement at December 31, 2017 met the criteria for hedge accounting under SFRS(I) 9 at January 1, 2018 and therefore were regarded as continuing hedging relationships.

The adoption of the other new or revised SFRS(I) that are mandatory for application from January 1, 2018, does not have a significant impact on the financial statements.

23 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, 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

APPENDIX VI
AUDITED FINANCIAL STATEMENTS OF
SEMBCORP FINANCIAL SERVICES PTE. LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The information contained in this Appendix has been extracted from the financial statements of Sembcorp Financial Services Pte. Ltd. for the financial year ended 31 December 2017 and has not been specifically prepared for inclusion in this Information Memorandum. The financial statements of Sembcorp Financial Services Pte. Ltd. for the financial year ended 31 December 2017 have been prepared in accordance with SFRS(I) and IFRS.



Sembcorp Financial Services Pte Ltd
Registration Number: 200302373G

Annual Report
Year ended 31 December 2017

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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 31 December 2017.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS40 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2017 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; 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:

Koh Chiap Khiong
Quek Hong Liat
Foo Fei Voon

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
Koh Chiap Khiong		
Sembcorp Industries Ltd		
- ordinary shares	423,649 ¹	509,433 ²

¹ Koh Chiap Khiong is deemed to be interested in 345,615 ordinary shares which are held in the name of a nominee bank and the remaining shares are held in his own name.

² Koh Chiap Khiong is deemed to be interested in 485,615 ordinary shares which are held in the name of nominee banks and the remaining shares are held in his own name.

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
Koh Chiap Khiong (cont'd)		
Sembcorp Industries Ltd		
- conditional award of		
- 75,000 Performance Shares to be delivered after 2016 (Note 1a)	Up to 112,500	–
- 105,000 Performance Shares to be delivered after 2017 (Note 1b)	Up to 157,500	Up to 157,500
- 133,000 Performance Shares to be delivered after 2018 (Note 1c)	Up to 199,500	Up to 199,500
- 100,000 Performance Shares to be delivered after 2019 (Note 1d)	–	Up to 150,000
- 65,000 Restricted Shares to be delivered after 2014 (Note 2a)	24,700	–
- 65,000 Restricted Shares to be delivered after 2015 (Note 2b)	54,166	27,082
- 85,000 Restricted Shares to be delivered after 2016 (Note 2c)	Up to 127,500	68,000
- 96,000 Restricted Shares to be delivered after 2017 (Note 2d)	Up to 144,000	Up to 144,000
- 100,000 Restricted Shares to be delivered after 2018 (Note 2e)	–	Up to 150,000
	<u>Principal amount</u>	<u>Principal amount</u>
- Subordinated Perpetual Securities issued on 21 Aug 2013 under the \$2.5 Billion Multicurrency Debt Issuance Programme (Note 3)	\$250,000	\$250,000
Sembcorp Marine Ltd		
- ordinary shares	82,400 ³	123,200 ⁴
Quek Hong Liat		
Sembcorp Industries Ltd		
- ordinary shares	281,309	321,209
- conditional award of		
- 30,000 Restricted Shares to be delivered after 2014 (Note 2a)	11,400	–
- 30,000 Restricted Shares to be delivered after 2015 (Note 2b)	25,000	12,500

³ Koh Chiap Khiong is deemed to be interested in 21,400 ordinary shares which are held in the name of a nominee bank and the remaining shares are held in his own name.

⁴ Koh Chiap Khiong is deemed to be interested in 71,400 ordinary shares which are held in the name of nominee banks and the remaining shares are held in his own name.

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
Quek Hong Liat (cont'd)		
Sembcorp Industries Ltd		
- 40,000 Restricted Shares to be delivered after 2016 (Note 2c)	Up to 60,000	32,000
- 44,000 Restricted Shares to be delivered after 2017 (Note 2d)	Up to 66,000	Up to 66,000
- 45,000 Restricted Shares to be delivered after 2018 (Note 2e)	—	Up to 67,500
	<u>Principal amount</u>	<u>Principal amount</u>
- Subordinated Perpetual Securities issued on 21 Aug 2013 under the \$2.5 Billion Multicurrency Debt Issuance Programme (Note 3)	\$250,000	\$250,000
Sembcorp Marine Ltd		
- ordinary shares	50,000	30,000
Foo Fei Voon		
Sembcorp Industries Ltd		
- ordinary shares	709,199	727,553
- conditional award of		
- 14,000 Restricted Shares to be delivered after 2014 (Note 2a)	5,320	—
- 14,000 Restricted Shares to be delivered after 2015 (Note 2b)	11,666	5,832
- 18,000 Restricted Shares to be delivered after 2016 (Note 2c)	Up to 27,000	14,400
- 20,000 Restricted Shares to be delivered after 2017 (Note 2d)	Up to 30,000	Up to 30,000
- 16,000 Restricted Shares to be delivered after 2018 (Note 2e)	—	Up to 24,000
Sembcorp Marine Ltd		
- ordinary shares	79,800	79,800

Directors' Interests (cont'd)

Note 1: The actual number to be 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 2014 to 2016
For this period, no SCI shares were released to Mr Koh Chiap Khiong under the Performance Share Plan scheme as the targets were not met
- (b) Period from 2015 to 2017
- (c) Period from 2016 to 2018
- (d) Period from 2017 to 2019

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

- (a) Period from 2013 to 2014

For this period, 24,700 (final release of the 1/3 of 74,100 shares), 11,400 (final release of the 1/3 of 34,200 shares) and 5,320 (final release of the 1/3 of 15,960 shares) SCI shares were vested under the award to Koh Chiap Khiong, Quek Hong Liat and Foo Fei Voon, respectively, on 28 March 2017. The 1st and 2nd release of SCI shares each have been vested in 2015 and 2016 respectively.

