



SEMBCORP INDUSTRIES LTD
Registration Number: 199802418D

HALF-YEAR ENDED JUNE 30, 2020 FINANCIAL STATEMENTS & DIVIDEND ANNOUNCEMENT

TABLE OF CONTENTS

| <u>Item No</u> | <u>Description</u> | <u>Page</u> |
|-----------------------|--|--------------------|
| 1. | CONSOLIDATED INCOME STATEMENT | 2 |
| 2. | NOTES TO THE CONSOLIDATED INCOME STATEMENT | 3 |
| 3. | CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 8 |
| 4. | SEGMENTAL REPORTING | 9 |
| 5. | BALANCE SHEETS | 14 |
| 6. | STATEMENTS OF CHANGES IN EQUITY | 18 |
| 7. | CONSOLIDATED STATEMENT OF CASH FLOWS | 24 |
| 8. | ACCOUNTING POLICIES | 27 |
| 9. | RELATED PARTIES | 28 |
| 10. | FAIR VALUE MEASUREMENTS | 28 |
| 11. | AUDIT | 30 |
| 12. | AUDITORS' REPORT | 30 |
| 13. | VARIANCE FROM PROSPECT STATEMENT | 30 |
| 14. | PROSPECTS | 31 |
| 15. | OTHER INFORMATION | 32 |
| 16. | DIVIDEND | 32 |
| 17. | INTERESTED PERSON TRANSACTIONS | 33 |
| 18. | CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1) | 35 |
| 19. | CONFIRMATION PURSUANT TO THE RULE 705(5) OF THE LISTING MANUAL | 35 |

UNAUDITED RESULTS FOR THE HALF-YEAR ENDED JUNE 30, 2020

The Board of Directors of Sembcorp Industries Ltd wishes to announce the following unaudited results of the Group for the half-year ended June 30, 2020.

1. CONSOLIDATED INCOME STATEMENT

| | GROUP | | | |
|---|---------------|---------------------|-------------------|-------------|
| | 1H2020 | 1H2019 | + / (-) | |
| <i>(\$ million)</i> | Note | | % | |
| Turnover | 2a | 3,523 | 4,851 | (27) |
| Cost of sales | 2b | <u>(3,363)</u> | <u>(4,319)</u> | (22) |
| Gross profit | | 160 | 532 | (70) |
| General & administrative expenses | 2c | (242) | (234) | 3 |
| Other operating income / (expenses), net | 2d | 109 | 57 | 91 |
| Non-operating income | 2e | 9 | 3 | 200 |
| Non-operating expenses | 2e | (116) | (2) | NM |
| Finance income | 2f | 49 | 67 | (27) |
| Finance costs | 2f | (293) | (289) | 1 |
| Share of results of associates and joint ventures, net of tax | 2g | <u>119</u> | <u>99</u> | 20 |
| (Loss) / Profit before tax | | (205) | 233 | NM |
| Tax credit / (expense) | 2h | <u>4</u> | <u>(34)</u> | NM |
| (Loss) / Profit for the period | | <u>(201)</u> | <u>199</u> | NM |
| Attributable to: | | | | |
| Owners of the Company | | (131) | 191 | NM |
| Non-controlling interests (NCI) | | <u>(70)</u> | <u>8</u> | NM |
| | | <u>(201)</u> | <u>199</u> | NM |
| Earnings per ordinary share (cents) | 2i | | | |
| - basic | | (8.29) | 9.69 | NM |
| - diluted | | <u>(8.29)</u> | <u>9.63</u> | NM |

* denotes amount of less than S\$1 million or less than 1%

NM – Not meaningful

2. NOTES TO THE CONSOLIDATED INCOME STATEMENT

2a. Turnover and disaggregation of revenue

1H2020

(S\$ million)

| | Energy | Marine | Urban | Others / Corporate | Elimination | Total |
|---|--------------|------------|----------|-----------------------|-------------|--------------|
| Turnover | | | | | | |
| External sales | 2,541 | 906 | 6 | 70 | – | 3,523 |
| Inter-segment sales | 9 | – | – | 4 | (13) | – |
| Total | 2,550 | 906 | 6 | 74 | (13) | 3,523 |
| Major product / service lines | | | | | | |
| Provision of energy products and related services (including electricity, gas and steam) | 2,180 | – | – | * | – | 2,180 |
| Provision of water products and related services | 93 | – | – | – | – | 93 |
| Ship and rig repair, building, conversion and related services | – | 882 | – | – | – | 882 |
| Construction and engineering related activities | 128 | – | – | 58 | – | 186 |
| Others | 140 | 12 | 5 | 12 | – | 169 |
| Total revenue from contracts with customers | 2,541 | 894 | 5 | 70 | – | 3,510 |
| Charter hire and rental income | – | 12 | 1 | * | – | 13 |
| Total external sales | 2,541 | 906 | 6 | 70 | – | 3,523 |
| Timing of revenue recognition | | | | | | |
| At a point in time | 3 | 40 | 5 | 12 | – | 60 |
| Over time | 2,538 | 854 | – | 58 | – | 3,450 |
| Total revenue from contracts with customers | 2,541 | 894 | 5 | 70 | – | 3,510 |

1H2019

(S\$ million)

| | Energy | Marine | Urban | Others / Corporate | Elimination | Total |
|---|--------------|--------------|----------|-----------------------|-------------|--------------|
| Turnover | | | | | | |
| External sales | 3,153 | 1,542 | 1 | 155 | – | 4,851 |
| Inter-segment sales | 16 | – | * | 5 | (21) | – |
| Total | 3,169 | 1,542 | 1 | 160 | (21) | 4,851 |
| Major product / service lines | | | | | | |
| Provision of energy products and related services (including electricity, gas and steam) | 2,772 | – | – | – | – | 2,772 |
| Provision of water products and related services | 104 | – | – | – | – | 104 |
| Ship and rig repair, building, conversion and related services | – | 1,523 | – | – | – | 1,523 |
| Construction and engineering related activities | 127 | – | * | 124 | – | 251 |
| Others | 150 | 19 | – | 31 | – | 200 |
| Total revenue from contracts with customers | 3,153 | 1,542 | * | 155 | – | 4,850 |
| Charter hire and rental income | – | – | 1 | – | – | 1 |
| Total external sales | 3,153 | 1,542 | 1 | 155 | – | 4,851 |
| Timing of revenue recognition | | | | | | |
| At a point in time | 4 | 245 | * | 31 | – | 280 |
| Over time | 3,149 | 1,297 | – | 124 | – | 4,570 |
| Total revenue from contracts with customers | 3,153 | 1,542 | * | 155 | – | 4,850 |

In 1H2020, the Group reported a turnover of S\$3,523 million, a decrease by 27% or S\$1,328 million compared to 1H2019. Turnover for the Energy business decreased by 19% to S\$2,541 million and turnover for the Marine business decreased by 41% to S\$906 million.

Energy's 1H2020 turnover of S\$2,541 million was S\$612 million lower than the corresponding period last year. The lower turnover was mainly due to the decrease in energy demand and prices from the reduction in economic activity and lockdowns arising from COVID-19. This adverse impact was mitigated by plants with long-term contracts where revenue is based on plant availability.

Marine's 1H2020 turnover of S\$906 million was lower by S\$636 million compared to 1H2019. The decrease was mainly due to lower revenue recognition from rigs and floaters, mitigated by higher revenue recognition from offshore platforms, specialised shipbuilding as well as repairs & upgrades projects. The lower revenue recognition was also attributable to the adverse impact from the COVID-19 pandemic resulting in delays in the execution and completion of existing projects.

Other Businesses' 1H2020 turnover was lower by S\$85 million mainly due to COVID-19 dormitory lockdowns in Singapore impacting Sembcorp Specialised Construction (SSC) and the absence of turnover from the commercial construction business, post divestment.

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

2b. Cost of sales

| (S\$ million) | Note | GROUP | | |
|--|-------|---------|---------|--------------|
| | | 1H2020 | 1H2019 | + / (-) % |
| Cost of sales | | (3,363) | (4,319) | (22) |
| Included in cost of sales :- | | | | |
| Depreciation and amortisation | (i) | (303) | (325) | 7 |
| Write-down inventory to net realisable value (NRV) | (ii) | (45) | - | NM |
| Write-off of inventory | (iii) | (53) | - | NM |
| Property, plant and equipment written off, net | | (2) | (8) | (75) |

The overall lower cost of sales for 1H2020 corresponded with the lower sales due to the impact of COVID-19 and the reduction in economic activity with lockdowns in multiple markets and delays in the execution and completion of existing projects.

- (i) The lower depreciation and amortisation in 1H2020 compared to 1H2019 was mainly due to lower depreciation from Marine as its fixed assets at Tanjong Kling Yard was fully depreciated in 2019. The decrease was offset by higher depreciation from increased renewables capacity in India and Singapore.
- (ii) In March 2020, the value of Sembcorp's inventory of gasoil reserves in Singapore to fulfil certain regulatory requirements, was written-down by S\$45 million, to its NRV due to the significant decline in energy prices.
- (iii) Subsequently in June, the gasoil stored and managed at Hin Leong Trading (HLT), with net carrying value of S\$53 million, was fully written-off after taking into account the financial positions of HLT reported by the interim judicial manager.

2c. General & administrative expenses

| (S\$ million) | Note | GROUP | | |
|--|------|--------|--------|--------------|
| | | 1H2020 | 1H2019 | + / (-) % |
| General & administrative expenses | | (242) | (234) | 3 |
| Included in general & administrative expenses :- | | | | |
| Depreciation and amortisation | | (14) | (14) | - |
| Allowance for expected credit loss | (i) | (5) | (12) | (58) |
| Fixed assets written off | | * | * | NM |
| Provision for fines and other related provision | (ii) | - | (7) | (100) |

1H2020 general and administrative expenses of S\$242 million was S\$8 million higher than 1H2019. The increase in expenses was mainly due to higher personnel expenses as the Group continued to build and deepen capabilities in new business lines and consultancy costs.

