



FORWARD TOGETHER

Report to Shareholders 2019

VISION

A trusted global company building a sustainable future.

MISSION

We deliver solutions for sustainable urbanisation safely, responsibly and profitably.

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WE ARE BUILDING A SUSTAINABLE FUTURE FOR ALL OUR STAKEHOLDERS.

Forward together as *OneKeppel* – we are creating a better tomorrow by channelling our capabilities and collaborating across the Group to provide solutions for sustainable urbanisation.



TOGETHER, WE ARE SEIZING NEW OPPORTUNITIES THROUGH OUR BUSINESS MODEL.

The Keppel difference lies in our ability to harness the Group's diverse capabilities to create value for stakeholders at different stages of the value chain. Collaborating with one another, Keppel's business units open up opportunities that each may not have been able to capture alone.

Keppel DC Singapore 4, which was jointly developed by Alpha Data Centre Fund and Keppel Data Centres and later injected into Keppel DC REIT, is a prime example of how we create enduring value by developing, owning, operating, and then monetising and managing real assets when they mature.

We are replicating this business model in our property, data centres, and more recently, energy and sustainable infrastructure businesses, having launched the Keppel Asia Infrastructure Fund (KAIF) in January 2020.

\$515m

In total earnings generated by our data centre business from 2014 to 2019, through the collaboration of Keppel Data Centres and Keppel Capital.

US\$360m

Worth of initial capital commitments received from investors of the KAIF, which has a target size of US\$1 billion. Keppel plans to inject its interest in the Gimi Floating Liquefied Natural Gas facility, which is being converted by Keppel Offshore & Marine, as a seed asset for the Fund.

>> For more information on our eco-system for value creation, please refer to page 24.





TOGETHER, WE ARE BUILDING A SUSTAINABLE FUTURE FOR ALL.

We are making sustainability our business, through creating diverse solutions which are good for the planet, for people and for Keppel. Committed to doing our part to combat climate change, we have defined the businesses we will avoid, maintain or focus on, based on their environmental impact, and will apply an internal carbon price in the evaluation of all major investments.

We have set targets to reduce our carbon emissions, waste generation and water consumption, and also established Keppel Renewable Energy in 2019 to explore opportunities in renewable energy infrastructure. Anchored by strong corporate stewardship, we create a positive impact wherever we operate.

AAA Rating

Keppel Corporation was upgraded to the highest rank in the Morgan Stanley Capital International (MSCI) environmental, social and governance (ESG) ratings. The Company ranks among the top 11% of industrial conglomerates in the MSCI All Country World Index, based on ESG criteria, and is an ESG leader in the areas of corporate governance, labour management and opportunities in clean technology.

1st

On 1 January 2020, Keppel Bay Tower, where Keppel is headquartered, became Singapore's first commercial development to be fully powered by renewable energy.

>> For more information on our sustainability framework, please refer to page 26.

KEY FIGURES

Revenue

\$7.6b

Increased 27% from FY 2018's \$6.0 billion.

Offshore & Marine, Infrastructure and Investments divisions registered higher revenues during FY 2019.

Net Profit

\$707mDecreased 25% from FY 2018's \$948 million[#].

The decrease was mainly due to lower gains from en-bloc sales and divestments. All divisions were profitable in FY 2019.

Return on Equity

6.3%Decreased by 2.1 percentage points from FY 2018's 8.4%[#].

Return on Equity decreased mainly due to lower net profit.

Earnings Per Share

\$0.39Decreased 26% from FY 2018's \$0.52 per share[#].

This was mainly due to decrease in the net profit.

Cash Dividend Per Share

20.0cts

Decreased 33% from FY 2018's cash dividend of 30.0 cents per share.

Total distribution for FY 2019 comprises a proposed final cash dividend of 12.0 cents per share and an interim cash dividend of 8.0 cents per share. FY 2018's distribution included a special dividend of 5.0 cents per share for Keppel's 50th anniversary.

Net Asset Value Per Share

\$6.17

Decreased 1% from FY 2018's \$6.22 per share.

Net Gearing Ratio

0.85x

Increased from FY 2018's net gearing of 0.48x.

Net gearing increased mainly due to borrowings drawn down for the acquisition of M1 and the privatisation of Keppel Telecommunications & Transportation, recognition of lease liabilities and higher working capital requirements.

Free Cash Outflow[^]**\$653m**

Compared to FY 2018's inflow of \$515 million.

This was mainly due to higher working capital requirements and lower proceeds from en-bloc sales.

Employee Engagement

86%

An increase from the 82% achieved in 2017.

Workplace Safety and Health Awards

18 Awards

The highest number of awards won by a single organisation in 2019.

Social Investments

\$9.6m

Invested in social causes in 2019.

Beneficiaries

>3,500

Beneficiaries whose lives have been touched by Keppel Volunteers in 2019.

[#] The 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.[^] Free cash flow excludes expansionary acquisitions and capital expenditure, and major divestments.

GROUP OVERVIEW

GROUP FINANCIAL HIGHLIGHTS

GROUP QUARTERLY RESULTS (\$ million)

	2019					2018 [#]				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Revenue	1,531	1,784	2,067	2,198	7,580	1,470	1,523	1,295	1,677	5,965
EBITDA	389	262	289	312	1,252	532	324	326	55	1,237
Operating profit	322	160	183	212	877	486	280	283	6	1,055
Profit before tax	283	206	227	238	954	448	298	334	165	1,245
Attributable profit	203	153	159	192	707	337	249	227	135	948
Earnings per share (cents)	11.2	8.4	8.8	10.5	38.9	18.6	13.7	12.5	7.5	52.3

	2019	2018 [#]	% Change
For the year (\$ million)			
Revenue	7,580	5,965	27
Profit			
EBITDA	1,252	1,237	1
Operating	877	1,055	-17
Before tax	954	1,245	-23
Net profit	707	948	-25
Operating cash (outflow)/inflow	(825)	125	n.m.
Free cash (outflow)/inflow [^]	(653)	515	n.m.
Economic value added	188	263	-29
Per share			
Earnings (\$)	0.39	0.52	-26
Net assets (\$)	6.17	6.22	-1
Net tangible assets (\$)	5.25	6.15	-15
At year-end (\$ million)			
Shareholders' funds	11,211	11,268	-1
Non-controlling interests	435	309	41
Total equity	11,646	11,577	1
Net debt	9,874	5,567	77
Net gearing ratio (times)	0.85	0.48	77
Return on shareholders' funds (%)			
Profit before tax	7.9	10.8	-27
Net profit	6.3	8.4	-25
Shareholders' value			
Distribution (cents per share)			
Interim dividend	8.0	10.0	-20
Special dividend	0.0	5.0	n.m.
Final dividend	12.0	15.0	-20
Total distribution	20.0	30.0	-33
Share price (\$)	6.77	5.91	15
Total shareholder return (%)	18.5	(16.4)	n.m.

[#] The 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.

[^] Free cash flow excludes expansionary acquisitions and capital expenditure, and major divestments.

n.m. = Not meaningful

GLOBAL PRESENCE



Total FY 2019 Revenue

\$7.6b

Markets outside of Singapore contributed about 42% of the Group's revenue for FY 2019.

1	ASIA	\$5,825m
	• China	
	• India	
	• Indonesia	
	• Japan	
	• Malaysia	
	• Myanmar	
	• Philippines	
	• Singapore	
	• South Korea	
	• Vietnam	

2	AUSTRALIA & NEW ZEALAND	\$196m
3	EUROPE	\$456m
	• Belgium	
	• Bulgaria	
	• Germany	
	• Italy	
	• Ireland	
	• Netherlands	
	• United Kingdom	

4	MIDDLE EAST	\$134m
	• Qatar	
	• United Arab Emirates	
5	NORTH AMERICA	\$815m
	• United States	
6	SOUTH AMERICA	\$154m
	• Brazil	



WE ARE LEVERAGING THE GROUP'S CAPABILITIES TO PROVIDE SOLUTIONS FOR SUSTAINABLE URBANISATION.

DEAR SHAREHOLDERS,

2019 was a volatile year, marked by slowing global growth, trade tensions among the world's largest economies and heightened geopolitical risks. Since January 2020, the international community has also been seized with the Coronavirus Disease 2019 (COVID-19) outbreak, which the World Health Organisation has declared as a public health emergency of international concern.

2019 was also a year of escalating focus on climate change, and consensus about the urgent need for action.

Sustainability is core to Keppel's strategy. It is reflected not just in the way we manage

environmental, social and governance (ESG) issues, but also how we leverage the Group's capabilities and resources to provide practical solutions for sustainable development, whether in terms of meeting energy needs, or providing various urban, environmental or connectivity solutions.

The last few years have been transformative for Keppel as the board and management worked hard to build a more resilient and sustainable company, committed to delivering value and growth into the future. The Group's corporate structure has been simplified with the privatisation of our operating entities, starting with Keppel Land, followed by Keppel Telecommunications & Transportation (Keppel T&T) and M1, thus allowing more efficient capital allocation.

Backed by strong demand for high-quality homes, Keppel Land sold 950 homes in Ho Chi Minh City in 2019. (In picture: Artist's impression of Empire City)



We have also consolidated our asset management businesses under Keppel Capital, which serves both as a platform for capital recycling and tapping third-party funds for growth. We have been deepening our presence in rapidly urbanising markets such as China and Vietnam, and expanding our products and offerings, with smart, urban projects, renewables, gas solutions, asset management and digital connectivity among our new growth engines.

We have also been actively promoting collaboration among our business units to harness synergies and seize opportunities that each unit might not be able to tap on its own. Our long-term goal is for Keppel to be one integrated business, pursuing our common mission of providing solutions for sustainable urbanisation.

RESILIENT PERFORMANCE AMID UNCERTAINTY

Against a challenging operating environment, Keppel has performed creditably.

For FY 2019, Keppel Corporation made a net profit of \$707 million, with improved performance from Keppel Offshore & Marine (Keppel O&M), Keppel Infrastructure and Keppel Capital. Our net profit was lower year-on-year, as Keppel Land had benefitted from a few lumpy divestments and en-bloc sales in 2018. The Group's Return on Equity was 6.3%.

The Board of Directors has proposed a final cash dividend of 12.0 cents per share for FY 2019. Together with the interim cash dividend of 8.0 cents per share, we will be paying out a total cash dividend of 20.0 cents per share to shareholders for the whole of 2019. This is a payout ratio of 51% of our net profit.

PROPERTY

Urbanisation trends in Asia continue to drive demand for the quality urban living solutions that we provide.

In 2019, Keppel Land sold about 5,150 homes, an increase of 16% compared to the 4,440 homes sold in 2018, with a total sales value of about \$3.2 billion. Despite concerns about slowing economic growth in China, we continued to see healthy demand for homes in the cities where we operate. Our total home sales in both China and Singapore grew by more than 50% year-on-year, while contributions from our property business in Vietnam have been growing steadily.

With a view to growing our property business in key growth markets,



LEE BOON YANG
Chairman

we completed nine acquisitions totalling about \$0.5 billion across China, Vietnam and India in 2019. We have also broken ground for the 64-hectare Saigon Sports City in the prime District 2 of Ho Chi Minh City, which Keppel Land and Keppel Urban Solutions are collaborating to develop into a smart, integrated township.

Our residential landbank stood at about 45,000 homes as at end-2019, with more than 17,000 homes in key Asian cities which will be launch-ready from 2020 to 2022. In our commercial portfolio, Keppel Land has about 1.6 million square metres of gross floor area, of which about half is under development.

OFFSHORE & MARINE

The offshore and marine (O&M) business remains challenging. While there are signs of recovery, with improving utilisation and dayrates, it would take time for this to translate into new orders, especially for jackup rigs, which continue to be over supplied.

Despite the challenging operating environment, Keppel O&M secured more than \$2 billion in new orders in 2019, an increase of 18% year-on-year. Our diversification strategy has borne fruit, with gas and offshore renewables making up over 60% of new orders. Significantly, Keppel O&M secured new contracts worth about \$720 million for offshore wind projects in the German sector of the North Sea and Taiwan.

CHAIRMAN'S STATEMENT



Keppel O&M has expanded its capabilities in the offshore wind sector, securing new contracts worth about \$720 million for related projects in the German sector of the North Sea and Taiwan.

We also secured over 100 scrubber and ballast water treatment system retrofit projects, as shipowners sought to meet the IMO 2020 requirements on the sulphur content of marine fuel, as well as the standards set out by the Ballast Water Management Convention. Keppel O&M's orderbook stood at \$4.4 billion as at end-2019.

In 2019, Keppel O&M continued to focus on execution, delivering 13 newbuild and conversion projects. Keppel O&M also reached a Settlement Agreement with Sete Brasil (Sete) in Brazil, bringing closure to the outstanding contracts for the six Sete rigs. The agreement will become effective upon the fulfilment of certain conditions precedent.

On the back of our improved topline, robust cost management efforts and lower impairment provisions, Keppel O&M made a profit of \$10 million in 2019, reversing the loss of \$109 million in 2018. This is the first time that our O&M Division has returned to profitability since 2016.

Looking ahead, we will continue to seek opportunities in renewables, as well as

in the oil and gas production market. Keppel O&M is also developing rigs of the future, leveraging digitalisation and analytics to enhance the efficiency and versatility of our rigs, as well as yards of the future by incorporating robotics and artificial intelligence into our manufacturing process to ensure that we remain at the forefront of the industry.

INFRASTRUCTURE

The Infrastructure business continues to contribute steadily to the Group's earnings with its project development, engineering, as well as operations and maintenance expertise.

The Keppel Marina East Desalination Plant in Singapore is scheduled to commence operations in 1H 2020, while the Hong Kong Integrated Waste Management Facility is progressing well and has been contributing to the Group's bottomline.

Keppel Infrastructure also expanded into new markets and invested in new technology, including taking stakes in the MET Group, an integrated European energy company, and Zerowaste Asia, which provides environmental solutions in industrial waste

and wastewater treatment. Zerowaste Asia's proprietary technology will enhance our position as a leading provider of environmental solutions, allowing us to contribute further to a circular economy through the treatment and recycling of residual waste.

Keppel Electric is also one of the largest Open Electricity Market retailers, with 26% market share of residential consumers as of December 2019.

The data centre business is an important growth engine for Keppel. During the year, we increased the Group's portfolio to 25 data centres, including four which are under development. The Alpha Data Centre Fund and Keppel Data Centres also divested Keppel DC Singapore 4 to Keppel DC REIT. Beyond revaluation and divestment gains, we will continue to earn recurring income from the operation and maintenance of the data centre, as well as asset management fees. This is a good illustration of how the Keppel Group creates value and earns different income streams through the life cycles of the assets that we build, operate, maintain and manage.

Tapping rapid urbanisation in Asia and the growing e-commerce trends, we continue to grow our urban logistics business, including providing comprehensive omnichannel logistics and e-commerce solutions. To streamline its operations and better allocate resources, Keppel T&T has divested its stakes in logistics facilities and operations in Foshan and Hong Kong.

INVESTMENTS

2019 was an active year for Keppel Capital, with its assets under management growing by 14% from \$29 billion to \$33 billion as at end-2019.

Further expanding its asset classes, Keppel Capital established a joint debt mezzanine platform together with Pierfront Capital. Keppel Capital also became a strategic investor in Prime US REIT, which was successfully listed in July 2019. Earlier this year, Keppel Capital also launched the Keppel Asia Infrastructure Fund, a new closed-end infrastructure private equity fund, to seize opportunities in the fast-growing energy and sustainable infrastructure sectors. Investors are attracted not just by the asset management capabilities of Keppel Capital, but also the Keppel Group's business model and ability to develop, operate and maintain specialised assets.

In October 2019, we were honoured to welcome Singapore's Deputy Prime Minister

Heng Swee Keat to the Sino-Singapore Tianjin Eco-City (Eco-City), which is growing steadily as a model for sustainable development, with over 100,000 residents and 8,800 registered companies. Our joint venture master developer, the Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. (SSTEC), continues to actively drive the growth of the Eco-City, including through the development of certain land plots by SSTEC, and the sale of others to third-party developers.

Investors are attracted not just by the asset management capabilities of Keppel Capital, but also the Keppel Group's business model and ability to develop, operate and maintain specialised assets.

Following the successful privatisation of M1 in 2019, Keppel, together with Singapore Press Holdings, has been working with M1's board and management to transform and grow the company. We have begun to see the results of our efforts, with M1 growing its postpaid customer base by about 11% as at end-2019, despite a challenging operating environment.

M1 has also been making significant headways in 5G developments, including embarking on 5G research and trials with universities in Singapore, and working with Singapore government agencies and other partners to co-develop use cases to deliver the full potential of 5G technology. More recently, M1 and StarHub have submitted a joint bid for a 5G licence.

We see M1 as a key pillar of Keppel's connectivity business. It is an enabler which links and enhances our various other businesses such as our smart districts and buildings, data centres, yards and vessels. We have already seen many examples of collaboration between M1 and Keppel's other businesses. For example, Keppel O&M and M1 are working with the Maritime and Port Authority of Singapore to testbed Maritime Autonomous Surface Ships, while Keppel Data Centres is collaborating with M1 to widen its data centre capabilities and offerings. We will continue to deepen the collaboration between M1 and the rest of the Group to further enhance our solutions for sustainable urbanisation.

CHAIRMAN'S STATEMENT

FORWARD TOGETHER

In the first half of 2019, we commenced an exercise to develop the Company's Vision 2030. We brought together a group of younger Keppel business leaders to tap their insights and also create more opportunities for them to network and collaborate to take the company forward. The recommendations that arose from this process will be taken on board as we chart the Company's Vision 2030, including interim targets for 2025. We will share more on our Vision 2030 when it is finalised later this year.

We will do our part to combat climate change, including introducing an internal carbon price in the evaluation of major investment decisions.

As we prepare ourselves for a more volatile future characterised by accelerating change, we are also deepening our focus on innovation. To this end, we have been strengthening the Group's digital capabilities and tapping the start-up eco-system to gain access to emerging trends and creative new solutions.

SUSTAINABILITY MATTERS

During the year, the Board reviewed the Company's material ESG issues and strengthened our focus on cyber security and data protection, as well as climate action. Environmental sustainability has been woven into the performance appraisal of senior management across the Group. We have defined the businesses that we will not pursue, such as coal-fired plants, those that we will maintain, and those we will grow, taking into account their respective environmental impacts. We have also set targets to reduce carbon emissions, waste generation and water consumption, and invest in renewable energy generation.

We will do our part to combat climate change, including introducing an internal carbon price in the evaluation of major investment decisions. At the same time,

we have established a new business unit, Keppel Renewable Energy, to pursue opportunities for Keppel as a developer, owner and operator of renewable energy infrastructure.

Accountability is one of our core values and we are committed to upholding the highest standards of corporate governance and regulatory compliance. In 2019, Keppel O&M became one of the first companies in Singapore to achieve global ISO 37001 anti-bribery certification. We will work progressively towards ISO 37001 certification for all other Keppel business units.

We are committed to safety in our global operations. In 2019, the Keppel Group clinched 18 awards at the Workplace Safety and Health Awards in Singapore – the highest number of awards won by a single organisation in the year. We also achieved our goal of zero fatalities across the Group, the first time in over 25 years. We will continue to do our best to ensure that at all our work places, everyone goes home safe, every day.

Keppel seeks to make a positive impact on the community, wherever we operate, whether it is through caring for the underprivileged, protecting the environment or supporting education and the arts. Keppelites contributed a total of over 18,000 volunteer hours during the year, surpassing the target of 10,000 hours. We also contributed \$9.6 million to social causes.

We are glad to see Keppel's commitment to sustainability gain recognition with Morgan Stanley Capital International (MSCI) upgrading Keppel Corporation to their highest triple-A ESG rating in February this year.

In October 2019, Temasek announced a voluntary pre-conditional partial offer to acquire an additional 30.55% of shares in Keppel Corporation. If the partial offer is successful, it will result in Temasek and the offeror owning an aggregate 51% of Keppel. While we are not able to comment on the pre-conditional partial offer, we believe that there is long-term value in Keppel's businesses, a view which Temasek shares.

Madam Halimah Yacob, President of the Republic of Singapore (seated, centre), witnessed the launch of Keppel's partnership with SPD to support its sheltered workshop programme for persons with disabilities. She was accompanied by Keppel Corporation's Chairman Dr Lee Boon Yang (standing, leftmost) and CEO, Mr Loh Chin Hua (standing, third from left), and senior management from the Keppel Group.



ACKNOWLEDGEMENTS

We are pleased to welcome Mr Teo Siong Seng, Mr Tham Sai Choy and Mrs Penny Goh as independent directors, further bolstering the diverse capabilities and strengths of the Board.

Mr Teo's extensive business experience and network will help Keppel to better navigate and seize opportunities amidst a challenging global environment, while the Group will benefit from Mr Tham's extensive experience in developing global strategies on cyber security and data analytics, as well as corporate governance. We also welcome Mrs Goh's depth of experience in providing strategic legal counsel to corporates and her guidance on best practices.

We would like to thank non-executive and non-independent director, Mr Tow Heng Tan, and non-executive independent director, Mr Tan Puay Chiang, who stepped down from the Board with effect from 1 November 2019. We are grateful to Mr Tow for his over 15 years of distinguished service and wise guidance,

and also to Mr Tan, whose extensive experience and in-depth understanding of the energy business helped to chart Keppel's growth over the years.

My appreciation also goes to my fellow directors for their commitment and insightful counsel. I am also grateful to our many partners and stakeholders for their continued confidence in Keppel. Last but not least, I commend Keppelites in all our operations globally for their unwavering commitment and passion to propel Keppel forward together on our growth trajectory.

Yours sincerely,

LEE BOON YANG
Chairman
27 February 2020

Volunteer hours

>18,000 hrs

Contributed by Keppelites in 2019, surpassing the target of 10,000 hours.



WE ARE COLLABORATING AND HARNESSING SYNERGIES AS ONEKEPPEL TO CREATE GREATER VALUE FOR OUR STAKEHOLDERS.

Q How is Keppel's progress towards its Vision 2020, which was adopted six years ago?

A We have made good progress towards Vision 2020, which includes comprehensive targets related to financial performance, people, processes and stakeholders.

The past few years have been an exciting journey of transformation and growth, as we steered the Group through a difficult macro environment, especially following the sharp downturn in the oil and gas sector. The world today is characterised by slowing global growth, trade tensions and growing geopolitical risks. Since the start of the year, many countries have also been affected by the COVID-19 outbreak, whose full impact is still unfolding.

Against a challenging backdrop, the Group has remained resilient, united behind our common mission to provide solutions for sustainable urbanisation.

In FY 2019, earnings contributions across Keppel Offshore & Marine (Keppel O&M), Keppel Infrastructure and Keppel Capital grew, even though net profit of \$707 million at Group-level was lower year-on-year, mainly because our property business had benefitted from a few lumpy divestments and en-bloc sales in 2018. Excluding such gains from both years, Keppel Land too, fared slightly better in 2019 than it did in 2018.

We have strengthened processes within the Group. Compliance, controls and risk management are now well entrenched in our corporate culture. In 2019, Keppel O&M became

one of the first companies in Singapore to achieve global ISO 37001 anti-bribery certification. We will work progressively towards ISO 37001 certification for all other Keppel business units.

We have developed a common digital spine running through the organisation that will enable us to further enhance process automation and continuous monitoring across IT, finance and human resources.

We have also made good progress in safety – one of Keppel's core values. For the first time in over 25 years, we achieved zero fatalities across our global operations in 2019. This is not only a significant milestone, but also an impetus for us to work even harder to maintain this record and ensure that everyone who comes to work goes home safe.

In 2019, Keppel was named one of the world's best regarded companies and best employers by Forbes' Global 2000 rankings. I am encouraged that our employee engagement score has risen steadily from 80% in 2015 to 86% in 2019, 10 percentage points higher than the average score among Singapore companies. We have also deepened our bench strength and enhanced succession planning with an average of two successors for each key position in the Group.

We will continue to make Keppel a great place to work, offering Keppelites purposeful and varied careers, and developing them to their full potential. I am confident that the spirit and tenacity of our people will stand us in good stead to achieve the Group's targets and ambitions.

Q How successful have you been at getting the business units to collaborate with one another?

A We have worked hard in the last few years to get our businesses to hunt as a pack, with collaboration increasingly becoming a part of our DNA.

A case in point is Keppel DC Singapore 4, which was jointly developed by Alpha Data Centre Fund and Keppel Data Centres to meet the growing demand for quality data centres in Asia. When the asset was stabilised in 2019, a 99% interest in the data centre was injected into Keppel DC REIT. The Group continues to earn recurring fees from rendering asset management, operation and maintenance services for the asset, even after its injection.

More recently, Keppel Capital launched the US\$1 billion Keppel Asia Infrastructure Fund (KAIF) in January 2020 to seize opportunities in the fast-growing energy and sustainable infrastructure sectors. We plan to seed our interest in the Gimi Floating Liquefaction Vessel (FLNG) facility, which is being converted by Keppel O&M, into the Fund. Keppel O&M's involvement in the Gimi project was very helpful to Keppel Capital's fundraising efforts, which drew initial capital commitments of US\$360 million from investors, including a sovereign wealth fund and an endowment fund.

Another notable example is the partnership between Keppel Land and Keppel Urban Solutions (KUS) to develop Saigon Sports City. In November 2019, we broke ground for the project, which will be developed into a smart, integrated township in the prime District 2 of Ho Chi Minh City (HCMC). Saigon Sports City provides an interesting platform where we can involve other businesses in and beyond the Group to co-create and test bed innovative solutions and services.

These are just some examples where different units are coming together to create and capture value. Keppel is more than just a property developer, an offshore & marine (O&M) company, or a provider of infrastructure solutions. What differentiates Keppel is our ability to integrate our diverse capabilities to create value for stakeholders at different stages of the value chain,



LOH CHIN HUA
Chief Executive Officer

and in the process, open up new opportunities that each business unit might not have been able to capture on its own. We will continue to drive such *OneKeppel* projects that involve two or more business units. I am confident that over time, our synergistic efforts will show that *OneKeppel* is much more than the sum of its parts. Along the way, we will also increase the magnitude and quality of our earnings, with more recurring income.

Q What will it take for Keppel to achieve its mid to long term Return on Equity (ROE) target of 15%?

A To achieve Keppel's full potential, all our engines must be firing. We will focus on improving the profits of our various businesses, as well as turning our assets and divesting non-core businesses more quickly.

Keppel Land and Keppel O&M presently make up the largest part of our balance sheet. For an asset-heavy business such as Keppel Land's, I believe that 12% is a realistic long-term ROE target, considering that it had achieved an average ROE of 14.3% over the last decade. There is inherent potential in Keppel Land's sizeable landbank of

more than 45,000 homes, and we will proactively explore opportunities to unlock value.

We are also looking at how we can better tap Keppel Land's established capabilities and regional presence to earn fees and carried interest that can generate higher returns in the property business. For example, Keppel Land and Keppel Capital are exploring how they can work with investors, who are seeking trusted partners, to explore opportunities in Vietnam.

We achieved a significant milestone in FY 2019 with Keppel O&M returning to profitability for the first time since FY 2016, on the back of its diversification and cost management strategy. Keppel O&M was also able to find solutions for some of the stranded rigs that it was saddled with over the last few years.

Meanwhile, businesses such as Keppel Capital, Keppel Infrastructure, Keppel Data Centres and M1 are already achieving ROEs above 15% and with relatively low gearing levels. M1 is being transformed into a digital platform for connectivity solutions, while Keppel Capital's and Keppel Infrastructure's contributions to the Group have been growing steadily. Keppel Data Centres

INTERVIEW WITH THE CEO



has also become more asset-light through opportune and strategic recycling of its assets and working with Keppel Capital to attract co-investors.

When all our engines are firing, I am confident that the Group would be able to reach our target ROE of 15%.

Q Now that the Offshore & Marine business has become profitable again, how confident is Keppel of improving on its performance in 2020?

A Today, Keppel O&M is a more resilient and agile company with the competencies to serve a wider spectrum of the offshore market, be it in gas, renewables or floating infrastructure. In 2019, Keppel O&M secured new orders worth over \$2 billion, far surpassing the trough of about \$440 million in 2016. Notably, non-drilling solutions made up over 70% of the new orders won over this period, bolstered by substantive contracts for gas and offshore wind projects.

Keppel O&M's underlying performance for the period was positive. Excluding revaluations, major impairments and divestments (RID), its operating profit for FY 2019 was \$76 million, representing an operating margin of 3.4%, compared to about 2% a year ago. The toll on the Division's performance should ease in the coming years once the issues with the remaining stranded rigs and associates have been resolved. As we continue to win more contracts and execute our projects efficiently, this will contribute positively to the Division's performance.

Q Looking ahead, where do you see most of the demand in the O&M industry coming from?

A We see gradual signs of recovery in the O&M industry. Utilisation and dayrates have been on the mend, though capital spending on newbuild rigs is likely to remain subdued.

Consistent with industry reports of a pickup in the contract deployment of existing fleets, Keppel O&M has received more enquiries year-on-year for the reactivation and repair of jackup rigs. This is an encouraging development, which should help to improve the jackup oversupply situation progressively. Meanwhile, activity levels, and consequently demand for floating production solutions, are expected to increase in the next couple of years as more projects reach their Final Investment Decisions.

As the global energy mix evolves, renewables are expected to be the fastest growing source of energy from now till 2040, while gas is set to outpace coal as the second-largest fuel source. In diversifying with the evolving energy mix, we have prepared Keppel O&M to compete effectively in the liquefied natural gas (LNG) and offshore wind sectors, which are drawing interest and investments from a deepening global focus on environmental sustainability.

In 2019, we made significant strides into the renewable energy sector, securing about \$720 million worth of offshore wind projects for Germany and Taiwan. Since receiving the green light from Golar LNG in April 2019,

Keppel O&M has commenced conversion works on the Gimi, its second FLNG project. During the year, Keppel O&M also clinched 104 scrubber and ballast water treatment systems retrofit orders worth some \$160 million on the back of the IMO 2020 and Ballast Water Management Convention requirements.

Looking ahead, we will focus on capturing opportunities in oil production, gas and renewables where we have received active enquiries. We are hopeful about winning a fair share of projects in these sectors as we continue to execute and deliver on our strategy.

Q The Singapore, China and Vietnam markets have contributed comparably to property earnings in 2019. What are your plans for these markets in the year ahead?

A The Singapore, China and Vietnam markets have done well for us, collectively underpinning a 16% increase in home sales to 5,150 homes in 2019.

The Singapore market has been resilient despite the property cooling measures. At Keppel Bay, we have seen an increase in units sold following the Government's announcements on the exciting developments along the Greater Southern Waterfront. Looking ahead, we plan to launch 19 Nassim later in 2020, and will also consider launching Plot 4 at Keppel Bay depending on market conditions.

Despite the slowdown in the Chinese economy, we continued to see healthy demand in the cities where we operate. Our home sales in China grew by more than 50% year-on-year to 3,400 units in 2019. During the year, Keppel Land also deepened its commercial presence in first-tier cities through acquisitions across Beijing, Shanghai and Guangzhou. In 2020, we will continue to watch the Chinese market closely, especially following the COVID-19 outbreak, and time the release of our 2,600 launch-ready homes across China accordingly.

Vietnam, where Keppel Land has been present for about 30 years, is a bright spot for us. Contributions from Vietnam have grown steadily from just \$10 million in 2015 to \$165 million or about 31% of Keppel Land's net profit in FY 2019. We continue to see strong demand for quality homes and commercial projects in HCMC, underpinned by growing affluence and urbanisation trends.

We are also deepening our presence in India, which has good long-term potential. In December 2019, Keppel Land announced a joint venture with the Rustumjee Group, to develop about 7,400 homes and retail units as part of the 51.4-hectare Urbania integrated township in Mumbai, India. Expanding its presence in the co-working space, Keppel Land has also invested US\$25 million in Smartworks, a leading pan-India flexible space solutions provider.

Given our sizeable property portfolio, we will continue to focus on unlocking value through home and en-bloc sales, as well as divestments. We will make strategic acquisitions only where pricing and market conditions are attractive.

Q Can you elaborate on Keppel's approach to en-bloc sales and property divestments? Will these be a regular feature of Keppel's earnings?

A The short answer to the question is yes. We will push for en-bloc sales and divestments more deliberately as part of our strategy. Our team at Keppel Land is working proactively to seize the right opportunities to turn our assets, or co-develop some of the landbank with our partners, if there are suitable opportunities.

Q The infrastructure businesses have generated stable profits of about \$169 million annually in the past two years. What are the growth plans for these businesses?

A Our businesses under Keppel Infrastructure and Keppel Data Centres, although relatively young compared to Keppel O&M and Keppel Land, have strong track records in the development, operation and maintenance of critical infrastructure assets. They are not only key to our solutions for sustainable urbanisation but also important growth engines for the Group.

Over the past six years from 2014 to 2019, Keppel Infrastructure had contributed total earnings of about \$667 million to the Group, on average shareholders' funds of about \$637 million. Across the same period, our data centre business, through the collaboration of Keppel Data Centres and Keppel Capital, generated total earnings of about \$515 million, on average shareholders'

funds of about \$365 million. This does not include the approximately \$335 million premium over the carrying value of Keppel's stake in Keppel DC REIT as at end-2019.

We are seizing inorganic opportunities to grow our market share and technology expertise for energy and environmental solutions. Keppel Infrastructure invested about \$85 million in 2019 to acquire stakes in integrated European energy company, MET Group, and industrial waste and wastewater treatment solutions provider, Zerowaste Asia.

Data centres are critical for smart, connected cities, and demand for them is growing. But they also have a large carbon footprint. As a leading provider of data centre solutions, Keppel Data Centres will continue to develop and launch more energy-efficient and greener concepts including floating and high-rise data centres.

New opportunities for energy infrastructure, environmental infrastructure and data centres abound, fuelled by rising urbanisation trends. We will continue to seize opportunities in these sectors in partnership with co-investors, and without relying just on our own balance sheet.

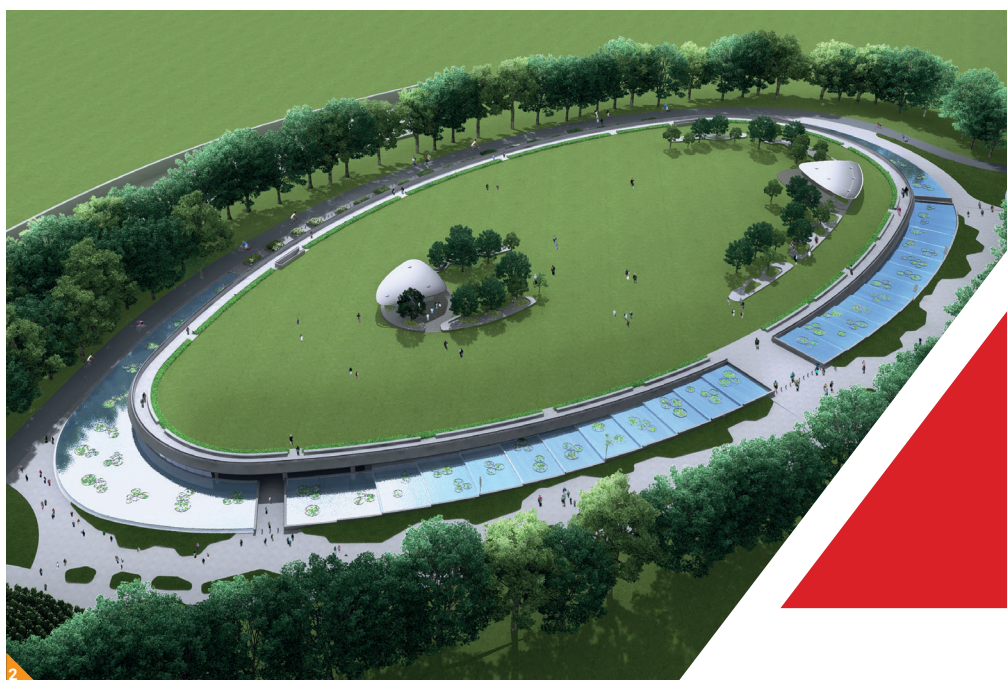
Q The asset management business has been active over the past year. What is the outlook for this business?

A Our asset management business had a good run in 2019, with creditable improvements in profit contributions to the Group as well as assets under management (AUM), which grew by 14% to \$33 billion. During the year, Keppel Capital completed about \$8.4 billion in acquisitions and divestments and raised equity and debt amounting to \$9.5 billion. It also expanded into a new asset class through a joint debt mezzanine platform with Pierfront Capital and took a strategic stake in Prime US REIT, which was listed on the Singapore Exchange in July 2019.

Keppel Capital will continue to seek growth opportunities, both organically as well as externally. In January 2020, we formed an equal joint venture with Australian Unity Limited to create funds focused on the Australian metropolitan office sector. The joint venture has also acquired the REIT manager of Australian Unity Office Fund, which has an AUM of about A\$668 million.

1 Following the success of Hilli Episeyo, Keppel O&M received final notice to proceed on the conversion of Gimi FLNG, which will be deployed in BP's Greater Tortue Ahmeyim project.

2 When operational in 1H 2020, Keppel Marina East Desalination Plant will add to the Group's recurring income stream.



INTERVIEW WITH THE CEO



Keppel Bay Tower, where Keppel is headquartered, is the first commercial building in Singapore to be fully powered by renewable energy.

We are excited by the prospects as Keppel Capital moves steadily towards its AUM target, carving its niche as a manager of multi-asset portfolios across sectors fuelled by sustainable urbanisation trends. Through ongoing collaboration with Keppel Land, Keppel Telecommunications & Transportation, Keppel Infrastructure and Keppel O&M, Keppel Capital has also expanded its repertoire from real estate to data centre and infrastructure assets, of which the Group is an active developer and operator.

Keppel Capital's private funds, as in the case of KAIF, enable us to grow our infrastructure business by tapping third-party funds, whilst reducing the burden on our balance sheet. The capabilities of the Group in creating and operating such real assets are an attractive proposition for the investors of Keppel Capital's funds. They see Keppel Capital not just as a financial investor, but more importantly, as part of a larger Group that can create real assets from green and brown fields and who also has an eco-system of REITs and a business trust that can help to monetise the assets when they mature.

Keppel Capital is not just an asset management business. Together with units like KUS, it plays an important horizontal role in bringing together our different businesses to create unique and value-enhancing propositions,

as *OneKeppel*. Keppel Capital and KUS allow the Keppel Group to connect all our different businesses into one powerful end-to-end enterprise, something that differentiates us from our peers.

Q How would you describe the progress of the business transformation at M1 a year following its privatisation?

A Acquiring M1 was an opportunity for us to build on a business that Keppel knows well and has long been invested in. We are cognisant of the risks and challenges, but with a clear plan laid out and a capable management team in place to drive the necessary changes, we are confident of overcoming the obstacles to create value.

The privatisation of M1 in 2019 contributed a total of \$153 million to the Group's earnings for the year. This included a re-measurement gain from our previously held interests in M1 and offsetting charges related to the acquisition.

The M1 team, led by its CEO Manjot Singh Mann, has made good headway since launching into its multi-year transformation plan. Despite a challenging competitive landscape, M1 grew its postpaid customer base to about 1.5 million in 2019, up 11%

from 2018, leveraging the launch of its new made-to-measure One Plan. We are also working to improve the cross-selling of services among the Group's different consumer businesses, where there is significant scope to expand our share of wallets by improving customer experience and stickiness.

On the B2B front, M1 is actively partnering other Keppel businesses to create smarter, future-ready offerings, be it smart rigs and yards of the future, data centres or urban solutions. In efforts to gain early insights and knowledge on 5G, M1 has embarked on multi-vendor trials and is working closely with Government agencies, enterprises and institutes of higher learning to co-develop use cases and launch smart applications empowered by 5G technology.

We firmly believe that M1's potential as a connectivity solutions provider can be fully unleashed within the Keppel eco-system, and will continue to work with Singapore Press Holdings' and M1's management to drive the necessary changes to enhance its competitiveness. M1 and StarHub have submitted a joint bid for a 5G licence in Singapore, and if successful, would avail even more exciting opportunities to realise the potential of Keppel's solutions.

Q With sustainability becoming a bigger focus for the Group, how is that changing the way you look at Keppel's businesses?

A When we look at sustainability and what it means for us, we see an intrinsic link to Keppel's vision, mission, strategy and core capabilities. In 2019, we conducted a comprehensive review of our material environmental, social and governance factors and enhanced our sustainability framework and environmental sustainability strategy.

Moving forward, we will focus our efforts on four key areas. Firstly, we have set targets to reduce carbon emissions, waste generation and water consumption and will be enhancing the Group's emissions tracking. We have been reporting on Scope 1 and 2 emissions since 2010, and will also start tracking Scope 3 emissions, such as business travel.

Secondly, as we grow our businesses and portfolios, our investment decisions will place greater focus on environmental sustainability. We will implement an internal carbon price to evaluate all major investment decisions. We have defined the kinds of pollutive sectors we will not go into, such as coal-fired plants, the businesses we will maintain, and those which we will focus more on, such as renewables. To advance our interests in sustainable solutions, we have established a new business unit, Keppel Renewable Energy, to pursue opportunities for Keppel as a developer, owner and operator of renewable energy infrastructure.

Thirdly, for our existing businesses and assets, we will focus on enhancing energy efficiency, including harnessing renewable energy where possible. For example, on 1 January 2020, Keppel Bay Tower, where we are headquartered, became Singapore's first commercial development to be fully powered by renewable energy.

Finally, we will look into re-purposing our technology for renewables. Keppel O&M has already been doing this but we can do more, including exploring solutions for new energy and carbon capture and reuse.

Our vision is to be a trusted global company building a sustainable future. This demands that we create value for our stakeholders holistically, including

social, environmental and economic dimensions. To this end, we are making sustainability our business, creating diverse solutions which are good for the planet and for people, and in the process, create new profit pools for Keppel.

Q With all the changes taking place, what will Keppel look like in 2030?

A Even as we work towards achieving our Vision 2020 targets, we have set our eyes on the future and are planning for the next decade.

In 2019, we brought together a group of about 30 younger Keppel leaders, who are all below the age of 50. We wanted to give the Group's future leaders a good runway to imagine Keppel in 2030 and also the opportunity to work with one another to execute and realise their proposals.

There were many interesting and contrasting ideas presented, but also significant areas of convergence. We are in the process of finalising Vision 2030, with interim targets for 2025. We will share more details later, but it is quite clear that we see Keppel moving forward as one integrated business providing solutions for sustainable urbanisation, with a repeatable model, a more rationalised portfolio and a clear growth trajectory.

We are making sustainability our business, creating diverse solutions which are good for the planet and for people, while creating new profit pools for Keppel.

We will create value through our business model, focusing on our key strengths of engineering, project development, operation and maintenance of specialised assets, as well as capital and asset management. We will also continue tapping third-party funds to grow.

By further deepening collaboration and drawing on our synergies, we will work towards our targeted returns and narrow the gap between our share price and the inherent value of Keppel's businesses.

BUILDING A SUSTAINABLE FUTURE

WE DEVELOP, OPERATE AND MANAGE A SPECTRUM OF SOLUTIONS TO MEET THE NEEDS OF SUSTAINABLE URBANISATION.

ENERGY

We support the safe and efficient harvesting of energy sources to power the world's needs.

Gas and Electricity Retail

- 1 Smart rigs
- 2 Offshore wind farm solutions
- 3 Floating production systems
- 4 FLNG vessels and LNG carriers
- 5 Floating power plants and FSRUs
- 6 LNG bunkering
- 7 Power plants
- 8 District cooling and heating plants

CONNECTIVITY

We connect people and businesses with information, goods and services in an increasingly digital economy.

Communications Solutions

- 9 Floating data centre parks
- 10 Data centres
- 11 Urban logistics

ENVIRONMENT

We green cities with solutions for waste and water & wastewater treatment.

- 12 Waste-to-energy plants
- 13 Integrated waste management plants
- 14 Wastewater treatment plants
- 15 Desalination plants

MARINE

We serve the marine industry with an array of vessel solutions and services.

- 16 Specialised vessels

URBAN LIVING

We shape skylines and lives through vibrant urban developments and smart cities.

- 17 Quality homes
- 18 Green office buildings
- 19 Smart townships

ASSET MANAGEMENT

We create enduring value with quality investment products and platforms.

- Private funds, REITs and Business Trust



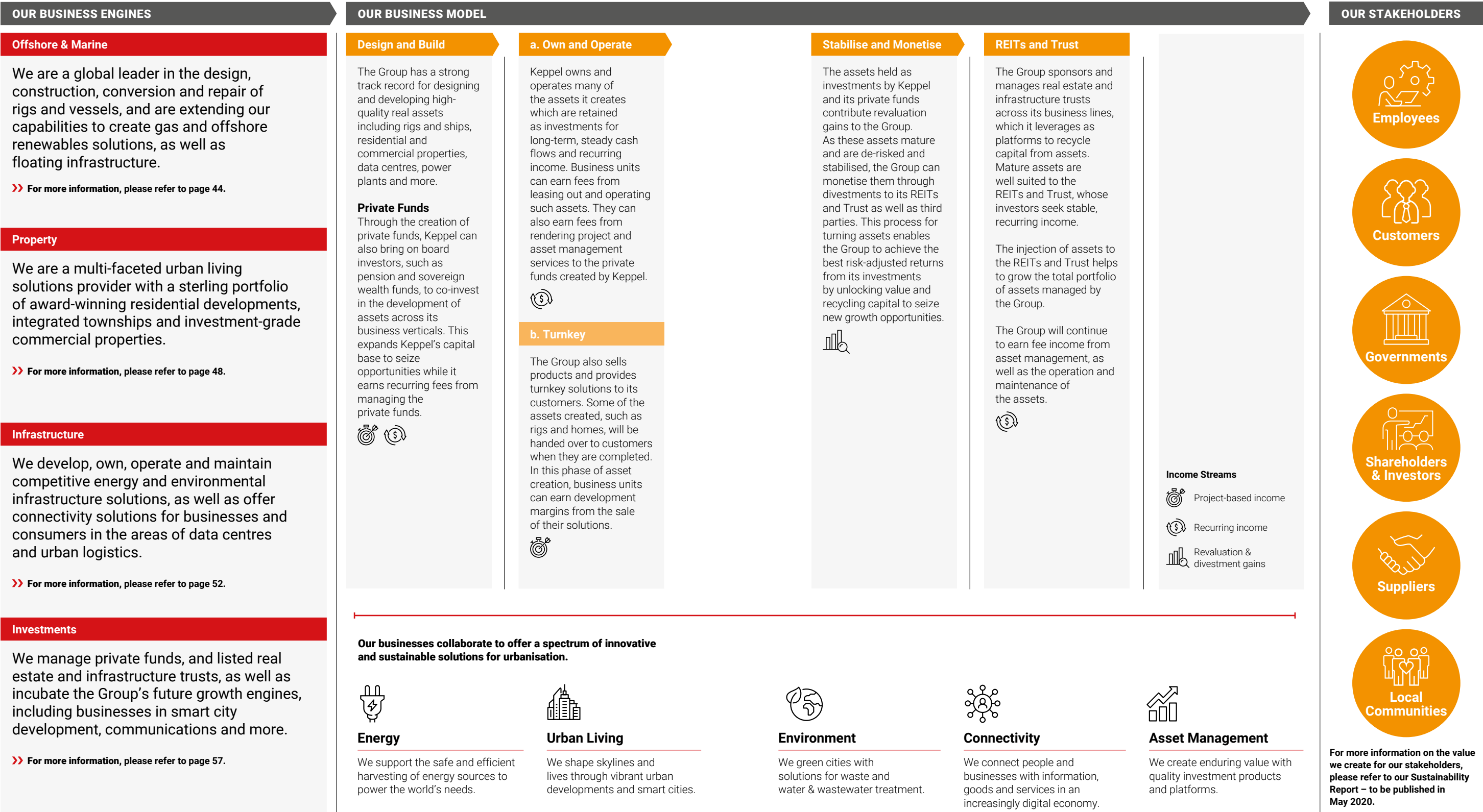
>> For more information, please refer to our Operating & Financial Review on page 44.

ECO-SYSTEM FOR VALUE CREATION

WE HARNESS THE STRENGTHS OF THE GROUP TO MEET THE WORLD'S GROWING NEEDS FOR SUSTAINABLE URBANISATION SOLUTIONS.

Our business model, underpinned by strong collaboration across verticals, provides a robust eco-system that allows us to create and capture value from all parts of the Group. From the time an asset is created till its injection into a Keppel-managed trust or fund, our business model produces multiple income streams and enables us to create and capture value across our businesses.

To fuel Keppel's growth, we are also expanding the Group's capital base, bringing on board like-minded co-investors through our private funds to seize opportunities and accelerate asset creation without putting a strain on our balance sheet. We can also turn our assets efficiently through our business model, unlocking value and recycling capital to achieve the best risk-adjusted returns for our stakeholders.



SUSTAINABILITY FRAMEWORK

WE PLACE SUSTAINABILITY AT THE HEART OF OUR STRATEGY, DELIVERING SOLUTIONS FOR SUSTAINABLE URBANISATION WHILE CREATING ENDURING VALUE FOR OUR STAKEHOLDERS – THROUGH ENVIRONMENTAL STEWARDSHIP, RESPONSIBLE BUSINESS PRACTICES AND NURTURING OUR PEOPLE AND THE COMMUNITIES, WHEREVER WE OPERATE.

We are committed to sustainability, and consider environmental, social and governance (ESG) issues in the determination of our strategy and policies. Our approach to sustainability starts with our goal to run a profitable, safe and responsible business providing the best value proposition to customers, making a difference to the wider community, and contributing to a sustainable future.

Keppel Corporation is a signatory of the United Nations (UN) Global Compact, and we are committed to the Compact's 10 universal principles.

HOW WE CREATE VALUE

Our Strategy

Keppel is an eco-system of companies, collaborating to provide solutions for a fast-urbanising world. We regard sustainable urbanisation both as a corporate responsibility and a source of business opportunities. We are harnessing the Group's capabilities and proven track record in engineering, project development, operating and managing specialised assets, capital and asset management, and growing new businesses aligned with these competencies.

In 2019, Keppel Corporation's sustainability reporting framework¹ and material ESG factors were updated and refined, taking into account changes in the external environment as well as a comprehensive review of the Company's material ESG factors which was conducted from December 2018 to April 2019.

Reflecting our increased focus on environmental sustainability, the three strategic thrusts under the framework are (1) Environmental Stewardship; (2) Responsible Business; and (3) People and Community.

ENVIRONMENTAL STEWARDSHIP

We will do our part to combat climate change, and are committed to resource efficiency and reducing our environmental impact. We will avoid highly pollutive businesses such as coal-fired plants, emphasise renewables and cleaner energy such as gas, and channel our engineering capabilities as a solutions provider to contribute to the fight against climate change. We have set targets to reduce waste, water and carbon emissions intensity, and to invest in renewable energy generation.

RESPONSIBLE BUSINESS

The long-term sustainability of our business is driven at the highest level of the organisation through strong corporate governance and prudent risk management.

Through our integrated business model, we seek to improve both the magnitude and quality of our earnings with more recurring income, while enhancing returns through active capital recycling. We work closely with stakeholders in our value chain to enhance their sustainability performance, and continue to drive innovation and seize new opportunities.

PEOPLE AND COMMUNITY

People are the cornerstone of our businesses. We are committed to providing a safe and healthy workplace, as well as investing in training and developing our people to help them reach their full potential.

As a global citizen, Keppel believes that as communities thrive, we thrive. We are committed to uplifting communities wherever we operate, and supporting initiatives that protect the environment, promote education and care for the underprivileged, with the goal of building a sustainable future together.

» For more information, view our Sustainability Report on our website at www.keppcorp.com

GOVERNANCE

Management Structure

The key material ESG factors for Keppel Corporation have been identified and are regularly reviewed by Keppel Corporation's Board of Directors and management. The Board oversees the management and monitoring of these factors and takes them into consideration in the determination of the Company's strategic direction and policies.

The Group Sustainability Steering Committee, chaired by Keppel Corporation's Chief Executive Officer Loh Chin Hua and comprising senior management from across the Group, provides guidance on the Group's sustainability strategy while the Group Sustainability Working Committee, comprising discipline-specific working groups, executes, monitors and reports on the Group's efforts. Our management systems, policies and guidelines, including the Keppel Group Code of Conduct; Health, Safety and Environment Policy, and Supplier Code of Conduct, translate our principles into practice by setting standards for both our Company and those whom we work with.

Strong Governance Framework

Keppel is focused on upholding high standards of corporate governance. We have a strong and independent board, and are committed to good business ethics. We maintain clear, consistent and regular communication with shareholders.

Keppel's System of Management Controls Framework

The Framework outlines the Group's internal control and risk management processes and procedures. The Framework comprises three Lines of Defence towards ensuring the adequacy and effectiveness of the Group's system of internal controls and risk management.

MEASURING PERFORMANCE

Balanced Scorecard

The Company's balanced scorecard aligns compensation with corporate and individual performance, both in terms of financial and non-financial performance.

There are four scorecard areas that the Company has identified as key to measuring the performance of the Group:

1. Financial and Business Drivers;
2. Process;
3. Stakeholders; and
4. People.

Key sub-targets within each of the scorecard areas include key financial indicators, safety goals, risk management, compliance and controls measures, employee engagement, talent development and succession planning. Environmental sustainability has also been woven into the performance appraisal of senior management across the Group.

The four scorecard areas have been chosen because they support how the Group achieves its strategic objectives. The framework provides a link for staff to understand how they contribute to each area of the scorecard, and therefore to the Company's overall strategic goals. This is designed to achieve a consistent approach and understanding across the Group.

OUR STAKEHOLDERS

Employees

Customers

Governments

Shareholders & Investors

Suppliers

Local Communities

RECOGNITION

FTSE4Good

FTSE4Good Index

MSCI ESG RATINGS

Highest triple-A rating in the MSCI ESG Ratings²

EURONEXT Vigeo

Euronext Vigeo World 120

SGX

iEdge SG ESG Leaders Index and iEdge SG ESG Transparency Index

SINGAPORE ENVIRONMENTAL ACHIEVEMENT AWARDS

Singapore Environmental Achievement Award in the Services category

Forbes 2019 GLOBAL BEST REGARDED COMPANIES 2000

Forbes' Global 2000 Top 250 World's Best Regarded Companies 2019

Forbes 2019 GLOBAL WORLD'S BEST EMPLOYERS 2000

Forbes' Global 2000 Top 500 World's Best Employers 2019

SBA Sg Sustainable Business Awards Singapore

Special Recognition in the Workforce category

WSH AWARDS 2019

18 Workplace Safety and Health Awards

Disclaimer Statement

² The use by Keppel Corporation of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Keppel Corporation by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided "as-is" and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

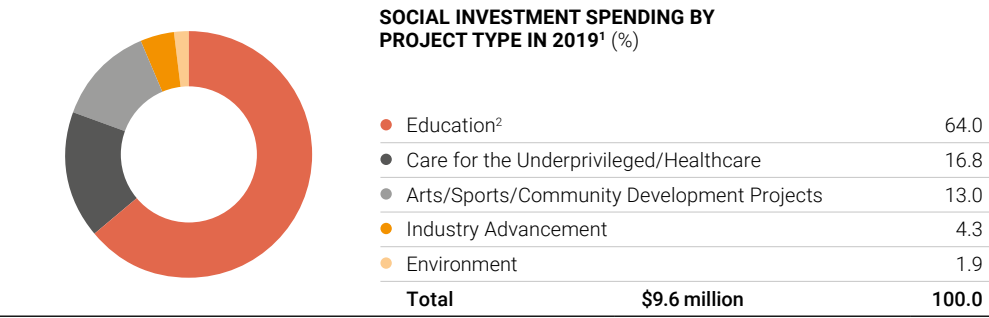
¹ We publish sustainability reports annually, and the next report will be published in May 2020. Our sustainability reports draw on international standards of reporting, including the Global Reporting Initiative Standards, and are externally assured. The reports are also aligned with sustainability reporting requirements by the Singapore Exchange.

SUSTAINABILITY FRAMEWORK

WE ARE COMMITTED TO THE INTERNATIONAL SUSTAINABLE DEVELOPMENT AGENDA, AND WILL LEVERAGE COLLABORATION AND PARTNERSHIP TO SUPPORT THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS (SDGs). WE HAVE INCORPORATED 10 OF THE SDGs AS A SUPPORTING FRAMEWORK TO GUIDE OUR SUSTAINABILITY STRATEGY.

Strategic Pillars	Material Issues	SDGs	Approach	Highlights
Environmental Stewardship	Climate Action		Our suite of solutions for energy, urban living, clean environments and connectivity help cities urbanise in a sustainable manner.	As part of our environmental sustainability strategy, we will avoid highly polluting businesses such as coal, and will work towards growing and expanding renewables and circular economy solutions.
				
				
				
	Environmental Management		We are committed to minimising our environmental impact, and are focused on sustainable management and efficient use of natural resources.	To support the climate change agenda, we have targets to reduce our carbon emissions intensity. We have also set new targets to reduce waste generation and water consumptions, as well as invest in renewable energy generation. We have been tracking our Scope 1 and 2 emissions since 2010, and will start tracking Scope 3 emissions from 2020.
			We aim to reduce waste generation through resource efficiency, recycling and reuse of natural resources.	
Responsible Business	Economic Sustainability		We regard sustainability both as a corporate responsibility and a source of business opportunities.	Keppel's business operations generate employment, opportunities for suppliers and tax revenues for governments.
			We are committed to applying our knowledge, skills and technology to drive innovation and support economic development and the well-being of our communities.	The Keppel Technology Advisory Panel is a key platform to advance the Group's technology leadership. Separately, Keppel Technology & Innovation serves as a Group-wide resource to sharpen focus on innovation and be a catalyst for change.
	Corporate Governance & Risk Management		We will conduct ourselves according to the highest ethical standards and comply with all applicable laws and regulations wherever we operate. Our tone on regulatory compliance is clear and consistently reiterated from the top of the organisation. We have zero tolerance for fraud, bribery, corruption and violation of laws and regulations.	Keppel Offshore & Marine has become one of the first companies in Singapore to achieve global ISO 37001 anti-bribery certification in 2019. We will work progressively towards ISO 37001 certification for all other Keppel entities.
				An e-training and assessment exercise covering key policies, including Keppel's Employee Code of Conduct, is carried out on an annual basis.
	Supply Chain & Responsible Procurement		We work closely with our suppliers to make a positive impact on their sustainability performance.	All our suppliers are qualified in accordance with our requisition and purchasing policies, screened based on ESG criteria, and are expected to sign and abide by the Keppel Supplier Code of Conduct.
				
Product Quality & Safety			We exercise due care and diligence in the design, construction and operation of our products and services to ensure that they do not pose hazards to customers.	We consider proper design, handling, storage and disposal of materials as early as the planning stage of our projects. At the project execution stage, we carry out project reviews and quality assurance programmes.
				We will continue to engage our customers for continuous service improvements.

Strategic Pillars	Material Issues	SDGs	Approach	Highlights
People and Community	Occupational Safety & Health		Providing a safe and healthy working environment for all stakeholders is fundamental to our commitment to conduct business responsibly. We are strong advocates for safety and health in the broader community, and champion national and industry initiatives to raise standards and drive innovation in these aspects.	We achieved our goal of zero fatalities across our global operations in 2019.
				Keppel also clinched 18 awards at the Workplace Safety and Health Awards 2019, which is the highest number of awards won by a single organisation for the year.
	Labour Practices, Talent Management & Human Rights		Our businesses spark economic growth, productivity and jobs. Our hiring policies ensure equal employment opportunities for all, and we are committed to invest in nurturing our human capital.	We achieved an Employee Engagement Score of 86% in 2019, an improvement over our score of 82% in 2017 and significantly higher than the average of 76% among Singapore companies.
			We uphold and respect the fundamental principles set out in the UN Universal Declaration of Human Rights and the International Labour Organisation's declaration on fundamental principles and rights at work.	Our stance on human rights is articulated in our corporate statement on human rights, while our stance on diversity and inclusion is articulated in our corporate statement on diversity and inclusion, which was formalised in early-2019. Both statements are publicly available online.
	Community Development		Through collaboration with our stakeholders, we mobilise and share knowledge, expertise and technology, as well as financial and human resources to support the achievement of the SDGs.	Keppel commits up to 1% of the Group's net profit to worthy social causes.
			We encourage and promote effective public, public-private and civil society partnerships through the sponsorship and support of thought leadership and dialogue platforms.	We invested \$9.6 million in social causes in 2019. This included a donation to assist deserving students from low income families via the Institute of Technical Education (ITE) Education Fund, a contribution to SPD, a Singapore charity supporting persons with disabilities, greening efforts in Singapore, as well as to the China Foundation for Poverty Alleviation as part of an ongoing partnership to aid impoverished rural communities in China.
				Keppel Volunteers achieved over 18,000 hours of community work in 2019.
				Keppel Care Foundation, the Group's philanthropic arm, has disbursed over \$44 million since its launch in 2012. The foundation supports care for the underprivileged, education and environmental causes.



¹ We expanded the scope of our reporting in 2019 to include contributions by M1.
² Includes a \$5 million donation (second payment tranche) to the ITE Education Fund. Keppel had committed a \$10 million donation to the Fund to promote education for financially-disadvantaged students from ITE in 2018.

BOARD OF DIRECTORS

Board Committees

- N Nominating Committee
- A Audit Committee
- R Remuneration Committee
- BR Board Risk Committee
- BS Board Safety Committee



LEE BOON YANG, AGE 72
Chairman
Non-Executive and Independent Director



Date of first appointment as a director:
1 May 2009

Date of last re-election as a director:
20 April 2018

**Length of service as a director
(as at 31 December 2019):**
10 years 8 months

Board Committee(s) served on:
Remuneration Committee (Member);
Nominating Committee (Member);
Board Safety Committee (Member)

Academic & Professional Qualification(s):
B.V.Sc Hon (2A), University of Queensland, 1971

Present Directorships (as at 1 January 2020):
Listed companies
Singapore Press Holdings Limited (Chairman)

Other principal directorships
Keppel Care Foundation Limited (Chairman);
Singapore Press Holdings Foundation Limited
(Chairman); Jilin Food Zone Pte Ltd (Chairman);
Jilin Food Zone Investment Holdings Pte. Ltd.
(Chairman)

Major Appointments (other than directorships):
Nil

**Past Directorships held over the preceding
5 years (from 1 January 2015 to
31 December 2019):**
Nil

Others:
Former Minister for Information,
Communications and the Arts (May 2003 to
March 2009); Former Member of Parliament
(December 1984 to April 2011)



LOH CHIN HUA, AGE 58
Executive Director and
Chief Executive Officer



Date of first appointment as a director:
1 January 2014

Date of last re-election as a director:
23 April 2019

**Length of service as a director
(as at 31 December 2019):**
6 years

Board Committee(s) served on:
Board Safety Committee (Member)

Academic & Professional Qualification(s):
Bachelor in Property Administration, Auckland
University; Presidential Key Executive MBA,
Pepperdine University; CFA® charterholder

Present Directorships (as at 1 January 2020):
Listed companies
Nil

Other principal directorships
Keppel Offshore & Marine Ltd (Chairman);
Keppel Land Limited (Chairman); Keppel
Infrastructure Holdings Pte. Ltd. (Chairman);
Keppel Capital Holdings Pte. Ltd. (Chairman);
Keppel Telecommunication & Transportation
Ltd (Chairman); Keppel Care Foundation
Limited; M1 Limited

Major Appointments (other than directorships):
Singapore Business Federation (Council Member);
National University of Singapore (Member
of Board of Trustees); Singapore Economic
Development Board (Board Member)

**Past Directorships held over the preceding
5 years (from 1 January 2015 to
31 December 2019):**
KrisEnergy Ltd; Various fund companies
under management of Alpha Investment
Partners Limited

Others:
Nil



ALVIN YEO KHIRN HAI, AGE 58
Non-Executive and
Independent Director



Date of first appointment as a director:
1 June 2009

Date of last re-election as a director:
23 April 2019

**Length of service as a director
(as at 31 December 2019):**
10 years 7 months

Board Committee(s) served on:
Audit Committee (Member);
Nominating Committee (Member)

Academic & Professional Qualification(s):
LLB Honours, King's College London,
University of London; Gray's Inn (Barrister-at-Law);
Senior Counsel, Singapore

Present Directorships (as at 1 January 2020):
Listed companies
United Industrial Corporation Limited;
United Overseas Bank Limited

Other principal directorships
Valencia C.F.; GlobalORE Pte Ltd

Major Appointments (other than directorships):
WongPartnership LLP (Chairman and Senior
Partner); Monetary Authority of Singapore
advisory panel to advise the Minister on appeals
under various financial services legislation
(Member); The Court of the Singapore
International Arbitration Centre (Member);
The Singapore Medical Council's Panel of
Disciplinary Tribunal Chairmen (Member);
Panel of Disciplinary Tribunal Chairmen,
Supreme Court of Singapore (Member);
Fellow of the Singapore Institute of Arbitrators

**Past Directorships held over the preceding
5 years (from 1 January 2015 to
31 December 2019):**
Thomson Medical Pte. Ltd.;
Neptune Orient Lines Limited

Others:
Past member:- the Senate of the Academy
of Law; the Council of the Law Society;
the board of the Civil Service College;
Former Member of Parliament (2006 to 2015)



TAN EK KIA, AGE 71
Non-Executive and
Independent Director



Date of first appointment as a director:
1 October 2010

Date of last re-election as a director:
23 April 2019

**Length of service as a director
(as at 31 December 2019):**
9 years 3 months

Board Committee(s) served on:
Board Safety Committee (Chairman);
Board Risk Committee (Member);
Audit Committee (Member)

Academic & Professional Qualification(s):
BSc Mechanical Engineering (First Class Hons),
Nottingham University, United Kingdom;
Management Development Programme,
International Institute for Management
Development, Lausanne, Switzerland;
Fellow of the Institute of Engineers, Malaysia;
Chartered Engineer of Engineering Council,
United Kingdom; Member of Institute of
Mechanical Engineers, United Kingdom

Present Directorships (as at 1 January 2020):
Listed companies
KrisEnergy Ltd (Chairman); PT Chandra Asri
Petrochemical Tbk; Transocean Ltd

Other principal directorships
SMRT Corporation Ltd; Keppel Offshore &
Marine Ltd; Star Energy Group Holdings Pte Ltd
(Chairman); Dialog Systems (Asia) Pte Ltd;
Singapore LNG Corporation Pte Ltd

Major Appointments (other than directorships):
Nil

**Past Directorships held over the preceding
5 years (from 1 January 2015 to
31 December 2019):**
City Gas Pte Ltd

Others:
Former Vice President (Ventures and
Developments) of Shell Chemicals, Asia Pacific
and Middle East region (based in Singapore);
Former Chairman, Shell companies in
North East Asia; Former Managing Director,
Shell Malaysia Exploration and Production



DANNY TEOH, AGE 64
Non-Executive and
Independent Director



Date of first appointment as a director:
1 October 2010

Date of last re-election as a director:
21 April 2017

**Length of service as a director
(as at 31 December 2019):**
9 years 3 months

Board Committee(s) served on:
Audit Committee (Chairman);
Remuneration Committee (Member);
Board Risk Committee (Member)

Academic & Professional Qualification(s):
Associate member of the Institute of Chartered
Accountants in England & Wales

Present Directorships (as at 1 January 2020):
Listed companies
DBS Group Holdings Ltd

Other principal directorships
M1 Limited (Chairman); DBS Bank Ltd;
DBS Foundation Ltd; DBS Bank (Taiwan) Ltd

Major Appointments (other than directorships):
Nil

**Past Directorships held over the preceding
5 years (from 1 January 2015 to
31 December 2019):**
CapitaLand Mall Trust Management Limited
(Manager of CapitaLand Mall Trust);
JTC Corporation; Ascendas-Singbridge Pte. Ltd.;
DBS Bank (China) Limited; Changi Airport Group
(Singapore) Pte Ltd

Others:
Former Managing Partner, KPMG LLP,
Singapore; Past member of KPMG's
International Board and Council;
Former Head of Audit and Risk Advisory
Services and Head of Financial Services,
KPMG LLP

BOARD OF DIRECTORS



TILL VESTRING, AGE 56
Non-Executive and
Independent Director



Date of first appointment as a director:
16 February 2015

Date of last re-election as a director:
21 April 2017

**Length of service as a director
(as at 31 December 2019):**
4 years 11 months

Board Committee(s) served on:
Remuneration Committee (Chairman);
Nominating Committee (Member)

Academic & Professional Qualification(s):
Master of Economics, University of Bonn, Germany;
Master of Business Administration, Haas
School of Business, University of California,
Berkeley

Present Directorships (as at 1 January 2020):
Listed companies
Inchcape plc

Other principal directorships
Leap Philanthropy Ltd;
Banteasy Srey Development Limited

Major Appointments (other than directorships):
Advisory Partner, Bain & Company Southeast Asia

**Past Directorships held over the preceding
5 years (from 1 January 2015 to
31 December 2019):**
Singapore Chinese Orchestra Company Limited

Others:
Nil



VERONICA ENG, AGE 66
Non-Executive and
Independent Director



Date of first appointment as a director:
1 July 2015

Date of last re-election as a director:
20 April 2018

**Length of service as a director
(as at 31 December 2019):**
4 years 6 months

Board Committee(s) served on:
Board Risk Committee (Chairman);
Audit Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Business Administration
(First Class Honours), University of Singapore

Present Directorships (as at 1 January 2020):
Listed companies
Nil

Other principal directorships
Keppel Capital Holdings Pte. Ltd.

Major Appointments (other than directorships):
Professor (Practice), NUS Business School

**Past Directorships held over the preceding
5 years (from 1 January 2015 to
31 December 2019):**
Nil

Others:
Founding Partner of Permira (1985 to 2015);
Former Member of the Board and Executive
Committee of Permira



JEAN-FRANÇOIS MANZONI, AGE 58
Non-Executive and
Independent Director



Date of first appointment as a director:
1 October 2018

Date of last re-election as a director:
23 April 2019

**Length of service as a director
(as at 31 December 2019):**
1 year 3 months

Board Committee(s) served on:
Nominating Committee (Chairman);
Board Risk Committee (Member)

Academic & Professional Qualification(s):
DBA, Harvard Business School, Boston;
MBA, McGill University, Montreal; Bachelor,
Business Administration, l'Ecole des Hautes
Etudes Commerciales de Montréal; Fellow of
the Singapore Institute of Directors

Present Directorships (as at 1 January 2020):
Listed companies
Nil

Other principal directorships
IMD Foundation Board; IMD Scholarship
Foundation

Major Appointments (other than directorships):
President and Nestlé Professor, International
Institute for Management Development (IMD),
Switzerland; Member of several International
Advisory panels, including Digital Switzerland
and Russian Presidential Academy of
National Economy and Public Administration

**Past Directorships held over the preceding
5 years (from 1 January 2015 to
31 December 2019):**
Singapore Civil Service College;
Association to Advance Collegiate Schools
of Business (AACSB) International

Others:
Nil



TEO SIONG SENG, AGE 65
Non-Executive and
Independent Director



Date of first appointment as a director:
1 November 2019

Date of last re-election as a director:
N.A.