- (b) Period from 2014 to 2015

For this period, 27,084 (2nd release of the 1/3 of 81,250 shares), 12,500 (2nd release of the 1/3 of 37,500 shares) and 5,834 (2nd release of the 1/3 of 17,500 shares) SCI shares were vested under the award to Koh Chiap Khiong, Quek Hong Liat and Foo Fei Voon respectively, on 28 March 2017 and the remaining shares will be vested in 2018. The 1st release of SCI shares each have been vested on 28 March 2016.

- (c) Period from 2015 to 2016

For this period, 34,000 (1st release of the 1/3 of 102,000 shares), 16,000 (1st release of the 1/3 of 48,000 shares) and 7,200 (1st release of the 1/3 of 21,600 shares) SCI shares were vested under the award to Koh Chiap Khiong, Quek Hong Liat and Foo Fei Voon, respectively, on 28 March 2017 and the remaining shares will be vested in 2018 and 2019.

- (d) Period from 2016 to 2017

- (e) Period from 2017 to 2018

Note 3: Subordinated Perpetual Security issued on 21 August 2013 under the \$2.5 Billion Multicurrency Debt Issuance Programme ("MDIP") of Sembcorp Industries Ltd.

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

Share options

During the financial year, there were:

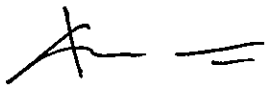
- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

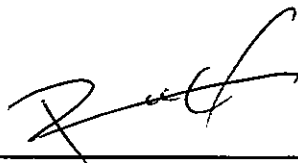
Auditors

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

On behalf of the Board of Directors



Koh Chiap Khiong
Director



Quek Hong Liat
Director

February 22, 2018



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 31 December 2017, 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 FS40.

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 Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 31 December 2017 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.



Independent auditors' report (cont'd)

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

Other information

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

We have obtained the 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 FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the 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.

KPMG LLP
KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
February 22, 2018

Balance sheet
As at 31 December 2017

	Note	2017 \$'000	2016 \$'000
Non-current assets			
Long term receivables and prepayments	3	2,474,642	1,730,754
Deferred tax assets	4	246	245
Other financial assets	5	719	14,719
		<u>2,475,607</u>	<u>1,745,718</u>
Current assets			
Trade and other receivables	6	145,296	288,046
Other financial assets	5	17,118	9,362
Cash and cash equivalents	7	616,093	106,964
		<u>778,507</u>	<u>404,372</u>
Total assets		<u>3,254,114</u>	<u>2,150,090</u>
Equity			
Share capital	10	15,000	15,000
Other reserves	11	(1,060)	(1,070)
Revenue reserve		21,285	19,044
Total equity		<u>35,225</u>	<u>32,974</u>
Non-current liabilities			
Other financial liabilities	12	1,995,270	1,085,779
Current liabilities			
Trade and other payables	13	121,741	56,813
Other financial liabilities	12	1,100,266	972,907
Current tax payable		1,612	1,617
		<u>1,223,619</u>	<u>1,031,337</u>
Total liabilities		<u>3,218,889</u>	<u>2,117,116</u>
Total equity and liabilities		<u>3,254,114</u>	<u>2,150,090</u>

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

Income statement
Year ended 31 December 2017

	Note	2017 S'000	2016 S'000
Revenue	14	67,550	51,442
Cost of sales		(53,988)	(42,273)
Gross profit		13,562	9,169
Other operating income		73	117
Other operating expenses		(10,793)	(7,056)
Profit before tax	15	2,842	2,230
Tax (expense)/credit	16	(601)	54
Profit for the year		2,241	2,284

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

Statement of comprehensive income
Year ended 31 December 2017

	2017	2016
	\$'000	\$'000
Profit for the year	2,241	2,284
Items that may be reclassified subsequently to profit or loss:		
Net fair value changes on cash flow hedges	(2,437)	(1,443)
Fair value changes of cash flow hedges reclassified to profit or loss	2,434	246
Other comprehensive income for the year, net of tax	<u>(3)</u>	<u>(1,197)</u>
Total comprehensive income for the year	<u>2,238</u>	<u>1,087</u>

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

Statement of changes in equity
Year ended 31 December 2017

	Share capital	Share- based payment reserve	Hedging reserve	Revenue reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2017	15,000	127	(1,197)	19,044	32,974
Total comprehensive income for the year					
Profit for the year	—	—	—	2,241	2,241
Other comprehensive income, net of tax					
Net fair value changes on cash flow hedges	—	—	(2,437)	—	(2,437)
Fair value changes of cash flow hedges reclassified to profit or loss	—	—	2,434	—	2,434
Total comprehensive income for the year	—	—	(3)	2,241	2,238
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	—	89	—	—	89
Treasury shares of immediate holding company transferred to employees	—	(76)	—	—	(76)
Total contributions by and distributions to owner of the Company	—	13	—	—	13
At 31 December 2017	15,000	140	(1,200)	21,285	35,225