- (i) 1H2019 allowance for expected credit loss was attributed to the Energy business in India and Sirijganj Unit 4 (S4) in Bangladesh arising from an increase in service concession receivables.
- (ii) Provision for fines and other related provision was for an alleged discharge of off-specification wastewater by its overseas wastewater treatment company in Nanjing, China, Sembcorp Nanjing SUIWU (NSS) and the case concluded in February 2020.

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

2d. Other operating income / (expenses), net

| (S\$ million) | Note | GROUP | | |
|--|-------|--------|--------|--------------|
| | | 1H2020 | 1H2019 | + / (-) % |
| Other operating income / (expenses), net | | 109 | 57 | 91 |
| Included in other operating income / (expenses), net : - | | | | |
| Changes in fair value of financial instruments | (i) | (64) | (2) | NM |
| Foreign exchange gain, net | (ii) | 62 | * | NM |
| Grant income | (iii) | 59 | 2 | NM |
| Rental income | | 8 | 10 | (20) |
| Loss on disposal of property, plant & equipment | | * | (1) | NM |
| Loss on disposal of intangible assets | | * | * | NM |
| Other income | (iv) | 44 | 48 | (8) |

- (i) Changes in fair value of financial instruments were mainly from forward foreign exchange contracts, interest rate swaps and cross currency swaps used mainly for managing the Group's foreign currency exposures and interest costs. The corresponding net effects from revaluation of assets and liabilities in foreign currencies were recorded under foreign exchange gain / (loss).
- (ii) Net foreign exchange gain in 1H2020 was mainly due to the revaluation of assets and liabilities denominated in United States dollar (USD) to Singapore dollar (SGD) in the Marine business, partial realisation of the net investment hedge in British Pound post impairment offset by appreciation of USD against Indian Rupee (INR).
- (iii) Grant income in 1H2020 included S\$56 million of government relief measures recognised for COVID-19 of which S\$1 million rent rebate received in Singapore was fully passed on to customers as grant expense. Of the S\$56 million grant income, S\$41 million was for the Marine business.
- (iv) Other income in 1H2020 included India's settlement with customers on late payment of S\$24 million (1H2019: S\$22 million), settlement with vendor of S\$3 million as well as lower sales of scrap in the Marine business. 1H2019 other income also included reversal of S\$7 million accrued renewable maintenance no longer payable upon contract termination.

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

2e. Non-operating income and non-operating expenses

| (S\$ million) | Note | GROUP | | |
|--|-------|--------|--------|--------------|
| | | 1H2020 | 1H2019 | + / (-) % |
| Non-operating income | | 9 | 3 | 200 |
| Non-operating expenses | | (116) | (2) | NM |
| Included in non-operating income :- | | | | |
| Negative goodwill | (i) | 6 | – | NM |
| Gain on disposal of other financial assets | (ii) | 2 | 2 | – |
| Gain on disposal of assets held for sale | | 1 | – | NM |
| Dividend income | | * | * | NM |
| Included in non-operating expenses :- | | | | |
| Impairment on assets reclassified to held for sale | (iii) | (4) | – | NM |
| Change in fair value of other financial assets | | * | (1) | NM |
| Impairment of investment in an associate and a joint venture | (iv) | (111) | – | NM |

- (i) The negative goodwill was recognised for the acquisition of 100% equity interest of Veolia ES Singapore (V ESS), as determined on a provisional basis.
- (ii) These related mainly to gain on disposal of unit trusts and funds.
- (iii) The impairment of S\$4 million was recognised, as the net asset value of the held for sale investment (Chile business) has increased higher than the sale proceeds, which approximates the fair value of the investment. Net of this impairment, there is no profit or loss contribution from Chile.
- (iv) Impairment of S\$111 million in overseas associate and joint venture arose from the current assessment of the recoverable amount of these investments triggered by current global market outlook and low energy prices.

2f Finance income and finance costs

| (S\$ million) | Note | GROUP | | |
|---|------|--------|--------|--------------|
| | | 1H2020 | 1H2019 | + / (-) % |
| Finance income | (i) | 49 | 67 | (27) |
| Finance costs | (ii) | (293) | (289) | 1 |
| Included in finance costs :- | | | | |
| Interest paid and payable to banks and others | | (259) | (263) | (2) |
| Amortisation of capitalised transaction costs | | (7) | (5) | 40 |
| Fair value changes of interest rate swaps | | (10) | (7) | 43 |
| Unwind of discount on restoration costs and financing component from contracts with customers | | (3) | (3) | – |
| Interest expense on lease liabilities | | (14) | (11) | 27 |

- (i) 1H2020 finance income was lower mainly due to lower income from customers on deferred payment arrangement.
- (ii) The overall finance costs in 1H2020 increased mainly due to the increase in amortisation of capitalised transaction costs and interest expenses on lease liabilities. The interest paid and payable to banks and fair value changes of interest rate swaps for 1H2020 is comparable to 1H2019 with the increase in interest costs from the Marine business offset by a reduction in the Energy business.

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

2g. Share of results of associates and joint ventures, net of tax

1H2020 share of results of associates and joint ventures was S\$119 million, S\$20 million higher than S\$99 million reported in 1H2019. The improvement came mainly from Urban's operations in Nanjing, China and better results from Energy Middle East, offset by lower performance from Phu My 3, Vietnam.

2h. Tax credit / (expense)

| (S\$ million) | Note | GROUP | | |
|---|------|--------|--------|--------------|
| | | 1H2020 | 1H2019 | + / (-) % |
| Tax credit / (expense), net | | 4 | (34) | NM |
| Included in tax credit / (expense) :- | | | | |
| Net write-back of tax in respect of prior years | (i) | * | 5 | NM |

The Group's effective tax rate for 1H2020 was 1% compared to 1H2019 of 25%. Excluding the losses from Marine, Sembcorp Cogen and Sembcorp Utilities' impairment of investments, the Group's effective tax rate for 1H2020 was 23%.

Deferred tax assets are recognised only to the extent that it is probable that the related tax benefit will be realised.

(i) 1H2020 tax write-back was mainly on deferred tax while 1H2019 tax write-back of current taxes was mainly from Marine and Sembcorp Cogen.

2i. Earnings per ordinary share

| | Note | GROUP | | |
|---|------|---------|---------|--------------|
| | | 1H2020 | 1H2019 | + / (-) % |
| (i) Based on the weighted average number of shares (in Singapore cents) | | (8.29) | 9.69 | NM |
| - Weighted average number of shares (in million) | | 1,784.6 | 1,786.2 | * |
| (ii) On a fully diluted basis (in Singapore cents) | | (8.29) | 9.63 | NM |
| - Adjusted weighted average number of shares (in million) | (i) | 1,784.6 | 1,796.5 | (1) |

(i) In computing the fully diluted earnings per ordinary shares, the weighted average number of shares was not adjusted for the effects of all dilutive potential ordinary shares as at June 30, 2020 as these potential ordinary shares were antidilutive. The Company has two categories of dilutive potential ordinary shares, performance (PSP) shares and restricted (RSP) shares (see note 6c).

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (S\$ million) | Note | GROUP | |
|---|-------|--------------|------------|
| | | 1H2020 | 1H2019 |
| (Loss) / Profit for the period | | (201) | 199 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences for foreign operations | | 7 | 18 |
| Exchange differences on monetary items forming part of net investment in foreign operation | | (2) | – |
| Net change in fair value of cash flow hedges | (i) | (144) | 8 |
| Net change in fair value of cash flow hedges reclassified to profit or loss | (ii) | * | 4 |
| Share of other comprehensive income of associates and joint ventures | (iii) | (31) | (18) |
| | | (170) | 12 |
| Items that may not be reclassified subsequently to profit or loss: | | | |
| Net change in fair value of financial assets at fair value through other comprehensive income (FVOCI) | | * | (8) |
| Defined benefit plan actuarial gain / (loss) | | * | 4 |
| Other comprehensive (loss) / income for the period, net of tax | | (170) | 8 |
| Total comprehensive (loss) / income for the period | | (371) | 207 |
| Attributable to: | | | |
| Owners of the Company | | (300) | 198 |
| Non-controlling interests | | (71) | 9 |
| Total comprehensive (loss) / income for the period | | (371) | 207 |

3a. Notes to Consolidated Statement of Comprehensive Income

- (i) Fair value changes in 1H2020 were mainly on fuel oil swaps, commodity contracts, forward foreign currency contracts, cross currency swaps and interest rate swaps.
- (ii) These relate to cash flow hedges recognised to profit and loss upon realisation.
- (iii) These relate mainly to share of associates and joint ventures' changes in fair value on interest rate swaps.

