

Notes to the Financial Statements

Year ended December 31, 2020

G. Group Structure (cont'd)

G4. Non-controlling interests (cont'd)

Acquisition of significant non-controlling interests (cont'd)

The following summarises the effect of changes in the Group's ownership interest:

(\$ million)	SEIL 2019
Group's ownership interest at January 1	1,308
Effect of increase in Group's ownership interest	99
Share of comprehensive income and capital injection during the year	163
Group's ownership interest at December 31	1,570

The following summarises the financial information of the Group's subsidiaries with material non-controlling interests (NCI), based on its consolidated financial statements prepared in accordance with SFRS(I)s.

(\$ million)	Sembcorp Marine Group 2019
NCI percentage	39%
Country of incorporation	Singapore
Operating segment	Marine
Revenue	2,882
Loss for the year	(140)
Other comprehensive income	(6)
Total comprehensive income	(146)
Attributable to non-controlling interests:	
Loss for the year	(57)
Other comprehensive income	(2)
Total comprehensive income	(59)
Non-current assets	5,894
Current assets	2,565
Non-current liabilities	(3,377)
Current liabilities	(2,875)
Net assets	2,207
Net assets attributable to non-controlling interests	875
Cash flows used in operating activities	(296)
Cash flows used in investing activities	(312)
Cash flows from financing activities	164
Net decrease in cash and cash equivalents	(444)
Dividends paid to non-controlling interests	-

G. Group Structure (cont'd)

G5. Associates and joint ventures

Accounting policies

Associates are those entities in which the Group has significant influence, but no control or joint control, over the financial and operating policies of these entities.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has significant influence over another entity. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has joint control over the entity.

Key estimates and judgements

The recoverable amount of the interest in an associate was estimated based on its VIU. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also choose suitable discount rates in order to calculate the present value of those cash flows.

(\$ million)	Note	Group	
		December 31, 2020	December 31, 2019
Associates and joint ventures		1,614	1,647
Loan to an associate	(a)	71	66
Allowance for impairment	(b), (c)	(97)	(17)
		1,588	1,696

In 2020, the Group received dividends of S\$213 million (2019: S\$201 million) from its investments in associates and joint ventures.

The carrying value includes goodwill on acquisition as follows:

(\$ million)	Group	
	2020	2019
Balance at January 1	3	3
Distribution of a subsidiary	(3)	-
Balance at December 31	*	3

- a. On adoption of SFRS(I) 9, the loan is classified as financial assets at amortised cost. Allowance for impairment on this loan is insignificant.

The loan to an associate is unsecured, bears interest at 8.5% per annum and has no fixed terms of repayment. The settlement of the amount is neither planned nor likely to occur in the foreseeable future and hence the loan is classified as non-current.

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Year ended December 31, 2020

G. Group Structure (cont'd)

G5. Associates and joint ventures (cont'd)

Associates

There are no individual associates that are considered to be material to the Group as at December 31, 2020 and December 31, 2019. Summarised financial information of the associates presented in aggregate, representing the Group's share, is as follows:

	Group	
	December 31, 2020	December 31, 2019
<i>(S\$ million)</i>		
Carrying amount	358	413
Profit for the year	48	34
Other comprehensive income	(2)	(15)
Total comprehensive income	46	19

The fair value of the equity interest of a listed associate amounts to S\$131 million (2019: S\$181 million) based on the last transacted market price on the last transaction day of the year.

- b. During the year, the Group recognised an impairment loss of S\$81 million (2019: S\$nil) on the carrying amount of one of the Group's associates, Sembcorp Salalah Power and Water Company SAOG as the fair value of the equity interest had fallen below its carrying amount for a prolong period. The impairment losses on associates were recorded in non-operating expenses. The Group used 26 years cash flow projections, representing the remaining contracted Power and Water Purchase Agreement terms and assuming a potential extension thereafter, with no terminal value considered and pre-tax discount rates ranging from 7.4% to 10% to determine the recoverable amount of the plants. Inflation rate of 3% has been used to project overheads and other general expenses. Expected capital expenditure for replenishment of parts and scheduled maintenance costs have been included in the projections with plant maintenance programme.

Joint ventures

The Group has two (2019: two) joint ventures that are material and a number of joint ventures that are individually immaterial to the Group. All are equity accounted. Summarised financial information of the material joint ventures is presented as follows:

	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co
<i>(S\$ million)</i>		
December 31, 2020		
Revenue	120	391
Profit for the year ^a	48	81
Other comprehensive income	–	3
Total comprehensive income	48	84
Attributable to non-controlling interests	–	13
Attributable to investee's shareholders	48	71

^a Includes depreciation and amortisation of S\$53 million, finance income of S\$4 million, finance cost of S\$22 million and income tax expense of S\$20 million

G. Group Structure (cont'd)

G5. Associates and joint ventures (cont'd)

Joint ventures (cont'd)

	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co
<i>(S\$ million)</i>		
December 31, 2020		
Non-current assets	694	173
Current assets ^b	216	880
Non-current liabilities ^c	(335)	(161)
Current liabilities ^d	(158)	(309)
Non-controlling interests	–	(90)
Net assets	417	493

^b Includes cash and cash equivalents of S\$161 million

^c Includes non-current financial liabilities (excluding trade and other payables and provisions) of S\$419 million

^d Includes current financial liabilities (excluding trade and other payables and provisions) of S\$133 million

- c. During the year, the Group recognised an impairment loss of S\$32 million (2019: S\$nil) on the carrying amount of one of the Group's joint venture, Shenzhen Chiwan Engineering Co. Ltd, as the fair value less cost to sell based on the negotiation with the buyer was much lower than its carrying amount. The impairment losses on the joint venture were recorded in non-operating expenses. On September 1, 2020, the Group announced that it has signed a conditional agreement to divest this investment and as at December 31, 2020, the carrying value net of allowance for impairment was transferred to assets held for sale.