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

Statement of changes in equity (cont'd)
Year ended 31 December 2017

	Share capital	Share- based payment reserve	Hedging reserve	Revenue reserve	Total										
	\$'000	\$'000	\$'000	\$'000	\$'000										
At 1 January 2016	15,000	95	–	16,760	31,855										
Total comprehensive income for the year															
Profit for the year						–	–	–	2,284	2,284					
Other comprehensive income, net of tax															
Net fair value changes on cash flow hedges											–	–	(1,443)	–	(1,443)
Fair value changes of cash flow hedges reclassified to profit or loss											–	–	246	–	246
Total comprehensive income for the year	–	–	(1,197)	2,284	1,087										
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	–	116	–	–	116										
Treasury shares of immediate holding company transferred to employees	–	(84)	–	–	(84)										
Total contributions by and distributions to owner of the Company	–	32	–	–	32										
At 31 December 2016	<u>15,000</u>	<u>127</u>	<u>(1,197)</u>	<u>19,044</u>	<u>32,974</u>										

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

Statement of cash flow
Year ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Profit for the year		2,241	2,284
Adjustments for:			
Fair value of restricted shares expensed off		89	116
Amortisation of transactions costs		1,556	1,649
Fair value loss on derivative contracts		3,259	3,894
Tax expense/(credit)		601	(54)
		<u>7,746</u>	<u>7,889</u>
Changes in:			
Trade and other receivables		(602,210)	(265,507)
Trade and other payables		64,804	(19,606)
Income tax paid		(562)	(336)
Net cash used in operating activities		<u>(530,222)</u>	<u>(277,560)</u>
Cash flows from financing activities			
Repayment of borrowings		(195,409)	(91,494)
Proceeds from borrowings		934,955	166,000
Net cash from financing activities		<u>739,546</u>	<u>74,506</u>
Net increase/(decrease) in cash and cash equivalents		209,324	(203,054)
Cash and cash equivalents at beginning of year		(657,095)	(454,041)
Cash and cash equivalents at end of year	7	<u>(447,771)</u>	<u>(657,095)</u>
Cash and cash equivalents comprise:			
- Cash and bank balances and fixed deposits		616,093	106,964
- Bank overdrafts	12	(1,063,864)	(764,059)
		<u>(447,771)</u>	<u>(657,095)</u>

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 22, 2018.

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 are prepared in accordance with the Singapore Financial Reporting Standards (“FRS”).

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is discussed in Note 2.13.

With effect from January 1, 2017, the Company adopted the new or revised FRS that are mandatory for application from that date. The adoption of these new or revised FRS does not have any significant impact on the financial statements.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

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

2.2 Foreign currency transactions and balances

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

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

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

Foreign 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 Financial assets

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

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

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

The Company classifies non-derivative financial assets in the category of loans and receivables. The classification depends on the purpose for which the financial assets are acquired or held. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

2 Summary of significant accounting policies (cont'd)

2.3 Financial assets (cont'd)

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents and trade and other receivables (excluding prepayments).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand. Bank overdrafts are shown within interest-bearing borrowings in current liabilities on the balance sheet.

Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

2 Summary of significant accounting policies (cont'd)

2.3 Financial assets (cont'd)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in the profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Reversal of impairment

An impairment loss in respect of financial assets carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. The decrease in impairment loss is reversed through profit or loss.

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. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. The Company currently holds derivative financial instruments to hedge its interest rate and foreign currency exposure.

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.

2.5 Hedging activities

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

2 Summary of significant accounting policies (cont'd)

2.5 Hedging activities (cont'd)

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. If the hedged transaction is no longer expected to take place, the balance in equity is reclassified to profit or loss.

The fair value of forward exchange contracts and interest rate swaps are measured using inputs that are indirectly observable (derived from prices).

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

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

2 Summary of significant accounting policies (cont'd)

2.6 Non-derivative financial liabilities (cont'd)

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

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

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.

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.

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 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.

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.

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.

2.12 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 Summary of significant accounting policies (cont'd)

2.13 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 New or revised accounting standards and interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017, and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Company in future financial periods, management has assessed the transition options and are gathering the detailed analysis and potential impact on its financial statements. The Company does not plan to adopt these standards early.

Applicable to 2018 financial statements

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Company plans to adopt FRS 115 in its financial statements for the year ending December 31, 2018, using the retrospective approach. As a result, the Company will apply all of the requirements of FRS 115 retrospectively and the comparative period presented in the 2018 financial statements will be restated.

Based on the assessment performed, management does not expect significant impact on its financial statements.

FRS 109 Financial Instruments

FRS 109 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of FRS 109 will generally be applied by the Company retrospectively, except as described below.

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

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

2 Summary of significant accounting policies (cont'd)

2.14 New or revised accounting standards and interpretations (cont'd)

FRS 109 Financial Instruments (cont'd)

New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 Financial Instruments: Recognition and Measurement at December 31, 2017 that meet the criteria for hedge accounting under FRS 109 at January 1, 2018 will be regarded as continuing hedging relationships.

Based on the assessment performed, management does not expect significant impact on its financial statements.