4. SEGMENTAL REPORTING

1H2020

(i) Operating segments

(S\$ million)

Turnover

| | Energy | Marine | Urban | Others / Corporate | Elimination | Total |
|---------------------|--------------|------------|----------|-----------------------|-------------|--------------|
| External sales | 2,541 | 906 | 6 | 70 | – | 3,523 |
| Inter-segment sales | 9 | – | – | 4 | (13) | – |
| Total | 2,550 | 906 | 6 | 74 | (13) | 3,523 |

Results

| | | | | | | |
|--|------------|--------------|-----------|-------------|----------|--------------|
| Earnings before interest and taxes (EBIT) | 159 | (172) | (6) | (61) | – | (80) |
| Share of results of associates and joint ventures, net of tax | 74 | 1 | 44 | * | – | 119 |
| Profit from operations (PFO) | 233 | (171) | 38 | (61) | – | 39 |
| Finance income | 20 | 30 | 2 | 88 | (91) | 49 |
| Finance costs | (232) | (79) | (2) | (71) | 91 | (293) |
| | 21 | (220) | 38 | (44) | – | (205) |
| Tax (expense) / credit | (19) | 26 | * | (3) | – | 4 |
| Non-controlling interests | (7) | 77 | * | – | – | 70 |
| Net (loss) / profit for the period | (5) | (117) | 38 | (47) | – | (131) |

Assets

| | | | | | | |
|--|---------------|--------------|--------------|--------------|----------------|---------------|
| Segment assets | 12,009 | 9,217 | 442 | 4,757 | (5,035) | 21,390 |
| Interests in associates and joint ventures | 849 | 15 | 764 | 28 | – | 1,656 |
| Tax assets | 60 | 77 | 9 | 3 | – | 149 |
| Total assets | 12,918 | 9,309 | 1,215 | 4,788 | (5,035) | 23,195 |

Liabilities

| | | | | | | |
|--------------------------|--------------|--------------|------------|--------------|----------------|---------------|
| Segment liabilities | 9,116 | 7,250 | 165 | 4,541 | (5,035) | 16,037 |
| Tax liabilities | 447 | 37 | 30 | 16 | – | 530 |
| Total liabilities | 9,563 | 7,287 | 195 | 4,557 | (5,035) | 16,567 |

Capital expenditure

| | | | | | | |
|--|-----|----|---|---|---|-----|
| | 128 | 53 | 1 | 5 | – | 187 |
|--|-----|----|---|---|---|-----|

Significant non-cash items

| | | | | | | |
|--|-----|-----|---|----|---|-----|
| Depreciation and amortisation | 211 | 100 | 2 | 4 | – | 317 |
| Allowance for impairment in value of assets and assets written off, net | 2 | – | – | * | – | 2 |
| Allowance for expected credit loss | 5 | * | * | * | – | 5 |
| Impairment on investment | 4 | – | – | – | – | 4 |
| Negative goodwill | (6) | – | – | – | – | (6) |
| Write-down inventory to NRV | 45 | – | – | – | – | 45 |
| Write-off of inventory | 53 | – | – | – | – | 53 |
| Impairment of investment in an associate and a joint venture | 81 | – | – | 30 | – | 111 |

(ii) Geographical segments

(S\$ million)

| | Revenue | | Non-current Assets | | Total Assets | | Capital Expenditure | |
|-----------------|--------------|------------|--------------------|------------|---------------|------------|---------------------|------------|
| | | % | | % | | % | | % |
| Singapore | 1,487 | 42 | 5,956 | 35 | 9,901 | 43 | 68 | 36 |
| China | 103 | 3 | 1,558 | 10 | 2,020 | 9 | 7 | 4 |
| India | 760 | 22 | 5,218 | 31 | 6,253 | 26 | 47 | 25 |
| Rest of Asia | 226 | 6 | 1,389 | 8 | 1,689 | 7 | 4 | 2 |
| Middle East | 54 | 2 | 235 | 1 | 275 | 1 | * | * |
| UK | 275 | 8 | 670 | 4 | 903 | 4 | 37 | 20 |
| Norway | 103 | 3 | 55 | * | 66 | * | * | * |
| Rest of Europe | 169 | 5 | 189 | 1 | 199 | 1 | * | * |
| Brazil | 87 | 2 | 1,591 | 10 | 1,746 | 8 | 19 | 10 |
| USA | 228 | 6 | 2 | * | 3 | * | – | – |
| Other Countries | 31 | 1 | 47 | * | 140 | 1 | 5 | 3 |
| Total | 3,523 | 100 | 16,910 | 100 | 23,195 | 100 | 187 | 100 |

4. SEGMENTAL REPORTING (Cont'd)

1H2019

(i) Operating segments

| <i>(S\$ million)</i> | Energy | Marine | Urban | Others / Corporate | Elimination | Total |
|--|---------------|---------------|--------------|-------------------------------|--------------------|---------------|
| Turnover | | | | | | |
| External sales | 3,153 | 1,542 | 1 | 155 | – | 4,851 |
| Inter-segment sales | 16 | – | * | 5 | (21) | – |
| Total | 3,169 | 1,542 | 1 | 160 | (21) | 4,851 |
| Results | | | | | | |
| Earnings before interest and taxes (EBIT) | 374 | * | (10) | (8) | – | 356 |
| Share of results of associates and joint ventures, net of tax | 72 | (1) | 29 | (1) | – | 99 |
| Profit from operations (PFO) | 446 | (1) | 19 | (9) | – | 455 |
| Finance income | 19 | 48 | 2 | 66 | (68) | 67 |
| Finance costs | (239) | (66) | (3) | (49) | 68 | (289) |
| | 226 | (19) | 18 | 8 | – | 233 |
| Tax (expense) / credit | (36) | 7 | 1 | (6) | – | (34) |
| Non-controlling interests | (13) | 6 | (1) | – | – | (8) |
| Net profit / (loss) for the period | 177 | (6) | 18 | 2 | – | 191 |
| Assets | | | | | | |
| Segment assets | 13,249 | 8,598 | 623 | 3,565 | (3,670) | 22,365 |
| Interests in associates and joint ventures | 981 | 63 | 701 | 61 | – | 1,806 |
| Tax assets | 65 | 49 | 5 | 3 | – | 122 |
| Total assets | 14,295 | 8,710 | 1,329 | 3,629 | (3,670) | 24,293 |
| Liabilities | | | | | | |
| Segment liabilities | 9,798 | 6,292 | 472 | 2,767 | (3,670) | 15,659 |
| Tax liabilities | 476 | 68 | 1 | 22 | – | 567 |
| Total liabilities | 10,274 | 6,360 | 473 | 2,789 | (3,670) | 16,226 |
| Capital expenditure | 294 | 214 | * | 1 | – | 509 |
| Significant non-cash items | | | | | | |
| Depreciation and amortisation | 206 | 125 | * | 8 | – | 339 |
| Allowance for impairment in value of assets and assets written off, net | 9 | * | – | – | – | 9 |
| Allowance for / (write-back of) expected credit loss | 13 | (1) | * | * | – | 12 |

(ii) Geographical segments

| <i>(S\$ million)</i> | Revenue | | Non-current Assets | | Total Assets | | Capital Expenditure | |
|----------------------|----------------|------------|---------------------------|------------|---------------------|------------|----------------------------|------------|
| | % | % | % | % | % | % | % | |
| Singapore | 2,000 | 41 | 5,857 | 33 | 9,794 | 40 | 249 | 49 |
| China | 116 | 2 | 1,580 | 9 | 2,239 | 9 | 4 | 1 |
| India | 854 | 18 | 5,479 | 31 | 6,847 | 28 | 196 | 38 |
| Rest of Asia | 155 | 3 | 1,408 | 8 | 1,662 | 7 | 3 | 1 |
| Middle East | 38 | 1 | 318 | 2 | 354 | 2 | * | * |
| UK | 331 | 7 | 854 | 5 | 1,083 | 5 | 25 | 5 |
| Norway | 668 | 14 | 122 | 1 | 136 | * | * | * |
| Rest of Europe | 86 | 2 | 200 | 1 | 212 | 1 | * | * |
| Brazil | 167 | 3 | 1,541 | 9 | 1,753 | 7 | 30 | 6 |
| USA | 404 | 8 | 2 | * | 4 | * | * | * |
| Other Countries | 32 | 1 | 177 | 1 | 209 | 1 | 2 | * |
| Total | 4,851 | 100 | 17,538 | 100 | 24,293 | 100 | 509 | 100 |

4. SEGMENTAL REPORTING (Cont'd)

Notes to Segmental Analysis

4a. Operating Segments

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

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

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

4b. Geographical Segments

The Group's geographical segments presented are in 10 principal geographical areas: Singapore, China, India, Rest of Asia, Middle East, UK, Norway, Rest of Europe, Brazil, USA and Other Countries. Segment revenue is based on the geographical location of customers. Segment assets and total assets are based on the geographical location of the assets.

4. **SEGMENTAL REPORTING** (Cont'd)

4c. Review of segment performance

Energy

| (S\$ million) | 1H2020 | 1H2019 | Growth | % |
|---|--------|--------|--------|------|
| Turnover | 2,541 | 3,153 | (612) | (19) |
| Profit from operations (PFO) before Exceptional items (EI) | 410 | 453 | (43) | (9) |
| Net Profit before EI | 156 | 184 | (28) | (15) |
| EI | (161) | (7) | (154) | NM |
| Net (Loss) / Profit | (5) | 177 | (182) | NM |

Turnover

Turnover of S\$2,541 million in 1H2020 was S\$612 million or 19% lower than that of 1H2019. The decrease in 1H2020 was mainly due to lower contribution from Singapore, India and the UK. The lower turnover was mainly due to the impact of COVID-19, as the reduction in economic activity and the effect of lockdowns resulted in a decrease in energy demand and prices. This adverse impact was mitigated by contracts where revenue is earned based on plant availability.

PFO before EI

1H2020 underlying PFO of S\$410 million was S\$43 million or 9% lower than 1H2019. The lower PFO was mainly attributed to Singapore and India and offset by better performance from the UK, Bangladesh and Middle East.

In Singapore, 1H2020 PFO was S\$50 million, S\$44 million or 47% lower than last year's corresponding period. Singapore's performance was attributable to lower energy demand and prices, arising from COVID-19, as well as the absence of contribution from its divested assets. This was partially mitigated by better performance from some spot LNG cargo sales and the growing renewable power business.

In India, 1H2020 PFO of S\$186 million was S\$29 million or 13% lower than 1H2019. India's performance was impacted by lower energy demand due to the COVID-19 pandemic. However, plant availability and plant load factor for SEIL Project 1 (P1) was higher than 1H2019 as P1 had a major shutdown in 1H2019. 1H2019 also included reversal of S\$7 million accrued renewable maintenance no longer payable upon contract termination.

In the UK, 1H2020 PFO was S\$25 million, S\$15 million or 67% better than 1H2019. The improvement was mainly from Teesside, as there were no shut downs compared to 1H2019. Recognition of capacity market revenue was also reinstated but offset by reduced triad revenue in 1H2020. In 1H2020, the Wilton business had the benefit of a S\$3 million renewable heat incentive income.

1H2020 PFO for Bangladesh was S\$30 million, S\$6 million or 25% better than 1H2019 with the plant now in combined cycle operations.