**Length of service as a director
(as at 31 December 2019):**
2 months

Board Committee(s) served on:
Remuneration Committee (Member);
Board Safety Committee (Member)

Academic & Professional Qualification(s):
Degree (First Class Honors) in Naval Architecture
and Ocean Engineering from the University of
Glasgow, United Kingdom

Present Directorships (as at 1 January 2020):
Listed companies
Singamas Container Holdings Ltd.; COSCO
Shipping Holding Co., Ltd.; COSCO Shipping
Energy Transportation Co., Ltd.; Wilmar
International Limited

Other principal directorships
Pacific International Lines (Pte) Ltd

Major Appointments (other than directorships):
Singapore Business Federation (Chairman);
Singapore Chinese Chamber of Commerce
& Industry (Honorary President); Business
China (Director); Enterprise Singapore
(Board Member); The United Republic of
Tanzania in Singapore (Honorary Consul)

**Past Directorships held over the preceding
5 years (from 1 January 2015 to
31 December 2019):**
The Standard Club Asia Ltd;
Singapore Maritime Institute;
China Shipping Container Lines Co. Ltd.

Others:
Nil



THAM SAI CHOY, AGE 60
Non-Executive and
Independent Director



Date of first appointment as a director:
1 November 2019

Date of last re-election as a director:
N.A.

**Length of service as a director
(as at 31 December 2019):**
2 months

Board Committee(s) served on:
Audit Committee (Member);
Board Risk Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Arts (Honours) in Economics,
University of Leeds, UK; Fellow of the Institute
of Singapore Chartered Accountants and the
Institute of Chartered Accountants in England
and Wales

Present Directorships (as at 1 January 2020):
Listed companies
DBS Group Holdings Limited

Other principal directorships
DBS Bank Ltd.; DBS Bank (China) Limited;
EM Services Pte Ltd (Chairman); Keppel
Offshore & Marine Ltd; Mount Alvernia Hospital;
Singapore International Arbitration Centre;
Singapore Institute of Directors (Chairman)

Major Appointments (other than directorships):
Accounting and Corporate Regulatory Authority
(Board Member); Housing and Development
Board (Board Member); Nanyang Polytechnic
(Board Member)

**Past Directorships held over the preceding
5 years (from 1 January 2015 to
31 December 2019):**
Singapore Accountancy Commission;
KPMG Group of Companies

Others:
Nil



PENNY GOH, AGE 67
Non-Executive and
Independent Director



Date of first appointment as a director:
2 January 2020

Date of last re-election as a director:
N.A.

**Length of service as a director
(as at 31 December 2019):**
N.A.

Board Committee(s) served on:
Audit Committee (Member);
Board Risk Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Law (Honours), University
of Singapore

Present Directorships (as at 1 January 2020):
Listed companies
Keppel REIT Management Limited (the Manager
of Keppel REIT); Mapletree Logistics Trust
Management Ltd (the Manager of Mapletree
Logistics Trust)

Other principal directorships
HSBC Bank (Singapore) Limited

Major Appointments (other than directorships):
Allen & Gledhill LLP (Senior Adviser)

**Past Directorships held over the preceding
5 years (from 1 January 2015 to
31 December 2019):**
Eastern Development Private Limited; Eastern
Development Holdings Pte Ltd; Allen & Gledhill
Regulatory & Compliance Pte. Ltd.

Others:
Former Co-Chairman and Senior Partner of
Allen & Gledhill LLP

KEPPEL GROUP BOARDS OF DIRECTORS

KEPPEL OFFSHORE & MARINE

Loh Chin Hua

Chairman
Chief Executive Officer,
Keppel Corporation

Chris Ong Leng Yeow

Chief Executive Officer

Stephen Pan Yue Kuo

Chairman,
World-Wide Shipping Agency Limited

Po'ad Bin Shaik Abu Bakar Mattar

Independent Director,
Hong Leong Finance Limited

Tan Ek Kia

Chairman,
Star Energy Group Holdings Pte Ltd

Lim Chin Leong

Former Chairman of Asia,
Schlumberger

Robert D. Somerville

Vice Chairman,
Maine Maritime Academy Board of Trustees

Chan Hon Chew

Chief Financial Officer,
Keppel Corporation

Tham Sai Choy

Independent Director,
DBS Group Holdings Limited

KEPPEL LAND

Loh Chin Hua

Chairman
Chief Executive Officer,
Keppel Corporation

Tan Swee Yiow

Chief Executive Officer

Tan Yam Pin

Former Managing Director,
Fraser and Neave Group

Koh-Lim Wen Gin

Former URA Chief Planner and
Deputy Chief Executive Officer

Yap Chee Meng

Former Senior Partner,
KPMG Singapore and
COO of KPMG International
for the Asia Pacific Region

Willy Shee Ping Yah

Senior Advisor and Former Asia Chairman,
CBRE

Chan Hon Chew

Chief Financial Officer,
Keppel Corporation

KEPPEL INFRASTRUCTURE

Loh Chin Hua

Chairman
Chief Executive Officer,
Keppel Corporation

Dr Ong Tiong Guan

Chief Executive Officer

Chan Hon Chew

Chief Financial Officer,
Keppel Corporation

Khoo Chin Hean

Director

Lim Lu-Yi, Louis

Chief Operating Officer,
Keppel Land

KEPPEL TELECOMMUNICATIONS & TRANSPORTATION

Loh Chin Hua

Chairman
Chief Executive Officer,
Keppel Corporation

Thomas Pang Thieng Hwi

Chief Executive Officer

Prof Neo Boon Siong

Independent Director

Karmjit Singh

Independent Director

Lim Chin Leong

Former Chairman of Asia,
Schlumberger

Chan Hon Chew

Chief Financial Officer,
Keppel Corporation

Khor Poh Hwa

Independent Director

Mrs Lee Ai Ming

Senior Consultant,
Dentons Rodyk & Davidson LLP

KEPPEL CAPITAL

Loh Chin Hua

Chairman
Chief Executive Officer,
Keppel Corporation

Christina Tan Hua Mui

Chief Executive Officer

Chan Hon Chew

Chief Financial Officer,
Keppel Corporation

Dr Ong Tiong Guan

Chief Executive Officer,
Keppel Infrastructure

Thomas Pang Thieng Hwi

Chief Executive Officer,
Keppel Telecommunications & Transportation

Tow Heng Tan

Chief Executive Officer,
Pavilion Capital International Pte. Ltd.

Veronica Eng

Independent Director,
Keppel Corporation

KEPPEL REIT MANAGEMENT (MANAGER OF KEPPEL REIT)

Mrs Penny Goh

Chairman
Senior Adviser,
Allen & Gledhill LLP

Lee Chiang Huat

Independent Director

Lor Bak Liang

Independent Director

Christina Tan Hua Mui

Chief Executive Officer,
Keppel Capital

Tan Swee Yiow

Chief Executive Officer,
Keppel Land

Alan Rupert Nisbet

Independent Director

Ian Roderick Mackie

Independent Director

KEPPEL DC REIT MANAGEMENT (MANAGER OF KEPPEL DC REIT)

Christina Tan Hua Mui

Chairman
Chief Executive Officer,
Keppel Capital

Lee Chiang Huat

Independent Director

Dileep Nair

Independent Director

Dr Tan Tin Wee

Chief Executive,
National Supercomputing Centre, Singapore

Thomas Pang Thieng Hwi

Chief Executive Officer,
Keppel Telecommunications & Transportation

Low Huan Ping

Independent Director

Kenny Kwan

Principal,
Baker & McKenzie

KEPPEL INFRASTRUCTURE FUND MANAGEMENT (TRUSTEE-MANAGER OF KEPPEL INFRASTRUCTURE TRUST)

Koh Ban Heng

Chairman

Thio Shen Yi

Joint Managing Director,
TSMP Law Corporation

Daniel Cuthbert Ee Hock Huat

Independent Director

Mark Andrew Yeo Kah Chong

Independent Director

Kunnasagaran Chinniah

Independent Director

Christina Tan Hua Mui

Chief Executive Officer,
Keppel Capital

KEPPEL PACIFIC OAK US REIT MANAGEMENT (MANAGER OF KEPPEL PACIFIC OAK US REIT)

Peter McMillan III

Chairman
Co-founder,
Pacific Oak Capital Advisors, LLC

Soong Hee Sang

Independent Director

John J. Ahn

Chief Executive Officer,
Great American Capital Partners

Kenneth Tan Jhu Hwa

Co-Managing Partner and Managing Director,
Southern Capital Group Private Limited

Paul Tham

Chief Executive Officer,
Keppel REIT Management
(Manager of Keppel REIT)

KEPPEL TECHNOLOGY ADVISORY PANEL

THE KEPPEL TECHNOLOGY ADVISORY PANEL IS A KEY PLATFORM TO ADVANCE THE GROUP'S TECHNOLOGY LEADERSHIP.

Established in 2004, the Keppel Technology Advisory Panel (KTAP) includes eminent business leaders and industry experts from across the world. KTAP members provide technology foresight for Keppel, advise on strategic projects and provide contacts to broaden Keppel's networks.

Collectively, members' expertise cover a range of topics related to sustainable urbanisation, such as floating platforms, urban design and liveability, alternative energy and efficiency, as well as communications networks and digitalisation. This has helped Keppel to enhance business value and harness synergies across the Group.

KTAP convenes once a year with key members of Keppel Corporation's board and senior management, and provides support on projects when required.

PROFESSOR NG WUN JERN

Chairman

BSc (Civil Engineering) QMC London University; MSc (Water Resources); PhD University of Birmingham; PE(S); FIES; MSAEng

Professor Ng was the founding Executive Director at the Nanyang Environment & Water Research Institute, and President's Chair Professor at the School of Civil & Environmental Engineering, Nanyang Technological University. He has some 400 publications on water and wastewater management, has founded spin-off companies based on his IPs, and serves as technical advisor to government agencies and various environmental companies across ASEAN, China and India. Professor Ng also operates his own spin-off companies, which are active in China, Indonesia and Malaysia, and guides incubators and private equity funds.

PROFESSOR STEFAN THOMKE

BSc (Electrical Engineering), University of Oklahoma; MSc (Electrical & Computer Engineering), Arizona State University; SM (Operations Research), SM (Mgmt.), PhD (Electrical Engineering & Mgmt.), Massachusetts Institute of Technology; Dr. rer. oec. (Honorary), HHL Leipzig Graduate School of Management, AM (Honorary), Harvard University

Professor Thomke has published widely and is an authority on innovation management. He is the William Barclay Harding Professor of Business Administration at Harvard Business School and has chaired several of the university's executive education programmes. Prior to joining Harvard, Professor Thomke was with McKinsey & Company in Germany.

CHUA KEE LOCK

BSc (Mechanical Engineering), University of Wisconsin at Madison; M.Eng, Stanford University

Mr Chua is CEO of Vertex Holdings, a Singapore-headquartered venture capital investment holding company.

Vertex Group is a global venture capital network comprising four early stage technology-focused funds (Vertex Ventures China, Vertex Ventures Israel, Vertex Ventures US, Vertex Ventures SEA & India), an early stage healthcare-focused fund (Vertex Ventures HC) and a growth stage fund (Vertex Growth). Each of these funds are managed by independent and separate General Partnerships and investment teams, with Vertex Holdings providing anchor funding alongside significant third-party capital commitments. Mr Chua is concurrently Managing Partner of Vertex Ventures SEA & India, as well as Chairman of Vertex Growth Fund.

Prior to joining Vertex, Mr Chua held senior positions in Biosensors International Group, Ltd, a developer/manufacturer of medical devices; Walden International, a US-headquartered venture capital firm; NatSteel Ltd, a Singapore industrial products company, and Intraco Ltd, a Singapore-listed trading/distribution company.

He also co-founded MediaRing.com Ltd, a provider of voice-over-internet services, which later listed on Singapore's stock exchange. Mr Chua currently serves on the boards of several companies, including Yongmao, an SGX-listed company.

PETER NOBLE

Fellow, Land Medalist and Past-President, Society of Naval Architects & Marine Engineering, USA; Fellow and Vice President, The Institute of Marine Engineering, Science and Technology, UK; Fellow, Canadian Academy of Engineering; Offshore Technology Distinguished Achievement Award for Individuals; B.Sc. Naval Architecture, University of Glasgow

Mr Noble is a naval architect and ocean engineer with a wide range of expertise and experience in the marine and offshore industries. His career has included positions with shipyards, ship and offshore design consultants, offshore and marine research and development companies, major classification societies and as chief naval architect with an international oil company. He currently undertakes consulting and advisory assignments across a broad range of topics relating to ocean engineering.

Mr Noble holds a number of patents and is active on the advisory boards of a number of universities and institutions.

DR ROMAIN DEBARRE

PhD, French Petroleum Institute (IFPEN) and French National Centre for Scientific Research (CNRS); MBA, HEC Paris; MSc French Petroleum Institute (IFP School)

Dr Debarre is the Managing Director of the A.T. Kearney Energy Transition Institute. He brings a combined experience in energy, business strategy and scientific research. Dr Debarre is a recognised energy expert who forges close ties between governments, companies and academics to leverage technological opportunities and reduce carbon emissions.

Prior to joining A.T. Kearney, Dr Debarre was with Schlumberger Business Consulting, where he led the SBC Energy Institute. He previously worked in corporate finance, managed strategy consulting projects in the energy sector in various countries and spent several years in scientific research and development. Dr Debarre is the co-author of several reports on energy technologies and energy transition topics.



From left: Professor Stefan Thomke, Mr Loh Chin Hua (CEO of Keppel Corporation), Mr Peter Noble, Professor Ng Wun Jern, Mr Chua Kee Lock, Dr Lee Boon Yang (Chairman of Keppel Corporation) and Dr Romain Debarre.

SENIOR MANAGEMENT

KEPPEL CORPORATION

Loh Chin Hua
Chief Executive Officer

Chan Hon Chew
Chief Financial Officer

CORPORATE SERVICES

Cindy Lim
Director
Group Corporate Development
Managing Director
Keppel Urban Solutions

Sebastien Lamy
Director
Group Strategy & Development
Managing Director
Keppel Technology & Innovation

Yeo Meng Hin
Director
Group Human Resources

Ho Tong Yen
Director
Group Corporate Communications

Lynn Koh
General Manager
Group Treasury

Caroline Chang
General Manager
Group Legal

Tok Soo Hwa
General Manager
Group Control & Accounts

Sepalika Kulasekera
General Manager
Group Internal Audit

Kenny Mok
General Manager
Group Risk & Compliance

Tay Guan Chew
General Manager
Group Tax

Jaggi Ramesh Kumar
General Manager
Group Health, Safety & Environment

Eric Goh
Chief Representative, China

Linson Lim
Country Representative, Vietnam

Ho Kiam Kheong
India Representative

Tay Lim Heng
Chief Executive Officer
Sino-Singapore Tianjin Eco-City
Investment and Development

OFFSHORE & MARINE

Chris Ong
Chief Executive Officer
Keppel Offshore & Marine

Kevin Chng
Chief Financial Officer
Keppel Offshore & Marine
(effective 1 Jan 2020)

Chor How Jat
Managing Director
(Conversions & Repairs)
Keppel Offshore & Marine

Tan Leong Peng
Managing Director
(New Builds)
Keppel Offshore & Marine
(effective 1 Feb 2020)

Ron MacInnes
President
Keppel Offshore & Marine USA
and Keppel LeTourneau
(effective 1 Feb 2020)

Mohd Sahlan Bin Salleh
President
Keppel AmFELS
(effective 1 Feb 2020)

Marlin Khiew
President
Keppel FELS Brasil

Leong Kok Weng
President
Keppel Philippines Marine

Edmund Lek
President
Keppel Nantong Shipyard
Keppel Nantong Heavy Industries

PROPERTY

Tan Swee Yiow
Chief Executive Officer
Keppel Land

Tan Boon Ping
Chief Financial Officer
Keppel Land

Louis Lim
Chief Operating Officer
Keppel Land

Ng Ooi Hooi
President, Singapore and
Regional Investments
Keppel Land
(effective 1 Jan 2020)

Ben Lee
President, China
Keppel Land

Linson Lim
President, Vietnam
Keppel Land

Goh York Lin
President, Indonesia
Keppel Land

Ho Kiam Kheong
President, India
Keppel Land

INFRASTRUCTURE

Dr Ong Tiong Guan
Chief Executive Officer
Keppel Infrastructure

Lim Siew Hwa
Chief Financial Officer
Keppel Infrastructure

Tan Boon Leng
Executive Director
(Environmental Infrastructure)
Keppel Infrastructure

Alan Tay
Executive Director
(Business Development)
Keppel Infrastructure

Janice Bong
General Manager
(Energy Infrastructure)
Keppel Infrastructure

Thomas Pang
Chief Executive Officer
Keppel Telecommunications & Transportation

Tan Eng Hwa
Chief Financial Officer
Keppel Telecommunications & Transportation

Wong Wai Meng
Chief Executive Officer
Keppel Data Centres

Desmond Gay
Chief Executive Officer
Keppel Logistics

INVESTMENTS

Christina Tan
Chief Executive Officer
Keppel Capital

Ang Sock Cheng
Chief Financial Officer
Keppel Capital

Paul Tham
Chief Executive Officer
Keppel REIT Management

Matthew Pollard
Chief Executive Officer
Keppel Infrastructure Fund Management

Chua Hsien Yang
Chief Executive Officer
Keppel DC REIT Management

David Snyder
Chief Executive Officer
Keppel Pacific Oak US REIT Management

Alvin Mah
Chief Executive Officer
Alpha Investment Partners

Bridget Lee
Chief Executive Officer
Keppel Capital Alternative Asset

Devarshi Das
Chief Executive Officer
(Infrastructure)
Keppel Capital Alternative Asset

Manjot Singh Mann
Chief Executive Officer
M1

Lee Kok Chew
Chief Financial Officer
M1

Mustafa Kapasi
Chief Commercial Officer
M1

Denis Seek
Chief Technical Officer
M1

Willis Sim
Chief Corporate Sales and Solutions Officer
M1

Nathan Bell
Chief Digital Officer
M1

UNIONS

KEPPEL FELS EMPLOYEES' UNION

Mahmood Bin Ali
President

Atyyah Binti Hassan
General Secretary

KEPPEL EMPLOYEES' UNION

Razali Bin Maulod
President

Atan Enjah
General Secretary

SHIPBUILDING & MARINE ENGINEERING EMPLOYEES' UNION

Eileen Yeo
General Secretary
NTUC Central Committee Member

SINGAPORE INDUSTRIAL & SERVICES EMPLOYEES' UNION

Sazali Bin Zainal
President

Richard Sim
General Secretary

Sylvia Choo
Executive Secretary

UNION OF POWER & GAS EMPLOYEES

Tay Seng Chye
President

Abdul Samad Bin Abdul Wahab
General Secretary

S. Thiagarajan
Executive Secretary

INVESTOR RELATIONS

WE ARE COMMITTED TO CLEAR, TIMELY AND CONSISTENT COMMUNICATION WITH THE INVESTMENT COMMUNITY.

In 2019, we strengthened efforts to help the investment community better understand Keppel's business strategy, the privatisation of M1 and Keppel Telecommunications & Transportation, as well as the synergies across Keppel companies as they collaborate to create value and advance the Group's mission to provide solutions for sustainable urbanisation.

In October 2019, Temasek announced a voluntary pre-conditional partial offer to acquire an additional 30.55% of shares in Keppel Corporation. If successful, the partial offer will result in Temasek and the offeror owning an aggregate 51% of Keppel. Although Keppel Corporation is unable to comment on the pre-conditional partial offer, the Company holds the view that there is long-term value in Keppel's businesses, a view which Temasek shares, and remains committed to delivering value to all shareholders.

has benefitted around 2,500 of our retail shareholders, who as complimentary members of the Association, enjoy access to a wide range of seminars, workshops and other support.

On 7 February 2020, the Singapore Exchange's (SGX) regulation on risk-based quarterly reporting came into effect, whereby listed companies may, unless otherwise required by the SGX, report their results semi-annually. We welcome SGX's move for companies to take a longer-term perspective on growth. In view of the voluntary pre-conditional partial offer by Kyanite Investment Holdings Pte. Ltd. (an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited), Keppel Corporation will continue quarterly reporting for the duration of the offer period until such time as appropriate, and move to semi-annual reporting thereafter.

We stand committed to engaging shareholders through clear, timely and consistent communications and maintaining our interactions with the investment community. After the move to semi-annual reporting, we plan to provide business updates to shareholders in between our half-yearly financial reports.

INVESTOR RELATIONS RESOURCES

To ensure fair and prompt dissemination of information, we post all new material announcements on our website immediately after they are released on SGX.

We hold live webcasts of our quarterly results briefings, which facilitate real-time interaction with senior management. An archive of the quarterly webcast, together with the presentation materials and management speeches, are made available on our website on the same day the results are released on SGX. A transcript of the questions and answers session from each webcast is also released on SGX and posted on Keppel Corporation's website before the next trading day.

Corporate Website

Our mobile-friendly corporate website www.keppcorp.com provides access to company announcements, quarterly results and annual reports, investor events, stock and dividend information, and investor presentation slides. Contact information of our Investor Relations personnel can also be found on the website.

In 2019, we refreshed our corporate website with a new look and features to improve users' experience. The website's dynamic and rich content is structured to provide the users with easy navigation and access. Our solutions for sustainable urbanisation and commitment to sustainability are articulated throughout

SHAREHOLDING BY INVESTORS (%)



● Institutions	53.9
● Retail	46.1
Total	100.0

INVESTOR AND ANALYST ENGAGEMENT

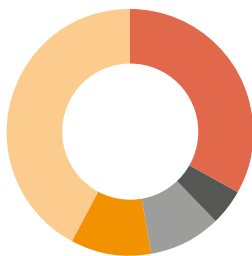
During the year, we held about 160 meetings and conference calls with institutional investors, including non-deal roadshows and conferences reaching out to investors in Bangkok, Boston, Edinburgh, Hong Kong, Kuala Lumpur, London and New York. We also hosted investor tours of our residential and commercial properties in China and Vietnam.

We continued to improve on disclosures as we engaged analysts and investors, including providing more information on the Property Division, as well as the Return on Equity targets for Keppel Corporation, and each business unit.

Presently, 17 sell-side research houses, with analysts based in Singapore and Malaysia, provide coverage on Keppel Corporation. In addition to the quarterly results briefings, senior management from Keppel Corporation and M1 held a briefing for analysts on M1's transformation plans. We also hosted a group of sell-side analysts on a property familiarisation trip to Ho Chi Minh City (HCMC). We continue to actively engage and maintain close interactions with our sell-side analysts, who contribute to achieving balanced and fair valuations of the Company.

As part of ongoing efforts to engage retail shareholders, our top management updated shareholders on the Company's developments at an annual briefing organised by the Securities Investors Association (Singapore) (SIAS), which drew about 150 participants. Separately, our regular contribution towards the SIAS Investor Education Programme

SHAREHOLDING BY GEOGRAPHY (%)



● Singapore	33.3
● Asia (ex Singapore)	4.6
● North America	9.4
● Europe	10.6
● Others*	42.1
Total	100.0

* Others comprise the rest of the world, as well as unidentified holdings and holdings below the analysis threshold as at 11 February 2020.

the website to enable the investment community to better appreciate the Group's businesses, solutions and strategic efforts.

The new website also features additional disclosures such as minutes from the Annual General Meeting (AGM), the lists of

Keppel Corporation's top 20 shareholders and research coverage, as well as more details on the Company's historical financial information.

SHAREHOLDER INFORMATION

As at 11 February 2020, institutions formed 53.9% of our shareholder base,

while retail investors accounted for the remaining 46.1%. Of the identified and analysed shareholdings, shareholders in Singapore held approximately 33.3% of our issued capital, while those in the rest of Asia held 4.6%, North America 9.4% and Europe 10.6%.

INVESTOR RELATIONS CALENDAR

The following key events were held in 2019 to engage our investors and analysts:

Q1	Q2	Q3	Q4
4Q & FY 2018 results conference and live webcast.	1Q 2019 live results webcast.	2Q & 1H 2019 results conference and live webcast.	3Q & 9M 2019 live results webcast.
Credit Suisse Asian Investment Conference 2019, Hong Kong.	Non-deal roadshows to New York and Boston, as well as Kuala Lumpur, hosted by CLSA and CGS-CIMB respectively.	Analyst visit to Keppel Land's operations in HCMC.	
	51st Annual General Meeting.	Analyst briefing on M1's business transformation.	
		UBS OneASEAN Conference 2019, Bangkok.	
		Non-deal roadshow to London and Edinburgh hosted by Goldman Sachs.	
		Keppel Corporation's Briefing for Retail Shareholders hosted by SIAS.	



1 Dr Lee Boon Yang, Chairman of Keppel Corporation (second from left) addressed shareholders at the Company's 51st AGM.

2 Keppel Corporation's CEO Mr Loh Chin Hua (left) and CFO Mr Chan Hon Chew (right) engaged retail shareholders at the briefing hosted by SIAS.



3 In September 2019, Keppel Corporation hosted a group of nine analysts in HCMC, Vietnam for a familiarisation trip.

SIGNIFICANT MILESTONES

Q1

Offshore & Marine

Keppel Offshore & Marine (Keppel O&M) secured a repeat order from Awilco for a mid-water harsh environment semisubmersible (semi) worth US\$425 million.

Keppel O&M delivered a jackup rig, with its proprietary RigCare digital solution, to Grupo R on a sale and leaseback deal, as well as a trailing suction hopper dredger to Jan De Nul.

Property

Keppel Land announced the divestment of a 70% stake in Dong Nai Waterfront City in Dong Nai Province, Vietnam to Nam Long for a total consideration of \$136 million.

Infrastructure

Keppel Infrastructure secured a contract to design, build and operate pipe racks on Jurong Island, Singapore for about \$40 million.

Investments

Keppel Capital announced an agreement to subscribe for a 30% interest in Gimi MS Corporation, which will undertake the development, construction and operation of Gimi FLNG.

Alpha Asia Macro Trends Fund (AAMTF) III closed at about US\$1.1 billion, including co-investments, exceeding its initial target of US\$1 billion.

AAMTF III, Keppel Land and co-investors announced the acquisition of Yi Fang Tower in Shanghai, China, for a total consideration of RMB4.6 billion.



Keppel O&M secured a repeat order from Awilco for a mid-water harsh environment semi.

Q2

Corporate

M1 and Keppel Telecommunications & Transportation (Keppel T&T) were delisted from the Singapore Exchange.

Keppel acquired a minority stake in a leading electric vehicle battery business for US\$50 million.

Offshore & Marine

Keppel O&M delivered two dredgers to Jan De Nul, a jackup rig to Valaris and Borr Drilling each, and two Floating Production Storage and Offloading (FPSO) conversion and modification projects to SBM Offshore and Woodside respectively.

Keppel O&M received final notice to proceed for the conversion of Gimi FLNG from Golar LNG with enhanced workscope worth an additional US\$242 million.

Keppel O&M secured contracts worth over \$800 million for three newbuild offshore wind projects, as well as integration and upgrading works for an FPSO and a semi.

Keppel O&M novated the construction contract of the jackup rig currently being built for BOT Lease to Borr Drilling.



Keppel O&M received final notice to proceed for the conversion of the Gimi FLNG.

FueLNG, a joint venture between Keppel O&M and Shell, achieved Singapore's 100th Liquefied Natural Gas (LNG) bunkering operation with no loss-time incidents.

Keppel O&M signed a memorandum of understanding with the Maritime and Port Authority of Singapore and Technology Centre for Offshore and Marine, Singapore to develop the first autonomous vessel for operations in Singapore.

Property

Keppel Land acquired four properties in China for about RMB1.1 billion, and three land plots in the Nha Be district of Ho Chi Minh City (HCMC), Vietnam for about \$76 million.

Keppel Land secured its first green loan facility of \$170 million from HSBC Group China for the development of Seasons City (Phase 1) in Sino-Singapore Tianjin Eco-City (Tianjin Eco-City), China.

Infrastructure

Keppel Infrastructure, together with Asia Projects Engineering, secured a contract worth about \$53 million to design and build pipelines and ancillary facilities on Jurong Island, Singapore.

Keppel Gas completed its first LNG cargo import from North America, diversifying its gas supply portfolio beyond Southeast Asia.

Keppel T&T, Alpha Data Centre Fund (Alpha DC Fund) and their partner broke ground for a data centre in Johor, Malaysia.



Riding on demand for high-quality homes in Vietnam, Keppel Land is partnering Phu Long to develop three land parcels in HCMC's Southern corridor.

Investments

Alpha DC Fund and Keppel Data Centres, and Keppel Infrastructure Trust divested their respective stakes in Keppel DC Singapore 4 and DC1 to Keppel DC REIT for \$585 million.

Alpha DC Fund acquired a freehold land plot in Gore Hill Technology Park to develop its first data centre in Sydney, Australia.

Keppel REIT entered the Seoul office market with the acquisition of a Grade A building for KRW253 billion.

AAMTF III announced the acquisition of three Grade A commercial buildings in Seoul, South Korea.



The Keppel Group broke ground for its new data centre in Johor, Malaysia.

Q3

Corporate

The Keppel Group clinched 18 awards at the Workplace Safety and Health Awards 2019.

Keppel Corporation received Bronze Award for Best Annual Report for companies with a market capitalisation of over \$1 billion at the Singapore Corporate Awards 2019.

Keppel Corporation was included as an index constituent of the FTSE4Good Index Series and won the SEC-STATS Asia Pacific Singapore Environmental Achievement Award in the services category at the Singapore Environment Council's (SEC) Environmental Achievement Awards 2019.

Offshore & Marine

Keppel O&M secured contracts from repeat customers worth about \$130 million for a newbuild dredger from Van Oord and an FPSO modification from Yinson.

Keppel O&M delivered a Floating Storage and Re-gasification Unit conversion project.

Property

Keppel Land and BDO Unibank opened The Podium, an office and retail mixed-use development in Manila, the Philippines.



The Podium development is envisioned to serve the growing demand for prime office spaces in Manila, the Philippines.

Infrastructure

UrbanFox expanded its logistics and e-commerce network to Vietnam and Malaysia.

Keppel T&T divested its stakes in Keppel Logistics (Foshan) and Keppel Logistics (Hong Kong) for about \$39 million.

Keppel Electric was listed as the top Open Electricity Market retailer with 27% market share of residential consumers.

Investments

Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. sold two plots of land located in the Tianjin Eco-City's Central District.

Keppel Pacific Oak US REIT announced the acquisition of an office complex in Irving, Dallas for US\$102 million.

Prime US REIT was successfully listed, with Keppel Capital as a strategic partner in the REIT and the Manager.



Two land plots were sold in the Central District of the Tianjin Eco-City.

Q4

Corporate

Keppel Corporation was ranked as one of the World's Best Regarded Companies 2019 and World's Best Employers 2019 in the Forbes' Global 2000 rankings.

It was announced that Keppel Bay Tower would become Singapore's first commercial building to be fully powered by renewable energy from 1 January 2020.

Offshore & Marine

Keppel O&M delivered three projects, namely a jackup rig to Borr Drilling and Grupo R each, as well as a trailing suction hopper dredger to Jan De Nul.

Keppel O&M reached a settlement agreement with Sete Brasil, bringing closure to the outstanding contracts for the construction of the six rigs.

Keppel O&M secured over 100 scrubber and ballast water treatment systems retrofit orders worth \$160 million.

Property

Keppel Land deepened its presence in India with a US\$25 million investment in Smartworks, a leading pan-India flexible space solutions provider and entered into a joint venture with Rustonjee Group to jointly develop additional homes and retail units as part of the Urbania integrated township located in Thane.

Keppel Land and Keppel Urban Solutions broke ground for Saigon Sports City in HCMC, Vietnam.



Keppel Land and Keppel Urban Solutions celebrated the groundbreaking of Saigon Sports City in HCMC, Vietnam.

Infrastructure

Keppel Infrastructure invested \$80 million for a 20% stake in MET Holding, an integrated European energy company.

Keppel Infrastructure invested \$5 million for an 18.18% stake in Zerowaste Asia, a Singapore-based environmental solutions provider.

Keppel Data Centres announced a partnership with National University of Singapore and Singapore LNG Corporation to develop novel, energy-efficient and cost-effective cooling technology for data centres.

Investments

Keppel Capital entered into a conditional sales and purchase agreement to acquire 50% in Pierfront Capital Fund Management for about US\$7.8 million.

Keppel REIT unlocked value with the divestment of Bugis Junction Towers in Singapore for \$548 million.

Keppel DC REIT entered into a sale and purchase agreement to acquire a data centre in Kelsterbach, Germany for \$125 million.

Alpha Investment Partners, on behalf of its funds under management, including AAMTF III, and Allianz entered into agreements to acquire an 85% interest in a \$1.5 billion Grade A Office complex in Beijing, China.



Keppel Bay Tower utilises renewable energy to power all its operations.

OPERATING & FINANCIAL REVIEW

OFFSHORE & MARINE

**WE AIM TO BE
THE PREFERRED
SOLUTIONS PARTNER
OF THE GLOBAL
OFFSHORE AND
MARINE INDUSTRY.**



EARNINGS HIGHLIGHTS (\$ million)

	2019	2018	2017
Revenue	2,220	1,875	1,802
EBITDA	181	26	(37)
Operating Profit/(Loss)	60	(73)	(167)
Loss before Tax	(24)	(113)	(862) [^]
Net Profit/(Loss)	10	(109)	(826) [^]
Average Headcount (Number)	11,560	11,875	15,571
Manpower Cost	561	485	623

[^] Includes the one-off financial penalty and related costs of \$619 million.

MAJOR DEVELOPMENTS IN 2019

Secured over \$2 billion worth of new contracts.

Delivered 13 newbuild and conversion projects.

Enlarged footprint in the offshore renewable energy industry with two contracts from Tennet Offshore and Ørsted.

Reached a settlement agreement with Sete Brasil, bringing closure to the outstanding contracts for the construction of six rigs.

Became one of the first companies in Singapore to achieve global certification for the ISO 37001 Anti-Bribery Management System.

FOCUS FOR 2020/2021

Capture opportunities in new and existing markets.

Leverage synergies across the Keppel Group to build new capabilities and expand solution offerings.

Continue to focus on execution excellence, corporate governance and risk management.

Invest in R&D to strengthen existing capabilities and build new muscles for long-term growth.

Re-purpose offshore technology for other applications, including renewables.

EARNINGS REVIEW

The offshore & marine (O&M) industry continued to show signs of recovery in 2019, with gradual improvements in rig utilisation and dayrates. On the back of its diversification strategy, Keppel Offshore & Marine (Keppel O&M) secured over \$2 billion worth of new orders in 2019, compared to \$1.8 billion in 2018. Gas and offshore renewables solutions made up over 60% of new orders.

Revenue from the O&M Division was \$2.2 billion for FY 2019, \$345 million higher than in FY 2018 mainly due to higher revenue recognition from ongoing projects, partly offset by the absence of revenue from the sale of jackup rigs to Borr Drilling in 2018.

The Division's operating profit before revaluations, major impairments and divestments for FY 2019 was \$76 million, more than double the \$37 million for FY 2018. The O&M Division returned to profitability for the first time since FY 2016. FY 2019 net profit was \$10 million, compared to the loss of \$109 million for FY 2018, underpinned by the increased topline, cost management efforts and lower impairment provisions.

OPERATING REVIEW

Over 2019, Keppel O&M continued to execute its projects well, secure new orders, expand capabilities and seek new opportunities.

To manage the higher workload, Keppel O&M increased its direct headcount to 13,500 as at end-2019 from 10,700 as at end-2018. The company expects to further increase its direct headcount by 1,500 in 2020 and will continue to adjust manpower requirements in line with the workload.

During the year, Keppel O&M secured over 100 scrubber and ballast water treatment system (BWTS) retrofit projects, as shipowners sought to meet the IMO 2020 requirements for the sulphur content of marine fuel, as well as the standards set out by the Ballast Water Management Convention. Keppel O&M is also scheduled to deliver Singapore's first liquefied natural gas (LNG) bunkering vessel in 2020. Its joint venture with Shell Eastern Petroleum, FuelNG, has conducted over 200 truck-to-ship LNG bunkering operations in Singapore.

In 2019, Keppel O&M became one of the first companies in Singapore to achieve global certification for the ISO 37001 Anti-Bribery Management System.

Having returned to profitability in 2019, Keppel O&M will continue efforts to enhance the performance of its business and seek new opportunities in 2020. As the global energy mix shifts toward cleaner energy,

Keppel O&M will continue to focus on capturing opportunities in offshore renewables and gas.

New Builds

During the year, Keppel O&M reached a Settlement Agreement (SA) with Sete Brasil (Sete), bringing closure to the outstanding contracts for the construction of six semisubmersibles (semis) for Sete. The SA will become effective upon fulfilment of certain conditions precedent, including the successful sale of the first two rigs, which are closest to completion, by Sete to Magni Partners. As part of the SA, the contracts for the other four remaining rigs will be amicably terminated with no penalties, refunds or additional amounts due to any party. With full ownership over the four remaining rigs, Keppel O&M will be able to explore various options to extract the best value for shareholders.

In 2019, Keppel O&M made significant strides into the renewable energy sector, securing major offshore wind projects worth about \$720 million. In May 2019, Keppel O&M, through a consortium with Aibel AS, secured a contract from TenneT Offshore for the design, engineering, procurement, construction, installation and commissioning of a 900MW offshore high voltage direct current converter station and an onshore converter station. Scheduled to be completed in 2024, the two converter stations will be deployed in the German sector of the North Sea. Keppel O&M also secured a contract from

Ørsted for two offshore wind farm substations, which will be deployed in Ørsted's Greater Changhua offshore wind sites in Taiwan. The substations are scheduled to be completed in 2021.

During the year, Awilco Drilling exercised its option for the construction of a second mid-water harsh environment semi worth US\$425 million. Keppel O&M is leveraging the engineering and construction process of the first rig to further improve productivity on the second project.

In 2019, the New Builds division delivered five jackup rigs to customers, namely Grupo R, Borr Drilling and Valaris. The two jackup rigs delivered to Grupo R are equipped with Keppel's proprietary RigCare solution, a suite of digital services to support the rig's lifecycle needs, and are the industry's first drilling rigs with Smart Notations which support a more data-centric approach to post-construction works surveys, and assists rig operators to optimise rig operations and maintenance. During the year, Keppel O&M was recognised by the American Bureau of Shipping as the first shipyard to integrate smart functions and services into rigs.

Keppel O&M also delivered four trailing suction hopper dredgers to Jan De Nul in 2019, and successfully delivered a dual-fuel LNG bunker tanker to Sinanju Tankers in January 2020. The ultra-low emission dredgers for Jan De Nul are fitted with dual exhaust emission filtering



During the year, Keppel O&M delivered two jackup rigs equipped with its proprietary RigCare solution to Grupo R.

OPERATING & FINANCIAL REVIEW

OFFSHORE & MARINE

technology and comply with EU Stage V and IMO Tier III regulations.

In the Americas, work on two dual-fuel containerships for Pasha Hawaii is ongoing at Keppel O&M's yard in Brownsville, Texas. Built to Keppel's proprietary design, the Jones Act vessels are scheduled for delivery in 2020 and will run on LNG from day one in service. Keppel O&M will continue to build on its track record for the construction of Jones Act vessels in the United States, newbuild offshore rigs and platforms, as well as aftermarket services including repairs, upgrades and modifications of rigs for customers in the Gulf of Mexico.

Building on its engineering expertise in offshore platforms, Keppel O&M will actively explore opportunities in the renewables and gas-related sectors.

Keppel O&M will continue its digitalisation journey, focusing on infrastructure and product improvements through industrial Internet of Things, smart sensors and real time condition-based monitoring to optimise operations. It is developing its first autonomous vessel for operations in Singapore in partnership with M1, to deploy the latter's ultra-low latency 4.5G network connectivity.

In line with the Group's commitment to sustainability, Keppel O&M is also driving carbon reduction efforts in its operations through the installation of solar panels on rooftops and energy-saving lights, amongst others.

Building on its engineering expertise in offshore platforms, Keppel O&M will

actively explore opportunities in the renewables and gas-related sectors, as well as opportunities to re-purpose its offshore technology for other applications and collaborate with other Keppel business units on floating infrastructure projects.

Conversions & Repairs

During the year, Keppel O&M continued to execute its conversion and repair projects well. Following the success of Hilli Episeyo, Keppel Shipyard received the final notice to proceed from Gimi MS Corporation, a subsidiary of Golar LNG, to commence full conversion works for the Gimi Floating Liquefaction Vessel (FLNG) project. Together with the enhanced workscope of US\$242 million, the total contract value for Gimi FLNG is US\$947 million. Upon delivery in 1H 2022, Gimi FLNG will commence a 20-year charter in BP's Greater Tortue Ahmeyim field, offshore West Africa. In 2019, Keppel Capital acquired a 30% stake in Gimi MS, which owns the Gimi FLNG project. There are plans to inject interests in the Gimi FLNG facility as a seed asset for the newly launched Keppel Asia Infrastructure Fund.

In 2019, Keppel O&M completed two Floating Production Storage and Offloading (FPSO) conversion/modification projects, namely for Ngujima-Yin for Woodside Energy and FPSO Liza Destiny for SBM Offshore, and one Floating Storage and Re-gasification Unit conversion project, BW GDF Suez Paris for BW Gas.

During the year, the company repaired 288 vessels in Singapore, including 75 scrubber retrofit projects and BWTS installations and 40 LNG carriers. Although this was lower compared to the 330 vessels repaired in 2018, the revenue per vessel in 2019 was higher due to adjacency work on the scrubber and BWTS retrofits.

As at end-2019, Keppel O&M was executing works on five FPSO conversion/modification projects, including FPSO Liza Unity, a repeat order from SBM Offshore for the Liza project in offshore Guyana. Keppel O&M was also executing fabrication of the internal turret of Coral Sul FLNG for SOFEC.

In the Philippines, Keppel O&M repaired about 150 vessels in 2019 for domestic and foreign customers. In 2019, the Subic yard secured three BWTS projects and is primed to execute more scrubber and BWTS projects as shipowners seek to lower sulphur emissions.

In Brazil, BrasFELS successfully completed inspection and repair works for BW FPSO Cidade de Sao Vicente. BrasFELS is also executing offshore service works on FPSO Fluminense and on FPSO Cidade de Sao Paulo, and is undertaking module



fabrication works on FPSO Carioca MV30 for MODEC. BrasFELS will continue to actively pursue opportunities in the region.

MARKET REVIEW & OUTLOOK

There have been signs of recovery in the offshore market, notwithstanding geopolitical headwinds and slowing global growth. Utilisation and dayrates for jackups continue to improve, but it would take time for these to translate into new orders, given the continued oversupply in the market. Meanwhile, the outlook for the floater segment remains positive, with activity and demand expected to increase gradually over the next few years.

In the near term, Keppel O&M will continue to actively seek opportunities in the oil and gas production market, where several projects are expected to achieve Final Investment Decision in 2020.

According to the BP Energy Outlook 2019, the global energy mix is evolving, with renewables being the fastest growing source of energy and gas set to overtake coal as the second-largest source of energy by 2040. In particular, the offshore wind sector is an interesting market, with the Global Wind Energy Council (GWEC) projecting for installed capacity to increase to 190GW in 2030 from 23GW in 2018. With its growing track record, Keppel O&M is well poised to offer integrated solutions, including offshore substations, foundations, installation and support vessels to support the growth of the offshore wind energy industry.

New Builds

While newbuild capital expenditure is expected to remain subdued, the market has increased re-activation and contract deployment of existing rigs. IHS Markit's data also reveals that utilisation across drilling rigs has improved in 2019. Moreover, dayrates for semis and jackups have increased in 2019, while dayrates for drillships remained steady.

Keppel O&M will continue to target niche markets such as harsh environment semis and seek opportunities from rising demand for jackup rigs in Southeast Asia (SEA), Middle East and Mexico. In line with the Group's sustainability targets, Keppel O&M is looking to reduce the environmental footprint of its products. With the industry trending toward low carbon emissions and clean energy solutions, the company will continue to strengthen its presence in the renewables and gas market.

In specialised shipbuilding, the dredger market remains a bright spot for Keppel O&M, backed by rising demand

1 First Lady of the Co-operative Republic of Guyana, Madam Sandra Granger (first row, third from left), together with senior management from Keppel and SBM, celebrated the naming of Liza Destiny, the first FPSO to operate offshore Guyana.

2 In 2019, Keppel O&M delivered four EU Stage V dredgers to Jan De Nul.



from the Middle East, Indian subcontinent and SEA. With the growing offshore wind industry and the increasing need for cross-continental subsea cables for data transmission, Keppel O&M also continues to see demand for cable-laying vessels.

Keppel O&M is also developing new solutions to meet customers' needs. VesselCare, a proprietary remote vessel monitoring and analytics system, has been installed on a Keppel Smit Towage tug to gather data from the vessel's operations, and is the initial phase of developing the tug into an autonomous vessel. Through VesselCare, Keppel O&M is able to perform data consolidation and condition-based monitoring and maintenance for better analytics.

Leveraging its technology and construction expertise, Keppel O&M is well positioned to provide an extensive range of non-oil related solutions. The company is also capturing opportunities in the Jones Act market through its presence in Brownsville, Texas.

Conversions & Repairs

With the enforcement of IMO's 0.5% global sulphur cap, shipowners are actively pursuing alternative solutions, such as the installation of scrubbers, to reduce sulphur emissions.

To date, about 10% of vessels worldwide are or will be deemed compliant with the IMO standards by 2020. Keppel O&M

continues to see increasing demand for scrubbers, which is a proven and cost-effective solution for shipowners. The company will leverage its growing experience in scrubber retrofits and work to further lower turnaround time by tapping on its regional yards.

The container shipping market is also expected to improve, following the signing of a Phase One trade deal between the US and China. In the longer term, seaborne LNG trade is likely to grow healthily as large volumes of LNG export/import capacity come online and natural gas supply and demand continue to grow.

In the production market, Rystad Energy forecasts that up to 24 FPSO projects could be awarded in 2020, of which South America is leading with 12 projects planned by end-2020.

Keppel O&M will continue to pursue opportunities, leveraging synergies across the Group to provide value-added solutions for customers. Keppel O&M's capabilities in non-drilling and gas solutions will provide the company with new growth areas and revenue streams, amidst continuing challenges in the offshore drilling sector. Keppel O&M will continue to diversify its product offerings in line with the changing global energy mix, enhance its solutions through technology and innovation, and boost efficiency of its yards.

OPERATING & FINANCIAL REVIEW

PROPERTY

**WE ARE COMMITTED
TO PROVIDING
QUALITY AND
INNOVATIVE REAL
ESTATE SOLUTIONS.**



EARNINGS HIGHLIGHTS (\$ million)

	2019	2018*	2017
Revenue	1,336	1,340	1,782
EBITDA	546	1,077	705
Operating Profit	508	1,044	668
Profit before Tax	707	1,193	844
Net Profit	517	942	650
Average Headcount (Number)	2,792	3,059	3,257
Manpower Cost	176	204	194

* 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.

MAJOR DEVELOPMENTS IN 2019

Sold about 5,150 homes in Asia, mainly in China and Vietnam.

Divested assets worth \$400 million in Singapore and Vietnam.

Completed acquisitions amounting to about \$500 million in China, Vietnam and India.

Replenished residential landbank with addition of about 2,500 units across China and Vietnam.

Increased commercial portfolio with addition of about 136,000 square metres in China.

FOCUS FOR 2020/2021

Invest strategically in key markets of Singapore, China and Vietnam, while continuing to scale up in other markets such as Indonesia and India.

Increase the pace of capital recycling, reinvesting for growth and higher returns.

Scale up commercial presence to provide steady stream of recurring income.

Strengthen collaboration with strategic partners to capture opportunities in the region, as well as with Keppel Capital to tap third-party funds for growth.

Invest in and develop property technology and new real estate solutions.

EARNINGS REVIEW

The Property Division generated revenue of \$1.3 billion for FY 2019, a \$4 million decrease from FY 2018 mainly due to lower revenue from property trading projects in Singapore, partly offset by higher revenue from property trading projects in China.

The Division's net profit of \$517 million for FY 2019 was \$425 million lower than that of the previous year due to fewer en-bloc sales and divestments. This was partly offset by higher contribution from China property trading projects, higher investment income, higher fair value gains on investment properties and higher contribution from associated companies.

Excluding en-bloc sales and the effects of revaluations, major impairments and divestments in both years, Keppel Land's net profit in FY 2019 was about \$260 million, an improvement over the \$236 million in FY 2018.

OPERATING REVIEW

Singapore

Keppel Land sold about 250 residential units in Singapore in 2019, higher than the 160 units sold in 2018. The sales were mostly from The Garden Residences, which sold about 240 units as at end-2019. In January 2019, the new Cross Island MRT line was announced, and The Garden Residences will benefit from the future Serangoon North MRT station which will be a five-minute walk away. Over at Keppel Bay, a total of 85 units at Reflections and Corals were sold during the year. The two projects were 94% and 86% sold respectively as at end-2019.

Keppel Land will redevelop Nassim Woods into 19 Nassim, a luxurious condominium comprising about 100 homes. 19 Nassim will feature Singapore's first smart home to be powered by artificial intelligence with machine learning capabilities. Keppel Bay Plot 4, which is adjacent to Corals at Keppel Bay, will be developed into a world-class waterfront living development and launched at an opportune time, depending on market conditions. Keppel Land is also reviewing its plans for Keppel Bay Plot 6, a residential site located on Keppel Island.

On 1 January 2020, Keppel Bay Tower (KBT) became the first commercial development in Singapore to utilise renewable energy to power all its operations. In addition to the installation of photovoltaic (PV) panels on the roof of KBT, Keppel Land, through Keppel Electric, is purchasing renewable energy certificates generated from PV panels installed in Keppel Offshore & Marine's Singapore yards.

These initiatives, combined with the new and emerging technologies, such as an

energy-efficient air distribution system and intelligent building control system, are part of the continuing efforts to transform KBT into Singapore's first Super Low-Energy High-Rise Existing Commercial Building. Keppel Land will continue to leverage technologies to push the boundaries for environmental sustainability across its portfolio of assets.

Meanwhile, Keppel Land has submitted its redevelopment plans for Keppel Towers and Keppel Towers 2 to the Singapore authorities.

The retail mall, i12 Katong, will undergo major asset enhancement works in 2020, which are expected to be completed in 2021. Keppel Land is also collaborating with other Keppel entities to enhance customer experience at i12 Katong, such as the inclusion of online-to-offline and last-mile solutions with UrbanFox and through working with M1 on data analytics, amongst others.

China

In 2019, Keppel Land sold about 3,400 units in China, more than the 2,240 units sold in 2018. Sales were supported by healthy demand from Waterfront Residences, Park Avenue Heights and Seasons Residences in Wuxi, Seasons Residences in Tianjin, City Park in Chengdu and China Chic in Nanjing.

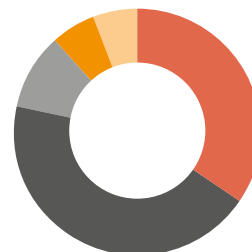
Keppel Land continued to deepen its presence in China, focusing on the Jing-Jin-Ji region, Yangtze River Delta, Greater Bay Area and the Chengdu metropolis. In 2019, it grew its commercial portfolio in Tier 1 cities in China with the acquisitions of three commercial properties in Beijing and Shanghai, and entered the Guangzhou market with the acquisition of a stake in Westmin Plaza. Following the success of China Chic, Keppel Land further expanded its presence in Nanjing, acquiring a 25% stake in a mixed-use development.

Harnessing synergies of the Group, Keppel Land collaborated with Keppel Capital to invest in prime properties with the latest acquisition of Yi Fang Tower in Shanghai. Leveraging the Group's strong track record in master development, Keppel Land, Keppel Urban Solutions (KUS) and Keppel Capital are exploring opportunities in cities where the Group has a presence. Keppel Land is also jointly working with KUS to establish a smart precinct in the Northern district of the Sino-Singapore Tianjin Eco-City.

Vietnam

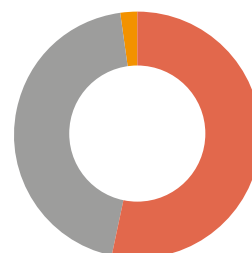
In Vietnam, Keppel Land sold about 950 units in 2019, compared to 910 units sold in 2018. Sales were mainly from The Infiniti (Riviera Point Phase 1C), Palm Garden (Palm City Phase 2) and Narra Residences (Empire City Phase 4)

TOTAL ASSET DISTRIBUTION BY COUNTRY (%)
as at 31 December 2019



● Singapore	34.7
● China	43.9
● Vietnam	9.9
● Indonesia	5.9
● Others	5.6
Total	\$14.2 billion
	100.0

TOTAL ASSET DISTRIBUTION BY SEGMENT (%)
as at 31 December 2019



● Property Trading	53.5
● Property Investments	44.4
● Others	2.1
Total	\$14.2 billion
	100.0

OPERATING & FINANCIAL REVIEW

PROPERTY

in Ho Chi Minh City (HCMC). As at end-2019, The Infiniti and Palm Garden were 93% and 98% sold respectively. Narra Residences, which was launched in December 2019, saw a strong take-up rate with 75% of its 278 launched units sold.

In January 2019, in line with its strategy to recycle assets to seek higher returns, Keppel Land divested a 70% stake in Dong Nai Waterfront City to Nam Long. With its remaining 30% stake, Keppel Land is working closely with Nam Long to develop the Dong Nai township.

Keppel Land will continue to turn its assets proactively through residential sales, en-bloc sales and divestments, while investing strategically for growth.

Keppel Land continued to expand its footprint in Vietnam during the year, acquiring a 60% stake in three land parcels in Nha Be district, Saigon South, HCMC. The three-phase project will yield over 2,300 premium apartments with ancillary shophouses, with the first phase launch expected in 2020.

In November 2019, Keppel Land and KUS broke ground for the 64-hectare (ha) Saigon Sports City. When completed, the project will yield about 4,300 premium homes located in a smart, vibrant and integrated township with a focus on sustainability, community, connectivity and innovation.

Others

In Indonesia, Keppel Land sold about 300 homes in 2019. Phase 1 of Wisteria,

Keppel Land's second joint development with PT Metropolitan Land Tbk, was launched and sold out within a day. Keppel Land expects to launch Phase 2 of Wisteria in 2020.

In India, Keppel Land sold about 250 units in Provident Park Square in Bangalore in 2019. As at end-2019, the project was 72% sold. To further scale up in India, Keppel Land entered into an agreement in 2019 with the Rustonjee Group to jointly develop an additional 7,400 homes and retail units with a total gross floor area (GFA) of about five million square feet in the 51.4-ha integrated township in Thane, Mumbai. Keppel Land also invested in Smartworks, a leading and fast-growing home-grown flexible space operator with presence across nine major cities in India.

In the Philippines, The Podium West Tower, a landmark Grade A office tower in Manila, was completed in May 2019 and the integrated mixed-use development was officially opened in September 2019 by Madam Halimah Yacob, President of the Republic of Singapore. The Podium was awarded the LEED Gold (Core & Shell) pre-certification by the US Green Building Council and is the first building in the Philippines to receive the provisional Green Mark Gold Award by Singapore's Building and Construction Authority.

Focused on Returns

Keppel Land adopts a proactive strategy to turn its assets to generate the best risk-adjusted returns.

In 2019, Keppel Land completed three divestments totalling about \$400 million, including the sale of its 70% stake in Dong Nai Waterfront City, Vietnam.

1 Riding on strong demand in HCMC, Keppel Land expanded its footprint into Nha Be district and plans to launch Phase 1 of the project in 2020.

2 During the year, Keppel Land completed nine acquisitions, including Shangdi Neo in Zhongguancun, Haidian District in Beijing, China.



1

Keppel Land also completed nine investments totalling about \$500 million, including residential sites in Nanjing, China and in HCMC, Vietnam; commercial properties in Beijing, Shanghai and Guangzhou, China and a commercial site in Bangalore, India.

Focused on generating higher returns, Keppel Land will continue to turn its assets proactively through residential sales, en-bloc sales and divestments, while investing strategically for growth.

MARKET REVIEW & OUTLOOK

Singapore

In 2019, Singapore's economy grew by 0.7%, the slowest pace in a decade. Singapore's residential property sector demonstrated resilience despite the slowing economy and cooling measures. The Urban Redevelopment Authority reported that about 9,900 homes were sold in 2019, 13% higher than in 2018. Overall prices also increased by 2.7%, but this was lower compared to the 7.9% growth registered in 2018.

During the year, there continued to be healthy demand for office space arising from the agile space, as well as technology, financial, consumer and industrial sectors. According to CBRE Research, average Grade A Core CBD office rent rose 6.9% year-on-year in 4Q 2019, and the vacancy rate of 3.9% was lower compared to the 5.0% in 4Q 2018. While future office demand may moderate in view of the macroeconomic uncertainties, the supply of Grade A office remains limited. As such, the office market is expected to remain stable.

Amidst the uncertain economic outlook coupled with the COVID-19 outbreak, whose effects are still unfolding, Keppel Land will continue to be on the lookout for good business opportunities in Singapore.

Overseas

Rapid urbanisation and a fast-growing middle class will continue to drive demand for high-quality homes in Asia. Riding on these trends, Keppel Land will continue to tap this demand with over 16,000 overseas launch-ready homes from 2020 to 2022.

In 2019, China's Gross Domestic Product (GDP) growth slowed to 6.1%. The People's Bank of China cut the cash reserve requirement ratio in 2019 to free up more funds to banks, and more support measures are expected to be announced.

While cooling measures have subdued transaction volumes in general, there have been varying trends across the different Chinese cities. With more stringent controls on the residential sector in Tier 1 cities, investor interest in the commercial sector has increased, underpinned by strong



local economies. Meanwhile, rapid urbanisation and a fast-growing middle class continue to drive demand for high-quality homes in Tier 2 cities. In 2020, Keppel Land will continue to watch the Chinese market closely, especially following the COVID-19 outbreak, and time the release of its 2,600 launch-ready homes across China accordingly.

In Vietnam, GDP growth in 2019 remained strong at 7%. The residential market in HCMC remains robust, underpinned by urbanisation trends and a growing middle class. Demand continued to outstrip supply in the condominium sector in 2019. According to CBRE, nearly 30,000 units were sold in 2019 compared with about 27,000 units launched in HCMC. Average selling prices of homes in HCMC increased across all segments in 2019. Meanwhile, Grade A office supply in HCMC's CBD remains limited, driving up rents by 1% in 2019.

In Indonesia, GDP growth was 5% in 2019. With the uncertainty of the presidential elections now over, investor sentiment is anticipated to improve. While the condominium and office markets are facing headwinds due to oversupply, the landed housing market remains stable.

In India, GDP growth softened to 4.9% in FY 2019/20. Notwithstanding the economic slowdown, the India

real estate market continues to remain resilient, underpinned by stable economic fundamentals in key cities.

With a pipeline of about 45,200 residential units and a total commercial footprint of 1.6 million square metres of GFA in key Asian cities, Keppel Land is well positioned to capitalise on the long-term demand for homes, office and retail spaces in its target markets.

New Business Engines

With disruptions challenging the traditional real estate business, Keppel Land is developing new business engines to cater to customers' evolving needs.

Keppel Land is growing its co-working platforms through KLOUD in Singapore, Myanmar and Vietnam as well as through Smartworks in India. Keppel Land is also experimenting with co-living concepts overseas via Waterfront Residences in Wuxi, China, and West Vista in Jakarta, Indonesia. Meanwhile, the retail mall i12 Katong in Singapore is undergoing major asset enhancements which, when completed, will offer intuitive and personalised services across a wide range of retail offerings to complement customers' lifestyles. With updated amenities and leveraging technology, the mall will also feature specially curated zones with modular learning spaces and open social areas to foster a sense of community.

OPERATING & FINANCIAL REVIEW

INFRASTRUCTURE

WE DEVELOP, OWN AND OPERATE QUALITY INFRASTRUCTURE ASSETS AND PROVIDE CONNECTIVITY SOLUTIONS.



EARNINGS HIGHLIGHTS (\$ million)

	2019	2018	2017
Revenue	2,927	2,629	2,207
EBITDA	172	150	169
Operating Profit	114	106	125
Profit before Tax	188	184	170
Net Profit	169	169	134
Average Headcount (Number)	2,521	2,698	2,618
Manpower Cost	201	183	180

MAJOR DEVELOPMENTS IN 2019

Construction of Keppel Marina East Desalination Plant is on track for completion in 2020.

Expanded energy and environmental capabilities with investments in MET Holding and Zerowaste Asia.

Completed first LNG cargo import from North America.

Maintained Keppel Electric's position as one of the largest OEM retailers in Singapore.

Continued to grow the Group's data centre business, and injected Keppel DC Singapore 4 into Keppel DC REIT.

Grew logistics network and omnichannel solutions offerings to customers beyond Singapore.

FOCUS FOR 2020/2021

Continue to seek out value-enhancing projects locally and overseas, leveraging the Division's project development, engineering, operation and maintenance expertise.

Harness the strength of an integrated gas, power and district cooling platform to pursue growth opportunities.

Continue to build up a portfolio of quality data centre assets and provide higher value services to customers.

Extend and develop new B2C retail and marketing capabilities in electricity, e-commerce and urban logistics, adding value to product offerings and improving customer experience.

Strengthen collaboration with Keppel Capital to tap third-party funds for growth.

EARNINGS REVIEW

The Infrastructure Division comprises the Group's businesses in energy, environment and infrastructure services, as well as data centres and logistics.

The Infrastructure Division's revenue for FY 2019 was \$2.9 billion, an increase of 11% or \$298 million from FY 2018's net profit. This was mainly due to increased sales in the power and gas business, as well as higher progressive revenue recognition from ongoing infrastructure projects.

The Division's net profit of \$169 million for FY 2019 was comparable to the previous year's. Keppel Infrastructure continued to grow as a steady contributor to the Group's earnings, with net profit improving to \$133 million for FY 2019, from \$117 million for FY 2018, due to improved performance from Energy Infrastructure and Environmental Infrastructure.

Attesting to the Group's ability to create value through its eco-system, Alpha Data Centre Fund (Alpha DC Fund) and Keppel Data Centres (KDCH) divested Keppel DC Singapore 4 (KDC SGP 4) to Keppel DC REIT in FY 2019, with KDC SGP 4 contributing about \$50 million in revaluation and divestment gains.

In FY 2019, the Infrastructure Division contributed 24% to the Group's net profit.

ENERGY INFRASTRUCTURE

Operating Review

Our Energy Infrastructure business achieved commendable financial performance in 2019.

Keppel Electric continued to grow its customer base across commercial, industrial and residential users in 2019. Keppel Electric is also one of the largest Open Electricity Market (OEM) retailers, with about 26% market share of residential consumers as of December 2019. During the year, Keppel Electric and M1 collaborated to bundle its services, thereby enhancing customer experience and allowing the Group to gain a bigger share of customers' wallets.

Keppel Gas remains focused on providing customers with competitive, value-added gas supply options. In 2019, the company successfully completed its first Liquefied Natural Gas (LNG) cargo import from North America under Singapore's Spot Import Policy. The LNG cargo was re-gasified as feedstock for downstream customers and end users, including the Keppel Merlimau Cogen plant.

In 2019, Pipenet was awarded two contracts worth \$100 million by JTC Corporation to design and build pipe racks,

crude oil pipelines and ancillary facilities on Jurong Island, Singapore. To be completed in 2020, the facilities will enable the transportation of crude oil between the Jurong Rock Caverns and its users, aiding commercial activity.

Meanwhile, Keppel DHCS remained active during the year, increasing the customer base for its one-north facility.

Keppel Electric is one of the largest OEM retailers, with about 26% market share of residential consumers as of December 2019.

In 2019, Keppel Infrastructure entered into an agreement to acquire a 20% stake in MET Holding (MET), an integrated European energy company headquartered in Switzerland. The investment marks Keppel Infrastructure's first foray into the European energy market to gain exposure to the growing energy platforms that MET is active in. The two companies will enter into a strategic partnership to jointly explore investment opportunities focusing on European energy infrastructure assets.

Market Review & Outlook

In 2019, LNG prices softened due to ample supply and lacklustre demand resulting from warmer-than-expected weather. This provided opportunities for Keppel's integrated gas and power business to optimise its fuel cost. The ample supply of LNG is likely to continue in 2020.



During the year, Keppel DHCS expanded the customer base in its one-north facility.

OPERATING & FINANCIAL REVIEW

INFRASTRUCTURE

Meanwhile, the district cooling systems (DCS) sector continues to experience a steady increase in demand, with a compounded annual growth rate (CAGR) of 6.6% since 2010. This is driven by the Singapore government's intensification of land use and promotion of sustainable cooling. Keppel DHCS will continue to pursue growth opportunities in Asia to expand its geographical reach.

ENVIRONMENTAL INFRASTRUCTURE Operating Review

Our Environmental Infrastructure business performed well in 2019, underpinned by contributions from infrastructure projects in Hong Kong and Australia. During the year, Keppel Seghers continued to execute its infrastructure projects well, focusing on safety and quality.

In Singapore, construction of the dual-mode Keppel Marina East Desalination Plant (KMEDP) is progressing well. The facility is currently undergoing testing and commissioning and is on track for completion in 2020. Upon completion, KMEDP will contribute to the resilience of Singapore's water supply. KMEDP's design also blends seamlessly into the environment, allowing the public to enjoy the green space above the plant along with the surrounding greenery of the Marina Bay area.

Meanwhile, the engineering design work for the Hong Kong Integrated Waste Management Facility (IWMF) is making good progress and key procurement packages have been secured. Prefabrication works for the Hong Kong IWMF have commenced and reclamation works are ongoing.

In China, Keppel Seghers maintained its position and track record as a leading imported waste-to-energy (WTE) technology solutions provider. In 2019, Keppel Seghers successfully delivered WTE technology

solutions for three plants and is currently executing six projects with a total incineration capacity of over 14,000 tonnes per day (tpd). Meanwhile, the Baoan III WTE plant in Shenzhen is on track for completion in 2020. Upon completion, the location will house over 8,800 tpd of incineration capacity, making it the world's largest incineration facility from a single technology provider.

In Australia, engineering design work and procurement of key packages are advancing for the Kwinana WTE plant. The plant is expected to be completed in 2021.

In December 2019, Keppel Seghers entered into an agreement to acquire an 18.2% stake in Zerowaste Asia (Zerowaste). The Singapore-based company offers one-stop environmental solutions for industrial solid waste and wastewater treatment. The strategic investment of Zerowaste complements and enhances Keppel Seghers' suite of environmental solutions, creating new opportunities for the Group as a provider of solutions for sustainable urbanisation.

In 2020, Keppel Seghers secured two contracts in Ahmedabad and Rajkot in India with a total capacity of 1,700 tpd. This signifies increasing interest in WTE as a viable waste treatment option for many states of India.

Market Review & Outlook

According to the United Nations' World Population Prospects 2019 report, the global population is expected to reach 8.5 billion in 2030 from 7.7 billion in 2019. Waste generation is also expected to grow correspondingly. Concurrently, growing social awareness on environmental issues has led to increased pressure on governments and corporations to adopt more holistic and sustainable economic development.

Amidst rapidly depleting landfill capacities and rising public awareness of environmental and pollution issues, governments around the world have become more proactive in sourcing for sustainable waste management solutions. Thus, the adoption of WTE technology as the preferred long-term waste management solution has been gaining traction.

In China, as part of the nation's focus on sustainable waste management, the Government plans to add over 100 WTE facilities across the country over the next few years.

In major cities across Southeast Asia (SEA), the need to implement modern waste management solutions before the end of the lifespan of existing landfills has become imperative. In Singapore, the inaugural launch of its Zero Waste Masterplan saw significant milestones including the passing of the new Resource Sustainability Bill and National Environment Agency's tender launch for a state-of-the-art IWMF which can treat up to 5,800 tpd of incinerable waste and recover up to 250 tpd of recyclable waste.

The increasing global focus on zero waste and a circular economy model will lead to greater focus on investments into sustainable and integrated waste management solutions. Leveraging its advanced technology and strong execution track record, Keppel Seghers is well positioned to support governments and industries with its sustainable environmental solutions.

INFRASTRUCTURE SERVICES

Operating Review

Keppel Infrastructure Services (KIS) continued to contribute steadily to the Group's recurring income base. KIS remained focused on maintaining high operation standards by maximising availability, reliability and efficiency of its assets. Guided by the belief



1 The Hong Kong IWMF will add to the Group's recurring income when it commences its 15-year operation and maintenance contract in 2024.

2 During the year, KDC SGP 4 was injected into Keppel DC REIT.

that every incident is preventable, KIS operates and maintains assets in its portfolio with a focus on safety.

In 2019, the Domestic Solid Waste Management Centre in Doha, Qatar, upgraded its Separation and Recycling plant, improving its capacity and reliability, as well as its recovery efficiency of ferrous and non-ferrous metals and plastics.

Meanwhile, in Singapore, Keppel Seghers Tuas WTE plant achieved its highest availability and shortest overhaul period since commencing operations in 2009.

Upon commencement of KMEDP's commercial operations in 1H 2020, KIS will operate and maintain the plant for 25 years. KMEDP, with its unique dual-flow feed, will broaden KIS' operation and maintenance capability and portfolio of water solutions.

KIS will continue to set the benchmark for high-quality infrastructure services, while seeking to positively impact and improve outcomes. Through knowledge sharing across assets, KIS is able to design and deploy unique solutions to create long-term value for customers. Through the operation and maintenance of assets in its portfolio, KIS will continue to generate recurring income for the Group.

Market Review & Outlook

Digitalisation, Industry 4.0 and climate change have become integral parts of government and industry blueprints, creating exciting opportunities for KIS to enhance its operation and maintenance practices and solutions. KIS is actively looking at automating selected processes across the plants that it operates and maintains.

Supporting the Group's commitment to build a sustainable future, KIS will continue to actively seek new projects spanning DCS, water, WTE and power to deliver high-quality, value-added operation and maintenance services.

DATA CENTRES

Operating Review

In 2019, KDCH continued to pursue expansion opportunities in target markets while enhancing its capabilities and service offerings to meet the growing demand for big data and connectivity. Today, the Group has a portfolio of 25 high-quality data centres, including four under development, across 14 cities in the Asia Pacific and Europe.

KDCH and Alpha DC Fund continued to grow their portfolio and make headway in the development of their assets during the year.

In 2019, Alpha DC Fund and KDCH divested KDC SGP 4 to Keppel DC REIT. The asset



generated total gains of about \$83 million for the Group from 2016 through to divestment. In addition, after the injection of KDC SGP 4 into Keppel DC REIT, the Keppel Group will continue to earn recurring income from the operation and maintenance of the asset, as well as asset management fees. The divestment of KDC SGP 4 is an example of how the Keppel Group creates value and generates different income streams throughout the life cycle of its assets.

The divestment of KDC SGP 4 is an example of how the Keppel Group creates value and generates different income streams throughout the life cycle of its assets.

In Australia, Alpha DC Fund acquired a plot of freehold land in Gore Hill Technology Park to develop Keppel DC Sydney 1, the Fund's first greenfield data centre in Australia. The construction of the data centre's shell and core, as well as initial fit-out, are expected to be completed by 1H 2021.