Applicable to 2019 financial statements and thereafter

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

Applicable to 2019 financial statements

- FRS 116 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

Applicable to 2021 financial statements

- FRS 104 *Insurance Contracts*

The Company is still in the process of assessing the impact of the new FRSs, amendments to and interpretations of FRSs on the financial statements. Based on the preliminary assessment performed, management does not expect significant impact on its financial statements.

3 Long term receivables and prepayments

	Note	2017 \$'000	2016 \$'000
Long-term loans due from:			
- immediate holding company	8	245,000	245,000
- related corporations	9	2,226,421	1,484,364
Loans and receivables		<u>2,471,421</u>	<u>1,729,364</u>
Prepayments		3,221	1,390
		<u>2,474,642</u>	<u>1,730,754</u>

Prepayments relate to upfront fees charged for facilities of \$1,850,000,000 (2016: \$1,350,000,000) of which \$905,873,000 has been drawn down as at December 31, 2017 (2016: \$166,000,000).

4 Deferred tax assets and liabilities

	At 1 January 2016 \$'000	Recognised in equity (Note 16) \$'000	At 31 December 2016 \$'000	Recognised in equity (Note 16) \$'000	At 31 December 2017 \$'000
Deferred tax assets					
Derivative liabilities	-	245	245	1	246

5 Other financial assets

	2017 \$'000	2016 \$'000
<i>Non-current assets</i>		
Financial assets designated at fair value through profit or loss		
- Interest rate swaps	719	1,435
- Cross currency swaps	-	13,284
	<u>719</u>	<u>14,719</u>
<i>Current assets</i>		
Financial assets designated at fair value through profit or loss		
- Interest rate swaps	-	350
- Cross currency swaps	13,468	-
- Foreign exchange contracts	3,650	9,012
	<u>17,118</u>	<u>9,362</u>
Total other financial assets	<u>17,837</u>	<u>24,081</u>

6 Trade and other receivables

	Note	2017 \$'000	2016 \$'000
Other receivables		147	20
Amounts due from:			
- immediate holding company	8	1,416	1,381
- related corporations	9	142,537	285,708
Loans and receivables		144,100	287,109
Prepayments		1,196	937
		<u>145,296</u>	<u>288,046</u>

Prepayments relate to upfront fees charged for facilities of \$1,850,000,000 (2016: \$1,350,000,000) of which \$905,873,000 has been drawn down as at December 31, 2017 (2016: \$166,000,000).

7 Cash and cash equivalents

	Note	2017 \$'000	2016 \$'000
Cash at bank and in hand		464,191	55,859
Fixed deposits		151,902	51,105
Cash and cash equivalents in the balance sheet		616,093	106,964
Bank overdrafts*	12	(1,063,864)	(764,059)
Cash and cash equivalents in the cash flow statement		<u>(447,771)</u>	<u>(657,095)</u>

The interest rate per annum of cash and cash equivalents, excluding bank overdrafts of the Company range from 0.25% to 1.25% (2016: 0.25% to 0.95%). Included in cash at bank are cash placed with a related corporation of \$95,000 (2016: \$408,000) respectively.

* The Company runs a cash pooling system via a related corporation for Sembcorp Group of companies as part of its cash management and treasury activities. At the end of the year, the Company's bank overdrafts represent the net surplus cash placed with the Company by Sembcorp Group of companies and drawn by the Company as part of the cash pooling system. The cash pooling fund bears interest rates ranging from 0.28% to 1.3% (2016: 0.05% to 1.45%) per annum.

8 Amounts due from/(to) immediate holding company

	Note	2017 \$'000	2016 \$'000
Amount due from:			
- long-term loans	3	<u>245,000</u>	<u>245,000</u>
Amount due from:			
- trade	6	1,416	1,381
Amount due to:			
- trade	13	<u>(481)</u>	<u>(73)</u>

The long-term loans due from immediate holding company bear interest ranging from 3.72% to 3.82% (2016: 3.72% to 3.82%) per annum, are unsecured and repayable from 2020 to 2024 (2016: 2020 to 2024).

9 Amounts due from/(to) related corporations

	Note	2017 \$'000	2016 \$'000
Amount due from:			
- long-term loans	3	<u>2,226,421</u>	<u>1,484,364</u>
Amount due from:			
- trade		10,387	9,694
- short-term loans		<u>132,150</u>	<u>276,014</u>
	6	<u>142,537</u>	<u>285,708</u>
Amount due to:			
- trade		(294)	(153)
- short-term loans		<u>(111,334)</u>	<u>(48,855)</u>
	13	<u>(111,628)</u>	<u>(49,008)</u>

The long-term loans due from related corporations bear interest ranging from 1.65% to 6.5% (2016: 1.22% to 6.50%) per annum, are unsecured and are repayable from 2018 to 2026 (2016: 2018 to 2026).

The short-term loans due from related corporations bear interest ranging from 1.37% to 6.5% (2016: 1.21% to 8.65%) per annum, are unsecured and repayable within the next 12 months.

The short-term loans due to related corporations bear interest ranging from 0.1% to 1.45% (2016: 0.06% to 0.71%) per annum, are unsecured and repayable within the next 12 months.

