This announcement is not for publication or distribution, directly or indirectly, in or into the United States (including its territories and possessions, any state of the United States and the District of Columbia), Canada or Japan. This announcement is not an offer of securities for sale into the United States, Canada or Japan. The provisional allotments of SCM Rights Shares (as defined below), the SCM Rights Shares and the excess SCM Rights Shares referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act), except pursuant to an applicable exemption from registration. No public offering of securities is being made in the United States.

SEMBCORP INDUSTRIES LTD

(Incorporated in the Republic of Singapore)
Company Registration No. 199802418D

ANNOUNCEMENT

PROPOSED RENOUNCEABLE UNDERWRITTEN SCM RIGHTS ISSUE AND PROPOSED DISTRIBUTION IN SPECIE OF SHARES OF SCM

1. INTRODUCTION

1.1 Sembcorp Industries Ltd ("**SCI**" or the "**Company**") refers to:

(i) the joint press release (the "**Joint Media Release**") made by SCI and Sembcorp Marine Ltd ("**SCM**") today in connection with:

(a) the proposed renounceable underwritten rights issue (the "**Proposed SCM Rights Issue**") of up to 10,463,723,020 new ordinary shares in the capital of SCM (the "**SCM Rights Shares**") at an issue price of S$0.20 for each SCM Rights Share (the "**SCM Rights Issue Price**") based on the SCM Maximum Rights Issue Shares Scenario (as defined in paragraph 3.2 below), or up to 10,452,438,645 SCM Rights Shares at the SCM Rights Issue Price based on the SCM Minimum Rights Issue Shares Scenario (as defined in paragraph 3.2 below), on the basis of five (5) SCM Rights Shares for every one (1) existing ordinary share in the capital of SCM (the "**SCM Shares**"), held by entitled shareholders of SCM ("**SCM Shareholders**") as at a time and date to be determined by the board of directors of SCM (the "**SCM Directors**") at and on which the register of members and share transfer books of SCM will be closed to determine the provisional allotments of SCM Rights Shares of entitled SCM Shareholders under the Proposed SCM Rights Issue ("**SCM Record Date**"), fractional entitlements to be disregarded; and

(b) the proposed distribution in specie by SCI (the "**Proposed Distribution**", and together with the Proposed SCM Rights Issue, the "**Transaction**") of its SCM Shares following completion of the Proposed SCM Rights Issue, to shareholders of SCI (the "**SCI Shareholders**") on a pro rata basis; and

(ii) the announcement made by SCM today in connection with the Transaction, setting out further details in respect of the Proposed SCM Rights Issue (the "**SCM Announcement**")[1].

1.2 Further to the Joint Media Release and the SCM Announcement, the Company wishes to announce:

(i) that, in connection with the Transaction, the Company has today entered into (a) an undertaking agreement with SCM (the "**Undertaking Agreement**") and (b) a deed of amendment in relation to, *inter alia*, the novation and amendment of the subordinated credit facility agreement entered into by Sembcorp Financial Services Pte. Ltd. ("**SFS**") and Sembcorp Marine Financial Services Pte. Ltd. ("**SMFS**") in June 2019 (as supplemented and amended from time to time) ("**Subordinated Credit Facility**", and the deed of amendment, the "**Subordinated Credit Facility Deed of Amendment**"), pursuant to which SFS provided SMFS with a five-year subordinated loan of S$2 billion, of which S$1.5 billion has been drawn down by SMFS as at the date of this Announcement (the "**Subordinated Loan**"); and

(ii) further details on the Proposed Distribution.

2. INFORMATION ON SCM

2.1 **General.** SCM is a public limited company incorporated in Singapore and listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). As at 3 June 2020, being the last trading day on which trades were done in SCM Shares prior to the date of this Announcement and the SCM Announcement (the "**Last Trading Day**"), SCM has a market capitalisation of approximately S$1,776,914,570 and has 2,090,487,729 SCM Shares in issue (excluding treasury shares) ("**Existing SCM Share Capital**").

SCM provides innovative engineering solutions to the global offshore, marine and energy industries. Headquartered in Singapore, SCM and its subsidiaries (the "**SCM Group**") has close to 60 years of track record in the design and construction of rigs, floaters, offshore platforms and specialised vessels; as well as repair, upgrading and conversion of different ship types. Its solutions focus on the Gas Value Chain, Process, Renewable Energy, Advanced Drilling Rigs, Ocean Living and Maritime Security.

2.2 **Financial Information.** Based on the audited consolidated financial statements of the SCM Group for the financial year ended 31 December 2019 ("**SCM FY2019 Audited Consolidated Financial Statements**") as set out in SCM's annual report for FY2019, and the Existing SCM Share Capital, the net tangible asset ("**NTA**") value per SCM Share is approximately S$0.92. Based on the SCM FY2019 Audited Consolidated Financial Statements, the loss before income tax and minority interests of SCM is S$177 million.

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[1] Where applicable, for ease of reference and unless otherwise specified, figures and percentages used in this Announcement have been rounded to one (1) decimal place.

3. PROPOSED SCM RIGHTS ISSUE, THE UNDERTAKING AGREEMENT AND THE SUBORDINATED CREDIT FACILITY DEED OF AMENDMENT

3.1 **SCM Rights Issue Price.** Pursuant to the terms of the Proposed SCM Rights Issue, SCM proposes to issue up to 10,463,723,020 SCM Rights Shares at the SCM Rights Issue Price based on the SCM Maximum Rights Issue Shares Scenario (as defined in paragraph 3.2 below), and 10,452,438,645 SCM Rights Shares at the SCM Rights Issue Price based on the SCM Minimum Rights Issue Shares Scenario (as defined in paragraph 3.2 below), on the basis of five (5) SCM Rights Shares for every one (1) existing SCM Share held by entitled SCM Shareholders as at the SCM Record Date, fractional entitlements to be disregarded. The SCM Rights Issue Price represents a discount of approximately:

(i) 31.0 per cent. to the theoretical ex-rights price of S$0.290[2] per SCM Share as calculated based on the volume weighted average price of the SCM Shares over the five-day period up to and including the Last Trading Day of S$0.740 (the "**5-Day VWAP**")[3];

(ii) 35.1 per cent. to the theoretical ex-rights price of S$0.308[4] per SCM Share as calculated based on the last transacted price of the SCM Shares on the Main Board of the SGX-ST of S$0.850 on the Last Trading Day;

(iii) 76.5 per cent. to the last transacted price of the SCM Shares on the Main Board of the SGX-ST of S$0.850 on the Last Trading Day.

3.2 **Size of Proposed SCM Rights Issue.** As at the date of this Announcement, as set out in paragraph 2.1 above, the issued share capital of SCM (excluding treasury shares) comprises 2,090,487,729 SCM Shares. In addition:

(i) pursuant to the Restricted Share Plan approved and adopted by the SCM Shareholders on 20 April 2010 (the "**SCM RSP**"), there are awards in respect of 2,274,620 SCM Shares outstanding (including awards achieved but not released), of which awards in respect of up to 1,323,508 SCM Shares may be released on or prior to the SCM Record Date; and

(ii) up to 933,367 SCM Shares may be allotted and issued for the payment of SCM Directors' fees on or prior to the SCM Record Date.

Based on the Existing SCM Share Capital and assuming that, on or prior to the SCM Record Date: (a) awards in respect of 1,323,508 SCM Shares are released under the SCM RSP and (b) 933,367 SCM Shares are allotted and issued for the payment of SCM Directors' fees, the issued share capital of SCM (excluding treasury shares) will increase to 2,092,744,604 SCM

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2 Such theoretical ex-rights price is the theoretical market price of each SCM Share assuming the completion of the Proposed SCM Rights Issue, and is calculated based on the volume weighted average price of the SCM Shares over the five-day period up to and including the Last Trading Day of S$0.740, and the number of SCM Shares following the completion of the Proposed SCM Rights Issue assuming the SCM Minimum Rights Issue Shares Scenario.