In SEA, KDCH commenced construction of its greenfield data centre in an industrial park in Johor, Malaysia. Upon completion in 2020, the data centre will be fully committed by the customer. Meanwhile, KDCH also commenced construction of

OPERATING & FINANCIAL REVIEW

INFRASTRUCTURE

IndoKeppel Data Centre 1, a greenfield data centre located in Bogor, Indonesia. The construction of the data centre's core and shell, as well as first phase fit-out, are expected to be completed by 2H 2020.

KDCH and Alpha DC Fund entered into several strategic partnerships in 2019 to strengthen their capabilities and the Group's position as the data centre industry's partner of choice.

With their high internal loads and the need for continuous cooling and operations in tightly-controlled environments, data centres are large consumers of power. As a leading provider of data centre solutions, KDCH is focused on developing greener data centres. In 2019, National University of Singapore's Faculty of Engineering, KDCH and Singapore LNG Corporation announced a collaboration to develop novel, energy-efficient and cost-effective cooling technology for data centres, which could pave the way for more sustainable and compact data centres.

Harnessing synergies across the Group, Keppel Telecommunications & Transportation (Keppel T&T) is also pursuing innovative new data centre solutions in collaboration with other business units, including high-rise green data centres and floating data centre parks.

Market Review & Outlook

The proliferation of the Internet of Things, big data, artificial intelligence and cloud-based services continue to drive demand for data centres.

According to GlobalData, a data analytics and consulting company, Asia Pacific is expected to become the second largest region for data centre and hosting services, reaching 30% by 2023, to be closely followed by Europe. Within the colocation market, Cushman & Wakefield expects Asia Pacific and Singapore to record CAGRs of around 12% and 5% respectively between 2019 and 2024.

Singapore is on track to roll out 5G mobile networks by 2020, and Keppel is well positioned to tap the resultant demand for data centres arising from 5G developments.

KDCH will continue to work closely with Alpha DC Fund to proactively seek new development and acquisition opportunities in the Asia Pacific and Europe. KDCH will also sharpen its value proposition, especially in the areas of enhancing connectivity, as well as explore innovative and sustainable data centre designs and technologies.

LOGISTICS

Operating Review

In 2019, Keppel Logistics continued to build new capabilities and expanded its

omnichannel solution offerings to customers in SEA.

Keppel Logistics maintained an average warehouse occupancy rate in Singapore of over 70% during the year. The company also began upgrading its Singapore facilities to better serve its customers, especially in niche sectors such as healthcare.

In 2019, Keppel Logistics ramped up the integration of UrbanFox which will allow the Logistics division to capture new growth opportunities in the e-commerce market and provide omnichannel logistics solutions to customers.

UrbanFox grew its customer base to over 500 brands as at end-2019 from over 200 brands as at end-2018. UrbanFox expanded its presence in SEA, launching its channel management services in Malaysia and Vietnam in 2H 2019, and was appointed as a cross-border e-commerce initiative partner by the Malaysian Digital Economy Corporation. The company will continue to grow its suite of omnichannel logistics services overseas.

In Vietnam, Indo-Trans Keppel Logistics Vietnam improved its operational efficiency through the consolidation of its warehouse operations. Meanwhile, PT Keppel Puninar Logistics established its first warehouse operation in Surabaya, Indonesia and Keppel Logistics' Malaysia warehouse was digitally enabled to perform B2C order fulfilment.

Further afield in Australia, Keppel Logistics relocated its operations to a larger warehouse in Rochedale, Brisbane. With better connectivity and larger capacity, the new

warehouse is well positioned to support the growth of Australia's businesses.

As part of Keppel T&T's strategic review of its logistics portfolio in China and to streamline its operations and better allocate resources, Keppel T&T divested Keppel Logistics (Foshan) and Keppel Logistics (Hong Kong) for a total consideration of about \$39 million in 2019.

In Anhui province, the Wuhu Sanshan Port experienced an increase in cargo handling in 2019 due to an increase in customers' requirements. Meanwhile, the construction of the Keppel Wanjiang International Coldchain Logistics Park was completed in April 2019, and the park has started providing integrated third-party logistics services to customers.

Market Review & Outlook

Despite headwinds in the macroeconomic environment, the e-commerce market in Asia remains promising. According to a joint study by Google, Temasek and Bain & Company published in 2019, SEA's internet economy reached US\$10 billion in 2019, driven mainly by e-commerce and ride hailing. The study reported that the internet economy would grow to US\$300 billion by 2025, with Indonesia and Vietnam leading the way at growth rates of over 40% per annum. Meanwhile, the internet economies in Singapore, Malaysia, Thailand and the Philippines are expected to grow at between 20% and 30% per annum.

Leveraging the Group's international presence and its integrated end-to-end services, Keppel Logistics is well positioned to tap the growing demand for e-commerce in the region.



During the year, Keppel Logistics built new capabilities and expanded its omnichannel solution offerings to customers in SEA.

OPERATING & FINANCIAL REVIEW

INVESTMENTS

WE CREATE VALUE FOR SHAREHOLDERS BY INVESTING STRATEGICALLY AND DEVELOPING NEW GROWTH ENGINES.



EARNINGS HIGHLIGHTS (\$ million)

	2019	2018	2017
Revenue	1,097	121	173
EBITDA	353	(16)	177
Operating Profit/(Loss)	195	(22)	175
Profit/(Loss) before Tax	83	(19)	290
Net Profit/(Loss)	11	(54)	238
Average Headcount (Number)	1,424	554	416
Manpower Cost	249	146	110

MAJOR DEVELOPMENTS IN 2019

Completed the privatisation of M1, together with Singapore Press Holdings (SPH).

Keppel Capital expanded alternative asset classes with a debt mezzanine platform.

Keppel's listed REITs and Trust continued to seize opportunities and create value for Unitholders through active investments and divestments across Singapore, South Korea, Germany and the United States.

Prime US REIT, of which Keppel Capital is a strategic partner, was successfully listed.

FOCUS FOR 2020/2021

Keppel Capital will continue working with other Keppel entities to co-create real assets and grow the Group's asset management business.

Keppel and SPH will continue to work with M1's board and management to drive M1's transformation and growth.

Continue development of the Sino-Singapore Tianjin Eco-City to realise its vision of being a model for sustainable urbanisation in China.

Keppel Urban Solutions will focus on developing Saigon Sports City in Vietnam into a smart, integrated township, while exploring opportunities in the Asia Pacific.

OPERATING & FINANCIAL REVIEW

INVESTMENTS

1 Alpha DC Fund completed its first divestment in 2019 with the sale of KDC SGP 4 to Keppel DC REIT, creating value for the Group.

2 Saigon Sports City in Ho Chi Minh City, which broke ground in 2019, is jointly developed by Keppel Land and Keppel Urban Solutions.



EARNINGS REVIEW

The Investments Division comprises mainly Keppel Capital, Keppel Urban Solutions (KUS) and M1, as well as the Group's investments in KrisEnergy and the Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd.

Revenue for the Investments Division increased by \$976 million to \$1.1 billion for FY 2019, mainly due to the consolidation of M1 and higher revenue from the asset management business.

Keppel Capital will continue to play a key role in working with business units across the Keppel Group to co-create real assets that the Group can develop, own and operate.

The Division generated a net profit of \$11 million for FY 2019, compared to a net loss of \$54 million for FY 2018, mainly due to fair value gain from the re-measurement of previously held interest in M1 arising from the acquisition, higher contribution from asset management and consolidation of M1's results, as well as lower provision for impairment of an associated company.

Excluding charges related to the acquisition of M1, the Division's net profit would have been \$56 million.

KEPPEL CAPITAL Operating Review

2019 was an active year for Keppel Capital as it continued to expand into new markets and asset classes. Keppel Capital grew its assets under management to about \$33 billion as at end-2019 from \$29 billion as at end-2018, on a fully leveraged and invested basis. In 2019, the company completed about \$8.4 billion in acquisitions and divestments, and raised equity and debt of over \$9.5 billion.

Real Estate

In 2019, Keppel REIT Management continued its portfolio optimisation strategy to position Keppel REIT for long-term sustainable growth. During the year, Keppel REIT entered the Seoul office market with the acquisition of T Tower, a freehold CBD Grade A building. The geographical diversity of the REIT's assets across Singapore, Australia and South Korea enables it to deliver sustainable income over time. In Singapore, Keppel REIT also unlocked value with the divestment of Bugis Junction Towers for \$547.7 million, having achieved strong capital gains and returns since acquiring the asset in 2006.

While seizing opportunities to unlock value and capture growth, the Manager remains focused on driving asset performance. As at end-2019, Keppel REIT reported strong portfolio committed occupancy of 99.1% and a long portfolio weighted average lease expiry (WALE) of 4.9 years, enhancing the REIT's income resilience.

Meanwhile, Keppel Pacific Oak US REIT (KORE) delivered on its IPO forecast for FY 2019. KORE also completed two strategic acquisitions in Orlando and Dallas, expanding its footprint in the United States (US). The acquisitions are in line with KORE's strategy to focus on key growth markets with positive leasing dynamics, strong office fundamentals and high-quality tenants.

Driven by strong leasing from the technology sector, KORE ended 2019 with positive rental reversion of 14.3%, portfolio committed occupancy of 93.6% and WALE by cash rental income of 4.2 years.

2019 also saw the successful listing of Prime US REIT, of which Keppel Capital is a strategic partner. The acquisition of a 30% interest in the Manager of Prime US REIT allows Keppel Capital to deepen its participation in the US commercial sector and continue to grow recurring income for the Group.

Alpha Investment Partners' (Alpha) private funds were active during the year, completing US\$2.4 billion in divestments and committing to over US\$2.2 billion of investments in gross asset value across Beijing, Brisbane, Jakarta, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo. As at end-2019, Alpha Asia Macro Trends Fund (AAMTF) III was almost fully committed following several notable investments during the year, including interests in Yi Fang Tower in Shanghai, three Grade A freehold commercial buildings in Seoul and Ronsin Technology Center in Beijing.

Macrotrends including urbanisation, consumerism, ageing population and the drive for connectivity continue to present exciting opportunities in the Asian real assets space. Alpha continues to draw interest, both from existing and new investors, for its AAMTF series. It is looking to launch the AAMTF IV and achieve first close in 2020.

Data Centres

Keppel DC REIT Management maintained its focused investment strategy of seeking quality income-producing assets that complement the REIT's portfolio. In 2019, Keppel DC REIT strengthened its Singapore footprint with the acquisitions of Keppel DC Singapore 4 (KDC SGP 4) and DC1, and announced the acquisition of Kelsterbach DC, a shell and core purpose-built data centre facility located near the Frankfurt Airport in Germany.

As at end-2019, Keppel DC REIT's portfolio occupancy remained healthy at 94.9% with a WALE by leased area of 8.6 years, providing good income visibility to Unitholders.

In collaboration with Keppel Data Centres, Alpha Data Centre Fund (Alpha DC Fund) is developing Keppel DC Sydney 1 in Australia. Expected to be completed in phases from 1H 2021, the data centre will be strategically located adjacent to Gore Hill Data Centre, an existing data centre in Keppel DC REIT's portfolio. In 2019, Alpha DC Fund completed its first divestment with the sale of KDC SGP 4 to Keppel DC REIT.

Infrastructure

In February 2019, Keppel Infrastructure Fund Management (KIFM), the Trustee-Manager of Keppel Infrastructure Trust (KIT) completed the acquisition of Ixom HoldCo Pty Ltd (Ixom) in Australia. Bolstered by its leading market position and defensive business model supported by long-term industry fundamentals, Ixom is well placed to deliver steady cash flows to KIT.

During the year, KIFM successfully raised gross proceeds of about \$500.8 million through a private placement cum preferential offering to partially repay the bridge loan for the acquisition of Ixom.

In October 2019, the remaining lease value in DC1 was realised with the divestment of KIT's 51% stake in the data centre. KIFM expects to redeploy proceeds from this divestment into quality acquisitions that will strengthen KIT's portfolio, as well as for refinancing and working capital needs.

Alternative Assets

In February 2019, Keppel Capital entered into a conditional share subscription agreement with Golar LNG (Golar) and Gimi MS Corporation (Gimi MS) to subscribe for 30% of the total issued ordinary share capital of Gimi MS, which owns the Gimi floating liquefaction vessel (FLNG), currently being converted by Keppel Offshore & Marine (Keppel O&M).

In January 2020, Keppel Capital launched and achieved first closing of Keppel Asia Infrastructure Fund, a closed-end infrastructure private equity fund with a target size of US\$1 billion. The Fund and its co-investment vehicles have received initial capital commitments of US\$360 million from investors including a sovereign wealth fund and an endowment fund. The Gimi FLNG project, which is intended to be a seed asset for the Fund, is a testament of the Group's ability to create value by harnessing synergies to create quality solutions for customers that also serve as good investment assets for both private and public investors.

In 2019, Keppel Capital also extended its fund management capabilities beyond the equity layer to include a private debt mezzanine platform. This followed the signing of a conditional sale and purchase agreement in November 2019 to acquire a 50% interest in Pierfront Capital Fund Management.

Business Outlook

Looking ahead, Keppel Capital strives to continue to be the choice partner for investors looking to invest in high-quality real assets in sectors fuelled by urbanisation trends. These include cash-generating real assets that the Group develops and operates such as data centres, power and desalination plants, as well as offshore vessels.

Keppel Capital will continue to play a key role in working with business units across the Keppel Group to co-create real assets that the Group can develop, own and operate.

KEPPEL URBAN SOLUTIONS

KUS is an end-to-end master developer of smart, sustainable urban townships that leverages the Group's wide-ranging expertise and strong track record in the planning and development of large-scale projects in the Asia Pacific. 2019 was an active year for KUS as it deepened its presence in key markets and established new partnerships.

To meet the rapidly-changing aspirations of urbanites, KUS owns and operates the Keppel Smart City Operating System (KOS), an integrated digital platform to be deployed in KUS' township projects. With KOS' open standards environment and insight-driven data analytics, KUS can deliver greater efficiency in designing, developing and operating urban developments. The digital platform will also connect the Group's assets and developments globally.

In November 2019, Keppel Land and KUS broke ground for Saigon Sports City in District 2, Ho Chi Minh City. Through collaboration with best-in-class local and international partners, Saigon Sports City will offer innovative urban solutions and



OPERATING & FINANCIAL REVIEW

INVESTMENTS

incorporate sustainable environmental infrastructure. These include the adoption of energy-efficient retail cooling systems and street lighting; smart metering for monitoring and predictive maintenance; water-sensitive urban design features to enhance flood resiliency and biodiversity; smart Internet of Things (IoT) home devices, smart car-parking solutions and an integrated SSC mobile application to help create engaged, active and inclusive communities.

In China, KUS and Keppel Land China are jointly developing a 166-hectare (ha) land plot in the Northern district of the Sino-Singapore Tianjin Eco-City. The precinct is envisioned to be a model for smart sustainable development, which will apply state-of-the-art technology and solutions in domains such as mobility, security and resource efficiency to enhance liveability and connectedness within the township.

In Indonesia, KUS and Keppel Land will collaborate to jointly develop a 30-ha township strategically located in Bogor, Indonesia. In December 2019, Keppel Land signed a memorandum of understanding (MOU) with the landowners and construction of the township is expected to commence in 2021. The township is envisaged to be an iconic river township in Bogor and greater Jakarta, incorporating Singapore's Active, Beautiful, Clean Waters Design Guidelines, walkable and self-sufficient town planning principles, energy-efficient sustainable solutions and innovative residential products.

In 2019, KUS signed an MOU with AECOM, the world's leading infrastructure firm, to cooperate in the area of urban solutions. This partnership enables both companies to combine their respective strengths and expertise to jointly explore development opportunities in the Asia Pacific region.

M1

In FY 2019, M1's total revenue grew to \$1.1 billion, 4% higher compared to FY 2018's revenue. Of this, mobile services revenue decreased by 5% to \$542 million and accounted for 48% of M1's revenue, compared to \$569 million a year ago.

M1 expanded its customer base to 2.33 million as at end-2019, of which mobile customers increased by 152,000 year-on-year (y-o-y) to 2.11 million and fibre customers increased by 13,000 y-o-y to 222,000.

Postpaid mobile customer base grew by 151,000 y-o-y to 1.54 million, driven by the launch of the new One Plan in May 2019, while prepaid mobile customer base rose by 1,000 y-o-y to 573,000.

Strengthening its consumer business to meet changing customer needs and expectations, M1 refined its mobile offerings by replacing all its 19 plans with one new base plan each for SIM-only and handset bundles in May 2019. Customers can also build and personalise the plans over the base plan according to their expected usage and needs. The simplification offers customers greater flexibility and personalisation through a made-to-measure mobile plan. To further improve customer experience, M1 also revamped its website to incorporate a streamlined interface that is more intuitive for customers.

M1 is also actively collaborating with other Keppel entities to create smarter, future-ready offerings such as smarter rigs, advanced yards of the future, autonomous vessels and smarter urban solutions. For example, Keppel O&M is partnering M1 to leverage M1's ultra-low latency 4.5G network connectivity to establish standards and data transfer links

in terms of latency and reliability for ship-to-shore communication, and support mission-critical IoT maritime applications.

The enterprise business segment is a key pillar of growth as M1 continues to harness synergies as part of the Keppel Group, and also enhance capabilities and offerings across its connectivity, and information and communications technology (ICT) businesses through AsiaPac Distribution. Since its privatisation, M1 has achieved strong double-digit customer growth of about 200% y-o-y for its mobile, fixed and ICT business.

Tapping the \$16 billion¹ B2B Connectivity and ICT market in Singapore, a key area of focus for M1 is the development of platforms and initiatives to support enterprise customers such as governments, large corporations, as well as small and medium-sized enterprises (SMEs). In 2019, M1 participated in the Smart Digital initiative launched by Infocomm Media Development Authority (IMDA) and Enterprise Singapore. This is part of M1's plans to participate in more of IMDA's initiatives catered for SMEs and introduce more customised solutions for enterprise customers.

In 2019, M1 stepped up its efforts and made significant headway into 5G developments, embarking on several 5G trials and research collaborations. Teaming up with institutes of higher learning, M1 is partnering Nanyang Technological University to develop Singapore's first standalone 5G C-V2X (cellular vehicle-to-everything) research testbed and trials, and with Singapore University of Technology and Design to embark on a joint research partnership around remote operation of tactile robots using 5G technology.

M1 is also working closely with Singapore government agencies, industry players and enterprises to co-develop 5G use cases for selected markets. In June 2019, M1 won a 5G trial tech call from IMDA and Port of Singapore Authority to test 5G technologies in a live Smart Port environment, focused on early trials of 5G-enabled innovative Smart Port use-cases including tele-remote-controlled equipment and automated guided vehicles. In addition, M1 also announced its first F&B and retail 5G use-case collaboration with Haidilao to set up a trial 5G network for the chain's first 5G experimental smart restaurant.

In February 2020, M1 and StarHub submitted a joint bid for a 5G licence.



¹ Gartner Market Statistics – Forecast: IT Services, Worldwide, 2017-2023, 3Q19 Update.

² These figures include the Tourism District and Central Fishing Port.

SINO-SINGAPORE TIANJIN ECO-CITY

In 2019, the Sino-Singapore Tianjin Eco-City (Eco-City) built on the strong foundation of its first decade by further integrating smart city elements into its development, with the launch of a smart city KPI system and the establishment of a Smart City Operations Centre.

Keppel leads the Singapore consortium, which works with its Chinese partner to guide the 50-50 joint venture (JV) – Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. (SSTEC) – in its role as master developer of the Eco-City.

Since breaking ground in 2008, the Eco-City has evolved into a thriving community featuring three neighbourhood centres, five libraries, three health services centres, a hospital and 18 schools with about 12,000 students. Over 100,000 people² live and work in the Eco-City, with over 8,800 registered companies² to date.

Notwithstanding the property cooling measures in Tianjin, the Eco-City remains a highly sought-after residential township within the Tianjin Binhai New Area. Demand for homes in the Eco-City remained healthy in 2019, with a total of about 4,100 homes sold, up 49.5% from 2018. With the development of the Start-Up Area successfully completed, SSTEC is focusing on developing the Eco-City's future city centre in the Central District. Reflecting the continued market confidence in the Eco-City's growth, SSTEC sold two residential land plots in the Central District in 2019. In addition, in 2019, projects developed by SSTEC sold about 360 homes, while its JV projects sold about 300 homes.

The Eco-City continues to be a key government-to-government project and platform for bilateral cooperation between Singapore and China. At the 11th Tianjin Eco-City Joint Steering Council (JSC) meeting in October 2019 co-chaired by Singapore's Deputy Prime Minister (DPM) Heng Swee Keat and Chinese Vice Premier Han Zheng, an MOU to promote the replication of the Eco-City's development experience in other Chinese cities and along the Belt and Road, was signed. DPM Heng, together with other ministers and senior officials, also made a visit to the Eco-City after the JSC.

Different business units in the Keppel Group are contributing to the Eco-City's development. In 2019, Keppel Land China sold about 300 homes in the Eco-City. As at end-2019, Keppel Land China had launched about 5,000 homes in the Eco-City, of which about 94% had been sold.



1 DPM Heng Swee Keat (seated, third from left) visited the home of a resident in Tianjin Eco-City. He was accompanied by Singapore's ministers and officials, Keppel Corporation's Chairman Dr Lee Boon Yang (standing, second from left) and senior management from Keppel Land China.

2 M1 is actively collaborating with other Keppel entities to create smarter, future-ready solutions.

Seasons City, Keppel Land China's commercial development in the Eco-City, is currently under construction. Phase 1, comprising a five-storey retail complex and a 10-storey office tower, is targeted for completion in 2021. Reflecting Keppel's focus on sustainability, in June 2019, Keppel Land secured its first green loan facility amounting to RMB850 million from HSBC Group China for the development of Seasons City (Phase 1).

In October 2019, Keppel Land signed a non-binding Smart City Strategic Cooperation Agreement with the Sino-Singapore Tianjin Eco-City Administrative Committee to develop the Sino-Singapore Smart City Innovative Research Cooperation Platform, where both parties will conduct research and explore smart applications in areas such as smart buildings, smart energy management, clean energy, community living and environmental protection.

During the year, Keppel Telecommunications & Transportation's logistics distribution centre in the Eco-City enhanced its customer portfolio and increased the volume of cargo handled by 25% y-o-y. The Sino-Singapore Tianjin Eco-City Water Reclamation Centre, a JV between Keppel Infrastructure and Tianjin Eco-City Investment and Development Co., Ltd, continued to perform well in 2019. The Centre treats wastewater effluent from an existing wastewater treatment plant to produce recycled water

that meets China's most stringent standards for miscellaneous urban water consumption.

KRISENERGY

2019 was a challenging year as KrisEnergy continued to navigate headwinds arising from macroeconomic factors and oil price volatility.

On 14 August 2019, KrisEnergy applied to the High Court of Singapore to commence debt restructuring and to seek a moratorium against enforcement actions and legal proceedings by creditors pursuant to Section 211B of the Companies Act. A moratorium was granted on 9 September 2019 and was subsequently extended to 27 May 2020.

Keppel is a significant direct creditor of KrisEnergy, arising from its holding of zero coupon notes due 2024 issued by KrisEnergy, issued with detachable warrants. Keppel also holds an indirect interest, through a bilateral contract with DBS Bank (DBS), in a claim of about \$263 million of outstanding principal as at 31 December 2019 owed by KrisEnergy to DBS. In addition, Keppel also has contract assets with carrying value of about \$21 million in relation to a construction contract for a production barge for KrisEnergy. As at the date of this report, Keppel Corporation holds an approximate 40% equity interest in KrisEnergy.

OPERATING & FINANCIAL REVIEW

MANAGEMENT DISCUSSION & ANALYSIS

**WE ARE CONFIGURED
FOR GROWTH,
BUILDING ON AN
INSTITUTIONAL
QUALITY
BALANCE SHEET.**



Free Cash Outflow

\$653m

As compared to inflow of \$515m for FY 2018.

Earnings Per Share

38.9cts

A decrease from 52.3cts for FY 2018.

KEY PERFORMANCE INDICATORS

	2019 \$ million	19 vs 18 % +/-	2018 ¹ \$ million	18 vs 17 % +/-	2017 \$ million
Revenue	7,580	27	5,965	<0.1	5,964
Net profit	707	(25)	948	384	196 ²
Earnings Per Share	38.9 cts	(26)	52.3 cts	384	10.8 cts ²
Return on Equity	6.3%	(25)	8.4%	394	1.7% ²
Economic Value Added	188	(29)	263	n.m.	(839) ²
Operating cash flow	(825)	n.m.	125	(90)	1,203
Free cash flow ³	(653)	n.m.	515	(71)	1,802
Total cash dividend per share	20.0 cts	(33)	30.0 cts ⁴	36	22.0 cts

¹ 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.

² Includes the one-off financial penalty and related costs of \$619 million.

³ Free cash flow excludes expansionary acquisitions and capital expenditure, and major divestments.

⁴ Comprises a proposed final cash dividend of 15.0 cents per share, an interim cash dividend of 10.0 cents per share and a special cash dividend of 5.0 cents per share.

n.m. = Not meaningful

GROUP OVERVIEW

Group net profit was \$707 million, a decrease of 25% from \$948 million for 2018 largely due to lower earnings from the Property Division. This was partly offset by earnings from the Offshore & Marine (O&M) and Investment divisions, as compared to their losses in 2018.

Earnings Per Share was 38.9 cents, a decrease of 26% from 52.3 cents for 2018. Return on Equity was 6.3%, compared to 8.4% for 2018. Meanwhile, Economic Value Added was positive \$188 million for 2019, compared to positive \$263 million for 2018.

Free cash outflow was \$653 million, compared to free cash inflow of \$515 million for 2018, mainly due to working capital

requirements. Net gearing for 2019 was 0.85 times, compared to 0.48 times for 2018.

Total cash dividend for 2019 will be 20.0 cents per share. This comprises a proposed final cash dividend of 12.0 cents per share as well as an interim cash dividend of 8.0 cents per share paid in the third quarter of 2019.

SEGMENT OPERATIONS

Group revenue of \$7,580 million for 2019 was \$1,615 million or 27% higher than in 2018. Revenue from the O&M Division improved by \$345 million or 18% to \$2,220 million mainly due to higher revenue recognition from ongoing projects, partly offset by the absence of revenue recognised

in 2018 from the sale of jackup rigs to Borr Drilling. Major jobs delivered in 2019 include five jackup rigs, three Floating Production Storage and Offloading/ Floating Storage and Re-gasification Unit conversions and four dredgers. Revenue from the Property Division decreased marginally by \$4 million to \$1,336 million due mainly to lower revenue from Singapore property trading projects, partly offset by higher revenue from China property trading projects. Revenue from the Infrastructure

Division grew by \$298 million to \$2,927 million as a result of increased sales in the power and gas businesses, as well as higher progressive revenue recognition from the Keppel Marina East Desalination Plant project and the Hong Kong Integrated Waste Management Facility project. Revenue from the Investments Division increased by \$976 million to \$1,097 million due mainly to the consolidation of M1 and higher revenue from the asset management business.

Group net profit of \$707 million for 2019 was \$241 million or 25% lower than 2018.

The O&M Division's profit was \$10 million as compared to loss of \$109 million in 2018. This was mainly due to higher operating results, lower impairment provisions, lower net interest expense and higher write-back of tax provision, partly offset by share of losses from associated companies and absence of write-back of provisions for claims in 2018.

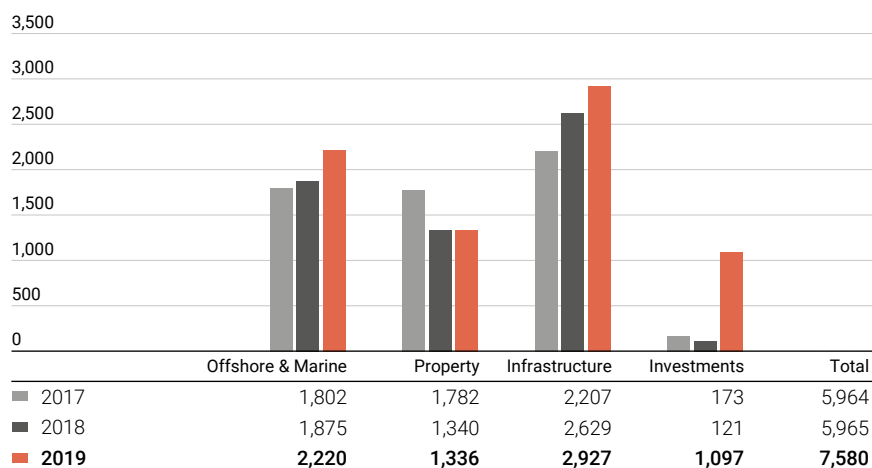
Profit from the Property Division decreased by \$425 million to \$517 million mainly due to lower gains from the en-bloc sale of development projects and absence of gain from divestment in 2019 as compared to 2018, lower contribution from Singapore property trading projects and higher net interest expense, partly offset by higher contribution from China property trading projects, higher investment income, higher fair value gains on investment properties and higher contribution from associated companies.

Infrastructure Division's profit of \$169 million in 2019 was flat compared to 2018.

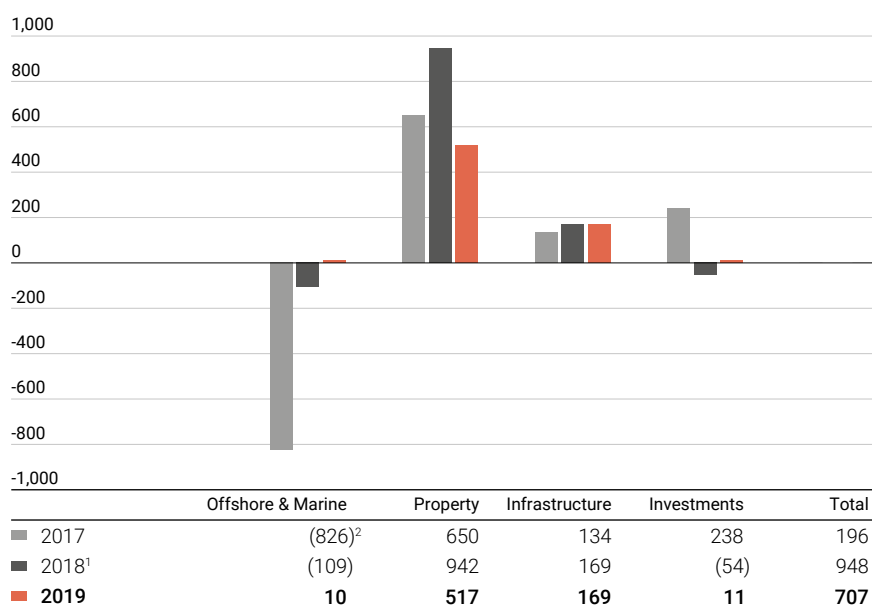
Profit from the Investments Division was \$11 million in 2019, as compared to loss of \$54 million in 2018. This was mainly due to fair value gain from the re-measurement of previously held interest in M1 at acquisition date, higher contribution from the asset management business, higher contribution from M1 resulting from the consolidation of M1 and lower provision for impairment of KrisEnergy. This was partly offset by lower share of profit from the Sino-Singapore Tianjin Eco-City, higher net interest expense, higher fair value loss on KrisEnergy warrants, financing cost and amortisation of intangibles arising from acquisition of M1, as well as the write-off of a receivable.

In 2019, the Property Division was the largest contributor to the Group's net profit with a 73% share, followed by the Infrastructure Division's 24%, the Investments Division's 2% and the O&M Division's 1%.

REVENUE (\$ million)



NET PROFIT (\$ million)



¹ Net profit for 2018 has been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.

² Includes the one-off financial penalty and related costs of \$619 million.

OPERATING & FINANCIAL REVIEW

FINANCIAL REVIEW & OUTLOOK

WE WILL SUSTAIN VALUE CREATION THROUGH EXECUTION EXCELLENCE, TECHNOLOGY INNOVATION AND FINANCIAL DISCIPLINE.



Total Assets

\$31.3b

Up 18% from \$26.6b for FY 2018, mainly due to increase in non-current assets.

Total Cash Dividend Per Share

20.0cts

This represents 51% of Group net profit for FY 2019.

PROSPECTS

The Offshore & Marine (O&M) Division's net orderbook, excluding the Sete Brasil (Sete) rigs, stood at \$4.4 billion as at end-2019. The Division will continue to focus on delivering its projects well, exploring new markets and opportunities, investing in R&D and building new capabilities. The Division is also actively capturing opportunities in gas solutions, offshore renewables, production assets, specialised vessels and floating infrastructure, as well as exploring ways to re-purpose its technology in the offshore industry for other uses.

The Property Division sold about 5,150 homes in 2019, comprising about 250 in Singapore, 3,400 in China, 950 in Vietnam, 300 in Indonesia and 250 in India. Keppel REIT's office buildings in Singapore, Australia and South Korea maintained a high portfolio committed occupancy rate of 99% as at 31 December 2019. The Division will remain focused on strengthening its presence in key markets such as Singapore, China and Vietnam and scaling up in other markets such as Indonesia and India, while seeking opportunities to unlock value and recycle capital.

In the Infrastructure Division, Keppel Infrastructure will continue to build on its core competencies in the energy and environment-related infrastructure as well as infrastructure services businesses to pursue promising growth areas. Keppel Telecommunications & Transportation (Keppel T&T) will continue to develop its data centre business locally and overseas.

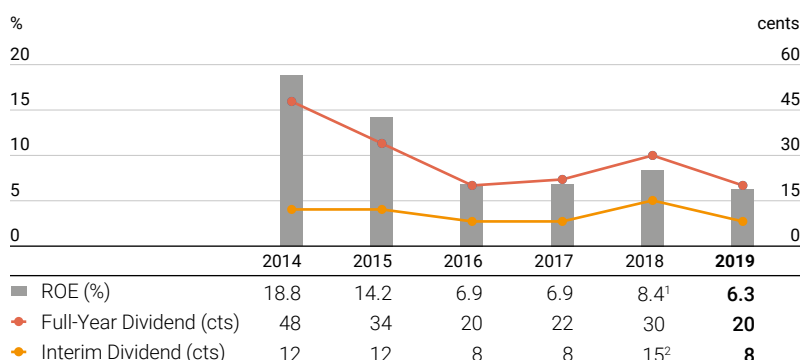
Besides building complementary capabilities in the growing e-commerce business, it is transforming its logistics business from an asset-heavy business to an asset-light service provider in urban logistics.

In the Investments Division, Keppel Capital continues to leverage the Group's core competencies to create innovative investment solutions and connect investors with quality real assets in fast growing sectors fuelled by urbanisation trends. This includes seizing growth opportunities across our chosen sectors, as well as expanding into new markets and asset classes including the infrastructure, senior living and education sectors.

Keppel Urban Solutions (KUS) will harness opportunities as an integrated master developer of smart, sustainable precincts. Starting with Saigon Sports City in Ho Chi Minh City, Vietnam, KUS will also explore opportunities in other cities across Asia. The Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. will continue the development of the Sino-Singapore Tianjin Eco-City (Eco-City), including selling land parcels to drive the Eco-City's further development.

The strategic acquisition of M1 complements the Group's mission as a solutions provider for sustainable urbanisation, which includes connectivity. M1 serves as a digital platform and connectivity partner to complement and augment the Group's suite of solutions. At the same time, M1 can benefit from harnessing the synergies of the Group.

ROE & DIVIDEND

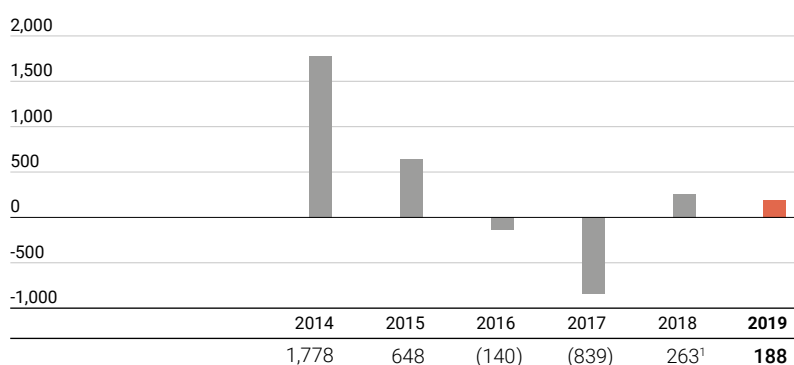


¹ 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23

Borrowing costs eligible for capitalisation.

² Comprises an interim cash dividend of 10.0 cents per share and a special cash dividend of 5.0 cents per share.

EVA (\$ million)



¹ 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23

Borrowing costs eligible for capitalisation.

The Group will continue to execute its integrated business strategy to provide solutions for sustainable urbanisation, and deepen collaboration across divisions, while being agile and innovative, and investing in the future.

Return on Equity decreased to 6.3% in 2019 from 8.4% in the previous year, mainly due to lower net profit.

The Company will be distributing a total cash dividend of 20.0 cents per share for 2019, comprising a proposed final cash dividend of 12.0 cents per share as well as the interim cash dividend of 8.0 cents per share distributed in the third quarter of 2019. Total cash dividend for 2019 represents 51% of Group net profit. On a per share basis, it translates into a gross yield of 3.0% on the Company's last transacted share price of \$6.77 as at 31 December 2019.

Economic Value Added

In 2019, Economic Value Added (EVA) decreased by \$75 million to \$188 million. This was attributable to higher capital charge, partially offset by higher net operating profit after tax.

Capital charge increased by \$92 million as a result of higher Average EVA Capital Employed and higher Weighted Average Cost of Capital (WACC). WACC increased from 5.42% to 5.47% due mainly to an increase in risk-free rate and higher cost of debt. Average EVA Capital Employed

EVA

	2019 \$ million	19 vs 18 + / (-)	2018 ¹ \$ million	18 vs 17 + / (-)	2017 ² \$ million
Profit/(loss) after tax (Note 1)	794	(103)	897	914	(17)
Adjustment for:					
Interest expense	313	108	205	16	189
Interest expense on non-capitalised leases	-	(20)	20	(6)	26
Tax effect on interest expense adjustments (Note 2)	(53)	(14)	(39)	(1)	(38)
Provisions, deferred tax, amortization & other adjustments	122	46	76	-	76
Net Operating Profit After Tax (NOPAT)	1,176	17	1,159	923	236
Average EVA Capital Employed (Note 3)	18,066	1,533	16,533	(2,158)	18,691
WACC (%) (Note 4)	5.47	0.05	5.42	(0.33)	5.75
Capital Charge	(988)	(92)	(896)	179	(1,075)
EVA	188	(75)	263	1,102	(839)

¹ 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation.*

² Includes the one-off financial penalty and related costs of \$619 million.

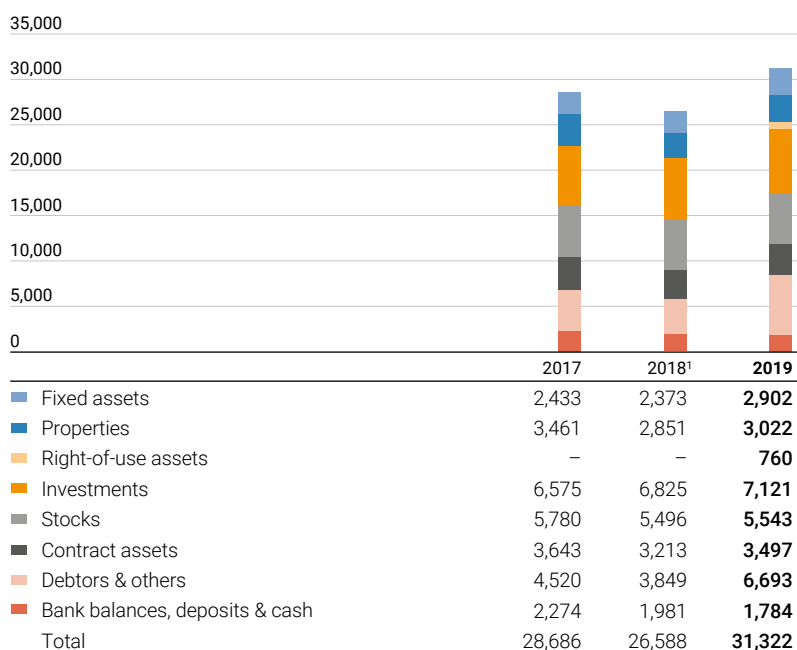
Notes:

- Profit/(loss) after tax excludes net revaluation gain on investment properties.
- The reported current tax is adjusted for statutory tax impact on interest expenses.
- Average EVA Capital Employed is derived from the averages of net assets, interest-bearing liabilities, timing of provisions, present value of operating leases and other adjustments.
- WACC is calculated in accordance with the Keppel Group EVA Policy as follows:
 - Cost of Equity using Capital Asset Pricing Model with market risk premium set at 5.0% (2018: 5.0%);
 - Risk-free rate of 2.27% (2018: 2.06%) based on yield-to-maturity of Singapore Government 10-year Bonds;
 - Unlevered beta at 0.72 (2018: 0.75); and
 - Pre-tax Cost of Debt at 2.09% (2018: 1.85%) using 5-year Singapore Dollar Swap Offer Rate plus 60 basis points (2018: 60 basis points).

OPERATING & FINANCIAL REVIEW

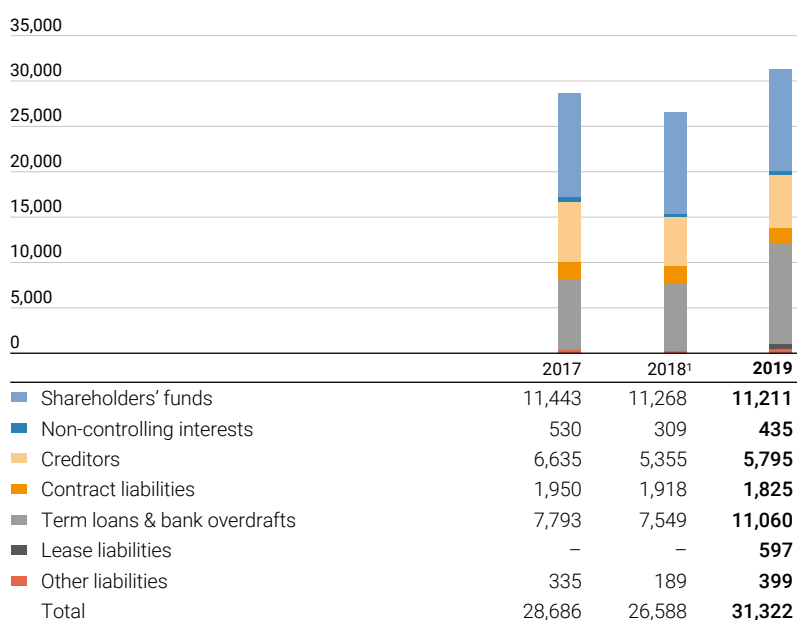
FINANCIAL REVIEW & OUTLOOK

TOTAL ASSETS OWNED (\$ million)



¹ 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.

TOTAL LIABILITIES OWED AND CAPITAL INVESTED (\$ million)



¹ 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.

increased by \$1,533 million from \$16.53 billion to \$18.07 billion mainly due to higher borrowings and recognition of lease liabilities following the adoption of SFRS(I) 16 Leases.

FINANCIAL POSITION

Group shareholders' funds of \$11.21 billion at 31 December 2019 were \$0.06 billion or 1% lower than the previous year end. The decrease was mainly attributable to payment of final dividend of 15.0 cents per share in respect of financial year 2018, payment of interim dividend of 8.0 cents per share in respect of half year ended 30 June 2019, adoption of SFRS(I) 16 Leases, and acquisition of the remaining stake in Keppel T&T, foreign exchange translation losses, decrease in value of investments accounted for at fair value through other comprehensive income, partly offset by retained profits for 2019.

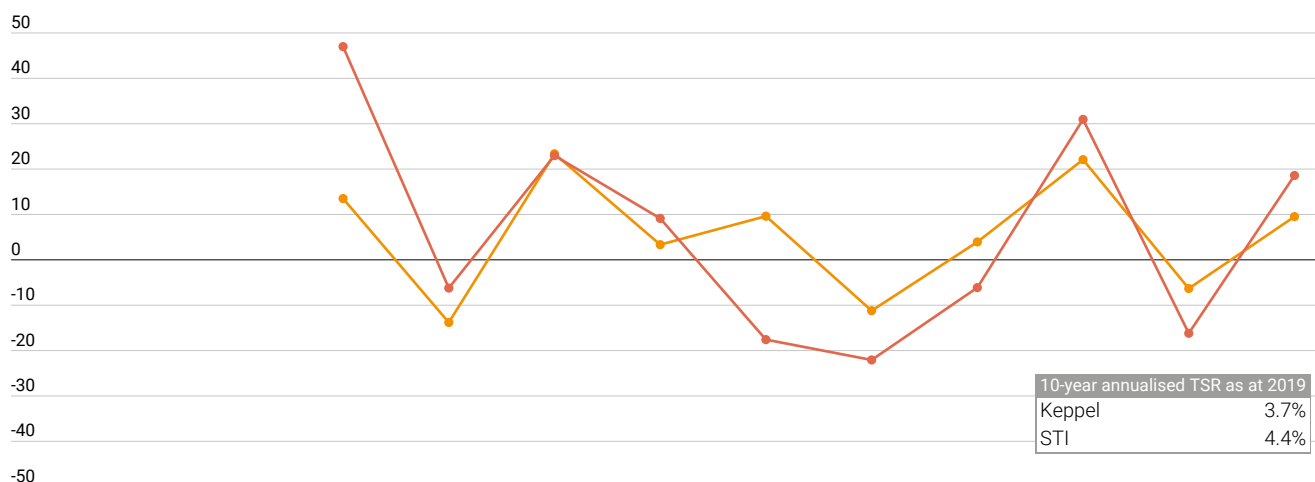
Group total assets of \$31.32 billion at 31 December 2019 were \$4.73 billion or 18% higher than the previous year end. Non-current assets increased due mainly to increase in fixed assets following the consolidation of M1, recognition of intangibles due to the M1 acquisition, recognition of right-of-use assets arising from the adoption of SFRS(I) 16 Leases and increase in long-term assets. Increase in current assets was due mainly to the increase in contract assets and advances to associated companies, partly offset by decrease in bank balances, deposits and cash.

Group total liabilities of \$19.68 billion at 31 December 2019 were \$4.66 billion or 31% higher than the previous year end. This was largely attributable to the increase in term loans, recognition of lease liabilities arising from the adoption of SFRS(I) 16 Leases, as well as deposits by and advances from associated companies.

Group net debt of \$9.87 billion at 31 December 2019 was \$4.31 billion or 77% higher than the previous year end. This was due mainly to the acquisition of M1 of \$1.23 billion, consolidation of M1's net debt of \$0.34 billion, acquisition of remaining interest in Keppel T&T of \$0.22 billion, payment of the final dividend in respect of financial year 2018 of \$0.27 billion, payment of the interim dividend in respect of half year ended 30 June 2019 of \$0.15 billion, the recognition of lease liabilities arising from adoption of SFRS(I) 16 Leases of \$0.60 billion, as well as working capital requirements of \$1.44 billion.

Group net gearing ratio increased to 85% at 31 December 2019 from 48% at 31 December 2018. This was largely driven by the increase in Group net debt.

TOTAL SHAREHOLDER RETURN (%)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Keppel	47.0	(6.4)	22.9	9.0	(17.8)	(22.3)	(6.3)	30.9	(16.4)	18.5
STI	13.4	(14.0)	23.3	3.2	9.5	(11.4)	3.8	22.0	(6.5)	9.4

Source: Bloomberg

TOTAL SHAREHOLDER RETURN

Keppel is committed to delivering value to shareholders through earnings growth. To achieve this, the Group will rely on our multi-business strategy and core strengths to build on what we have done successfully, as well as to proactively seize new opportunities.

Our 2019 Total Shareholder Return (TSR) of 18.5% was 9.1 percentage points above the benchmark Straits Times Index's (STI) TSR of 9.4%. Our 10-year annualised TSR growth rate of 3.7% was lower than STI's 4.4%.

CASH FLOW

To better reflect our operational free cash flow, the Group had excluded expansionary acquisitions (e.g. investment properties) and capital expenditure (e.g. building of new logistics or data centre facilities), meant for long-term growth for the Group, and major divestments.

Net cash used in operating activities was \$825 million for 2019 as compared to net cash from operating activities of \$125 million for 2018, mainly to higher working capital requirements.

After excluding expansionary acquisitions, capital expenditure and major divestments, net cash from investment activities was \$172 million. The Group spent \$338 million on investments and operational capital expenditure. After taking into account the proceeds from divestments and dividend income of \$413 million and net advances from associated companies of \$97 million, free cash outflow was \$653 million.

Total distribution to shareholders of the Company and non-controlling shareholders of subsidiaries for the year amounted to \$430 million.

CASH FLOW

	2019 \$ million	19 vs 18 + / (-)	2018 ² \$ million	18 vs 17 + / (-)	2017 \$ million
Operating profit	877	(178)	1,055	254	801
Depreciation, amortisation & other non-cash items	117	611	(494)	(212)	(282)
Cash flow provided by operations before changes in working capital	994	433	561	42	519
Working capital changes	(1,437)	(1,241)	(196)	(1,297)	1,101
Interest receipt and payment & tax paid	(382)	(142)	(240)	177	(417)
Net cash (used in)/from operating activities	(825)	(950)	125	(1,078)	1,203
Investments & capital expenditure	(338)	112	(450)	(263)	(187)
Divestments & dividend income	413	(644)	1,057	228	829
Advances from/(to) associated companies	97	314	(217)	(174)	(43)
Net cash (used in)/from investing activities	172	(218)	390	(209)	599
Free cash flow¹	(653)	(1,168)	515	(1,287)	1,802
Dividend paid to shareholders of the Company & subsidiaries	(430)	116	(546)	(156)	(390)

¹ Free cash flow excludes expansionary acquisitions and capital expenditure, and major divestments.

² 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.

OPERATING & FINANCIAL REVIEW

FINANCIAL REVIEW & OUTLOOK

FINANCIAL RISK MANAGEMENT

The Group operates internationally and is exposed to a variety of financial risks, comprising market risk (including currency, interest rate and price risks), credit risk and liquidity risk. Financial risk management is carried out by Keppel's Group Treasury department in accordance with established policies and guidelines. These policies and guidelines are established by the Group Central Finance Committee and are updated to take into account changes in the operating environment. This committee is chaired by the Chief Financial Officer (CFO) of the Company and includes CFOs of the Group's key operating companies and Head Office specialists.

The Group's financial risk management is discussed in more detail in the notes to the financial statements. In summary:

- The Group has receivables and payables denominated in foreign currencies with the largest exposures arising from US dollars, Brazilian Real and Renminbi. Foreign currency exposures arise mainly from the exchange rate movement of these foreign currencies against the functional currencies of the respective Group entities, which are mainly in Singapore dollars. The Group utilises forward foreign currency contracts to hedge its exposure to specific currency risks relating to receivables and payables. The bulk of these forward foreign currency contracts are entered into to hedge any excess US dollars arising from the O&M contracts based on the expected timing of receipts. The Group does not engage in foreign currency trading.
- The Group hedges against price fluctuations arising from the purchase of natural gas that affect cost. Exposure to price fluctuations is managed via fuel oil forward contracts, whereby the price of natural gas is indexed to benchmark fuel price indices of High Sulphur Fuel Oil 180-CST and Dated Brent.
- The Group hedges against fluctuations in electricity prices arising from its daily sales of electricity. Exposure to price fluctuations is managed via electricity futures contracts.
- The Group maintains a mix of fixed and variable rate debt/loan instruments with varying maturities. Where necessary, the Group uses derivative financial instruments to hedge interest rate risks. These may include cross currency swaps, interest rate swaps, swaptions and interest rate caps.
- The Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

- The Group adopts stringent procedures on extending credit terms to customers and the monitoring of credit risk.

BORROWINGS*

The Group borrows from local and foreign banks in the form of short-term and long-term loans, project loans and bonds. Total Group borrowings excluding lease liabilities as at end-2019 were \$11.1 billion (2018: \$7.5 billion and 2017: \$7.8 billion). As at end-2019, 41% (2018: 20% and 2017: 22%) of Group borrowings were repayable within one year with the balance largely repayable more than three years later.

Unsecured borrowings constituted 96% (2018: 92% and 2017: 91%) of total borrowings with the balance secured by properties and other assets. Secured borrowings are mainly for financing of investment properties and project finance loans for property development projects. The net book value of properties and assets pledged/mortgaged to financial institutions amounted to \$0.96 billion (2018: \$1.07 billion and 2017: \$1.89 billion).

Fixed rate borrowings constituted 63% (2018: 67% and 2017: 65%) of total borrowings with the balance at floating rates. The Group has cross currency swap and interest rate swap agreements with notional amount totalling \$2,752 million whereby it receives foreign currency fixed rate (in the case of the cross currency swaps) and variable rates equal to SOR and LIBOR (in the case of interest rate swaps) and pays fixed rates of between 1.41% and 3.62% on the notional amount. Details of these derivative instruments are disclosed in the notes to the financial statements.

Singapore dollar borrowings represented 78% (2018: 75% and 2017: 73%) of total borrowings. The balance was mainly in US dollars. Foreign currency borrowings were drawn to hedge against the Group's overseas investments and receivables that were denominated in foreign currencies.

The weighted average tenor of the Group's debt was about four years at the end of 2018 and about three years at the end of 2019 with a decrease in average cost of funds as compared to end of 2018.

CAPITAL STRUCTURE & FINANCIAL RESOURCES

The Group maintains a strong balance sheet and an efficient capital structure to maximise return for shareholders.

Every new investment will have to satisfy strict criteria for return on investment, cash flow generation, EVA creation, risk management and environmental impact. New investments will be structured with an appropriate mix of equity and debt after careful evaluation and management of risks.

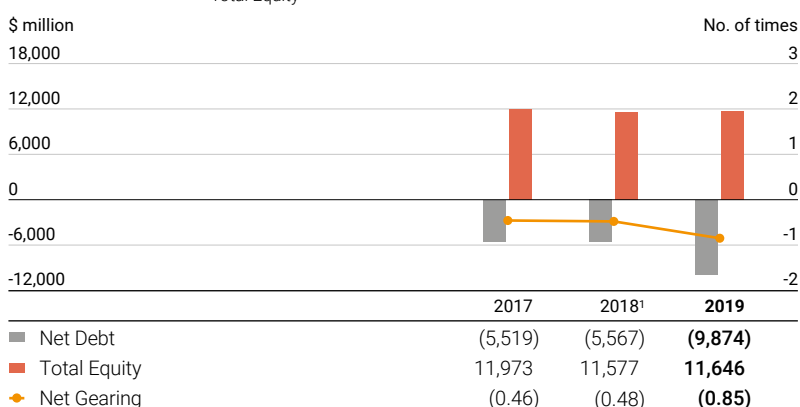
Capital Structure

Total equity as at the end-2019 was \$11.65 billion as compared to \$11.58 billion as at end-2018 and \$11.97 billion as at end-2017. The Group was in a net debt (including lease liabilities) position of \$9,874 million as at end-2019, which was above the \$5,567 million as at end-2018 and the \$5,519 million as at end-2017. The Group's net gearing ratio was 0.85 times as at end-2019, compared to 0.48 times as at end-2018.

* Borrowings exclude lease liabilities.

NET GEARING

Net Gearing = $\frac{\text{Borrowings} + \text{Lease Liabilities} - \text{Cash}}{\text{Total Equity}}$



¹ 2018's financial figures have been restated due to an IFRIC agenda decision on SFRR(I) 1-23 Borrowing costs eligible for capitalisation.

Interest coverage increased from 2.61 times in 2017 to 5.99 times in 2018 before decreasing to 3.77 times in 2019. Interest coverage in 2019 was lower due to lower Earnings before Interest expense and Tax (EBIT).

Cash flow coverage decreased from 5.98 times in 2017 to 1.52 times in 2018 before decreasing to negative 1.46 times in 2019. This was mainly due to operational cash outflow in 2019, as compared to cash inflow in 2018.

At the Annual General Meeting in 2019, shareholders gave their approval for mandate to buy back shares. During the year, 770,000 shares were bought back and held as treasury shares. The Company also transferred 4,691,308 treasury shares to employees upon vesting of shares released under the KCL Share Plans and Share Option Scheme. As at end-2019, the Company had 2,014,736 treasury shares. Except for

the transfer, there was no other sale, transfer, disposal, cancellation and/or use of treasury shares during the year.

Financial Resources

The Group continues to be able to tap into the debt capital market at competitive terms.

As part of its liquidity management, the Group has built up adequate cash reserves as well as sufficient undrawn banking facilities and capital market programmes. Funding of working capital requirements, capital expenditure and investment needs was made through a mix of short-term money market borrowings, bank loans, as well as medium/long term bonds via the debt capital market.

The Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time. Cash flow,

debt maturity profile and overall liquidity position are actively reviewed on an ongoing basis.

As at end-2019, total available credit facilities, including cash at Corporate Treasury and bank guarantee facilities, amounted to \$8.19 billion (2018: \$9.37 billion).

CRITICAL ACCOUNTING POLICIES & ESTIMATES

The Group's significant accounting policies are discussed in more detail in the notes to the financial statements. The preparation of financial statements requires management to exercise its judgment in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions which affect the reported amounts of assets, liabilities, income and expenses. Critical accounting estimates and judgment are described below.

Expected credit loss on financial assets measured at amortised cost and fair value through other comprehensive income

The Group assesses on a forward looking basis the expected credit losses (ECLs) associated with its financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income (FVOCI). The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Group determines whether there has been a significant increase in credit risk.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. These events include probability of insolvency, significant financial difficulties of the debtor and default or significant delay in payments.

The carrying amounts of trade, intercompany and other receivables, and financial assets at FVOCI are disclosed in the balance sheet.

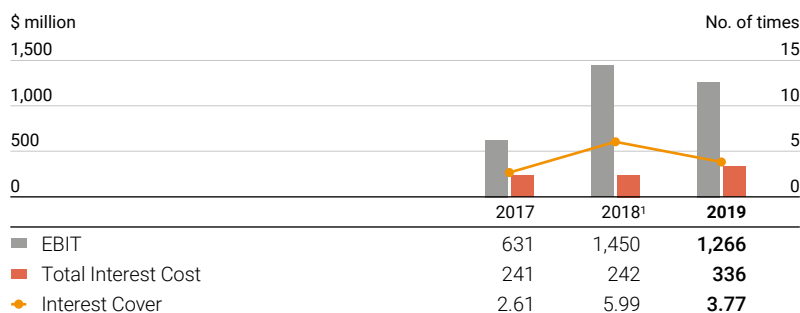
Recoverability of contract assets and receivable balances in relation to Offshore & Marine construction contracts Contracts with Sete Brasil (Sete)

The Group had previously entered into contracts with Sete for the construction of six rigs for which progress payments from

INTEREST COVERAGE

$$\text{Interest Coverage} = \frac{\text{EBIT}}{\text{Interest Cost}}$$

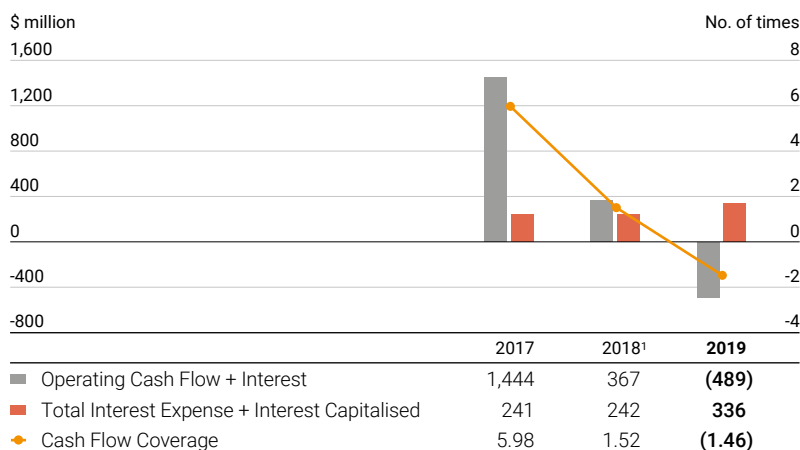
Note: EBIT = Profit before tax + Interest expense



¹ 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 Borrowing costs eligible for capitalisation.

CASH FLOW COVERAGE

$$\text{Cash Flow Coverage} = \frac{\text{Operating Cash Flow} + \text{Interest Cost}}{\text{Interest Cost}}$$



¹ 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 Borrowing costs eligible for capitalisation.

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Sete had ceased since November 2014. In April 2016, Sete filed for bankruptcy protection and its authorised representatives had been in discussion with the Group on the eventual completion and delivery of some of the rigs. In October 2019, the Settlement Agreement as well as the winning bid proposal for Magni Partners (Bermuda) Ltd (Magni) to purchase four Sete Brasil subsidiaries, two of which are special-purpose entities (SPEs) for uncompleted rigs constructed by Keppel Offshore & Marine Ltd (KOM), was approved by the creditors. As part of the Settlement Agreement, which is subject to fulfilment of certain conditions precedent, the Group will take over ownership of the remaining four uncompleted rigs and will be able to explore various options to extract the best value from these assets. The engineering, procurement and construction (EPC) contracts and related agreements entered into in relation to these four rigs will be deemed to be amicably terminated, with no penalties, refunds and/or any additional amounts being due to any party, and the parties will waive all rights to any claims. The Group has a receivable of approximately US\$260 million from Sete and this amount has been included in Sete's court-approved Judicial Reorganisation Plan. The outstanding amount will be paid to the Group proportionally and pari passu with other creditors of Sete as part of, and out of proceeds of, the Judicial Reorganisation Plan.

Management has performed an assessment to estimate the cost of discontinuance of related agreements of the EPC contracts, offset by possible options in extracting value from the uncompleted rigs and possible payout from the Judicial Reorganisation Plan. In addition, management has estimated the net present value of the cash flows relating to the impending construction contract for two rigs with Magni.

Arising from the above assessment, management is of the opinion that the loss allowance for trade debtors of \$183,000,000 (Note 12) (2018: \$183,000,000) and the provision for related contract costs of \$245,000,000 (Note 20) (2018: \$245,000,000) are adequate to address the cost of discontinuance, salvage cost and unpaid progress billings relating to these EPC contracts.

Taking into consideration the cost of completion, cost of discontinuance, salvage cost and unpaid progress billings with regards to these rigs, the total cumulative loss recognised in relation to these rig contracts amounted to \$476,000,000 (2018: \$476,000,000).

Other contracts

As at 31 December 2019, the Group had several rigs that were under construction

FINANCIAL CAPACITY

	\$ million	Remarks
Cash at Corporate Treasury	397	22% of total cash of \$1.78 billion
Available credit facilities to the Group	7,794	Credit facilities of \$13.16 billion, of which \$5.37 billion was utilised
Total	8,191	

for customers, where customers had requested for deferral of delivery dates of the rigs in prior years. See Note 15 on contract assets balances.

Management has assessed each deferred construction project individually to make a judgment as to whether the customers will be able to fulfil their contractual obligations and take delivery of the rigs at the revised delivery dates.

Management has also performed an assessment of the ECL on contract assets and trade receivables of deferred projects to determine if a provision for expected loss is necessary.

In the event that the customers are unable to fulfil their contractual obligations, the Group can exercise their right to retain payments received to date and the legal possession of the rigs under construction. Management has further assessed if the values of the rigs would exceed the carrying values of contract assets and trade receivables. Management has estimated, with the assistance of an independent professional firm, the values of the rigs using Discounted Cash Flow (DCF) calculations that cover each class of rig under construction. The most significant inputs to the DCF calculations include dayrates and discount rates.

During the financial year ended 31 December 2019, no further (2018: \$21,000,000) ECL on contract assets was recognised.

Impairment of non-financial assets

Determining whether the carrying value of a non-financial asset is impaired requires an estimation of the value in use of the cash-generating units. This requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of fixed assets, investments in subsidiaries, investment in associates and joint ventures, and intangibles are disclosed in the balance sheet. Management performed impairment tests on these non-financial assets

as at 31 December 2019. Refer to Notes 6, 9, 10 and 13 to the financial statements for more details.

KrisEnergy

As at 31 December 2019, the carrying value of the Group's investment in KrisEnergy amounted to \$74,284,000 in zero-coupon notes. In addition, the Group also had \$20,541,000 of contract assets in relation to a construction contract for a production barge for KrisEnergy and, through a bilateral agreement between the Group and a bank, guaranteed \$262,825,000 in respect of the bank loan granted to KrisEnergy (Note 32). The zero-coupon notes and guarantee are secured by the assets of KrisEnergy.

On 14 August 2019, KrisEnergy made an application to the High Court of the Republic of Singapore to commence a court-supervised process to reorganise its liabilities and seek a moratorium against enforcement actions and legal proceedings by creditors against KrisEnergy pursuant to section 211B of the Companies Act (Cap. 50). It had also requested a suspension of trading of its securities on Singapore Exchange Securities Trading Ltd. The High Court of Republic of Singapore approved the application for an initial period of three months up to 14 November 2019. At the date of these financial statements, the debt moratorium was extended to 27 May 2020. As at the end of the current financial year, KrisEnergy had not presented a restructuring plan.

Management performed an impairment assessment to estimate the recoverable amount of the Group's exposure in KrisEnergy as at 31 December 2019. With assistance from its financial advisor, management estimated the amount of cash available from producing assets and forecasted production from assets under development, taking into consideration the relative priority of each group of stakeholders to these cash flows based on their respective rights. Management will evaluate the above assessment when a restructuring plan is presented by KrisEnergy in due course, which may give rise to the adjustments to be made. The estimates and assumptions used are subject to risk and uncertainty.

Based on the assessment, the Group recognised an impairment loss of \$37,000,000 during the financial year, and the carrying value of the Group's equity investment was reduced to zero. In 2018, management had performed an assessment on the recoverable amount using a DCF model based on a cash flow projection and recognised an impairment charge of \$53,000,000.

Floatel

The carrying amount of the Group's investment in Floatel International amounted to \$476,874,000 as at 31 December 2019 (2018: \$524,404,000), comprising \$311,000,000 in equity shares (2018: \$362,760,000), \$10,449,000 in preference shares (2018: \$21,845,000) (Note 11) and \$155,425,000 in long-term receivables (2018: \$139,799,000) (Note 12).

In November 2019, credit rating agencies downgraded Floatel's credit rating, citing market environment for accommodation vessels remaining difficult with limited activity and pressure on dayrates. The rating agencies also commented that if Floatel fails to contract work for its idle vessels in the near future, it may not be able to meet its leverage covenant at its first test at the year-end 2020.

Floatel subsequently reported that its financial situation is unsustainable as liquidity is under pressure. There is a material uncertainty as to whether Floatel will be able to service its secured financial liabilities and net working capital requirements for the coming 12 months, which casts significant doubt on Floatel's ability to continue as a going concern. The long term viability of Floatel's business depends on it finding a solution to its financial situation and Floatel's management has initiated discussions with key creditors, in which, in the view of Floatel's board of directors, there is reasonable expectations of success. In a situation where going concern for Floatel no longer can be assumed, there is a risk for significant write down of its assets.

Management performed an impairment assessment of the recoverability of the Group's total exposure in Floatel by first performing an assessment to ascertain whether Floatel would reasonably continue as a going concern in the next 12 months. If Floatel cannot reasonably continue as a going concern in the next 12 months, the carrying amount of the Group's investment in Floatel may be subject to significant write down.

Management conducted a review of the business and cash flow projections through discussions with Floatel's

management and corroborated those information based on management's understanding of the business environment that Floatel operates in. Management also discussed with Floatel's management to understand the ongoing dialogue with Floatel's lenders and advisors. Based on the results of the review, discussions and information currently available, management concurred with the judgment made by Floatel's management and board of directors in relation to the going concern matter.

In assessing impairment of the equity shares, management had focused on whether Floatel's vessels were stated at their appropriate recoverable amounts. The Group's carrying value of investment in Floatel's equity shares was reduced by its share of loss of \$50,724,000, which included impairment loss on the carrying value of three vessels amounting to \$19,642,000. The recoverable amounts of the vessels were determined on their value-in-use, using a DCF model. Management reviewed the appropriateness of key inputs used in the estimation of the recoverable amount of Floatel's vessels.

With respect to the preference shares, management had performed an estimation of its fair value as at 31 December 2019 using a dividend discount model, and recognised a fair value loss of \$11,395,000.

In assessing the ECL of the loan receivable repayable on 31 December 2025, management expects full recovery of the receivable on the basis that Floatel operates in a niche market and supply of similar services should normalise over time. Given the extended date before the loan is due for repayment, management expects Floatel to continue as a viable business in the longer term and will be able to repay the loan when due in 2025.

Revenue recognition and contract cost

The Group recognises contract revenue and contract cost over time by reference to the Group's progress towards completing the construction of the contract work. The stage of completion is measured in accordance with the accounting policy stated in Note 2.20. Significant assumptions are required in determining the stage of completion and significant judgment is required in the estimation of the physical proportion of the contract work completed for the contracts; and the estimation of total costs on the contracts, including contingencies that could arise from variations to original contract terms and claims. In making the assumption, the Group evaluates by relying on past experience and the work of engineers. Revenue from construction contracts is disclosed in Note 24.

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant assumptions are required in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of taxation and deferred taxation are disclosed in the balance sheet.

Claims, litigations and reviews

The Group entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal and technical expertise.

Civil action by EIG funds

In February 2018, the Company's subsidiary, KOM was served a summons by eight investment funds (plaintiffs) managed by EIG Management Company, LLC (EIG) where a civil action was commenced by the plaintiffs pursuant to the Racketeer Influenced and Corrupt Organizations Act (RICO) in the United States District Court, Southern District of New York. The plaintiffs were seeking damages for its loss of investment of US\$221 million in Sete, trebled under RICO to US\$663 million, plus interest, costs and mandatory attorneys' fees under RICO.

This new lawsuit came after an earlier civil action commenced by eight of EIG's managed funds in the United States District Court, District of Columbia against, among others, the Company and KOM. The case was dismissed by the Court on 30 March 2017.

Management is of the view that the reported cause of action by the plaintiffs is without merit and KOM will vigorously defend itself. As at the date of these financial statements,

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it is premature to predict or determine the eventual outcome of the action and hence, the potential amount of any loss cannot currently be assessed. KOM has filed a motion to dismiss EIG's complaint.

Global resolution with criminal authorities in relation to corrupt payments

In 2017, KOM reached a global resolution with the criminal authorities in the United States of America (USA), Brazil and Singapore in relation to corrupt payments made in relation to KOM's various projects with Petrobras and Sete in Brazil, which were made with knowledge or approval of former KOM executives. Fines in an aggregate amount of US\$422,216,980, or equivalent to approximately S\$570 million, paid/payable had been allocated between the three jurisdictions.