10 Share capital

	2017	2016
	No. of shares	
	'000	'000
<i>Fully paid ordinary shares, with no par value:</i>		
At 1 January and 31 December	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

	2017	2016
	\$'000	\$'000
Share-based payment reserve	140	127
Hedging reserve	(1,200)	(1,197)
	(1,060)	(1,070)

(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	2017 \$'000	2016 \$'000
<i>Non-current liabilities</i>			
Financial liabilities designated at fair value through profit or loss			
- Interest rate swaps		719	1,435
- Cross currency swaps		7,097	14,082
Cash flow hedges			
- Cross currency swaps		4,378	1,442
Unsecured term loans		1,983,076	1,068,820
		<u>1,995,270</u>	<u>1,085,779</u>
<i>Current liabilities</i>			
Financial liabilities designated at fair value through profit or loss			
- Interest rate swaps		–	350
- Foreign exchange contracts		2,610	13,945
- Cross currency swaps		13,469	–
Bank overdrafts	7	1,063,864	764,059
Unsecured term loans		20,323	194,553
		<u>1,100,266</u>	<u>972,907</u>
		<u>3,095,536</u>	<u>2,058,686</u>
Total loans and borrowings		<u>3,067,263</u>	<u>2,027,432</u>
Total derivatives		<u>28,273</u>	<u>31,254</u>
Total financial liabilities		<u>3,095,536</u>	<u>2,058,686</u>

Terms and debt repayment schedule

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

	2017	2016
Nominal interest rate		
S\$ medium term notes	2.94% – 4.25%	1.78% – 4.25%
S\$ floating rate loans	1.47% – 1.77%	1.31% – 1.85%
JPY fixed rate loans	0.77%	–
Bank overdrafts	Up to 1.30%	Up to 1.45%

	2017 \$'000	2016 \$'000
Within 1 year	20,323	194,553
After 1 year but within 5 years	1,338,122	619,140
After 5 years	644,954	449,680
Total unsecured loans	<u>2,003,399</u>	<u>1,263,373</u>
Bank overdrafts	1,063,864	764,059
Total unsecured loans and bank overdrafts	<u>3,067,263</u>	<u>2,027,432</u>

12 Other financial liabilities (cont'd)

The Company together with its immediate holding company (the “Issuers”) have established a \$2.5 billion Multicurrency Multi-Issuer Debt Issuance Programme (the “Programme”). Pursuant to this, the Company, together with other subsidiaries of its immediate holding company (together with the Issuers, the “Issuing Subsidiaries”) may from time to time issue debt under the Programme. The obligations of the Issuing Subsidiaries under the programme will be fully guaranteed by its immediate holding company. At balance sheet date, the Company had issued \$850,000,000 (2016: \$950,000,000) medium term notes.

	Nominal interest rate	Year of issue	Year of maturity	Principal amount	
				2017 S\$'000	2016 S\$'000
	6 month SOR				
S\$ medium term notes	+ 0.55%	2010	2017	–	100,000
S\$ medium term notes	3.7325%	2010	2020	300,000	300,000
S\$ medium term notes	4.25%	2010	2025	100,000	100,000
S\$ medium term notes	3.64%	2013	2024	200,000	200,000
S\$ medium term notes	2.94%	2014	2021	100,000	100,000
S\$ medium term notes	3.593%	2014	2026	150,000	150,000
				850,000	950,000

At balance sheet date, an amount of \$165,000,000 (2016: \$165,000,000) medium term notes was subscribed by a related corporation.

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

	Unsecured term loans S'000
Balance at January 1, 2017	1,263,373
Changes from financing cash flow	
Proceeds from borrowings	934,955
Repayment of borrowings	(195,409)
Total changes from financing activity	739,546
Non-cash items	
Amortisation of transaction costs for loans	480
Total liability related – other changes	480
Balance at December 31, 2017	2,003,399

13 Trade and other payables

	Note	2017 \$'000	2016 \$'000
Interest payable to:			
- immediate holding company	8	479	67
- related corporations	9	294	153
- banks		8,851	7,139
Amounts due to:			
- immediate holding company	8	2	6
- related corporations	9	111,334	48,855
Trade payables		120,960	56,220
Accrued operating expenses and other payables		781	593
		<u>121,741</u>	<u>56,813</u>

14 Revenue

	2017 \$'000	2016 \$'000
Interest income		
- immediate holding company	9,217	9,248
- related corporations	55,218	40,180
- banks and financial institutions	3,115	2,014
	<u>67,550</u>	<u>51,442</u>

15 Profit before tax

Profit before tax includes the following:

	2017 \$'000	2016 \$'000
Facility fee charged to a related corporation	(73)	(109)
Staff costs	890	702
Share-based payment expenses	89	116
Net decrease in fair value of financial assets measured at fair value through profit or loss	3,259	3,894
Exchange loss/(gain)	1,739	(2,873)
Amortisation of transaction costs for loans	1,556	1,649
Interest expense:		
- immediate holding company	2,953	1,703
- related corporations	3,659	2,907
- banks and financial institutions	47,376	37,663
	<u>47,376</u>	<u>37,663</u>

16 Tax expense/(credit)

	2017	2016
	\$'000	\$'000
Current tax expense/(credit)		
Current year	701	594
Foreign withholding tax	44	124
Overprovided in prior years	(144)	(772)
	601	(54)
	601	(54)