3 The Issue Price represents a discount of approximately 73.0 per cent. to the 5-Day VWAP.

4 Such theoretical ex-rights price is the theoretical market price of each SCM Share assuming the completion of the Proposed SCM Rights Issue, and is calculated based on the last transacted price of the SCM Shares on the Main Board of the SGX-ST of S$0.850 on the Last Trading Day, and the number of SCM Shares following the completion of the Proposed SCM Rights Issue assuming the SCM Minimum Rights Issue Shares Scenario.

Shares and SCM will allot and issue up to 10,463,723,020 SCM Rights Shares under the Proposed SCM Rights Issue (the "**SCM Maximum Rights Issue Shares Scenario**").

Based on the Existing SCM Share Capital and assuming that, on or prior to the SCM Record Date, no awards under the SCM RSP are released and no SCM Shares are allotted and issued for the payment of SCM Directors' fees on or prior to the SCM Record Date, SCM will allot and issue up to 10,452,438,645 SCM Rights Shares under the Proposed SCM Rights Issue (the "**SCM Minimum Rights Issue Shares Scenario**").

3.3 **Underwritten SCM Rights Shares.** SCM has appointed DBS Bank Ltd. as the sole financial adviser, lead manager and underwriter for the Proposed SCM Rights Issue (the "**Financial Adviser, Lead Manager and Underwriter**") pursuant to the terms of an underwriting and management agreement entered into between SCM and the Financial Adviser, Lead Manager and Underwriter dated 8 June 2020 (the "**Underwriting and Management Agreement**"). The Financial Adviser, Lead Manager and Underwriter has agreed to underwrite up to 2,963,723,020 SCM Rights Shares (which excludes the Undertaking SCM Rights Shares (as defined below)) (the "**Underwritten SCM Rights Shares**") at the SCM Rights Issue Price on the terms and subject to the conditions of the Underwriting and Management Agreement.

Startree Investments Pte. Ltd. ("**Startree**"), a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("**Temasek**"), has entered into a sub-underwriting agreement on 8 June 2020 (the "**Sub-Underwriting Agreement**") with the Financial Adviser, Lead Manager and Underwriter pursuant to which it has agreed, on the terms and subject to the conditions of the Sub-Underwriting Agreement, to subscribe or procure one or more Temasek Companies[5] to subscribe, for up to 2,963,723,020 Underwritten SCM Rights Shares (the entity(ies) that will be subscribing for such Underwritten SCM Rights Shares, the "**Relevant Temasek Entity**") to the extent that such SCM Rights Shares are not successfully subscribed for under the Proposed SCM Rights Issue, where such successful subscriptions shall include valid acceptances for provisional allotments of SCM Rights Shares and valid subscriptions for excess SCM Rights Shares, Provided always that the aggregate subscription amount for such SCM Rights Shares shall not at any time exceed S$0.6 billion.

Under the terms of the Sub-Underwriting Agreement, no sub-underwriting fees will be paid to Temasek or Startree.

As a result of the entry into the Undertaking Agreement, the Underwriting and Management Agreement and the Sub-Underwriting Agreement, all of the SCM Rights Shares to be allotted and issued by SCM under the Proposed SCM Rights Issue will be fully subscribed and paid for.

3.4 **Use of Proceeds.** As set out in the SCM Announcement, under both the SCM Maximum Rights Issue Shares Scenario and the SCM Minimum Rights Issue Shares Scenario, the estimated amount of the gross proceeds from the Proposed SCM Rights Issue is approximately S$2.1 billion. SCM intends to utilise the proceeds from the Proposed SCM Rights Issue for the following purposes:

5 "**Temasek Companies**" means Temasek's direct and indirect wholly-owned subsidiaries whose boards of directors or equivalent governing bodies comprise employees or nominees of (i) Temasek; (ii) Temasek Pte Ltd ("**TPL**"); and/or (iii) wholly-owned subsidiaries of TPL.

(i) S$1.5 billion will be used to repay (including by way of set off) the outstanding principal of S$1.5 billion on the Subordinated Credit Facility; and

(ii) S$0.6 billion will be used for SCM's working capital and general corporate purposes, including debt servicing.

3.5 **SCM Rights Issue Conditions.** The Proposed SCM Rights Issue is subject to and conditional upon, *inter alia*, the satisfaction of the following conditions precedent (the "**SCM Rights Issue Conditions**"):

(i) the approval of the SCM Shareholders at an extraordinary general meeting of SCM ("**SCM EGM**") to be convened, for:

(a) the Proposed SCM Rights Issue, including the allotment and issuance of the SCM Rights Shares pursuant to the Proposed SCM Rights Issue (the "**SCM Rights Issue Resolution**"); and

(b) the waiver of their rights to receive a general offer from Temasek and parties acting in concert with it in relation to the Proposed Distribution (the "**Temasek Concert Party Group**"), in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**"), as a result of the Proposed Distribution (the "**Whitewash Resolution**");

(ii) the Whitewash Waiver (as defined in paragraph 7.2 below) having been granted by the Securities Industry Council ("**SIC**") on terms satisfactory to Temasek, SCI and SCM, and not having been withdrawn, revoked or amended, and all conditions to which the Whitewash Waiver is subject having been fulfilled;

(iii) the approval of the SCI Shareholders at an extraordinary general meeting of SCI ("**SCI EGM**") to be convened for the Proposed Distribution (the "**Distribution Resolution**"); and

(iv) all other necessary waivers, consents and approvals required from, inter alia, the SGX-ST and other third parties in connection with the Proposed SCM Rights Issue and the Proposed Distribution having been obtained.

3.6 **Further Information.** Further information on the Proposed SCM Rights Issue is set out in the SCM Announcement, a copy of which may be found on the website of the SGX-ST at www.sgx.com.

3.7 **SCI Undertaking.** As at the date of this Announcement, SCI has a direct interest in an aggregate of 1,274,270,764 SCM Shares, representing approximately 61.0 per cent. of the SCM Shares in issue (the "**Relevant SCM Shares**"), and SCM is a subsidiary of the SCI Group. Pursuant to the terms of the Undertaking Agreement, SCI has undertaken to, *inter alia*:

(i) subscribe and pay in full for its pro-rata entitlement under the Proposed SCM Rights Issue in relation to the Relevant SCM Shares (the "**SCI Pro-Rata SCM Rights Shares**"); and

(ii) subscribe and pay in full for, or procure the subscription and payment in full of Excess SCM Rights Shares[6], provided that the value for such Excess SCM Rights Shares shall not, based on the SCM Rights Issue Price, exceed an amount equivalent to the difference between (a) the SCI Pro-Rata SCM Rights Shares multiplied by the SCM Rights Issue Price, and (b) S$1.5 billion.

SCI will satisfy its obligations set out in paragraphs 3.7(i) and 3.7(ii) above by submitting an application, on or prior to the last day for acceptance of and/or excess application and payment for the SCM Rights Shares in accordance with the terms and conditions of the Proposed SCM Rights Issue (the "**SCM Rights Issue Closing Date**"), to subscribe for (a) the SCI Pro-Rata SCM Rights Shares and (b) such number of Excess SCM Rights Shares equivalent to the difference between (1) S$1.5 billion divided by the SCM Rights Issue Price and (2) the SCI Pro-Rata SCM Rights Shares.