In the Middle East, PFO was S\$31 million, S\$5 million or 19% better than 1H2019 mainly due to higher tariff for our operations in Fujairah and Salalah and lower finance cost following the scheduled repayment of the loans. Salalah also recognised an insurance settlement received for Cyclone Mekunu in 1H2020.

EI (after tax)

The unprecedented impact of COVID-19 on the global economic outlook and low energy prices have impacted the assessment of the recoverable amount of certain investments and assets. Exceptional items in 1H2020 comprised of:

- (i) a S\$81 million impairment on the investment in Sembcorp Salalah Power and Water Company;
- (ii) a S\$38 million write-down of gasoil reserves in Singapore to NRV;
- (iii) a subsequent S\$44 million write-off of inventory due to uncertainty of recoverability of the gasoil stored and managed at HLT; and
- (iv) an additional asset held for sale impairment of S\$4 million for Chile, offset by
- (v) a S\$6 million negative goodwill on the completion of the acquisition of Veolia ES Singapore.

Exceptional item in 1H2019 related to a S\$7 million additional provision for potential fines and claims at NSS.

Net (Loss) / Profit

1H2020 net loss after exceptional items was S\$5 million compared to a net profit of S\$177 million in 1H2019.

4. SEGMENTAL REPORTING (Cont'd)

4c. Review of segment performance (Cont'd)

Marine

| (S\$ million) | 1H2020 | 1H2019 | Growth | % |
|----------------------------|--------|--------|--------|------|
| Turnover | 906 | 1,542 | (636) | (41) |
| Loss from operations (LFO) | (171) | (1) | (170) | NM |
| Net Loss | (117) | (6) | (111) | NM |

Turnover of S\$906 million for the Marine business was S\$636 million lower than the S\$1.54 billion in the corresponding period in 2019 mainly due to absence of revenue recognition from rigs and floaters. It was partly mitigated by higher revenue recognition from offshore platforms, repairs & upgrades and specialised shipbuilding segments.

1H2020 net loss was S\$117 million compared to 1H2019 net loss of S\$6 million. This was mainly due to higher costs recognised for rigs & floaters and specialised shipbuilding projects; and lower margin recognition from offshore platforms. The above negative variance was offset by improved margin from repairs & upgrades business and lower allocated operating costs mainly due to government grant income received for the COVID-19 pandemic and foreign exchange gains.

Urban

| (S\$ million) | 1H2020 | 1H2019 | Growth | % |
|------------------------------|--------|--------|--------|-----|
| Turnover* | 6 | 1 | 5 | NM |
| Profit from operations (PFO) | 38 | 19 | 19 | 100 |
| Net Profit | 38 | 18 | 20 | 111 |

*Urban businesses comprise mainly associates or joint ventures that are accounted for under the equity method. The turnover is derived from providing services to these associates or joint ventures.

1H2020 net profit of S\$38 million was S\$20 million higher than the corresponding period last year. The improvement was largely due to the higher contribution from Nanjing's residential land sale and unrealised forex gains on USD bank balances and the write back of the excess bonus provision, offset by VSIP Group's lower contribution on lower land sales.

Others / Corporate

| (S\$ million) | 1H2020 | 1H2019 | Growth | % |
|--------------------------------------|--------|--------|--------|------|
| Turnover | 70 | 155 | (85) | (55) |
| Loss from operations (LFO) before EI | (32) | (9) | (23) | 256 |
| Net (Loss) / Profit before EI | (17) | 2 | (19) | NM |
| EI | (30) | - | (30) | NM |
| Net (Loss) / Profit | (47) | 2 | (49) | NM |

Others businesses' include the Sembcorp Specialised Construction (SSC). During the circuit breaker period imposed due to COVID-19, SSC had to stop work during which time there was no revenue recognition due to delays in the progress of projects. In addition, the divested commercial construction business no longer contributes in 1H2020.

Corporate cost increased in 1H2020 was mainly due to higher personnel expenses as the Group continued to build and deepen capabilities in new business lines and consultancy costs.

1H2020: EI related to a S\$30 million impairment of an overseas investment in Shenzhen Chiwan Sembawang Engineering.

5. BALANCE SHEETS

| | GROUP | | COMPANY | |
|---|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | As at June 30, 2020 | As at December 31, 2019 | As at June 30, 2020 | As at December 31, 2019 |
| <i>(S\$ million)</i> | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 11,443 | 11,739 | 297 | 309 |
| Right-of-use assets | 479 | 464 | 98 | 100 |
| Investment properties | 131 | 128 | – | – |
| Investments in subsidiaries | – | – | 2,878 | 2,646 |
| Associates and joint ventures | 1,656 | 1,696 | – | – |
| Other financial assets | 282 | 266 | – | – |
| Trade and other receivables | 2,196 | 2,170 | 4 | 349 |
| Contract costs | 1 | 2 | – | – |
| Intangible assets | 609 | 630 | 26 | 26 |
| Deferred tax assets | 113 | 62 | – | – |
| | 16,910 | 17,157 | 3,303 | 3,430 |
| Current assets | | | | |
| Inventories | 318 | 386 | 4 | 4 |
| Trade and other receivables | 1,822 | 2,048 | 85 | 83 |
| Contract assets | 1,670 | 1,501 | – | – |
| Contract costs | 110 | 90 | – | – |
| Assets held for sale | 67 | 75 | – | – |
| Other financial assets | 148 | 228 | – | – |
| Cash and cash equivalents | 2,150 | 1,767 | 327 | 1,123 |
| | 6,285 | 6,095 | 416 | 1,210 |
| Total assets | 23,195 | 23,252 | 3,719 | 4,640 |
| Current liabilities | | | | |
| Trade and other payables | 2,492 | 2,844 | 111 | 244 |
| Lease liabilities | 32 | 34 | 3 | 4 |
| Contract liabilities | 271 | 172 | 3 | 3 |
| Provisions | 36 | 34 | 11 | 11 |
| Liabilities held for sale | 26 | 31 | – | – |
| Other financial liabilities | 128 | 50 | – | – |
| Current tax payable | 200 | 204 | 82 | 74 |
| Interest-bearing borrowings | 3,195 | 2,643 | – | – |
| | 6,380 | 6,012 | 210 | 336 |
| Net current (liabilities) / assets | (95) | 83 | 206 | 874 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 330 | 348 | 29 | 29 |
| Other long-term payables | 129 | 131 | 170 | 171 |
| Lease liabilities | 484 | 470 | 114 | 116 |
| Provisions | 136 | 142 | 10 | 10 |
| Other financial liabilities | 107 | 44 | – | – |
| Interest-bearing borrowings | 8,932 | 8,157 | – | – |
| Contract liabilities | 69 | 69 | 29 | 30 |
| | 10,187 | 9,361 | 352 | 356 |
| Total liabilities | 16,567 | 15,373 | 562 | 692 |
| Net assets | 6,628 | 7,879 | 3,157 | 3,948 |
| Equity attributable to owners of the Company:- | | | | |
| Share capital | 566 | 566 | 566 | 566 |
| Other reserves | (494) | (323) | (6) | (4) |
| Revenue reserve | 5,625 | 5,827 | 2,597 | 2,585 |
| | 5,697 | 6,070 | 3,157 | 3,147 |
| Perpetual securities | – | 801 | – | 801 |
| | 5,697 | 6,871 | 3,157 | 3,948 |
| Non-controlling interests | 931 | 1,008 | – | – |
| Total equity | 6,628 | 7,879 | 3,157 | 3,948 |

5. NOTES TO THE BALANCE SHEETS (Cont'd)

5a. Group's borrowings and debt securities

| | As at June 30, 2020 | As at December 31, 2019 |
|---|---------------------------|-------------------------------|
| <i>(S\$ million)</i> | | |
| Amount repayable: | | |
| (i) <u>In one year or less, or on demand</u> | | |
| Interest-bearing borrowings | | |
| Secured | 1,043 | 674 |
| Unsecured | 2,152 | 1,969 |
| | 3,195 | 2,643 |
| (ii) <u>Between one to five years</u> | | |
| Interest-bearing borrowings | | |
| Secured | 1,239 | 1,264 |
| Unsecured | 5,574 | 4,268 |
| | 6,813 | 5,532 |
| (iii) <u>After five years</u> | | |
| Interest-bearing borrowings | | |
| Secured | 1,445 | 1,951 |
| Unsecured | 674 | 674 |
| | 2,119 | 2,625 |
| Total | 12,127 | 10,800 |
| (iv) The secured loans are collateralised by the following assets' net book value:- | | |
| | As at | As at |
| | June 30, | December 31, |
| | 2020 | 2019 |
| <i>(S\$ million)</i> | | |
| Net assets and equity shares of subsidiaries, property, plant and equipment, and other assets | 6,856 | 7,099 |

5b. Net asset value

| | Group | | Company | |
|--|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | As at June 30, 2020 | As at December 31, 2019 | As at June 30, 2020 | As at December 31, 2019 |
| Net asset value per ordinary share based on issued share capital at the end of the financial year (in S\$) | 3.19 | 3.85 | 1.77 | 2.21 |

Net asset value (excluding perpetual securities) for the Group per ordinary share based on issued share capital at June 30, 2020 was S\$3.19 (December 31, 2019: S\$3.40).

In May and June 2020, the Company has redeemed and cancelled S\$600 million and S\$200 million of perpetual securities, respectively. As at June 30, 2020, the Company has no outstanding perpetual securities.

5. NOTES TO THE BALANCE SHEETS (Cont'd)

5c. Explanatory Notes to Balance Sheets

(i) Group

Non-current assets

“Property, plant and equipment” net decrease of S\$296 million was attributable mainly to currency translations loss on INR and GBP assets, net of additions from Marine and the new renewable power assets in India and Singapore.

“Associates and joint ventures” slight decreased mainly due to impairment of S\$111 million net of increase due to share of net profit.

“Other financial assets” increased mainly due to fair value adjustments on cross currency swaps, forward foreign exchange contracts and fuel oil swaps on contracts.