As part of the global resolution, KOM accepted a Conditional Warning from the Corrupt Practices Investigation Bureau (CPIB) in Singapore, and entered into a Deferred Prosecution Agreement (DPA) with the U.S. Department of Justice (DOJ), while Keppel FELS Brasil S.A., a wholly-owned subsidiary of KOM, entered into a Leniency Agreement with the Public Prosecutor's Office in Brazil, the Ministerio Publico Federal (MPF) which became effective following the approval of the Fifth Chamber for Coordination and Review of the MPF in April 2018. In addition, Keppel Offshore & Marine USA, Inc (KOM USA), also a wholly-owned subsidiary of KOM, pleaded guilty to one count of conspiracy to violate the U.S. Foreign Corrupt Practices Act and entered into a Plea Agreement with the DOJ.

Pursuant to the DPA, KOM paid a monetary penalty of US\$105,554,245, of which US\$4,725,000 was paid as a criminal fine by KOM USA, to the United States Treasury in 2018. In addition, KOM paid a monetary penalty of US\$211,108,490 to MPF and a monetary penalty of US\$52,777,122.50 to CPIB in 2018. A further US\$52,777,122.50, which amount payable has been included as accrued expenses since FY 2017, will be payable to CPIB within three years (or an extended period as approved by CPIB and DOJ) from the date of the Conditional Warning (less any penalties that KOM may pay to specified Brazilian authorities during

this period, for which discussions with the specified authorities are ongoing).

As part of the global resolution with the authorities, the Group had also committed to strengthening the compliance and governance regime in KOM. Amongst others, it included a commitment to secure certification of ISO 37001 Anti-Bribery Management System and testing of the effectiveness of the policies and procedures put in place. As of the date of these financial statements, KOM entities in Singapore, Brazil, Bulgaria, China, India, Philippines, United Arab Emirates and the USA had secured certification of the ISO 37001 Anti-Bribery Management System.

Anti-bribery and corruption compliance audits were also performed on entities within the KOM Group. These audits revealed enhanced policies and procedures put in place to-date were, in general, functioning as intended. The audits performed in 2018 had, however, identified certain matters relating to contracts entered into several years ago which required follow-up actions and further review. The follow-up actions and further reviews were concluded in 2019.

Based on currently available information, management is of the opinion that no additional provision is required.

Useful lives of network and related application systems

The cost of network and related application systems is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimated the useful lives of these fixed assets to be within five to 25 years. These are common life expectancies applied in the telecommunications industry. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Group's network and related application systems at the end of the reporting period are disclosed in Note 6 to the financial statements.

Revaluation of investment properties

The Group carries its investment properties at fair value with changes in fair value being recognised in the profit and loss account. In determining fair values, the valuers have used valuation techniques which involve certain estimates. The key assumptions to determine the fair value of investment properties include market-corroborated capitalisation rate, terminal yield and discount rate.

In relying on the valuation reports, management has exercised its judgment to ensure that the valuation methods and estimates are reflective of current market conditions. The carrying amount of investment properties and the key assumptions used to determine the fair value of the investment properties are disclosed in Notes 7 and 34.

Estimating net realisable value of stocks

The net realisable value (NRV) of stocks represent the estimated selling price for these stocks less all estimated cost of completion and costs necessary to make the sale.

For construction projects under work-in-progress, the Group determines the estimated selling price based on recent sale transactions for similar assets or DCF models where recent sale transactions for similar assets were not available. For properties held for sale, provision is arrived at after taking into account estimated selling prices and estimated total construction costs. The estimated selling prices are based on recent selling prices for the development project or comparable projects and the prevailing market conditions. The estimated total construction costs include contracted amounts plus estimated costs to be incurred based on historical trends. The provision is progressively reversed for those residential units sold above their carrying amounts.

The Group has stocks (work-in-progress) amounting to \$598,800,000 (after a provision of \$50,000,000 made in the prior year) (Note 14). The carrying amount represented the estimated NRV of the stocks. Management has determined the NRV of the stocks based on arrangements to market the asset and a DCF model.

GROUP STRUCTURE

KEPPEL CORPORATION LIMITED

Offshore & Marine	Property	Infrastructure	Investments
- Offshore rig design, construction, repair and upgrading - Ship conversion and repair - Specialised shipbuilding	- Property development - Investments	- Energy infrastructure - Environmental infrastructure - Infrastructure services - Logistics and data centres - Investments	- Asset management - Master development - Investments - Communications
KEPPEL OFFSHORE & MARINE LTD 100%	KEPPEL LAND LIMITED 100%	KEPPEL INFRASTRUCTURE HOLDINGS PTE LTD 100%	KEPPEL CAPITAL HOLDINGS PTE LTD 100%
Keppel FELS Limited 100% Keppel Shipyard Limited 100% Keppel Singmarine Pte Ltd 100% Keppel LeTourneau 100% Keppel Nantong Shipyard Company Limited China 100% Offshore Technology Development Pte Ltd 100% Keppel Marine & Deepwater Technology Pte Ltd 100% Keppel AmFELS LLC United States 100% Keppel FELS Brasil SA Brasil 100% Keppel Philippines Marine Inc The Philippines 98% Keppel Subic Shipyard Inc The Philippines 86% Floatel International Ltd Bermuda 50% Dyna-Mac Holdings Limited ⁴ 24%	Keppel Land – various holding companies Southeast Asia and India 100% Keppel Land China China 100% Keppel Bay Pte Ltd 100% Keppel REIT ^{3,4} 49%	ENERGY INFRASTRUCTURE Keppel Gas Pte Ltd 100% Keppel Electric Pte Ltd 100% Keppel DHCS Pte Ltd 100% Keppel Merlimau Cogen Pte Ltd ⁵ 49% ENVIRONMENTAL INFRASTRUCTURE Keppel Seghers Pte Ltd 100% INFRASTRUCTURE SERVICES Keppel Infrastructure Services Pte Ltd 100% INVESTMENTS Keppel Infrastructure Trust ⁴ 18% KEPPEL TELECOMMUNICATIONS & TRANSPORTATION LTD 100% LOGISTICS & DATA CENTRES Keppel Logistics Pte Ltd 100% Keppel Data Centres Holding Pte Ltd ⁷ 100% UrbanFox Pte Ltd 85% Keppel DC REIT ⁴ 23%	Keppel REIT Management Limited 100% Alpha Investment Partners Ltd 100% Keppel Infrastructure Fund Management Pte Ltd 100% Keppel DC REIT Management Pte Ltd ⁶ 100% Keppel Pacific Oak US REIT Management Pte Ltd 50% Keppel Pacific Oak US REIT ⁴ 7% KEPPEL URBAN SOLUTIONS PTE LTD 100% M1 LIMITED² 100% KEPPEL RENEWABLE ENERGY PTE LTD 100% KRISENERGY LTD⁴ Cayman Islands 40%
SINO-SINGAPORE TIANJIN ECO-CITY INVESTMENT AND DEVELOPMENT CO., LTD¹ China 50%			
GROUP CORPORATE SERVICES			
Control & Accounts	Human Resources	Tax	
Corporate Communications	Legal	Treasury	
Strategy & Development	Risk & Compliance	Information Systems	
Corporate Development	Audit	Health, Safety & Environment	

Notes:

¹ Owned by a Singapore Consortium, which is in turn 90%-owned by the Keppel Group.

² Owned by Keppel Telecommunications & Transportation Ltd (19%), a wholly-owned subsidiary of Keppel Corporation, and Connectivity (81%), a joint venture between Keppel Corporation and Singapore Press Holdings.

³ Owned by Keppel Land Limited (44%) and Keppel Capital Holdings Pte Ltd (5%).

⁴ Public listed company.

⁵ Owned by Keppel Infrastructure Holdings Pte Ltd (49%) and Keppel Infrastructure Trust (51%).

⁶ Owned by Keppel Capital Holdings Pte Ltd (50%) and Keppel Telecommunications & Transportation Ltd (50%).

⁷ Owned by Keppel Telecommunications & Transportation Ltd (70%) and Keppel Land Limited (30%).

Updated as at 27 February 2020. The complete list of subsidiaries and significant associated companies is available at www.keppcorp.com/annualreport2019.

CORPORATE GOVERNANCE

The Board and management of Keppel Corporation ("KCL", or the "Company") firmly believe that a genuine commitment to good corporate governance is essential to the sustainability of the Company's business and performance, and directors must at all times act objectively in the best interests of the Company.

This report sets out an overview of our corporate governance practices and adheres to the principles of the Code of Corporate Governance 2018 ("2018 CG Code"), with references to the accompanying Practice Guidance.

BOARD'S CONDUCT OF AFFAIRS

Principle 1:

The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

Principle 3:

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Governance Framework: KCL's governance structure is as follows:

Dr Lee Boon Yang is the non-executive and independent Chairman of the Company. Mr Loh Chin Hua is the Chief Executive Officer (CEO) of the Company.

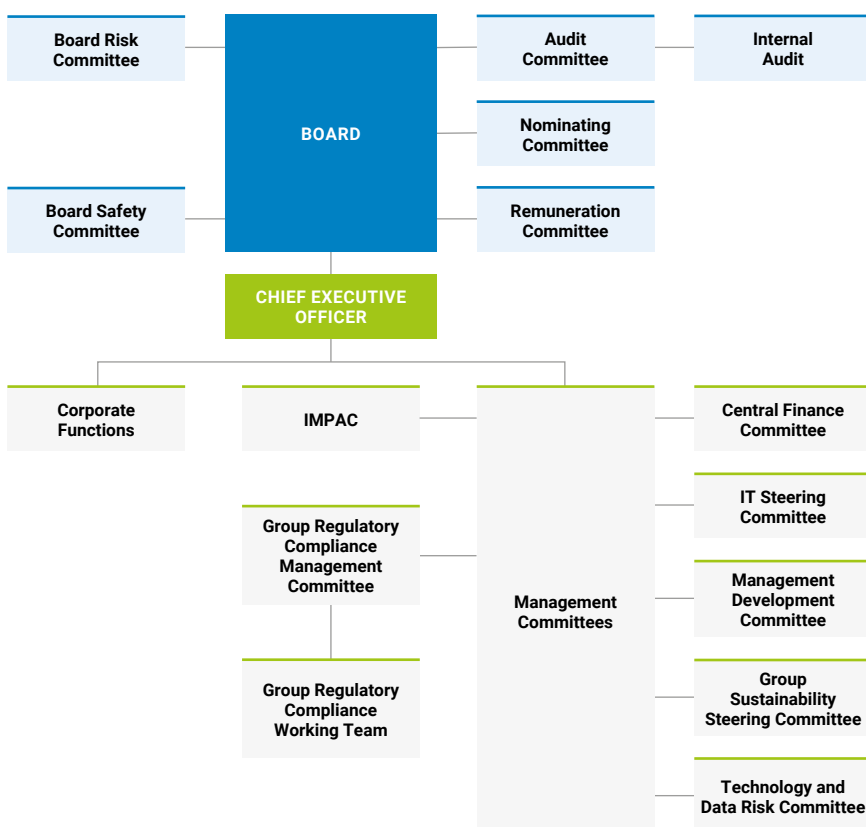
The Chairman, with the assistance of the Company Secretaries, schedules meetings and prepares meeting agenda to enable the Board to perform its duties responsibly having regard to the flow of the Company's operations. He sets guidelines on and monitors the flow of information from management to the Board to ensure that all material information is provided in a timely manner to the Board for the Board to make good decisions. He also encourages constructive relations between the Board and management, and between the executive and non-executive directors (NEDs). At board meetings, the Chairman encourages a full and frank exchange of views, drawing out contributions from all directors so that the debate benefits from the full diversity of views, in a robust yet collegiate setting. At annual general meetings (AGMs) and other shareholders' meetings, the Chairman ensures constructive dialogue between shareholders, the Board and management. The Chairman sets the right ethical and behavioural tone and takes a leading role

in the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the directors, Company Secretaries and management.

To assist the Board in the discharge of its oversight function, various board committees, namely the Audit, Board Risk, Nominating, Remuneration and Board Safety committees, have been constituted with clear written terms of reference. All the board committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group, and the Board is kept updated on discussions of the committees via circulation of minutes and regular updates by the respective chairmen of the committees at board meetings. The responsibilities and authority of the board committees are set out in their respective terms of reference (see Appendix 1).

The CEO, assisted by the management team, makes strategic proposals to the Board and after robust and constructive board discussions, executes the agreed strategy, manages and develops the Group's businesses and implements the Board's decisions. He is supported by management committees that direct and

GOVERNANCE FRAMEWORK 2019



guide management on operational policies and activities, which include:

1. *Investments & Major Projects Action Committee (IMPAC)*, which guides the Group to exercise the spirit of enterprise as well as prudence to earn optimal risk-adjusted returns on invested capital for its chosen lines of business, taking into consideration the relevant risks, in a controlled manner;
2. *Management Development Committee (MDC)*, which nominates candidates as nominee directors to the boards of each unlisted company or entity that the Company is invested in ("Investee Company") so as to safeguard the Company's investment. In respect of Investee Companies that are (a) listed on a stock exchange, (b) managers or trustee-managers of any collective investment schemes, business trusts or any other trusts which are listed on a stock exchange, or (c) parent companies of the Company's core businesses, the Committee recommends the candidates for the approval of the Nominating Committee (NC). The MDC also provides inputs, guidance and direction on operational policies and human resources/organisational matters;
3. *Central Finance Committee*, which reviews, guides and monitors financial policies and activities of Group companies;
4. *Group Regulatory Compliance Management Committee (Group RCMC)*, which articulates the Group's commitment to regulatory compliance, directs and supports the development of over-arching compliance policies and guidelines, and facilitates the implementation and sharing of policies and procedures across the Group;
5. *Group Regulatory Compliance Working Team (Group RCWT)*, which supports the Group RCMC and oversees the development and review of over-arching compliance policies and guidelines for the Group, as well as review training and communication programmes;
6. *Keppel IT Steering Committee*, which provides strategic information technology (IT) leadership and ensures IT strategy alignment in achieving business strategies;
7. *Group Sustainability Steering Committee*, which sets the sustainability strategy and leads performance in key focus areas; and
8. *Technology and Data Risk Committee*, which operationalises the Technology and Data Risk Management operating

standards programme that enhances the Group's safeguards, resilience and responses to cyber threats.

BOARD MATTERS

Each Board member has equal responsibility to oversee the business and affairs of the Company. Management, on the other hand, is responsible for the day-to-day operation and administration of the Company in accordance with the policies and strategy set by the Board.

The Company has adopted internal guidelines setting forth matters that require board approval. Under these guidelines, all transactions exceeding \$150 million by any Group company (not separately listed) require the approval of the Board. For transactions between \$30 million and \$150 million, IMPAC will determine if Board approval is required, depending on the individual considerations for each case.

Role: The principal functions of the Board are to:

- provide entrepreneurial leadership and decide on matters in relation to the Group's activities which are of a significant nature, including decisions on strategic directions and guidelines and the approval of periodic plans and major investments and divestments;
- oversee the business and affairs of the Company and establish, with management, the strategies and financial objectives to be implemented by management (including appropriate focus on value creation, innovation and sustainability), monitor the performance of management and ensure that the Company has the necessary resources to meet its strategic objectives;
- set the Company's values, standards (including ethical standards), appropriate tone-from-the-top and desired organisational culture, and put in place policies, structures and mechanisms to ensure such values, standards and culture are complied with;
- constructively challenge management and hold them accountable for performance and ensure proper accountability within the Group;
- oversee processes for evaluating the adequacy and effectiveness of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy and effectiveness of such processes;
- be responsible for the governance of risk and ensure that management

maintains a sound system of risk management and internal controls, to effectively monitor and manage risks so as to safeguard the interests of the Company and its stakeholders, and achieve an appropriate balance between risks and company performance; and

- assume responsibility for corporate governance and ensure transparency and accountability to key stakeholder groups.

Independent Judgment: All directors are expected to exercise independent judgment in the best interests of the Company. This is one of the performance criteria for the peer and self-assessment of the individual directors. Based on the results of the peer and self-assessment carried out by the directors for FY 2019, all directors have discharged this duty well. Mr Teo Siong Seng, Mr Tham Sai Choy and Mrs Penny Goh were not part of this assessment as they were only recently appointed.

Conflicts of Interest: Each director must promptly disclose conflicts of interest, whether direct or indirect, in relation to any transaction or proposed transaction. In this connection, the Company has in place a "Keppel Group – Directors' Conflict of Interest Policy" to guide directors in identifying, disclosing and managing situations of actual or potential conflicts, as well as situations which may be perceived to be conflicts of interest. Every director is required to promptly disclose any conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Company as soon as is practicable after the relevant facts have come to his/her knowledge, and recuse himself/herself when the conflict-related matter is discussed unless the Board is of the opinion that his/her presence and participation is necessary to enhance the efficacy of such discussions, and abstain from voting in relation to conflict-related matters. On an annual basis, each director is also required to submit details of his/her associates for the purpose of monitoring interested persons transactions.

Board Strategic Review: The Board periodically reviews and approves the Group's strategic plans. A two-day off-site board strategy meeting is organised annually for in-depth discussions on strategic issues and the direction of the Group, to give NEDs a better understanding of the Group and its businesses, and to provide an opportunity for NEDs to familiarise themselves with the management team so as to facilitate the Board's review of the Group's succession planning and leadership development programme. In FY 2019, the focus of the strategy meeting was to track the progress towards the Group's

CORPORATE GOVERNANCE

Vision 2020 targets and to discuss the strategic direction towards Vision 2030, with a view to grow Keppel as one integrated business providing solutions for sustainable urbanisation. To support the Board's oversight of the implementation of the strategic plans, one business unit is invited to each quarterly Board meeting to present its plans and current challenges, and provide the Board an opportunity to perform an in-depth review into each of the Group's core businesses.

Meetings: The Board meets six times a year and as warranted by particular circumstances. Board meetings are scheduled and the schedule is circulated to the directors prior to the start of the financial year to allow directors to plan ahead to attend such meetings, so as to maximise participation. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Company's constitution. Furthermore, the NEDs meet without the presence of management from time to time and on a need-be basis, and any relevant feedback would be shared and discussed with the executive director. The attendance of each Board member at the AGM and the board and board committee meetings held in FY 2019 are disclosed in the table below:

If a director was unable to attend a board or board committee meeting, he/she would still receive all the papers and materials for discussion at that meeting. He/she would review them and advise the Chairman or board committee chairman of his/her views and comments on the matters to be discussed so that they may be conveyed to other members at the meeting.

Non-executive Directors' Meetings:

The NEDs meet on a need-be basis at the end of each scheduled quarterly meeting without the presence of management to discuss matters such as board processes, risk and compliance matters, succession planning and leadership development, as well as performance management and remuneration matters.

Company Secretaries: The Company Secretaries administer, attend and prepare minutes of board proceedings. They assist the Chairman to ensure that board procedures (including but not limited to assisting the Chairman to ensure timely and good information flow to the Board and board committees, and between senior management and the NEDs, as well as facilitating orientation and assisting in the professional development of the directors) are followed and regularly

reviewed to ensure effective functioning of the Board, and that the Company's constitution and relevant rules and regulations, including requirements of the Companies Act, Securities & Futures Act and Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX") are complied with. They also assist the Chairman and the Board to implement and strengthen corporate governance practices and processes with a view to enhancing long-term shareholder value. They are also the primary channel of communication between the Company and the SGX.

The appointment and removal of the Company Secretaries are subject to the approval of the Board.

Access to Information: The Board and management fully appreciate that fundamental to good corporate governance is an effective and robust Board whose members engage in open and constructive debate and challenge management on its assumptions and proposals, and that for this to happen, the Board must be kept well informed of the Company's businesses and affairs, and be knowledgeable about the industries in which the businesses operate. The Company has therefore

ATTENDANCE

	2019 AGM ⁷	Board Meetings	Board Committee Meetings				
			Audit	Nominating	Remuneration	Safety	Risk
Lee Boon Yang	1	12	–	4	5	4	–
Loh Chin Hua	1	12	–	–	–	4	–
Tow Heng Tan ¹	1	10	–	3	3	–	4
Alvin Yeo Khirn Hai	1	9	4	3	–	–	–
Tan Ek Kia	1	10	5	–	–	4	4
Danny Teoh	1	12	5	–	5	–	4
Tan Puay Chiang ²	1	11	–	4	–	4	–
Till Vestring	1	12	–	4	5	–	–
Veronica Eng	1	12	5	–	–	–	4
Jean-François Manzoni ³	1	12	–	–	–	–	4
Teo Siong Seng ⁴	–	–	–	–	–	–	–
Tham Sai Choy ⁵	–	1	–	–	–	–	–
Penny Goh ⁶	–	–	–	–	–	–	–
No. of Meetings Held	1	12	5	4	5	4	4

Notes:

¹ Mr Tow Heng Tan ceased to be a non-executive and non-independent director with effect from 1 November 2019, and concurrently ceased to be a member of the Nominating Committee, Remuneration Committee and Board Risk Committee.

² Mr Tan Puay Chiang ceased to be a non-executive and independent director with effect from 1 November 2019, and concurrently ceased to be the Chairman of the Nominating Committee and a member of the Board Safety Committee. Mr Tan ceased to be a member of the Board Risk Committee with effect from 2 January 2019.

³ Prof Jean-François Manzoni was appointed as a member of the Board Risk Committee on 2 January 2019, and Chairman of the Nominating Committee with effect from 1 November 2019.

⁴ Mr Teo Siong Seng was appointed to the Board as a non-executive and independent director with effect from 1 November 2019, and was appointed as a member of the Remuneration Committee and the Board Safety Committee with effect from 1 February 2020.

⁵ Mr Tham Sai Choy was appointed to the Board as a non-executive and independent director with effect from 1 November 2019, and was appointed as a member of the Audit Committee and Board Risk Committee with effect from 1 February 2020.

⁶ Mrs Penny Goh was appointed to the Board as a non-executive and independent director with effect from 2 January 2020, and was appointed as a member of the Audit Committee and Board Risk Committee with effect from 1 February 2020.

⁷ Refers to the AGM held on 23 April 2019.

adopted initiatives to put in place processes to ensure that the NEDs are well supported by accurate, complete and timely information, have unrestricted access to management, and have sufficient time and resources to discharge their oversight function effectively. Subject to the approval of the Chairman, the directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company.

As a general rule, board papers are required to be distributed to the directors at least seven days before the board meeting so that the members may better understand the matters prior to the board meeting and discussions may be focused on questions that the directors may have. Directors are provided with tablet devices to facilitate their access to and review of board materials. However, sensitive matters may be tabled at the meeting itself and discussed. Managers who can provide additional insights into the matters at hand would be present at the relevant time during the board meeting. The directors are also provided with the names and contact details of the Company's senior management and the Company Secretaries to facilitate direct access to senior management and the Company Secretaries.

Regular informal meetings are conducted for management to brief the directors on prospective deals and potential developments at an early stage before formal board approval is sought, and relevant information on business initiatives, industry developments and analyst and press commentaries on matters in relation to the Company or the industries in which it operates is circulated to the directors from time to time. Management is also expected to provide the Board with accurate information in a timely manner concerning the Company's progress or shortcomings in meeting its strategic business objectives or financial targets and other information

relevant to the strategic issues facing the Company.

The Board also reviews the budget annually, and any material variance between the projections and actual results would be disclosed and explained. Management also provides the Board members with management accounts monthly and as the Board may require from time to time, to keep the Board informed, on a balanced and understandable basis, of the Group's performance, financial position and prospects.

Orientation: A formal letter is sent to newly-appointed directors upon their appointment explaining their roles, duties, obligations and responsibilities as a board director. All newly-appointed directors receive a director tool-kit and undergo a comprehensive orientation programme which includes site visits and management presentations on the Group's businesses, strategic plans and objectives.

Training: Directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, changes in the Companies Act, continuing listing obligations and industry-related matters, so as to update and refresh them on matters that may affect or enhance their performance as board or board committee members. A training programme is also in place for directors in areas such as accounting, finance, corporate social responsibility, risk governance and management, the roles and responsibilities of a director of a listed company and industry-specific matters. In FY 2019, some KCL directors attended talks on topics relating to the digital economy, cyber security governance and macroeconomic trends. E-training was also conducted on the Group's policies on anti-corruption, personal data protection, competition law, and cyber security. Site visits are also conducted periodically for directors to

familiarise themselves with the operations of the various businesses so as to enhance their performance as board or board committee members. All induction, training and development costs are at the Company's expense.

BOARD COMPOSITION AND SUCCESSION PLANNING

Principle 2:

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Principle 4:

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Nominating Committee

For FY 2019, the NC comprised entirely NEDs, majority of whom (including the Chairman) are independent, namely:

- Prof Jean-François Manzoni
(from 1 November 2019)
Independent Chairman
- Mr Tan Puay Chiang
(up to 31 October 2019)
Independent Chairman
- Dr Lee Boon Yang
Independent Member
- Mr Tow Heng Tan
(up to 31 October 2019)
Non-Executive and
Non-Independent Member
- Mr Alvin Yeo
Independent Member
- Mr Till Vestring
Independent Member

Following the retirement of Mr Tan Puay Chiang and Mr Tow Heng Tan on 1 November 2019, the NC now comprises entirely independent directors.

CORPORATE GOVERNANCE

The NC is responsible for making recommendations to the Board on board appointments, overseeing the Board and senior management's succession and leadership development plans and conducting annual reviews of board diversity, board size, board independence and directors' commitment.

The detailed terms of reference of this Committee is disclosed on page 96 herein.

Process for appointment of new directors and Board succession planning

The Board believes that orderly succession and renewal are achieved as a result of careful planning, where the appropriate composition of the Board is continually under review. In this regard, the Board has put in place a formal process for the renewal of the Board and the selection of new directors so that the experience of longer serving directors can be drawn upon while tapping into the new external perspectives and insights which more recent appointees bring to the Board's deliberation.

The NC leads the process and makes recommendations to the Board as follows:

- a. NC reviews annually the balance and mix of skills, knowledge, experience and other aspects of diversity such as gender and age, and the size of the Board which would facilitate decision-making. In this review, the NC would also take into account the needs of the Group, the collective skills and competencies of the Board and service tenure spread of the directors.
- b. In the light of such reviews and in consultation with management, the NC assesses if there is any inadequate representation in respect of any of those attributes and if so, determines the role and the desirable competencies for a particular appointment.

- c. The NC will, in all cases, take into consideration the following objective criteria identified as necessary for the Board and board committees to be effective:

- i. Integrity
- ii. Independent mindedness
- iii. Able to commit time and effort to carry out duties and responsibilities effectively
- iv. Track record of making good decisions
- v. Experience in high-performing companies
- vi. Financial literacy

- d. External help (for example, Singapore Institute of Directors and search consultants) may be used to source for potential candidates if need be. Directors and management may also make recommendations.
- e. NC meets with the short-listed candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.
- f. NC makes recommendations to the Board for approval.

Re-nomination of Directors

The NC is also charged with the responsibility of re-nomination having regard to the director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the individual director by his/her peers.

The directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to the Company's constitution, one-third of the directors retire from office at the Company's AGM, and a newly appointed director must submit him/herself for re-election at the AGM immediately

following his/her appointment. Please refer to Appendix 2 on pages 100 to 103 for further details.

Alternate Director

The Company has no alternate directors on the Board.

Annual Review of Board Diversity and Independence

Board Diversity: The Company recognises that diversity in relation to composition of the Board provides a range of perspectives, insights and challenges needed to support good decision-making for the benefit of the Group, and is committed to ensuring that the Board comprises directors who, as a group, provide an appropriate balance and mix of skills, knowledge, experience and other aspects of diversity (such as gender and age) so as to promote the inclusion of different perspectives and ideas, mitigate against groupthink and ensure that the Company has the opportunity to benefit from all available talent. In identifying suitable candidates for new appointments to the Board, the NC would ensure that female candidates are included for consideration. The final decision on the appointment of directors would be based on and driven by merit against the objective criteria set by the Board from time to time on the recommendation of the NC, after having regards to the benefits of diversity and the needs of the Board.

The Company has in place a Board Diversity Policy that sets out the framework and approach for the Board to set its qualitative and measurable quantitative objectives for achieving diversity, and to annually assess the progress in achieving these objectives. The annual assessment is led by the NC as part of the process for appointment of new directors and Board succession planning. To help the NC identify gaps (if any) in skills, knowledge, experience and other aspects of diversity in the board composition in any given year of assessment, each member of the Board is required to complete a Board Diversity Matrix to indicate which of the list

of skills, knowledge, experience and other aspects of diversity (identified by the NC, and set out in the Board Diversity Matrix, as being able to contribute to the Company's strategy and business) the board member possesses. The returns from the board members are then consolidated into a single Board Diversity Matrix to highlight the Board's current mix of skills, knowledge, experience and other aspects of diversity and gaps therein, if any.

The Board will, taking into consideration the recommendations of the NC, review and agree annually on the qualitative and measurable quantitative objectives for achieving diversity on the Board. The objectives identified in FY 2019, and the progress towards achieving such objectives, are set out below:

The NC conducted an assessment in January 2020 and is satisfied that the Board and the board committees comprise directors, who as a group, provide an appropriate balance and mix of skills, knowledge, experience and other aspects of diversity. The NC is also satisfied that the directors, as a group, possess core competencies including accounting or finance, business or management experience, human resource, risk management, technology, mergers and acquisitions, legal, international perspective, industry knowledge, strategic planning experience and customer-based experience or knowledge, required for the Board and the board committees to be effective, taking into account the Company's strategy and business.

Board Independence: The NC determines on an annual basis whether or not a director is independent. In January 2020, the NC carried out reviews on the independence of each director based on the respective directors' self-declaration in the Directors' Independence Checklist and their actual performance on the Board and board committees, taking into account the listing rules on the circumstances in which a director will not be deemed independent and guidance in the 2018 CG Code as to the circumstances in which a director should not be deemed independent.

In this connection, the NC (save for Mr Alvin Yeo who abstained from deliberation on this matter) noted that Mr Alvin Yeo has served on the Board beyond nine years and is Senior Partner of WongPartnership LLP,

OBJECTIVES FOR FY 2019

Objectives

Appoint at least two additional independent directors with some of the core competencies already present on the Board by end-FY 2020 for succession planning purposes.

Progress

Mr Tham Sai Choy was appointed as a non-executive and independent director with effect from 1 November 2019. Mr Tham was Managing Partner of KPMG Singapore and then Chairman of KPMG Asia Pacific before he retired in 2017. He was a member of KPMG's global board, and had served on its executive committee and risk committee, and chaired its compensation and nominations committee. As a member of the executive committee, Mr Tham was responsible for KPMG's global strategies and planning, including developing the firm's capabilities in cyber security, data analytics and digital transformation. Mr Tham also worked with many of Singapore's listed companies in their audits and other consultancy work over his 36 years of practice. He was appointed as a board member with a view of being the successor to Mr Danny Teoh in the roles of Audit Committee Chairman and Board Risk Committee member.

Mrs Penny Goh was appointed as a non-executive and independent director with effect from 2 January 2020. Mrs Goh was Co-Chairman and Senior Partner of Allen & Gledhill LLP, where she had, for many years, headed the firm's corporate real estate practice. She advises listed corporations, private equity property funds, sovereign wealth funds and real estate investment trusts, and has extensive experience in a broad range of corporate real estate transactions for commercial, industrial and logistics projects in Singapore and the Asia Pacific, involving investment, joint development and profit participation structures. Mrs Goh was appointed with a view to succeeding Mr Alvin Yeo as a board member with legal expertise and to enhance the gender diversity of the Board.

Broaden the skillset of directors on the Board by appointing at least one director with the relevant expertise and experience that would complement those already on the Board and which would help drive the Group's strategy.

Mr Teo Siong Seng was appointed as a non-executive and independent director with effect from 1 November 2019. His strong background, knowledge and experience in the China market; experience in growing businesses in frontier countries such as East and West Africa, and his knowledge and experience from serving as Chairman of the Singapore Business Federation, Honorary President of the Singapore Chinese Chamber of Commerce & Industry and as director of Business China, would enhance the balance and breadth of skills of the Board, and help drive the Group's strategy.

Improve gender diversity over a three-year period by ensuring that at least 20% of the Board will comprise female directors by end-FY 2021.

With the recent appointment of Mrs Penny Goh, together with Ms Veronica Eng, the female representation on the Board is currently 18%. This objective will be met with the appointment of an additional female director by end-FY 2021.

which is one of the law firms providing legal services to the Group. Mr Yeo had declared to the NC that although he is a partner with a 5% or more stake in WongPartnership LLP, he did not involve himself in the selection and appointment of legal advisers for the Group, and that he supported the selection of legal advisers based on objective criteria. In addition, the NC noted that with WongPartnership LLP being one of the top law firms in Singapore, it was not unexpected that its services would be sought by the Group from time to time. Taking these factors into consideration, along with his invaluable contributions on the Board and board committees, and the outcome of the recent self and peer Individual Director Performance assessment, the NC unanimously agreed that Mr Yeo has at all times exercised independent judgment in the best interests of the Company in the discharge of his director's duties and should therefore continue to be deemed an independent director.

The NC also noted that Mr Tan Ek Kia has served on the Board beyond nine years and is a non-executive and independent director on the board of TransOcean Ltd and Chairman of KrisEnergy Ltd, both of which have business dealings with the Keppel Offshore & Marine (Keppel O&M) Group. Mr Tan had declared to the NC that he recused himself where there was potential conflict of interest and continued to exercise independent judgment. The NC also took into account Mr Tan's invaluable contributions on the Board and board committees, and the outcome of the recent self and peer Individual Director Performance assessment, and unanimously agreed that Mr Tan has, at all times, exercised independent judgment in the best interests of the Company in the discharge of his director's duties and should therefore continue to be deemed an independent director.

The NC noted that Mr Danny Teoh had declared his shareholding in Workflow International Limited which could be a supplier of services to M1 Limited ("M1"), and his directorship on DBS Group Holdings Ltd ("DBS"), which provided services to the Group. The NC considered that both interests were declared to the Board, and that Mr Teoh has abstained from voting whenever there was potential conflict of interest. The NC further considered that, as DBS was a leading bank in Singapore and Southeast Asia, it was not unexpected that its services would be sought by the Group from time to time. Noting also that Mr Teoh has served on the Board beyond nine years, but taking into account his invaluable contributions on

the Board and board committees and the outcome of the recent self and peer Individual Director Performance Assessment, the NC unanimously agreed that Mr Teoh has, at all times, exercised independent judgment in the best interests of the Company in the discharge of his director's duties and should therefore continue to be deemed an independent director.

The NC noted that Mr Tham Sai Choy had declared his directorship on DBS which provided services to the Group. The NC considered that such interest was declared to the Board, and Mr Tham would abstain from voting when there was potential conflict of interest. The NC further considered that, as DBS was a leading bank in Singapore and Southeast Asia, it was not unexpected that its services would be sought by the Group from time to time. Taking into account these factors and his participation and actual performance on the Board and board committees in discharge of his duties since his appointment on 1 November 2019, the NC unanimously agreed that Mr Tham should continue to be deemed an independent director.

The NC noted that Mrs Penny Goh was former Co-Chairman and Senior Partner and now non-executive Senior Adviser of Allen & Gledhill LLP (A&G) which provided legal services to the Group. She had declared that she was not involved in the selection and appointment of legal advisors of the Group and did not regard the business relationship with A&G as something that could affect her independent judgment. The NC further considered that, as A&G was one of the top law firms in Singapore, it was not unexpected that its services would be sought by the Group from time to time, and Mrs Goh did not hold 5% or more stake in A&G. Taking into account the above factors, the NC unanimously agreed that Mrs Goh should continue to be deemed an independent director.

The NC noted that Dr Lee Boon Yang has served on the Board beyond nine years. Taking into consideration, among other things, his invaluable contributions on the Board and board committees and his outstanding rating in respect of his performance as Board Chairman and director in the recent board, Chairman and individual director performance assessment exercise, and that there were no other circumstances that would deem him non-independent, the NC (save for Dr Lee who abstained from deliberation on this matter) agreed unanimously that Dr Lee has at all times exercised independent judgment in the best interests of the Company in the discharge of his director's duties and should therefore continue to be deemed an independent director.

Following the review, the NC was of the view that Dr Lee Boon Yang, Mr Alvin Yeo, Mr Tan Ek Kia, Mr Danny Teoh, Mr Till Vestring, Ms Veronica Eng, Prof Jean-François Manzoni, Mr Teo Siong Seng, Mr Tham Sai Choy and Mrs Penny Goh should be deemed independent. The Board has reviewed the basis of the NC's recommendations, and concurred with the assessment of independence in respect of the above-mentioned directors.

In view of the above, the Board currently comprises a majority of independent directors, with a total of 11 directors of whom 10 are independent.

Lead Independent Director: The NC has deliberated and decided that it was not necessary to appoint a Lead Independent Director given the majority independence of the Board and that the Chairman was independent. Further, matters affecting the Chairman such as succession and remuneration were deliberated by the board committees where the majority of the members (including the Chairman) were independent directors, and where the Chairman was conflicted, he would recuse himself and abstain from voting.

Taking into account the independence and diversity of the Board, the NC is of the view that the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Annual Review of Board Size

The Board, in concurrence with the NC, is of the view that the current Board size was appropriate to facilitate effective decision-making, taking into account the nature and scope of the operations of the Company, the requirements of the Company's businesses and the need to avoid undue disruptions from changes to the composition of the Board and board committees. Nevertheless, the NC will continue to search for additional directors to be appointed in FY 2021 to enhance the Board's diversity and for succession planning purposes. No individual or small group of individuals dominate the Board's decision-making.

Annual Review of Directors' Commitments

The NC assesses annually whether a director is able to and has been adequately carrying out his/her duties as a director of the Company. Instead of fixing a maximum number of listed company board representations and/or other principal commitments that a director may have, the NC assesses holistically whether a director is able to and has been adequately carrying

out his/her duties as a director of the Company, taking into account the results of the assessment of the effectiveness of the individual director, the level of commitment required of the director's listed company board representations and/or other principal commitments, and the director's actual conduct and participation on the Board and board committees, including availability and attendance at regular scheduled meetings and ad-hoc meetings. The NC is of the view that such an assessment is sufficiently robust to detect and address, on a timely basis, any time commitment issues that may hinder the effectiveness of the directors.

For the recently appointed directors namely, Mr Teo Siong Seng, Mr Tham Sai Choy and Mrs Penny Goh, the NC had met with them prior to their appointments to ensure that they were aware of the expectations and the level of commitment required as directors on the Board, and taking into account the level of commitment required of their other listed company board representations and other principal commitments, was of the view that they should be able to adequately discharge their duties.

For the other directors, the NC was of the view that each director has given sufficient time and attention to the affairs of the Company and has been able to discharge his/her duties as director effectively. The NC noted that based on the attendance of board and board committee meetings during the year, the directors were able to participate in at least a substantial number of such meetings to carry out their duties. The NC also noted that, based on the Independent Co-ordinator's Report on individual director assessment for FY 2019, all the directors performed well. The NC was therefore satisfied that in FY 2019, where a director had other listed company board representations and/or other principal commitments, the director was able and had been adequately carrying out his/her duties as director of the Company.

Nominee Director Policy

At the recommendation of the NC, the Board approved the adoption of the KCL Nominee Director Policy in January 2009. For the purposes of the policy, a "Nominee Director" is a person who, at the request of the Company, acts as director (whether executive or non-executive) on the board of another company or entity ("Investee Company") to oversee and monitor the activities of the relevant Investee Company so as to safeguard the Company's investment in the company.

The purpose of the policy is to highlight certain obligations of a person while acting in his/her capacity as a Nominee Director.

The policy also sets out the internal process for the appointment and resignation of a Nominee Director. The policy would be reviewed and amended as required to take into account current best practices and changes in the law and stock exchange requirements.

Key information regarding directors

The following key information regarding directors is set out in the following pages of this Annual Report:

Pages 30 to 33: Academic and professional qualifications, board committees served on (as a member or Chairman), date of first appointment as director, date of last re-election as director, directorships or chairmanships both present and past held over the preceding five years in other listed companies and other major appointments, whether appointment is executive or non-executive, whether considered by the NC to be independent; and details of their membership on board committees.

Page 115: Shareholding in the Company and its subsidiaries.

BOARD PERFORMANCE

Principle 5:

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Board has implemented formal processes for assessing the effectiveness of the Board as a whole, each of its board committees, the contribution by the Chairman, as well as peer and self-assessment of the individual director to the effectiveness of the Board.

Independent Co-ordinator: To ensure that assessments are done promptly and fairly, the Board has appointed an independent third party (the "Independent Co-ordinator") to assist in collating and analysing the returns of the board members. Mr Michael Lim, former Chairman of PricewaterhouseCoopers and Land Transport Authority, and currently Chairman of Nomura Singapore Limited, was appointed to this role. Mr Michael Lim does not have business relationships or any other connections with the Company or its directors which may affect his independent judgment.

Formal Process and Performance Criteria:

The evaluation processes and performance criteria are disclosed in Appendix 1 on pages 95 to 98 of this report.

Objectives and Benefits: The board assessment exercise provides an

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opportunity to obtain constructive feedback from each director on whether the Board's procedures and processes allow him/her to discharge his/her duties effectively and the changes which should be made to enhance the effectiveness of the Board and/or board committees. The assessment exercise also helps the directors to focus on their key responsibilities. The individual director assessment exercise allows for peer review with a view to raising the quality of board members. It also assists the NC in determining whether to re-nominate directors who are due for retirement at the next AGM, and in determining whether directors with multiple board representations are nevertheless able to and have adequately discharged their duties as directors of the Company.

REMUNERATION REPORT

Principle 6:

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his/her own remuneration.

Principle 7:

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Principle 8:

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Remuneration Committee

For FY 2019, the Remuneration Committee ("RC") comprised entirely NEDs, majority of whom (including the Chairman) are independent, namely:

- Mr Till Vestring
Independent Chairman
- Dr Lee Boon Yang
Independent Member
- Mr Danny Teoh
Independent Member
- Mr Tow Heng Tan
(up to 31 October 2019)
Non-Executive and
Non-Independent Member
- Mr Teo Siong Seng
(from 1 February 2020)
Independent Member

Following the retirement of Mr Tow Heng Tan on 1 November 2019, the RC now comprises entirely independent directors.

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for determining the remuneration packages of individual directors and senior management. The RC assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, thereby maximising shareholder value. The RC recommends to the Board, for endorsement, a framework of remuneration (which covers all aspects of remuneration including directors' fees, salaries, allowances, bonuses, share-based incentives and awards, benefits-in-kind and termination payments) and the specific remuneration packages for each director and the key management personnel. The RC also reviews the remuneration of senior management and administers the KCL Share Option Scheme in respect of the

outstanding options granted prior to the termination of the KCL Share Option Scheme in end-2010, the KCL Restricted Share Plan (the "KCL RSP") and the KCL Performance Share Plan (the "KCL PSP"). In addition, the RC reviews the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The detailed terms of reference of this Committee are disclosed on page 96 herein.

Access to expert advice: The RC has access to expert advice from external remuneration consultants where required. In FY 2019, the RC sought views from external remuneration consultants, Aon Hewitt, on market practice and trends, and benchmarks against comparable organisations. The RC undertook a review of the independence and objectivity of the external remuneration consultants through discussions with the external remuneration consultants, and has confirmed that the external remuneration consultants had no relationships with the Company which would affect their independence and objectivity.

Policy in respect of Non-Executive Directors' Remuneration

Each NED's remuneration comprises a basic fee and an additional fee for services performed on board committees. The Chairman of each board committee is also paid a higher fee compared with the members of the respective committees in view of the greater responsibility carried by that office. The NEDs participated in additional ad-hoc meetings with management during the year and are not paid for attending such meetings. Executive directors are not paid directors' fees.

The directors' fee structure, which remained unchanged since FY 2017, is set out in the table below.

DIRECTORS' FEE STRUCTURE

	Basic Fee (per annum)	
Board Chairman	\$750,000 (all-in)	
Board Member	\$108,000	
	Additional Fees for Membership in Board Committees (per annum)	
	Chairman	Member
Audit Committee	\$67,000	\$36,000
Board Risk Committee	\$67,000	\$36,000
Remuneration Committee	\$47,000	\$31,000
Board Safety Committee	\$47,000	\$31,000
Nominating Committee	\$40,000	\$24,000

Each of the NEDs (including the Chairman) will receive 70% of his/her total directors' fees in cash ("Cash Component"), and 30% in the form of shares in the Company ("Remuneration Shares") (both amounts subject to adjustment as described below). The actual number of Remuneration Shares, to be purchased from the market on the first trading day immediately after the date of the AGM provided that it does not fall within any applicable restricted period of trading (in the event that the first trading day after the date of the AGM falls within a restricted period of trading, the Remuneration Shares will be purchased on the first trading day after the end of the restricted period of trading) ("Trading Day") for delivery to the respective NEDs, will be based on the market price of the Company's shares on the SGX on the Trading Day. The actual number of Remuneration Shares will be rounded down to the nearest thousand and any residual balance will be paid in cash. Such incorporation of an equity component in the total remuneration of the NEDs is intended to achieve the objective of aligning the interests of the NEDs with those of the shareholders' and the long-term interests of the Company. The aggregate directors' fees for NEDs for FY 2019 are subject to shareholders' approval at the AGM. The Chairman and the NEDs will abstain from voting and will procure their respective associates to abstain from voting in respect of this resolution.

The directors' fees to NEDs are currently paid in arrears after the end of the year. From FY 2020 onwards, approval of the shareholders will be sought for the payment of directors' fees on a half-yearly basis in arrears instead of once per year after the end of the financial year. The payment of fees on a half-yearly basis in arrears will allow the payment schedule to be more aligned with the period of service that the NEDs discharge their service for.

The amount of fees has been computed taking into consideration the number of board committee representations by the NEDs and also caters for additional fees (if any) which may be payable due to the formation of additional board committees, or additional Board or board committee members being appointed in the course of FY 2020. In the event that the amount proposed is insufficient, approval will be sought at the next AGM before payments are made to the NEDs for the shortfall amount.

The RC is of the view that the remuneration of NEDs is appropriate to their level

of contribution, taking into account factors such as effort, time spent and responsibilities, and to attract, retain and motivate the directors to provide good stewardship of the Company.

Remuneration policy in respect of Executive Director and other Key Management Personnel

The Company advocates a performance-based remuneration system that is highly flexible and responsive to the market, Company's, business unit's and individual employee's performance, and is aligned with shareholders' and other stakeholders' interests.

In designing the remuneration structure, the RC seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between current versus long-term remuneration, and between cash versus equity incentive remuneration, and appropriate to attract, retain and motivate key management personnel to successfully manage the Company for the longer term.

The total remuneration structure reflects the following four key objectives:

- a. Shareholder Alignment: To incorporate performance measures that are aligned to shareholders' interests;
- b. Long-term Orientation: To motivate employees to drive sustainable long-term growth;
- c. Simplicity: To ensure that the remuneration structure is easy to understand and communicate to stakeholders; and
- d. Synergy: To facilitate talent mobility and enhance collaboration across businesses.

The total remuneration structure comprises three components; that is, annual fixed cash, annual performance bonus and the KCL Share Plans. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances, which the Company benchmarks with the relevant industry market median. The size of the Company's annual performance bonus pot is determined by the Group's financial and non-financial performance, and is distributed to employees based on their individual performance. The KCL Share Plans are in the form of two share plans approved by shareholders, the KCL RSP and the KCL PSP. A portion of the annual

performance bonus is granted in the form of deferred shares that are awarded under the KCL RSP. The KCL PSP comprises performance targets determined on an annual basis. The KCL RSP and KCL PSP are long-term incentive plans which vest over a longer-term horizon. Executives who have a greater ability to influence Group outcomes have a greater proportion of their overall remuneration at risk. The Company performs regular benchmarking reviews on employees' total remuneration to ensure market competitiveness.

The RC exercises broad discretion and independent judgment in ensuring that the amount and mix of remuneration is aligned with the interests of shareholders and promotes the long-term success of the Company. The mix of fixed and variable reward is considered appropriate for the Group and for each individual role.

The remuneration structure is directly linked to corporate and individual performance, both in terms of financial and non-financial performance. This link is achieved in the following ways:

- a. by placing a significant portion of executives' remuneration at risk ("At Risk component") and subject to a vesting schedule;
- b. by incorporating appropriate key performance indicators ("KPIs") for awarding of annual performance bonus:
 - i. There are four scorecard areas that the Company has identified as key to measuring the performance of the Group – (i) Financial and Business Drivers; (ii) Process; (iii) Stakeholders; and (iv) People. Some of the key sub-targets within each of the scorecard areas include key financial indicators, safety goals, risk management, compliance and controls measures, sustainability efforts, employee engagement, talent development and succession planning; and
 - ii. The four scorecard areas have been chosen because they support how the Group achieves its strategic objectives. The framework provides a link for staff to understand how they contribute to each area of the scorecard, and therefore to the Company's overall strategic goals. This is designed to achieve a consistent approach and understanding across the Group. The RC reviews and approves the scorecard annually.

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- c. by selecting performance conditions for the KCL PSP awards, such as Total Shareholder Return, Return on Capital Employed and Net Profit that are aligned with shareholder interests;
- d. by requiring those KPIs or conditions to be met in order for the At Risk components of remuneration to be awarded or vested; and
- e. by forfeiting the At Risk components of remuneration when those KPIs or conditions are not met at a satisfactory level.

The RC also recognises the need for a reasonable alignment between risk and remuneration to discourage excessive risk taking. Therefore, in determining the remuneration structure, the RC had taken into account the risk policies and risk tolerance of the Group as well as the time horizon of risks, and incorporated risk-adjustments into the remuneration structure through several initiatives, including but not limited to:

- a. prudent funding of annual performance bonus;
- b. granting a portion of the annual performance bonus in the form of deferred shares, to be awarded under the KCL RSP;
- c. vesting of contingent share awards under the KCL PSP being subject to KPIs and/or performance conditions being met;
- d. potential forfeiture of variable incentives in any year due to misconduct; and
- e. requiring the executive director and key management personnel to hold a minimum number of shares under the share ownership guideline.

The RC is of the view that the overall level of remuneration is not considered to be at a level which is likely to promote behaviours contrary to the Group's risk profile.

In determining the actual quantum of the variable component of remuneration, the RC has taken into account the extent to which the performance conditions, set forth above, have been met. The RC is therefore of the view that remuneration is aligned to performance during FY 2019.

In order to align the interests of the executive director and key management personnel with that of shareholders, the executive director and key management personnel are remunerated partially in the form of shares in the Company and are encouraged to hold such shares while they remain in the employment of the Company. They are also required to hold a minimum number of shares ranging from 1.5 to more times of their annual fixed pay under the share ownership guideline so as to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

The directors, the CEO and the key management personnel (who are not directors or the CEO) are remunerated on an earned basis and there are no termination, retirement and post-employment benefits that are granted over and above what has been disclosed.

Long-Term Incentive Plans

KCL Share Plans

The KCL Share Plans are put in place to reward, retain and motivate employees to achieve superior performance and to motivate them to continue to strive for long-term shareholder value. The KCL Share Plans also aim to strengthen the Group's competitiveness in attracting and retaining talented key senior management and employees. The KCL RSP applies to a broader base of employees while the KCL PSP applies to a select group of key management

personnel. The range of performance targets to be set under the KCL PSP emphasise stretched or strategic targets aimed at sustaining longer-term growth.

Following the delisting of M1 in April 2019, a six-year M1 transformation plan was put in place to enhance and drive M1's long-term performance. Through the transformation plan, the Group seeks to develop and implement new strategic and operational plans to sharpen M1's competitive edge, increase its momentum in digital transformation and undertake growth initiatives.

Given the highly stretched goals set out in the M1 transformation plan, the Board has approved a remuneration model to align the transformation plan and key M1 executives' remuneration. The one-time Transformation Incentive Plans ("3-Year PSP-TI M1" and "6-Year PSP-TI M1"), which are awarded under the KCL PSP, are long-term incentive plans with three- and six-year performance periods respectively. Subject to meeting the performance conditions set, the vesting dates are in 2022 and 2025.

Executives will only benefit from the two PSP-TI M1 awards if M1 meets the stretched financial and non-financial targets linked to the M1 transformation plan, and if the executives meet or exceed their individual performance targets. In addition, the vested shares are subject to a selling moratorium of one year.

The RC has the discretion not to award variable incentives in any year if an executive is directly involved in a material restatement of financial statements, in misconduct resulting in restatement of financial statements, or in misconduct resulting in financial loss to the Company. Outstanding performance bonuses, KCL RSP and KCL PSP are also subject to the RC's discretion before further payment or vesting can occur.

Details of the KCL Share Plans are set out on pages 116 to 118.

**Level and mix of remuneration of Directors and Key Management Personnel (who are not also Directors or the CEO)
for the year ended 31 December 2019**

The level and mix of each of the director's remuneration are set out below:

Remuneration & Name of Director	Base/Fixed Salary (\$)	Performance-Related Cash Bonuses Earned ¹ (\$)	Directors' Total Fees ² (\$)		Benefits- in-Kind (\$)	Contingent Awards of Shares ³ (\$)		Total Remuneration (\$)
			Cash component ⁴	Shares component ⁴		PSP	RSP	
Loh Chin Hua	1,255,360	1,923,899	–	–	n.m. ⁵	2,044,000	1,956,228	7,179,487 ⁶
Lee Boon Yang	–	–	525,000	225,000	–	–	–	750,000
Tow Heng Tan ⁷	–	–	116,019	49,723	–	–	–	165,742
Alvin Yeo Khirn Hai	–	–	117,600	50,400	–	–	–	168,000
Tan Ek Kia	–	–	158,900	68,100	–	–	–	227,000
Danny Teoh	–	–	169,400	72,600	–	–	–	242,000
Tan Puay Chiang ⁸	–	–	104,429	44,755	–	–	–	149,184
Till Vestring	–	–	125,300	53,700	–	–	–	179,000
Veronica Eng	–	–	147,700	63,300	–	–	–	211,000
Jean-François Manzoni ⁹	–	–	105,410	45,176	–	–	–	150,586
Teo Siong Seng ¹⁰	–	–	12,634	5,415	–	–	–	18,049
Tham Sai Choy ¹⁰	–	–	12,634	5,415	–	–	–	18,049
Penny Goh ¹¹	–	–	–	–	–	–	–	–

Notes:

- ¹ The RC is satisfied that the quantum of performance-related cash bonuses earned by the executive director was fair and appropriate taking into account the extent to which his KPIs for FY 2019 were met.
- ² Based on the NEDs' fee structure set out earlier, the total fees amount to \$2,278,610. The directors' total fees are subject to shareholders' approval at the Company's AGM.
- ³ Shares awarded under the KCL PSP are subject to pre-determined performance targets over a three-year performance period. As at 30 April 2019, being the grant date for the contingent awards under the KCL PSP, the estimated value of each share was \$5.60. As at 17 February 2020, being the grant date for the contingent deferred shares award under the KCL RSP, the estimated value of each share was \$6.48. For the KCL PSP, the figures are based on the value of the PSP shares at 100% of the award and the figures may not be indicative of the actual value at vesting which can range from 0% to 150% of the award.
- ⁴ The amounts stated may be adjusted as indicated on page 83 of this report.
- ⁵ n.m. – not material
- ⁶ Total remuneration shown above for Mr Loh Chin Hua does not include vested share of carried interests for funds created during the time he was Managing Director at Alpha Investment Partners. These carried interests are only earned at the end of the fund life and depend entirely on the actual performance of the funds after they have been liquidated.
- ⁷ Mr Tow Heng Tan retired from the Board with effect from 1 November 2019. Concurrently, Mr Tow ceased to be a member of the Nominating Committee, Remuneration Committee and Board Risk Committee. Fees are prorated accordingly.
- ⁸ Mr Tan Puay Chiang retired from the Board with effect from 1 November 2019. Concurrently, Mr Tan ceased to be the Chairman of the Nominating Committee and a member of the Board Safety Committee. He ceased to be a member of the Board Risk Committee with effect from 2 January 2019. Fees are prorated accordingly.
- ⁹ Prof Jean-Francois Manzoni was appointed as a member of the Board Risk Committee with effect from 2 January 2019 and the Chairman of the Nominating Committee with effect from 1 November 2019. Fees are prorated accordingly.
- ¹⁰ Mr Teo Siong Seng and Mr Tham Sai Choy were appointed to the Board with effect from 1 November 2019. Fees are prorated accordingly.
- ¹¹ Mrs Penny Goh was appointed to the Board with effect from 2 January 2020.

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PSP and RSP Shares granted and vested for the Executive Director are shown below:

Name of Executive Director	PSP Awards	Vesting Date	Contingent Awards of PSP Shares	Number of PSP Shares Vested	Value of PSP Shares Vested (\$) ¹	RSP Awards	Vesting Date	Contingent Awards of RSP Shares	Number of RSP Shares Vested	Value of RSP Shares Vested (\$) ¹
Loh Chin Hua	2016 Awards	28 Feb 2019	0 to 450,000 ²	177,000	1,102,710	2016 Awards	9 Mar 2017	180,000	60,000	405,000
		28 Feb 2022	0 to 1,125,000 ³	–	–		28 Feb 2018		60,000	472,200
							28 Feb 2019		60,000	373,800
	2017 Awards	28 Feb 2020	0 to 495,000	–	–	2018 Awards	28 Feb 2018	272,352	90,784	714,470
							28 Feb 2019		90,784	565,584
							28 Feb 2020		–	–
	2018 Awards	26 Feb 2021	0 to 480,000	–	–	2019 Awards	28 Feb 2019	262,403	87,467	544,919
							28 Feb 2020		–	–
							26 Feb 2021		–	–
	2019 Awards	28 Feb 2022	0 to 547,500	–	–	2020 Awards	28 Feb 2020	301,887	–	–
							26 Feb 2021		–	–
							28 Feb 2022		–	–

Notes:

¹ The value of the shares vested under KCL PSP and RSP is computed based on the market price of the shares when the shares are credited to the employee's CDP account. The RC is satisfied that the value of the shares vested under the KCL PSP and RSP to the executive director was fair and appropriate taking into account the extent to which his KPIs and performance conditions for FY 2019 were met.

² Refers to contingent shares awarded under the KCL PSP.

³ Refers to one-time contingent shares awarded under the KCL PSP-TIP.

The total remuneration paid to the key management personnel (who are not directors or the CEO) in FY 2019 was \$16,584,212. The level and mix of each of the key management personnel (who are not also directors or the CEO) in bands of \$250,000 are set out below:

Remuneration Band & Name of Key Management Personnel	Base/Fixed Salary (%)	Performance-Related Cash Bonuses Earned ¹ (%)	Benefits-in-Kind (%)	Contingent Awards of Shares	
				PSP (%)	RSP (%)
Above \$3,500,000 to \$3,750,000					
Chan Hon Chew	21	27	n.m.	24	28
Above \$3,250,000 to \$3,500,000					
Ong Tiong Guan	19	28	n.m.	25	28
Above \$2,750,000 to \$3,000,000					
Tan Hua Mui, Christina ²	22	26	n.m.	26	26
Above \$2,000,000 to \$2,250,000					
Tan Swee Yiow	31	23	n.m.	22	24
Above \$1,750,000 to \$2,000,000					
Ong Leng Yeow, Chris	27	19	n.m.	35	19
Above \$1,500,000 to \$1,750,000					
Pang Thieng Hwi, Thomas	28	26	n.m.	20	26
Above \$1,250,000 to \$1,500,000					
Manjot Singh Mann	48	31	6	– ³	15

Notes:

¹ The RC is satisfied that the quantum of performance-related bonuses earned by the key management personnel was fair and appropriate, taking into account the extent to which their KPIs for FY 2019 were met.

² Total remuneration shown above for Ms Tan Hua Mui, Christina does not include vested share of carried interests for funds created during the time she was Managing Director at Alpha Investment Partners. These carried interests are only earned at the end of the fund life and depend entirely on the actual performance of the funds after they have been liquidated.

³ In addition to the remuneration disclosed above, Mr Manjot Singh Mann was granted performance shares on a one-off basis under the 3-year and 6-year KCL PSP-TI M1 awards on 17 February 2020. The total allocation value of the awards is estimated at \$600,000.

Remuneration of employees who are immediate family members of a Director or the Chief Executive Officer

No employee of the Company and its subsidiaries was an immediate family member of a director or the CEO and whose remuneration exceeded \$100,000 during the financial year ended 31 December 2019. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

AUDIT COMMITTEE

Principle 10:

The Board has an Audit Committee which discharges its duties objectively.

The Audit Committee (AC) comprises all independent directors, namely:

- Mr Danny Teoh
Independent Chairman
- Mr Alvin Yeo
Independent Member
- Ms Veronica Eng
Independent Member
- Mr Tan Ek Kia
Independent Member
- Mr Tham Sai Choy
(from 1 February 2020)
Independent Member
- Mrs Penny Goh
(from 1 February 2020)
Independent Member

The AC's primary role is to assist the Board with ensuring the integrity of financial reporting and the adequacy and effectiveness of the system of internal controls and risk management. The AC has explicit authority to investigate any matter within its responsibilities, full access to and co-operation by management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources (including access to external consultants) to enable it to discharge its responsibilities properly.

Mr Danny Teoh, Ms Veronica Eng and Mr Tham Sai Choy have recent, relevant and in-depth experience in accounting and related financial management expertise. Mr Alvin Yeo has in-depth knowledge of the responsibilities of the AC, and practical experience and knowledge of the issues and considerations affecting the Committee from serving on the audit committee of other listed companies. Mr Tan Ek Kia, who is a seasoned executive in the oil and gas, and petrochemicals businesses and had held senior positions in Shell, has sufficient financial management knowledge and experience to discharge his responsibilities as a member of the Committee. Mrs Penny Goh has extensive

experience in a broad range of corporate real estate transactions for commercial, industrial and logistics projects in Singapore and the Asia Pacific, involving investment, joint development and profit participation structures, and has practical knowledge of issues and considerations affecting the Committee to discharge her responsibilities as a member of the Committee. Mr Danny Teoh, Mr Tan Ek Kia, Ms Veronica Eng, Mr Tham Sai Choy and Mrs Penny Goh are also members of the Board Risk Committee (BRC), with Ms Veronica Eng being the Chairperson of the BRC. None of the members of the AC were partners or directors of the Company's existing external auditors within the last two years and none of the members of the AC holds any financial interest in the auditing firm.

The detailed terms of reference of the Committee are set out on page 95 herein.

AUDIT

The AC met with the external auditors five times, and with the internal auditors five times during the year, and, in each case, at least one of these meetings was conducted without the presence of management.

The AC reviewed and approved the Group's external auditor's audit plan for the year and assessed the quality of the work carried out by the external auditors in accordance with the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority (ACRA), and is satisfied with the performance. Taking into account the requirements under the Accountants Act (Chapter 2) of Singapore, the AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the audit and non-audit fees awarded to them, and has confirmed that the non-audit services performed by the external auditors would not affect their independence. For details of fees payable to the auditors in respect of audit and non-audit services, please refer to Note 26 of the Notes to the Financial Statements on page 181.

The Company has complied with Rules 712, and Rule 715 read with 716 of the SGX Listing Manual in relation to its auditing firms.

The Company also has an in-house internal audit team ("Group Internal Audit"), which together with the external auditors, report their findings and recommendations to the AC independently. The role of Group Internal Audit is to provide independent assurance to the AC to ensure that the Company maintains a sound system of internal controls. In this aspect, Group Internal Audit conducts regular reviews of the adequacy

and effectiveness of the Group's material internal controls, including financial, operational, compliance and IT controls and risk management. Any significant non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. They also undertake investigations as directed by the AC.

Group Internal Audit has direct access to the AC and unfettered access to all the Group's documents, records, properties and personnel. The AC approves the hiring, removal, evaluation and compensation of the Head of Group Internal Audit, whose primary line of reporting is to the Chairman of the AC, with an administrative reporting line to the CEO of the Company. The AC also reviewed the adequacy and effectiveness of Group Internal Audit and is satisfied that the team is independent and adequately resourced with persons with relevant qualifications and experience, and has appropriate standing within the Company. Group Internal Audit attends the Company's and the Group's key strategy sessions and executive meetings, and is staffed with professionals with sufficient expertise in corporate governance, risk management, internal controls and other relevant disciplines. The AC also reviewed the training costs and programmes attended by Group Internal Audit to ensure that their technical knowledge and skill sets remain current and relevant.

As a member of the Institute of Internal Auditors ("IIA"), Group Internal Audit is guided by the International Professional Practices Framework set by the IIA. External quality assessment reviews are carried out at least once every five years by qualified professionals, with the last assessment conducted in 2016. The results re-affirmed that the internal audit activity conforms to the International Standards for the Professional Practice of Internal Auditing (Standards). Group Internal Audit staff perform a yearly declaration of independence and confirm their adherence to Keppel's Code of Conduct as well as the Code of Ethics established by the IIA, from which the principles of objectivity, competence, confidentiality and integrity are based.

The purpose, authority and responsibility of Group Internal Audit are formally defined in an internal audit charter, which is approved by the AC. The internal audit charter establishes Group Internal Audit's position within the organisation, including the nature of its functional reporting relationship with the AC; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

CORPORATE GOVERNANCE

The Charter mandates that Group Internal Audit to maintain a quality assurance and improvement programme that cover all aspects of the internal audit activity, including the evaluation of its conformance with the Standards, and an evaluation of whether internal auditors apply the IIA's Code of Ethics.

During the year, Group Internal Audit adopted a risk-based auditing approach that focuses on key risks, including financial, operational, compliance and IT risks. An annual audit plan was developed using a structured risk and control assessment framework, and this plan was reviewed and approved by the AC to ensure that the risk-based plan sufficiently covered the effectiveness of controls to mitigate the significant financial, operational, compliance and IT risks of the Company. Audits are planned based on the results of the assessment, with priority given to auditing the areas of highest risk within the Company. All Group Internal Audit's reports are submitted to the AC for deliberation, with copies of these reports extended to the Chairman, CEO and relevant senior management personnel. In addition, significant audit findings and recommendations put up by the internal and external auditors are reported to the AC and discussed at AC meetings. To ensure timely and adequate disclosure of audit findings, the status of implementation of the actions agreed by management is tracked and discussed with the AC. The AC also reviews the effectiveness of the actions taken by management on the recommendations made by Group Internal Audit and the external auditors.

Financial matters

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the external auditors in their quarterly meetings with the AC. In addition, AC members are invited to the Company's annual finance seminars where relevant changes to the accounting standards that will impact the Keppel Group of Companies are shared by and discussed with accounting practitioners from one of the leading accounting firms.

In 2019, the AC performed an independent review of the financial statements of the Company before the announcement of the Company's quarterly and full-year results. In the process, the Committee reviewed the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a material impact on the financials.

In its review of the financial statements of the Group and the Company for FY 2019,

the AC reviewed the key areas of management's estimates and judgment applied for key financial issues, including valuation and assessment of impairment of assets, recoverability of contract assets and stocks, financial exposure in relation to contracts with Sete Brasil, global resolution with criminal authorities in relation to corrupt payments, revenue recognition, and the purchase price allocation and impairment assessment of goodwill arising from the acquisition of M1, that might affect the integrity of the financial statements. The AC also considered the report from the external auditors, including their findings on the key audit matters as set out in the independent auditor's report for the financial year ended 31 December 2019.

In addition to the findings of the external auditors, the AC took into consideration the methodology applied in determining the valuation and value-in-use of different asset classes, including the reasonableness of the estimates and key assumptions used. The AC also reviewed management's assessment of recoverability of contract assets and stocks, as well as financial exposure in relation to contracts with Sete Brasil, including cash flow estimates relating to the settlement agreement between the Group and Sete Brasil, as well as a proposal by Magni Partners (Bermuda) Ltd, assessment on whether there was a potential for any additional provision in relation to the corrupt payments, as well as estimates of the total costs and physical proportion of work completed in determining the stage of completion. Furthermore, external independent valuations as well as opinions from internal and external legal counsels, where applicable, were considered when reviewing management's assessment.

The AC concurs with the methodology, accounting treatment and estimates adopted, as well as the disclosures made in the financial statements for each of the key audit matters set out by the external auditors in their report.

Whistle-Blower Policy

The AC has reviewed the "Keppel Whistle-Blower Policy" (the "Policy") which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in business conduct, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up actions. To facilitate the management of incidences of alleged fraud or other misconduct, the AC is guided by a set of guidelines to ensure proper conduct of investigations and appropriate closure actions following completion of the investigations including administrative,

disciplinary, civil and/or criminal actions, and remediation of control weaknesses that perpetrated the fraud or misconduct so as to prevent a recurrence. Significant matters raised through the whistle-blowing channel are reported to the Board.

The details of the Policy are set out on page 99 hereto. The AC reviews the Policy yearly to ensure that it remains current.

Interested Person Transaction

On a quarterly basis, management reported to the AC the interested person transactions ("IPTs") in accordance with the Company's Shareholders' Mandate for IPT. The IPTs were reviewed by the internal auditors. All findings were reported during AC meetings.

RISK MANAGEMENT AND INTERNAL CONTROLS**Principle 9:**

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Board Risk Committee

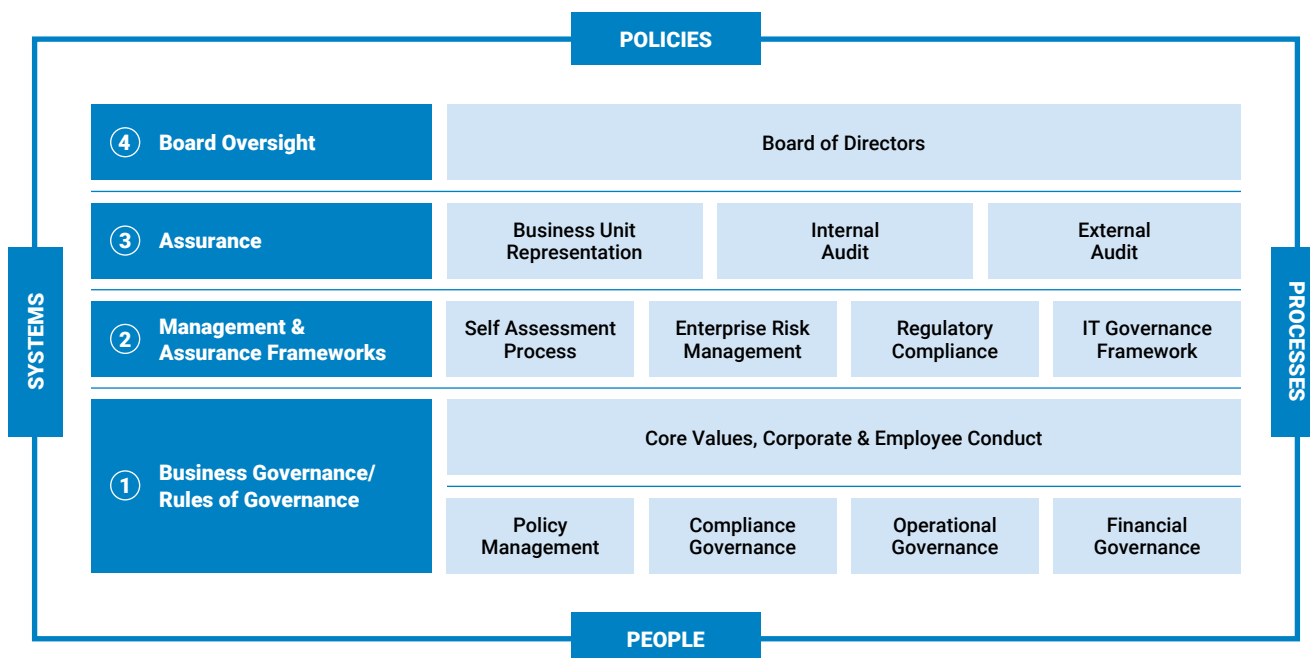
For FY 2019, the BRC comprised entirely NEDs, majority of whom (including the Chairman) are independent, namely:

- Ms Veronica Eng
Independent Chairperson
- Mr Danny Teoh
Independent Member
- Mr Tow Heng Tan
(up to 30 October 2019)
Non-Executive and
Non-Independent Member
- Mr Tan Ek Kia
Independent Member
- Mr Tan Puay Chiang
(up to 1 January 2019)
Independent Member
- Prof Jean-François Manzoni
Independent Member
- Mr Tham Sai Choy
(from 1 February 2020)
Independent Member
- Mrs Penny Goh
(from 1 February 2020)
Independent Member

Following the retirement of Mr Tow Heng Tan on 1 November 2019, the BRC now comprises entirely independent directors.