Tax recognised in other comprehensive income

	2017			2016		
	Before tax	Tax expense/ (benefit)	Net of tax	Before tax	Tax expense/ (benefit)	Net of tax
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value changes on cash flow hedges	(2,936)	499	(2,437)	(1,739)	296	(1,443)
Fair value changes of cash flow hedges reclassified to profit or loss	2,932	(498)	2,434	297	(51)	246
	(4)	1	(3)	(1,442)	245	(1,197)
	(4)	1	(3)	(1,442)	245	(1,197)

Reconciliation of effective tax rate

	2017	2016
	\$'000	\$'000
Profit before tax	2,842	2,230
Tax using the Singapore tax rate of 17% (2016: 17%)	483	379
Non-deductible expenses	254	241
Tax incentives and tax-exempt revenues	(36)	(26)
Foreign withholding tax	44	124
Overprovided in prior years	(144)	(772)
	601	(54)
	601	(54)

17 Significant related party transactions

Key management personnel compensation

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

17 Significant related party transactions (cont'd)

The key management personnel compensation is as follows:

	2017	2016
	\$'000	\$'000
Key management remuneration	277	273
Fair value of share-based compensation	66	78
	343	351

For the purpose of the financial statements, parties are considered to be related to the Company if the party has the ability, directly, or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, 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, there are no related party transactions during the year.

18 Share-based incentive plans

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

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

Ang Kong Hua (Chairman)
 Margaret Lui
 Tan Sri Mohd Hassan Marican
 Nicky Tan Ng Kuang

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

The 2010 Share Plans are intended to increase SCI's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling SCI to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of SCI Group. The 2010 Share Plans will strengthen SCI's competitiveness in attracting and retaining talented key senior management and senior executives.

18 Share-based incentive plans (cont'd)

SCI RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while SCI PSP 2010 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCI RSP 2010 and SCI PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The 2010 Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to SCI. Through the 2010 Share Plans, SCI will be able to motivate key senior management and senior executives to continue to strive for SCI Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within SCI Group which align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for SCI in the changing business environment.

The 2010 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for shareholders. SCI believes that the 2010 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2010 Share Plans cater principally to SCI Group executives, it is recognised that there are other persons who can make significant contributions to SCI Group through their close working relationship with SCI Group. Such persons include employees of associated companies over which SCI has operational control.

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

Restricted Share Plan

Under the Restricted Share Plan (SCI RSP 2010), the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria for the restricted shares are calibrated based on Return on Total Assets (excluding Sembcorp Marine Ltd) and Group Profit from Operations (excluding Sembcorp Marine Ltd) for awards granted in 2017.

A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Based on the criteria, restricted shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

The managerial participants of SCI Group will be awarded restricted shares under SCI RSP 2010, while the non-managerial participants of SCI Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Challenge Bonus.

18 Share-based incentive plans (cont'd)

Restricted Share Plan (cont'd)

A specific number of restricted shares shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting period of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

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

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

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Tang Kin Fei, who was the SCI Group President & CEO until March 31, 2017, and who did not receive any directors' fees). In 2017 and 2016, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting ("AGM") (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the payment of the share component will receive all of his director's fees for the year (calculated on a pro-rated basis, where applicable) in cash.

18 Share-based incentive plans (cont'd)

Restricted Share Plan (cont'd)

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

	2017 \$'000	2016 \$'000
At January 1	83,196	70,310
Conditional restricted shares awarded	27,000	32,000
Conditional restricted shares lapsed	(6,725)	–
Additional restricted shares awarded arising from targets met	5,500	5,000
Conditional restricted shares released	(26,364)	(24,114)
At December 31	82,607	83,196

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2016 a total of 11,000 restricted shares were released in 2017. For awards in relation to the performance period 2014 to 2015, a total of 8,334 (2016: 8,334) restricted shares were released in 2017. For awards in relation to the performance period 2013 to 2014, a total of 7,030 (2016: 7,030) restricted shares were released in 2017. For awards in relation to the performance period 2012 to 2013, a total of nil (2016: 8,750) restricted shares were released in 2017. The remaining restricted shares were released via the issuance of treasury shares.

In 2017, an additional 5,500 (2016: 5,000) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2015 to 2016 (2016: performance period 2014 to 2015).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2017, was 82,607 (2016: 83,196). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 54,500 (2016: 59,500). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 81,750 (2016: 89,250) restricted shares.

Sembcorp Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2016 (2016: performance period 2014 to 2015), 715 (2016: 586) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2017 for the Sembcorp Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2017, was 1,301 (2016: 586). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 1,952 (2016: 879).

18 Share-based incentive plans (cont'd)

Fair value of restricted shares

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

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

	Fair value of Sembcorp Industries Ltd restricted shares granted on May 15, 2017	Fair value of Sembcorp Industries Ltd restricted shares granted on May 10, 2016
Fair value at measurement date	S\$2.81	S\$2.26
Assumptions under the Monte Carlo model		
Share price	S\$3.18	S\$2.69
Expected volatility:		
Sembcorp Industries Ltd	29.5%	27.1%
Risk-free interest rate	1.13%-1.34%	0.94%-1.28%
Expected dividend	3.56%	5.95%

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

During the year, the Company charged \$89,000 (2016: \$116,000) to the profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

Fair value of Sembcorp Challenge Bonus

During the year, the Company charged \$800 (2016: S\$900) to the profit or loss based on the market values of the shares at the balance sheet date. The fair value of the compensation cost is based on the notional number of restricted shares awarded for Sembcorp Challenge Bonus and the market price at the vesting date.