“Intangible assets” decreased mainly due to amortisation net of acquisition during the period.

“Deferred tax assets” increased mainly due to Marine’s tax credit on unutilised tax losses.

Current assets

“Inventories” decreased mainly due to the write-down to NRV and write-off of inventory (see note 2(b)) net of Marine’s purchase of materials for its projects.

“Trade and other receivables” decreased mainly due to Marine’s receipts from customers for completed projects, lower debtors in-line with lower revenue from Energy Singapore and Energy India’s advance to suppliers upon completion of its renewable construction projects net of increase in trade receivables. However, Government of India has announced INR 90,000 Crore package for Discoms through loan facility to reduce outstanding dues of generators.

“Contract assets” increased mainly due to Marine’s revenue recognised for work completed not yet billed offset by a decreased from Energy UK and specialised construction business when work completed was billed.

“Contract costs” increased in fulfilment cost mainly from specialised construction business and Marine business.

“Assets held for sale” as at December 31, 2019 was for the disposal of Energy’s assets in Chile as announced on February 6, 2020. The decrease pertains to net changes in Chile’s current assets now classified under held for sale.

“Other financial assets” decreased mainly due to fair value adjustments on cross currency swaps, forward foreign exchange contracts and fuel oil swaps on contracts to be delivered within 12 months.

“Cash and cash equivalent” increased mainly due to net proceeds from borrowings and receipts from customers, less cost of capital expenditure and working capital (see note 7c).

Current liabilities

“Trade and other payables” decreased mainly due to Energy’s accrued capital expenditures upon settlement and completion of its renewable projects and lower payables from Energy Singapore.

“Contract liabilities” increased mainly due to advanced cash received from projects, offset by revenue recognition during the period from Marine and specialised construction businesses.

“Liabilities held for sale” as at December 31, 2019 was for the disposal of Energy’s assets in Chile as announced on February 6, 2020. The decrease pertains to net changes in Chile’s current liabilities now classified under held for sale.

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

“Interest-bearing borrowings” increased mainly from Marine’s drawdown of new and existing facilities to strengthen liquidity during this COVID-19 period, offset by repayments. The increase also includes S\$494 million of India thermal power Project 2 project finance borrowings reclassified as due within one year while awaiting the official waiver of a technical breach from lenders.

5. NOTES TO THE BALANCE SHEETS (Cont'd)

5c. Explanatory Notes to Balance Sheets (Cont'd)

(i) Group (cont'd)

Net current liabilities

The Group recorded a net current liabilities of S\$95 million as at June 30, 2020 mainly arising from the Group's S\$3.2 billion current interest-bearing borrowings. Out of the balance of S\$3.2 billion, S\$2.0 billion was from Marine. As at June 30, 2020, the Group has S\$1.5 billion of committed unutilised credit facilities with maturity beyond 2022 that can be drawn down.

Non-current liabilities

"Other financial liabilities" increased mainly due to fair value adjustments on forward foreign exchange contracts, foreign currency swaps and fuel oil swaps.

"Interest-bearing borrowings" increased mainly due to refinancing of the Energy's funding requirement upon redemption of the Company's perpetual securities and Marine's refinancing of its short term borrowing with longer term maturities net of amount reclassified to current liabilities.

Perpetual securities

In May and June 2020, the Company redeemed and cancelled S\$600 million and S\$200 million of perpetual securities, respectively. As at June 30, 2020, the Company has no outstanding perpetual securities.

(ii) Company

Non-current assets

"Investment in subsidiaries" increased due to capital injection into Sembcorp Utilities Pte Ltd.

"Trade and other receivables" decreased mainly due to repayment of loans by its Singapore Energy businesses.

Current assets

"Cash and cash equivalent" decreased as the Company has redeemed the entire S\$800 million perpetual securities as at December 31, 2019.

Current liabilities

"Trade and other payables" decreased mainly because of a loan repayment to a subsidiary and payment of accrued expenses.

"Current tax payable" increased due to allowance made during the period.

Perpetual securities

In May and June 2020, the Company redeemed and cancelled S\$600 million and S\$200 million of perpetual securities, respectively. As at June 30, 2020, the Company has no outstanding perpetual securities.

6. STATEMENTS OF CHANGES IN EQUITY

6a. Statements of Changes in Equity of the Group

| (S\$ million) | Attributable to owners of the Company | | | | | | | Non-controlling interests | Total equity | |
|---|---------------------------------------|------------------------|------------------------------|--------------|-----------------|--------------|----------------------|---------------------------|--------------|--------------|
| | Share capital | Reserve for own shares | Currency translation reserve | Others | Revenue reserve | Total | Perpetual securities | | | |
| 1H2020 | | | | | | | | | | |
| At January 1, 2020 | 566 | (4) | (482) | 163 | 5,827 | 6,070 | 801 | 6,871 | 1,008 | 7,879 |
| Total comprehensive income | | | | | | | | | | |
| Loss for the period | – | – | – | – | (131) | (131) | – | (131) | (70) | (201) |
| Other comprehensive income | | | | | | | | | | |
| Foreign currency translation differences for foreign operations | – | – | (7) | – | – | (7) | – | (7) | 14 | 7 |
| Exchange differences on monetary items forming part of net investment in foreign operation | – | – | (2) | – | – | (2) | – | (2) | – | (2) |
| Net change in fair value of cash flow hedges | – | – | – | (128) | – | (128) | – | (128) | (16) | (144) |
| Net change in fair value of cash flow hedges reclassified to profit or loss | – | – | – | (1) | – | (1) | – | (1) | 1 | – |
| Net change in fair value of financial assets at fair value through other comprehensive income | – | – | – | * | – | * | – | * | – | * |
| Defined benefit plan actuarial gains and losses | – | – | – | * | * | * | – | * | * | * |
| Share of other comprehensive income of associates and joint ventures | – | – | – | (31) | – | (31) | – | (31) | – | (31) |
| Total other comprehensive income | – | – | (9) | (160) | * | (169) | – | (169) | (1) | (170) |
| Total comprehensive income | – | – | (9) | (160) | (131) | (300) | – | (300) | (71) | (371) |
| Transactions with owners of the Company, recognised directly in equity | | | | | | | | | | |
| New share issues by a subsidiary to employee | – | – | – | (1) | – | (1) | – | (1) | 2 | 1 |
| Capital reduction / distribution to non-controlling interests | – | – | – | – | – | – | – | – | * | – |
| Share-based payments | – | – | – | 6 | – | 6 | – | 6 | * | 6 |
| Purchase of treasury shares | – | (7) | – | – | – | (7) | – | (7) | – | (7) |
| Treasury shares transferred to employees | – | 7 | – | (7) | – | – | – | – | – | – |
| Perpetual securities distribution paid | – | – | – | – | – | – | (818) | (818) | – | (818) |
| Accrued perpetual securities distribution | – | – | – | – | (17) | (17) | 17 | – | – | – |
| Transfer of reserve | – | – | – | * | * | * | – | * | – | * |
| Dividend paid | – | – | – | – | (54) | (54) | – | (54) | (8) | (62) |
| Total transactions with owners | – | – | – | (2) | (71) | (73) | (801) | (874) | (6) | (880) |
| At June 30, 2020 | 566 | (4) | (491) | 1 | 5,625 | 5,697 | – | 5,697 | 931 | 6,628 |

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

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

| (S\$ million) | Attributable to owners of the Company | | | | | | Perpetual securities | Total | Non-controlling interests | Total equity |
|---|---------------------------------------|------------------------|------------------------------|-------------|-----------------|--------------|----------------------|--------------|---------------------------|--------------|
| | Share capital | Reserve for own shares | Currency translation reserve | Others | Revenue reserve | Total | | | | |
| 1H2019 | | | | | | | | | | |
| At December 31, 2018 as previously reported | 566 | (9) | (390) | 151 | 5,669 | 5,987 | 801 | 6,788 | 1,150 | 7,938 |
| Adoption of SFRS(I) 16 | – | – | – | – | (18) | (18) | – | (18) | 3 | (15) |
| Restated balance at January 1, 2019 | 566 | (9) | (390) | 151 | 5,651 | 5,969 | 801 | 6,770 | 1,153 | 7,923 |
| Total comprehensive income | | | | | | | | | | |
| Profit for the period | – | – | – | – | 191 | 191 | – | 191 | 8 | 199 |
| Other comprehensive income | | | | | | | | | | |
| Foreign currency translation differences for foreign operations | – | – | 15 | – | – | 15 | – | 15 | 3 | 18 |
| Net change in fair value of cash flow hedges | – | – | – | 8 | – | 8 | – | 8 | – | 8 |
| Net change in fair value of cash flow hedges reclassified to profit or loss | – | – | – | 6 | – | 6 | – | 6 | (2) | 4 |
| Net change in fair value of financial assets at fair value through other comprehensive income | – | – | – | (8) | – | (8) | – | (8) | – | (8) |
| Defined benefit plan actuarial gains and losses | – | – | – | – | 4 | 4 | – | 4 | – | 4 |
| Share of other comprehensive income of associates and joint ventures | – | – | – | (18) | – | (18) | – | (18) | – | (18) |
| Total other comprehensive income | – | – | 15 | (12) | 4 | 7 | – | 7 | 1 | 8 |
| Total comprehensive income | – | – | 15 | (12) | 195 | 198 | – | 198 | 9 | 207 |
| Transactions with owners of the Company, recognised directly in equity | | | | | | | | | | |
| Capital reduction / distribution to non-controlling interests | – | – | – | – | – | – | – | – | (1) | (1) |
| Share-based payments | – | – | – | 3 | – | 3 | – | 3 | * | 3 |
| Purchase of treasury shares | – | (1) | – | – | – | (1) | – | (1) | – | (1) |
| Purchase of treasury shares by a subsidiary | – | – | – | – | – | – | – | – | * | * |
| Treasury shares transferred to employees | – | 9 | – | (9) | – | – | – | – | – | – |
| Perpetual securities distribution paid | – | – | – | – | – | – | (18) | (18) | – | (18) |
| Accrued perpetual securities distribution | – | – | – | – | (18) | (18) | 18 | – | – | – |
| Dividend paid | – | – | – | – | (36) | (36) | – | (36) | (10) | (46) |
| Total transactions with owners | – | 8 | – | (6) | (54) | (52) | – | (52) | (11) | (63) |
| At June 30, 2019 | 566 | (1) | (375) | 133 | 5,792 | 6,115 | 801 | 6,916 | 1,151 | 8,067 |