Pursuant to the terms of the Undertaking Agreement, SCI and SCM have also agreed, *inter alia*, that:

(I) the aggregate SCM Rights Issue Price payable by SCI (the "**SCM Rights Subscription Amount**") for the SCI Pro-Rata SCM Rights Shares and any Excess SCM Rights Shares (collectively, the "**Undertaking SCM Rights Shares**") shall not at any time exceed S$1.5 billion (representing up to 7,500,000,000 SCM Rights Shares);

(II) consistent with the use of the proceeds from the Proposed SCM Rights Issue, SCI's obligation to pay the SCM Rights Subscription Amount shall be set off against an equivalent amount of the principal amount outstanding and due and owing to SCI by SCM under the Subordinated Credit Facility following the Novation (as defined in paragraph 3.12(i) below);

(III) SCM shall, on a date falling on or prior to the fifth business day after the date on which SCM receives the cash proceeds from the Proposed SCM Rights Issue and the SCM Rights Shares are issued (or such other date as may be agreed between the parties to the Subordinated Credit Facility Deed of Amendment in writing) (the "**Loan Repayment Date**"), utilise either the cash proceeds from the Proposed SCM Rights Issue or its available cash balances to repay all and any outstanding principal amounts under the Subordinated Credit Facility and all interest on the principal amount of the Subordinated Loan accrued and unpaid up to the Loan Repayment Date, as well as all other amounts acknowledged and agreed to be repaid by SCM to SCI as set out in the Subordinated Credit Facility Deed of Amendment, which have not been settled or otherwise repaid on or prior to the Loan Repayment Date;

(IV) no commission or fee will be payable by SCM to SCI in connection with SCI's undertakings under the Undertaking Agreement; and

(V) to the extent not prohibited under applicable laws and regulations (including the Listing Manual of the SGX-ST (the "**Listing Manual**")), SCI irrevocably undertakes to

6 "**Excess SCM Rights Shares**" means the SCM Rights Shares represented by provisional allotments of SCM Rights Shares not accepted (whether by the persons to which the SCM Rights Shares are provisionally allotted or by the purchasers of "nil-paid" rights), taken up or allotted for any reason and the fractional provisional allotments of SCM Rights Shares not allotted in accordance with the terms of the Proposed SCM Rights Issue.

SCM that it shall vote or procure the voting of all the Relevant SCM Shares in favour of the resolution to approve the Proposed SCM Rights Issue and the allotment and issuance of the SCM Rights Shares at the SCM EGM.

3.8 **Conditions.** The undertakings of SCI and the agreements between SCI and SCM pursuant to the Undertaking Agreement are subject to and conditional upon, *inter alia*,:

(i) the SCM Rights Issue Conditions;

(ii) the entry into the Subordinated Credit Facility Deed of Amendment by SCI, SFS, SCM and SMFS, and the Subordinated Credit Facility Deed of Amendment (including the Novation (as defined in paragraph 3.12(i) below)) not having been terminated and remaining in full force and effect; and

(iii) all other third party approvals or consents which SCI or SCM reasonably determines are necessary to implement the Proposed SCM Rights Issue and the Proposed Distribution, having been obtained either unconditionally or on conditions satisfactory to SCI and SCM both acting reasonably and any such consent not having been withdrawn or revoked.

3.9 **Resultant Shareholding in SCM.** Assuming that:

(i) as at the SCM Record Date, SCI holds the Relevant SCM Shares; and

(ii) all SCM Rights Shares are subscribed for by the SCM Shareholders and investors such that SCI is **not** required pursuant to the Undertaking Agreement to subscribe for any Excess SCM Rights Shares and subscribes only for the SCI Pro-Rata SCM Rights Shares,

SCI's resultant holding in SCM will be 7,645,624,584 SCM Shares (the "**Minimum SCI Distribution Shares**"), representing approximately (a) 60.9 per cent. of the SCM Shares in issue immediately following the Proposed SCM Rights Issue assuming the SCM Maximum Rights Issue Shares Scenario, and (b) 61.0 per cent. of the SCM Shares in issue immediately following the Proposed SCM Rights Issue assuming the SCM Minimum Rights Issue Shares Scenario.

Assuming that:

(1) as at the SCM Record Date, SCI holds the Relevant SCM Shares; and

(2) other than SCI which subscribes for the SCI Pro-Rata SCM Rights Shares, no SCM Shareholder or investor subscribes for any SCM Rights Shares such that SCI is required pursuant to the Undertaking Agreement to subscribe for the Undertaking SCM Rights Shares,

SCI will subscribe for 7,500,000,000 SCM Rights Shares ("**Maximum SCM Subscribed Rights Shares**") pursuant to the Undertaking Agreement, resulting in an aggregate holding of 8,774,270,764 SCM Shares (the "**Maximum SCI Distribution Shares**") and representing approximately (I) 69.9 per cent. of the SCM Shares in issue immediately following the Proposed SCM Rights Issue assuming the SCM Maximum Rights Issue Shares Scenario, and (II) 70.0 per cent. of the SCM Shares in issue immediately following the Proposed SCM Rights Issue assuming the SCM Minimum Rights Shares Scenario.

Assuming that the Relevant Temasek Entity is required pursuant to the Sub-Underwriting Agreement to subscribe for all the Underwritten SCM Rights Shares, the Relevant Temasek Entity will directly hold (A) 2,963,723,020 SCM Shares, representing approximately 23.6 per cent. of the SCM Shares in issue immediately following the Proposed SCM Rights Issue, assuming the SCM Maximum Rights Issue Shares Scenario, and (B) 2,952,438,645 SCM Shares, representing approximately 23.5 per cent. of the SCM Shares in issue immediately following the Proposed SCM Rights Issue, assuming the SCM Minimum Rights Issue Shares Scenario. If the Relevant Temasek Entity is not required pursuant to the Sub-Underwriting Agreement to subscribe for any Underwritten SCM Rights Shares, the Relevant Temasek Entity will not hold any SCM Shares following the Proposed SCM Rights Issue.

3.10 **Consideration.** Pursuant to the Undertaking Agreement, the maximum aggregate consideration for the Undertaking SCM Rights Shares would be S$1.5 billion. There would be no cash outlay from SCI for the Undertaking SCM Rights Shares as all amounts payable to SCM for such Undertaking SCM Rights Shares would be set off against the principal amount outstanding under the Subordinated Loan due and owing from SCM to SCI.

3.11 **Chapter 10.** Pursuant to the Proposed SCM Rights Issue and the Undertaking Agreement, assuming that SCI subscribes for the Maximum SCM Subscribed Rights Shares, the number of Excess SCM Rights Shares required to be subscribed by SCI would be 1,128,646,180 (the "**Relevant Excess SCM Rights Shares**"), and the deemed consideration payable for such Relevant Excess SCM Rights Shares would be approximately S$225.7 million based on the SCM Rights Issue Price.

The relative figures computed on the applicable bases set out in Rule 1006 of the Listing Manual for the acquisition of the Relevant Excess SCM Rights Shares are as follows:

Rule 1006	Bases	Relevant Excess SCM Rights Shares (S$ million)	SCI Group (S$ million)	Relative Figures (%)
(b)	Net loss attributable to the subscription of the Relevant Excess SCM Rights Shares(1), compared with the SCI Group's net profits(2)	**(15.9)**	**295.0**	**(5.4)**
(c)	Consideration payable for the Relevant Excess SCM Rights Shares compared with the market capitalisation of SCI(3)	**225.7**	**2,690.9**	**8.4**

Notes:

(1) Defined as net loss including discontinued operations that have not been disposed and before income tax and non-controlling interests of the SCM Group based on the SCM FY2019 Audited Consolidated Financial Statements.

(2) Defined as net profit including discontinued operations that have not been disposed and before income tax and non-controlling interests of SCI and its subsidiaries (the "**SCI Group**") based on the audited consolidated financial statements of the SCI Group for FY2019.