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.

19 Financial risk management (cont'd)

Overview (cont'd)

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.

The cash flows associated with the cash flow hedge of the Company are expected to occur between 1 – 5 years. Correspondingly, the cash flows related to the hedging instrument (cross currency swap) that are designated as cash flow hedges are expected to impact profit or loss between 1 – 5 years.

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:

	Carrying amount \$'000	Cash flows			
		Contractual cash flow \$'000	Less than 1 year \$'000	between 1 and 5 years \$'000	Over 5 years \$'000
2017					
Derivatives					
Derivative financial asset	(17,837)				
- inflow		260,996	259,886	1,110	–
- outflow		(242,113)	(242,113)	–	–
Derivative financial liabilities	28,273				
- inflow		152,983	152,983	–	–
- outflow		(181,101)	(169,717)	(4,288)	(7,096)
Non-derivative financial liabilities					
Trade and other payables	121,741	(121,741)	(121,741)	–	–
Other financial liabilities	3,067,263	(3,254,027)	(1,085,633)	(1,475,302)	(693,092)
	<u>3,199,440</u>	<u>(3,385,003)</u>	<u>(1,206,335)</u>	<u>(1,478,480)</u>	<u>(700,188)</u>

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

19 Financial risk management (cont'd)

Liquidity risk (cont'd)

	Carrying amount \$'000	Cash flows			Over 5 years \$'000
		Contractual cash flow \$'000	Less than 1 year \$'000	between 1 and 5 years \$'000	
2016					
Derivatives					
Derivative financial asset	(24,081)				
- inflow		379,605	363,855	15,292	458
- outflow		(352,389)	(352,389)	–	–
Derivative financial liabilities	31,254				
- inflow		498,190	498,190	–	–
- outflow		(532,579)	(514,589)	(17,074)	(916)
Non-derivative financial liabilities					
Trade and other payables	56,813	(56,813)	(56,813)	–	–
Other financial liabilities	2,027,432	(2,231,476)	(995,434)	(726,598)	(509,444)
	<u>2,091,418</u>	<u>(2,295,462)</u>	<u>(1,057,180)</u>	<u>(728,380)</u>	<u>(509,902)</u>

Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under contracts or arrangements.

The Company only deals with pre-approved customers 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.

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.

At balance sheet date, there were no significant concentrations of credit risk, other than approximately 90% (2016: 50%) of total receivables due from related corporations and 9% (2016: 12%) of total receivables due from immediate holding company. Based on historical experience in the collection of amounts due from the related company and immediate holding company, management believes that there is no inherent credit risk.

All financial assets as at balance sheet date are not past due.

19 Financial risk management (cont'd)

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 loan portfolio and debt obligations. 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 manage its interest rate exposure, where applicable.

The Company's variable-rate debt obligations and loan portfolio are exposed to changes in cash flows due to changes in interest rates.

At December 31, 2017, the Company had interest rate swaps and cross currency swaps of which \$29,618,000 (2016: \$32,370,000) was designated as cash flow hedges. The Company receives a variable interest rate and pays a fixed rate interest ranging from 2.96% to 6.04% (2016: 2.74% to 6.04%) per annum on the notional amount.

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
31 December 2017				
Variable rate instruments	2,225	(2,225)	350	(350)
31 December 2016				
Variable rate instruments	3,626	(3,626)	283	(283)

At 31 December, the Company has outstanding interest rate swaps as follows:

	2017 \$'000	2016 \$'000
Interest rate swaps		
Notional amount	27,000	105,278
Derivative financial assets	719	1,785
Notional amount	27,000	105,278
Derivative financial liabilities	(719)	(1,785)

19 Financial risk management (cont'd)

Market risk (cont'd)

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

	2017 \$'000	2016 \$'000
Interest rate swaps		
Notional amount	27,000	89,639
Derivative financial assets	719	1,536
Notional amount	–	47,779
Derivative financial liabilities	–	(633)

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.

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
2017						
Financial assets						
Cash and cash equivalents	93,250	99,127	24	–	–	13
Trade and other receivables	107,393	–	14,738	37,596	–	–
	<u>200,643</u>	<u>99,127</u>	<u>14,762</u>	<u>37,596</u>	<u>–</u>	<u>13</u>
Financial liabilities						
Trade and other payables	–	(105,268)	(6,080)	–	–	–
Other financial liabilities	(131,766)	–	–	–	(96,026)	–
	<u>(131,766)</u>	<u>(105,268)</u>	<u>(6,080)</u>	<u>–</u>	<u>(96,026)</u>	<u>–</u>
Net financial assets (Less)/Add: Foreign exchange contracts and Cross currency Swaps (net)	68,877	(6,141)	8,682	37,596	(96,026)	13
Net currency exposure	<u>(67,780)</u>	<u>6,162</u>	<u>(8,393)</u>	<u>(34,317)</u>	<u>99,999</u>	<u>–</u>
	<u>1,097</u>	<u>21</u>	<u>289</u>	<u>3,279</u>	<u>3,973</u>	<u>13</u>

19 Financial risk management (cont'd)

Market risk (cont'd)