The BRC considers the nature and extent of the significant risks which the Company may take in achieving its strategic objectives and value creation; and reviews and guides management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks to safeguard shareholders' interests and

KEPPEL'S SYSTEM OF MANAGEMENT CONTROLS



the Group's assets, and ensure corporate sustainability. The Committee reports to the Board on critical risk issues, material matters, findings and recommendations.

The detailed terms of reference of this Committee are disclosed on page 95 herein.

Group Risk and Compliance, working in conjunction with the business teams, have supported management in applying the Enterprise Risk Management (ERM) Framework to ensure that significant risks across the Group are assessed and adequately mitigated. This is performed through the monitoring of risk matters across the Group, conduct of training, site visits, participation at IMPAC meetings, and implementation of risk-related policies and standards. The ERM Framework was established to guide Group entities in managing risks and also facilitate the Board's assessment of the adequacy and effectiveness of the Group's systems and processes in managing risks. It lays out the governance mechanisms and principles, as well as the policies, processes and systems pertaining to how Group entities should identify, assess, mitigate, communicate and monitor or escalate significant risk matters.

Risk assessments are performed at each business unit and agreed with senior management before being consolidated to form the Group risk assessment. Further assessments are performed at the Group and articulation of each key risk area, grouped by sub-groups within Strategic, Operational, Compliance and Financial risk, and the

mitigation plans where applicable, are provided to the Board and BRC at quarterly meetings. This is complemented by education and awareness, resources and expertise, as well as assessment or feedback, which are ongoing in nature.

The Group's approach to risk management and the key risks of the Group are set out in the Risk Management section on page 106 of this report. The Group is guided by a set of Risk Tolerance Guiding Principles, as disclosed on page 106.

The Group also has in place Keppel's System of Management Controls Framework (the "Framework") outlining the Group's internal controls and risk management processes and procedures. The Framework comprises three Lines of Defence towards ensuring the adequacy and effectiveness of the Group's system of internal controls and risk management.

Under the first Line of Defence, management is required to ensure good corporate governance through the implementation and management of policies and procedures relevant to the Group's business scope and environment. Such policies and procedures govern financial, operational, IT and regulatory compliance matters and are reviewed and updated periodically. Compliance governance is governed by the respective regulatory compliance management committees and working teams. Employees are also guided by the Group's core values and expected to comply strictly with Keppel's Code of Conduct.

Under the second Line of Defence, significant business units are required to conduct a self-assessment exercise on an annual basis. This exercise requires such business units to assess the status of their respective internal controls and risk management processes via self-assessment. Where required, action plans are developed to remedy identified control gaps. As described under the Group's ERM Framework, significant risk areas of the Group are also identified and assessed, with systems, policies and processes put in place to manage and mitigate the identified risks beyond internal thresholds of appetite. It includes the reporting and oversight structure involving both boards and management of the Group and business divisions and seeks to embed sound risk management practices in business decisions and operations across Group entities. Regulatory Compliance supports and works alongside management to ensure that relevant policies, processes and controls are effectively designed, managed and implemented to ensure compliance risks and controls are effectively managed.

Under the third Line of Defence, to assist the Group to ascertain the adequacy and effectiveness of the Group's internal controls, business units' CEOs and Chief Financial Officers (CFOs) are required to provide the Group with written assurances as to the adequacy and effectiveness of their system of internal controls and risk management. Such assurances are also sought from the Group's internal and external auditors based on their independent assessments.

CORPORATE GOVERNANCE

Enhancements to Compliance Programme in FY 2019

At Keppel, accountability is a core value. As our Code of Conduct states, "we care how results are achieved, not just that they are attained." Implementing that core value by enhancing our regulatory compliance process and reminding every Keppelite of that value is a focus of attention for us, our boards, officers and line managers globally.

This section provides an overview of the improvements and enhancements that have been made to strengthen Keppel's compliance programme over the past year. Further details of our compliance initiatives are set out on pages 110 to 112 of this report. The Company is committed to a continuous review and, where necessary and appropriate, further improvements and enhancements to the Group's compliance programme will be made.

The Group has taken the following steps over the past year to further enhance its internal controls, policies and procedures:

- i. implementing a Group Culture Survey in the fourth quarter of 2019, which is designed to measure compliance-related awareness and gauge the culture towards risk, compliance and internal controls. It will be used to ascertain areas for improvement as part of the Group's ongoing monitoring and enhancement of its compliance programme;
- ii. hiring an additional full-time compliance manager at Keppel O&M who comes with experience from two of the Big Four accounting firms in the areas of forensics, anti-bribery and corruption investigations and compliance, and anti-money laundering compliance;
- iii. strengthening its control assurance function with the hire of a senior manager, as well as hiring and integrating professional and experienced compliance officers in each business unit and increasing the Group's internal audit headcount;
- iv. formally adopting a Group Mergers & Acquisitions Compliance Due Diligence Policy, which sets forth the roles and responsibilities of stakeholders, provides guidance as to mandatory due diligence during the mergers and acquisitions process, including guidance as to what to look for, and provides a mechanism for consultations and exceptions;
- v. regular messaging by the Group's and each business unit's senior management stressing the importance of compliance;

- vi. regular discussions on compliance issues and matters at meetings of senior management, core functions, and board (or board committee) levels;
- vii. compliance procedures, processes and controls were subject to independent reviews by Group Internal Audit, in particular within their scope of thematic audits conducted during the year;
- viii. updating of the Group Gifts and Hospitality Policy and the Group Donations and Sponsorship Policy;
- ix. operationalising the Group Disciplinary Procedure Guide, which provides a practical guide for the handling of allegations of employee misconduct in a fair, rational, and consistent manner across the Group. It sets forth the various stages of disciplinary process and provides possible consequences for violations of Group policies, depending on the severity of the infraction;
- x. instituting a quarterly Group-wide risk, compliance and controls newsletter; and
- xi. enhancements to the Group's Whistle-Blower Policy with centralised procedures and whistle-blower reporting channels, including an email hotline, local toll-free whistle-blower hotlines for Singapore, Brazil, China, USA, Vietnam, Indonesia, Philippines, Australia, UK and Germany respectively, and an online reporting portal. New whistle-blower posters were also rolled out across all of the Group's business units. The manning of these reporting channels has been outsourced to a third party (KPMG).
- ii. a Supplier Code of Conduct, to integrate Keppel's sustainability principles across our supply chain, and positively influence the environmental, social and governance performance of our suppliers. Suppliers of the Group are expected to abide by the Supplier Code of Conduct, which covers areas pertaining to business conduct (including specific anti-bribery provisions), labour practices, safety and health, and environmental management;
- iii. risk-based due diligence process for all third-party associates who represent Keppel Group in business dealings, including our joint venture partners, to assess the compliance risk of the business partner; and
- iv. the dedicated independent Group-wide compliance function has reporting lines independent of business divisions. The Head of the Group's compliance function has a primary line of reporting to the Chairman of the BRC, with an administrative reporting line to the CFO of the Company.

The Group's compliance programme is and will be subjected to periodic reviews to ensure it meets the following standards:

1. Board and Senior Management Commitment

The Group's senior management, including members of the Board, provide continuous, clear and explicit support to the compliance programme.

2. Policies and Procedures

The Group continuously implements and communicates its corporate policy against violations of any anti-corruption laws. This policy has been and will continue to be documented in writing, include appropriate measures to reduce the prospect of violations of anti-corruption laws, and encourage and support the observance of compliance policies and procedures by personnel at all levels of the Group. These anti-corruption policies and procedures apply to all directors, officers and employees and, where necessary and appropriate, outside parties acting on behalf of Keppel, including but not limited to, agents and intermediaries, consultants, representatives, partners and suppliers.

Individuals at all levels of Keppel comply with Keppel's Code of Conduct and its compliance policies and procedures.

In 2019, Keppel O&M also completed the ISO 37001 (Anti-Bribery Management System) certification for its global operations in USA, Brazil, Middle East, China, Philippines, India and Bulgaria, thus completing the attainment of ISO 37001 certification at all Keppel O&M operating entities in Singapore and globally.

The Group's Compliance Programme

The Group's compliance programme also includes the following:

- i. a compliance governance structure that is overseen by a Regulatory Compliance Management Committee and Regulatory Compliance Working Team, bringing together senior management, compliance personnel, and other core function leads to discuss compliance enhancements and address compliance issues as they arise;

Such policies and procedures address, among other areas:

- a. gifts;
- b. hospitality, entertainment and expenses;
- c. agent fees;
- d. political contributions;
- e. donations and sponsorships;
- f. facilitation payments; and
- g. solicitation and extortion.

The Group ensures that:

- a. books, records and accounts are in reasonable detail, and accurately and fairly reflect the transactions and disposition of assets; and
- b. the Group develops and maintains a system of internal accounting controls, sufficient to provide reasonable assurance that:
 - i. transactions are performed in accordance with the Group's general guidelines or specific authorisation;
 - ii. transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets;
 - iii. access to assets shall only be permitted in accordance with the Group's general guidelines or specific authorisation; and
 - iv. the recorded accountability for assets shall be compared with the existing assets at reasonable intervals and appropriate action be taken with respect to any differences.

3. Periodic Risk-Based Review

The Group continues to enhance its compliance policies and procedures on the basis of a periodic risk assessment to ensure their continued effectiveness, taking into account relevant developments such as international and industry standards, and addressing the individual circumstances of the Group, and in particular corruption risks, including but not limited to its geographical organisation and sectors of industrial operation.

4. Training and Orientation

The Group continuously ensures that its compliance policies and procedures are communicated effectively to all employees, including officers, directors,

and where necessary, appropriate agents and business partners. These mechanisms include:

- a. periodic focused "gate-keeper" training for senior management members (including directors), employees in positions of leadership, targeted training for employees in positions otherwise exposed to corruption risks, and where necessary and appropriate, compliance training for agents and business partners and annual e-training for directors, officers and employees; and
- b. corresponding certifications by such senior management members (including directors), employees, agents and business partners, acknowledging their understanding of policies and conformity with training requirements.

5. Internal Reporting, Communication and Investigation

The Group maintains a system for the internal reporting/communication of potential violations of compliance policies and procedures and applicable laws, that ensures as far as possible confidentiality to the whistle-blower and investigation subjects.

The Group maintains a process for receiving internal reports/communications with sufficient resources to respond and document allegations of violations of compliance policies, procedures and applicable laws. When necessary, the Group undertakes independent investigations of the alleged violations.

6. Enforcement and Discipline

The Group maintains and, where necessary, improves its mechanisms designed to effectively enforce its compliance policies and procedures including, where appropriate, the imposition of disciplinary measures in the case of violations. In 2019, the Group operationalised its Group Disciplinary Procedure Guide which provides a practical guide for the handling of allegations of employee misconduct in a fair, rational and consistent manner across the Group.

The Group institutes disciplinary measures with reference to, among other things, violations of compliance policies and procedures and applicable laws by its senior management (including directors) and employees. Such procedures are applied consistently and fairly, regardless of the position held by, or the perceived

importance of the senior management member (including directors) or employee. Where misconduct is discovered, measures are taken promptly to cease the misconduct or irregularities and remedy the harm resulting from such misconduct.

7. Third-Party Relationships

The Group continues to implement the following procedures with reference to its agents and business partners:

- a. due diligence relating to the hiring of third-parties;
- b. appropriate oversight of third-parties; and
- c. seeking reciprocal commitments regarding ethical conduct from third-parties, associates and business partners.

When necessary, the Group includes in contracts with third-parties, agents and business partners, anti-corruption provisions, which may include the following:

- a. commitment to act in accordance with applicable laws;
- b. right to conduct audits of the books and records of third-parties, agents or business partners; and
- c. right to terminate a contract due to violations of compliance policies and procedures or any applicable anti-corruption laws by any third-party, agent or business partner.

8. Mergers, Acquisitions and Corporate Restructuring

The Group implemented a Mergers and Acquisitions Compliance Due Diligence process which gives guidance and sets out requirements for compliance due diligence checks and steps to be performed on potential mergers and acquisitions target entities.

The Group applies its compliance codes, policies and procedures in a speedy and efficient manner to newly acquired businesses or entities, and conducts training for new employees, senior management (including directors), agents and business partners.

9. Monitoring and Developments

The Group conducts continuous monitoring of its compliance programme to enhance its effectiveness in preventing and detecting violations of its compliance policies, procedures and applicable law.

CORPORATE GOVERNANCE

Annual Assurance

The Board has received assurance:

- a. from the CEOs and CFOs of each of the Group's business divisions and the CEO and CFO of the Company that, as at 31 December 2019, the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2019 give a true and fair view of the Group's operations and finances; and
- b. from CEO and CFO of the Company, CEOs and CFOs of each of the Group's business divisions, and other key management personnel responsible for risk management and internal control systems that, as at 31 December 2019, the Group's internal controls (including financial, operational, compliance and IT controls) and risk management systems are adequate and effective to address the risks which the Group considers relevant and material to its operations.

Based on the internal controls and enterprise-wide risk management framework established and maintained by the Group, work performed by internal and external auditors, and reviews performed by management, the AC and BRC, as well as the assurances set out above, the Board is of the view that, as at 31 December 2019, the Group's internal controls (including financial, operational, compliance and IT controls) and risk management systems were adequate and effective to address the

risks which the Group considers relevant and material to its operations.

The Board notes that the system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud and other irregularities.

The AC and BRC concur with the Board's view that, as at 31 December 2019, the Group's internal controls (including financial, operational, compliance and IT controls) and risk management systems were adequate and effective to address the risks which the Group considers relevant and material to its operations.

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

Principle 11:

The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Principle 12:

The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Principle 13:

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Board is responsible for providing a balanced and understandable assessment of the Company's and Group's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required).

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET, press releases, the Company's website, public webcast and media and analyst briefings. The Company's Annual Report (AR) is accessible on the Company's website, and can be viewed or downloaded from the AR microsite at www.kepcorp.com/annualreport2019, and shareholders are encouraged to read the AR on the Company's website. Shareholders may, however, request for a physical copy at no cost.

The Company's Corporate Communications Department (with assistance from the Group Finance and Group Legal departments, when required) regularly communicates with shareholders and receives and attends to their queries and concerns.

The Company treats all its shareholders fairly and equitably and keeps all its shareholders and other stakeholders informed of its corporate activities, including changes in the Company or its business which would be likely to materially affect the price or value of its shares, on a timely basis.

The Company has in place an Investor Relations Policy which sets out the



Senior management of Keppel addressed questions from media and analysts at the Company's 4Q & FY 2019 results briefing.

principles and practices that the Company applies to provide shareholders and prospective investors with information necessary to make well-informed investment decisions and to ensure a level playing field. The Investor Relations Policy is published on the Company's website at www.kepcorp.com, and sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions. This is to allow for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.

The Company's mobile-responsive website is regularly updated with the latest information. These include latest updates on business and operations, quarterly financial statements and dividend information, materials provided at analysts and media briefings, annual reports, as well as information on general meetings including presentations and minutes. Contact details of the Investor Relations department are also set out on the website to facilitate any queries from investors. In FY 2019, the Company revamped its corporate website with added features and content to enhance user experience and access to information.

The Company employs various platforms to effectively engage stakeholders and the investment community, with an emphasis on timely, accurate, fair and transparent disclosure of information. Engagement with stakeholders takes many forms, including live webcasts of financial results and presentations, email communications, publications and content on the Company's corporate website, as well as visits to the Company's facilities and projects.

On 7 February 2020, the SGX's rule on risk-based quarterly reporting came into effect, whereby listed companies may, unless otherwise required by the SGX, report their results semi-annually. The Company welcomes SGX's move for companies to take a longer-term perspective on growth. In view of the voluntary pre-conditional partial offer by Kyanite Investment Holdings Pte. Ltd. (an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited), the Company will continue quarterly reporting for the duration of the

offer period and move to semi-annual reporting thereafter.

The Company stands committed to engaging shareholders through clear, timely and consistent communications, and maintaining our interactions with the investment community. After the move to semi-annual reporting, the Company plans to provide business updates to shareholders in between its half-yearly financial reports.

In addition to shareholder meetings, senior management meets investors, analysts and the media, as well as travels on roadshows, and participates in industry conferences organised by major brokerage firms to solicit and understand the views of the investment community. In FY 2019, the Company hosted about 160 meetings and conference calls with institutional investors, including several site visits to its residential and commercial properties in China and Vietnam. Management also travelled for non-deal roadshows and conferences to meet overseas investors in Bangkok, Boston, Edinburgh, Hong Kong, Kuala Lumpur, London and New York.

The Company engages retail shareholders at the general meeting. In addition, the Company has, since 2017, been collaborating with the Securities Investors Association (Singapore) to hold briefings for retail shareholders. In FY 2019, senior management briefed about 150 retail shareholders on the Company's strategy and performance.

All materials presented on these occasions are also made available on SGXNET and the Company's website in a timely manner, to ensure fair disclosure of information for the benefit of all shareholders.

The Company's general meetings are held in central locations which are easily accessible by public transportation, ensuring that shareholders have the opportunity to participate effectively and vote at shareholders' meetings. Shareholders are informed of the meetings through notices published in the newspapers and via SGXNET, and reports or circulars sent or made available to all shareholders. Shareholders are invited, at such meetings, to put forth any questions they may have on the motions to be debated and decided upon, and vote on the resolutions at

shareholders' meetings. Such resolutions include matters of significance to shareholders such as, where applicable, proposed amendments to the Company's constitution, the authorisation to issue additional shares, the transfer of significant assets and the remuneration of NEDs. Shareholders are also informed of the rules, including voting procedures, governing such meetings.

If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance. Specified intermediaries, such as banks and capital markets services licence holders which provide custodial services, may appoint more than two proxies. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate in shareholders' meetings. Such indirect investors, where so appointed, will have the same rights as direct investors to vote at the shareholders' meetings.

At shareholders' meetings, each distinct issue is proposed as a separate resolution. Such resolutions include matters of significance to shareholders such as, where applicable, proposed amendments to the Company's constitution, the authorisation to issue additional shares, the transfer of significant assets, re-election of directors and the remuneration of NEDs. The rationale for the resolutions to be proposed at the meeting is set out in the notices to the meeting or its accompanying appendices. However, where the issues are interdependent and linked so as to form one significant proposal, the Company may propose "bundled resolutions" and will set out the reasons and material implication in the notices to the meeting or its accompanying appendices.

To ensure transparency, the Company conducts electronic poll voting for shareholders/proxies present at the meeting for all the resolutions proposed at the general meetings. A scrutineer is also appointed to count and validate the votes cast at the meetings. Votes cast for and against and the respective percentages, on each resolution will be displayed live to shareholders/proxies immediately after each poll is conducted. The total number of votes cast for or against the resolutions and the respective percentages are also announced in a timely manner after the

CORPORATE GOVERNANCE

general meeting via SGXNET. Each share is entitled to one vote.

Where possible, all directors will attend shareholders' meetings. The Chairmen of the Board and each board committee are required to be present to address questions at shareholders' meetings. External auditors are also present at such meetings to assist the directors to address shareholders' queries, if necessary.

The constitution of the Company allows for absentia voting at general meetings. However, the Company is not implementing absentia voting methods such as voting via mail, email or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company Secretaries prepare minutes of shareholders' meetings, which incorporate substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and management. These minutes are available to shareholders upon request. All minutes of the general meeting will be published on the Company's website as soon as practicable.

The Company is committed to rewarding shareholders fairly and sustainably, while balancing the payment of dividends with its capital requirements to ensure that the best interests of the Company are served. While it does not have a formal dividend policy, the Company has a consistent track record for distributing about 40% to 50% of its annual net profit as dividends. Any payment of interim dividend or, upon

receipt of shareholders' approval at annual general meetings, final dividend, will be paid to all shareholders in an equitable and timely manner. For FY 2019, the Company will be paying out a total cash dividend of 20.0 cents per share to shareholders. The total dividend for FY 2019 represents a payout ratio of 51%.

The Company has identified and prioritised its material environmental, social and governance issues. An overview of the Company's approach to sustainability management can be found on pages 26 to 29 of this report.

The Company defines its stakeholders to be individuals, groups of individuals or organisations that affect and/or could be affected by Keppel's activities, products or services and associated performance. The Company engages its stakeholders regularly in the determination of its material areas of focus. Materiality assessments are important components of Keppel's sustainability strategy and reporting. The Company's materiality assessments are based on the Global Reporting Initiative (GRI) Principles for Defining Report Content – stakeholder inclusiveness, sustainability context, materiality and completeness. Materiality with respect to sustainability reporting, as defined by GRI Standards, includes topics and indicators that reflect the organisation's significant economic, environmental and social impacts; and would substantively influence the assessments and decisions of stakeholders. In FY 2019, the Company enhanced its sustainability reporting framework and

material environmental, social and governance factors, taking into account findings from a comprehensive stakeholder consultation exercise, conducted from December 2018 to April 2019.

More details of the Company's management approach, priorities, targets and performance reviews in key areas will be made available through its externally audited Sustainability Report, prepared in accordance with the GRI Standards, published annually in May.

SECURITIES TRANSACTIONS

Insider Trading Policy

The Company has a formal Insider Trading Policy and Guidelines on Disclosure of Dealings in Securities on dealings in the securities of the Company and its listed subsidiaries and associated companies, which sets out the implications of insider trading and guidance of such dealings, including the prohibition on dealings with the Company's securities on short-term considerations. The policy and guidelines have been distributed to the Group's directors and officers. The Company had, in FY 2019, issued circulars to its directors and officers informing them that the Company and its officers must not deal in listed securities of the Company one month before the release of the full-year results and two weeks before the release of quarterly results, and if they are in possession of unpublished price-sensitive information. Directors and CEO are also required to report their dealings in the Company's securities within two business days.

APPENDIX 1 BOARD COMMITTEES – RESPONSIBILITIES

A. Audit Committee

- 1.1 Review financial statements and formal announcements relating to financial performance, and review significant financial reporting issues and judgments contained in them, for better assurance of the integrity of such statements and announcements.
- 1.2 Review and report to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and IT controls (such reviews can be carried out internally or with the assistance of any competent third parties).
- 1.3 Review audit plans and reports of the external auditors and internal auditors, and consider the effectiveness of actions taken by Management on the recommendations and observations.
- 1.4 Review the scope and results of the external audit and independence and objectivity of the external auditors.
- 1.5 Review the nature and extent of non-audit services performed by the external auditors, to ensure their independence and objectivity.
- 1.6 Meet with external auditors and internal auditors, without the presence of Management, at least annually.
- 1.7 Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors.
- 1.8 Review the adequacy and effectiveness of the internal audit function, at least annually.
- 1.9 Ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, at least annually.
- 1.10 Approve the hiring, removal, evaluation and compensation of the Head of Internal Audit, or the accounting/auditing firm or corporation to which the internal audit function is outsourced.
- 1.11 Review the Company's procedures for detecting fraud, its Whistle-Blower Policy, the arrangements by which employees of the Company and any

other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

- 1.12 Review interested person transactions to ensure they are on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders.
- 1.13 Investigate any matters within the Committee's purview, whenever it deems necessary.
- 1.14 Report to the Board on material matters, findings and recommendations.
- 1.15 Review the Committee's terms of reference annually and recommend any proposed changes to the Board for approval.
- 1.16 Perform such other functions as the Board may determine.
- 1.17 Ensure that the internal auditors and external auditors have direct and unrestricted access to the Chairman of the Committee.
- 1.18 Sub-delegate any of its powers within its terms of reference as listed above from time to time as the Committee may deem fit.

B. Board Risk Committee

- 1.1 Obtain recommendations on risk tolerance and strategy from Management, and where appropriate, report and recommend to the Board for its determination the nature and extent of significant risks which the Group overall may take in achieving its strategic objectives and the overall Group's levels of risk tolerance and risk policies.
- 1.2 Review and discuss, as and when appropriate, with Management the Group's risk governance structure and framework including risk policies, risk strategy, risk culture, risk assessment, risk mitigation and monitoring processes and procedures.
- 1.3 Review the IT governance and cyber security framework to ascertain alignment with business strategy and Group risk tolerance including monitoring the adequacy of IT capability and capacity to ensure business objectives are

well-supported with adequate measures to safeguard corporate information, operating assets and effectively monitor the performance, quality and integrity of IT service delivery.

- 1.4 Receive and review quarterly reports from Management on the Group's risk profile and major risk exposures and the steps taken to monitor, control and mitigate such risks, to ensure that such risks are managed within acceptable levels.
- 1.5 Review the Group's risk management capabilities to identify capacity, resourcing, system, training, communication channels, as well as competencies in identifying and managing new risk types.
- 1.6 Receive and review updates from Management to assess the adequacy and effectiveness of the Group's compliance framework in line with relevant laws, regulations and best practices.
- 1.7 Through interactions with the Compliance Lead, who has a direct reporting line to the Committee, review and oversee performance of the Group's implementation of compliance programmes.
- 1.8 Review and monitor the Group's approach to ensuring compliance with regulatory commitments, including progress of remedial actions where applicable.
- 1.9 Review the adequacy, effectiveness and independence of the Group's Risk and Compliance function, at least annually, and report the Committee's assessment to the Board.
- 1.10 Review and monitor Management's responsiveness to the risks and matters identified, and recommendations of the Group Risk and Compliance function.
- 1.11 Provide timely input to the Board on critical risk and compliance issues, material matters, findings and recommendations.
- 1.12 Review Management's proposals in respect of strategic transactions and new risk-focused products, focusing on the risk and compliance aspects and implications of the proposed action for the risk tolerance of the Group, and make recommendations to the Board.

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Keppel's Board Safety Committee regularly conducts site visits to the Group's projects such as The Garden Residences in Singapore.

1.13 Review the assurance and steps taken by the CEO and other key management personnel for their relevant areas of responsibilities, regarding the adequacy and effectiveness of the Group's risk management system.

1.14 Review and report to the Board annually on the adequacy and effectiveness of the Group's risk management and internal controls systems, including financial, operational, compliance and IT controls.

- 1.15 a. Review the Board's comment on the adequacy and effectiveness of the Group's risk management systems and state whether it concurs with the Board's comments; and
- b. Where there are material weaknesses identified in the Group's risk management systems, to consider and recommend the necessary steps to be taken to address them.

1.16 Ensure that the Head of Group Risk and Compliance function has direct and unrestricted access to the Chairman of the Committee.

1.17 Perform such other functions as the Board may determine.

1.18 Review the Committee's terms of reference annually and recommend any proposed changes to the Board.

1.19 Sub-delegate any of its powers within its terms of reference as listed above from time to time as the Committee may deem fit.

C. Nominating Committee

1.1 Recommend to the Board the appointment/re-appointment of directors.

1.2 Annual review of balance and diversity of skills, experience, gender and knowledge required by the Board, and the size of the Board which would facilitate decision-making.

1.3 Annual review of independence of each director, and to ensure that the Board comprises at least one-third independent directors. In this connection, the NC should conduct particularly rigorous review of the independence of any director who has served on the Board beyond nine years from the date of his/her first appointment.

1.4 Decide, where a director has other listed company board representation and/or other principal commitments, whether the director is able to and has been adequately carrying out his/her duties as director of the Company.

1.5 Recommend to the Board the process for the evaluation of the performance of the Board, the board committees and individual directors, and propose objective performance criteria to assess

the effectiveness of the Board as a whole and the contribution of each director.

1.6 Annual assessment of the effectiveness of the Board as a whole and individual directors.

1.7 Review the succession plans for the Board (in particular, the Chairman) and senior management (in particular, the CEO).

1.8 Review talent development plans.

1.9 Review the training and professional development programmes for Board members.

1.10 Review and, if deemed fit, approve recommendations for nomination of candidates as nominee director (whether as chairman or member) to the board of directors of investee companies which are:

- i. listed on the SGX or any other stock exchange;
- ii. managers or trustee-managers of any collective investment schemes, business trusts, or any other trusts which are listed on the SGX or any other stock exchange; and
- iii. parent companies of the Company's core businesses which are unlisted.

1.11 Report to the Board on material matters and recommendations.

1.12 Review the Committee's terms of reference annually and recommend any proposed changes to the Board.

1.13 Perform such other functions as the Board may determine.

1.14 Sub-delegate any of its powers within its terms of reference as listed above, from time to time as this Committee may deem fit.

D. Remuneration Committee

1.1 Review and recommend to the Board a framework of remuneration for Board members and key management personnel, and the specific remuneration packages for each director as well as for the key management personnel.

1.2 Review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous.

- 1.3 Consider whether directors should be eligible for benefits under long-term incentive schemes (including weighing the use of share schemes against the other types of long-term incentive schemes).
- 1.4 Administer the Company's employee share option scheme (the "KCL Share Option Scheme"), and the Company's Restricted Share Plan and Performance Share Plan (collectively, the "KCL Share Plans"), in accordance with the rules of the KCL Share Option Scheme and KCL Share Plans.
- 1.5 Report to the Board on material matters and recommendations.
- 1.6 Review the Committee's terms of reference annually and recommend any proposed changes to the Board.
- 1.7 Perform such other functions as the Board may determine.
- 1.8 Sub-delegate any of its powers within its terms of reference as listed above, from time to time as the Committee may deem fit.

Save that a member of this Committee shall not be involved in the deliberations in respect of any remuneration, compensation, award of shares or any form of benefits to be granted to him/her.

E. Board Safety Committee

- 1.1 Ensure there is a set of Group Health, Safety and Environment ("HSE") policies and standards to guide HSE operation and performance across the Group.
- 1.2 Monitor HSE performance of the Group companies, analyse trends and accident root causes, and recommend or propose Group-wide initiatives for improvement, where appropriate, to ensure a robust HSE management system is maintained.
- 1.3 Structure an audit programme of Group companies' HSE management programmes to verify effectiveness and use its resources to lead the execution of such audits, drawing additional resources from the line where needed.
- 1.4 Ensure a process is in place to have fatalities and other major incidents investigated by an independent and competent team.
- 1.5 Review serious accident and near miss incident investigation reports in a timely manner to understand underlying root causes and introduce Group-wide initiatives or remedial measures where appropriate.
- 1.6 Ensure that each Group company complies with HSE legislation in the country in which it operates as a minimum and review any emerging or new legislations that may potentially impact the Group company.
- 1.7 Keep abreast of developments in the HSE world, discuss such developments and best practices and consider the desirability of implementation in the Group.
- 1.8 Introduce actions to enhance safety awareness and culture within the Group.
- 1.9 Ensure that the safety functions in Group companies are adequately resourced (in terms of number, qualification and budget) and have appropriate standing within the organisation.
- 1.10 Review the major changes to HSE risk profile of each Group company that has changed or will change as a result of new business, new market, new product, etc. and the steps taken to monitor, control and mitigate such risks.
- 1.11 Consider management's proposals on safety-related matters.
- 1.12 Carry out such investigations into safety-related matters as the Committee deems fit.

MEMBERSHIP ON BOARD COMMITTEES

Director	Committee Membership				
	Audit	Nominating	Remuneration	Risk	Safety
Lee Boon Yang	–	Member	Member	–	Member
Loh Chin Hua	–	–	–	–	Member
Tow Heng Tan ¹	–	Member	Member	Member	–
Alvin Yeo	Member	Member	–	–	–
Tan Ek Kia	Member	–	–	Member	Chairman
Danny Teoh	Chairman	–	Member	Member	–
Tan Puay Chiang ²	–	Chairman	–	Member	Member
Till Vestring	–	Member	Chairman	–	–
Veronica Eng	Member	–	–	Chairman	–
Jean-François Manzoni ³	–	Chairman	–	Member	–
Teo Siong Seng ⁴	–	–	Member	–	Member
Tham Sai Choy ⁵	Member	–	–	Member	–
Penny Goh ⁶	Member	–	–	Member	–

Notes:

- ¹ Mr Tow Heng Tan ceased to be a non-executive and non-independent director with effect from 1 November 2019, and concurrently ceased to be a member of the Nominating Committee, Remuneration Committee and Board Risk Committee.
- ² Mr Tan Puay Chiang ceased to be a non-executive and independent director with effect from 1 November 2019, and concurrently ceased to be the Chairman of the Nominating Committee and a member of the Board Safety Committee. Mr Tan ceased to be a member of the Board Risk Committee with effect from 2 January 2019.
- ³ Prof Jean-François Manzoni was appointed as a member of the Board Risk Committee on 2 January 2019, and Chairman of the Nominating Committee with effect from 1 November 2019.
- ⁴ Mr Teo Siong Seng was appointed to the Board as a non-executive and independent director with effect from 1 November 2019, and was appointed as a member of the Remuneration Committee and Board Safety Committee with effect from 1 February 2020.
- ⁵ Mr Tham Sai Choy was appointed to the Board as a non-executive and independent director with effect from 1 November 2019, and was appointed as a member of the Audit Committee and Board Risk Committee with effect from 1 February 2020.
- ⁶ Mrs Penny Goh was appointed to the Board as a non-executive and independent director with effect from 2 January 2020, and was appointed as a member of the Audit Committee and Board Risk Committee with effect from 1 February 2020.

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- 1.13 Report to the Board on material matters, findings and recommendations.
- 1.14 Perform such other functions as the Board may determine.
- 1.15 Sub-delegate any of its powers within its terms of reference as listed above from time to time as the Committee may deem fit.

BOARD ASSESSMENT**Evaluation Processes****Board**

Each board member is required to complete a Board Evaluation Questionnaire and send the Questionnaire directly to the Independent Co-ordinator ("IC") within five working days. An "Explanatory Note" is attached to the Questionnaire to clarify the background, rationale and objectives of the various performance criteria used in the Board Evaluation Questionnaire with the aim of achieving consistency in the understanding and interpretation of the questions. Based on the returns from each of the directors, the IC prepares a consolidated report and briefs the NC Chairman and the Board Chairman on the report. Thereafter, the IC presents the report to the Board for discussion on the changes which should be made to help the Board discharge its duties more effectively.

Board Committees

Each member of a board committee is required to complete a Board Committee Questionnaire and send the Questionnaire directly to the IC within five working days. Based on the returns from each of the members of a board committee, the IC prepares a consolidated report and briefs the Chairmen of the respective board committees.

Individual Directors

The Board differentiates the assessment of an executive director from that of an NED.

In the case of the assessment of the executive director, each NED is required to complete the executive director's assessment form and send the form directly to the IC within five working days. It is emphasised that the purpose of the assessment is to assess the executive director on his performance on the Board (as opposed to his executive performance). The executive director is not required to perform a self, nor a peer assessment. Based on the returns from each of the NEDs, the IC prepares a consolidated report and briefs the NC Chairman and Board Chairman on the report. Thereafter, the IC presents the report to the Board for discussion. The NC Chairman will, in consultation with the Board Chairman,

thereafter meet with the executive director, where necessary, to provide feedback to the executive director on his board performance with a view to improving his board performance and shareholder value.

As for the assessment of the performance of the NEDs, each director (both NEDs and executive director) is required to complete the NED's assessment form and send the form directly to the IC within five working days. Each NED is also required to perform a self-assessment in addition to a peer assessment. Based on the returns, the IC prepares a consolidated report and briefs the NC Chairman and Board Chairman on the report. Thereafter, the IC presents the report to the Board for discussion at a meeting of the NEDs. The NC Chairman will, in consultation with the Board Chairman, thereafter meet with the NEDs individually, where necessary, to provide feedback to the NEDs on their respective board performance with a view to improving their board performance and shareholder value.

Chairman

The Chairman Evaluation Form is completed by each director (both non-executive and executive) and sent directly to the IC within five working days. Based on the returns, the IC prepares a consolidated report and briefs the NC Chairman and Board Chairman on the report. Thereafter, the IC presents the report to the Board for discussion.

PERFORMANCE CRITERIA

The performance criteria for the board evaluation are in respect of the board size, board and board committee composition, board independence, board processes, board information and accountability, standards of conduct, board performance in relation to discharging its principal functions and ensuring the integrity and quality of financial reporting to stakeholders and board committee performance in relation to discharging their responsibilities set out in their respective terms of reference.

The performance criteria for the board committee evaluation are in respect of the committee size and composition, meeting frequency and procedures, training and resources, and board committee performance in relation to discharging their responsibilities set out in their respective terms of reference.

The executive director's performance criteria are categorised into four segments namely, (1) interactive skills (under which factors as to whether the director works well with other directors, and is responsive to comments raised by the Board are taken into account); (2) knowledge (under which factors as to the director's

industry and business knowledge, whether he provides valuable inputs, his understanding of finance and accounts, and his knowledge of the Company and its strategies are taken into consideration); (3) director's duties (under which factors as to whether the director provides insights on the Company's day-to-day operation, whether the director takes his role of director seriously and works to further improve his own performance, whether the director listens and discusses objectively, whether the director provides management's view without undermining management accountability and whether he assists to inform NEDs of pertinent issues or developments are taken into consideration); and (4) availability (under which the director's attendance at Board and board committee meetings, whether he is available when needed, and his informal contribution via email, telephone, written notes etc. are considered).

The NED's performance criteria are categorised into four segments; namely, (1) interactive skills (under which factors as to whether the director works well with other directors, and participates actively are taken into account); (2) knowledge (under which factors as to the director's industry and business knowledge, functional expertise, whether he/she provides valuable inputs, his/her ability to analyse, communicate and contribute to the productivity of meetings, and his/her understanding of finance and accounts, are taken into consideration); (3) director's duties (under which factors as to the director's board committee work contribution, whether the director takes his/her role of director seriously and works to further improve his/her own performance, whether he/she listens and discusses objectively and exercises independent judgment, meeting preparation and whether he/she constructively challenges management and helps to develop proposals on strategy are taken into consideration); and (4) availability (under which the director's attendance at Board and board committee meetings, whether he/she is available when needed, and his/her informal contribution via email, telephone, written notes etc. are considered).

The assessment of the Chairman of the Board is based on, among others, his leadership, whether he established proper procedures to ensure the effective functioning of the Board, whether he ensured that the time devoted to board meetings were appropriate for effective discussion and decision-making by the Board, whether he ensured that information provided to the Board was adequate (in terms of adequacy and timeliness) for the Board to make informed and considered decisions, whether he guided discussions

effectively so that there was timely resolution of issues, whether he ensured that meetings were conducted in a manner that facilitated open communication and meaningful participation, whether he encouraged constructive relations between Board and management and between directors, whether he ensured constructive dialogue with shareholders and other stakeholders, whether he promoted high standards of corporate governance, and set the right ethical and behavioural tone, and whether he ensured that board committees were formed where appropriate, with clear terms of reference, to assist the Board in the discharge of its duties and responsibilities.

KEPPEL WHISTLE-BLOWER POLICY

Keppel Whistle-Blower Policy (the "Policy") took effect on 1 September 2004 and was enhanced on 15 February 2017 and 1 May 2019 to encourage reporting in good faith of suspected Reportable Conduct (as defined below) by establishing clearly defined and centralised processes through which such reports may be made with confidence that employees and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal.

Reportable Conduct refers to any act or omission by an employee of the Group or contract worker appointed by a company within the Group, which occurred in the course of his/her work (whether or not the act is within the scope of his/her employment) which in the view of a whistle-blower acting in good faith, is:

- a. dishonest, including but not limited to theft or misuse of resources within the Group;
- b. fraudulent;
- c. corrupt;
- d. illegal;
- e. other serious improper conduct;
- f. an unsafe work practice; or
- g. any other conduct which may cause financial or non-financial loss to the Group or damage to the Group's reputation.

A person who files a report or provides evidence which he/she knows to be false, or without a reasonable belief in the truth and accuracy of such information, will not be protected by the Policy and may be subject to administrative and/or disciplinary action.

Similarly, a person may be subject to administrative and/or disciplinary action if he/she subjects (i) a person who has made or intends to make a report in accordance with the Policy, or (ii) a person who was called or may be called as a witness, to any form of reprisal which would not have

occurred if he/she did not intend to, or had not made the report or be a witness.

The General Manager (Group Internal Audit) is the Receiving Officer for the purposes of the Policy and is responsible for the administration, implementation and oversight of ongoing compliance with the Policy. She reports directly to the AC Chairman on all matters arising under the Policy.

REPORTING MECHANISM

The Policy emphasises that the role of the whistle-blower is as a reporting party, and that whistle-blowers are not to investigate, or determine the appropriate corrective or remedial actions that may be warranted. Employees are encouraged to report suspected Reportable Conduct to their respective supervisors who are responsible for promptly informing the Receiving Officer, who in turn is required to promptly report to the AC Chairman, of any such report. The supervisor must not start any investigation in any event. If any of the persons in the reporting line prefers not to disclose the matter to the supervisor and/or Receiving Officer (as the case may be), he/she may make the report directly to the Receiving Officer or the AC Chairman.

Other whistle-blowers may report a suspected Reportable Conduct directly to the Receiving Officer or the AC Chairman, or via the whistle-blower reporting channels that the Group has established. There is an email hotline (kpmgethicsline@kpmg.com) and local toll-free numbers in Singapore, Brazil, China, USA, Vietnam, Indonesia, Philippines, Australia, UK and Germany. Manning of the whistle-blower hotline has been outsourced to a third party (KPMG) and provides for reporting in the languages listed above. KPMG also maintains the aforementioned email hotline and an online portal, the link to which is available on the "Contact Us" section of the Company's website at www.keppcorp.com.

All reports and related communications made will be documented by the person first receiving the report. The information disclosed should be as precise as possible to allow for proper assessment of the nature, extent and urgency of preliminary investigative procedures to be undertaken.

INVESTIGATION

Every Protected Report (referring to a report made in good faith that discloses suspected Reportable Conduct) received will be assessed by the Receiving Officer, who will review the information disclosed, interview the whistle-blower(s) when required and if contactable and, either exercising his/her own discretion or in consultation with the Investigation Advisory Committee, make

recommendations to the AC Chairman as to whether the circumstances warrant an investigation. If the AC Chairman or the AC (if the AC Chairman consults the other AC members), determines that an investigation should be carried out, the AC Chairman or the AC (as the case may be) shall determine the appropriate investigative process to be employed and the corrective or remedial actions (if any) to be taken. The AC Chairman and the Investigation Advisory Committee (if consulted) will use their respective best endeavours to ensure that there is no conflict of interests on the part of any person involved in the investigations. The Investigation Advisory Committee (comprising of representatives from each of the Group Human Resources, Group Legal and Group Risk & Compliance departments), or such other representatives as the AC may determine) assists the AC Chairman with overseeing the investigation process and any matters arising therefrom.

All employees have a duty to cooperate with investigations initiated under the Policy. An employee may be placed on administrative leave or investigatory leave when it is determined by the AC Chairman that it would be in the best interests of the employee, the Company or both. Such leave is not to be interpreted as an accusation or a conclusion of guilt or innocence of any employee, including the employee on leave. All participants in the investigation must also refrain from discussing or disclosing the investigation or their testimony with anyone not connected to the investigation. In no circumstance should such persons discuss matters relating to the investigation with the person(s) who is/are subject(s) of the investigation ("Investigation Subject(s)").

Identities of whistle-blowers, participants of the investigations and the Investigation Subject(s) will be kept confidential to the extent possible.

NO REPRISAL

No person will be subject to any reprisal for having made a report in good faith in accordance with the Policy or having participated in the investigation.

Any reprisal suffered may be reported to the Receiving Officer (who shall refer the matter to the AC Chairman) or directly to the AC Chairman. The AC Chairman shall review the matter and determine the appropriate actions to be taken. Any protection does not extend to situations where the whistle-blower or witness has committed or abetted the Reportable Conduct that is the subject of allegation. However, the AC Chairman will take into account the fact that he/she has cooperated as a whistle-blower or a witness in determining the suitable disciplinary measure to be taken against him/her.

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APPENDIX 2

Rule 720(6) of the Listing Manual of the SGX-ST

The information required under Rule 720(6) read with Appendix 7.4.1 of the Listing Manual in respect of Directors whom the Company is seeking re-election by shareholders at the AGM to be held in 2020 is set out below.

Name of Director	Danny Teoh	Veronica Eng	Till Vestring
Date of Appointment	1 October 2010	1 July 2015	16 February 2015
Date of last re-appointment (if applicable)	21 April 2017	20 April 2018	21 April 2017
Age	64	66	56
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The process for succession planning for the Board, appointment of directors, and the re-nomination and re-election of Directors to the Board, is set out on page 78 of this Annual Report.		
Whether the appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive and Independent Director; Audit Committee (Chairman); Remuneration Committee (Member); Board Risk Committee (Member)	Non-Executive and Independent Director; Board Risk Committee (Chairman); Audit Committee (Member)	Non-Executive and Independent Director; Remuneration Committee (Chairman); Nominating Committee (Member)
Professional qualifications	Associate member of the Institute of Chartered Accountants in England & Wales	Bachelor of Business Administration (First Class Honours), University of Singapore	Master of Economics, University of Bonn, Germany; Master of Business Administration, Haas School of Business, University of California, Berkeley
Working experience and occupation(s) during the past 10 years	Managing Partner, KPMG LLP, Singapore (2005 to 2010)	Founding Partner of Permira (1985 to 2015) and Professor (Practice), NUS Business School	Advisory Partner, Bain & Company Southeast Asia
Shareholding interest in the listed issuer and its subsidiaries	83,825 (direct interests)	28,000 (direct interests)	81,000 (direct interests)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments including Directorships - Past (for the last 5 years)	CapitaLand Mall Trust Management Limited (manager of CapitaLand Mall Trust); JTC Corporation; Ascendas - Singbridge Pte. Ltd.; DBS Bank (China) Limited; Changi Airport Group (Singapore) Pte Ltd	Nil	Singapore Chinese Orchestra Company Limited
Other Principal Commitments including Directorships - Present	DBS Group Holdings Ltd; M1 Limited (Chairman); DBS Bank Ltd; DBS Foundation Ltd; DBS Bank (Taiwan) Ltd	Keppel Capital Holdings Pte. Ltd.; Professor (Practice), NUS Business School	Inchcape plc; Leap Philanthropy Ltd; Banteasy Srey Development Limited; Advisory Partner, Bain & Company Southeast Asia

Name of Director	Teo Siong Seng	Tham Sai Choy	Penny Goh
Date of Appointment	1 November 2019	1 November 2019	1 January 2020
Date of last re-appointment (if applicable)	N.A.	N.A.	N.A.
Age	65	60	67
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The process for succession planning for the Board, appointment of directors, and the re-nomination and re-election of Directors to the Board, is set out on page 78 of this Annual Report.		
Whether the appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive and Independent Director; Remuneration Committee (Member); Board Safety Committee (Member)	Non-Executive and Independent Director; Audit Committee (Member); Board Risk Committee (Member)	Non-Executive and Independent Director; Audit Committee (Member); Board Risk Committee (Member)
Professional qualifications	Degree (First Class Honours) in Naval Architecture and Ocean Engineering from the University of Glasgow, UK	Bachelor of Arts (Honours) in Economics, University of Leeds, UK; Fellow of the Institute of Singapore Chartered Accountants and the Institute of Chartered Accountants in England and Wales	Bachelor of Law (Honours), University of Singapore
Working experience and occupation(s) during the past 10 years	Nil	Partner, KPMG in Singapore including the following roles: Head of Corporate Finance (2000 to 2005); Head of Audit (2005 to 2010); Managing Partner (2010 to 2016); Head of Audit, KPMG in Asia Pacific (2007 to 2010); Chairman, KPMG in Asia Pacific (2013 to 2017)	Co-Chairman and Senior Partner, Allen & Gledhill LLP (2017 to 2019); Partner, Allen & Gledhill LLP (Prior to 2017)
Shareholding interest in the listed issuer and its subsidiaries	Nil	155,570 (direct interests)	30,000 (direct interests)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments including Directorships - Past (for the last 5 years)	The Standard Club Asia Pte Ltd; Singapore Maritime Institute; China Shipping Container Lines Co., Ltd	Singapore Accountancy Commission; KPMG Group of Companies	Nil
Other Principal Commitments including Directorships - Present	Singamas Container Holdings Ltd. (Executive Chairman/Chief Executive Officer); COSCO Shipping Holding Co., Ltd.; COSCO Shipping Energy Transportation Co., Ltd.; Wilmar International Limited; Pacific International Lines (Pte) Ltd (Executive Chairman/Managing Director); Singapore Business Federation (Chairman); Singapore Chinese Chamber of Commerce & Industry (Honorary President); Business China (Director); Enterprise Singapore (Board Member); The United Republic of Tanzania in Singapore (Honorary Consul)	DBS Group Holdings Limited; DBS Bank Ltd.; DBS Bank (China) Limited; EM Services Pte Ltd (Chairman); Keppel Offshore & Marine Ltd; Mount Alvernia Hospital; Singapore International Arbitration Centre; Singapore Institute of Directors (Chairman); Accounting and Corporate Regulatory Authority; Housing and Development Board; Nanyang Polytechnic	Allen & Gledhill LLP (Senior Adviser); Keppel REIT Management Limited (the Manager of Keppel REIT) (Chairman); Mapletree Logistics Trust Management Ltd (the Manager of Mapletree Logistics Trust) (Up to March 2020); HSBC Bank (Singapore) Limited

CORPORATE GOVERNANCE

APPENDIX 2

Rule 720(6) of the Listing Manual of the SGX-ST

Name of Director	Danny Teoh	Veronica Eng	Till Vestring
a. Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
b. Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
c. Whether there is any unsatisfied judgment against him?	No	No	No
d. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
e. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
f. Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
g. Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
h. Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
i. Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
j. Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-			
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere;	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
k. Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	Yes
If yes, please provide details of prior experience.	Please see above in relation to <i>Other Principal Commitments including Directorships (both Past and Present)</i>		
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.A.	N.A.	N.A.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).			

Name of Director	Teo Siong Seng	Tham Sai Choy	Penny Goh
a. Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
b. Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
c. Whether there is any unsatisfied judgment against him?	No	No	No
d. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
e. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
f. Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
g. Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
h. Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
i. Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
j. Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-			
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere;	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
k. Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	Yes
If yes, please provide details of prior experience.	Please see above in relation to <i>Other Principal Commitments including Directorships (both Past and Present)</i>		
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.A.	N.A.	N.A.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).			

CORPORATE GOVERNANCE

APPENDIX 3

Summary of Disclosures of 2018 CG Code

Rule 710 of the SGX Listing Manual requires Singapore-listed companies to describe their corporate governance practices with specific reference to the 2018 CG Code in their annual reports for financial years commencing on or after 1 January 2019. This summary of disclosures describes our corporate governance practices with specific reference to the disclosure requirement under the 2018 CG Code.

	Page Reference in this Report
BOARD MATTERS	
The Board's Conduct of Affairs	
Principle 1	
Provision 1.1	Page 75
Provision 1.2	Page 77
Provision 1.3	Page 75
Provision 1.4	Pages 77 to 92 and 95 to 98
Provision 1.5	Pages 76, 80 and 81
Provision 1.6	Pages 76 and 77
Provision 1.7	Pages 76 and 77
Board Composition and Guidance	
Principle 2	
Provision 2.1	Pages 76, 79 and 80
Provision 2.2	Pages 76, 79 and 80
Provision 2.3	Pages 76, 79 and 80
Provision 2.4	Pages 76, 79 and 80
Provision 2.5	Pages 76, 79 and 80
Chairman and Chief Executive Officer	
Principle 3	
Provision 3.1	Page 74
Provision 3.2	Page 74
Provision 3.3	Page 80
Board Membership	
Principle 4	
Provision 4.1	Pages 77 to 81 and 96
Provision 4.2	Pages 77 to 81
Provision 4.3	Pages 77 to 81
Provision 4.4	Pages 77 to 81
Provision 4.5	Pages 77 to 81
Board Performance	
Principle 5	
Provision 5.1	Pages 81, 98 and 99
Provision 5.2	Pages 81, 98 and 99
REMUNERATION MATTERS	
Procedures for Developing Remuneration Policies	
Principle 6	
Provision 6.1	Page 82
Provision 6.2	Page 82
Provision 6.3	Page 82
Provision 6.4	Page 82
Level and Mix of Remuneration	
Principle 7	
Provision 7.1	Pages 83 to 86
Provision 7.2	Pages 83 to 86
Provision 7.3	Page 82

APPENDIX 3

Summary of Disclosures of 2018 CG Code

	Page Reference in this Report
Disclosure on Remuneration Principle 8	
Provision 8.1	Pages 85 and 86
Provision 8.2	Page 87
Provision 8.3	Pages 82 to 84
ACCOUNTABILITY AND AUDIT	
Risk Management and Internal Controls Principle 9	
Provision 9.1	Page 88
Provision 9.2	Page 92
Audit Committee Principle 10	
Provision 10.1	Pages 87, 88 and 95
Provision 10.2	Pages 87, 88 and 95
Provision 10.3	Pages 87, 88 and 95
Provision 10.4	Pages 87, 88 and 95
Provision 10.5	Pages 87, 88 and 95
SHAREHOLDER RIGHTS AND RESPONSIBILITIES	
Shareholder Rights and Conduct of General Meetings Principle 11	
Provision 11.1	Page 93
Provision 11.2	Page 93
Provision 11.3	Pages 76 and 94
Provision 11.4	Page 94
Provision 11.5	Page 94
Provision 11.6	Page 94
Engagement with Shareholders Principle 12	
Provision 12.1	Pages 92 to 94
Provision 12.2	Page 93
Provision 12.3	Page 93
MANAGING STAKEHOLDER RELATIONSHIPS	
Engagement with Stakeholders Principle 13	
Provision 13.1	Page 94
Provision 13.2	Page 94
Provision 13.3	Page 93

RISK MANAGEMENT

WE UNDERTAKE ONLY APPROPRIATE AND WELL-CONSIDERED RISKS, CONSIDERING THEIR IMPACT TO OUR BUSINESS, STAKEHOLDERS, AND LONG-TERM CORPORATE SUSTAINABILITY.

Keppel adopts a balanced approach to risk management, undertaking only appropriate and well-considered risks to optimise business returns while considering their holistic impact on corporate sustainability. This approach stems from the philosophy of seeking sustainable growth opportunities and creating economic value by ensuring only appropriate and well-considered risks are assumed.

Risk management is an integral part of the way in which we develop and execute our business strategies. It is grounded in our operating principles and belief that a balanced and holistic risk-reward approach is key to corporate sustainability, particularly our commitment to key material issues relating to environmental, social and governance, and to delivering long-term value for our stakeholders.

Our Risk-Centric Culture and Enterprise Risk Management (ERM) Framework enables the Group to continue to respond effectively to the dynamic business environment and shifting business demands to seize new value-added opportunities for stakeholders. As a Group, we prudently seek new opportunities, innovation and revenue streams to safeguard shareholders' interests and the Group's assets.

RISK-CENTRIC CULTURE

Mindsets and attitudes are key to effective risk management. The Group fosters a risk-centric culture through several aspects.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Keppel's Board is responsible for risk governance and ensures that management maintains a sound system of risk management and internal controls.

Through the Board Risk Committee (BRC), the Board advises management in formulating and implementing the risk management framework, policies and guidelines. Significant risk issues are surfaced for discussion with the BRC and the Board to keep them apprised in a timely manner.

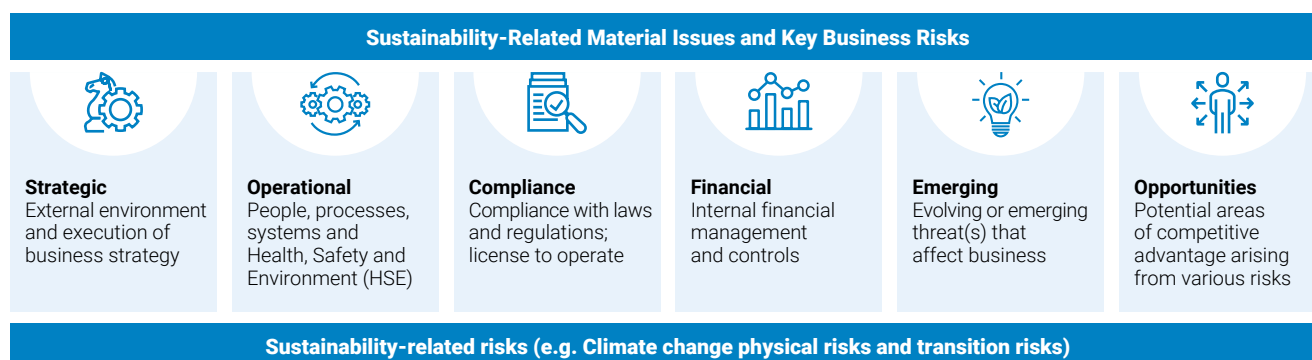
The terms of reference for the BRC are disclosed on pages 95 and 96 of this report. The Board has defined three risk tolerance guiding principles for the Group which determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives.

These principles are:

1. Risk taken should be carefully evaluated, and commensurate with rewards and in line with the Group's core strengths and strategic objectives;
2. No risk arising from a single area of operation, investment or undertaking should be so huge as to endanger the entire Group; and
3. The Group does not condone safety breaches or lapses, non-compliance with laws and regulations, as well as acts such as fraud, bribery and corruption.



Figure 1:
ERM FRAMEWORK INCORPORATING SUSTAINABILITY RISKS



Keppel's risk governance framework, set out on pages 88 to 92 under Principle 9 (Risk Management and Internal Controls), facilitates management and the BRC in determining the adequacy and effectiveness of the Group's risk management system.

As a Group, we are cognisant of the dynamic environment in which we operate. We constantly enhance the framework and systems where necessary, to ensure risk management remains an integral part of decision-making and operations.

Keppel's ERM framework, a component of Keppel's System of Management Controls, provides the Group with a systematic approach to identifying, measuring and monitoring risks. It outlines the requirement for each business unit (BU) to recognise key risk areas affecting their operations and to classify the impact and likelihood of these risks in a register for prioritisation and management by both BU and the Group. The ERM framework also provides the reporting structure, monitoring mechanisms, processes and tools used, as well as any policies, standards or limits to be applied in managing the Group's key risk areas.

Our ERM framework is constantly refined to ensure it remains relevant in our operating environment and where required, is tailored to the requirements of each BU. The framework takes reference from the Singapore Code of Corporate Governance, the COSO Enterprise Risk Management – Integrated Framework, ISO 22313, ISO 31000 and the Guidebook for Board Risk Committees.

Our Risk and Compliance Committee, comprising risk leads across BUs, drives and coordinates Group-wide activities and initiatives. The Committee's activities are facilitated by regular bilateral and BU-level meetings to ensure that pertinent risks are identified, assessed and mitigated in a timely manner.

We keep abreast of the latest developments and best practices through participation in industry seminars and interacting with peers and other subject-matter experts.

The below outlines what we have broadly identified as key risks for 2019. The period chosen follows our financial reporting year, and while we recognise that not all identified risks can be eliminated, we remain committed to addressing every risk as they arise and undertake only appropriate and well-considered risks to optimise returns in a balanced and holistic manner to deliver long-term value for our stakeholders.

STRATEGIC RISKS **Market & Competition**

A large part of the Group's strategic risks includes market driven forces, evolving competitive landscapes, changing customer demands and disruptive innovation. The Group remains vulnerable to other external factors including volatility in the global economy, implications of geopolitical developments, intense competition in core markets and disruptive technology. These risks receive constant high-level attention and strategy meetings are held across the Group to review business strategies, formulate responses and take pre-emptive action.

The BRC guides the Group in formulating and reviewing risk policies and principles. These policies and principles are subject to periodic reviews to ensure that they continue to support business objectives and are aligned to our risk tolerance levels, taking into consideration the prevailing business climate.

Sustainability and Climate Change

Sustainability covers a broad range of material issues, many of which have been identified and managed according to the Group's ERM framework. In addition, risks and opportunities relating to climate change have been recognised as

fundamental to the Group. These relate to physical and transitional risks stemming from climate change and environmental management, which present both risks and opportunities for the Group. We support the Taskforce on Climate-related Financial Disclosures, and are working towards incorporating its recommendations in our reporting framework. Details on the material issues can be found on pages 28 and 29 of this report.

A Sustainability Risk Framework (Figure 1), aligned to the ERM framework, guides the Group on the specific processes and methods applied in identifying, assessing and managing sustainability-related risks and opportunities. We are also committed to strengthening our organisational capabilities in responding to climate-related risks and opportunities. More details will be provided in our Sustainability Report, which will be published in May 2020.

Strategic Ventures, Investments & Divestments

We have an established process for evaluating investment and divestment decisions including strategic ventures. These activities are monitored to ensure that they are on track to meet the Group's strategic intent, investment objectives and returns, and where required, the need for timely recalibration of strategies in response to the changing business environment. These investment decisions are guided by Group-wide investment parameters.

Together with the Board, the Investment and Major Project Action Committee guides the Group in taking considered risks in a controlled manner, exercising the spirit of enterprise and prudence to earn the best risk-adjusted returns on invested capital across our businesses.

Investment risk assessment involves rigorous due diligence, feasibility studies and sensitivity analyses of key assumptions

RISK MANAGEMENT

and variables. Some of the critical factors considered include alignment with Group strategy, financial viability, country-specific political and regulatory developments, contractual risk implications, as well as lessons learnt. We have defined the kinds of businesses that we will strictly avoid, those that we will maintain, and those which we will grow and expand, taking into account their respective environmental impacts. We will also be introducing an internal carbon price in the evaluation of all major investment decisions. The investment portfolio is constantly monitored to ensure that performance is on track to meet the Group's strategic intent and investment returns.

Customer & Stakeholder Experience

We recognise the increasing profile of consumer risks given the Group's expansion into telecommunications and growing portfolios in the retail electricity, e-commerce and gas businesses. The key issues of consideration include areas such as brand trust and reputation, product/service quality/reliability, after-sales service/support, customer data privacy, product safety and other related matters such as customer responsiveness and the channel management across various platforms.

Human Resources

We continue to maintain a strong emphasis on attracting and building a deep talent pool. This includes nurturing employees, maintaining good industrial relations and fostering a conducive work environment. We are focused on strengthening succession planning and bench strength, as well as building new organisational capabilities to drive business growth, whilst maintaining our status as an employer of choice.

In talent development programmes, we emphasise the importance of having a risk-centric mindset to inculcate the ability to identify and assess risks, develop and implement mitigating actions, and monitor residual risks. Keppel Leadership Institute helps to inculcate this mindset by embedding risk management in its key leadership courses.

OPERATIONAL RISKS

Project Management

From project initiation through to completion, risk management processes are an integral part of project management activities to facilitate early risk detection and proactive management. The Group adopts a systematic assessment and monitoring process to help manage key risks in projects. Attention is given to technically challenging and high-value projects, including greenfield developments and the deployment of new technology and/or operations in new geographies. Projects are managed in accordance with the respective country's environmental laws and labour practices.

During project execution, we conduct project reviews and quality assurance programmes to address issues involving cost, schedule and quality. Project Key Risk Indicators are used as early warning signals to determine if remedial actions are required. A Project Operational Set-up Guide detailing the key risk areas is also available for BUs. We also conduct knowledge-sharing workshops to share best practices and lessons learnt across the Group.

These processes help to ensure that projects are completed on time and within budget, without compromising on safety, quality and contract obligations.

Health, Safety & Environment

Maintaining a high level of HSE standard is of paramount importance to the Group. We constantly strive to raise awareness and maintain vigilance to foster a strong HSE-centric culture across the Group, particularly at the ground level where the risks are greatest.

Key initiatives include a Zero Fatality Strategy with a roadmap focused on aligning Hazard Identification Risk Assessment standards across our global operations, enhancing competency of employees performing safety-critical tasks, strengthening operational controls, deploying Root Cause Analysis investigation standards across the Group, as well as developing more proactive and leading risk indicators/matrices to monitor HSE performance standards. The Group achieved zero fatalities across our global operations in 2019.

Environmental management is a major area of focus and key operating sites are closely monitored for compliance to environmental standards. In 2019, the Group clinched 18 awards at the Workplace Safety and Health (WSH) Awards for exemplary safety performances, implementation of strong WSH management systems, as well as efforts to create solutions that improve workplace safety. The Group also leverages technology to improve HSE processes and systems.

Business & Operational Processes

We have established a common shared services platform which enables us to better manage costs while enhancing efficiency, productivity, compliance and controls.

Recognising the need to constantly harness technology, we have embarked on digitalisation initiatives and continue to take measured steps, applying a risk-based approach to optimise our processes.

We have adopted ISO standards and certifications in specific business areas to standardise our processes and keep up

with best practices. In addition, procedures relating to defect management, operations, project control and supply chain management continue to be refined to improve quality of deliverables. We conduct regular reviews of policies and authority limits to ensure that they remain relevant in meeting business needs.

Business Continuity

We are committed to operational resilience with a robust Business Continuity Management (BCM) programme that seeks to equip us with the capability to respond effectively to business disruptions and to safeguard critical business functions from major risks. We are cognisant of the risks of natural disasters, pandemics, terrorism and cyber threats, as well as the failure of critical equipment/systems. We maintain a close watch and keep abreast of emerging threats.

The Group BCM Steering Committee provides sponsorship, direction and guidance to ensure that we maintain operational resilience and readiness against business disruptions to ensure that our business continuity plans remain current and relevant.

For coordinated escalation and management of major incidents, the Group Incident Reporting and Crisis Management operating standard was rolled out in 2019 to guide BUs on how they should evaluate and escalate major incidents to the Group, and how the Group Crisis Management team can effectively render assistance to affected BUs or manage/respond to major incidents directly. The Group Cyber Incident Response plan is also part of our crisis management approach which details response protocols to cyber incidents/threats. We continually evaluate our plans to gauge the effectiveness and timeliness of response.

During the year, the Group has also formalised the Business Psychological Readiness Programme, an initiative led by Temasek Foundation Cares. The initiative focuses on psychological support in the event of traumatic/adverse workplace events.

We continually extend and strengthen our capabilities in responding to major incidents/crises with the aim of safeguarding our people, assets and stakeholders' interests.

The full impact of the COVID-19 outbreak is still unfolding. We have implemented business continuity plans to minimise disruptions to our operations and supply chain, especially in our key markets of China and Singapore. As we continue to assess and respond to the evolving situation, we are proactively implementing measures to mitigate the impact.

As we deal with the economic impact of the COVID-19 outbreak, we are also focused on the well-being of our staff and stakeholders across our businesses. We have also taken a multi-pronged approach to assist those affected by COVID-19 in our communities.

Cyber Security & Data Protection

As Keppel moves into a more technology-focused and data-driven era, we recognise the integral importance and concerns of cyber threats globally. Technology and data security risks and the related processes/services in all forms are an integral part of the Group's business risks. We have established a technology governance structure and security risk framework to address both general technology and data security controls, covering key areas such as cyber security, business disruption, theft/loss of confidential data and data integrity.

In 2019, we formalised and implemented a Technology and Data Risk Management standard which identifies, assesses and manages critical technology and data assets according to leading industry guidelines such as those given by the Cyber Security Agency of Singapore and the National Institute of Standards and Technology. The programme not only seeks to improve technology and data security standards but also to inculcate a culture of cyber hygiene in employees across the Group.

The Group has also embarked on various initiatives to continually strengthen our technology security, governance and controls through the refinement and alignment of our policies, processes and systems, as well as the consolidation of servers and storages. We work closely with industry professionals and consultants to enhance our policies and practices on end-user computing, safeguarding information, as well as security self-assessments to identify critical gaps.

In terms of innovations and emerging threats, our pool of dedicated Information Technology (IT) experts enable us to keep abreast of IT matters. They are assisted by Keppel Technology and Innovation which drives the adoption of new technology and innovation across the Group. Extensive training and assessment exercises have been conducted to heighten overall awareness of technology and data threats.

We have also taken steps to safeguard corporate data assets against the loss of availability of critical systems to ensure resilience against disruptions.

COMPLIANCE RISKS

Laws, Regulations & Compliance

Given the geographical diversity of our businesses, we closely monitor developments in laws and regulations of countries where the Group operates, to ensure that our businesses and operations comply with all relevant laws and regulations. We regularly engage with local government authorities and agencies to keep updated on changes to laws and regulations, ensuring that we can assess our exposures and risks effectively. We recognise that non-compliance with laws and regulations not only have significant financial impact but have potentially detrimental reputational impact on Keppel.

Significant risks issues, such as risks relating to corruption in all areas of operations within the Keppel Group where we have operational control, are surfaced by management and assessed by the Board. With respect to corruption, significant risks include areas where external agents are used for business development.

We are committed to enhancing our regulatory compliance policies and processes to ensure that the Group maintains a high level of compliance and ethical standards in the way in which we conduct our business. Our emphasis is clear and consistently reiterated. We have zero tolerance for fraud, bribery, corruption and violation of laws and regulations.

In 2019, we continued to make improvements to our regulatory compliance programme, ensuring that compliance awareness and principles are further entrenched in all our activities. More details can be found on page 90 of this report.

FINANCIAL RISKS

Fraud, Misstatement of Financial Statements & Disclosures

We maintain a strong emphasis on ensuring that financial statements are accurate and presented fairly in accordance with applicable financial reporting standards and frameworks.

Regular external and internal audits are conducted to provide assurance on the accuracy of financial statements and adequacy of the internal control framework supporting the statements. Where required, we leverage the expertise of engaged auditors in the interpretation of financial reporting standards and changes.

We conduct regular training and education programmes to enhance competency of the Group's finance managers.

Keppel's System of Management Controls framework outlines our internal control and risk management processes and procedures. For more details, please refer to page 89 of this report.

Financial Management

Financial risk management relates to our ability to meet financial obligations and mitigate credit, liquidity, currency and interest rate risks. Details can be found on page 68 of this report. Policies and financial authority limits are reviewed regularly to incorporate changes in the operating and control environment.

We are focused on financial discipline and seek to deploy our capital to earn the most optimal risk-adjusted returns for shareholders, while maintaining a strong balance sheet to seize new opportunities.

Our procedures include the evaluation of counterparties and other related risks against pre-established internal guidelines. We conduct impact assessments and stress tests to gauge the Group's potential financial exposure to changing market situations, to enable informed decision-making and the implementation of prompt mitigating actions. We also regularly monitor our asset concentration exposure in countries where we have a presence to ensure that our portfolio of assets, investments and businesses are diversified against the systemic risks of operating in a specific geography.