(3) SCI's market capitalisation is based upon 1,785,574,930 ordinary shares ("**SCI Shares**") in the issued share capital of SCI (excluding treasury shares) as at the Last Trading Day at a weighted average price of SCI Shares transacted on the Last Trading Day of S$1.507 (rounded to 3 decimal places) for each SCI Share.

As the relative figure in Rule 1006(c) of the Listing Manual does not exceed 20 per cent. and the net loss attributable to the Relevant Excess SCM Rights Shares exceeds five (5) per cent. but does not exceed 10 per cent. of the consolidated net profit of the SCI Group, pursuant to paragraph 4.4 of Practice Note 10.1 of the Listing Manual, the acquisition of the Relevant Excess SCM Rights Shares would constitute a discloseable transaction for SCI as defined in Chapter 10 of the Listing Manual.

3.12 **Subordinated Credit Facility Deed of Amendment.** In June 2019, SFS entered into the Subordinated Credit Facility with SMFS as borrower and SCM as guarantor, pursuant to which SFS provided SMFS with the Subordinated Loan, of which S$1.5 billion has been drawn down by the SCM Group as at the date of this Announcement. On 4 June 2020, SFS and SMFS agreed to, *inter alia*, extend the availability period for the balance principal amount of S$0.5 billion which remains undrawn. To facilitate the set off arrangements in respect of SCI's subscription and payment in full for the Undertaking SCM Rights Shares pursuant to the terms of the Undertaking Agreement and the separation of SCM from the SCI Group following the Proposed Distribution, SCI, SFS, SCM and SMFS have entered into the Subordinated Credit Facility Deed of Amendment, pursuant to which SCI, SFS, SCM and SMFS have agreed, *inter alia*, that subject to and conditional upon the terms of the Subordinated Credit Facility Deed of Amendment:

(i) SFS will novate all of its rights, title, interests, duties and obligations under or in connection with the Subordinated Credit Facility to SCI and SMFS will novate all of its rights, title, interests, duties and obligations under or in connection with the Subordinated Credit Facility to SCM (the "**Novation**");

(ii) the terms of the Subordinated Credit Facility will be amended to cancel the availability of the balance commitment of S$0.5 billion available to be drawn down under the Subordinated Credit Facility (the "**Cancellation**"); and

(iii) SCM shall, on or prior to the Loan Repayment Date, utilise either the cash proceeds from the Proposed SCM Rights Issue or its available cash balances to repay all and any outstanding principal amounts under the Subordinated Credit Facility and all interest on the principal amount of the Subordinated Loan accrued and unpaid up to the Loan Repayment Date, as well as all other amounts acknowledged and agreed to be repaid by SCM to SCI as set out in the Subordinated Credit Facility Deed of Amendment, which have not been settled or otherwise repaid on or prior to the Loan Repayment Date.

The terms of the Subordinated Credit Facility Deed of Amendment (including the Novation and the Cancellation) shall be subject to and conditional upon, and shall only become effective, upon the satisfaction or waiver (as the case may be) of, *inter alia*, the SCM Rights Issue Conditions and the Proposed SCM Rights Issue Closing Date having occurred.

As it is not currently the intention of SCI to redeem the S$1.5 billion 3.55 per cent. guaranteed bonds due 2024 (the "**2019 Bonds**") which were issued by SFS in 2019, the proceeds of which were utilised to fund the principal amount outstanding under the Subordinated Loan, SCI will be seeking the approval of the holders of the 2019 Bonds (the "**2019 Bondholders**") either in writing or at an extraordinary general meeting of the 2019 Bondholders for amendments to the terms and conditions of the 2019 Bonds to, *inter alia*, waive and/or delete the requirement for the mandatory redemption of the 2019 Bonds in the event of any repayment of the Subordinated Loan.

4. THE PROPOSED DISTRIBUTION

4.1 **Method of Distribution.** Following settlement of the Proposed SCM Rights Issue, SCI proposes to undertake the Proposed Distribution. The Proposed Distribution, which will be subject to, *inter alia*, the approval of SCI Shareholders, will be effected by way of a dividend *in specie* to SCI Shareholders pro rata to their respective shareholdings in SCI.

4.2 **Entitled SCI Shareholders.** SCI Shareholders who hold SCI Shares as at a time and date to be determined by the board of directors of SCI for the purpose of determining SCI Shareholders' entitlements under the Proposed Distribution ("**SCI Record Date**"), will be entitled to the Proposed Distribution ("**Entitled SCI Shareholders**").

4.3 **Distribution Ratio.** The number of SCM Shares to be distributed by SCI pursuant to the Proposed Distribution is subject to the number of SCM Shares held by SCI following completion of the Proposed SCM Rights Issue.

For illustrative purposes only:

(i) **Minimum Distribution Ratio.** Assuming that the number of SCM Shares to be distributed following completion of the Proposed SCM Rights Issue is the Minimum SCI Distribution Shares, and assuming further that the number of SCI Shares in issue as at the SCI Record Date is 1,786,708,391 (excluding 1,972,802 treasury shares and assuming the vesting and release of 1,133,461 SCI Shares under 10,156,157 outstanding performance share awards and restricted share awards granted pursuant to the SCI Performance Share Plan (the "**SCI PSP**") and the SCI Restricted Share Plan (the "**SCI RSP**") on or prior to the SCI Record Date), the Proposed Distribution will be effected on the basis of 427 SCM Shares for every 100 SCI Shares held by Entitled SCI Shareholders at the SCI Record Date, fractional entitlements to be disregarded; and

(ii) **Maximum Distribution Ratio.** Assuming that the number of SCM Shares to be distributed following completion of the Proposed SCM Rights Issue is the Maximum SCI Distribution Shares, and assuming further that the number of SCI Shares in issue as at the SCI Record Date is 1,785,574,930 SCI Shares (excluding 1,972,802 treasury shares and no SCI Shares vest and are released under 10,156,157 outstanding performance share awards and restricted share awards granted pursuant to the SCI PSP and the SCI RSP on or prior to the SCI Record Date), the Proposed Distribution will be effected on the basis of 491 SCM Shares for every 100 SCI Shares held by Entitled SCI Shareholders at the SCI Record Date, fractional entitlements to be disregarded.

SCI will announce the number of SCM Shares to be distributed for each SCI Share held by Entitled SCI Shareholders pursuant to the Proposed Distribution as soon as practicable following completion of the Proposed SCM Rights Issue.

Entitled SCI Shareholders will receive SCM Shares pursuant to the Proposed Distribution free of cash outlay. The SCM Shares will be distributed free of encumbrances and together with all rights attaching thereto on and from the date the Proposed Distribution is effected. Following completion of the Proposed Distribution, any resultant fractional SCM Shares will be aggregated and held by SCI for future disposal.

4.4 **Effects of the Proposed Distribution.** On completion of the Proposed Distribution, SCI will have distributed all or substantially all of its holding of SCM Shares and SCI Shareholders will hold listed shares in both SCI and SCM. **The Proposed Distribution will not result in any change to the issued and paid-up share capital of SCI after the Proposed Distribution or to the number of SCI Shares held by each SCI Shareholder.**

4.5 **Conditions to the Proposed Distribution.** The Proposed Distribution is subject to and conditional upon, *inter alia*, the following:

(i) the approval of the SCM Shareholders at the SCM EGM for the SCM Rights Issue Resolution and the Whitewash Resolution;

(ii) the Whitewash Waiver having been granted by the SIC on terms satisfactory to Temasek, SCI and SCM, and not having been withdrawn, revoked or amended, and all conditions to which the Whitewash Waiver is subject having been fulfilled;

(iii) the approval of the SCI Shareholders at the SCI EGM for the Distribution Resolution;

(iv) all other necessary waivers, consents and approvals from, *inter alia*, the SGX-ST and other third parties in connection with the Proposed SCM Rights Issue and the Proposed Distribution having been obtained; and

(v) the closing of the Proposed SCM Rights Issue having occurred and the allotment and issuance of the SCM Rights Shares.