	USD \$'000	GBP \$'000	RMB \$'000	CLP \$'000	JPY \$'000	Others \$'000
2016						
Financial assets						
Cash and cash equivalents	60,411	48	301	-	-	13
Trade and other receivables	92,135	-	50,494	32,370	-	479
	<u>152,546</u>	<u>48</u>	<u>50,795</u>	<u>32,370</u>	<u>-</u>	<u>492</u>
Financial liabilities						
Trade and other payables	-	(48,901)	-	-	-	-
Other financial liabilities	(106,186)	-	-	-	-	-
	<u>(106,186)</u>	<u>(48,901)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net financial assets	46,360	(48,853)	50,795	32,370	-	492
(Less)/Add: Foreign exchange contracts and Cross currency Swaps (net)	(44,322)	48,713	(49,494)	(32,073)	99,999*	-
Net currency exposure	<u>2,038</u>	<u>(140)</u>	<u>1,301</u>	<u>297</u>	<u>99,999*</u>	<u>492</u>

* This Cross currency swap is intended to hedge a Japanese Yen denominated term loan of \$99,999,000 in 2017. The term loan was drawn down in January 2017.

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	
	2017 \$'000	2016 \$'000
- USD	110	204
- GBP	2	(14)
- RMB	29	130
- CLP	328	30
- JPY	397	10,000
- Others	1	49
	<u>1</u>	<u>49</u>

19 Financial risk management (cont'd)

Market risk (cont'd)

At 31 December, the Company has outstanding foreign exchange contracts and cross currency swaps as follows:

	2017	2016
	S'000	S'000
Foreign exchange contracts		
Notional amount	244,427	352,769
Derivative financial assets	3,650	9,012
Notional amount	154,006	499,709
Derivative financial liabilities	(2,610)	(13,945)
	<hr/>	<hr/>
Cross currency swaps		
Notional amount	333,758	333,758
Derivative financial assets	13,468	13,284
Notional amount	463,375	465,830
Derivative financial liabilities	(24,944)	(15,524)
	<hr/>	<hr/>

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

	2017	2016
	S'000	S'000
Foreign exchange contracts		
Notional amount	110,510	309,683
Derivative financial assets	2,043	7,910
Notional amount	78,643	99,994
Derivative financial liabilities	(755)	(4,970)
	<hr/>	<hr/>
Cross currency swaps		
Notional amount	239,608	239,608
Derivative financial assets	9,599	9,474
Notional amount	433,757	433,757
Derivative financial liabilities	(20,565)	(13,742)
	<hr/>	<hr/>

19 Financial risk management (cont'd)

Estimation of fair values

FRS 107 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 FRS 107 are as follows:

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

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 medium term notes 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 31 December 2017. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

	Fair value measurement Level 2 \$'000
At 31 December 2017	
Derivative financial assets	17,837
Derivative financial liabilities	<u>(28,273)</u>
At 31 December 2016	
Derivative financial assets	24,081
Derivative financial liabilities	<u>(31,254)</u>
<i>Financial assets and liabilities not carried at fair value but for which fair values are disclosed*</i>	
	Fair value measurement Level 2 \$'000
At 31 December 2017	
Long-term receivables	871,342
Unsecured term loans	<u>871,342</u>
At 31 December 2016	
Long-term receivables	828,698
Unsecured term loans	<u>828,698</u>

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

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 date are as follows:

	Note	Designated at fair value \$'000	Loans and receivables \$'000	Other financial liabilities within the scope of FRS 39 \$'000	Total carrying value \$'000	Fair value \$'000
2017						
Cash and cash equivalents	7	–	616,093	–	616,093	616,093
Long-term receivables*	3	–	2,471,421	–	2,471,421	2,491,228
Trade and other receivables*	6	–	144,100	–	144,100	144,100
Other financial assets		17,837	–	–	17,837	17,837
		<u>17,837</u>	<u>3,231,614</u>	<u>–</u>	<u>3,249,451</u>	<u>3,269,258</u>
Trade and other payables	13	–	–	121,741	121,741	121,741
Other financial liabilities	12	28,273	–	3,067,263	3,095,536	3,117,929
		<u>28,273</u>	<u>–</u>	<u>3,189,004</u>	<u>3,217,277</u>	<u>3,239,670</u>
2016						
Cash and cash equivalents	7	–	106,964	–	106,964	106,964
Long-term receivables*	3	–	1,729,364	–	1,729,364	1,708,565
Trade and other receivables*	6	–	287,109	–	287,109	287,109
Other financial assets		24,081	–	–	24,081	24,081
		<u>24,081</u>	<u>2,123,437</u>	<u>–</u>	<u>2,147,518</u>	<u>2,126,719</u>
Trade and other payables	13	–	–	56,813	56,813	56,813
Other financial liabilities	12	31,254	–	2,027,432	2,058,686	2,037,888
		<u>31,254</u>	<u>–</u>	<u>2,084,245</u>	<u>2,115,499</u>	<u>2,094,701</u>

* Excludes prepayments.

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.

The Company is not subject to externally imposed capital requirements.

20 **Contingent liabilities**

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

	2017	2016
	\$'000	\$'000
Guarantees issued under its banking facilities on behalf of:		
- immediate holding company	880	797

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 2017 and 2016.

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.

	2017	2016
	\$'000	\$'000
Revenue		
- Singapore	64,246	49,504
- Others	3,304	1,938
	67,550	51,442

Major customer

Revenue from Sembcorp Industries and its subsidiaries represents approximately 95% (2016: 96%) of the Company's total revenue.

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