Proactive Risk Management

Effective risk management requires a dynamic approach. We recognise the need to continually evolve our framework and processes to ensure our risk identification, assessment, mitigation, communication and monitoring remains effective. However, much of these depend on our ability to remain vigilant against evolving or emerging threats that may affect our different businesses. Our BU risk teams identify, discuss and analyse emerging risks which may have an impact on the Group's activities in meetings throughout the year. Where applicable, these are escalated for discussion and consideration at the various governance committees for review.

Through close collaboration with stakeholders and constant vigilance, the Group continues to proactively assess our risks so as to respond effectively. We constantly review our systems and processes to ensure that our ability to manage and respond to threats remains adequate and effective.

REGULATORY COMPLIANCE

THE TONE FOR REGULATORY COMPLIANCE IS DRIVEN FROM THE TOP AND RESONATES WITH OUR EMPLOYEES AT EVERY LEVEL. WE REMAIN VIGILANT AND DETERMINED TO BUILD A DISCIPLINED AND SUSTAINABLE COMPANY.

We are guided by our core values and code of conduct. We will do business the right way and comply with all applicable laws and regulations wherever we operate. We strive to deliver outstanding performance, whilst maintaining the highest ethical standards.

We are clear with our tone for regulatory compliance, which is consistently emphasised from the top and throughout all levels of the Group. We have zero tolerance for fraud, bribery, corruption and violation of laws and regulations.

STRATEGIC OBJECTIVES

We have made significant progress in embedding a robust compliance framework and processes throughout the Group. With Keppel Offshore & Marine having obtained ISO 37001 Anti-Bribery Management Systems certification for all units globally in 2019, we are progressively implementing the same standard throughout the Group. This will ensure consistency in application and operational effectiveness of the compliance programme.

We have a compliance framework that is commensurate with the size, role and activity of each business unit (BU), including appropriate compliance control systems, to be able to effectively detect and remedy gaps. We remain focused on rebuilding our credibility and reputation with our stakeholders and building a sustainable compliance framework that supports the Group's growth.

GOVERNANCE STRUCTURE

Our Regulatory Compliance Governance Structure is designed to strengthen our corporate governance. The Board Risk Committee (BRC) supports the Board in its oversight of regulatory compliance and is responsible for driving the Group's implementation of compliance and governance systems. Group Risk & Compliance serves as a secretariat to the BRC, assessing and reporting on compliance risks, controls and mitigations.

The Group Regulatory Compliance Management Committee (Group RCMC) is chaired by Keppel Corporation's Chief Executive Officer and its members include all BU heads. The role of the Group RCMC is to articulate the Group's commitment

to regulatory compliance, direct and support the development of over-arching compliance policies and guidelines and facilitate the effective implementation of policies and procedures.

The Group RCMC is supported by the Group Regulatory Compliance Working Team (Group RCWT), which is chaired by the Head of Group Risk & Compliance. The Group RCWT oversees the development and review of pertinent regulatory compliance matters, over-arching compliance policies and guidelines for the Group, as well as reviews training and communication programmes.

Each BU has a dedicated Compliance Lead. He/she is supported by the respective risk and compliance teams and is responsible for driving and administering the compliance function and agenda for the BU. This includes providing support to BU management with subject matter expertise, process excellence and regular reporting to ensure that compliance risks are effectively managed and mitigated. We continue to strengthen the Group's Compliance teams with additional professional and experienced officers.

Under the direction of Group RCMC and Group RCWT, BUs are responsible for implementing the Group's Code of Conduct and regulatory compliance policies and procedures. They are also responsible for ensuring that risk assessments of material regulatory compliance risks are conducted, and that control measures are adequate and effective.

REGULATORY COMPLIANCE FRAMEWORK

Our regulatory compliance framework focuses on critical pillars covering the areas of culture; policies and procedures; training and communication; key compliance processes; compliance risk assessment, reviews and monitoring; and compliance resources.

A key aspect of the framework is the structure of the compliance organisation. The Head of Group Risk & Compliance reports directly to the Chairman of the BRC. Similarly, the Compliance Leads of the BUs have direct reporting lines to the respective BU Audit Committee or BRCs. Furthermore, BU Compliance Leads

report directly to the Head of Group Risk & Compliance. This reporting structure reinforces independence of the function and enables senior management, including members of the Board, to provide continuous, clear and explicit support, and credence to the Group's compliance programme.

CULTURE

Culture and mindset are critical in ensuring effectiveness and durability of our compliance programme. Management has a key role in setting the right tone and walking the talk. This helps to embed a strong and robust regulatory compliance programme and culture that permeates all levels.

Posters on anti-bribery, anti-corruption and reporting mechanisms are exhibited in our offices globally and we issue Group-wide bulletins on relevant topical issues to apprise, inform and reinforce compliance principles and messages. Key messages are also delivered periodically by BU heads to employees. We continue to roll out initiatives to foster a positive compliance-centric culture.

POLICIES & PROCEDURES

Employee Code of Conduct

We have a strict Code of Conduct (Code) that applies to all employees, and who are required to acknowledge and comply with the Code. The Code sets out important principles to guide employees in carrying out their duties and responsibilities to the highest standards of business integrity. It covers areas from conduct in the workplace to business conduct, including clear provisions on prohibitions against bribery and corruption, and conflicts of interests amongst others.

We continue to review and enhance our Code to ensure that it stays updated and properly instructive. Appropriate disciplinary action, including suspension or termination of employment, is taken if an employee is found to have violated the Code.

We have procedures to ensure that disciplinary actions are carried out consistently and fairly across all levels of employees. All third parties who represent Keppel in business dealings, including joint venture partners, are also required to comply with and follow the requirements of the Code.

Supplier Code of Conduct

The acknowledgement to abide by our Supplier Code of Conduct is mandatory for all key suppliers across the Group. The areas covered within the Supplier Code of Conduct include proper business conduct, human rights, fair labour practices, stringent safety and health standards, and responsible environmental management.

Whistle-Blower Policy

Keppel's Whistle-Blower Policy encourages the reporting of suspected bribery, violations or misconduct through a clearly-defined process and reporting channel, by which reports can be made in confidence and without fear of reprisal. The whistle-blower reporting channels are widely communicated and made accessible to all.

Personal Data Privacy Act

Guidance is provided to employees on the Personal Data Protection Commission's advisory guidelines to ensure that the Group complies with the requirements of the Personal Data Privacy Act.

Compliance Policies

We maintain a comprehensive list of policies covering compliance-related matters including anti-bribery, gifts and hospitality, agent fees, donations and sponsorships, solicitation and extortion, conflict of interest and insider trading, amongst others. These policies are reviewed periodically to ensure that they are commensurate with the activities in the jurisdictions in which the Group operates. Group policies are applicable to all BUs and unless the jurisdictional regulatory requirements are more stringent, these policies represent the minimum standards for the Group. Concerted efforts were taken to ensure all compliance policies, including translated versions, are made available and accessible to employees.

TRAINING & COMMUNICATION

Training is an essential component of Keppel's regulatory compliance framework. Our programmes are tailored to specific audiences and we leverage Group-wide forums to reiterate key messages.



REGULATORY COMPLIANCE

We have a comprehensive annual e-learning training programme which is mandatory for directors, officers and employees. The content of the training covers the Code and key principles underlying our compliance policies. Directors, officers and employees are required to complete assessments to successfully mark completion of the training. In addition, directors, officers and employees are also required to formally acknowledge their understanding of policies and declare any potential or actual conflicts of interest. Trainings on anti-bribery and the Code in multi-languages are also carried out for industrial/general workers.

We continue to refine our compliance training programmes and curriculum. We are also focused on developing and tailoring training content to varying target groups and training needs.

In addition to policy-related training programmes, we conduct trainings focused on the line manager's responsibilities in developing the desired culture and mindset regarding compliance. These responsibilities include the need to establish and maintain effective internal controls to ensure that processes are robust, and that potential gaps are identified and mitigated in a timely manner.

Our training aims to engender positive compliance mindsets and culture, and we see this guiding our employees in critical facets of their work. Training focused on building risk and compliance competencies are also organised to ensure that we are apprised on changes in approaches, best practices and tools.

Group Risk & Compliance conducts periodic site visits, particularly to locations susceptible to higher corruption risks, to raise awareness of compliance risks. We also leverage opportunities at various management conferences and employee meetings to stress the importance of compliance.

KEY PROCESSES**Due Diligence**

We continue to improve our risk-based due diligence process for all third-party associates who represent the Group in business dealings, including our joint venture partners, to assess the compliance risk of the business partner. In addition to background checks, the due diligence process incorporates requirements for third-party associates to acknowledge understanding and compliance with the Code.

Other Processes

As part of our ongoing review of policies and procedures, we ensure compliance oversight is embedded in key processes including areas such as gifts and hospitality, agent fees, donations and sponsorships, as well as conflicts of interest.

RISK ASSESSMENT, REVIEW & MONITORING

We continue to develop our compliance resources and framework. This will enable the Compliance team to conduct independent risk assessments to identify and mitigate key compliance risks. Regular discussions are held with all BUs, focusing on risk assessments including specific compliance risks identified for each BU. Separately, independent reviews of compliance risks are executed within the scope of internal audits including thematic reviews of the effectiveness of key aspects of our compliance programmes. These reviews provide valuable insights and opportunities for us to improve our processes and programmes.

RESOURCES

We recognise the need for an experienced compliance team to effectively support the business in compliance advisory, as well as to ensure that compliance programmes and controls are effectively implemented. Senior management and members of the Board are fully committed to ensuring that we sustain a strong compliance function.

DIRECTORS' STATEMENT & FINANCIAL STATEMENTS

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DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The Directors present their statement together with the audited consolidated financial statements of the Group, and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

In the opinion of the directors, the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company as set out on pages 129 to 134, are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and the financial performance, changes in equity and the cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1. Directors

The Directors of the Company in office at the date of this statement are:

Lee Boon Yang (Chairman)
 Loh Chin Hua (Chief Executive Officer)
 Alvin Yeo Khirn Hai
 Tan Ek Kia
 Danny Teoh
 Till Bernhard Vestring
 Veronica Eng
 Jean-François Manzoni
 Teo Siong Seng (appointed on 1 November 2019)
 Tham Sai Choy (appointed on 1 November 2019)
 Penny Goh (appointed on 2 January 2020)

2. Audit Committee

The Audit Committee of the Board of Directors comprises six independent non-executive Directors. Members of the Committee are:

Danny Teoh (Chairman)
 Alvin Yeo Khirn Hai
 Tan Ek Kia
 Veronica Eng
 Tham Sai Choy (appointed on 1 February 2020)
 Penny Goh (appointed on 1 February 2020)

The Audit Committee carried out its function in accordance with the Singapore Companies Act, including the following:

- Reviewed financial statements and announcements relating to financial performance, and significant financial reporting issues and judgments contained in them;
- Reviewed the adequacy and effectiveness of financial, operational, compliance and information technology controls, as well as risk management in relation to financial reporting and other financial-related risks;
- Reviewed the Board's comment on the adequacy and effectiveness of the Group's internal control systems, and state whether it concurs with the Board's comments; and if there are material weaknesses identified in the Group's internal controls, to consider and recommend the necessary steps to be taken to address them;
- Reviewed the assurance from the CEO and CFO on the financial records and financial statements and the assurance and steps taken by the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Group's internal control systems;
- Reviewed audit scopes, plans and reports of the Company's external and internal auditors and considered effectiveness of actions taken by management on the recommendations and observations;
- Reviewed the adequacy, effectiveness, independence and objectivity of the external auditors and internal auditors annually;
- Reviewed the scope and results of the external audit function and internal audit function;
- Reviewed the nature and extent of non-audit services performed by external auditors;
- Met with external auditors and internal auditors, without the presence of management, at least annually;
- Ensured that the internal audit function is adequately resourced and staffed with persons with the relevant qualifications and experience, and has appropriate standing within the Company, at least annually;
- Reviewed the whistle-blower policy and the Company's procedures for detecting and preventing fraud and other arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
- Reviewed interested person transactions;
- Investigated any matters within the Audit Committee's terms of reference, whenever it deemed necessary;
- Reported to the Board on material matters, findings and recommendations;
- Reviewed the Audit Committee's terms of reference annually and recommended proposed changes to the Board for approval; and
- Ensured the Head of Internal Audit and external auditors have direct and unrestricted access to the Chairman of the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of PricewaterhouseCoopers LLP for re-appointment as independent auditors and approved the remuneration and terms of engagement at the forthcoming Annual General Meeting of the Company.

3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate other than the KCL Restricted Share Plan, KCL Performance Share Plan and Remuneration Shares to Directors of the Company.

4. Directors' interests in shares and debentures

According to the Register of Directors' shareholdings kept by the Company for the purpose of Section 164 of the Singapore Companies Act, none of the Directors holding office at the end of the financial year had any interest in the shares and debentures of the Company and related corporations, except as follows:

	Holdings At		
	1.1.2019 or date of appointment, if later	31.12.2019	21.1.2020
Keppel Corporation Limited			
<i>(No. of ordinary shares)</i>			
Lee Boon Yang	290,000	322,000	322,000
Loh Chin Hua	895,341	1,310,592	1,310,592
Loh Chin Hua (deemed interest)	38,500	38,500	38,500
Alvin Yeo Khirn Hai	44,225	51,225	51,225
Alvin Yeo Khirn Hai (deemed interest)	42,000	42,000	42,000
Tan Ek Kia	42,825	51,825	51,825
Danny Teoh	73,825	83,825	83,825
Till Bernhard Vestring	74,000	81,000	81,000
Veronica Eng	19,000	28,000	28,000
Jean-François Manzoni	-	1,000	1,000
Tham Sai Choy	155,570	155,570	155,570
Penny Goh	-	-	30,000
<i>(Unvested restricted shares to be delivered after 2016)</i>			
Loh Chin Hua	60,000	-	-
<i>(Unvested restricted shares to be delivered after 2017)</i>			
Loh Chin Hua	181,568	90,784	90,784
<i>(Unvested restricted shares to be delivered after 2018)</i>			
Loh Chin Hua	-	174,936	174,936
<i>(Contingent award of performance shares issued in 2016 to be delivered after 2018)¹</i>			
Loh Chin Hua	300,000	-	-
<i>(Contingent award of performance shares issued in 2017 to be delivered after 2019)¹</i>			
Loh Chin Hua	330,000	330,000	330,000
<i>(Contingent award of performance shares issued in 2018 to be delivered after 2020)¹</i>			
Loh Chin Hua	320,000	320,000	320,000
<i>(Contingent award of performance shares issued in 2019 to be delivered after 2021)¹</i>			
Loh Chin Hua	-	365,000	365,000
<i>(Contingent award of performance shares – Transformation Incentive Plan issued in 2016 to be delivered after 2021)¹</i>			
Loh Chin Hua	750,000	750,000	750,000

¹ Depending on the achievement of pre-determined performance targets, the actual number of shares to be released could range from zero to 150% of the number stated.

DIRECTORS' STATEMENT

5. Share options of the Company

Details of share options granted under the KCL Share Option Scheme ("Scheme") are disclosed in Note 3 to the financial statements.

No options to take up Ordinary Shares ("Shares") were granted during the financial year. There were 44,000 Shares issued by virtue of exercise of options and options to take up 935,285 Shares were cancelled during the financial year. At the end of the financial year, there were 910,900 Shares under option as follows:

Date of grant	Number of Share Options			Exercise Price	Date of expiry
	Balance at 1.12.2019	Exercised	Cancelled		
05.02.09	68,600	(44,000)	(24,600)	\$3.07	04.02.19
06.08.09	688,385	-	(688,385)	\$6.86	05.08.19
09.02.10	1,133,200	-	(222,300)	\$6.89	08.02.20
	<u>1,890,185</u>	<u>(44,000)</u>	<u>(935,285)</u>		
			<u>910,900</u>		

There are no options granted to any of the Company's controlling shareholders or their associates under the Scheme.

6. Share plans of the Company

The KCL Performance Share Plan ("KCL PSP") and KCL Restricted Share Plan ("KCL RSP") were approved by the Company's shareholders at the Extraordinary General Meeting of the Company on 23 April 2010.

Details of share plans awarded under the KCL PSP, KCL PSP-Transformation Incentive Plan ("KCL PSP-TIP"), KCL RSP and KCL RSP-Deferred Shares are disclosed in Note 3 to the financial statements and as follows:

Contingent awards:

Date of Grant	Number of Shares					
	Balance at 1.1.2019	Contingent awards granted	Adjustments upon release	Released	Cancelled	Balance at 31.12.2019
KCL PSP						
29.4.2016	645,000	-	(264,400)	(380,600)	-	-
28.4.2017	1,070,000	-	-	-	-	1,070,000
30.4.2018	1,180,000	-	-	-	-	1,180,000
30.4.2019	-	1,635,000	-	-	-	1,635,000
	<u>2,895,000</u>	<u>1,635,000</u>	<u>(264,400)</u>	<u>(380,600)</u>	<u>-</u>	<u>3,885,000</u>
KCL PSP-TIP						
29.4.2016	3,935,967	-	-	-	(350,000)	3,585,967
28.4.2017	2,030,000	-	-	-	(30,000)	2,000,000
	<u>5,965,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(380,000)</u>	<u>5,585,967</u>

Awards:

Date of Grant	Number of Shares					
	Balance at 1.1.2019	Awards granted	Adjustments upon release	Released	Cancelled	Balance at 31.12.2019
KCL RSP-Deferred shares						
15.2.2019	-	3,908,536	-	(3,908,536)	-	-
18.4.2019	-	325,635	-	(325,635)	-	-
	<u>-</u>	<u>4,234,171</u>	<u>-</u>	<u>(4,234,171)</u>	<u>-</u>	<u>-</u>

Awards released but not vested:

Date of Grant	Number of Shares					Balance at 31.12.2019
	Balance at 1.1.2019	Released	Vested	Cancelled	Other adjustments	
KCL PSP						
29.4.2016	-	380,600	(380,600)	-	-	-
	-	380,600	(380,600)	-	-	-
KCL RSP						
31.3.2014	4,200	-	-	(600)	-	3,600
31.3.2015	11,000	-	-	(3,700)	-	7,300
29.4.2016	1,614,918	-	(1,565,032)	(34,545)	-	15,341
	1,630,118	-	(1,565,032)	(38,845)	-	26,241
KCL RSP-Deferred shares						
23.2.2018	2,586,237	-	(1,276,901)	(94,045)	(492)	1,214,799
15.2.2019	-	3,908,536	(1,312,115)	(106,166)	(2,165)	2,488,090
18.4.2019	-	325,635	(112,660)	(3,300)	-	209,675
	2,586,237	4,234,171	(2,701,676)	(203,511)	(2,657)	3,912,564

No Director of the Company received any contingent award of Shares granted under the KCL RSP and KCL PSP except for the following:

Contingent awards:

	Contingent awards granted during the financial year	Aggregate awards granted since commencement of plans to the end of financial year	Aggregate other adjustments since commencement of plans to the end of financial year	Aggregate awards released since commencement of plans to the end of financial year	Aggregate awards not released as at the end of financial year
KCL RSP					
Executive Director					
Loh Chin Hua	-	644,757	-	(644,757)	-
KCL PSP					
Executive Director					
Loh Chin Hua	365,000	1,885,814	(624,014)	(246,800)	1,015,000
KCL PSP-TIP					
Executive Director					
Loh Chin Hua	-	750,000	-	-	750,000

Awards:

	Awards granted during the financial year	Aggregate awards granted since commencement of plans to the end of financial year	Aggregate other adjustments since commencement of plans to the end of financial year	Aggregate awards released since commencement of plans to the end of financial year	Aggregate awards not released as at the end of financial year
KCL RSP-Deferred shares					
Executive Director					
Loh Chin Hua	262,403	534,755	-	(534,755)	-

DIRECTORS' STATEMENT

6. Share plans of the Company (continued)

Awards released but not vested:

	Aggregate awards released since commencement of plans to the end of financial year	Aggregate awards vested since commencement of plans to the end of financial year	Aggregate awards released but not vested as at the end of financial year
KCL RSP			
Executive Director			
Loh Chin Hua	644,757	(644,757)	-
KCL RSP-Deferred shares			
Executive Director			
Loh Chin Hua	534,755	(269,035)	265,720
KCL PSP			
Executive Director			
Loh Chin Hua	246,800	(246,800)	-

No Director or employee received 5% or more of the total number of contingent award of Shares granted during the financial year and aggregated to date, except for the following:

	Contingent shares granted during the financial year (%)	Aggregate contingent shares granted to date (%)
Executive Director		
Loh Chin Hua	10.7%	6.5%

There are no contingent award of Shares granted to any of the Company's controlling shareholders or their associates under the KCL RSP, KCL RSP-Deferred shares, the KCL PSP and the KCL PSP-TIP.

7. Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board



LEE BOON YANG
Chairman



LOH CHIN HUA
Chief Executive Officer

Singapore, 27 February 2020

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Keppel Corporation Limited
For the financial year ended 31 December 2019

Report on the audit of the financial statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of Keppel Corporation Limited ("the Company") and its subsidiaries ("the Group") and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act"), Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and changes in equity of the Company for the financial year ended on that date.

What we have audited

The financial statements of the Group and of the Company comprise:

- the balance sheets of the Group and of the Company as at 31 December 2019;
- the consolidated profit and loss account of the Group for the financial year then ended;
- the consolidated statement of comprehensive income of the Group for the financial year then ended;
- the statements of changes in equity of the Group and of the Company for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Recoverability of contract assets and stocks (work-in-progress) in relation to the Offshore and Marine ("O&M") business unit (Refer to Notes 2.27(iii), 14 and 15 to the financial statements) As at 31 December 2019, the Group has: (i) Stocks (work-in-progress) ("WIP") amounting to \$599 million (after a provision of \$50 million made in prior year); and (ii) contract assets relating to certain rigbuilding contracts where the scheduled delivery dates of the rigs had been deferred and have higher counterparty risks, amounting to \$1,432 million (after a provision for expected credit loss of \$21 million made in prior year). We focused on this area because significant judgment and assumptions are required in: (i) estimating the net realisable values ("NRV") of the WIP balance; and (ii) estimating the expected credit loss of the contract asset balance.	We reviewed management's assessment of the NRV of the WIP and the recovery of the contract assets balance. We assessed the most significant inputs to the Discounted Cash Flow ("DCF") calculations and engaged our valuation specialists to review the discount rates applied. We also considered the adequacy of the disclosures in the financial statements in respect of this matter. Based on our procedures, we found management's judgment around the NRV of the WIP and the recovery of contract assets to be appropriate.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Keppel Corporation Limited

Key Audit Matter	How our audit addressed the Key Audit Matter
In determining whether the NRV of the WIP exceeds its carrying amount, management has considered arrangements to market the WIP and estimated its NRV based on the DCF model. NRV of the WIP was estimated to be above the carrying value at the balance sheet date. For contract assets relating to certain rig building contracts where the scheduled delivery dates of the rigs had been deferred and have higher counterparty risks, in the event that the customers are unable to fulfil their contractual obligations, the Group can exercise its right to retain payments received to date and take legal possession of the rigs under construction. Management has assessed if the values of the rigs would exceed the carrying values of the contract assets. Management has estimated, with the assistance of an independent professional firm, the values of the rigs using DCF calculations that cover each class of rig under construction. The most significant inputs to the DCF calculations include dayrates and discount rates. Arising from management's assessment, no additional expected credit loss provision was required against contract assets in 2019.	In respect of the independent professional firm, we found that it possessed the requisite competency and experience to assist management in the assessment of the valuation. We also found the disclosures in the financial statements in respect of the critical judgment and sources of estimation uncertainty to be adequate.
2. Impairment assessment of investments in associated companies (Refer to Note 10 to the financial statements) As at 31 December 2019, the Group has investments in associated companies with a carrying value amounting to \$6,351 million. Significant associated companies where impairment indicators exist included KrisEnergy Limited and Floatel International Limited. <i>Investment in KrisEnergy and related exposures</i> The Group has a 40% equity interest in KrisEnergy Limited ("KrisEnergy"), an associated company listed on the Singapore Exchange. KrisEnergy is an independent upstream company focused on the production and development of oil and gas in the basins of Southeast Asia. As at 31 December 2019, the carrying amount of the Group's investment in KrisEnergy amounted to \$74 million (after a full impairment write down of \$37 million in the current year on equity shares), comprising zero-coupon notes. In addition, the Group also has \$21 million of contract assets in relation to a construction contract for a production barge for KrisEnergy and, through a bilateral agreement between the Group and a bank, guaranteed \$263 million in respect of the bank loan granted to KrisEnergy (Note 10). The zero-coupon notes and guarantee are secured on the assets of KrisEnergy. On 14 August 2019, KrisEnergy requested for a suspension of trading of its shares on the Singapore Exchange and applied for a debt moratorium. The High Court of Republic of Singapore approved the application for an initial period of three months up to 14 November 2019. At the date of these financial statements, the debt moratorium was extended to 27 May 2020.	We read recent public announcements made by KrisEnergy to obtain an understanding of the financial position of KrisEnergy and its ability to repay its debt obligations. For cash flows estimated by KrisEnergy from an asset under development, we evaluated the reasonableness of the estimates and assumptions in the cash flow projections, with focus on the estimates of reserves available and estimated future oil prices of US\$63 to US\$70 per barrel for 2020 to 2028. For cash flows relating to producing assets, we evaluated the reasonableness of the estimates by assessing historical performance. For non-performing or underperforming assets, we obtained an understanding on the progress of each proposed sale transaction and the bid prices received. In respect of the financial advisor for the Group, we assessed that it possessed the requisite competency and experience to assist management in the assessment of the recoverable amount of KrisEnergy.

Key Audit Matter	How our audit addressed the Key Audit Matter
In November 2019, KrisEnergy announced that a restructuring plan was in the process of being developed by KrisEnergy's management together with its consultants. Management performed an impairment assessment to estimate the recoverable amount of the Group's exposure in KrisEnergy as at 31 December 2019. With assistance from its financial advisor, management estimated the amount of cash available from producing assets and forecasted production from assets under development, taking into consideration the relative priority of each group of stakeholders to these cash flows based on their respective rights. Based on the result of the assessment, an impairment loss of \$37 million was recognised in 2019 to fully write down the carrying amount of the investment. No impairment allowances were made against the zero-coupon notes and contract assets and no liabilities were recorded for the Group's guarantee given to the bank for the loan granted to KrisEnergy as the Group has priority over the cash flows on the assets of KrisEnergy. Management will continue to evaluate the above assessment when a restructuring plan is presented by KrisEnergy in due course, which may give rise to adjustments to be made. We focused on this area as the assessment of the recoverable amount required management to make projections of cash flows arising from producing assets and assets under development in which several estimates and key assumptions were applied. <i>Investments in Floatel International Limited</i> The Group has a 49.92% equity interest in Floatel International Limited ("Floatel"). Floatel operates a fleet of five semisubmersible accommodation and construction support vessels for the offshore oil and gas industry. The carrying amount of the Group's investment in Floatel amounted to \$477 million as at 31 December 2019 (2018: \$524 million), comprising \$311 million in equity shares (2018: \$362 million), \$10 million in preference shares (2018: \$22 million) and \$156 million in long term receivables (2018: \$140 million). During the financial year ended 31 December 2019, the Group had equity accounted for \$51 million as their share of loss of Floatel's results (2018: profit of \$11 million) which included impairment losses on the carrying value of Floatel's three vessels amounting to \$20 million (2018: \$nil). The recoverable amount of the vessels were determined on their value-in-use, using a DCF model. In November 2019, credit rating agencies downgraded Floatel's credit rating, citing market environment for accommodation vessels remaining difficult with limited activity and pressure on dayrates. The rating agencies also commented that if Floatel fails to contract work for its idle vessels in the near future, it may not be able to meet its leverage covenant at its first test at the year-end 2020.	We also considered the adequacy of the disclosures in the financial statements in respect of this matter. Based on our procedures, we found the significant estimates and key assumptions in determining the available cash flows for the Group's investment in KrisEnergy to be reasonable and the related disclosures to be adequate. We evaluated the appropriateness of the key inputs used in the estimation of the recoverable amount of Floatel's vessels as part of the impairment review of the vessels. We read recent public announcements made by the credit rating agencies to obtain an understanding of circumstances and impact arising from the credit downgrading. We read the public announcement made by Floatel on its financial results for the year ended 31 December 2019. We discussed with management to obtain an understanding of the basis of the going concern assumption, as well as the cash flow projections. We corroborated the information obtained to the cash flow projections used in the vessel impairment review, reports and analyses from advisors, as well as our understanding of the business environment that Floatel is operating in. We discussed with management their evaluation of the going concern assessment made by Floatel. We also assessed the adequacy of the disclosures in the financial statements in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Keppel Corporation Limited

Key Audit Matter	How our audit addressed the Key Audit Matter
2. Impairment assessment of investments in associated companies (continued) <i>Investments in Floatel International Limited (continued)</i> Floatel subsequently reported that its financial situation is unsustainable as liquidity is under pressure. There is a material uncertainty as to whether Floatel will be able to service its secured financial liabilities and net working capital requirements for the coming 12 months, which cast significant doubt on Floatel's ability to continue as a going concern. The long term viability of Floatel's business depends on it finding a solution to its financial situation and Floatel management has initiated discussions with key creditors, in which, in the view of Floatel's board of directors, there is reasonable expectations of success. In a situation where going concern for Floatel no longer can be assumed, there is a risk for significant write down of its assets. Based on information currently available, the Group's management concurred with the judgment made by Floatel's management and board of directors in relation to this matter. If Floatel could not continue to be a going concern, the carrying amount of the Group's investment in Floatel may be subject to significant write down. We focused on this area as the assessment of the going concern of Floatel required management to evaluate the basis used by Floatel management in which several estimates and key assumptions were applied.	Based on the procedures performed, we found management's assessment to be consistent with the results of the audit procedures performed. We also found the disclosures in the financial statements in respect of this matter to be adequate.
3. Financial exposure in relation to contracts with Sete Brasil (Refer to Note 12 to the financial statements) The Group's customer, Sete Brasil ("Sete") filed for bankruptcy protection on 21 April 2016. The Group had previously entered into Engineering, Procurement and Construction ("EPC") contracts with Sete for the construction of six semisubmersible drilling rigs. Sete stopped making payments to the Group under these contracts since November 2014. The Group suspended construction of these six rigs in November 2015. The total cumulative expected losses recognised on these contracts amounted to \$476 million. On 3 October 2019, Sete's creditors approved a settlement agreement between the Group and Sete, as well as a proposal by Magni Partners (Bermuda) Ltd ("Magni") to purchase Sete's four subsidiaries, of which two have EPC contracts with the Group. Under the settlement agreement with Sete, which is subject to fulfilment of certain conditions precedent, the Group would take over ownership of four uncompleted rigs arising from the performance of the above EPC contracts. When the settlement agreement comes into effect, the EPC contracts and related agreements entered for these uncompleted rigs will be deemed to be amicably terminated, with no penalties, refunds and/or any additional amounts being due to any party, and the parties will waive all rights to any claims. The Group has a receivable of approximately US\$260 million included in Sete's court-approved Judicial Reorganisation Plan. The outstanding amount will be paid to the Group proportionally and pari passu with other creditors of Sete as part of, and out of proceeds of, its Judicial Reorganisation Plan.	We reviewed the terms of each contract and correspondences with Sete or its authorised representatives to validate the assumptions applied by management. For the two impending EPC contracts with Magni, we assessed the amount and timing of gross cash inflows from Magni to the term sheet. We also assessed the total cost of completing the construction of the rigs through discussions with project managers and corroborating the amounts to an approved budget plan. We obtained management's calculation of the discount rate used and evaluated its reasonableness based on our understanding of the settlement agreement with Magni. For the remaining four undelivered rigs, we reviewed management's computation of the provisions recognised during the year and corroborated the inputs against supporting documents and externally available information. We also considered the adequacy of the disclosures in the financial statements in respect of this matter. Based on our procedures, we found management's assessment in respect of the provisions for expected credit loss and contract related costs from these contracts to be reasonable. We also found that the disclosures in the financial statements in respect of this matter to be adequate.

Key Audit Matter	How our audit addressed the Key Audit Matter
As at the date of these financial statements, management is in discussions with Magni on the terms to complete the construction of the two rigs with EPC contracts with the Group. Management estimated the net present value of the cash flows relating to the impending construction contracts for the two rigs with Magni. In addition, management performed an assessment to estimate the cost of discontinuance of related agreements of the EPC contracts for four undelivered rigs, offset by possible options in extracting value from the uncompleted rigs and possible payout from the Judicial Reorganisation Plan. Arising from the above assessment, management is of the opinion that the provision of \$183 million (included in provision for loss allowance in trade debtors (Note 12) (2018: \$183 million) and \$245 million (included in sundry creditors, Note 20) (2018: \$245 million) are adequate to address the cost of discontinuance, salvage cost and unpaid progress billings relating to these EPC contracts.	
4. Global resolution with criminal authorities in relation to corrupt payments (Refer to Note 2.27(iii) to the financial statements) In December 2017, a wholly-owned subsidiary, Keppel Offshore and Marine Ltd ("KOM") reached a global resolution with the Corrupt Practices Investigation Bureau ("CPIB") in Singapore, the U.S. Department of Justice ("DOJ"), and the Public Prosecutor's Office in Brazil, Ministério Público Federal ("MPF") in relation to corrupt payments made in Brazil by Zwi Skornicki, a former agent of certain Keppel subsidiaries in the O&M division. As part of the global resolution with the authorities, the Group had also committed to strengthening the compliance and governance regime in KOM. Amongst others, it included a commitment to secure certification of ISO 37001 Anti-Bribery Management System and testing of the effectiveness of the policies and procedures put in place. As of the date of these financial statements, Keppel O&M entities in Singapore, Brazil, Bulgaria, China, India, Philippines, UAE and USA had secured certification of the ISO 37001 Anti-Bribery Management System. Anti-bribery and corruption compliance audits were also performed on entities within the KOM Group. These audits revealed that the enhanced policies and procedures put in place to-date were, in general, functioning as intended. The audits performed in 2018 had, however, identified certain matters relating to contracts entered into several years ago which required follow-up actions and further review. The follow-up actions and further review were concluded in 2019. Based on currently available information, management is of the opinion that no additional provisions is required. We focused on this area because of the management judgment required in determining whether additional provision is required.	We obtained understanding of management's compliance and governance regime, including the progress of its implementation, through enquiries of appropriate personnel within the Group and attendance at the board of directors' meetings. We read the reporting by KOM to DOJ and CPIB and sighted the ISO 37001 certificate. We discussed with management to understand the results of the anti-bribery and corruption compliance audits performed during the year. We also considered the adequacy of the disclosures in the financial statements in respect of this matter. We found that the disclosures in the financial statements to be adequate. Based on our procedures and representations obtained from management, we found management's assessment of the matter to be appropriate.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Keppel Corporation Limited

Key Audit Matter	How our audit addressed the Key Audit Matter
5. Revenue recognition based on measurement of progress towards performance obligation (Refer to Note 2.20 and 24 to the financial statements) During the year, the Group recognised \$2,419 million of revenue relating to its rigbuilding, shipbuilding and repairs, and long-term engineering contracts ("construction contracts"). The Group recognises revenue over time by reference to the Group's progress towards completing the construction of the contract work. The stage of completion was measured by reference to either the percentage of the physical proportion of the contract work completed or the proportion of contract costs incurred to date to the estimated total contract costs. We focused on this area because of the significant management judgment required in: - the estimation of the physical proportion of the contract work completed for the contracts; and - the estimation of total costs on the contracts, including contingencies that could arise from variations to original contract terms, and claims.	In respect of construction contracts where progress was measured based on the percentage of the physical proportion of the contract work completed, we sighted certified progress reports from engineers, performed site visits, and obtained confirmations from project owners to assess the appropriateness of management's estimates of the physical proportion of work completed. In respect of construction contracts where progress was measured based on the proportion of contract costs incurred to date to the estimated total contract costs, we evaluated the effectiveness of management's controls over the estimation of total costs and assessed the reasonableness of key inputs in the cost estimation. We tested the appropriateness of estimated costs by comparing these against actual costs incurred. We then recomputed the revenues recognised for the current financial year based on the respective percentage of completion and traced these to the accounting records. We also considered the adequacy of the Group's disclosures in respect of this matter. Based on our procedures, we found that assumptions made in the measurement of the progress of construction contracts to be reasonable. We also found the disclosures in the financial statements to be adequate.
6. Valuation of properties held for sale (Refer to Note 14 to the financial statements) At 31 December 2019, the Group had residential properties held for sale of \$4,632 million mainly in China, Singapore, Indonesia and Vietnam. Properties held for sale are stated at the lower of cost and net realisable values. The determination of the carrying value and whether to recognise any foreseeable losses for properties held for sale is highly dependent on the estimated cost to complete each development and the estimated selling price. For certain development projects, fair values based on independent valuation reports are used to determine the net realisable value of these properties. We focused on this area as significant judgment is required in making estimates of future selling prices and the estimated cost to complete the development project. In instances where independent valuation reports are used, the valuation process involves significant judgment in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving the discount rate and price of comparable plots and properties.	We found that, in making its estimates of future selling prices, the Group took into account macroeconomic and real estate price trend information. Management applied their knowledge of the business in their regular review of these estimates. We corroborated the Group's forecast selling prices by comparing the forecast selling price to, where available, recently transacted prices and prices of comparable properties located in the same vicinity as the properties held for sale. We compared management's budgeted total development costs against underlying contracts with vendors and supporting documents. We discussed with the project managers to assess the reasonableness of estimated cost to complete and corroborated the underlying assumptions made with our understanding of past completed projects.

Key Audit Matter	How our audit addressed the Key Audit Matter
Continued unfavourable market conditions in certain of the markets in which the Group operates might exert downward pressure on transaction volumes and residential property prices. This could lead to future trends in these markets departing from known trends based on past experience. There is, therefore, a risk that the estimates of carrying values at the date of these financial statements exceed future selling prices, resulting in losses when the properties are sold.	For projects where management has used independent valuation reports as a basis to determine the net realisable value, we evaluated the qualifications and competence of the external valuer and considered the valuation methodologies used against those applied by other valuers for similar property type. We tested the reliability of inputs used in the valuation and corroborated key inputs such as the discount rate and price of comparable plots and properties used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the inputs were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers. We focused our work on development projects with slower-than-expected sales or with low or negative margins. For projects which are expected to sell below cost, we checked the computations of the foreseeable losses. We also considered the adequacy of the disclosures in the financial statements, in describing the allowance for foreseeable losses made for properties held for sale. Based on our procedures, we were satisfied that management's estimates and assumptions were reasonable. We also found the related disclosures in the financial statements to be adequate.
7. Valuation of investment properties (Refer to Note 7 and Note 34 to the financial statements) At 31 December 2019, the Group owns a portfolio of investment properties of \$3,022 million comprising office buildings, hotels, retail malls and mixed-use development projects, located primarily in China, Singapore, Indonesia and Vietnam. Investment properties are stated at their fair values based on independent external valuations. We focused on this area as the valuation process involves significant judgment in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied such as the capitalisation rate, discount rate, net initial yield and price of comparable plots and properties.	We evaluated the qualifications and competence of the external valuers. We considered the valuation methodologies used against those applied by other valuers for similar property types. We also considered other alternative valuation methods. We tested the reliability of inputs of the projected cash flows used in the valuation to supporting lease agreements and other documents. We corroborated the inputs such as the capitalisation rate, net initial yield, discount rate and price of comparable plots used in the valuation methodology by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the inputs were outside the expected range, we undertook further procedures to understand the reasons for these and, where necessary, held further discussions with the valuers. We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions used in the estimates. The valuers are members of recognised professional bodies for external valuers. We found the valuation methodologies used to be in line with generally accepted market practices and the key assumptions used were within the range of market data. We also found the disclosures in the financial statements to be adequate.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Keppel Corporation Limited

Key Audit Matter	How our audit addressed the Key Audit Matter
8. Purchase price allocation ("PPA") and impairment assessment of goodwill arising from acquisition of subsidiary – M1 Limited ("M1") (Refer to Note 2.27(ii) and Note 36 to the financial statements) <i>Purchase price allocation</i> On 15 February 2019, the Group obtained controlling interest in M1 for a purchase consideration of \$1,232 million through an 80% owned subsidiary. The Group performed a PPA exercise for the acquisition, where the purchase consideration was allocated to the fair value of the identifiable assets acquired and liabilities assumed, resulting in the recognition of goodwill of \$988 million on the investment in M1. As part of the PPA exercise, management identified intangible assets relating to brand, and subscriber relationships and contracts, and performed an estimation of the fair value of the identifiable assets acquired and liabilities assumed. In this exercise, management engaged independent valuers to perform the valuation of certain assets of M1, including spectrum rights and licenses, network assets, application systems and leasehold buildings. We focused on this area as the determination of fair values of the identifiable assets acquired and liabilities assumed, including the identification of intangible assets, required significant management judgment in estimating the underlying assumptions to be applied. <i>Impairment assessment – Goodwill on acquisition</i> An annual impairment assessment was performed on the goodwill of \$988 million, which represented the amount of purchase consideration in excess of the fair value of the identifiable assets acquired and liabilities assumed on acquisition date. The recoverable value of the investment in M1 was determined on a value-in-use basis using a DCF model. The assessment by the Group required significant judgment in estimating the underlying assumptions including the revenue growth rate, long term growth rate and discount rate. Based on management's assessment, no impairment was required as the recoverable amount was higher than the carrying value (including goodwill) of the investment in M1.	We obtained and read the Sales and Purchase Agreement and identified critical terms with accounting impact, including the purchase consideration and determined the acquisition date to be 15 February 2019. We engaged our valuation specialists in assessing the methodology applied in the PPA exercise and the appropriateness of the key assumptions used in determining the valuation of intangible assets, including brand and subscriber relationships. In respect of the independent professional firms engaged by the Group, we found that they possessed the requisite competency and experience to assist management in the valuation of the spectrum rights and licenses, network assets, application systems and leasehold buildings of M1. We also assessed the appropriateness of the disclosures in the financial statements in respect of this matter. Based on our audit procedures, we found management's basis of estimating the fair value to allocate the purchase consideration of the Group's investment in M1 to be reasonable. We also found the disclosures in the financial statements to be adequate. We involved our valuation specialists in evaluating the valuation methodology and the key assumptions applied by management. We assessed the appropriateness of the underlying assumptions made by management in their cash flow projections, including the revenue growth rate, long term growth rate and discount rate based on the economic and industry conditions relevant to M1's business. We checked whether the cash flow projections were based on the approved business plan. We assessed the sensitivity of the cash flow projections and other key assumptions including discount rate and long term growth rate on the impairment assessment and the impact on the headroom over the carrying value. Based on the audit procedures performed, we found management's assessment to be appropriate.

Other information

Management is responsible for the other information. The other information comprises the "Directors' Statement" (but does not include the financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report and other sections of the Keppel Corporation Limited Report to Shareholders 2019 ("Other Sections of the Annual Report") which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, SFRS(I)s and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

to the Shareolders of Keppel Corporation Limited

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yeoh Oon Jin.



PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants
Singapore, 27 February 2020

BALANCE SHEETS

As at 31 December 2019

	Note	Group			Company		
		31 December		1 January	31 December		1 January
		2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Share capital	3	1,291,722	1,291,722	1,291,310	1,291,722	1,291,722	1,291,310
Treasury shares	3	(14,009)	(45,073)	(74)	(14,009)	(45,073)	(74)
Reserves	4	9,933,140	10,021,113	9,901,249	6,772,318	6,396,589	6,341,656
Share capital & reserves		11,210,853	11,267,762	11,192,485	8,050,031	7,643,238	7,632,892
Non-controlling interests	5	435,178	308,930	529,970	-	-	-
Total equity		11,646,031	11,576,692	11,722,455	8,050,031	7,643,238	7,632,892
Represented by:							
Fixed assets	6	2,901,845	2,372,560	2,432,963	7,273	6,676	296
Investment properties	7	3,022,091	2,851,380	3,460,608	-	-	-
Right-of-use assets	8	759,929	-	-	12,833	-	-
Subsidiaries	9	-	-	-	7,962,528	7,867,959	7,972,849
Associated companies	10	6,350,845	6,239,053	5,915,379	-	-	-
Investments	11	649,069	449,515	417,792	19,230	16,957	15,012
Long term assets	12	1,656,362	679,464	603,792	23,469	8,801	14,346
Intangibles	13	1,682,981	129,007	132,594	-	-	-
		17,023,122	12,720,979	12,963,128	8,025,333	7,900,393	8,002,503
Current assets							
Stocks	14	5,542,755	5,495,904	5,755,725	-	-	-
Contract assets	15	3,497,476	3,212,712	3,643,495	-	-	-
Amounts due from:							
- subsidiaries	16	-	-	-	7,280,724	4,043,121	3,498,920
- associated companies	16	563,578	291,729	342,960	705	548	733
Debtors	17	2,748,484	2,702,300	3,062,683	8,844	6,229	4,590
Derivative assets		41,050	45,976	181,226	18,544	23,217	93,530
Short term investments	18	121,581	136,587	202,776	-	27,400	-
Bank balances, deposits & cash	19	1,783,514	1,981,406	2,273,788	1,047	370	2,213
		14,298,438	13,866,614	15,462,653	7,309,864	4,100,885	3,599,986
Current liabilities							
Creditors	20	4,604,544	4,391,023	5,720,165	78,725	76,172	68,585
Derivative liabilities		119,481	119,405	37,969	19,988	27,796	29,528
Contract liabilities	15	1,824,965	1,918,547	1,950,151	-	-	-
Provisions for warranties	21	36,448	69,614	115,972	-	-	-
Amounts due to:							
- subsidiaries	16	-	-	-	156,867	162,611	236,403
- associated companies	16	490,286	115,824	253,331	-	-	-
Term loans	22	4,555,237	1,480,757	1,714,084	3,400,430	460,657	551,530
Lease liabilities	8	67,387	-	-	4,154	-	-
Taxation	28	248,425	297,922	220,761	31,523	43,519	33,955
		11,946,773	8,393,092	10,012,433	3,691,687	770,755	920,001
Net current assets		2,351,665	5,473,522	5,450,220	3,618,177	3,330,130	2,679,985
Non-current liabilities							
Term loans	22	6,504,394	6,067,752	6,078,919	3,498,203	3,495,610	2,939,800
Lease liabilities	8	530,052	-	-	11,498	-	-
Deferred taxation	23	399,028	188,340	325,359	-	-	-
Other non-current liabilities	20	295,282	361,717	286,615	83,778	91,675	109,796
		7,728,756	6,617,809	6,690,893	3,593,479	3,587,285	3,049,596
Net assets		11,646,031	11,576,692	11,722,455	8,050,031	7,643,238	7,632,892

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the financial year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Revenue	24	7,579,703	5,964,781
Materials and subcontract costs		(5,266,594)	(4,175,035)
Staff costs	25	(1,163,231)	(987,830)
Depreciation and amortisation		(375,294)	(182,386)
Impairment loss on financial assets		(74,367)	(99,713)
Other operating income - net		176,284	535,345
Operating profit	26	876,501	1,055,162
Investment income	27	64,594	9,991
Interest income	27	177,675	164,260
Interest expenses	27	(312,716)	(204,824)
Share of results of associated companies	10	147,413	220,895
Profit before tax		953,467	1,245,484
Taxation	28	(192,329)	(284,776)
Profit for the year		761,138	960,708
Attributable to:			
Shareholders of the Company		706,975	948,392
Non-controlling interests	5	54,163	12,316
		761,138	960,708
Earnings per ordinary share	29		
- basic		38.9 cts	52.3 cts
- diluted		38.7 cts	52.0 cts

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	2019 \$'000	2018 \$'000
Profit for the year	761,138	960,708
Items that may be reclassified subsequently to profit and loss account:		
Cash flow hedges		
- Fair value changes arising during the year, net of tax	(91,161)	(238,794)
- Realised and transferred to profit and loss account	115,750	132,017
Foreign exchange translation		
- Exchange difference arising during the year	(100,310)	(132,866)
- Realised and transferred to profit and loss account	7,345	5,574
Share of other comprehensive income of associated companies		
- Cash flow hedges	(18,898)	20,031
- Foreign exchange translation	(76,952)	(42,821)
	(164,226)	(256,859)
Items that will not be reclassified subsequently to profit and loss account:		
Financial assets, at FVOCI		
- Fair value changes arising during the year	(78,459)	(31,566)
Foreign exchange translation		
- Exchange difference arising during the year	(1,936)	(3,545)
Share of other comprehensive income of associated companies		
- Financial assets, at FVOCI	342	581
	(80,053)	(34,530)
Other comprehensive expense for the year, net of tax	(244,279)	(291,389)
Total comprehensive income for the year	516,859	669,319
Attributable to:		
Shareholders of the Company	462,946	660,866
Non-controlling interests	53,913	8,453
	516,859	669,319

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Attributable to owners of the Company							Total Equity \$'000
	Share Capital \$'000	Treasury Shares \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Foreign Exchange Translation Account \$'000	Share Capital & Reserves \$'000	Non- controlling Interests \$'000	
Group								
2019								
As previously reported at 31 December 2018	1,291,722	(45,073)	194,943	10,330,287	(493,669)	11,278,210	308,930	11,587,140
Effects of change in accounting policy on capitalisation of borrowing costs	-	-	-	(10,448)	-	(10,448)	-	(10,448)
As restated at 31 December 2018	1,291,722	(45,073)	194,943	10,319,839	(493,669)	11,267,762	308,930	11,576,692
Adoption of SFRS(I) 16	-	-	-	(78,201)	-	(78,201)	(2,797)	(80,998)
As adjusted at 1 January 2019	1,291,722	(45,073)	194,943	10,241,638	(493,669)	11,189,561	306,133	11,495,694
Total comprehensive income for the year								
Profit for the year	-	-	-	706,975	-	706,975	54,163	761,138
Other comprehensive income *	-	-	(74,112)	-	(169,917)	(244,029)	(250)	(244,279)
Total comprehensive income for the year	-	-	(74,112)	706,975	(169,917)	462,946	53,913	516,859
Transactions with owners, recognised directly in equity								
<u>Contributions by and distributions to owners</u>								
Dividends paid (Note 30)	-	-	-	(417,938)	-	(417,938)	-	(417,938)
Share-based payment	-	-	34,991	-	-	34,991	125	35,116
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(11,623)	(11,623)
Purchase of treasury shares	-	(4,543)	-	-	-	(4,543)	-	(4,543)
Treasury shares reissued pursuant to share plans and share option scheme	-	35,607	(35,472)	-	-	135	-	135
Transfer of statutory, capital and other reserves from revenue reserves	-	-	9,821	(9,821)	-	-	-	-
Cash subscribed by non-controlling shareholders	-	-	-	-	-	-	1,207	1,207
Contributions to defined benefits plans	-	-	(4,041)	-	-	(4,041)	(415)	(4,456)
Other adjustments	-	-	(31)	-	-	(31)	-	(31)
Total contributions by and distributions to owners	-	31,064	5,268	(427,759)	-	(391,427)	(10,706)	(402,133)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of a subsidiary	-	-	-	-	-	-	308,001	308,001
Acquisition of additional interest in subsidiaries	-	-	-	(50,227)	-	(50,227)	(173,390)	(223,617)
Disposal of interest in subsidiaries	-	-	-	-	-	-	(50,864)	(50,864)
Effects of acquiring part of non-controlling interests in a subsidiary	-	-	-	-	-	-	2,091	2,091
Total change in ownership interests in subsidiaries	-	-	-	(50,227)	-	(50,227)	85,838	35,611
Total transactions with owners	-	31,064	5,268	(477,986)	-	(441,654)	75,132	(366,522)
As at 31 December 2019	1,291,722	(14,009)	126,099	10,470,627	(663,586)	11,210,853	435,178	11,646,031

* Details of other comprehensive income have been included in the consolidated statement of comprehensive income.

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

	Attributable to owners of the Company							Total Equity \$'000
	Share Capital \$'000	Treasury Shares \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Foreign Exchange Translation Account \$'000	Share Capital & Reserves \$'000	Non- controlling Interests \$'000	
Group								
2018								
As previously reported at 31 December 2017	1,291,310	(74)	281,407	10,193,647	(323,556)	11,442,734	530,225	11,972,959
Effects of change in accounting policy on capitalisation of borrowing costs	-	-	-	(15,011)	-	(15,011)	-	(15,011)
As restated at 1 January 2018	1,291,310	(74)	281,407	10,178,636	(323,556)	11,427,723	530,225	11,957,948
Adoption of SFRS(I) 9	-	-	1,058	(236,296)	-	(235,238)	(255)	(235,493)
As adjusted at 1 January 2018	1,291,310	(74)	282,465	9,942,340	(323,556)	11,192,485	529,970	11,722,455
Total comprehensive income for the year								
Profit for the year	-	-	-	948,392	-	948,392	12,316	960,708
Other comprehensive income *	-	-	(117,413)	-	(170,113)	(287,526)	(3,863)	(291,389)
Total comprehensive income for the year	-	-	(117,413)	948,392	(170,113)	660,866	8,453	669,319
Transactions with owners, recognised directly in equity								
<u>Contributions by and distributions to owners</u>								
Dividends paid (Note 30)	-	-	-	(526,152)	-	(526,152)	-	(526,152)
Share-based payment	-	-	33,073	-	-	33,073	481	33,554
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(20,321)	(20,321)
Shares issued	412	-	-	-	-	412	-	412
Purchase of treasury shares	-	(90,758)	-	-	-	(90,758)	-	(90,758)
Treasury shares reissued pursuant to share plans and share option scheme	-	45,759	(40,435)	-	-	5,324	-	5,324
Transfer of statutory, capital and other reserves from revenue reserves	-	-	44,771	(44,771)	-	-	-	-
Contributions to defined benefits plans	-	-	814	-	-	814	-	814
Other adjustments	-	-	-	30	-	30	4,442	4,472
Total contributions by and distributions to owners	412	(44,999)	38,223	(570,893)	-	(577,257)	(15,398)	(592,655)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of additional interest in subsidiaries	-	-	(8,332)	-	-	(8,332)	(1,426)	(9,758)
Disposal of interest in subsidiaries	-	-	-	-	-	-	(210,166)	(210,166)
Other adjustments	-	-	-	-	-	-	(2,503)	(2,503)
Total change in ownership interests in subsidiaries	-	-	(8,332)	-	-	(8,332)	(214,095)	(222,427)
Total transactions with owners	412	(44,999)	29,891	(570,893)	-	(585,589)	(229,493)	(815,082)
As at 31 December 2018	1,291,722	(45,073)	194,943	10,319,839	(493,669)	11,267,762	308,930	11,576,692

* Details of other comprehensive income have been included in the consolidated statement of comprehensive income.

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

STATEMENTS OF CHANGES IN EQUITY

	Share Capital \$000	Treasury Shares \$000	Capital Reserves \$000	Revenue Reserves \$000	Total \$000
Company					
2019					
As at 1 January 2019	1,291,722	(45,073)	202,141	6,194,448	7,643,238
Total comprehensive income for the year					
Profit for the year	-	-	-	790,696	790,696
Other comprehensive income	-	-	2,273	-	2,273
Total comprehensive income for the year	-	-	2,273	790,696	792,969
Transactions with owners, recognised directly in equity					
Dividends paid	-	-	-	(417,938)	(417,938)
Share-based payment	-	-	36,170	-	36,170
Purchase of treasury shares	-	(4,543)	-	-	(4,543)
Treasury shares reissued pursuant to share plans and share option scheme	-	35,607	(35,472)	-	135
Total transactions with owners	-	31,064	698	(417,938)	(386,176)
As at 31 December 2019	1,291,722	(14,009)	205,112	6,567,206	8,050,031
Company					
2018					
As at 1 January 2018	1,291,310	(74)	209,506	6,132,150	7,632,892
Total comprehensive income for the year					
Profit for the year	-	-	-	588,420	588,420
Other comprehensive income	-	-	1,945	-	1,945
Total comprehensive income for the year	-	-	1,945	588,420	590,365
Transactions with owners, recognised directly in equity					
Dividends paid	-	-	-	(526,152)	(526,152)
Share-based payment	-	-	31,125	-	31,125
Shares issued	412	-	-	-	412
Purchase of treasury shares	-	(90,758)	-	-	(90,758)
Treasury shares reissued pursuant to share plans and share option scheme	-	45,759	(40,435)	-	5,324
Other adjustments	-	-	-	30	30
Total transactions with owners	412	(44,999)	(9,310)	(526,122)	(580,019)
As at 31 December 2018	1,291,722	(45,073)	202,141	6,194,448	7,643,238

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Operating activities			
Operating profit		876,501	1,055,162
Adjustments:			
Depreciation and amortisation		375,294	182,386
Share-based payment expenses		37,255	34,885
Profit on sale of fixed assets and an investment property		(6,277)	(2,795)
Gain on disposal of subsidiaries		(64,469)	(604,638)
Loss/(gain) on disposal of associated companies		22	(48,783)
Impairment of fixed assets		8,432	6,911
Impairment of associated companies		35,915	60,782
Fair value gain on investment properties		(101,020)	(84,886)
Profit on sale of investments		-	(2,232)
Gain from change in interest in associated companies		(27,114)	(63,622)
Fair value gain on remeasurement of previously held interest upon acquisition of subsidiary		(158,376)	-
Unrealised foreign exchange differences		17,434	27,622
Operational cash flow before changes in working capital		993,597	560,792
Working capital changes:			
Stocks		(72,104)	(408,506)
Contract assets		(159,551)	357,046
Debtors		(806,164)	543,245
Creditors		(15,610)	(694,363)
Contract liabilities		(77,990)	12,430
Investments		(274,421)	(5,448)
Intangibles		(662)	(561)
Amount due to/from associated companies		(30,093)	177
		(442,998)	364,812
Interest received		179,503	154,482
Interest paid		(298,099)	(198,637)
Net income taxes paid		(263,856)	(195,904)
Net cash (used in)/from operating activities		(825,450)	124,753
Investing activities			
Acquisition of a subsidiary	A	(1,143,012)	(38,052)
Acquisition and further investment in associated companies		(652,576)	(365,818)
Acquisition of fixed assets and investment properties		(516,794)	(254,511)
Disposal of subsidiaries	B	27,117	1,085,671
Proceeds from disposal of associated companies and return of capital		106,117	179,342
Proceeds from disposal of fixed assets		16,094	5,524
Advances to/from associated companies		96,625	(216,636)
Dividends received from investments and associated companies		378,422	281,375
Net cash (used in)/from investing activities		(1,688,007)	676,895
Financing activities			
Acquisition of additional interest in subsidiaries		(223,652)	(3,337)
Proceeds from share issues		-	412
Proceeds from reissuance of treasury shares pursuant to share option scheme		135	5,324
Proceeds from non-controlling shareholders of subsidiaries		1,178	-
Proceeds from term loans		4,392,341	1,549,445
Repayment of term loans		(1,342,450)	(1,939,475)
Principal element of lease payments		(47,306)	-
Purchase of treasury shares		(4,543)	(90,758)
Dividend paid to shareholders of the Company		(417,938)	(526,152)
Dividend paid to non-controlling shareholders of subsidiaries		(11,623)	(20,321)
Net cash from/(used in) financing activities		2,346,142	(1,024,862)
Net decrease in cash and cash equivalents		(167,315)	(223,214)
Cash and cash equivalents as at beginning of year		1,971,844	2,241,448
Effects of exchange rate changes on the balance of cash held in foreign currencies		(27,285)	(46,390)
Cash and cash equivalents as at end of year	C	1,777,244	1,971,844

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

2019

	1 January 2019 \$'000	Net proceeds/ (payment) of principal \$'000	Non-cash changes					31 December 2019 \$'000
			Adoption SFRS(I) 16 \$'000	Addition during the year \$'000	Acquisition of subsidiaries \$'000	Disposal of subsidiaries \$'000	Foreign exchange movement \$'000	
Term loans	7,548,509	3,049,891	-	-	451,418	-	9,813	11,059,631
Lease liabilities	-	(47,306)	573,363	47,508	44,771	(6,713)	(14,184)	597,439

2018

	1 January 2018 \$'000	Principal payments (net of proceeds) \$'000	Non-cash changes			31 December 2018 \$'000
			Acquisition of subsidiaries \$'000	Disposal of subsidiaries \$'000	Foreign exchange movement \$'000	
Term loans	7,793,003	(390,030)	297,923	(171,380)	18,993	7,548,509

Notes to Consolidated Statement of Cash Flows

A. Acquisition of a subsidiary

During the financial year, net assets of subsidiaries acquired at their fair values were as follows:

	2019 \$'000	2018 \$'000
Fixed assets	772,654	47
Investment properties	-	360,000
Right-of-use assets	44,324	-
Intangible assets	610,516	-
Stocks	34,745	-
Contract assets	163,121	-
Debtors and other assets	197,211	530
Bank balances and cash	88,991	18,521
Creditors and other liabilities	(241,555)	(6,778)
Borrowings and lease liabilities	(496,189)	(297,923)
Current and deferred taxation	(251,498)	(3,827)
Non-controlling interests consolidated	(2,091)	-
Total identifiable net assets at fair value	920,229	70,570
Non-controlling interests measured at fair value	(308,001)	-
Amount previously accounted for as associated companies	(210,137)	(32,484)
Goodwill arising from acquisition	988,288	-
(Gain)/loss on remeasurement of previously held equity interest at fair value at acquisition date	(158,376)	18,487
Net assets acquired	1,232,003	56,573
Total purchase consideration	1,232,003	56,573
Less: Bank balances and cash acquired	(88,991)	(18,521)
Cash outflow on acquisition	1,143,012	38,052

During the year, the Group's 80% owned subsidiary, Konnectivity Pte Ltd, acquired approximately 81% equity interest in M1 Limited. The Group's wholly-owned subsidiary, Keppel Telecommunications & Transportation Ltd, holds the remaining 19% equity interest in M1 Limited.

Acquisition in prior year relates to the acquisition of 77.6% interest in PRE 1 Investments Pte Ltd on 20 December 2018.

B. Disposal of Subsidiaries

During the financial year, the book values of net assets of subsidiaries disposed were as follows:

	2019 \$'000	2018 \$'000
Fixed assets	(80,973)	(4,272)
Investment properties	-	(948,613)
Right-of-use assets	(4,433)	-
Stocks	(95,065)	(692,651)
Debtors and other assets	(17,350)	(7,939)
Bank balances and cash	(26,053)	(39,194)
Creditors and other liabilities	41,357	446,973
Borrowings and lease liabilities	6,713	171,380
Current and deferred taxation	1,891	139,863
Non-controlling interests	50,099	210,166
	(123,814)	(724,287)
Amount accounted for as associated company	26,984	-
Net assets disposed of	(96,930)	(724,287)
Net profit on disposal	(64,469)	(604,638)
Realisation of foreign currency translation reserve	(7,335)	(7,575)
Sale proceeds	(168,634)	(1,336,500)
Less: Advance payments received in prior year	-	174,538
Less: Bank balances and cash disposed	26,053	39,194
Less: Proceeds receivables	115,464	37,097
Cash inflow on disposal	(27,117)	(1,085,671)

During the year, disposal relates to the sale of 70% interest in Dong Nai Waterfront City LLC, Keppel Logistics (Foshan Sanshui Port) Company Ltd and Keppel Logistics (Hong Kong) Ltd.

Significant disposal in the prior year relates to the sale of Keppel China Marina Holdings Pte Ltd, Keppel Township Development (Shenyang) Co. Ltd, Keppel Bay Property Development (Shenyang) Co. Ltd and Aether Limited.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents in the consolidated statement of cash flows comprise the following balance sheet amounts:

	2019 \$'000	2018 \$'000
Bank balances, deposits and cash	1,783,514	1,981,406
Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost and liabilities	(6,270)	(9,562)
	1,777,244	1,971,844

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of its principal place of business and registered office is 1 HarbourFront Avenue #18-01, Keppel Bay Tower, Singapore 098632.

The Company's principal activity is that of an investment holding and management company.

The principal activities of the companies in the Group consist of:

- offshore oil-rig construction, shipbuilding & shiprepair and conversion;
- environmental engineering, power generation, logistics and data centres;
- property development & investment;
- investments and asset management; and
- telecommunications services, international call services and fixed services, retail sales of telecommunications equipment and accessories, as well as customer services.

The financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet and statement of changes in equity of the Company at 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2020.

2. Significant accounting policies

2.1 Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

2.2 Adoption of New and Revised Standards

The Group adopted the new/revised SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s.

The following are the new or amended SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s, that are relevant to the Group:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*
- Amendments to SFRS(I) 3 and 11 *Previously held interest in a joint operation*
- Amendments to SFRS(I) 1-12 *Income tax consequences of payments on financial instruments classified as equity*
- Amendments to SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*

The adoption of the above new or amended SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s did not have any significant impact on the financial statements of the Group except for the adoption of SFRS(I) 16 *Leases* and Amendments to SFRS (I) 1-23 *Borrowing costs eligible for capitalisation*.

Adoption of SFRS(I) 16

SFRS(I) 16 is effective for financial years beginning on or after 1 January 2019. Adoption of SFRS(I) 16 has resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis. Following the adoption, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and leases of low value assets. The accounting for lessors has not changed significantly.

Lease liabilities are included as part of net debt and are taken into consideration when deriving the net gearing ratio.

The Group's accounting policy on leases after adoption of SFRS(I) 16 is as disclosed in Note 2.18.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

- i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 *Lease* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Leases*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

- ii) On a lease-by-lease basis, the Group has:
- a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - b) Relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
 - c) Accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
 - d) Excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
 - e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

- i) On a lease-by-lease basis, the Group chose to measure its ROU assets (except for ROU assets which meet the definition of investment property) at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019. For ROU assets which meet the definition of an investment property, the Group had measured the ROU assets at their fair values at 1 January 2019.
- ii) The difference between carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

There are no material changes to accounting by the Group as a lessor.

The adoption of SFRS(I) 16 resulted in adjustments to the balance sheet of the Group as at 1 January 2019. The differences from the balance sheet as previously reported at 31 December 2018 are as follows:

Group Balance Sheets	01.01.2019 \$'000
Increase in right-of-use assets	592,126
Increase in investment properties	5,765
Decrease in fixed assets	(127,120)
Decrease in debtors	(14,213)
Increase in lease liabilities	(573,363)
Decrease in creditors	14,687
Increase in deferred tax assets	21,120
Decrease in net assets	<u>(80,998)</u>
Decrease in revenue reserves	(78,201)
Decrease in non-controlling interests	<u>(2,797)</u>
Decrease in total equity	<u>(80,998)</u>

The difference between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 of \$909,035,000 and the lease liabilities recognised in the balance sheet as at 1 January 2019 of \$573,363,000, was due mainly to the discounting effect using weighted average incremental borrowing rate of \$316,532,000, the committed non-cancellable leases with lease terms commencing after 1 January 2019 of \$39,352,000 and other adjustments of \$1,501,000, partially offset by adjustments relating to changes in the index or rate affecting variable payments of \$21,713,000.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the balance sheet on 1 January 2019 ranges from 1.5% to 12.8% per annum.

Clarification on SFRS(I) 1-23 *Borrowing Costs*

In 2018, the International Financial Reporting Standards Interpretations Committee ("Interpretations Committee"), which works with the International Accounting Standards Board in supporting the application of IFRS Standards, received a submission on whether a real estate developer capitalises borrowing costs as part of the cost of units for a residential multi-unit real estate development, for which the developer recognises revenue over time for the sale of individual units in the development based on IFRS 15 *Revenue from Contracts with Customers*.

In November 2018, the Committee issued a Tentative Agenda Decision containing explanatory material for the decision and how the applicable principles and requirements in IAS 23 *Borrowing Costs* apply to the fact pattern in the submission. The Interpretations Committee tentatively concluded that such an entity should not capitalise borrowing costs. This tentative agenda decision was finalised in its original form on 20 March 2019.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

As the financial reporting framework applied by the Group is equivalent to International Financial Reporting Standards, the agenda decision has relevant impact to the Group's Property Division. Following this Agenda Decision, borrowing costs on portion of property where control is capable of being transferred to customers are expensed off as incurred to the profit and loss account. Borrowing costs on the portion of the property not ready for transfer of control to customers are capitalised until the time when control is capable of being transferred to customers. As this constitutes a change in accounting policy, comparatives were restated accordingly.

Impact on the comparatives for the 31 December 2019 Financial Statements

The financial effects of the change in accounting policy:

	31.12.2018	
	\$'000	
Group Profit and Loss Account		
Decrease in materials & subcontract costs		12,596
Increase in interest expenses		(6,381)
Decrease in share of results of associated companies		(623)
Increase in taxation		(1,029)
Increase in profit for the period attributable to shareholders of the Company		4,563
Increase in basic EPS		0.3 cts
Increase in diluted EPS		0.3 cts
	31.12.2018	01.01.2018
	\$'000	\$'000
Group Balance Sheets		
Decrease in associated companies	(632)	(9)
Decrease in stocks	(18,102)	(24,317)
Decrease in deferred taxation	8,286	9,315
Decrease in net assets	(10,448)	(15,011)
Decrease in revenue reserves	(10,448)	(15,011)
Decrease in total equity	(10,448)	(15,011)

2.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

The financial statements of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated financial statements from their respective dates of obtaining control or ceasing control. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair value of the assets transferred, equity instruments issued, liabilities incurred or assumed at the date of exchange and the fair values of any contingent consideration arrangement and any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised in the profit and loss account as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests, except for deferred tax assets/liabilities, share-based related accounts and assets held for sale.

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted and the difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group derecognises all assets (including any goodwill), liabilities and non-controlling interests at their carrying amounts. Amounts previously recognised in other comprehensive income in respect of that former subsidiary are reclassified to the profit and loss account or transferred directly to revenue reserves if required by a specific Standard. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in the profit and loss account.

On a transaction-by-transaction basis, the measurement of non-controlling interests is either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.

Contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in the profit and loss account.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the owners of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests in a subsidiary based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

2.4 Fixed Assets

Fixed assets are initially stated at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment loss, if any. The cost initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent expenditure is added to the carrying amount only when it is probable that future economic benefits will flow to the entity and the cost can be measured reliably. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Profits or losses on disposal of fixed assets are included in the profit and loss account.

Depreciation of fixed assets is calculated on a straight-line basis to write off the cost of the fixed assets over their estimated useful lives. No depreciation is provided on freehold land and capital work-in-progress. The estimated useful lives of other fixed assets are as follows:

Buildings on freehold land	20 to 50 years
Buildings on leasehold land	Over period of lease (ranging from 10 to 50 years)
Vessels & floating docks	10 to 30 years
Plant, machinery & equipment	3 to 30 years
Networks and related application systems	5 to 25 years
Furniture, fittings & office equipment	2 to 10 years
Cranes	5 to 30 years
Small equipment and tools	2 to 20 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

2.5 Investment Properties

Investment properties comprise completed properties and properties under construction or re-development held to earn rental and/or for capital appreciation and right-of-use assets relating to leasehold land that is held for long term capital appreciation or for a currently indeterminate use. Investment properties are initially recognised at cost and subsequently measured at fair value, determined annually based on valuations by independent professional valuers. Changes in fair value are recognised in the profit and loss account.

The cost of major renovations or improvements is capitalised and the carrying amounts of the replaced components are recognised in the profit and loss account.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the profit and loss account.