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

6b. Statements of Changes in Equity of the Company

| (S\$ million) | Attributable to owners of the Company | | | | | Perpetual securities | Total |
|---|---------------------------------------|------------------------|------------|-----------------|--------------|----------------------|--------------|
| | Share capital | Reserve for own shares | Others | Revenue reserve | Total | | |
| 1H2020 | | | | | | | |
| At January 1, 2020 | 566 | (4) | – | 2,585 | 3,147 | 801 | 3,948 |
| Total comprehensive income | | | | | | | |
| Profit for the period | – | – | – | 83 | 83 | – | 83 |
| Total comprehensive income | – | – | – | 83 | 83 | – | 83 |
| Transactions with owners of the Company, recognised directly in equity | | | | | | | |
| Share-based payments | – | – | 5 | – | 5 | – | 5 |
| Purchase of treasury shares | – | (7) | – | – | (7) | – | (7) |
| Treasury shares transferred to employees | – | 7 | (7) | – | – | – | – |
| Perpetual securities distribution paid | – | – | – | – | – | (818) | (818) |
| Accrued perpetual securities distribution | – | – | – | (17) | (17) | 17 | – |
| Dividend paid | – | – | – | (54) | (54) | – | (54) |
| Total transactions with owners | – | – | (2) | (71) | (73) | (801) | (874) |
| At June 30, 2020 | 566 | (4) | (2) | 2,597 | 3,157 | – | 3,157 |

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

6b. **Statements of Changes in Equity of the Company** (Cont'd)

| | Attributable to owners of the Company | | | | | Perpetual securities | Total |
|---|---------------------------------------|------------------------|------------|-----------------|--------------|----------------------|--------------|
| | Share capital | Reserve for own shares | Others | Revenue reserve | Total | | |
| <i>(S\$ million)</i> | | | | | | | |
| 1H2019 | | | | | | | |
| At December 31, 2018 as previously reported | 566 | (9) | 2 | 2,339 | 2,898 | 801 | 3,699 |
| Adoption of SFRS(I) 16 | – | – | – | (10) | (10) | – | (10) |
| Restated balance at January 1, 2019 | 566 | (9) | 2 | 2,329 | 2,888 | 801 | 3,689 |
| Total comprehensive income | | | | | | | |
| Profit for the period | – | – | – | 127 | 127 | – | 127 |
| Total comprehensive income | – | – | – | 127 | 127 | – | 127 |
| Transactions with owners of the Company, recognised directly in equity | | | | | | | |
| Share-based payments | – | – | 2 | – | 2 | – | 2 |
| Purchase of treasury shares | – | (1) | – | – | (1) | – | (1) |
| Treasury shares transferred to employees | – | 9 | (9) | – | – | – | – |
| Perpetual securities distribution paid | – | – | – | – | – | (18) | (18) |
| Accrued perpetual securities distribution | – | – | – | (18) | (18) | 18 | – |
| Dividend paid | – | – | – | (36) | (36) | – | (36) |
| Total transactions with owners | – | 8 | (7) | (54) | (53) | – | (53) |
| At June 30, 2019 | 566 | (1) | (5) | 2,402 | 2,962 | 801 | 3,763 |

6. **NOTES TO THE STATEMENTS OF CHANGES IN EQUITY** (Cont'd)

6c. **Changes in the Company's share capital**

Issued share capital and treasury shares

| | Number of shares | |
|---|---------------------------------|----------------------------|
| | Issued Share Capital | Treasury Shares |
| At January 1, 2020 | 1,787,547,732 | 1,966,276 |
| Treasury shares purchased | - | 2,868,000 |
| Treasury shares transferred pursuant to restricted share plan | - | (2,861,474) |
| At June 30, 2020 | <u>1,787,547,732</u> | <u>1,972,802</u> |

Issued and paid up capital

As at June 30, 2020, the Company's issued and paid up capital excluding treasury shares comprised 1,785,574,930 (December 31, 2019: 1,785,581,456) ordinary shares.

Treasury shares

During 1H2020, the Company acquired 2,868,000 (1H2019: 300,000) ordinary shares in the Company by way of on-market purchases. 2,861,474 (1H2019: 3,130,247) treasury shares were re-issued pursuant to Restricted Share Plan (RSP).

As at June 30, 2020, 1,972,802 (June 30, 2019: 269,891) treasury shares were held that may be re-issued upon the vesting of performance shares and restricted shares under the Performance Share Plan (PSP) and RSP respectively.

Performance Shares

| | Number of shares |
|---|-----------------------------|
| At January 1, 2020 | 5,319,353 |
| Performance shares lapsed due to under-achievement of targets | <u>(849,553)</u> |
| At June 30, 2020 | <u>4,469,800</u> |

During 1H2020, nil (1H2019: 2,429,000) performance shares were awarded under the Company's PSP. 849,553 (1H2019: 770,000) performance shares lapsed arising from under-achievement of the performance target.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at June 30, 2020, was 4,469,800 (December 31, 2019: 5,319,353). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 6,704,700 (December 31, 2019: 7,979,029) performance shares.

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

6c. Changes in the Company's share capital (Cont'd)

Restricted shares

| | Number of shares | | Total |
|----------------------------|------------------|------------------|------------------|
| | 2017 & before | 2019 onward | |
| At January 1, 2020 | 1,698,289 | 2,312,611 | 4,010,900 |
| Restricted shares awarded | – | 5,248,284 | 5,248,284 |
| Restricted shares released | (1,116,047) | (2,004,606) | (3,120,653) |
| Restricted shares lapsed | <u>(38,853)</u> | <u>(131,472)</u> | <u>(170,325)</u> |
| At June 30, 2020 | <u>543,389</u> | <u>5,424,817</u> | <u>5,968,206</u> |

Award granted in 2019

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.

During 1H2020, 5,248,284 (1H2019: 3,504,703) restricted shares were awarded under the RSP, 3,120,653 (1H2019: 3,219,230) restricted shares were released and 170,325 (1H2019: 1,251,286) restricted shares were lapsed. Of the restricted shares released, 2,861,474 (1H2019: 3,130,247) restricted shares released were settled by way of issuance of treasury shares and 259,179 (1H2019: 88,983) restricted shares were cash-settled.

The total number of restricted shares outstanding, for awards achieved but not released, as at end June 30, 2020 was 5,968,206 (June 30, 2019: 4,116,784).

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 conditional awards is a maximum of 5,968,206 (June 30, 2019: 4,116,784) restricted shares.

7. CONSOLIDATED STATEMENT OF CASH FLOWS

| | GROUP | |
|--|--------|--------|
| Note | 1H2020 | 1H2019 |
| <i>(\$ million)</i> | | |
| Cash flows from Operating Activities | | |
| (Loss) / Profit for the period | (201) | 199 |
| Adjustments for: | | |
| Dividend income | * | * |
| Finance income | (49) | (67) |
| Finance costs | 293 | 289 |
| Depreciation and amortisation | 317 | 339 |
| Amortisation of deferred income and capital grants | (1) | – |
| Share of results of associates and joint ventures, net of tax | (119) | (99) |
| Gain on disposal of property, plant and equipment, other financial assets and business | (2) | (1) |
| Loss on disposal of intangible assets | * | * |
| Loss on disposal of investment property | * | – |
| Gain on disposal of assets held for sale | (1) | – |
| Gain on early termination of lease | (1) | – |
| Changes in fair value of financial instruments and other financial assets | 64 | 2 |
| Write-down inventory to NRV | 45 | – |
| Write-off of inventory | 53 | – |
| Impairment of investment in an associate and a joint venture | 111 | – |
| Equity settled share-based compensation expenses | 6 | 3 |
| Allowance made for impairment loss in value of assets and assets written off, net | 2 | 9 |
| Negative goodwill | (6) | – |
| Allowance for expected credit loss | 5 | 12 |
| Impairment on assets reclassified to held for sale | 4 | – |
| Tax (credit) / expense | (4) | 34 |
| Operating profit before working capital changes | 516 | 720 |
| Changes in working capital: | | |
| Inventories | (30) | (35) |
| Receivables | 37 | 150 |
| Payables | (172) | 196 |
| Contract costs | (18) | 158 |
| Contract assets | (170) | (283) |
| Contract liabilities | 99 | 37 |
| | 262 | 943 |
| Tax paid | (56) | (61) |
| Net cash from operating activities | 206 | 882 |
| Cash flows from Investing Activities | | |
| Dividend received | 53 | 94 |
| Interest received | 47 | 63 |
| Proceeds from disposal of joint venture | – | – |
| Proceeds from disposal of assets held for sale | 1 | – |
| Proceeds from sale of other financial assets and business | 141 | 233 |
| Proceeds from sale of property, plant and equipment | * | 1 |
| Proceeds from sale of intangible assets | * | * |
| Loan repayments from related parties | 1 | 9 |
| Non-trade balances with related corporations, net of repayment | (1) | (2) |
| Acquisition of subsidiaries, business and intangible assets, net of cash acquired | (9) | – |
| Additional investments in joint ventures and associates | (1) | (9) |
| Acquisition of other financial assets | (138) | (258) |
| Purchase of property, plant and equipment and investment properties | (141) | (567) |
| Purchase of intangible assets | (7) | (3) |
| Net cash used in investing activities | (54) | (439) |