The Proposed Distribution and the Proposed SCM Rights Issue are inter-conditional. In the event that SCM Shareholders do not approve the SCM Rights Issue Resolution and/or the Whitewash Resolution, or the SCI Shareholders do not approve the Distribution Resolution, neither the Proposed SCM Rights Issue nor the Proposed Distribution will proceed. In the event that the Proposed SCM Rights Issue does not proceed or the SCM Rights Shares are not allotted and issued, the Proposed Distribution will not proceed.

5. TRANSACTION BACKGROUND AND RATIONALE

5.1 **Background.** SCI regularly reviews options to maximise value for its shareholders taking into account its long term strategy and business environment including the strategic fit of each of its businesses. SCI's board and management believe that it is in the best interests of its shareholders to separate its core businesses from its Marine interests. This would unlock shareholder value by creating two focused companies.

There is need for SCI to deepen its capabilities and reshape its portfolio for the global energy transition. New demand patterns emerging in the energy sector require SCI to be focused on competing effectively, and adapt towards more sustainable business models. With Singapore as its home base, its core businesses are well-placed to serve markets especially in Asia where population growth is driving rising demand for sustainable solutions that enable rapid industrialisation, urbanisation and electrification. However, while there continues to be opportunities in the energy and urban sectors, SCI's future growth may be constrained by the current SCI Group balance sheet which consolidates SCM's debt.

The offshore and marine industry has seen a prolonged and severe downturn since 2015 due to profound structural changes in the energy industry and intensifying international competition. With reduced order books, SCM's financial performance has suffered a steep slide, resulting in pre-tax losses in 2017, 2018 and 2019, putting significant pressure on its liquidity and working capital requirements. In 2020, SCM was unexpectedly hit by the COVID-19 pandemic and the sudden collapse in oil prices. With new orders likely to remain depressed for a prolonged period, the company now foresees that recovery will be pushed out further to 2021 and beyond. SCM's cash flow and financial flexibility continue to be impacted by the worsening market dynamics and outlook. SCM urgently needs to recapitalise, address liquidity requirements, and strengthen its balance sheet.

Given the development in the macro environment as described above and the limited overlap of businesses between SCI and SCM, the boards and management of both companies believe that the proposed Transaction would be in the best interests of their respective shareholders. The creation of two focused companies will allow each company to be in a stronger position to press ahead to adapt to new and emerging market realities, and reposition towards sustainable business models in their respective industry sectors.

For SCI: The demerger will transform SCI into a focused Energy and Urban business that can be competitive in its sector amid the global energy transition and offer distinct advantages to its stakeholders. After the demerger, the removal of exposure to the offshore oil and gas sector is expected to contribute towards an improvement in the financial metrics of SCI. Through the Proposed Distribution, SCI shareholders will receive shares in a recapitalised SCM with Temasek as a direct and significant shareholder.

For SCM: The proposed recapitalisation of SCM will immediately improve its cash position, fund ongoing financial and project commitments, and strengthen its balance sheet. The demerger from SCI will enable SCM to pursue a focused strategy and build further its core engineering and execution capabilities.

5.2 **Rationale.**

(i) **Enhancing Shareholder Value**

(a) **Improved returns and a stronger balance sheet.** After the Proposed Distribution and the demerger of SCM from SCI, the removal of exposure to the offshore oil and gas sector is expected to contribute towards an improvement in the financial metrics of SCI illustrated below on a pro forma basis[7]:

[7] Assumes SCI subscribes for the Undertaking SCM Rights Shares at S$1.5 billion.

(1) **SCI's ROE and ROA are expected to improve on a pro-forma basis**

- FY2019 ROE[8] will increase from 3.5 per cent. to 7.9 per cent.
- FY2019 ROA[9] will increase from 3.5 per cent. to 5.6 per cent.

(2) **A significant reduction in SCI's debt levels**

SCI will benefit from a material reduction in its debt levels after the demerger of SCM. On a pro-forma basis, SCI's total debt[10] as at 31 December 2019 will decrease from S$11.6 billion to S$8.7 billion due to the deconsolidation of SCM's total debt in SCI's balance sheet. This will result in an improvement in the following pro-forma leverage ratios:

- Net debt / FY2019 EBITDA[11] will improve from 6.4x to 5.0x
- Gross debt / FY2019 EBITDA[12] will improve from 7.6x to 6.0x

(b) **Increased strategic focus: SCI will focus on growing its Energy and Urban Business.** SCI will be able to focus its resources and efforts on repositioning its Energy and Urban businesses, and capturing growth opportunities to provide solutions that support the energy transition and sustainable development. The Energy and Urban businesses generate relatively stable long-term cash flow streams and the Proposed Distribution will allow SCI to allocate capital solely to its core businesses. Demerger allows for SCI to execute its strategy independently of SCM, given the limited business synergies between SCI and SCM. Following completion of the Transaction, each company can be evaluated more transparently, based on their specific investment merits, financial returns and strategic progress.

(c) **Unlocking value for shareholders: Delivers clearer investment proposition and may lead to a re-rating of SCI's equity value.** The demerger would deliver a clearer investment proposition to SCI equity holders and make SCI more comparable to industry peers. This may lead to a positive re-rating of SCI's equity value and appeal to equity investors focused on the Energy and Urban space.

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8 Computed as Profit attributable to owners of the Company (excluding non-recurring potential fair value gains or losses recognised at the completion of the Proposed Distribution) divided by equity attributable to owners of the Company. Ratios have been prepared using equity attributable to owners of the Company as at 31 December 2019.

9 Computed as the sum of (i) Net Profit (excluding non-recurring potential fair value gains or losses recognised at the completion of the Proposed Distribution) and (ii) finance costs divided by SCI Group's total assets. Ratios have been prepared using equity attributable to owners of the Company as at 31 December 2019.

10 Includes the perpetual securities, but excludes lease liabilities.

11 Computed as total borrowings (including the perpetual securities) less total cash balance divided by earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). Total borrowings exclude lease liabilities.

12 Computed as total borrowings (including the perpetual securities) divided by EBITDA. Total borrowings exclude lease liabilities.

(ii) **SCI shareholders will receive SCM shares, providing investment flexibility**

(a) **Direct control over interests in the two focused businesses.** SCI shareholders will have direct shareholdings in two distinct entities. SCI shareholders will gain the flexibility to deal with SCM shares independently of their SCI shares and calibrate their holdings of SCI and SCM in accordance with their individual investment objectives.

(b) **Receiving shares in a recapitalised SCM with Temasek as a direct and significant shareholder.** SCI's shareholders will receive shares, with no cash outlay, in a recapitalised SCM. Upon completion of the Transaction, both SCI and SCM will have strong shareholder bases to support the respective companies' strategies and business models for the long term. Temasek will be a direct and significant shareholder of both SCI (approximately 49.3 per cent.[13]) and SCM (stake exceeding 29 per cent.).

To ensure that SCM is sufficiently capitalised before SCI shareholders receive their *pro rata* distribution of shares in SCM, SCM will undertake the Proposed SCM Rights Issue to strengthen its equity base by S$2.1 billion. This will place SCM on a stronger footing to sustain operations through the global downturn and enhance its competitive position in the sector.