2.6 Subsidiaries

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Investments in subsidiaries are stated in the financial statements of the Company at cost less accumulated impairment losses. On disposal of a subsidiary, the difference between net disposal proceeds and carrying amount of the investment is taken to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.7 Associated Companies

An associated company is an entity, not being a subsidiary, over which the Group has significant influence, but not control.

Investments in associated companies are stated in the Company's financial statements at cost less any impairment losses. On disposal of an associated company, the difference between net disposal proceeds and the carrying amount of the investment is taken to the profit and loss account.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment loss, if any. The Group's share of profit or loss and other comprehensive income of the associated company is included in the consolidated profit and loss account and consolidated statement of comprehensive income respectively. The Group's share of net assets of the associated company is included in the consolidated balance sheet.

Any excess of the cost of acquisition over the Group's share of net identifiable assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition measured at their fair values is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net identifiable assets, liabilities and contingent liabilities measured at their fair values over the cost of acquisition, after reassessment, is recognised immediately in the profit and loss account as a bargain purchase gain.

2.8 Intangibles

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net identifiable assets acquired and the liabilities assumed measured at their fair values at acquisition date. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any impairment losses. If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the profit and loss account as a bargain purchase gain.

Spectrum Rights

These comprise expenditure relating to one-time charges paid to acquire spectrum rights and telecommunications licenses or access codes. These intangible assets are measured initially at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. Spectrum rights are amortised on a straight-line basis over the estimated economic useful life of 4 to 17 years.

Brand

The brand was acquired as part of a business combination completed during the financial year. The brand value will be amortised over the useful life which is estimated to be 30 years based on the purchase price allocation exercise finalised during the year.

Customer Contracts and Customer Relationships

Customer contracts and customer relationships are identified and recognised separately from goodwill. The cost of customer contracts and relationships is at their fair value at the acquisition date and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred which are expected to generate future economic benefits are recognised as intangibles and amortised on a straight-line basis over their useful lives, ranging from 2 to 20 years.

Other Intangible Assets

Other intangible assets include development expenditure and internet protocol (IP) address, initially recognised at cost and subsequently carried at cost less accumulated amortisation. Costs incurred which are expected to generate future economic benefits are recognised as intangibles and amortised on a straight-line basis over their useful lives, ranging from 3 to 20 years.

Other intangible assets also include management rights which is initially recognised at cost upon acquisition and subsequently carried at cost less accumulated impairment losses, if any. The useful life of the management rights is estimated to be indefinite because management believes there is no foreseeable limit to the period over which the management rights is expected to generate net cash inflows for the Group.

2.9 Service Concession Arrangement

The Group has an existing service concession arrangement with a governing agency (the grantor) to design, build, own and operate a desalination plant in Singapore. Under the service concession arrangement, the Group will operate the plant for 25 years. At the end of the concession period, the grantor may require the plant to be handed over in a specified condition or to be demolished at reasonable costs borne by the grantor. Such service concession arrangement falls within the scope of SFRS(I) INT 12 *Service Concession Arrangements*.

The Group constructs the plant (construction services) used to provide public services and operates and maintains the plant (operation services) for the concession period as specified in the contract. The Group recognises and measures revenue in accordance with SFRS(I) 15 for the services it performs.

The Group recognises a financial asset arising from the provision of the construction services when it has a contractual right to receive fixed and determinable amounts of payments irrespective of the output produced. The consideration receivable is measured initially at fair value and subsequently measured at amortised amount using the effective interest method.

2.10 Investments

Investments are classified as fair value through other comprehensive income or fair value through profit or loss.

Investments are recognised and derecognised on the trade date where the purchase or sale of an investment is under a contract whose terms required delivery of investment within the timeframe established by the market concerned.

Investments at fair value through other comprehensive income are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the investments. Investments at fair value through profit or loss are initially measured at fair value with the related transaction costs recognised immediately as expenses in the profit and loss account.

Investments are subsequently carried at fair value. For investments at fair value through other comprehensive income, gains or losses arising from changes in fair value are included in other comprehensive income until the investment is disposed of, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the revenue reserves. For investments at fair value through profit or loss, gains or losses arising from changes in fair value are included in the profit and loss account.

The fair value of investments that are traded in active markets is based on quoted market prices at the balance sheet date. The quoted market prices are the current bid prices. The fair value of investments that are not traded in an active market is determined using valuation techniques. Such techniques include using recent arm's length transactions, reference to the underlying net asset value of the investee companies and discounted cash flow analysis.

2.11 Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Gains or losses arising from changes in fair value of derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account.

For cash flow hedges, the effective portion of the gains or losses on the hedging instrument is recognised directly in other comprehensive income and accumulated in the hedging reserve, while the ineffective portion is recognised in the profit and loss account. Amounts taken to other comprehensive income are reclassified to the profit and loss account when the hedged transaction affects the profit and loss account.

For fair value hedges, changes in the fair value of the designated hedging instruments are recognised in the profit and loss account. The hedged item is adjusted to reflect change in its fair value in respect of the risk hedged, with any gain or loss recognised in the profit and loss account.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

The fair value of forward foreign currency contracts is determined using forward exchange market rates at the balance sheet date. The fair value of High Sulphur Fuel Oil ("HSFO") and Dated Brent forward contracts is determined using forward HSFO and Dated Brent prices provided by the Group's key counterparty. The fair value of electricity future contracts is determined based on the Uniform Singapore Energy Price quarterly base load electricity futures prices quoted on the Singapore Exchange. The fair value of interest rate caps and interest rate swaps are based on valuations provided by the Group's bankers.

2.12 Financial Assets

Financial assets include cash and bank balances, trade, intercompany and other receivables (excluding prepayments) and investments. Trade, intercompany and other receivables are stated initially at fair value and subsequently at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and bank deposits which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.13 Stocks

Stocks, consumable materials and supplies are stated at the lower of cost and net realisable value, cost being principally determined on the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes cost of land and construction, related overheads expenditure, and financing charges incurred during the period of development. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Each property under development is accounted for as a separate project. Where a project comprises more than one component or phase with a separate temporary occupation permit, each component or phase is treated as a separate project, and interest and other net costs are apportioned accordingly.

2.14 Contract Assets and Contract Liabilities

For contract where the customer is invoiced on a milestone payment schedule or over the period of the contract, a contract asset is recognised if the value of the contract work transferred by the Group exceed the receipts from the customer and a contract liability is recognised if the receipts from the customer exceed the value of the contract work transferred by the Group.

2.15 Impairment of Assets

Financial Assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Goodwill

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Goodwill included in the carrying amount of an associated company is tested for impairment as part of the investment.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU"s) expected to benefit from the synergies of the combination.

An impairment loss is recognised in the profit and loss account when the carrying amount of the CGU, including goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use. The impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Other Non-Financial Assets

Tangible and intangible assets are tested for impairment whenever there is any indication that these assets may be impaired.

Management rights are tested for impairment annually and whenever there is an indication that the management rights may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as impairment loss in the profit and loss account. An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the profit and loss account.

2.16 Financial Liabilities and Equity Instruments

Financial liabilities include trade, intercompany and other payables, bank loans and overdrafts. Trade, intercompany and other payables are stated initially at fair value and subsequently carried at amortised cost. Interest-bearing bank loans and overdrafts are initially measured at fair value and are subsequently measured at amortised cost. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Provision for warranties is set up upon completion of a contract to cover the estimated liability which may arise during the warranty period. This provision is based on service history. Any surplus of provision will be written back at the end of the warranty period while additional provisions where necessary are made when known. These liabilities are expected to be incurred over the applicable warranty periods.

Provision for claims is made for the estimated cost of all claims notified but not settled at the balance sheet date, less recoveries, using the information available at the time. Provision is also made for claims incurred but not reported at the balance sheet date based on historical claims experience, modified for variations in expected future settlement. The utilisation of provisions is dependent on the timing of claims.

2.18 Leases

(i) Before 1 January 2019

When a group company is the lessee

Operating leases

Leases of assets in which the Group does not transfer substantially all the risks and rewards of ownership of the assets by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from lessor) are taken to the profit and loss account on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When a group company is the lessor

Operating leases

Assets leased out under operating leases are included in investment properties and are stated at fair values. Rental income (net of any incentive given to lessee) is recognised on a straight-line basis over the lease term.

(ii) From 1 January 2019

When a group company is the lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-use assets

The Group recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meets the definition of an investment property) are presented as a separate line on the balance sheets. Right-of-use assets which meets the definition of an investment property is presented within "Investment properties" and accounted for in accordance with Note 2.5.

Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option, if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component.

Lease liabilities are presented as a separate line on the balance sheets.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term and low value leases

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group recognises these lease payments in profit or loss in the periods that triggered such lease payments. Details of the variable lease payments are disclosed in Note 8.

When a group company is the lessor

Operating leases

The accounting policy applicable to the Group as a lessor in the comparative period was the same under SFRS(I) 16.

2.19 Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.20 Revenue

Revenue consists of:

- Revenue recognised on rigbuilding, shipbuilding and repairs, property construction and long term engineering contracts;
- Sale of goods and services;
- Rental income from investment properties;
- Investment and fee income; and
- Dividend income.

Revenue recognition

The Group enters into rigbuilding, shipbuilding and repairs, property construction and long term engineering contracts with customers. These contracts are fixed in prices. Revenue is recognised when the control over the contract work is transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the contract work over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The contract work, except for overseas property construction contracts, has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the contract work. For overseas property construction contracts, the Group does not have enforceable rights to payment arising from the contractual terms. Revenue from overseas property construction contracts is recognised at a point in time when the rights to payment become enforceable.

The measure of progress for rigbuilding contracts, and shipbuilding and repair contracts, is determined based on the estimation of the physical proportion of the contract work completed for the contracts with reference to engineers' estimates. The measure of progress for property construction and long term engineering contracts is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress.

An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

Revenue from sale of goods is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

Revenue from the rendering of services including electricity supply, logistic services, operations and maintenance under service concession arrangements, and telecommunication services is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be performed.

Revenue arising from additional claims and variation orders, whether billed or unbilled, is recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claims or approve the variation orders, and the amount that it is probable will be accepted by the customer can be measured reliably.

Rental income from operating leases on investment properties is recognised on a straight-line basis over the lease term.

Dividend income is recognised in the profit and loss account when the right to receive payment is established, and in the case of fixed interest bearing investments, on a time proportion basis using the effective interest method.

Interest income is recognised on a time proportion basis using the effective interest method.

2.21 Borrowing Costs

Borrowing costs incurred to finance the development of properties and acquisition of fixed assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are taken to the profit and loss account over the period of borrowing using the effective interest rate method.

For Singapore trading properties which the Group recognises revenue over time, borrowing costs on the portion of the property not ready for transfer of control to the purchasers are capitalised until the time when control is capable of being transferred to the purchasers.

2.22 Employee Benefits

Defined Contribution Plan

The Group makes contributions to pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies make contributions to the Central Provident Fund in Singapore, a defined contribution pension scheme. Contributions to pension schemes are recognised as an expense in the period in which the related service is performed.

Employee Leave Entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

Share Option Scheme and Share Plans

The Group operates share-based compensation plans. The fair value of the employee services received in exchange for the grant of options, restricted shares and performance shares is recognised as an expense in the profit and loss account with a corresponding increase in the share option and share plan reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair values of the options, restricted shares and performance shares granted on the respective dates of grant.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable and share plan awards that are expected to vest on the vesting dates, and recognises the impact of the revision of the estimates in the profit and loss account, with a corresponding adjustment to the share option and share plan reserve over the remaining vesting period.

No expense is recognised for options or share plan awards that do not ultimately vest, except for options or share plan awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The proceeds received from the exercise of options are credited to share capital when the options are exercised. When share plan awards are released, the share plan reserve is transferred to share capital if new shares are issued, or to the treasury shares account when treasury shares are re-issued to the employee.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.23 Income Taxes

Current income tax is recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets/liabilities are recognised for deductible/taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. The principal temporary differences arise from depreciation, valuation of investment properties, unremitted offshore income and future tax benefits from certain provisions not allowed for tax purposes until a later period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is measured at the tax rates that are expected to apply when the related deferred income tax asset/liability is realised/settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the balance sheets date, and based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the profit and loss account, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.24 Foreign Currencies

Functional Currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency").

The financial statements of the Group and the balance sheet and statement of changes in equity of the Company are presented in Singapore Dollars, which is the functional currency of the Company.

Foreign Currency Transactions

Transactions in foreign currencies are translated at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at exchange rates approximating those ruling at that date. Exchange differences arising from translation of monetary assets and liabilities are taken to the profit and loss account. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign Currency Translation

For inclusion in the Group's financial statements, the assets and liabilities of foreign subsidiaries and associated companies that are in functional currencies other than Singapore Dollars are translated into Singapore Dollars at the exchange rates ruling at the balance sheet date. Profit or loss of foreign subsidiaries and associated companies are translated into Singapore Dollars using the average exchange rates for the financial year. Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign subsidiaries and associated companies. Exchange differences due to such currency translation are recognised in other comprehensive income and accumulated in Foreign Exchange Translation Account until disposal.

Disposal or partial disposal of a foreign operation

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associated company that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified from equity to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associated companies or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.25 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When shares are reacquired by the Company, the amount of consideration paid and any directly attributable transaction cost is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs, is recognised in non-distributable capital reserve. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.26 Segment Reporting

The Group has four reportable segments, namely Offshore & Marine, Property, Infrastructure and Investments. Management monitors the results of each of these operating segments for the purpose of making decisions on resource allocation and performance assessment.

2.27 Critical Accounting Estimates and Judgments

(i) Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there is no instance of application of judgments which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations and as follows:

Control over Keppel REIT

The Group has approximately 49% (2018: approximately 47%) gross ownership interest of units in Keppel REIT as at 31 December 2019. Keppel REIT is managed by Keppel REIT Management Limited ("KRML"), a wholly-owned subsidiary of the Group. The Group has provided an undertaking to the trustee of Keppel REIT to grant the other unitholders the right to endorse or re-endorse the appointment of directors of KRML at the annual general meetings of Keppel REIT. The Group has determined that it does not have control over Keppel REIT but continues to have significant influence over the investment.

Control over KrisEnergy Limited

The Group has approximately 40% gross ownership interest of shares in KrisEnergy Limited ("KrisEnergy") as at 31 December 2019. The management assessed whether the Group has control over KrisEnergy based on whether it has the practical ability to direct the relevant activities of KrisEnergy. In exercising its judgment, management considers the relative size and dispersion of the shareholdings owned by the other shareholders. Taking into consideration the approximately 20% interest held by two other shareholders of KrisEnergy, management concluded that the Group does not have sufficient dominant vesting interest to exert control over KrisEnergy but continues to have significant influence over the investment.

(ii) Acquisition of M1 Limited – purchase price allocation ("PPA")

Accounting of business combinations requires the purchase consideration to be allocated to the fair value of the identifiable assets acquired and liabilities assumed at their fair values, with the unallocated portion being recognised as goodwill. The Group makes judgments on the identification of assets acquired and liabilities assumed and significant estimates in relation to the fair valuation of these identifiable assets and liabilities. The result of the purchase price allocation exercise is disclosed in Note 36.

(iii) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Expected credit loss on financial assets measured at amortised cost and fair value through other comprehensive income

The Group assesses on a forward looking basis the expected credit losses ("ECLs") associated with its financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income ("FVOCI"). The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Group determines whether there has been a significant increase in credit risk.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. These events include probability of insolvency, significant financial difficulties of the debtor and default or significant delay in payments.

The carrying amounts of trade, intercompany and other receivables, and financial assets at FVOCI are disclosed in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

Recoverability of contract asset and receivable balances in relation to Offshore & Marine construction contracts

Contracts with Sete Brasil ("Sete")

The Group had previously entered into contracts with Sete for the construction of six rigs for which progress payments from Sete had ceased since November 2014. In April 2016, Sete filed for bankruptcy protection and its authorised representatives had been in discussion with the Group on the eventual completion and delivery of some of the rigs. In October 2019, the Settlement Agreement as well as the winning bid proposal for Magni Partners (Bermuda) Ltd ("Magni") to purchase four Sete subsidiaries, two of which are special-purpose entities ("SPEs") for uncompleted rigs constructed by the Group, was approved by the creditors. As part of the Settlement Agreement, which is subject to fulfilment of certain conditions precedent, the Group will take over ownership of remaining four uncompleted rigs and will be able to explore various options to extract the best value from these assets. The EPC Contracts and related agreements entered into in relation to these four rigs will be deemed to be amicably terminated, with no penalties, refunds and/or any additional amounts being due to any party, and the parties will waive all rights to any claims. The Group has a receivable of approximately US\$260 million from Sete and this amount has been included in Sete's court-approved Judicial Reorganisation Plan. The outstanding amount will be paid to the Group proportionally and *pari passu* with other creditors of Sete as part of, and out of proceeds of, its Judicial Reorganisation Plan.

Management has performed an assessment to estimate the cost of discontinuance of related agreements of the EPC contracts, offset by possible options in extracting value from the uncompleted rigs and possible payout from the Judicial Reorganisation Plan. In addition, management has estimated the net present value of the cash flows relating to the impending construction contract for two rigs with Magni.

Arising from the above assessment, management is of the opinion that the loss allowance for trade debtors of \$183,000,000 (Note 12) (2018: \$183,000,000) and the provision for related contract costs of \$245,000,000 (Note 20) (2018: \$245,000,000) are adequate to address the cost of discontinuance, salvage cost and unpaid progress billings relating to these EPC contracts.

Taking into consideration cost of completion, cost of discontinuance, salvage cost and unpaid progress billings with regards to these rigs, the total cumulative loss recognised in relation to these rig contracts amounted to \$476,000,000 (2018: \$476,000,000).

Other contracts

As at 31 December 2019, the Group had several rigs that were under construction for customers where customers had requested for deferral of delivery dates of the rigs in prior years. See Note 15 on contract assets balances.

Management has assessed each deferred construction project individually to make judgment as to whether the customers will be able to fulfil their contractual obligations and take delivery of the rigs at the revised delivery dates.

Management has also performed an assessment of the ECL on contract assets and trade receivables of deferred projects to determine if a provision for expected loss is necessary.

In the event that the customers are unable to fulfill their contractual obligations, the Group can exercise their right to retain payments received to date and the legal possession of the rigs under construction. Management has further assessed if the values of the rigs would exceed the carrying values of contract assets and trade receivables. Management has estimated, with the assistance of an independent professional firm, the values of the rigs using Discounted Cash Flow ("DCF") calculations that cover each class of rig under construction. The most significant inputs to the DCF calculations include dayrates and discount rates.

During the financial year ended 31 December 2019, no further (2018: \$21,000,000) ECL on contract assets was recognised.

Impairment of non-financial assets

Determining whether the carrying value of a non-financial asset is impaired requires an estimation of the value in use of the CGUs. This requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of fixed assets, investments in subsidiaries, investment in associated companies and joint ventures, and intangibles are disclosed in the balance sheet. Management performed impairment tests on these non-financial assets as at 31 December 2019. Refer to Notes 6, 9, 10 and 13 for more details.

Revenue recognition and contract cost

The Group recognises contract revenue and contract cost over time by reference to the Group's progress towards completing the construction of the contract work. The stage of completion is measured in accordance with the accounting policy stated in Note 2.20. Significant assumptions are required in determining the stage of completion and significant judgment is required in the estimation of the physical proportion of the contract work completed for the contracts; and the estimation of total costs on the contracts, including contingencies that could arise from variations to original contract terms and claims. In making the assumption, the Group evaluates by relying on past experience and the work of engineers. Revenue from construction contracts is disclosed in Note 24.

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant assumptions are required in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of taxation and deferred taxation are disclosed in the balance sheet.

Claims, litigations and reviews

The Group entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal and technical expertise.

Civil action by EIG funds

In February 2018, the Company's subsidiary, Keppel Offshore & Marine Ltd ("KOM") was served a summons by eight investment funds ("plaintiffs") managed by EIG Management Company, LLC ("EIG") where a civil action was commenced by the plaintiffs pursuant to the Racketeer Influenced and Corrupt Organizations Act ("RICO") in the United States District Court, Southern District of New York. The plaintiffs seek damages for its loss of investment of US\$221 million in Sete, trebled under RICO to US\$663 million, plus interest, costs and mandatory attorneys' fees under RICO.

This new lawsuit came after an earlier civil action commenced by eight of EIG's managed funds in the United States District Court, District of Columbia against, among others, the Company and KOM. The case was dismissed by the Court on 30 March 2017.

Management is of the view that the reported cause of action by the plaintiffs is without merit and KOM will vigorously defend itself. As at the date of these financial statements, it is premature to predict or determine the eventual outcome of the action and hence, the potential amount of any loss cannot currently be assessed. KOM has filed a motion to dismiss EIG's complaint.

Global resolution with criminal authorities in relation to corrupt payments

In 2017, KOM reached a global resolution with the criminal authorities in the United States of America, Brazil and Singapore in relation to corrupt payments made in relation to KOM's various projects with Petrobras and Sete Brasil in Brazil, which were made with knowledge or approval of former KOM executives. Fines in an aggregate amount of US\$422,216,980, or equivalent to approximately S\$570 million, paid/payable had been allocated between the three jurisdictions.

As part of the global resolution, KOM accepted a Conditional Warning from the Corrupt Practices Investigation Bureau ("CPIB") in Singapore, and entered into a Deferred Prosecution Agreement ("DPA") with the U.S. Department of Justice ("DOJ"), while Keppel FELS Brasil S.A., a wholly owned subsidiary of KOM, entered into a Leniency Agreement with the Public Prosecutor's Office in Brazil, the Ministerio Publico Federal ("MPF") which became effective following the approval of the Fifth Chamber for Coordination and Review of the MPF in April 2018. In addition, Keppel Offshore & Marine USA, Inc ("KOM USA"), also a wholly owned subsidiary of KOM, pleaded guilty to one count of conspiracy to violate the U.S. Foreign Corrupt Practices Act and entered into a Plea Agreement with the DOJ.

Pursuant to the DPA, KOM paid a monetary penalty of US\$105,554,245, of which US\$4,725,000 was paid as a criminal fine by KOM USA, to the United States Treasury in 2018. In addition, KOM paid a monetary penalty of US\$211,108,490 to MPF and a monetary penalty of US\$52,777,122.50 to CPIB in 2018. A further US\$52,777,122.50, which amount payable has been included as accrued expenses since FY2017, will be payable to CPIB within three years (or an extended period as approved by CPIB and DOJ) from the date of the Conditional Warning (less any penalties that KOM may pay to specified Brazilian authorities during this period, for which discussions with the specified authorities are ongoing).

As part of the global resolution with the authorities, the Group had also committed to strengthening the compliance and governance regime in KOM. Amongst others, it included a commitment to secure certification of ISO 37001 Anti-Bribery Management System and testing of the effectiveness of the policies and procedures put in place. As of the date of these financial statements, KOM entities in Singapore, Brazil, Bulgaria, China, India, Philippines, UAE and USA had secured certification of the ISO 37001 Anti-Bribery Management System.

Anti-bribery and corruption compliance audits were also performed on entities within the KOM Group. These audits revealed enhanced policies and procedures put in place to-date were, in general, functioning as intended. The audits performed in 2018 had, however, identified certain matters relating to contracts entered into several years ago which required follow-up actions and further review. The follow-up actions and further reviews were concluded in 2019.

Based on currently available information, management is of the opinion that no additional provision is required.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

Useful lives of network and related application systems

The cost of network and related application systems is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimated the useful lives of these fixed assets to be within 5 to 25 years. These are common life expectancies applied in the telecommunications industry. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Group's network and related application systems at the end of the reporting period are disclosed in Note 6 to the financial statements.

Revaluation of investment properties

The Group carries its investment properties at fair value with changes in fair value being recognised in profit and loss account. In determining fair values, the valuers have used valuation techniques which involve certain estimates. The key assumptions to determine the fair value of investment properties include market-corroborated capitalisation rate, terminal yield and discount rate.

In relying on the valuation reports, management has exercised its judgment to ensure that the valuation methods and estimates are reflective of current market conditions. The carrying amount of investment properties and the key assumptions used to determine the fair value of the investment properties are disclosed in Notes 7 and 34.

Estimating net realisable value of stocks

The net realisable value of stocks represent the estimated selling price for these stocks less all estimated cost of completion and costs necessary to make the sale.

For construction projects under work-in-progress, the Group determines the estimated selling price based on recent sale transactions for similar assets or discounted cash flow models where recent sale transactions for similar assets were not available. For properties held for sale, provision is arrived at after taking into account estimated selling prices and estimated total construction costs. The estimated selling prices are based on recent selling prices for the development project or comparable projects and the prevailing market conditions. The estimated total construction costs include contracted amounts plus estimated costs to be incurred based on historical trends. The provision is progressively reversed for those residential units sold above their carrying amounts.

The Group has stocks (work-in-progress) amounting to \$598,800,000 (after a provision of \$50,000,000 made in prior year) (Note 14). The carrying amount represented the estimated net realisable value of the stocks. Management has determined the NRV of the stocks based on arrangements to market the asset and a DCF model.

3. Share capital

	Group and Company			
	Number of Ordinary Shares ("Shares")			
	Issued Share Capital		Treasury Shares	
	2019	2018	2019	2018
Balance at 1 January	1,818,394,180	1,818,334,180	(5,936,044)	(10,788)
Issue of shares under the share option scheme	-	60,000	-	-
Treasury shares transferred pursuant to share option scheme	-	-	44,000	731,500
Treasury shares transferred pursuant to share plans	-	-	4,647,308	4,643,244
Treasury shares purchased	-	-	(770,000)	(11,300,000)
Balance at 31 December	1,818,394,180	1,818,394,180	(2,014,736)	(5,936,044)

	Amount (\$'000)			
	Issued Share Capital		Treasury Shares	
	2019	2018	2019	2018
	2019	2018	2019	2018
Balance at 1 January	1,291,722	1,291,310	(45,073)	(74)
Issue of shares under the share option scheme	-	412	-	-
Treasury shares transferred pursuant to share option scheme	-	-	334	6,253
Treasury shares transferred pursuant to share plans	-	-	35,273	39,506
Treasury shares purchased	-	-	(4,543)	(90,758)
Balance at 31 December	1,291,722	1,291,722	(14,009)	(45,073)

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends declared by the Company.

In the prior year, the Company issued 60,000 Shares at an average weighted price of \$6.86 per Share for cash upon exercise of options under the KCL Share Option Scheme.

During the financial year, 4,266,708 (2018: 4,643,244) Shares under the KCL Restricted Share Plan ("KCL RSP") and 380,600 (2018: Nil) Shares under the KCL Performance Share Plan ("KCL PSP") were vested.

During the financial year, the Company transferred 4,691,308 (2018: 5,374,744) treasury shares to employees under vesting of Shares released under the KCL Share Option Scheme and KCL Share Plans. The Company also purchased 770,000 (2018: 11,300,000) treasury shares in the Company in the open market during the financial year. The total amount paid was \$4,543,000 (2018: \$90,758,000). Except for the transfer, there was no other sale, disposal, cancellation and/or use of treasury shares during the financial year.

KCL Share Option Scheme

The KCL Share Option Scheme ("Scheme"), which has been approved by the shareholders of the Company, is administered by the Remuneration Committee whose members are:

Till Bernhard Vestring (Chairman)
 Lee Boon Yang
 Danny Teoh
 Teo Siong Seng (appointed on 1 February 2020)

At the Extraordinary General Meeting of the Company held on 23 April 2010, the Company's shareholders approved the adoption of two new share plans, with effect from the date of termination of the Scheme. The Scheme was terminated on 30 June 2010. Options granted and outstanding prior to the termination will continue to be valid and subject to the terms and conditions of the Scheme.

Under the Scheme, an option may, except in certain special circumstances, be exercised at any time after two years but no later than the expiry date. The two-year vesting period is intended to encourage employees to take a longer-term view of the Company.

The Shares under option may be exercised in full or in respect of 100 Shares or a multiple thereof, on the payment of the subscription price. The subscription price is based on the average closing prices for the Shares of the Company on the Singapore Exchange Securities Trading Limited for the three market days preceding the date of offer. The number of Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company.

The employees to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company.

Movements in the number of share options and their weighted average exercise prices are as follows:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at 1 January	1,890,185	\$6.74	6,088,785	\$7.83
Exercised	(44,000)	\$3.07	(791,500)	\$7.25
Cancelled	(935,285)	\$6.77	(3,407,100)	\$8.57
Balance at 31 December	910,900	\$6.89	1,890,185	\$6.74
Exercisable at 31 December	910,900	\$6.89	1,890,185	\$6.74

The weighted average share price at the date of exercise for options exercised during the financial year was \$6.03 (2018: \$8.15). The options outstanding at the end of the financial year had a weighted average exercise price of \$6.89 (2018: \$6.74) and a weighted average remaining contractual life of 0.1 year (2018: 0.9 year).

KCL Share Plans

The KCL Restricted Share Plan ("KCL RSP") and KCL Performance Share Plan ("KCL PSP") were approved by the Company's shareholders at the Extraordinary General Meeting of the Company on 23 April 2010. The two share plans are administered by the Remuneration Committee.

NOTES TO THE FINANCIAL STATEMENTS

3. Share capital (continued)

Details of the KCL RSP, the KCL RSP-Deferred Shares, the KCL PSP and the KCL PSP-Transformation Incentive Plan ("KCL PSP-TIP") are as follows:

	KCL RSP	KCL RSP-Deferred Shares	KCL PSP	KCL PSP-TIP
Plan Description	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets at the end of a one-year performance period	Award of fully-paid ordinary shares of the Company	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets over a three-year performance period	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets over a six-year performance period
Performance Conditions	Return on Equity	-	(a) Economic Value Added (b) Absolute Total Shareholder's Return (c) Relative Total Shareholder's Return to MSCI Asia Pacific Ex-Japan Industrials Index (MXAPJIN) (2016 awards) (a) Absolute Total Shareholder's Return (b) Return on Capital Employed (c) Net Profit (2017, 2018 and 2019 awards)	(a) Absolute Total Shareholder's Return (b) Corporate Scorecard Achievement comprising pre-determined stretched financial and non-financial targets for the Group (c) Individual Performance Achievement
Final Award	0% to 100% of the contingent award granted, depending on achievement of pre-determined targets	100% of the awards granted	0% to 150% of the contingent award granted, depending on achievement of pre-determined targets	0% to 150% of the contingent award granted, depending on achievement of pre-determined targets
Vesting Condition and Schedule	If pre-determined targets are achieved, awards will vest equally over three years subject to fulfilment of service requirements	Awards will vest equally over three years subject to fulfilment of service requirements	If pre-determined targets are achieved, awards will vest at the end of the three-year performance period subject to fulfilment of service requirements	If pre-determined targets are achieved, awards will vest at the end of the six-year performance period subject to fulfilment of service requirements

Movements in the number of shares under the KCL RSP, the KCL RSP-Deferred Shares, the KCL PSP and the KCL PSP-TIP are as follows:

	2019			2018		
	KCL RSP-Deferred Shares	KCL PSP	KCL PSP-TIP	KCL RSP	KCL PSP	KCL PSP-TIP
Contingent awards/Awards (KCL RSP-Deferred Shares)						
Balance at 1 January	-	2,895,000	5,965,967	-	2,525,000	6,747,491
Granted	4,234,171	1,635,000	-	4,099,369	1,180,000	-
Adjustments upon released	-	(264,400)	-	-	(575,000)	-
Released	(4,234,171)	(380,600)	-	(4,097,507)	-	-
Cancelled	-	-	(380,000)	(1,862)	(235,000)	(781,524)
Balance at 31 December	-	3,885,000	5,585,967	-	2,895,000	5,965,967

	2019		2018	
	KCL RSP	KCL RSP-Deferred Shares	KCL RSP	KCL RSP-Deferred Shares
Awards released but not vested:				
Balance at 1 January	1,630,118	2,586,237	5,102,365	-
Released	-	4,234,171	-	4,097,507
Vested	(1,565,032)	(2,701,676)	(3,278,043)	(1,365,201)
Cancelled	(38,845)	(203,511)	(178,604)	(111,969)
Other adjustments	-	(2,657)	(15,600)	(34,100)
Balance at 31 December	26,241	3,912,564	1,630,118	2,586,237

Executive Directors who are eligible for the KCL Share Plans are required to hold a minimum number of Shares under the share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

As at 31 December 2019, there were 26,241 (2018: 1,630,118) Shares under the KCL RSP and 3,912,564 (2018: 2,586,237) Shares under the KCL RSP-Deferred Shares that were released but not vested. At the end of the financial year, the number of contingent award of Shares granted but not released was 3,885,000 (2018: 2,895,000) under the KCL PSP and 5,585,967 (2018: 5,965,967) under the KCL PSP-TIP. Depending on the achievement of pre-determined performance targets, the actual number of Shares to be released could range from zero to a maximum of 5,827,500 under the KCL PSP and zero to a maximum of 8,378,951 under the KCL PSP-TIP.

The fair values of the contingent award of Shares under the KCL RSP and the KCL PSP are determined at the grant date using Monte Carlo simulation method which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility.

On 15 February 2019 and 18 April 2019 (2018: 23 February 2018), the Company granted awards of 3,908,536 and 325,635 (2018: 4,099,369) Shares respectively under the KCL RSP-Deferred Shares and the estimated fair values of the Shares granted were \$5.84 and \$6.51 respectively (2018: \$7.76). On 30 April 2019 (2018: 30 April 2018), the Company granted contingent awards of 1,635,000 (2018: 1,180,000) Shares under the KCL PSP and the estimated fair value of the Shares granted was \$5.60 (2018: \$6.59).

The significant inputs into the model are as follows:

	2019		
	KCL RSP-Deferred Shares	KCL RSP-Deferred Shares	KCL PSP
Date of grant	15.02.2019	18.04.2019	30.04.2019
Prevailing share price at date of grant	\$6.08	\$6.74	\$6.77
Expected volatility of the Company	21.29%	21.24%	21.29%
Expected term	0.00 - 2.00 years	0.00 - 1.86 years	2.84 years
Risk free rate	1.94% - 1.95%	1.90% - 1.93%	1.92%
Expected dividend yield	*	*	*

	2018	
	KCL RSP-Deferred Shares	KCL PSP
Date of grant	23.02.2018	30.04.2018
Prevailing share price at date of grant	\$7.96	\$8.19
Expected volatility of the Company	26.88%	27.00%
Expected term	0.00 - 2.00 years	2.83 years
Risk free rate	1.52% - 1.70%	2.05%
Expected dividend yield	*	*

* Expected dividend yield is based on management's forecast.

The expected volatilities are based on the historical volatilities of the Company's share price over the previous 36 months immediately preceding the grant date. The expected term used in the model is based on the grant date and the end of the performance period.

NOTES TO THE FINANCIAL STATEMENTS

4. Reserves

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Capital reserves						
Share option and share plan reserve	210,412	203,926	202,048	187,032	177,529	177,599
Fair value reserve	(17,300)	69,700	100,227	19,230	16,957	15,012
Hedging reserve	(192,864)	(198,816)	(111,930)	-	-	-
Bonus issue by subsidiaries	40,000	40,000	40,000	-	-	-
Others	85,851	80,133	52,120	(1,150)	7,655	16,895
	126,099	194,943	282,465	205,112	202,141	209,506
Revenue reserves	10,470,627	10,319,839	9,942,340	6,567,206	6,194,448	6,132,150
Foreign exchange translation account	(663,586)	(493,669)	(323,556)	-	-	-
	9,933,140	10,021,113	9,901,249	6,772,318	6,396,589	6,341,656

Movements in the Group's and the Company's reserves are set out in the Statements of Changes in Equity. Movements in hedging reserve by risk categories are as follows:

	Foreign exchange risk \$'000	Interest rate risk \$'000	Price risk \$'000	Total \$'000
Group				
2019				
As at 1 January	(27,498)	(18,628)	(152,690)	(198,816)
Fair value changes arising during the year, net of tax	7,474	(84,976)	(13,659)	(91,161)
Realised and transferred to profit and loss account				
- Revenue	18,700	-	-	18,700
- Materials and subcontract costs	(2,301)	-	73,146	70,845
- Other operating income – net	(8,274)	-	-	(8,274)
- Interest expenses	-	34,479	-	34,479
Share of associated companies' fair value gains	1,213	(20,111)	-	(18,898)
Less: Non-controlling interests	261	-	-	261
As at 31 December	(10,425)	(89,236)	(93,203)	(192,864)
2018				
As at 1 January	(174,557)	(30,052)	92,679	(111,930)
Fair value changes arising during the year, net of tax	(53,261)	(23,137)	(162,396)	(238,794)
Realised and transferred to profit and loss account				
- Revenue	94,440	-	-	94,440
- Materials and subcontract costs	18,903	-	(82,973)	(64,070)
- Other operating income – net	86,400	-	-	86,400
- Interest expenses	-	15,247	-	15,247
Share of associated companies' fair value gains	717	19,314	-	20,031
Less: Non-controlling interests	(140)	-	-	(140)
As at 31 December	(27,498)	(18,628)	(152,690)	(198,816)

The changes in fair value of the hedging instruments approximate the changes in fair value of the hedged items, which resulted in minimal hedge ineffectiveness recognised in profit or loss. Fair value loss arising from hedge ineffectiveness for cash flow hedges of \$15,877,000 (2018: \$16,513,000) was recognised in profit or loss during the year.

5. Non-controlling interests

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	NCI percentage of ownership interest and voting interest			Carrying amount of NCI			Profit after tax allocated to NCI	
	31 December		1 January	31 December		1 January	31 December	
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Konnectivity Pte. Ltd.	20%	-	-	310,858	-	-	9,308	-
Beijing Aether Property Development Limited	-	-	49%	-	-	199,716	-	(277)
Keppel Telecommunications & Transportation Ltd	-	21%	21%	-	184,067	174,572	739	12,728
Other subsidiaries with immaterial NCI				124,320	124,863	155,682	44,116	(135)
Total				435,178	308,930	529,970	54,163	12,316

Summarised financial information before inter-group elimination

	Konnectivity Pte. Ltd.		Keppel Telecommunications & Transportation Ltd ⁽¹⁾
	31 December		31 December
	2019 \$'000	2018 \$'000	2018 \$'000
Non-current assets	2,433,048	-	1,360,166
Current assets	488,817	-	326,630
Non-current liabilities	481,089	-	490,930
Current liabilities	508,007	-	194,919
Net assets	1,932,769	-	1,000,947
Less: NCI	(378,477)	-	(115,160)
	1,554,292	-	885,787
Revenue	950,002	-	183,223
Profit for the year	62,306	-	69,236
Total comprehensive income	77,305	-	61,326
Net cash flow from operations	194,903	-	4,123
Total comprehensive income allocated to NCI	11,729	-	11,387
Dividends paid to NCI	8,900	-	6,804

⁽¹⁾ During the financial year, the Group acquired all non-controlling interest in Keppel Telecommunications & Transportation Ltd, bringing the Group's ownership to 100%.

During the financial year, the Group acquired additional interest in certain subsidiaries of the Company from its non-controlling interests. The following summarises the effect of the change in the Group's ownership interest on the equity attributable to owners of the Company:

	2019 \$'000	2018 \$'000
Amounts paid/payable on changes in ownership interest in subsidiaries	(223,617)	(9,758)
Non-controlling interest acquired	173,390	1,426
Total amount recognised in equity reserves	(50,227)	(8,332)

NOTES TO THE FINANCIAL STATEMENTS

6. Fixed assets

	Freehold Land & Buildings \$'000	Buildings on Leasehold Land \$'000	Vessels & Floating Docks \$'000	Networks and Related Application Systems \$'000	Plant, Machinery, Equipment & Others ⁽¹⁾ \$'000	Capital Work-in- Progress \$'000	Total \$'000
Group							
2019							
Cost							
At 1 January	114,301	2,054,952	355,159	-	2,037,569	347,618	4,909,599
Adoption of SFRS(I) 16	-	(177,261)	-	-	-	-	(177,261)
Additions	247	5,723	333	57,575	76,791	71,322	211,991
Disposals	(165)	(2,549)	(393)	(11,069)	(24,388)	(16)	(38,580)
Write-off	-	(120)	-	-	(3,883)	-	(4,003)
Subsidiaries acquired	-	73,042	-	546,496	103,805	49,311	772,654
Subsidiaries disposed	-	(102,844)	-	-	(31,349)	(200)	(134,393)
Reclassification							
- Investment properties	-	58,764	-	-	-	-	58,764
- Other fixed assets categories	210	72,534	184,778	52,961	17,359	(327,842)	-
Exchange differences	198	(13,430)	(6,273)	-	(13,786)	(2,621)	(35,912)
At 31 December	114,791	1,968,811	533,604	645,963	2,162,118	137,572	5,562,859
Accumulated Depreciation							
At 1 January	62,927	906,189	151,155	-	1,369,949	46,819	2,537,039
Adoption of SFRS(I) 16	-	(50,141)	-	-	-	-	(50,141)
Depreciation charge	3,167	54,820	12,097	68,606	127,315	-	266,005
Disposals	(160)	(1,627)	(393)	(5,130)	(22,287)	-	(29,597)
Impairment	-	7,456	-	-	893	75	8,424
Write-off	-	(120)	-	-	(3,875)	-	(3,995)
Subsidiaries disposed	-	(30,597)	-	-	(22,823)	-	(53,420)
Reclassification							
- Other fixed assets categories	(135)	2,357	-	-	(2,222)	-	-
Exchange differences	236	(3,997)	(2,982)	-	(6,110)	(448)	(13,301)
At 31 December	66,035	884,340	159,877	63,476	1,440,840	46,446	2,661,014
Net Book Value	48,756	1,084,471	373,727	582,487	721,278	91,126	2,901,845

Included in freehold land & buildings are freehold land amounting to \$7,295,000 (31 December 2018: \$7,812,000, 1 January 2018: \$8,726,000).

Certain fixed assets with carrying amount of \$123,940,000 (31 December 2018: \$159,996,000, 1 January 2018: \$155,748,000) are mortgaged to banks for loan facilities (Note 22).

Interest capitalised during the financial year amounted to \$436,000 (2018: \$2,009,000).

Each rigbuilding, shipbuilding and repair facilities in the Offshore & Marine Division has been identified as individual CGUs. The recoverable amounts of these CGUs were determined using value-in-use models that incorporated cash flow projections based on financial forecasts approved by management. Management had determined the forecasted cash flows based on past performance and its current expectations of market development. These cash flows were discounted at discount rates ranging from 6% to 11% (31 December 2018: 6% to 11%, 1 January 2018: 6% to 13%) per annum, depending on the location of the facilities.

During the year, the Group recognised an impairment loss of \$4,910,000 for fixed assets in the Property Division in China, which was based on the difference between the recoverable amount and the net book value of the fixed assets. The recoverable amount was based on fair value determined using the income approach.

The Group also recognised an impairment loss of \$3,514,000 on certain buildings and equipment in the Infrastructure Division in China, due to lower recoverable amounts subsequent to sustained losses generated from these assets, as a result of weaker economic outlook which adversely affected fair values and expected returns of these assets. The recoverable amounts were assessed to be fair value less costs of disposal.

	Freehold Land & Buildings \$'000	Leasehold Land & Buildings \$'000	Vessels & Floating Docks \$'000	Plant, Machinery, Equipment & Others ⁽¹⁾ \$'000	Capital Work-in- Progress \$'000	Total \$'000
Group						
2018						
Cost						
At 1 January	115,711	2,068,595	292,682	2,015,487	368,501	4,860,976
Additions	202	1,269	174	54,633	104,134	160,412
Disposals	(18)	(7,946)	(8,248)	(32,845)	-	(49,057)
Write-off	-	-	-	(6,184)	(4,388)	(10,572)
Subsidiaries acquired	-	-	-	47	-	47
Subsidiaries disposed	-	-	(4,191)	(1,601)	(557)	(6,349)
Reclassification						
- Stocks	-	-	-	(319)	-	(319)
- Other fixed assets categories	812	14,076	71,135	30,693	(116,716)	-
Exchange differences	(2,406)	(21,042)	3,607	(22,342)	(3,356)	(45,539)
At 31 December	114,301	2,054,952	355,159	2,037,569	347,618	4,909,599
Accumulated Depreciation						
At 1 January	60,077	865,244	139,400	1,303,505	59,787	2,428,013
Depreciation charge	3,597	54,324	9,667	110,111	-	177,699
Disposals	(18)	(7,474)	(8,234)	(30,262)	-	(45,988)
Write-off	-	-	-	(3,661)	-	(3,661)
Subsidiaries disposed	-	-	(979)	(1,098)	-	(2,077)
Reclassification						
- Other fixed assets categories	(170)	10	12,410	160	(12,410)	-
Exchange differences	(559)	(5,915)	(1,109)	(8,806)	(558)	(16,947)
At 31 December	62,927	906,189	151,155	1,369,949	46,819	2,537,039
Net Book Value	51,374	1,148,763	204,004	667,620	300,799	2,372,560

⁽¹⁾ Others comprise furniture, fittings and office equipment, cranes and small equipment and tools.

	Freehold Land & Buildings \$'000	Plant, Machinery, Equipment & Others ⁽²⁾ \$'000	Capital Work-in- Progress \$'000	Total \$'000
Company				
2019				
Cost				
At 1 January	1,233	8,791	6,139	16,163
Additions	-	2,617	-	2,617
Disposals	-	(9)	-	(9)
Reclassification to other fixed asset categories	-	6,139	(6,139)	-
At 31 December	1,233	17,538	-	18,771
Accumulated Depreciation				
At 1 January	1,233	8,254	-	9,487
Depreciation charge	-	2,020	-	2,020
Disposals	-	(9)	-	(9)
At 31 December	1,233	10,265	-	11,498
Net Book Value	-	7,273	-	7,273
2018				
Cost				
At 1 January	1,233	8,693	-	9,926
Additions	-	550	6,139	6,689
Disposals	-	(452)	-	(452)
At 31 December	1,233	8,791	6,139	16,163
Accumulated Depreciation				
At 1 January	1,231	8,399	-	9,630
Depreciation charge	2	307	-	309
Disposals	-	(452)	-	(452)
At 31 December	1,233	8,254	-	9,487
Net Book Value	-	537	6,139	6,676

⁽²⁾ Others comprise furniture, fittings and office equipment.

NOTES TO THE FINANCIAL STATEMENTS

7. Investment properties

	Group	
	31 December	
	2019 \$'000	2018 \$'000
At 1 January	2,851,380	3,460,608
Adoption of SFRS(I) 16	5,765	-
Development expenditure	304,803	94,099
Fair value gain (Note 26)	101,020	84,886
Disposal	(834)	(2,870)
Subsidiary acquired	-	360,000
Subsidiary disposed	-	(948,613)
Reclassification		
- Stocks (Note 14)	-	(158,300)
- Fixed assets (Note 6)	(58,764)	-
- Right-of-use assets (Note 8)	(158,357)	-
Exchange differences	(22,922)	(38,430)
At 31 December	3,022,091	2,851,380

The Group's investment properties (including integral plant and machinery) are stated at management's assessments based on the following valuations (open market value basis), performed on an annual basis, by independent firms of professional valuers as at 31 December 2019:

- Savills Valuation and Professional Services (S) Pte Ltd and Knight Frank Pte Ltd for properties in Singapore;
- Cushman & Wakefield Valuation Advisory Services (HK) Limited and Vincorn Consulting and Appraisal Limited for properties in China;
- Savills Vietnam Co. Ltd for properties in Vietnam;
- Cushman & Wakefield VOF for a property in the Netherlands;
- Knight Frank LLP for a property in United Kingdom; and
- KJPP Willson dan Rekan (an affiliate of Knight Frank) for properties in Indonesia.

Based on valuations performed by the independent valuers, management has analysed the appropriateness of the fair value changes.

Interest capitalised within development expenditure during the financial year amounted to \$12,751,000 (2018: \$3,408,000).

The Group has mortgaged certain investment properties of up to an aggregate amount of \$828,355,000 (31 December 2018: \$905,656,000, 1 January 2018: \$552,684,000) to banks for loan facilities (Note 22).

In 2019, the Group reclassified from investment properties to fixed assets and right-of-use assets for the owner-occupied portion of the property amounting to \$58,764,000 and \$158,357,000 respectively.

In 2018, the Group reclassified \$158,300,000 from investment properties to properties held for sale upon change of use of the asset from holding for capital gain and/or rental yield to property trading.

8. Right-of-use assets (leases)

Leases

The Group as lessee

Leasehold land & building

The Group leases several lands, offices, retail stores and shipyards for use in its operations.

Plant, machinery, equipment & others

The Group leases equipment and vehicles for office and operation use, mainly in the Offshore & Marine and Infrastructure Divisions.

Base station sites

The Group leases base station sites to facilitate transmission of telecommunication services.

There are no externally imposed covenants on these lease arrangements.

Right-of-use assets

	Leasehold Land & Buildings \$'000	Plant, Machinery, Equipment & Others ⁽¹⁾ \$'000	Base Station Site \$'000	Total \$'000
Group				
2019				
Net Book Value				
At 1 January	-	-	-	-
Adoption of SFRS(I) 16	583,181	8,945	-	592,126
Additions	43,522	3,669	760	47,951
Depreciation	(55,054)	(3,453)	(5,538)	(64,045)
Subsidiaries acquired	24,101	240	19,983	44,324
Subsidiaries disposed	(4,433)	-	-	(4,433)
Reclassification				
- Investment properties (Note 7)	158,357	-	-	158,357
Exchange differences	(14,326)	(25)	-	(14,351)
At 31 December	735,348	9,376	15,205	759,929

⁽¹⁾ Others comprise furniture, fittings, office equipment and motor vehicles.

The right-of-use asset relating to the leasehold land presented under investment properties (Note 7) is stated at fair value and has a carrying amount at balance sheet date of \$5,765,000.

Total cash outflow for all the leases in 2019 was \$83,038,000, comprising repayment of principal of \$47,306,000 and interest payment of \$35,732,000.

Certain right-of-use assets with carrying amount of \$11,689,000 are mortgaged to banks for loan facilities (Note 22).

	Leasehold Land & Buildings \$'000	Plant, Machinery, Equipment & Others ⁽¹⁾ \$'000	Total \$'000
Company			
2019			
Net Book Value			
At 1 January	-	-	-
Adoption of SFRS(I) 16	15,902	279	16,181
Depreciation	(3,282)	(66)	(3,348)
At 31 December	12,620	213	12,833

⁽¹⁾ Others comprise office equipment.

Total cash outflow for all the leases in 2019 was \$4,197,000, comprising repayment of principal of \$3,822,000 and interest payment of \$375,000.

	Group
	31 December
	2019
	\$'000
<u>Lease expense not capitalised in lease liabilities</u>	
Short-term leases	29,987
Low-value leases	1,992
Variable lease payments which do not depend on an index or rate	327

As at 31 December 2019, future cash outflows to which the Group is potentially exposed that are not reflected in the measurement of lease liabilities include variable lease payments and \$623,194,000 for extension options. The leases for retail stores contain variable lease payments that are based on a percentage of sales generated by the stores ranging from 0.3% to 3.0%, on top of fixed payments. The Group negotiates variable lease payments for a variety of reasons, including minimising the fixed costs base for newly established stores. Such variable lease payments are recognised to profit or loss when incurred and amounted to \$327,000 for the financial year ended 31 December 2019. The extension options are for certain properties of the Group. The Group negotiates extension options to optimise operational flexibility in terms of managing these assets in the Group's operations.

NOTES TO THE FINANCIAL STATEMENTS

8. Right-of-use assets (leases) (continued)

The following table details the liquidity analysis for lease liabilities of the Group and the Company based on contractual undiscounted cash flows.

	Group	Company
	31 December 2019 \$'000	31 December 2019 \$'000
Within one year	79,224	4,140
Within one to two years	116,712	4,047
Within two to five years	209,894	8,021
After five years	452,642	-
Total	858,472	16,208

The Group as lessor

The Group leases out commercial space to non-related parties under non-cancellable operating leases. At the end of the reporting period, the Group's undiscounted future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables are as follows:

	Group
	31 December 2019 \$'000
Within one year	92,565
In the second year	76,988
In the third year	37,549
In the fourth year	30,409
In the fifth year	24,071
After the fifth year	50,821
Total	312,403

9. Subsidiaries

	Company		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Quoted shares, at cost			
Market value: \$6,204,000 (2018: \$829,294,000)	493	398,140	398,140
Unquoted shares, at cost	8,442,604	7,821,604	7,821,594
	8,443,097	8,219,744	8,219,734
Provision for impairment	(480,569)	(351,785)	(246,885)
	7,962,528	7,867,959	7,972,849

Movements in the provision for impairment of subsidiaries are as follows:

	Company		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
At 1 January	351,785	246,885	163,070
Charge to profit and loss account	128,784	104,900	83,815
At 31 December	480,569	351,785	246,885

Impairment of \$128,784,000 (2018: \$104,900,000) made during the year mainly relates to an investment holding subsidiary that holds equity investments in the Oil & Gas segment. Impairment loss was made arising from the impairment exercise performed (Note 10). Due to the economic downturn in that segment, recoverable amount of the equity investments was projected to be below the Company's cost of investment. Management had performed an assessment on the recoverable amount based on the cash flow estimates of the underlying assets. In 2018, recoverable amount of the equity investments, based on a value-in-use ("VIU") calculation, was projected to be below the Company's cost of investment. Cash flows in the 2018 VIU calculation was discounted at 11.7% per annum.

Information relating to significant subsidiaries consolidated in the financial statements is given in Note 38.

10. Associated companies

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Quoted shares, at cost			
Market value: \$3,508,132,000			
(31 Dec 2018: \$3,149,785,000;			
1 Jan 2018: \$3,484,189,000)	2,878,117	3,149,917	3,105,919
Unquoted shares, at cost	2,773,439	2,096,656	1,784,809
	5,651,556	5,246,573	4,890,728
Provision for impairment	(197,392)	(161,367)	(100,297)
	5,454,164	5,085,206	4,790,431
Share of reserves	238,251	533,474	528,184
Carrying amount of equity interest	5,692,415	5,618,680	5,318,615
Notes issued by associated companies	319,284	315,787	310,242
Advances to associated companies	339,146	304,586	286,522
	6,350,845	6,239,053	5,915,379

Notes issued by an associated company of \$245,000,000 are unsecured and will mature in 2040. The remaining Notes are denominated in SGD, secured and will mature in 2024. Interest is charged at rates ranging from 0% to 17.5% (31 December 2018 and 1 January 2018: 0% to 17.5%) per annum.

Advances to associated companies are unsecured and are not repayable within the next 12 months. Interest is charged at rates ranging from 2.5% to 7.0% (31 December 2018 and 1 January 2018: 3.0% to 7.0%) per annum on interest-bearing advances.

Movements in the provision for impairment of associated companies are as follows:

	Group	
	2019 \$'000	2018 \$'000
At 1 January	161,367	100,297
Impairment loss	35,915	60,782
Exchange differences	110	288
At 31 December	197,392	161,367

Impairment loss made during the year mainly relates to the shortfall between the carrying amount of the costs of investment and the recoverable amount of certain associated companies.

	Group	
	2019 \$'000	2018 \$'000
The Group's share of net profit of associated companies is as follows:		
Share of profit before tax	262,127	317,076
Share of taxation	(114,714)	(96,181)
Share of net profit	147,413	220,895

NOTES TO THE FINANCIAL STATEMENTS

10. Associated companies (continued)

The carrying amount of the Group's material associated companies, all of which are equity accounted for, are as follows:

		31 December		1 January
		2019 \$'000	2018 \$'000	2018 \$'000
Keppel REIT	(a)	1,960,518	1,972,303	1,850,409
Keppel Infrastructure Trust	(b)	301,669	254,035	267,169
KrisEnergy Limited	(c)	74,284	196,311	321,562
Keppel DC REIT	(d)	449,964	377,616	396,152
Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited	(e)	570,384	560,818	541,837
Floatel International Limited	(f)	311,000	362,760	342,694
Other associated companies		2,683,026	2,515,210	2,195,556
		6,350,845	6,239,053	5,915,379

The summarised financial information of the material associated companies, not adjusted for the Group's proportionate share, based on its SFRS(I) financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

		31 December		1 January
		2019 \$'000	2018 \$'000	2018 \$'000
(a) Keppel REIT				
Current assets		142,317	274,529	208,307
Non-current assets		7,307,046	7,509,922	7,395,981
Total assets		7,449,363	7,784,451	7,604,288
Current liabilities		159,690	134,156	492,865
Non-current liabilities		2,125,893	2,314,699	2,196,165
Total liabilities		2,285,583	2,448,855	2,689,030
Net assets		5,163,780	5,335,596	4,915,258
Less: Non-controlling interests		(578,931)	(578,311)	(151,834)
		4,584,849	4,757,285	4,763,424
Proportion of the Group's ownership		49%	47%	45%
Group's share of net assets		2,245,659	2,255,429	2,146,723
Other adjustments		(285,141)	(283,126)	(296,314)
Carrying amount of equity interest		1,960,518	1,972,303	1,850,409
Revenue		164,053	165,858	164,516
Profit after tax		141,670	154,588	180,154
Other comprehensive (loss)/income		(82,772)	3,028	(49,789)
Total comprehensive income		58,898	157,616	130,365
Fair value of ownership interest (if listed) **		2,044,903	1,834,206	1,914,043
Dividends received		90,144	87,247	80,011

** Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy).

	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
(b) Keppel Infrastructure Trust			
Current assets	1,029,248	521,616	488,154
Non-current assets	3,974,027	3,283,391	3,468,262
Total assets	5,003,275	3,805,007	3,956,416
Current liabilities	1,706,097	1,233,598	919,010
Non-current liabilities	1,583,009	1,393,153	1,725,512
Total liabilities	3,289,106	2,626,751	2,644,522
Net assets	1,714,169	1,178,256	1,311,894
Less: Non-controlling interests	(389,763)	(125,780)	(158,959)
	1,324,406	1,052,476	1,152,935
Proportion of the Group's ownership	18%	18%	18%
Group's share of net assets	241,042	191,761	209,949
Other adjustments	60,627	62,274	57,220
Carrying amount of equity interest	301,669	254,035	267,169
Revenue	1,566,715	637,387	632,476
Profit/(loss) after tax	10,194	(2,358)	13,776
Other comprehensive (loss)/income	(92,591)	13,876	(10,051)
Total comprehensive (loss)/income	(82,397)	11,518	3,725
Fair value of ownership interest (if listed) **	490,886	341,023	403,858
Dividends received	30,134	26,134	26,126
** Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy).			
(c) KrisEnergy Limited *			
Current assets	174,986	147,702	191,987
Non-current assets	699,330	761,267	869,374
Total assets	874,316	908,969	1,061,361
Current liabilities	878,467	103,342	74,604
Non-current liabilities	82,323	671,960	653,172
Total liabilities	960,790	775,302	727,776
Net (liabilities)/assets	(86,474)	133,667	333,585
Less: Non-controlling interests	-	-	-
	(86,474)	133,667	333,585
Proportion of the Group's ownership	40%	40%	40%
Group's share of net assets	-	53,213	133,067
Other adjustments	-	72,311	123,253
Carrying amount of equity interest	-	125,524	256,320
Notes issued by associated company	74,284	70,787	65,242
	74,284	196,311	321,562
Revenue	148,591	216,454	196,612
Loss after tax	(220,060)	(201,924)	(293,277)
Other comprehensive income/(loss)	176	(132)	32
Total comprehensive loss	(219,884)	(202,056)	(293,245)
Fair value of ownership interest (if listed) **	n.a.	43,673	60,425
Dividends received	-	-	-

* As at the date of approval of these financial statements, the most recent available financial information on which equity accounting for the current year can be practically applied are those financial information from October of the preceding year to September of the current year. The difference in reporting period has no material impact on the Group's consolidated financial statements.

** Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy). KrisEnergy Limited had suspended trading of its securities on the Singapore Exchange Securities Ltd with effect from 14 August 2019 (the last closing price before trading suspension was \$0.03 per share). Therefore, the Level 1 fair value hierarchy is no longer applicable as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

10. Associated companies (continued)

Investments in KrisEnergy Limited and related exposures

		31 December	
		2019 \$'000	2018 \$'000
Equity interest	Note 10(c)	-	125,524
Zero-coupon notes	Note 10(c)	74,284	70,787
Warrants	Note 11	-	29,332
Carrying amount		74,284	225,643
Other related exposures:			
Contract assets ¹	Note 15	20,541	1,216
Guarantee ²	Note 32	262,825	223,680

¹ In relation to a construction contract for a production barge for KrisEnergy.

² In relation to a bilateral agreement between the Group and a bank, on the bank loan granted to KrisEnergy.

On 14 August 2019, KrisEnergy has made an application to the High Court of the Republic of Singapore to commence a court-supervised process to reorganise its liabilities and seek a moratorium against enforcement actions and legal proceedings by creditors against KrisEnergy pursuant to section 211B of the Companies Act (Cap. 50). It has also requested a suspension of trading of its securities on Singapore Exchange Securities Trading Ltd. The High Court of Republic of Singapore approved the application for an initial period of 3 months up to 14 November 2019. At the date of these financial statements, the debt moratorium was extended to 27 May 2020. As at the end of the current financial year, KrisEnergy has not presented a restructuring plan.

Management performed an impairment assessment to estimate the recoverable amount of the Group's exposure in KrisEnergy as at 31 December 2019. With assistance from its financial advisor, management estimated the amount of cash available from producing assets and forecasted production from assets under development, taking into consideration the relative priority of each group of stakeholders to these cash flows based on their respective rights. Management will evaluate the above assessment when a restructuring plan is presented by KrisEnergy in due course which may give rise to adjustments to be made. The estimates and assumptions used are subject to risk and uncertainty.

Based on the assessment, the Group recognised an impairment loss of \$37,000,000 during the financial year, and the carrying value of the Group's equity investment has been reduced to zero. In 2018, management had performed an assessment on the recoverable amount using a discounted cash flow model based on a cash flow projection and recognised an impairment charge of \$53,000,000.

(d) Keppel DC REIT

	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Current assets	279,952	220,244	178,078
Non-current assets	2,648,042	2,032,687	1,585,204
Total assets	2,927,994	2,252,931	1,763,282
Current liabilities	108,157	186,779	53,224
Non-current liabilities	917,289	590,158	593,556
Total liabilities	1,025,446	776,937	646,780
Net assets	1,902,548	1,475,994	1,116,502
Less: Non-controlling interests	(34,530)	(31,155)	(26,786)
	1,868,018	1,444,839	1,089,716
Proportion of the Group's ownership	23%	25%	35%
Group's share of net assets	434,688	364,244	380,617
Other adjustments	15,276	13,372	15,535
Carrying amount of equity interest	449,964	377,616	396,152
Revenue	194,826	175,535	139,050
Profit after tax	111,108	146,009	70,274
Other comprehensive (loss)/income	(33,789)	(4,628)	21,044
Total comprehensive income	77,319	141,381	91,318
Fair value of ownership interest (if listed) **	709,231	459,925	562,990
Dividends received	31,898	27,876	20,958

** Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy).

(e) **Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited**

	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Current assets	1,073,996	889,954	816,431
Non-current assets	478,339	438,662	458,652
Total assets	1,552,335	1,328,616	1,275,083
Current liabilities	324,787	190,317	165,498
Non-current liabilities	29,261	16,668	25,912
Total liabilities	354,048	206,985	191,410
Net assets	1,198,287	1,121,631	1,083,673
Less: Non-controlling interests	-	-	-
	1,198,287	1,121,631	1,083,673
Proportion of the Group's ownership	50%	50%	50%
Group's share of net assets	599,144	560,815	541,836
Other adjustments	(28,760)	3	1
Carrying amount of equity interest	570,384	560,818	541,837
Revenue	475,001	492,503	1,247,882
Profit after tax	155,705	111,222	267,163
Other comprehensive income	-	-	-
Total comprehensive income	155,705	111,222	267,163
Dividends received	27,351	22,493	-

(f) **Floatel International Limited**

	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Current assets	137,367	186,613	334,668
Non-current assets	1,655,424	1,771,181	1,818,093
Total assets	1,792,791	1,957,794	2,152,761
Current liabilities	79,669	104,714	48,606
Non-current liabilities	1,105,306	1,141,620	1,432,657
Total liabilities	1,184,975	1,246,334	1,481,263
Net assets	607,816	711,460	671,498
Less: Non-controlling interests	-	-	-
	607,816	711,460	671,498
Proportion of the Group's ownership	50%	50%	50%
Group's share of net assets	303,422	355,161	335,212
Other adjustments	7,578	7,599	7,482
Carrying amount of equity interest	311,000	362,760	342,694
Revenue	250,286	393,535	443,442
(Loss)/profit after tax	(100,572)	22,225	48,829
Other comprehensive (loss)/income	(1,039)	6,796	7,728
Total comprehensive (loss)/income	(101,611)	29,021	56,557
Dividends received	-	-	-

Investments in Floatel International Limited

		31 December	
		2019 \$'000	2018 \$'000
Equity interest	Note 10(f)	311,000	362,760
Preference shares	Note 11	10,449	21,845
Loan receivable	Note 12	155,425	139,799
Carrying amount		476,874	524,404

NOTES TO THE FINANCIAL STATEMENTS

10. Associated companies (continued)

In November 2019, credit rating agencies downgraded Floatel's credit rating, citing market environment for accommodation vessels remaining difficult with limited activity and pressure on dayrates. The rating agencies also commented that if Floatel fails to contract work for its idle vessels in the near future, it may not be able to meet its leverage covenant at its first test at the year-end 2020.

Floatel subsequently reported that its financial situation is unsustainable as liquidity is under pressure. There is a material uncertainty as to whether Floatel will be able to service its secured financial liabilities and net working capital requirements for the coming 12 months, which cast significant doubt on Floatel's ability to continue as a going concern. The long term viability of Floatel's business depends on it finding a solution to its financial situation and Floatel management has initiated discussions with key creditors, in which, in the view of Floatel's board of directors, there is reasonable expectations of success. In a situation where going concern for Floatel no longer can be assumed, there is a risk for significant write down of its assets.

Management performed an impairment assessment of the recoverability of the Group's total exposure in Floatel by first performing an assessment to ascertain whether Floatel would reasonably continue as a going concern in the next 12 months. If Floatel cannot reasonably continue as a going concern in the next 12 months, the carrying amount of the Group's investment in Floatel may be subject to significant write down.

Management conducted a review of the business and cash flow projections through discussions with Floatel's management and corroborated those information based on management's understanding of the business environment that Floatel operates in. Management also discussed with Floatel's management to understand the on-going dialogue with Floatel's lenders and advisers. Based on the results of the review, discussions and information currently available, management concurred with the judgment made by Floatel's management and board of directors in relation to the going concern matter.

In assessing impairment of the equity shares, management had focused on whether Floatel's vessels were stated at their appropriate recoverable amounts. The Group's carrying value of investment in Floatel's equity shares was reduced by its share of loss of \$50,724,000 which included impairment loss on the carrying value of three vessels amounting to \$19,642,000. The recoverable amounts of the vessels were determined on their value-in-use, using a discounted cash flow model. Management reviewed the appropriateness of key inputs used in the estimation of the recoverable amount of Floatel's vessels.

With respect to preference shares, management had performed an estimation of its fair value as at 31 December 2019 using a dividend discount model and recognised a fair value loss of \$11,395,000.

In assessing the expected credit loss of the loan receivable repayable on 31 December 2025, management expects full recovery of the receivable on the basis that Floatel operates in a niche market and supply of similar services should normalise over time. Given the extended date before the loan is due for repayment, management expects Floatel to continue as a viable business in the longer term and will be able to repay the loan when due in 2025.

Aggregate information about the Group's investments in other associated companies are as follows:

	31 December	
	2019 \$'000	2018 \$'000
Share of profit before tax	224,984	171,934
Share of taxation	(81,978)	(56,897)
Share of other comprehensive loss	(12,439)	(26,215)
Share of total comprehensive income	130,567	88,822

Information relating to significant associated companies, including information on principal activities, country of operation/ incorporation and proportion of ownership interest, and whose results are included in the financial statements is given in Note 38.

11. Investments

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Investments at fair value through other comprehensive income ("OCI"):						
- Quoted equity shares	12,336	6,527	4,123	-	-	-
- Unquoted equity shares	107,396	96,903	86,768	19,230	16,957	15,012
- Unquoted property funds	95,227	104,927	185,187	-	-	-
Total investments at fair value through OCI	214,959	208,357	276,078	19,230	16,957	15,012
Investments at fair value through profit or loss:						
- Quoted equity shares	82,399	-	-	-	-	-
- Quoted warrants	-	29,332	31,647	-	-	-
- Unquoted equity shares	330,143	189,559	87,811	-	-	-
- Unquoted - others	21,568	22,267	22,256	-	-	-
Total investments at fair value through profit or loss	434,110	241,158	141,714	-	-	-
Total investments	649,069	449,515	417,792	19,230	16,957	15,012

The breakdown of the investments at fair value through other comprehensive income is as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Unquoted property funds managed by a related company	95,227	104,927	185,187	-	-	-
Unquoted equity shares in real estate industry	39,381	48,115	31,062	19,230	16,957	15,012
Quoted and unquoted equity shares in oil and gas industry	39,477	34,235	37,740	-	-	-
Others	40,874	21,080	22,089	-	-	-
	214,959	208,357	276,078	19,230	16,957	15,012

Quoted warrants were issued by an associated company, KrisEnergy Limited.

Unquoted investments included a bond amounting to \$21,568,000 (31 December 2018: \$39,868,000, 1 January 2018: \$39,256,000) bearing interest at 4% (31 December 2018 and 1 January 2018: 4%) per annum which is maturing in 2027.

Unquoted equity shares included preference shares issued by Floatel International Limited, an associated company, amounting to \$10,449,000 (2018: \$21,845,000).

NOTES TO THE FINANCIAL STATEMENTS

12. Long term assets

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Staff loans	277	633	933	50	105	386
Derivative assets	14,791	22,002	26,780	11,918	8,751	14,101
Contract assets	99,523	-	-	-	-	-
Call option	157,518	150,500	137,200	-	-	-
Service concession receivable	351,041	235,959	115,835	-	-	-
Trade receivables	638,973	-	-	-	-	-
Long term receivables and others	404,379	313,350	365,238	11,535	-	-
	1,666,502	722,444	645,986	23,503	8,856	14,487
Less: Amounts due within one year and included in debtors (Note 17)	(10,140)	(42,980)	(42,194)	(34)	(55)	(141)
	1,656,362	679,464	603,792	23,469	8,801	14,346

Included in staff loans are interest-free advances to directors of related corporations amounting to \$30,000 (31 December 2018: \$47,000, 1 January 2018: \$179,000) under an approved car loan scheme.

Contract assets primarily relate to the Group's right to consideration for development units delivered to customers under the pay-and-stay scheme, as well as for handset and equipment delivered and accepted by customers but not yet billed at the reporting date.