7b

7. CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

| | Note | GROUP | |
|---|------|--------------|--------------|
| | | 1H2020 | 1H2019 |
| <i>(S\$ million)</i> | | | |
| Cash flows from Financing Activities | | | |
| Proceeds from share issued to non-controlling interests of subsidiaries | | 2 | * |
| Proceeds from share issuance | | (1) | – |
| Purchase of treasury shares | | (7) | (1) |
| Proceeds from borrowings | | 3,294 | 1,379 |
| Repayment of borrowings | | (1,895) | (1,312) |
| Payment on lease liabilities | | (15) | (17) |
| Acquisition of non-controlling interest | | – | – |
| Capital reduction paid to non-controlling interests | | * | (2) |
| Dividends paid to owners of the Company | | (54) | (36) |
| Dividends paid to non-controlling interests of subsidiaries | | (8) | (10) |
| Payment in restricted cash held as collateral | | 16 | (4) |
| Redemption of perpetual securities and distribution paid | | (818) | (18) |
| Interest paid | | (267) | (264) |
| Net cash from / (used in) financing activities | | 247 | (285) |
| Net increase in cash and cash equivalents | | 399 | 158 |
| Cash and cash equivalents at beginning of the period | | 1,740 | 1,923 |
| Effect of exchange rate changes on balances held in foreign currency | | (*) | (1) |
| Cash and cash equivalents at end of the period | 7a | 2,139 | 2,080 |

7a. Cash and cash equivalents

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

| | GROUP | |
|---|---------------------------|-------------------------------|
| | As at June 30, 2020 | As at December 31, 2019 |
| <i>(S\$ million)</i> | | |
| Fixed deposits with banks | 333 | 380 |
| Cash and bank balances | 1,817 | 1,387 |
| Cash and cash equivalents in the balance sheets | 2,150 | 1,767 |
| Restricted bank balances held as collateral by banks | (11) | (27) |
| Cash and cash equivalents in the consolidated statement of cash flows | 2,139 | 1,740 |

7. CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

7b. Cash flow on acquisition of subsidiary and business, net of cash acquired

In 1H2020, the Group acquired 100% of Veolia ES Singapore and the public cleaning business of Veolia ES Singapore Industrial.

| <i>(S\$ million)</i> | 1H2020 |
|---|---------------|
| Effect on cash flows of the Group | |
| Cash paid | 19 |
| Less: Cash and cash equivalents in subsidiaries acquired | <u>(10)</u> |
| Cash outflow on acquisition | <u>9</u> |
| | |
| Identifiable assets acquired and liabilities assumed | |
| Property, plant and equipment | 17 |
| Right-of-use assets | 5 |
| Intangible assets | 2 |
| Deferred tax assets | * |
| Trade and other receivables | 5 |
| Cash and cash equivalents | <u>10</u> |
| Total assets | <u>39</u> |
| | |
| Trade and other payables | 6 |
| Provisions | * |
| Provision for taxation | 1 |
| Finance lease | 6 |
| Deferred tax liabilities | <u>1</u> |
| Total liabilities | <u>14</u> |
| | |
| Net identifiable assets | 25 |
| Less: Negative goodwill | <u>(6)</u> |
| Consideration transferred for the business | <u>19</u> |
| Cash paid | <u>19</u> |

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

7. CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

7c. Explanatory Notes to Consolidated Statement of Cash Flows

(i) Half-Year ended June 30, 2020

Net cash from operating activities before changes in working capital stood at S\$516 million while net cash from operating activities was S\$206 million. The decline in operating activities before changes in working capital was a consequence of lower operating performance. The net cash from operating of S\$206 million was after netting cash used in operating activities of S\$53 million from Marine due to working capital for ongoing projects, offset by receipts from completed projects.

Net cash used in investing activities was S\$54 million, mainly for the purchase of property, plant and equipment and partially offset by interest and dividend received.

Net cash from financing activities was S\$247 million, mainly from net proceeds from Marine's increase in borrowing to strengthen liquidity during this COVID-19 period; the Company's redemption of S\$800 million perpetual securities, net of scheduled loan repayments, dividend paid and interest payment.

(ii) Significant non-cash transactions

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

8. ACCOUNTING POLICIES

8a. Basis of preparation

The financial statements for the period ended June 30, 2020 are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS). All references to SFRS(I) and IFRS are referred to as SFRS(I) in these financial statements unless otherwise specified.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current half-year as the most recent audited financial statements for the year ended, and as at, December 31, 2019.

8b. Changes in accounting policies

The Group has applied the following amendments to SFRS(I)s which became effective on January 1, 2020. The Group has also early adopted the Amendments to SFRS(I) 16 on COVID-19-Related Rent Concessions. The Group applied the practical expedient not to assess a rent concession occurring as a direct consequence of the COVID-19 pandemic as a lease modification.

- Amendments to SFRS(I) 1-1 and SFRS(I) 1 – 8 Definition of Material
- Amendments to SFRS(I) 3 Definition of a business
- Amendments to References to Conceptual Framework in SFRS(I) Standards
- Amendment to SFRS(I) 16 COVID-19-Related Rent Concessions

9. RELATED PARTIES

9a. Related Party Transactions

The balances due from related parties arose from the usual trade transactions, reimbursements and for financing of capital expansion. In 1H2020, there was also a S\$2.9 million payment for early release of key personnel expense to a related party.

9b. Compensation of Key Management Personnel

Changes to Key Management Personnel

There were no changes to the key management personnel in 1H2020.

Neil McGregor retired as Group President and CEO on June 30, 2020 and is succeeded by Wong Kim Yin with effect from July 1, 2020.

There were no changes to the compensation scheme in 1H2020.

10. FAIR VALUE MEASUREMENTS

SFRS(I) 13 establishes a fair value hierarchy that prioritises the inputs used to measure fair value. The three levels of the fair value input hierarchy defined by SFRS(I) 13 are as follows:

- Level 1 – Using quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – 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 – Using inputs not based on observable market data (unobservable input).

Securities

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

Derivatives

The Group uses derivatives for hedging and enhancement of performance purposes. These derivatives are mainly foreign exchange contracts, foreign exchange swaps, interest rate swaps, cross currency swaps, fuel oil swaps, electricity futures market contracts. They are accounted on a basis consistent with that disclosed in the most recent annual financial report.

1. The fair value of foreign exchange contracts and foreign exchange swaps are accounted for based on the difference between the contractual price and the current market price.
2. The fair values of interest rate swaps and cross currency swaps are the indicative amounts that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.
3. The fair value of fuel oil swaps contracts is accounted for based on the difference between the contractual strike price with the counterparty and the current market price.
4. Contracts for differences (CFDs) are accounted for based on the difference between the contracted price entered into with the counterparty and the reference price. The CFDs are measured at cost since the fair value cannot be measured reliably as there have been minimal trades made in the electricity future market. Upon settlement, the gains and losses for CFDs are taken to profit or loss.

Non-derivative non-current financial assets and liabilities

Carrying amount of non-derivative non-current financial assets and liabilities on floating interest rate terms are assumed to approximate their fair value because of the short period to repricing. Fair values for the remaining non-derivative non-current financial assets and liabilities are calculated using discounted expected future principal and interest cash flows at the market rate of interest at the reporting date.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

For financial instruments not actively traded in the market, fair value is determined by independent third party or by various valuation techniques, with assumptions based on existing market conditions at each balance sheet date.

10. FAIR VALUE MEASUREMENTS (Cont'd)

Financial assets and liabilities carried at fair value

| (S\$ million) Group | Fair value measurement using: | | | Total |
|----------------------------------|-------------------------------|--------------|-----------------|------------|
| | Level 1 | Level 2 | Level 3 | |
| As at June 30, 2020 | | | | |
| Financial assets at FVOCI | – | – | 87 | 87 |
| Financial assets at FVTPL | 76 | – | 25 [#] | 101 |
| Derivative financial assets | – | 115 | – | 115 |
| | <u>76</u> | <u>115</u> | <u>112</u> | <u>303</u> |
| Derivative financial liabilities | – | (234) | – | (234) |
| | <u>76</u> | <u>(119)</u> | <u>112</u> | <u>69</u> |

(S\$ million)

Group

As at December 31, 2019

| | | | | |
|----------------------------------|-----------|------------|-----------------|------------|
| Financial assets at FVOCI | – | – | 87 | 87 |
| Financial assets at FVTPL | 81 | – | 25 [#] | 106 |
| Derivative financial assets | – | 172 | – | 172 |
| | <u>81</u> | <u>172</u> | <u>112</u> | <u>365</u> |
| Derivative financial liabilities | – | (94) | – | (94) |
| | <u>81</u> | <u>78</u> | <u>112</u> | <u>271</u> |

The level 3 financial assets at FVTPL as at June 30, 2020 and December 31, 2019 included S\$13 million fair value of Sembcorp Jingmen Water Co. Ltd (SJW). On May 20, 2020, the District Construction Bureau of Jingmen reissued another administrative decision to take over the plant from May 29, 2020 to May 28, 2021 and the Group continues to recognise SJW as 'other financial assets'.