SCI commits to support SCM's recapitalisation efforts by undertaking to subscribe for up to S$1.5 billion of the Proposed SCM Rights Issue. SCI will set off its outstanding S$1.5 billion Subordinated Loan extended to SCM in 2019 to subscribe for the Proposed SCM Rights Issue. SCI will not need to contribute cash as part of its rights subscription. Temasek will backstop the remaining S$0.6 billion to ensure cash injection.

The settlement of SCM's Subordinated Loan and the Proposed Distribution deliver a clean demerger with an immediate deleveraging of SCM for the benefit of all SCM's shareholders. SCI shareholders will receive SCM Shares, with no cash outlay, in a recapitalised SCM with a significantly reduced net gearing[14] from 1.82x to 0.45x, due to the settlement of the Subordinated Loan and improved cash position arising from the Proposed SCM Rights Issue.

6. PRO FORMA FINANCIAL EFFECTS OF THE TRANSACTION

For illustrative purposes only, the pro forma financial effects of the Transaction (including subscription of the SCM Rights Shares by SCI pursuant to the Undertaking Agreement and the Proposed Distribution) on the SCI Group are set out in the **Appendix** to this Announcement.

The pro forma financial effects are for illustrative purposes only and do not reflect the actual financial position of the SCI Group after the Transaction.

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13 Held by Temasek and its wholly-owned subsidiaries.

14 Gearing = (Gross Borrowings – Cash) / Equity attributable to owners.

7. **WHITEWASH WAIVER FOR THE TRANSACTION**

7.1 **Temasek Resultant Holding.** As at 5 June 2020, being the latest practicable date of this Announcement ("**Latest Practicable Date**"), based on information available to Temasek:

(i) Temasek and Startree, its wholly-owned subsidiary, hold an interest in an aggregate of 880,600,328[15] SCI Shares, representing approximately 49.3 per cent. of the SCI Shares in issue[16]. Temasek is also deemed interested in 844,275 SCI Shares held by DBS Group Holdings Limited ("**DBS Group**"), as reported to Temasek by DBS Group, an independently-managed operating company of Temasek; and

(ii) Temasek also has a deemed interest in an aggregate of 1,274,271,521 SCM Shares, representing approximately 61.0 per cent. of the Existing SCM Share Capital[17], comprising 1,274,270,764 SCM Shares held by SCI and 757 SCM Shares held by DBS Group, as reported to Temasek by DBS Group, an independently-managed operating company of Temasek.

In the interests of confidentiality, Temasek has not made enquiries in respect of certain other parties who are or may be presumed to be acting in concert with Temasek in relation to the Proposed Distribution. Further enquiries will be made of such persons after the date of this Announcement and the relevant disclosures will be made in the SCI Circular (as defined in paragraph 7.2(ii)(a) below).

(a) **Temasek Minimum Resultant Holding after the SCM Rights Issue and the Proposed Distribution.** Assuming that:

(1) there is no change in the number of SCI Shares in which Temasek has an interest;

(2) the size of the Proposed SCM Rights Issue is the SCM Maximum Rights Issue Shares Scenario;

(3) all SCM Rights Shares are subscribed for by the SCM Shareholders and investors such that SCI subscribes only for the SCI Pro-Rata SCM Rights Shares and not any Excess SCM Rights Shares and the Relevant Temasek Entity is not required pursuant to the Sub-Underwriting Agreement to subscribe for any Underwritten SCM Rights Shares;

(4) there is no subscription of SCM Rights Shares by DBS Group for its pro rata entitlement under the Proposed SCM Rights Issue; and

(5) the number of SCI Shares in issue as at the SCI Record Date is 1,786,708,391 (excluding 1,972,802 treasury shares and assuming the vesting and release of 1,133,461 SCI Shares under 10,156,157 outstanding

15 Temasek holds 871,200,328 SCI Shares directly, while the balance 9,400,000 SCI Shares are held through Startree.

16 Calculated based on 1,785,574,930 SCI Shares in issue (excluding 1,972,802 treasury shares) as at the Latest Practicable Date and rounded to the nearest one decimal place.

17 Calculated based on 2,090,487,729 SCM Shares in issue (excluding 416,840 treasury shares) as at the Latest Practicable Date and rounded to the nearest one decimal place.

performance share awards and restricted share awards granted pursuant to the SCI PSP and the SCI RSP on or prior to the SCI Record Date),

Temasek and its wholly-owned subsidiaries (including the Relevant Temasek Entity but excluding independently-managed operating companies) (collectively, the "**Temasek Group**") would hold in aggregate 3,760,163,400 SCM Shares[18], representing approximately 29.95 per cent. of the SCM Shares in issue immediately following the Proposed SCM Rights Issue and the Proposed Distribution.

(b) **Temasek Maximum Resultant Holding after the SCM Rights Issue and the Proposed Distribution.** Assuming that:

(1) there is no change in the number of SCI Shares in which Temasek has an interest;

(2) the size of the Proposed SCM Rights Issue is the SCM Maximum Rights Issue Shares Scenario;

(3) other than SCI which subscribes for the SCI Pro-Rata SCM Right Shares, no SCM Shareholder or investor subscribes for any SCM Rights Shares such that SCI is required pursuant to the Undertaking Agreement to subscribe for all of the Undertaking SCM Rights Shares;

(4) the Relevant Temasek Entity is required pursuant to the Sub-Underwriting Agreement to subscribe for all the Underwritten SCM Rights Shares;

(5) there is no subscription of SCM Shares by DBS Group for its pro rata entitlement under the Proposed SCM Rights Issue; and

(6) the number of SCI Shares in issue as at the SCI Record Date is 1,785,574,930 SCI Shares (excluding 1,972,802 treasury shares and no SCI Shares vest and are released under 10,156,157 outstanding performance share awards and restricted share awards granted pursuant to the SCI PSP and the SCI RSP on or prior to the SCI Record Date),

the Temasek Group would hold in aggregate 7,287,470,630 SCM Shares[19], representing approximately 58.04 per cent. of the SCM Shares in issue immediately following the Proposed SCM Rights Issue and the Proposed Distribution.

7.2 **Whitewash Waiver.** As the Temasek Concert Party Group may acquire or consolidate effective control of SCM as a result of the Proposed Distribution, a ruling from the Securities Industry Council ("**SIC**") has been sought and SIC has confirmed that the Temasek Concert Party Group will be exempted from the requirement to make a general offer for all the issued

[18] The number of SCM Shares which Temasek would hold a direct and deemed interest in, including the SCM Shares held by DBS Group, would be 3,763,769,211, representing approximately 29.97 per cent. of the SCM Shares in issue immediately following the Proposed SCM Rights Issue and the Proposed Distribution.

[19] The number of SCM Shares which Temasek would hold a direct and deemed interest in, including the SCM Shares held by DBS Group, would be 7,291,616,777, representing approximately 58.07 per cent. of the SCM Shares in issue immediately following the Proposed SCM Rights Issue and the Proposed Distribution.

shares of SCM under Rule 14 of the Code as a result of the Proposed Distribution (the "**Whitewash Waiver**") subject to the following conditions being satisfied:

(i) in respect of SCM:

(a) a majority of SCM Shareholders approving at the SCM EGM before the Proposed Distribution, the Whitewash Resolution by way of a poll, to waive their rights to receive a general offer from the Temasek Concert Party Group;

(b) the Whitewash Resolution being put to the vote of the SCM Shareholders separate from any other resolutions which may be proposed at the SCM EGM;

(c) the Temasek Concert Party Group, including SCI, as well as other SCM Shareholders not independent of them, abstaining from voting on the Whitewash Resolution;