	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co	Individually immaterial joint ventures	Total
<i>(S\$ million)</i>				
December 31, 2020				
Group's interest in net assets of investees at beginning of the year	196	221	800	1,217
Group's share of:				
Profit from continuing operations	24	35	126	185
Other comprehensive income	–	1	(9)	(8)
Total comprehensive income	24	36	117	177
Dividends received during the year	(29)	–	(162)	(191)
Translation during the year	10	(6)	27	31
Impairment during the year	–	–	(32)	(32)
Addition during the year, net of disposal	–	–	2	2
Transfer to assets held for sale	–	–	(30)	(30)
Distribution of a subsidiary	–	–	(15)	(15)
Carrying amount of interest in investees at end of the year	201	251	707	1,159

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Year ended December 31, 2020

G. Group Structure (cont'd)

G5. Associates and joint ventures (cont'd)

Joint ventures (cont'd)

	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co
<i>(S\$ million)</i>		
December 31, 2019		
Revenue	129	521
Profit for the year ^a	60	130
Other comprehensive income	–	–
Total comprehensive income	60	130
Attributable to non-controlling interests	–	19
Attributable to investee's shareholders	60	111

^a Includes depreciation and amortisation of S\$52 million, finance income of S\$7 million, finance cost of S\$16 million and income tax expense of S\$34 million

	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co
<i>(S\$ million)</i>		
December 31, 2019		
Non-current assets	739	166
Current assets ^b	134	745
Non-current liabilities ^c	(292)	(168)
Current liabilities ^d	(173)	(234)
Non-controlling interests	–	(78)
Net assets	408	431

^b Includes cash and cash equivalents of S\$203 million

^c Includes non-current financial liabilities (excluding trade and other payables and provisions) of S\$443 million

^d Includes current financial liabilities (excluding trade and other payables and provisions) of S\$127 million

	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co	Individually immaterial joint ventures	Total
<i>(S\$ million)</i>				
December 31, 2019				
Group's interest in net assets of investees at beginning of the year	186	193	889	1,268
Group's share of:				
Profit from continuing operations	29	56	64	149
Other comprehensive income	–	–	(22)	(22)
Total comprehensive income	29	56	42	127
Dividends received during the year	(14)	(28)	(141)	(183)
Translation during the year	(5)	*	*	(5)
Impairment during the year	–	–	(1)	(1)
Addition during the year, net of disposal	–	–	11	11
Carrying amount of interest in investees at end of the year	196	221	800	1,217

The Group's share of the capital commitments of the joint ventures at the balance sheet date amounted to S\$118 million (2019: S\$364 million).

The Group's interest in joint ventures with total carrying amount of S\$73 million (2019: S\$80 million) as at balance sheet date has been pledged to banks to secure credit facilities granted to the joint venture entities.

G. Group Structure (cont'd)

G5. Associates and joint ventures (cont'd)

Associates and joint ventures

Details of key associates and joint ventures are as follows:

Name of key associates	Country of incorporation	Effective equity held by the Group	
		2020 %	2019 %
Energy			
^{^^^} Sembcorp Salalah Power and Water Company SAOG	Oman	40.00	40.00
Urban			
^{^^} Wuxi-Singapore Industrial Park Development Co., Ltd	People's Republic of China	45.36	45.36
^{**} Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd	People's Republic of China	21.50	21.50
Name of key joint ventures			
Energy			
[^] Phu My 3 BOT Power Company Ltd.	Vietnam	66.67	66.67
[#] Shanghai Cao Jing Co-generation Co. Ltd	People's Republic of China	30.00	30.00
[*] Emirates Sembcorp Water & Power Company P.J.S.C	United Arab Emirates	40.00	40.00
[#] Chongqing Songzao Sembcorp Electric Power Co., Ltd	People's Republic of China	49.00	49.00
^{##} Guohua AES (Huanghua) Wind Power Co., Ltd	People's Republic of China	49.00	49.00
Urban			
^{^^} Vietnam Singapore Industrial Park J.V. Co., Ltd.	Vietnam	49.26	49.26
^{^^} Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd (SSCIP) ¹	People's Republic of China	–	25.00
^{***} PT Kawasan Industri Kendal	Indonesia	49.00	49.00

¹ During the year, the Group's joint venture, Singapore-Sichuan Investment Holdings Pte Ltd disposed 30% of equity interest in SSCIP for a consideration of S\$137 million. A gain on disposal of S\$23 million was recognised under "Share of results of associates and joint ventures, net of tax" in the consolidated income statement. Post disposal, the Group has an effective equity interest of 10% in SSCIP. Consequently, SSCIP ceased to be a joint venture of the Group.

The auditors of key associates, joint ventures and joint operations are as follows:

[^] Audited by Ernst & Young Vietnam Limited

^{^^} Audited by member firms of KPMG International

[#] Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company

^{**} Audited by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd, China

^{***} Audited by BDO Indonesia

^{^^^} Audited by PricewaterhouseCoopers LLC

^{##} Audited by Baker Tilly Certified Public Accountants Co., Ltd, China

^{*} Audited by Ernst & Young, Abu Dhabi