In June 30, 2020 and December 31, 2019, there have been no transfers between the different levels of the fair value hierarchy.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements of financial assets at FVOCI and FVTPL in Level 3 of the fair value hierarchy:

| (S\$ million) Group | Financial assets at FVOCI | Financial assets at FVTPL |
|------------------------------|------------------------------|------------------------------|
| As at January 1, 2020 | 87 | 25 |
| Addition | – | – |
| Translation adjustments | – | * |
| Net change in fair value | * | * |
| As at June 30, 2020 | <u>87</u> | <u>25</u> |

| (S\$ million) Group | Financial assets at FVOCI | Financial assets at FVTPL |
|--------------------------------|------------------------------|------------------------------|
| As at January 1, 2019 | 37 | 15 |
| Addition | – | 1 |
| Net change in fair value | (1) | (2) |
| As at June 30, 2019 | <u>36</u> | <u>14</u> |
| Reclassification [#] | – | 13 |
| Net change in fair value | 51 | (2) |
| As at December 31, 2019 | <u>87</u> | <u>25</u> |

10. FAIR VALUE MEASUREMENTS (Cont'd)

The fair value of financial assets and financial liabilities measured on amortised cost basis for the Group and the Company approximate the carrying amounts, except for service concession receivables and non-current borrowings of the Group.

| <i>(S\$ million)</i> | Financial assets at amortised costs | Other financial liabilities | Total carrying amount | Fair value |
|--------------------------------|--|------------------------------------|------------------------------|-------------------|
| Group | | | | |
| As at June 30, 2020 | | | | |
| Service concession receivables | 1,061 | – | 1,061 | 1,317 |
| Interest-bearing borrowings: | | | | |
| – Non-current borrowings | – | 8,932 | 8,932 | 9,200 |

| <i>(S\$ million)</i> | Financial assets at amortised costs | Other financial liabilities | Total carrying amount | Fair value |
|--------------------------------|--|------------------------------------|------------------------------|-------------------|
| Group | | | | |
| As at December 31, 2019 | | | | |
| Service concession receivables | 1,055 | – | 1,055 | 1,253 |
| Interest-bearing borrowings: | | | | |
| – Non-current borrowings | – | 8,157 | 8,157 | 8,226 |

| <i>(S\$ million)</i> | Financial assets at amortised costs | Other financial liabilities | Total carrying amount | Fair value |
|----------------------------------|--|------------------------------------|------------------------------|-------------------|
| Company | | | | |
| As at June 30, 2020 | | | | |
| Amounts due from related parties | – | – | – | – |
| Amounts due to related parties | – | 145 | 145 | 163 |

| <i>(S\$ million)</i> | Financial assets at amortised costs | Other financial liabilities | Total carrying amount | Fair value |
|----------------------------------|--|------------------------------------|------------------------------|-------------------|
| Company | | | | |
| As at December 31, 2019 | | | | |
| Amounts due from related parties | 345 | – | 345 | 346 |
| Amounts due to related parties | – | 145 | 145 | 149 |

11. AUDIT

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

12. AUDITORS' REPORT

Not applicable.

13. VARIANCE FROM PROSPECT STATEMENT

There is no material change to the previous prospect statement except for the exceptional items primarily due to the unprecedented impact of COVID-19 on the global economic outlook and low energy prices.

14. PROSPECTS

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

Group

The COVID-19 pandemic is severely impacting global economic activity. The International Monetary Fund expects the pandemic to cause a global recession in 2020 with recovery projected to be more gradual than previously forecast. In addition, oil prices have also seen a sharp decline. Singapore's economy is now in recession. The Group expects to incur losses for the full year due to the expected continuing losses at Sembcorp Marine and exceptional items recorded in 1H2020.

Notwithstanding the adverse business conditions, the Group expects to maintain positive operating cash flow in 2020 underpinned by its long-term contracts and the underlying performance of its Energy and Urban businesses.

Energy

While performance of the Energy business continues to be underpinned by its long-term contracts, the impact of COVID-19 and the reduction in economic activity as a result of lockdowns in multiple markets has led to a decrease in energy demand and prices. In the second quarter of 2020, energy demand in Singapore, India and the UK declined by approximately 5% to 20% compared to the same period last year. The underlying performance of the Energy business in 2020 is expected to be markedly lower than 2019.

Net profit for the Energy business for FY2020 is also expected to be affected by the loss of contribution from divested assets and the absence of one-off income in Myanmar. In addition, other exceptional items, including the negative S\$161 million announced in the first half of 2020, as well as the expected currency translation loss upon the completion of the divestment of its Chilean water business will have an adverse impact on FY2020 net profit.

Urban

Profitability of the Urban business is expected to be lower in 2020 compared to 2019 due to lower contribution from projects in China and Vietnam.

Land and property sales for the Urban business have been affected by the COVID-19 pandemic. Due to the measures undertaken by various governments to contain the pandemic, the business had delays in regulatory and other approvals required for the Urban business' projects. The uncertain economic outlook has also led to lower take-up and demand, as well as delayed launches for some of the business' integrated developments and properties.

Marine

The Marine business is gradually resuming project executions safely and progressively. How soon the Marine business' workforce will be allowed to return to full strength will determine the business outlook in subsequent quarters.

Sembcorp Marine will work to ensure adequate liquidity and financial strength to sustain its operations and ride through the severe industry downturn and COVID-19 pandemic.

In this difficult business environment, Sembcorp Marine expects losses to continue into the foreseeable quarters.

15. OTHER INFORMATION

KPMG Auditores Independentes (“KPMG AI”), the Independent Auditors for the SCM Group’s subsidiary Estaleiro Jurong Aracruz Ltda (“EJA”), have issued a disclaimer of opinion in their Independent Auditors’ Report dated July 13, 2020 in relation to the financial statements of EJA for the financial year ended December 31, 2019 (“EJA FY 2019 Financial Statements”) (“Opinion”).

KPMG AI noted that the Brazilian authorities executed a search warrant at EJA’s facilities on July 3, 2019, which was connected with the on-going investigations being conducted by the Brazilian Federal Police related to developments of the “Operacao Lava Jato” (Operation Car Wash) in Brazil. As the internal investigation being conducted by external counsel under the supervision of the Special Committee of the SCM Group is still in progress, KPMG AI issued the Opinion as it was unable to obtain sufficient appropriate audit evidence from the ongoing work and from other sources about the potential impact of this matter on the EJA FY 2019 Financial Statements.

The Opinion does not have a material impact on the SCM Group’s financial position or consolidated financial statements for the financial year ended December 31, 2019. KPMG LLP, the Independent Auditors of SCM Group has confirmed that the Opinion does not change the audit opinion issued by KPMG LLP on March 3, 2020 on the SCM Group’s consolidated financial statements for the financial year ended December 31, 2019. This does not change the audit opinion issued by KPMG LLP on March 4, 2020 on the Group’s consolidated financial statements for the financial year ended December 31, 2019.

16. DIVIDEND

(a) Interim Dividend

In view of the current challenging environment, the Board has decided to defer the dividend consideration to the full year. There is no interim dividend declared for 1H2020.

(b) Distribution

On June 8, 2020, the Company announced the Distribution of the Company’s stake in the recapitalised SCM to the Company’s ordinary shareholders, subject to shareholders approving all the resolutions at the EGM of both SCM and the Company.

The Distribution is measured at fair value and accounted for in accordance with IFRIC 17 Distributions of Non-cash Assets to Owners. Any fair value gains or losses is recognised on date of distribution.

To effect the Distribution as a dividend in specie, the Company will appropriate an amount out of the retained profits and/or distributable reserves of the Company to meet the amount of dividend to be declared. The final appropriated amount will be based on the value of the SCM Shares on the Company’s Record Date.

17. INTERESTED PERSON TRANSACTIONS

For the purposes of Chapter 9 of the SGX-ST Listing Manual, shareholders' approval is required for any interested person transaction of a value equal to, or more than 5% of the Group's latest audited consolidated net tangible assets (NTA) or when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than 5% of the Groups' latest NTA. For FY2020, the 5% Groups consolidated NTA, as at December 31, 2019 was S\$311 million.

Chapter 9 however permits the Company to obtain a shareholders' mandate for recurrent transaction of a revenue or trading nature or those necessary for its day-to-day operations. At the Annual General Meeting held on May 2020, the Company obtained approval for such shareholders' mandate.

| | Nature of relationship | Aggregate value of all interested person transactions under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) |
|---|---|--|--|
| | | 1H2020 | 1H2020 |
| <i>(S\$ million)</i> | | | |
| Sale of Goods and Services | | | |
| Temasek Holdings (Private) Limited | Associate of Temasek Holdings (Private) | 0.4 | - |
| PSA International Pte Ltd and its Associates | Limited, the controlling shareholder of the Company | 6.6 | - |
| Singapore Power Limited and its Associates | Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company | 1.1 | - |
| Singapore Technologies Telemedia Pte Ltd and its Associates | Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company | 77.0 | - |
| | | 85.1 | - |
| Olam International Ltd and its Associates | Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company | 6.8 | - |
| SATS Ltd and its Associates | Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company | 18.0 | - |
| Capitaland Ltd and its Associates | Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company | 0.2 | - |
| Singapore Airlines Limited and its Associates | Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company | 18.3 | - |
| | | 128.4 | - |

17. **INTERESTED PERSON TRANSACTIONS** (Cont'd)

| <i>(S\$ million)</i> | Nature of relationship | Aggregate value of all interested person transactions under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) |
|---|---|---|---|
| Purchase of Goods and Services | | | |
| Singapore Power Limited and its Associates | Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company | 2.4 | - |
| Surbana-Jurong Private limited | Limited, the controlling shareholder of the Company | 3.2 | - |
| Lan Ting Holdings Pte. Ltd. and its Associates | | 76.6 | - |
| | | <hr/> | <hr/> |
| | | 82.2 | - |
| Singapore Technologies Engineering Ltd and its Associates | Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company | 0.3 | - |
| | | <hr/> | <hr/> |
| | | 82.5 | - |
| Payment for early release of key personnel | | | |
| Singapore Power Limited and its Associates | Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company | - | 2.9 |
| | | <hr/> | <hr/> |
| | | - | 2.9 |
| | | <hr/> | <hr/> |
| | | 210.9 | 2.9 |
| | | <hr/> | <hr/> |

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

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

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

We, Ang Kong Hua, and Wong Kim Yin, being two directors of Sembcorp Industries Ltd (the “Company”), do hereby confirm on behalf of the directors of the Company, that to the best of their knowledge, nothing has come to their attention which would render the half-year ended June 30, 2020 unaudited financial results to be false or misleading.

The Board has noted that the board of directors of the Company’s listed subsidiary, Sembcorp Marine Ltd, has also announced and confirmed the results for the half-year ended June 30, 2020.

On behalf of the board of directors

Ang Kong Hua
Chairman

Wong Kim Yin
Director

BY ORDER OF THE BOARD

Kwong Sook May (Ms)
Company Secretary
July 17, 2020