(d) the Temasek Concert Party Group not having acquired and are not to acquire any SCM Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of the SCM Shares which have been disclosed in SCM's circular to SCM Shareholders in relation to the Proposed SCM Rights Issue (the "**SCM Circular**") (1) during the period between the announcement of the Transaction and the later of (I) the date the SCM Shareholders' approval is obtained for the Whitewash Resolution and (II) the date SCI Shareholders' approval is obtained for the Distribution Resolution; and (2) in the six months prior to the announcement of the Transaction but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of SCM in relation to the Transaction;

(e) the appointment by SCM of an independent financial adviser to advise the SCM Shareholders independent of the Temasek Concert Party Group on whether they should vote for or against the Whitewash Resolution;

(f) the SCM Circular setting out:

(1) details of the Proposed SCM Rights Issue (including SCI's undertaking to subscribe for the Undertaking SCM Rights Shares pursuant to the Undertaking Agreement and Temasek's agreement to subscribe for the Underwritten SCM Rights Shares pursuant to the Sub-Underwriting Agreement) and the Proposed Distribution;

(2) the dilution effect of issuing the SCM Rights Shares pursuant to the Proposed SCM Rights Issue and the Proposed Distribution to existing SCM Shareholders;

(3) the number and percentage of voting rights in SCM as well as the number of instruments convertible into, rights to subscribe for and options in respect of SCM Shares held by the Temasek Concert

Party Group as at the latest practicable date prior to the posting of the SCM Circular;

(4) the number and percentage of voting rights in SCM acquired by the Relevant Temasek Entity upon the issue of the SCM Rights Shares as a result of the Undertaking Agreement and the Sub-Underwriting Agreement;

(5) the number and percentage of voting rights in SCM that may be held by the Temasek Concert Party Group after the Proposed SCM Rights Issue and the Proposed Distribution;

(6) a specific and prominent reference to the fact that the Proposed SCM Rights Issue and the Proposed Distribution could result in the Temasek Concert Party Group holding more than 49 per cent. of the voting rights of SCM and that the Temasek Concert Party Group will be free to acquire further SCM Shares without incurring any obligation to make a mandatory offer for SCM; and

(7) a specific and prominent reference to the fact that the SCM Shareholders, by voting for the Whitewash Resolution, will be waiving their rights to receive a general offer from the Temasek Concert Party Group at the highest price paid by any of them for SCM Shares in the past six months prior to the commencement of the offer;

(g) the SCM Circular to state that the Whitewash Waiver is subject to compliance with the conditions set out above in paragraphs 7.2(i)(a) to 7.2(i)(f);

(h) the Temasek Concert Party Group will obtain SIC's approval in advance for those parts of the SCM Circular that refer to the Whitewash Resolution; and

(i) to rely on the Whitewash Resolution, approval of the Whitewash Resolution must be obtained within three months of 5 June 2020 and the Proposed Distribution must be completed within three months of the date on which the approval of the SCM Shareholders for the Whitewash Resolution is obtained; and

(ii) in respect of SCI:

(a) the circular to SCI Shareholders ("the "**SCI Circular**") to authorise the Proposed Distribution shall (1) contain advice to the effect that by voting for the Proposed Distribution and if the SCM Shareholders approve the Whitewash Resolution, the SCI Shareholders are waiving their right to a general offer at the required price by the Temasek Concert Party Group, which would acquire or consolidate effective control of SCM after the Proposed Distribution; and (2) disclose the names and voting rights of each member of the Temasek Concert Party Group which holds SCM Shares as at the latest practicable date of the SCI Circular, after the Proposed SCM Rights Issue and the Proposed Distribution;

(b) the Distribution Resolution being approved by a majority of the SCI Shareholders present and voting at the SCI EGM on a poll who could not become obliged to make an offer for SCM as a result of the Proposed Distribution;

(c) the Temasek Concert Party Group will abstain from voting on the Distribution Resolution;

(d) the SCI Directors who are acting in concert with the Temasek Concert Party Group shall abstain from making a recommendation on the Distribution Resolution in the SCI Circular; and

(e) the Temasek Concert Party Group did not acquire or are not to acquire any shares in SCI during the period between (1) when they become aware that the announcement of the Transaction is imminent and (2) the later of the date on which the SCI Shareholders' approval is obtained for the Distribution Resolution and the date on which the SCM Shareholders' approval is obtained for the Whitewash Resolution.

7.3 **Transaction Conditional upon Whitewash Waiver and Voting Abstention.** The Proposed SCM Rights Issue and the Proposed Distribution are therefore subject to and conditional upon, *inter alia*, the Whitewash Resolution being approved by the SCM Shareholders at the SCM EGM. In accordance with conditions imposed by the SIC in respect of the Whitewash Waiver, the Temasek Concert Party Group, including SCI, will abstain from voting on the Whitewash Resolution to be approved at the SCM EGM, and the Temasek Concert Party Group will abstain from voting on the Distribution Resolution to be approved at the SCI EGM.

8. FURTHER INFORMATION

8.1 **SCI Record Date.** Subject to the fulfilment of the conditions to the Proposed Distribution, SCI will, in due course, announce the SCI Record Date in order to determine the entitlement of each Entitled SCI Shareholder to the SCM Shares pursuant to the Proposed Distribution.

8.2 **Overseas SCI Shareholders.** Where the SCI Directors are of the view that the distribution of the SCM Shares to any Overseas SCI Shareholders (as defined below) may infringe any relevant foreign law or may necessitate compliance with conditions or requirements which they, in their sole discretion, regard as onerous by reason of costs, delay or otherwise, the SCM Shares which such Overseas SCI Shareholders would have been entitled to pursuant to the Proposed Distribution (the "**Overseas SCI Shareholders' SCM Shares**") will not be distributed to such Overseas SCI Shareholders. Instead, the Overseas SCI Shareholders' SCM Shares shall be transferred to such person(s) as the SCI Directors may appoint, to sell the relevant SCM Shares and thereafter to distribute the net proceeds proportionately among such Overseas SCI Shareholders. For the purposes of this Announcement, "**Overseas SCI Shareholders**" means SCI Shareholders whose registered address appearing in the register of members of SCI or the depository register maintained by The Central Depository (Pte) Limited (as the case may be) is outside Singapore.

Further information on the entitlements of the Overseas SCI Shareholders will be set out in the SCI Circular.

8.3 **SCI Circular.** The SCI Circular in respect of the Proposed Distribution, together with a notice of the EGM to be convened, will be despatched in due course to the SCI Shareholders to provide details on the Proposed Distribution and the Transaction.

8.4 **Sole Financial Adviser.** SCI has appointed DBS Bank Ltd. as its sole financial adviser in respect of the Proposed Distribution.

In the meantime, SCI Shareholders are advised to exercise caution when dealing in the SCI Shares and to refrain from taking any action in respect of their SCI Shares which may be prejudicial to their interests until they or their advisers have considered the information in the SCI Circular, as well as the recommendations to be set out in the SCI Circular.

BY ORDER OF THE BOARD

Kwong Sook May
Company Secretary
Singapore, 8 June 2020

Any enquiries relating to the Proposed Distribution should be directed during office hours to:

DBS Bank Ltd.
Strategic Advisory
Tel: +65 6878 2150

APPENDIX

PRO FORMA FINANCIAL EFFECTS

1. **Assumptions.** For illustrative purposes only, the pro forma financial effects of the Transaction (including subscription of the SCM Rights Shares pursuant to the Undertaking by SCI and the Proposed Distribution) on selected financial measures of the SCI Group have been prepared based on the audited consolidated financial statements of the SCI Group for FY2019 and take into account the following assumptions:

    (i) the Proposed Distribution is measured at fair value and accounted for in accordance to IFRIC 17 Distributions of Non-cash Assets to Owners. Any fair value gains or losses is recognised on date of distribution;

    (ii) the total assets, total borrowings, total capitalisation, total equity, net asset value ("**NAV**") and NTA as at 31 December 2019 have been prepared on a pro forma basis on the assumption that the Transaction had been completed on 31 December 2019;

    (iii) the revenue, finance income, finance cost, earnings before interest, tax, depreciation and amortisation ("**EBITDA**"), profit after tax and minority interest ("**PATMI**"), PATMI excluding profits attributable to perpetual security holders of the Company ("**Profit attributable to owners of the Company**"), profit after tax ("**Net Profit**") and earnings per share (the "**EPS**"), has been prepared on a pro forma basis on the assumption that the Transaction had been completed on 1 January 2019, except that these pro forma financial effects have excluded the non-recurring potential fair value gains or losses recognised at the completion of the Proposed Distribution;

    (iv) to be consistent with the assumption that the Transaction is completed on 1 January 2019, the pro forma financials assumes that the 2019 Bonds were issued on 1 January 2019;

    (v) no outstanding performance shares and restricted shares pursuant to the SCI PSP and SCI RSP are exercised or released on or prior to the SCI Record Date for the Proposed Distribution;

    (vi) no outstanding performance shares and restricted shares pursuant to the SCM Restricted Share Plan are exercised or released on or prior to the SCM Record Date for the Proposed SCM Rights Issue and no SCM Shares are issued for the payment of SCM Directors' fees; and

    (vii) any discrepancies presented in the tables of this Appendix are due to rounding. Accordingly, totals and percentages presented may not be a precise reflection of the figures that precede them.

2. **Impact on NAV and NAV per Share.** The pro forma financial effects of the Transaction on the NAV and NAV per Share of the SCI Group as at 31 December 2019 are as follows:

	Before the Transaction	**After the Transaction**	
	As reported for FY2019	**SCI subscribes only for the SCI Pro-Rata SCM Rights Shares**	**SCI subscribes for the Undertaking SCM Rights Shares**
NAV[1] to equity holders (S$ million)	6,871	4,264	4,038
NAV per Share[2] (S$)	3.85	2.39	2.26
NAV[1] (excluding perpetual securities) to equity holders (S$ million)	6,070	3,463	3,237
NAV (excluding perpetual securities) per Share[2] (S$)	3.40	1.94	1.81

Notes:

(1) Computed as total assets less total liabilities and non-controlling interests.

(2) The figures are based on the issued share capital of 1,785,574,930 SCI Shares (excluding treasury shares) as at 8 June 2020.

3. **Impact on NTA and NTA per Share.** The pro forma financial effects of the Transaction on the NTA and NTA per Share of the SCI Group as at 31 December 2019 are as follows:

	Before the Transaction	**After the Transaction**	
	As reported for FY2019	**SCI subscribes only for the SCI Pro-Rata SCM Rights Shares**	**SCI subscribes for the Undertaking SCM Rights Shares**
NTA[3] to equity holder (S$ million)	6,238	3,891	3,665
NTA per Share[4] (S$)	3.49	2.18	2.05
NTA[3] (excluding perpetual securities) to equity holder (S$ million)	5,437	3,090	2,864
NTA per Share[4] (S$)	3.04	1.73	1.60

Notes:

(3) Computed as total assets less total liabilities, goodwill, intangible assets and non-controlling interests.

(4) The figures are based on the issued share capital of 1,785,574,930 SCI Shares (excluding treasury shares) as at 8 June 2020.

4. **Impact on Revenue, EBITDA and PATMI.** The pro forma financial effects of the Transaction on the Revenue, EBITDA and PATMI of the SCI Group for FY2019 are as follows:

	Before the Transaction	**After the Transaction**	
	As reported for FY2019	**SCI subscribes only for the SCI Pro-Rata SCM Rights Shares**	**SCI subscribes for the Undertaking SCM Rights Shares**
Revenue (S$ million)	9,618	6,736	6,736
EBITDA[5] (S$ million)	1,535	1,453	1,453
PATMI (S$ million)	247	296	293

Notes:

(5) EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs.

5. **Impact on Earnings.** The pro forma financial effects of the Transaction on the earnings of the SCI Group for FY2019 are as follows:

	Before the Transaction	**After the Transaction**	
	As reported for FY2019	**SCI subscribes only for the SCI Pro-Rata SCM Rights Shares**	**SCI subscribes for the Undertaking SCM Rights Shares**
Profit attributable to owners of the Company (S$ million)[6]	211	260	257
EPS[7] (cents)	11.81	14.57	14.38

Notes:

(6) Computed as PATMI excluding profits attributable to perpetual security holders of the Company.

(7) Computed as PATMI excluding profits attributable to perpetual security holders of the Company divided by the weighted average of 1,786 million SCI Shares (excluding treasury shares) for FY2019.

6. **Impact on Leverage.** The pro forma financial effects of the Transaction on the leverage ratios of the SCI Group for FY2019 are as follows:

	Before the Transaction	**After the Transaction**	
	As reported for FY2019	**SCI subscribes only for the SCI Pro-Rata SCM Rights Shares**	**SCI subscribes for the Undertaking SCM Rights Shares**
Total borrowings[8] (S$ million)	10,800	7,899	7,899
Total borrowings[9] and perpetual securities (S$ million)	11,601	8,700	8,700
Total Cash and cash equivalents (S$ million)	1,767	1,594	1,368
Gross debt / EBITDA[10] (x)	7.0	5.4	5.4
Net debt / EBITDA[11] (x)	5.9	4.3	4.5
Gross debt-to-capitalisation ratio[12] (x)	0.58	0.64	0.66
Gross debt (and perpetual securities)/ EBITDA[13] (x)	7.6	6.0	6.0
Net debt (and perpetual securities) / EBITDA[14] (x)	6.4	4.9	5.0
Gross debt (and perpetual securities) -to-capitalisation ratio[15] (x)	0.62	0.71	0.72

Notes:

(8) Total borrowing excludes lease liabilities and perpetual securities (which is part of total equity).

(9) Total borrowing excludes lease liabilities.

(10) Computed as total borrowings divided by EBITDA.

(11) Computed as total borrowings less total cash balance divided by EBITDA.

(12) Computed as total borrowings divided by total capitalisation where total capitalisation is the sum of total borrowings and total equity (including perpetual securities).

(13) Computed as total borrowings (and perpetual securities) divided by EBITDA.

(14) Computed as total borrowings (and perpetual securities) less total cash balance divided by EBITDA.

(15) Computed as total borrowings (and perpetual securities) divided by total capitalisation where total capitalisation is the sum of total borrowings and total equity (including perpetual securities).

7. **Impact on Share Capital.** The Transaction will not have any impact on the number of SCI Shares held by Shareholders after the Transaction or on the share capital of the Company.

8. **Impact on Returns.** The pro forma financial effects of the Transaction on the Return on Equity ("**ROE**") and Return on Assets ("**ROA**") ratios of the SCI Group for FY2019 are as follows:

	Before the Transaction	**After the Transaction**	
	As reported for FY2019	**SCI subscribes only for the SCI Pro-Rata SCM Rights Shares**	**SCI subscribes for the Undertaking SCM Rights Shares**
ROE[16] (%)	3.5	7.5	7.9
ROA[17] (%)	3.5	5.6	5.6

Notes:

(16) Computed as Profit attributable to owners of the Company (excluding non-recurring potential fair value gains or losses recognised at the completion of the Proposed Distribution) divided by equity attributable to owners of the Company. Ratios have been prepared using equity attributable to owners of the Company as at 31 December 2019.

(17) Computed as the sum of (i) Net Profit (excluding non-recurring potential fair value gains or losses recognised at the completion of the Proposed Distribution) and (ii) finance costs divided by SCI Group's total assets. Ratios have been prepared using SCI Group's total assets as at 31 December 2019.