The call option granted to the Group is in connection with the disposal of its 87.51% equity interest in Ocean Properties LLP (f.k.a. Ocean Properties Private Limited) to Keppel REIT in 2011. The Group has an option to acquire the same shares exercisable at the price of \$1 upon the expiry of 99 years from 14 December 2011 under the share purchase agreement. The call option may be exercised earlier upon the occurrence of certain specified events as stipulated in the call option deed. As at 31 December 2019, the fair value was determined by reference to the difference in valuations obtained from an independent professional valuer for the underlying investment property based on the remaining 842-year leasehold and 91-year leasehold (31 December 2018: based on the remaining 843-year leasehold and 92-year leasehold, 1 January 2018: based on the remaining 844-year leasehold and 93-year leasehold). The details of the valuation techniques and inputs used for the call option are disclosed in Note 34.

The service concession receivable relates to a service concession arrangement with a governing agency of the Government of Singapore (the grantor) to design, build, own and operate a desalination plant in Singapore, which has a capacity to produce 137,000 cubic metres of fresh drinking water per day. The plant is expected to be operational in 2020. The Group has a contractual right under the concession arrangement to receive fixed and determinable amounts of payment during the concession period of 25 years irrespective of the output produced. At the end of the concession period, the grantor may require the plant to be handed over in a specified condition or to be demolished at reasonable costs borne by the grantor. In arriving at the carrying value of the service concession arrangements as at the end of the reporting year, effective interest rate of 4.22% (31 December 2018: 4.30%, 1 January 2018: 4.33%) per annum were used to discount the future expected cash flows.

Trade receivables are related to financing arrangements for delivered rigs where the Group has retained title. \$125,444,000 is due from one customer and bears floating interest at LIBOR plus a margin, and repayable in October 2024. The remainder is due from another customer, bears fixed interest and repayable in February 2024 and 2029. The customer has options for early repayment.

Long term receivables are unsecured, largely repayable after five years (31 December 2018 and 1 January 2018: five years) and bears effective interest ranging from 2.00% to 12.00% (31 December 2018: 2.00% to 9.00%, 1 January 2018: 2.00% to 6.00%) per annum.

Included in other receivables are claims receivable which represents claims from customer for long term contracts. For the financial year ended 31 December 2019, the Group recognised \$15,021,000 (31 December 2018 and 1 January 2018: \$nil) loss allowance on claims receivable arising from the discounting effects due to changes to the expected timing of receipt.

Included in the long term receivables is an unsecured, interest-bearing USD loan amounting to \$155,425,000 (31 December 2018: \$139,799,000) which is repayable in 2025 by Floatel International Limited, an associated company.

13. Intangibles

	Goodwill \$'000	Development Expenditure \$'000	Brand \$'000	Spectrum Rights \$'000	Customer Contracts and Relationships \$'000	Others \$'000	Total \$'000
Group							
2019							
At 1 January	59,270	18,017	-	-	34,963	16,757	129,007
Additions	-	662	-	-	-	-	662
Acquisition of a subsidiary	988,288	-	277,563	156,670	175,167	1,116	1,598,804
Amortisation	-	(1,693)	(7,710)	(14,735)	(21,032)	(74)	(45,244)
Exchange differences	-	(175)	-	-	(73)	-	(248)
At 31 December	1,047,558	16,811	269,853	141,935	189,025	17,799	1,682,981
Cost	1,047,558	36,885	277,563	156,670	228,334	17,873	1,764,883
Accumulated amortisation	-	(20,074)	(7,710)	(14,735)	(39,309)	(74)	(81,902)
	1,047,558	16,811	269,853	141,935	189,025	17,799	1,682,981
Group							
2018							
At 1 January	59,270	19,073	-	-	37,494	16,757	132,594
Additions	-	561	-	-	-	-	561
Amortisation	-	(1,760)	-	-	(2,927)	-	(4,687)
Exchange differences	-	143	-	-	396	-	539
At 31 December	59,270	18,017	-	-	34,963	16,757	129,007
Cost	59,270	38,808	-	-	53,305	16,757	168,140
Accumulated amortisation	-	(20,791)	-	-	(18,342)	-	(39,133)
	59,270	18,017	-	-	34,963	16,757	129,007

Impairment testing of goodwill

For the purpose of impairment testing, goodwill is allocated to cash-generating units.

Out of the total goodwill of \$1,047,558,000, goodwill allocated from the acquisition of M1 Limited amounted to \$988,288,000.

During the year, the Group's 80% owned subsidiary, Konnectivity Pte Ltd, acquired approximately 81% equity interest in M1 Limited. The Group's wholly-owned subsidiary, Keppel Telecommunications and Transportation Ltd holds the remaining 19% equity interest in M1 Limited.

The recoverable amount of M1 as a CGU was determined based on its value-in-use using a discounted cash flow model based on cash flow projections by management covering a 5-year period, and cash flows beyond the 5-year period were extrapolated using a terminal growth rate of 1.47%, premised on the estimated long term growth rate for the country where the CGU operates. Cash flows were discounted using a discount rate of 8% per annum.

The recoverable amount was estimated to be higher than the carrying value of the M1 CGU. Accordingly, no impairment of goodwill was recognised in 2019. The calculation of value-in-use for the CGU is sensitive to the terminal growth rate and the discount rate applied. Any possible reasonable change in the terminal growth rate and discount rate used in the calculation of the value-in-use amount would not cause any impairment to goodwill.

NOTES TO THE FINANCIAL STATEMENTS

14. Stocks

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Consumable materials and supplies	141,876	162,445	110,434
Finished products for sale	114,854	103,995	96,978
Work-in-progress (net of provision)	653,814	594,312	763,255
Properties held for sale	(a) 4,632,211	4,635,152	4,785,058
	5,542,755	5,495,904	5,755,725

For work-in-progress balances, the Group determines the estimated net realisable value based on arrangements to market the work-in-progress and discounted cash flow models. The provision for work-in-progress to write down its carrying value to its net realisable value at the end of the financial year was \$50,000,000 (31 December 2018: \$53,697,000, 1 January 2018: \$52,483,000).

(a) Properties held for sale

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Properties under development			
Land cost	2,770,384	2,587,958	2,380,942
Development cost incurred to date	585,200	548,764	871,205
Related overhead expenditure	252,501	222,467	286,261
	3,608,085	3,359,189	3,538,408
Completed properties held for sale	1,049,343	1,304,119	1,284,426
	4,657,428	4,663,308	4,822,834
Provision for properties held for sale	(25,217)	(28,156)	(37,776)
	4,632,211	4,635,152	4,785,058
Movements in the provision for properties held for sale are as follows:			
At 1 January	28,156	37,776	72,416
Charge to profit and loss account	-	799	-
Exchange differences	34	(33)	(383)
Amount written off	(2,973)	(10,386)	(28,866)
Subsidiary disposed	-	-	(5,391)
At 31 December	25,217	28,156	37,776

The provision for properties held for sale is arrived at after taking into account estimated selling prices and estimated total construction costs. Estimated selling prices are based on recent selling prices for the development project or comparable projects and the prevailing market conditions. Estimated total construction costs include contracted amounts plus estimated costs to be incurred based on historical trends. The provision is progressively reversed for those residential units sold above their carrying amounts.

Interest capitalised during the financial year amounted to \$24,258,000 (2018: \$30,460,000) at rate of 2.18% to 3.97% (2018: 3.30%) per annum for Singapore properties and 2.74% to 7.00% (2018: 2.60% to 15.00%) per annum for overseas properties.

15. Contract assets/liabilities

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Contract assets	3,497,476	3,212,712	3,643,495
Contract liabilities	1,824,965	1,918,547	1,950,151

Contract assets relating to certain rig building contracts where the scheduled dates of the rigs have been deferred and have higher counter-party risks amounted to \$1,431,744,000 (31 December 2018: \$1,383,286,000, 1 January 2018: \$1,127,566,000).

Contract liabilities included proceeds received from sale of properties of \$847,317,000 (31 December 2018: \$890,139,000, 1 January 2018: \$677,997,000). Remaining contract liabilities of \$977,648,000 (31 December 2018: \$1,028,408,000, 1 January 2018: \$1,272,154,000) are recorded when receipts from customers exceed the value of work transferred where the customer is invoiced on a milestone payment schedule.

Revenue recognised during the financial year ended 31 December 2019 in relation to contract liability balance at 1 January 2019 was \$583,878,000 (2018: \$544,361,000).

The aggregate amount of the transaction price allocated to the remaining performance obligation is \$5,568,204,000 and the Group expects to recognise this revenue over the next 1 to 5 years.

Movements in the provision for contract assets are as follows:

	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
At 1 January	21,000	-	-
Charge to profit and loss account	-	21,000	-
At 31 December	21,000	21,000	-

16. Amounts due from/to

	Company		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Subsidiaries			
Amounts due from			
- trade	88,028	163,800	97,984
- advances	7,199,296	3,885,921	3,407,536
	7,287,324	4,049,721	3,505,520
Provision for doubtful debts	(6,600)	(6,600)	(6,600)
	7,280,724	4,043,121	3,498,920
Amounts due to			
- trade	6,045	8,130	4,726
- advances	150,822	154,481	231,677
	156,867	162,611	236,403
Movements in the provision for doubtful debts are as follows:			
At 1 January/31 December	6,600	6,600	6,600

Advances to and from subsidiaries are unsecured and are repayable on demand. Interest is charged at rates up to 4.00% (2018: up to 4.00%) per annum on interest-bearing advances.

NOTES TO THE FINANCIAL STATEMENTS

16. Amounts due from/to (continued)

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Associated Companies						
Amounts due from						
- trade	140,502	84,201	66,482	705	548	733
- advances	439,556	223,526	291,735	-	-	-
	580,058	307,727	358,217	705	548	733
Provision for doubtful debts	(16,480)	(15,998)	(15,257)	-	-	-
	563,578	291,729	342,960	705	548	733
Amounts due to						
- trade	78,187	51,979	34,110	-	-	-
- advances	412,099	63,845	219,221	-	-	-
	490,286	115,824	253,331	-	-	-
Movements in the provision for doubtful debts are as follows:						
At 1 January	15,998	15,257	1,131	-	-	-
Charge to profit and loss account	482	741	14,126	-	-	-
At 31 December	16,480	15,998	15,257	-	-	-

Advances to and from associated companies are unsecured and are repayable on demand. Interest is charged at rates ranging from 0.75% to 11.50% (31 December 2018: 0.45% to 11.50%, 1 January 2018: 0.25% to 8.00%) per annum on interest-bearing advances.

17. Debtors

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Trade debtors	1,947,537	1,831,028	2,214,444	1	2	7
Provision for doubtful debts	(261,680)	(246,879)	(147,761)	-	-	-
	1,685,857	1,584,149	2,066,683	1	2	7
Long term receivables due within one year (Note 12)	10,140	42,980	42,194	34	55	141
Sundry debtors	238,128	203,069	155,568	464	478	3,902
Prepayments	210,550	137,518	118,565	87	104	112
Tax recoverable	6,057	7,109	15,171	-	-	-
Value Added Tax receivable	107,177	90,057	59,040	-	83	-
Interest receivable	14,002	15,830	19,410	21	21	20
Deposits paid	30,600	28,971	25,235	380	279	408
Land tender deposits	-	145,411	103,346	-	-	-
Recoverable accounts	49,493	155,747	125,740	7,702	5,207	-
Accrued receivables	219,599	197,059	169,873	155	-	-
Purchase consideration receivable from disposal of subsidiaries/ associated companies	115,801	37,097	61,228	-	-	-
Advances to subcontractors	50,406	47,736	73,455	-	-	-
Advances to non-controlling shareholders of subsidiaries	26,528	26,705	41,081	-	-	-
	1,078,481	1,135,289	1,009,906	8,843	6,227	4,583
Provision for doubtful debts	(15,854)	(17,138)	(13,906)	-	-	-
	1,062,627	1,118,151	996,000	8,843	6,227	4,583
Total	2,748,484	2,702,300	3,062,683	8,844	6,229	4,590

Movements in the provision for doubtful debts are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
At 1 January	264,017	161,667	29,550	-	-	-
Charge to profit and loss account	16,015	95,457	141,514	-	-	-
Amount written off	(7,443)	(5,959)	(7,361)	-	-	-
Company acquired	9,225	-	-	-	-	-
Subsidiary disposed	(4,296)	-	(1,926)	-	-	-
Exchange differences	16	8	(110)	-	-	-
Reclassification	-	12,844	-	-	-	-
Total	277,534	264,017	161,667	-	-	-

In the prior year, a provision of \$102,000,000 was recognised for the rig contracts with Sete Brasil.

18. Short term investments

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Total investments at fair value through other comprehensive income:						
Quoted equity shares	27,821	34,428	55,048	-	-	-
Investments at fair value through profit or loss:						
Quoted equity shares	74,300	74,759	147,654	-	-	-
Unquoted equity shares	-	-	74	-	-	-
Unquoted debt instrument	19,460	-	-	-	-	-
Total investments at fair value through profit or loss	93,760	74,759	147,728	-	-	-
Total investments at amortised cost:						
Unquoted - others	-	27,400	-	-	27,400	-
Total short term investments	121,581	136,587	202,776	-	27,400	-

Investments at fair value through other comprehensive income are mainly in the oil and gas industry.

The unquoted investment at amortised cost was repaid during the year upon the repayment of a short term borrowing of an associated company.

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19. Bank balances, deposits and cash

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Bank balances and cash	843,519	779,003	590,248	1,047	370	2,213
Fixed deposits with banks	760,421	1,042,052	1,515,887	-	-	-
Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost and liabilities	6,270	9,562	32,340	-	-	-
Amounts held under project accounts, withdrawals from which are restricted to payments for expenditures incurred on projects	173,304	150,789	135,313	-	-	-
	1,783,514	1,981,406	2,273,788	1,047	370	2,213

Fixed deposits with banks of the Group mature on varying periods, substantially between 1 day to 6 months (31 December 2018: 1 day to 6 months, 1 January 2018: 1 day to 12 months). This comprises Singapore Dollars fixed deposits of \$75,752,000 (31 December 2018: \$34,824,000, 1 January 2018: \$121,525,000) at interest rates ranging from 0.75% to 1.98% (31 December 2018: 0.60% to 1.59%, 1 January 2018: 0.35% to 1.24%) per annum, and foreign currency fixed deposits of \$684,669,000 (31 December 2018: \$1,007,228,000, 1 January 2018: \$1,394,362,000) at interest rates ranging from 0.01% to 7.20% (31 December 2018: 0.02% to 7.55%, 1 January 2018: 0.01% to 13.15%) per annum.

The bank balances at 31 December 2019 include an amount of \$384,000 (31 December 2018: \$99,450,000, 1 January 2018: \$102,000,000) pledged to a bank in relation to certain banking arrangement.

Cash and cash equivalents of \$492,026,000 (31 December 2018: \$684,375,000, 1 January 2018: \$857,168,000) held in the People's Republic of China are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported other than through dividends and capital repatriation upon liquidations.

20. Creditors

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Trade creditors	854,892	486,278	579,371	4,816	3,139	161
Customers' advances and deposits	117,673	87,102	89,656	-	-	-
Sundry creditors	650,300	896,743	1,380,955	3,124	3,007	4,070
Accrued expenses	2,595,432	2,584,096	3,274,077	40,749	47,020	39,074
Advances from non-controlling shareholders	149,200	145,998	177,151	-	-	-
Retention monies	179,982	148,895	176,850	-	-	-
Interest payables	57,065	41,911	42,105	30,036	23,006	25,280
	4,604,544	4,391,023	5,720,165	78,725	76,172	68,585
Other non-current liabilities:						
Accrued expenses	168,176	191,990	204,121	25,000	48,372	49,275
Derivative liabilities	127,106	169,727	82,494	58,778	43,303	60,521
	295,282	361,717	286,615	83,778	91,675	109,796

The carrying amount of the non-current liabilities approximates their fair value.

Advances from non-controlling shareholders of certain subsidiaries are unsecured and are repayable on demand. Interest is charged at rates ranging from 1.83% to 4.94% (31 December 2018: 2.00% to 4.75%, 1 January 2018: 2.00% to 4.35%) per annum on interest-bearing advances.

In the prior year, there was a write-back of provision for claims of \$96,380,000. This was in relation to customer potential claims arising from a rig contract in the Offshore & Marine Division. In view of commercial sensitivity, the Group is unable to disclose the name of the customer or the amount of the potential claims. The original contract value was adjusted for cost escalations. The validity of the contract value adjustments was subsequently challenged. Due to prolonged uncertainty, provisions were made by the Group for the potential claims in the past, the first such provision being made more than ten years ago. The Group had assessed, including seeking legal opinion, its position in respect of these potential claims and concluded that there were reasonable grounds for the write-back.

In the prior year, a provision for related contract costs of \$65,000,000 was recognised for the rig contracts with Sete Brasil, bringing the total provision to \$245,000,000 as at 31 December 2018. These were included in sundry creditors as at 31 December 2019, 31 December 2018 and 1 January 2018.

21. Provisions for warranties

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
2019			
At 1 January	69,614	115,972	81,879
(Write-back)/Charge to profit and loss account	(14,365)	(1,550)	39,280
Amount utilised	(18,601)	(43,640)	(4,205)
Subsidiary disposed	-	-	(397)
Exchange differences	(200)	(1,168)	(385)
At 31 December	36,448	69,614	115,972

22. Term loans

		31 December				1 January	
		2019		2018		2018	
		Due within one year \$'000	Due after one year \$'000	Due within one year \$'000	Due after one year \$'000	Due within one year \$'000	Due after one year \$'000
Group							
Keppel Corporation Medium Term Notes	(a)	500,000	1,900,000	-	1,700,000	-	1,700,000
Keppel Land Medium Term Notes	(b)	99,904	629,507	342,316	729,196	-	916,027
Keppel Telecommunications & Transportation Medium Term Notes	(c)	-	100,000	-	100,000	-	100,000
Keppel GMTN Floating Rate Notes	(d)	273,240	-	-	274,000	-	269,800
Bank and other loans							
- secured	(e)	98,599	310,859	412,412	185,874	150,591	580,825
- unsecured	(f)	3,583,494	3,564,028	726,029	3,078,682	1,563,493	2,512,267
		4,555,237	6,504,394	1,480,757	6,067,752	1,714,084	6,078,919
Company							
Keppel Corporation Medium Term Notes	(a)	500,000	1,900,000	-	1,700,000	-	1,700,000
Unsecured bank loans	(f)	2,900,430	1,598,203	460,657	1,795,610	551,530	1,239,800
		3,400,430	3,498,203	460,657	3,495,610	551,530	2,939,800

- (a) At the end of the financial year, notes issued under the US\$5,000,000,000 Multi-Currency Medium Term Note Programme by the Company amounted to \$2,400,000,000 (31 December 2018 and 1 January 2018: \$1,700,000,000). The notes denominated in Singapore Dollars, are unsecured and comprised fixed rate notes due from 2020 to 2042 (31 December 2018 and 1 January 2018: from 2020 to 2042) with interest rates ranging from 3.00% to 4.00% (31 December 2018 and 1 January 2018: 3.10% to 4.00%) per annum.
- (b) At the end of the financial year, notes issued under the US\$3,000,000,000 Multi-Currency Medium Term Note Programme by Keppel Land Limited and its wholly-owned subsidiary, Keppel Land Financial Services Pte. Ltd. amounted to \$399,737,000 (31 December 2018: \$642,060,000, 1 January 2018: \$486,696,000). The notes denominated in Singapore Dollars, are unsecured and comprised fixed rate notes due from 2020 to 2023 (31 December 2018: 2019 to 2023, 1 January 2018: 2019 to 2023), with interest rates ranging from 2.68% to 2.84% (31 December 2018: 2.68% to 3.26%, 1 January 2018: 2.84% to 3.26%) per annum.
- At the end of the financial year, notes issued under the US\$800,000,000 Multi-Currency Medium Term Note Programme by Keppel Land Limited amounted to \$329,674,000 (31 December 2018: \$429,452,000, 1 January 2018: \$429,331,000). The notes denominated in Singapore Dollars, are unsecured and comprised fixed rate notes due from 2022 to 2024 (31 December 2018 and 1 January 2018: 2020 to 2024) with interest rates ranging from 3.80% to 3.90% (31 December 2018 and 1 January 2018: 2.83% to 3.90%) per annum.
- (c) At the end of the financial year, notes issued under the \$500,000,000 Multi-Currency Medium Term Note Programme by Keppel Telecommunications & Transportation Ltd, amounted to \$100,000,000 (31 December 2018 and 1 January 2018: \$100,000,000). The fixed rates notes, due in 2024, are unsecured and carried an interest rate of 2.85% per annum from September 2017 to September 2022 and 3.85% per annum from September 2022 to September 2024 (31 December 2018 and 1 January 2018: 2.85% per annum from September 2017 to September 2022 and 3.85% per annum from September 2022 to September 2024).

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22. Term loans (continued)

- (d) At the end of the financial year, US\$200,000,000 notes issued under the US\$2,000,000,000 Euro Medium Term Note Programme by Keppel GMTN Pte Ltd amounted to \$273,240,000 (31 December 2018: \$274,000,000, 1 January 2018: \$269,800,000). The floating rate notes due in 2020 are unsecured and bear interest rate payable quarterly at 3-month US Dollar London Interbank Offered Rate plus 0.89% per annum and ranging from 2.92% to 3.69% (31 December 2018: 2.24% to 3.30%, 1 January 2018: 1.75% to 2.24%) per annum.
- (e) The secured bank loans consist of:
- A term loan of \$50,000,000 drawn down by a subsidiary. The term loan is repayable in 2023 and is secured on certain assets of the subsidiary. Interest is based on money market rates of 2.32% per annum.
 - A term loan of \$46,880,000 drawn down by a subsidiary. The term loan is repayable in 2032 and is secured on certain assets of the subsidiary. Interest is based on money market rates range of 2.38% to 4.43% per annum.
 - A term loan of \$44,132,000 drawn down by a subsidiary. The term loan is repayable in 2033 and is secured on certain assets of the subsidiary. Interest is based on money market rates range of 2.38% to 4.43% per annum.
 - Other secured bank loans comprised \$268,446,000 (31 December 2018: \$297,363,000, 1 January 2018: \$474,918,000) of foreign currency loans. They are repayable within one to eight (31 December 2018: one to fifteen, 1 January 2018: one to sixteen) years and are secured on investment properties and certain fixed and other assets of the subsidiaries. Interest on foreign currency loans is based on money market rates ranging from 1.82% to 12.50% (31 December 2018: 1.59% to 9.59%, 1 January 2018: 1.49% to 7.23%) per annum.

The secured bank loans as of 31 December 2018 included a term loan of \$300,923,000 (1 January 2018: \$256,498,000) which was drawn down by a subsidiary. The term loan was repaid in 2019 and was previously secured on certain assets of the subsidiary. Interest was based on money market rates of 2.89% (1 January 2018: 1.35% to 1.94%) per annum.

- (f) The unsecured bank and other loans of the Group totalling \$7,147,522,000 (31 December 2018: \$3,804,711,000, 1 January 2018: \$4,075,760,000) comprised \$5,113,132,000 (31 December 2018: \$2,604,736,000, 1 January 2018: \$2,823,820,000) of loans denominated in Singapore Dollars and \$2,034,390,000 (31 December 2018: \$1,199,975,000, 1 January 2018: \$1,251,940,000) of foreign currency loans. They are repayable within one to twelve (31 December 2018: one to thirteen, 1 January 2018: one to fourteen) years. Interest on loans denominated in Singapore Dollars is based on money market rates ranging from 1.08% to 3.38% (31 December 2018: 2.13% to 3.08%, 1 January 2018: 1.18% to 3.38%) per annum. Interest on foreign currency loans is based on money market rates ranging from 0.96% to 9.41% (31 December 2018: 0.50% to 9.30%, 1 January 2018: 0.48% to 10.69%) per annum.

The unsecured bank loans of the Company totalling \$4,498,633,000 (31 December 2018: \$2,256,267,000, 1 January 2018: \$1,791,330,000) comprised \$3,186,162,000 (31 December 2018: \$1,707,050,000, 1 January 2018: \$1,550,000,000) of loans denominated in Singapore Dollars and \$1,312,471,000 (31 December 2018: \$549,217,000, 1 January 2018: \$241,330,000) of foreign currency loans. They are repayable within one to five years (31 December 2018: one to six years, 1 January 2018: one to seven years). Interest on loans denominated in Singapore Dollars is based on money market rates ranging from 1.08% to 3.38% (31 December 2018: 2.13% to 3.08%, 1 January 2018: 1.46% to 3.38%) per annum. Interest on foreign currency loans is based on money market rates ranging from 0.96% to 3.24% (31 December 2018: 0.50% to 3.96%, 1 January 2018: 0.50% to 2.10%) per annum.

The Group has mortgaged certain properties and assets of up to an aggregate amount of \$963,984,000 (31 December 2018: \$1,065,652,000, 1 January 2018: \$1,894,728,000) to banks for loan facilities.

The fair values of term loans for the Group and Company are \$10,875,283,000 (31 December 2018: \$7,672,894,000, 1 January 2018: \$7,864,285,000) and \$6,723,252,000 (31 December 2018: \$3,935,905,000, 1 January 2018: \$3,556,370,000) respectively. These fair values, under Level 2 of the fair value hierarchy, are computed on the discounted cash flow method using discount rates based upon the borrowing rates which the Group expect would be available as at the balance sheet date.

Loans due after one year are estimated to be repayable as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Years after year-end:						
After one but within two years	1,191,134	1,153,733	1,403,471	550,000	705,500	-
After two but within five years	4,048,673	3,686,101	3,174,902	1,798,203	2,069,580	1,900,000
After five years	1,264,587	1,227,918	1,500,546	1,150,000	720,530	1,039,800
	6,504,394	6,067,752	6,078,919	3,498,203	3,495,610	2,939,800

23. Deferred taxation

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Deferred tax liabilities:			
Accelerated tax depreciation	295,789	116,707	108,936
Investment properties valuation	75,175	49,843	184,429
Offshore income & others	79,430	80,163	90,502
	450,394	246,713	383,867
Deferred tax assets:			
Other provisions	(18,043)	(34,740)	(32,778)
Unutilised tax benefits	(11,692)	(23,633)	(25,730)
Lease liabilities	(21,631)	-	-
	(51,366)	(58,373)	(58,508)
Net deferred tax liabilities	399,028	188,340	325,359

Net deferred tax liabilities are determined by offsetting deferred tax assets against deferred tax liabilities of the same entities. Deferred tax assets are recognised for unutilised tax benefits carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

The Group has unrecognised deferred tax liabilities of \$100,797,000 (31 December 2018: \$84,027,000, 1 January 2018: \$105,725,000) for taxes that would be payable on the undistributed earnings of certain subsidiaries and associated companies as these earnings would not be distributed in the foreseeable future and the Group is in a position to control the timing of the reversal of the temporary differences.

The Group has unutilised tax losses and capital allowances of \$902,989,000 (31 December 2018: \$695,449,000, 1 January 2018: \$886,858,000) for which no deferred tax benefit is recognised in the balance sheet. These tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. Tax losses amounting to \$193,577,000 (31 December 2018: \$158,309,000, 1 January 2018: \$227,747,000) can be carried forward for a period of one to nine years subsequent to the year of the loss, while the remaining tax losses have no expiry date.

Movements in deferred tax liabilities and assets are as follows:

	At 1 January \$'000	Charged/ (credited) to profit or loss \$'000	Charged/ (credited) to other comprehen- sive income \$'000	Subsidiaries disposed \$'000	Subsidiaries acquired \$'000	Reclassifi- cation \$'000	Exchange differences \$'000	Adoption of SFRS(I) 16 \$'000	At 31 December \$'000
Group									
2019									
Deferred Tax Liabilities									
Accelerated tax depreciation	116,707	(20,122)	-	(2,307)	203,666	23	(108)	(2,070)	295,789
Investment properties valuation	49,843	26,857	-	-	-	-	(1,525)	-	75,175
Offshore income & others	80,163	(81)	(23)	-	-	(294)	(335)	-	79,430
Total	246,713	6,654	(23)	(2,307)	203,666	(271)	(1,968)	(2,070)	450,394
Deferred Tax Assets									
Other provisions	(34,740)	16,726	4	-	-	78	(111)	-	(18,043)
Unutilised tax benefits	(23,633)	10,811	-	-	-	1,196	(66)	-	(11,692)
Lease liabilities	-	(2,567)	-	580	-	(1,454)	860	(19,050)	(21,631)
Total	(58,373)	24,970	4	580	-	(180)	683	(19,050)	(51,366)
Net Deferred Tax Liabilities	188,340	31,624	(19)	(1,727)	203,666	(451)	(1,285)	(21,120)	399,028

NOTES TO THE FINANCIAL STATEMENTS

23. Deferred taxation (continued)

	At 1 January \$'000	Charged/ (credited) to profit or loss \$'000	Charged/ (credited) to other comprehen- sive income \$'000	Subsidiaries disposed \$'000	Subsidiaries acquired \$'000	Reclassifi- cation \$'000	Exchange differences \$'000	Adoption of SFRS(I) 16 \$'000	At 31 December \$'000
Group									
2018									
Deferred Tax Liabilities									
Accelerated tax depreciation	108,936	4,262	-	-	3,670	-	(161)	-	116,707
Investment properties valuation	184,429	6,263	-	(139,774)	-	-	(1,075)	-	49,843
Offshore income & others	90,502	(9,437)	(243)	-	-	-	(659)	-	80,163
Total	383,867	1,088	(243)	(139,774)	3,670	-	(1,895)	-	246,713
Deferred Tax Assets									
Other provisions	(32,778)	(3,045)	1,046	-	-	-	37	-	(34,740)
Unutilised tax benefits	(25,730)	2,274	-	-	-	-	(177)	-	(23,633)
Total	(58,508)	(771)	1,046	-	-	-	(140)	-	(58,373)
Net Deferred Tax Liabilities	325,359	317	803	(139,774)	3,670	-	(2,035)	-	188,340

24. Revenue

	Group	
	2019 \$'000	2018 \$'000
Revenue from contracts with customers		
Revenue from construction contracts	2,418,931	1,875,712
Sale of property	1,207,359	1,248,798
Sale of goods	373,728	43,553
Sale of electricity, utilities and gases	2,172,045	2,068,292
Revenue from telecommunication services	620,475	-
Revenue from other services rendered	661,233	637,379
	7,453,771	5,873,734
Other sources of revenue		
Rental income from investment properties	122,500	86,011
Gain on sale of investments	678	2,232
Dividend income from quoted shares	2,684	2,703
Others	70	101
	7,579,703	5,964,781

Sales are made with credit terms that are consistent with market practice. In 2018, there was a sale of five rigs to a customer where amounts are paid in instalments within five years from the respective delivery dates of each individual rig.

25. Staff costs

	Group	
	2019 \$'000	2018 \$'000
Wages and salaries	924,839	780,104
Employer's contribution to Central Provident Fund	86,486	68,357
Share options and share plans granted to Director and employees	37,255	34,885
Other staff benefits	114,651	104,484
	1,163,231	987,830

26. Operating profit

Operating profit is arrived at after charging/(crediting) the following:

	Group	
	2019 \$'000	2018 \$'000
Included in materials and subcontract costs:		
Fair value (gain)/loss on		
- investments	(4,462)	942
- forward foreign exchange contracts	13,675	18,095
Cost of stocks & contract assets recognised as expense	1,094,686	771,465
Direct operating expenses		
- investment properties that generated rental income	42,258	23,818
Included in staff costs:		
Key management's emoluments (including executive directors' remuneration)		
- short-term employee benefits	11,471	9,015
- post-employment benefits	105	95
- share plans granted	9,943	7,771
Included in impairment loss on financial assets:		
Provision for doubtful debts (Note 12 & 17)	31,036	95,457
Bad debts written-off	43,331	4,256
Included in other operating income - net:		
Rental expense		
- operating leases	-	84,854
Impairment/write-off of fixed assets	8,432	6,911
Impairment of associated companies (Note 10)	35,915	60,782
Provision for stocks	7,571	6,271
Provision for related contract costs (Note 20)	-	65,000
Provision for contract assets (Note 15)	-	21,000
Write-back of provision for claims (Note 20)	-	(96,380)
Fair value gain on investment properties (Note 7)	(101,020)	(84,886)
Fair value (gain)/loss on		
- investments	15,328	(13,823)
- forward foreign exchange contracts	2,028	(6,966)
(Gain)/loss on differences in foreign exchange	(39,632)	42,070
Profit on sale of fixed assets and an investment property	(6,277)	(2,795)
Profit on sale of investments	(164)	-
Gain on disposal of subsidiaries	(64,469)	(604,638)
Loss/(gain) on disposal of associated companies	22	(48,783)
Gain from change in interest in associated companies	(27,114)	(63,622)
Fair value gain on remeasurement of previously held interest upon acquisition of a subsidiary	(158,376)	-
Fees and other remuneration to Directors of the Company	2,537	2,373
Contracts for services rendered by Directors or with a company in which a Director has a substantial financial interest	2,332	3,510
Auditors' remuneration		
- auditors of the Company	3,343	3,121
- other auditors of subsidiaries	1,833	2,001
Non-audit fees paid to		
- auditors of the Company	611	486
- other auditors of subsidiaries	150	154

NOTES TO THE FINANCIAL STATEMENTS

27. Investment income, interest income and interest expenses

	Group	
	2019 \$'000	2018 \$'000
Investment income from:		
Shares - quoted outside Singapore	42	34
Shares - unquoted	64,552	9,957
	64,594	9,991
Interest income from:		
Bonds, debentures and deposits	101,548	100,376
Associated companies	63,664	56,760
Service concession arrangement	12,463	7,124
	177,675	164,260
Interest expenses on notes, loans and overdrafts	(277,143)	(205,845)
Interest expenses on lease liabilities	(35,732)	-
Fair value gain on interest rate caps and swaps	159	1,021
	(312,716)	(204,824)

28. Taxation

(a) Income tax expense

	Group	
	2019 \$'000	2018 \$'000
Tax expense comprised:		
Current tax	175,880	245,091
Adjustment for prior year's tax	(88,696)	(32,200)
Others	790	10,958
Deferred tax (Note 23)	31,624	317
Land appreciation tax:		
Current year	72,731	60,610
	192,329	284,776

The income tax expense on the results of the Group differ from the amount of income tax expense determined by applying the Singapore standard rate of income tax to profit before tax due to the following:

	Group	
	2019 \$'000	2018 \$'000
Profit before tax	953,467	1,245,484
Share of profit of associated companies, net of tax	(147,413)	(220,895)
Profit before tax and share of profit of associated companies	806,054	1,024,589
Tax calculated at tax rate of 17% (2018: 17%)	137,029	174,180
Income not subject to tax	(89,266)	(170,942)
Expenses not deductible for tax purposes	125,067	232,272
Unrecognised tax benefits / (Utilisation of previously unrecognised tax benefits)	32,169	(17,314)
Effect of different tax rates in other countries	21,478	39,861
Adjustment for prior year's tax	(88,696)	(32,200)
Effects of changes in tax rates	-	13,461
Land appreciation tax	72,731	60,610
Effect of tax reduction on land appreciation tax	(18,183)	(15,152)
	192,329	284,776

(b) Movement in current income tax liabilities

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 January	297,922	220,761	43,519	33,955
Exchange differences	(6,506)	(4,291)	-	-
Tax expense	175,880	245,091	15,800	10,200
Adjustment for prior year's tax	(88,696)	(32,200)	(27,796)	(636)
Land appreciation tax	72,731	60,610	-	-
Net income taxes paid	(263,856)	(195,904)	-	-
Subsidiaries acquired	47,832	157	-	-
Subsidiaries disposed	(164)	(89)	-	-
Reclassification				
- tax recoverable and others	12,831	3,787	-	-
- deferred tax	451	-	-	-
At 31 December	248,425	297,922	31,523	43,519

29. Earnings per ordinary share

	Group			
	2019 \$'000		2018 \$'000	
	Basic	Diluted	Basic	Diluted
Net profit attributable to shareholders	706,975	706,975	948,392	948,392
	Number of Shares \$'000		Number of Shares \$'000	
Weighted average number of ordinary shares (excluding treasury shares)	1,815,701	1,815,701	1,814,159	1,814,159
Adjustment for dilutive potential ordinary shares	-	9,668	-	10,728
Weighted average number of ordinary shares used to compute earnings per share (excluding treasury shares)	1,815,701	1,825,369	1,814,159	1,824,887
Earnings per ordinary share	38.9 cts	38.7 cts	52.3 cts	52.0 cts

30. Dividends

A final cash dividend of 12.0 cents per share tax exempt one-tier (2018: final cash dividend of 15.0 cents per share tax exempt one-tier) in respect of the financial year ended 31 December 2019 has been proposed for approval by shareholders at the next Annual General Meeting to be convened.

Together with the interim cash dividend of 8.0 cents per share tax exempt one-tier (2018: interim cash dividend of 10.0 cents per share tax exempt one-tier and the special cash dividend of 5.0 cents per share tax exempt one-tier), total distributions paid and proposed in respect of the financial year ended 31 December 2019 will be 20.0 cents per share (2018: 30.0 cents per share).

During the financial year, the following distributions were made:

	\$'000
A final cash dividend of 15.0 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of the previous financial year	272,568
An interim cash dividend of 8.0 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of the current financial year	145,370
	417,938

In the prior year, total distributions of \$526,152,000 were made.

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31. Commitments

(a) Capital commitments

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Capital expenditure/commitments not provided for in the financial statements:			
In respect of contracts placed:			
- for purchase and construction of investment properties	130,682	372,292	175,759
- for purchase of other fixed assets	6,777	13,034	17,341
- for purchase/subscription of shares mainly in property development companies	329,685	406,662	174,311
- for commitments to private funds	357,634	388,093	450,247
Amounts approved by Directors in addition to contracts placed:			
- for purchase and construction of investment properties	155,213	19,665	105,115
- for purchase of other fixed assets	246,436	158,677	224,903
- for purchase/subscription of shares mainly in property development companies	175,658	77,260	36,509
	1,402,085	1,435,683	1,184,185
Less: Non-controlling shareholders' share	(33,225)	(65,018)	(69,698)
	1,368,860	1,370,665	1,114,487

There was no significant future capital expenditure/commitment for the Company.

(b) Lessee's lease commitments

The Group leases land and office buildings from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future minimum lease payable in respect of significant non-cancellable operating leases as at the end of the financial year is as follows:

	Group		Company	
	31 December 2018 \$'000	1 January 2018 \$'000	31 December 2018 \$'000	1 January 2018 \$'000
Years after year-end:				
Within one year	81,555	89,315	199	40
From two to five years	255,324	300,506	179	-
After five years	572,156	684,204	-	-
	909,035	1,074,025	378	40

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 Leases on 1 January 2019. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised on balance sheet. The right-of-use assets and lease liabilities are disclosed in Note 8.

(c) Lessor's lease commitments

The Group leases out commercial space to non-related parties under non-cancellable operating leases. The future minimum lease receivable in respect of significant non-cancellable operating leases as at the end of the financial year is as follows:

	Group		Company	
	31 December 2018 \$'000	1 January 2018 \$'000	31 December 2018 \$'000	1 January 2018 \$'000
Years after year-end:				
Within one year	98,856	88,087	-	-
From two to five years	159,497	166,553	-	-
After five years	60,457	61,638	-	-
	318,810	316,278	-	-

Some of the operating leases are subject to revision of lease rentals at periodic intervals. For the purposes of the above, the prevailing lease rentals are used.

32. Contingent liabilities and guarantees (unsecured)

	Group		Company	
	31 December		31 December	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Guarantees in respect of banks and other loans granted to subsidiaries and associated companies	615,611	493,286	1,685,269	1,376,427
Bank guarantees	73,319	70,030	-	-
	688,930	563,316	1,685,269	1,376,427

See Note 2.27 for further disclosures relating to the Group's claims and litigations.

Included in the above guarantees is a bilateral agreement between the Group and a bank which guaranteed a bank loan granted to KrisEnergy Limited, an associated company, amounting to \$262,825,000 as at 31 December 2019. The guarantee is secured on the assets of KrisEnergy Limited.

The financial effects of SFRS(I) 9 relating to financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised.

33. Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group has significant related party transactions as follows:

	Group	
	2019 \$'000	2018 \$'000
Sales of goods and/or services to		
- associated companies	246,684	183,486
- other related parties	73,164	63,544
	319,848	247,030
Purchase of goods and/or services from		
- associated companies	145,853	105,056
- other related parties	126,981	61,321
	272,834	166,377
Treasury transactions with		
- associated companies	36,378	21,412

34. Financial risk management

The Group operates internationally and is exposed to a variety of financial risks, comprising market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Financial risk management is carried out by the Keppel Group Treasury Department in accordance with established policies and guidelines. These policies and guidelines are established by the Group Central Finance Committee and are updated to take into account changes in the operating environment. This committee is chaired by the Chief Financial Officer of the Company and includes Chief Financial Officers of the Group's key operating companies and Head Office specialists.

Market Risk

(i) Currency risk

The Group has receivables and payables denominated in foreign currencies via US Dollars, Renminbi and other currencies. The Group's foreign currency exposures arise mainly from the exchange rate movement of these foreign currencies against the functional currencies of the respective Group entities. To hedge against the volatility of future cash flows caused by changes in foreign currency rates, the Group utilises forward foreign currency contracts and other foreign currency hedging instruments to hedge the Group's exposure to specific currency risks relating to investments, receivables, payables and other commitments. Group Treasury Department monitors the current and projected foreign currency cash flow of the Group and aims to reduce the exposure of the net position in each currency by borrowing in foreign currency and other currency contracts where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

34. Financial risk management (continued)

As at the end of the financial year, the Group has outstanding forward foreign exchange contracts with notional amounts totalling \$4,333,439,000 (31 December 2018: \$5,284,557,000, 1 January 2018: \$6,344,009,000). The net positive fair value of forward foreign exchange contracts is \$3,796,000 (31 December 2018: net negative fair value of \$4,778,000, 1 January 2018: net positive fair value of \$58,266,000) comprising assets of \$30,022,000 (31 December 2018: \$28,143,000, 1 January 2018: \$105,511,000) and liabilities of \$26,226,000 (31 December 2018: \$32,921,000, 1 January 2018: \$47,245,000). These amounts are recognised as derivative assets and derivative liabilities.

As at the end of the financial year, the Company has outstanding forward foreign exchange contracts with notional amounts totalling \$4,205,443,000 (31 December 2018: \$5,203,754,000, 1 January 2018: \$6,269,592,000). The net positive fair value of forward foreign exchange contracts is \$4,839,000 (31 December 2018: net negative fair value of \$4,972,000, 1 January 2018: net positive fair value of \$56,859,000) comprising assets of \$30,022,000 (31 December 2018: \$27,731,000, 1 January 2018: \$104,045,000) and liabilities of \$25,183,000 (31 December 2018: \$32,703,000, 1 January 2018: \$47,186,000). These amounts are recognised as derivative assets and derivative liabilities.

Other than the above hedged foreign currency contracts, the unhedged currency exposure of financial assets and financial liabilities denominated in currencies other than the respective entities' functional currencies are as follows:

	2019					
	USD \$'000	RMB \$'000	BRL \$'000	Others \$'000		
Group						
Financial Assets						
Debtors	535,178	1,629	318,767	119,434		
Investments	474,060	-	-	114,741		
Bank balances, deposits & cash	47,303	41,209	53	38,380		
	1,056,541	42,838	318,820	272,555		
Financial Liabilities						
Creditors	136,595	1,052	18,542	12,362		
Term loans	997,104	9,683	-	180,882		
Lease liabilities	-	215	-	726		
	1,133,699	10,950	18,542	193,970		
	2018					
	USD \$'000	RMB \$'000	BRL \$'000	Others \$'000		
Group						
Financial Assets						
Debtors	22,038	19,388	360,479	13,645		
Investments	197,976	-	-	92,244		
Bank balances, deposits & cash	134,222	186,215	1,823	25,286		
	354,236	205,603	362,302	131,175		
Financial Liabilities						
Creditors	88,895	7,878	5,393	20,481		
Term loans	611,546	-	-	131,718		
	700,441	7,878	5,393	152,199		
	2019			2018		
	USD \$'000	RMB \$'000	Others \$'000	USD \$'000	RMB \$'000	Others \$'000
Company						
Financial Assets						
Debtors	579	54	-	776	83	-
Investments	-	-	-	27,400	-	-
Bank balances, deposits & cash	612	219	1	78	236	-
	1,191	273	1	28,254	319	-
Financial Liabilities						
Creditors	4,333	207	10	3,757	246	69
Term loans	965,903	9,683	89,370	294,550	-	13,607
Lease liabilities	-	215	-	-	-	-
	970,236	10,105	89,380	298,307	246	13,676

Sensitivity analysis for currency risk

If the relevant foreign currency change against SGD by 5% (2018: 5%) with all other variables held constant, the effects will be as follows:

	Profit before tax		Equity	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Group				
USD against SGD				
- Strengthened	(11,518)	(25,195)	7,631	7,759
- Weakened	11,518	25,195	(7,631)	(7,759)
RMB against SGD				
- Strengthened	1,594	9,886	-	-
- Weakened	(1,594)	(9,886)	-	-
BRL against SGD				
- Strengthened	12,462	14,812	-	-
- Weakened	(12,462)	(14,812)	-	-
Company				
USD against SGD				
- Strengthened	(48,801)	(13,602)	-	-
- Weakened	48,801	13,602	-	-
RMB against SGD				
- Strengthened	(474)	3	-	-
- Weakened	474	(3)	-	-

(ii) **Interest rate risk**

The Group is exposed to interest rate risk for changes in interest rates primarily for debt obligations, placements in the money market and investments in bonds. The Group policy is to maintain a mix of fixed and variable rate debt instruments with varying maturities. Where necessary, the Group uses derivative financial instruments to hedge interest rate risks.

The Group enters into interest rate swap agreements to hedge the interest rate risk exposure arising from its SGD, USD and Renminbi variable rate term loans (Note 22). As at the end of the financial year, the Group has interest rate swap agreements with notional amount totalling \$2,752,273,000 (31 December 2018: \$1,667,483,000, 1 January 2018: \$1,778,962,000) whereby it receives variable rates equal to SOR and LIBOR (31 December 2018 and 1 January 2018: SOR and LIBOR) and pays fixed rates of between 1.41% and 3.62% (31 December 2018: 1.33% and 3.62%, 1 January 2018: 1.27% and 3.62%) on the notional amount.

The net negative fair value of interest rate swaps for the Group is \$108,661,000 (31 December 2018: net negative fair value of \$62,841,000, 1 January 2018: net negative fair value of \$58,025,000) comprising assets of \$444,000 (31 December 2018: \$4,677,000, 1 January 2018: \$4,339,000) and liabilities of \$109,105,000 (31 December 2018: \$67,518,000, 1 January 2018: \$62,364,000). These amounts are recognised as derivative assets and derivative liabilities.

Sensitivity analysis for interest rate risk

If interest rates increase/decrease by 0.5% (2018: 0.5%) with all other variables held constant, the Group's profit before tax would have been lower/higher by \$24,025,000 (2018: \$10,827,000) as a result of higher/lower interest expense on floating rate loans.

(iii) **Price risk**

The Group hedges against fluctuations arising on the purchase of natural gas that affect cost. Exposure to price fluctuations is managed via fuel oil forward contracts, whereby the price of natural gas is indexed to benchmark fuel price indices, HSFO 180-CST and Dated Brent. As at the end of the financial year, the Group has outstanding HSFO and Dated Brent forward contracts with notional amounts totalling \$690,044,000 (31 December 2018: \$938,774,000, 1 January 2018: \$542,679,000) and \$63,885,000 (31 December 2018: \$10,001,000, 1 January 2018: \$nil) respectively. The net negative fair value of HSFO forward contracts for the Group is \$96,885,000 (31 December 2018: net negative fair value of \$147,250,000, 1 January 2018: net positive fair value of \$89,599,000) comprising assets of \$7,592,000 (31 December 2018: \$25,568,000, 1 January 2018: \$97,957,000) and liabilities of \$104,477,000 (31 December 2018: \$172,818,000, 1 January 2018: \$8,358,000). These amounts are recognised as derivative assets and derivative liabilities. The net negative fair value of Dated Brent forward contracts for the Group of \$2,361,000 (31 December 2018: net negative fair value of \$14,138,000, 1 January 2018: \$nil) comprising assets of \$2,305,000 (31 December 2018: \$nil, 1 January 2018: \$nil) and liabilities of \$4,666,000 (31 December 2018: \$14,138,000, 1 January 2018: \$nil). These amounts are recognised as derivative assets and derivative liabilities.

NOTES TO THE FINANCIAL STATEMENTS

34. Financial risk management (continued)

The Group hedges against fluctuations in electricity prices via its daily sales of electricity. Exposure to price fluctuations is managed via electricity futures contracts. As at the end of the financial year, the Group has outstanding electricity futures contracts with notional amounts totalling \$142,980,000 (31 December 2018: \$80,055,000, 1 January 2018: \$47,042,000). The net positive fair values of electricity futures contracts is \$5,447,000 (31 December 2018: net positive fair value of \$7,857,000, 1 January 2018: net negative fair value of \$2,297,000) comprising assets of \$7,560,000 (31 December 2018: \$9,002,000, 1 January 2018: \$199,000) and liabilities of \$2,113,000 (31 December 2018: \$1,145,000, 1 January 2018: \$2,496,000). These amounts are recognised as derivative assets and derivative liabilities.

The Group is exposed to equity securities price risk arising from equity investments classified as investments at fair value through profit or loss and investments at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Sensitivity analysis for price risk

If prices for HSFO and Dated Brent increase/decrease by 5% (31 December 2018 and 1 January 2018: 5%) with all other variables held constant, the Group's hedging reserve in equity would have been higher/lower by \$29,658,000 (31 December 2018: \$39,366,000, 1 January 2018: \$30,635,000) and \$3,075,000 (31 December 2018: \$252,000, 1 January 2018: \$nil) respectively as a result of fair value changes on cash flow hedges.

If prices for electricity futures contracts increase/decrease by 5% (31 December 2018 and 1 January 2018: 5%) with all other variables held constant, the Group's hedging reserve in equity would have been lower/higher by \$6,877,000 (31 December 2018: \$2,849,000, 1 January 2018: \$2,467,000) as a result of fair value changes on cash flow hedges.

If prices for quoted investments increase/decrease by 5% (2018: 5%) with all other variables held constant, the Group's profit before tax would have been higher/lower by \$7,835,000 (2018: \$5,205,000) as a result of higher/lower fair value gains on investments at fair value through profit or loss, and the Group's fair value reserve in other comprehensive income would have been higher/lower by \$2,008,000 (2018: \$2,047,000) as a result of higher/lower fair value gains on investments at fair value through other comprehensive income.

The various sensitivity rates used in the sensitivity analysis for currency, interest rate and price risks represent rates generally used internally by management when assessing the various risks.

Credit Risk

Credit risk refers to the risk that debtors will default on their obligation to repay the amount owing to the Group. A substantial portion of the Group's revenue is on credit terms. The Group adopts stringent procedures on extending credit terms to customers and on the monitoring of credit risk. The credit policy spells out clearly the guidelines on extending credit terms to customers, including monitoring the process and using related industry's practices as reference. This includes assessment and valuation of customers' credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered. The Group's policy does not permit non-secured credit risk to be significantly centralised in one customer or a group of customers.

The Group assesses on a forward looking basis the ECLs associated with its financial assets which are mainly debtors, amounts due from associated companies and bank balances, deposits and cash.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. These events include probability of insolvency, significant financial difficulties of the debtor and default or significant delay in payments.

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

The Group uses a provision matrix to measure the ECLs. In measuring the ECLs, assets are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group.

The Group's credit risk exposure in relation to debtors under SFRS(I) 9 as at 31 December 2019 are set out in the provision matrix as follows:

	Current \$'000	1 to 3 months \$'000	3 to 6 months \$'000	> 6 months \$'000	Total \$'000
Offshore & Marine					
Expected loss rate	6.1%	13.3%	12.3%	69.4%	
Trade receivables	2,902	758	1,265	3,308	8,233
Loss allowance	178	101	155	2,295	2,729
Infrastructure					
Expected loss rate	0.1%	0.5%	1.0%	45.5%	
Trade receivables	178,600	28,999	11,814	4,946	224,359
Loss allowance	125	153	118	2,248	2,644
Investments					
Expected loss rate	2.0%	8.0%	15.2%	20.4%	
Trade receivables	266,978	27,995	4,862	27,555	327,390
Loss allowance	5,451	2,238	739	5,609	14,037

For the remaining subsidiaries which transact with low volume of customers and customers are monitored individually for credit loss assessment, the receivables (including concession service receivable and contract assets) are assessed individually for lifetime expected credit losses at each reporting date. In calculating the expected credit loss, the Group uses a probability-weighted amount that is determined by evaluating a range of possible outcomes. The possible outcomes include an unbiased estimate of the possibility that a credit loss occurs and the possibility that no credit loss occurs even if the most likely outcome is no credit loss.

Individual customer will be evaluated periodically for its credit risk and the credit risk assessment is based on historical, current and forward-looking information such as:

- Historical financial and default rate of the customer
- Any publicly available information on the customer
- Any macro-economic or geopolitical information relevant to the customer
- Any other objectively supportable information on the quality and abilities of the customer's management relevant for its performance

Property

For investment properties, the Group manages credit risks arising from tenants defaulting on their rental by requiring the tenants to furnish cash deposits, and/or banker's guarantees. The Group also has a policy of regular review of debt collection and rental contracts are entered into with customers with an appropriate credit history.

In measuring the ECL, trade debtors and contract assets are grouped based on shared credit risk characteristics and days past due. The Group has therefore concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets.

In calculating the ECL rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are subject to immaterial credit loss under the property segment.

Balances due from associated companies are subject to immaterial credit loss.

The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations and hence does not expect significant credit losses.

Liquidity Risk

Prudent liquidity risk management requires the Group to maintain sufficient cash and marketable securities, internally generated cash flows, and the availability of funding resources through an adequate amount of committed credit facilities. Group Treasury Department also maintains a mix of short-term money market borrowings and medium/long term loans to fund working capital requirements and capital expenditures/investments. Due to the dynamic nature of business, the Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

NOTES TO THE FINANCIAL STATEMENTS

34. Financial risk management (continued)

Information relating to the maturity profile of loans is given in Note 22. The following table details the liquidity analysis for derivative financial instruments and borrowings of the Group and the Company based on contractual undiscounted cash inflows/(outflows).

	Within one year \$'000	Within one to two years \$'000	Within two to five years \$'000	After five years \$'000
Group				
31 December 2019				
Gross-settled forward foreign exchange contracts				
- Receipts	3,113,245	773,921	478,026	-
- Payments	(3,107,938)	(766,231)	(468,296)	-
Net-settled HSFO forward contracts				
- Receipts	5,583	1,808	200	-
- Payments	(91,720)	(11,095)	(1,661)	-
Net-settled Dated Brent forward contracts				
- Receipts	2,305	-	-	-
- Payments	(3,581)	(1,085)	-	-
Net-settled electricity futures contracts				
- Receipts	6,701	859	-	-
- Payments	(1,639)	(474)	-	-
Borrowings	(4,775,144)	(1,403,358)	(4,359,758)	(1,597,868)
31 December 2018				
Gross-settled forward foreign exchange contracts				
- Receipts	4,371,906	595,863	291,056	-
- Payments	(4,376,578)	(590,895)	(293,122)	-
Net-settled HSFO forward contracts				
- Receipts	18,276	5,291	2,001	-
- Payments	(78,658)	(89,608)	(4,551)	-
Net-settled Dated Brent forward contracts				
- Receipts	588	-	-	-
- Payments	(11,333)	(2,377)	(1,019)	-
Net-settled electricity futures contracts				
- Receipts	3,042	5,960	-	-
- Payments	(986)	(159)	-	-
Borrowings	(1,880,464)	(1,107,664)	(3,958,879)	(1,565,429)
1 January 2018				
Gross-settled forward foreign exchange contracts				
- Receipts	5,367,540	989,250	48,742	-
- Payments	(5,310,740)	(989,397)	(50,423)	-
Net-settled HSFO forward contracts				
- Receipts	85,426	12,150	381	-
- Payments	(4,564)	(1,841)	(1,953)	-
Net-settled electricity futures contracts				
- Receipts	52	147	-	-
- Payments	(2,390)	(106)	-	-
Borrowings	(1,903,567)	(1,567,496)	(3,457,684)	(1,884,254)
Company				
31 December 2019				
Gross-settled forward foreign exchange contracts				
- Receipts	2,986,032	773,921	478,026	-
- Payments	(2,979,943)	(766,231)	(468,296)	-
Borrowings	(3,525,789)	(656,062)	(1,986,035)	(1,455,148)
31 December 2018				
Gross-settled forward foreign exchange contracts				
- Receipts	4,295,278	591,445	291,056	-
- Payments	(4,300,024)	(586,549)	(293,122)	-
Borrowings	(767,884)	(592,033)	(2,224,328)	(982,992)
1 January 2018				
Gross-settled forward foreign exchange contracts				
- Receipts	5,306,832	973,865	48,742	-
- Payments	(5,251,003)	(974,631)	(50,423)	-
Borrowings	(644,666)	(85,514)	(2,096,221)	(1,333,585)

In addition to the above, creditors (Note 20) of the Group and the Company have a maturity profile of within one year from the balance sheet date.

Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings. The Group's current strategy remains unchanged from the previous financial year. The Group and the Company are in compliance with externally imposed capital undertakings for the financial year ended 31 December 2019. Externally imposed capital undertakings are mainly debt covenants included in certain loans of the Group and the Company requiring the Group or certain subsidiaries of the Company to maintain net gearing to total equity not exceeding ratios ranging from 2.00 to 3.00 times.

Management monitors capital risk based on the Group's net gearing. Net gearing is calculated as net debt divided by total equity. Net debt is calculated as total term loans (Note 22) and total lease liabilities (Note 8) less bank balances, deposits & cash (Note 19).

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Net debt	9,873,556	5,567,103	5,519,215
Total equity	11,646,031	11,576,692	11,722,455
Net gearing ratio	0.85x	0.48x	0.47x

Fair Value of Financial Instruments and Investment Properties

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). Fair value is determined by reference to the net tangible assets of the investments.

The following table presents the assets and liabilities measured at fair value.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group				
31 December 2019				
Financial assets				
Derivative financial instruments	-	55,841	-	55,841
Call option	-	-	157,518	157,518
Investments				
- Investments at fair value through other comprehensive income	12,336	-	202,623	214,959
- Investments at fair value through profit or loss	82,399	22,958	328,753	434,110
Short term investments				
- Investments at fair value through other comprehensive income	27,821	-	-	27,821
- Investments at fair value through profit or loss	74,300	19,460	-	93,760
	196,856	98,259	688,894	984,009
Financial liabilities				
Derivative financial instruments	-	246,587	-	246,587
Non-financial assets				
Investment Properties				
- Commercial and residential, completed	-	-	1,667,822	1,667,822
- Commercial, under construction	-	-	1,354,269	1,354,269
	-	-	3,022,091	3,022,091

NOTES TO THE FINANCIAL STATEMENTS

34. Financial risk management (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group				
31 December 2018				
Financial assets				
Derivative financial instruments	-	67,978	-	67,978
Call option	-	-	150,500	150,500
Investments				
- Investments at fair value through other comprehensive income	6,527	-	201,830	208,357
- Investments at fair value through profit or loss	29,332	43,800	168,026	241,158
Short term investments				
- Investments at fair value through other comprehensive income	34,428	-	-	34,428
- Investments at fair value through profit or loss	74,759	-	-	74,759
	<u>145,046</u>	<u>111,778</u>	<u>520,356</u>	<u>777,180</u>
Financial liabilities				
Derivative financial instruments	-	289,132	-	289,132
Non-financial assets				
Investment Properties				
- Commercial and residential, completed	-	-	1,716,314	1,716,314
- Commercial, under construction	-	-	1,135,066	1,135,066
	<u>-</u>	<u>-</u>	<u>2,851,380</u>	<u>2,851,380</u>
Group				
1 January 2018				
Financial assets				
Derivative financial instruments	-	208,006	-	208,006
Call option	-	-	137,200	137,200
Investments				
- Investments at fair value through other comprehensive income	4,123	-	271,955	276,078
- Investments at fair value through profit or loss	31,647	43,250	66,817	141,714
Short term investments				
- Investments at fair value through other comprehensive income	55,048	-	-	55,048
- Investments at fair value through profit or loss	147,654	-	74	147,728
	<u>238,472</u>	<u>251,256</u>	<u>476,046</u>	<u>965,774</u>
Financial liabilities				
Derivative financial instruments	-	120,463	-	120,463
Non-financial assets				
Investment Properties				
- Commercial and residential, completed	-	-	1,404,294	1,404,294
- Commercial, under construction	-	-	2,056,314	2,056,314
	<u>-</u>	<u>-</u>	<u>3,460,608</u>	<u>3,460,608</u>

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Company				
31 December 2019				
Financial assets				
Derivative financial instruments	-	30,462	-	30,462
Investments				
- Investments at fair value through other comprehensive income	-	-	19,230	19,230
	<u>-</u>	<u>30,462</u>	<u>19,230</u>	<u>49,692</u>
Financial liabilities				
Derivative financial instruments	<u>-</u>	<u>78,766</u>	<u>-</u>	<u>78,766</u>
Company				
31 December 2018				
Financial assets				
Derivative financial instruments	-	31,968	-	31,968
Investments				
- Investments at fair value through other comprehensive income	-	-	16,957	16,957
	<u>-</u>	<u>31,968</u>	<u>16,957</u>	<u>48,925</u>
Financial liabilities				
Derivative financial instruments	<u>-</u>	<u>71,099</u>	<u>-</u>	<u>71,099</u>
1 January 2018				
Financial assets				
Derivative financial instruments	-	107,631	-	107,631
Investments				
- Investments at fair value through other comprehensive income	-	-	15,012	15,012
	<u>-</u>	<u>107,631</u>	<u>15,012</u>	<u>122,643</u>
Financial liabilities				
Derivative financial instruments	<u>-</u>	<u>90,049</u>	<u>-</u>	<u>90,049</u>

There have been no significant transfers between Level 1, Level 2 and Level 3 for the Group and Company in 2019 and 2018.

The following table presents the reconciliation of financial instruments measured at fair value based on significant unobservable inputs (Level 3).

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 January	520,356	471,982	16,957	15,012
Co acquired	23,884	-	-	-
Purchases	225,294	105,664	-	-
Sales	(39,171)	(122,034)	-	-
Fair value (loss)/gain recognised in other comprehensive income	(73,059)	(1,124)	2,273	1,945
Fair value gain recognised in profit or loss	6,802	47,785	-	-
Reclassification	43,245	16,877	-	-
Exchange differences	(332)	1,206	-	-
Distribution	(10,366)	-	-	-
Return on capital	(7,759)	-	-	-
At 31 December	<u>688,894</u>	<u>520,356</u>	<u>19,230</u>	<u>16,957</u>

NOTES TO THE FINANCIAL STATEMENTS

34. Financial risk management (continued)

The following table presents the reconciliation of investment properties measured at fair value based on significant unobservable inputs (Level 3).

	Group	
	2019 \$'000	2018 \$'000
At 1 January	2,851,380	3,460,608
Adoption of SFRS(I) 16	5,765	-
Development expenditure	304,803	94,099
Fair value gain	101,020	84,886
Disposal	(834)	(2,870)
Subsidiary acquired	-	360,000
Subsidiary disposed	-	(948,613)
Reclassification		
- Stocks	-	(158,300)
- Fixed assets	(217,121)	-
Exchange differences	(22,922)	(38,430)
At 31 December	3,022,091	2,851,380

The fair value of financial instruments categorised under Level 1 of the fair value hierarchy is based on published market bid prices at the balance sheet date.

The fair value of financial instruments categorised under Level 2 of the fair value hierarchy are fair valued under valuation techniques with market observable inputs. These include forward pricing and swap models utilising present value calculations using inputs such as observable foreign exchange rates (forward and spot rates), interest rate curves and forward rate curves and discount rates that reflects the credit risks of various counterparties. The fair value of investment at fair value through profit or loss categorised under Level 2 of the fair value hierarchy is based on the consideration specified in a sales and purchase agreement.

The following table presents the valuation techniques and key inputs that were used to determine the fair value of financial instruments and investment properties categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 31 December 2019 \$'000	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs
Investments	531,376	Net asset value, discounted cash flow, and/or market comparative	Net asset value *	Not applicable
			Discount rate	11%
			Adjusted market multiple	1.4x
			Terminal growth rate	2.5%
Call option	157,518	Direct comparison method and investment method	Transacted price of comparable properties (psf)	\$2,200 to \$2,865
			Capitalisation rate	3.5%

* Fair value of unquoted equity instruments is determined by reference to the underlying assets value of the investee companies, which comprise mainly investments and investment properties stated at fair value.

Description	Fair value as at 31 December 2019 \$'000	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs
Investment Properties				
- Commercial and residential, completed	1,667,822	Investment method, discounted cash flow method and/or direct comparison method;	Discount rate	5.60% to 12.76%
			Capitalisation rate	3.75% to 9.00%
			Net initial yield	3.93% to 5.85%
		Residual Method	Price of comparable land plots (psm)	\$5,032 to \$6,773
			Transacted price of comparable properties (psf)	\$1,616 to \$3,502
- Commercial, under construction	1,354,269	Direct comparison method, discounted cash flow method, and/or residual value method	Price of comparable land plots (psm)	\$8,121 to \$19,219
			Gross development value (\$'million)	\$510 to \$1,897

Description	Fair value as at 31 December 2018 \$'000	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs
Investments	369,856	Net asset value and/or discounted cash flow	Net asset value *	Not applicable
			Discount rate	11%
Call option	150,500	Direct comparison method and investment method	Transacted price of comparable properties (psf)	\$2,500 to \$3,200
			Capitalisation rate	3.5% to 3.65%
Investment Properties				
- Commercial and residential, completed	1,716,314	Direct comparison method, investment method, cost replacement method and/or discounted cash flow method	Discount rate	10.25% to 12.45%
			Terminal yield	7.00%
			Capitalisation rate	4.25% to 12.00%
			Net initial yield	3.7%
			Price of comparable land plots (psm)	\$4,700 to \$5,707
			Transacted price of comparable properties (psf)	\$1,727 to \$3,294
- Commercial, under construction	1,135,066	Direct comparison method, and/or residual method	Price of comparable land plots (psm)	\$6,737 to \$11,990
			Gross development value (\$'million)	\$636 to \$1,898

* Fair value of unquoted equity instruments is determined by reference to the underlying assets value of the investee companies, which comprise mainly investment properties stated at fair value.

NOTES TO THE FINANCIAL STATEMENTS

34. Financial risk management (continued)

Description	Fair value as at 1 January 2018 \$'000	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs
Investments	338,846	Net asset value and/or discounted cash flow	Net asset value *	Not applicable
			Discount rate	11%
Call option	137,200	Direct comparison method and investment method	Transacted price of comparable properties (psf)	\$2,600 to \$3,200
			Capitalisation rate	3.5% to 3.75%
Investment Properties				
- Commercial and residential, completed	1,404,294	Direct comparison method, investment method, cost replacement method and/or discounted cash flow method	Discount rate	11.50% to 13.00%
			Terminal yield	7.00%
			Capitalisation rate	2.80% to 12.50%
			Net initial yield	3.8%
			Price of comparable land plots (psm)	\$7,627 to \$12,463
			Transacted price of comparable properties (psf)	\$1,321 to \$2,500
- Commercial, under construction	2,056,314	Direct comparison method, and/or residual method	Price of comparable land plots (psm)	\$7,627 to \$12,463
			Gross development value (\$'million)	\$588 to \$1,866

* Fair value of unquoted equity instruments is determined by reference to the underlying assets value of the investee companies, which comprise mainly investment properties stated at fair value.

The financial instruments and investment properties categorised under Level 3 of the fair value hierarchy are generally sensitive to the various unobservable inputs tabled above. A significant movement of each input would result in significant change to the fair value of the respective asset/liability.

The Group's finance team assessed the fair value of investments at fair value through other comprehensive income on a quarterly basis.

Valuation process of investment properties is described in Note 7.

35. Segment analysis

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

(i) Offshore & Marine

Principal activities include offshore rig design, construction, repair and upgrading, ship conversions and repair, and specialised shipbuilding. The Division has operations in Brazil, China, Singapore, United States and other countries.

(ii) Property

Principal activities include property development and investment, and property fund management. The Division has operations in Australia, China, India, Indonesia, Singapore, Vietnam and other countries.

(iii) Infrastructure

Principal activities include environmental engineering, power generation, logistics and data centres. The Division has operations in China, Qatar, Singapore, United Kingdom and other countries.

(iv) Investments

The Investments Division consists mainly of the Group's investments in fund management, KrisEnergy Limited, M1 Limited, K1 Ventures Ltd, Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited and equities. M1 Limited, which was part of Investments prior to the acquisition, continues to be reported under Investments segment as it is currently undergoing transformation of its business. M1 contributed about 32% of the Group's total depreciation and amortisation, and contributed about 13% and 10% of the Group's total revenue and net profit respectively for the financial year ended 31 December 2019. M1 accounted for about 5% of the Group's total assets and total liabilities as at 31 December 2019.

Management monitors the results of each of the above operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss. Information regarding the Group's reportable segments is presented in the following table:

	Offshore & Marine \$'000	Property \$'000	Infrastructure \$'000	Investments \$'000	Elimination \$'000	Total \$'000	
2019							
Revenue							
External sales	2,219,397	1,336,236	2,927,331	1,096,739	-	7,579,703	
Inter-segment sales	323	11,187	31,018	112,809	(155,337)	-	
Total	<u>2,219,720</u>	<u>1,347,423</u>	<u>2,958,349</u>	<u>1,209,548</u>	<u>(155,337)</u>	<u>7,579,703</u>	
Segment Results							
Operating profit	60,041	507,740	113,612	194,988	120	876,501	
Investment income	4,988	48,131	1,410	10,065	-	64,594	
Interest income	74,444	48,776	63,443	356,896	(365,884)	177,675	
Interest expenses	(107,123)	(85,966)	(28,753)	(456,638)	365,764	(312,716)	
Share of results of associated companies	<u>(56,823)</u>	<u>188,189</u>	<u>38,079</u>	<u>(22,032)</u>	<u>-</u>	<u>147,413</u>	
(Loss)/profit before tax	<u>(24,473)</u>	<u>706,870</u>	<u>187,791</u>	<u>83,279</u>	<u>-</u>	<u>953,467</u>	
Taxation	<u>33,182</u>	<u>(179,055)</u>	<u>(23,982)</u>	<u>(22,474)</u>	<u>-</u>	<u>(192,329)</u>	
Profit for the year	<u>8,709</u>	<u>527,815</u>	<u>163,809</u>	<u>60,805</u>	<u>-</u>	<u>761,138</u>	
Attributable to:							
Shareholders of Company	10,050	517,373	168,391	11,161	-	706,975	
Non-controlling interests	<u>(1,341)</u>	<u>10,442</u>	<u>(4,582)</u>	<u>49,644</u>	<u>-</u>	<u>54,163</u>	
	<u>8,709</u>	<u>527,815</u>	<u>163,809</u>	<u>60,805</u>	<u>-</u>	<u>761,138</u>	
External revenue from contracts with customers							
- At a point in time	96,640	999,497	23,005	363,757	-	1,482,899	
- Over time	<u>2,122,757</u>	<u>223,302</u>	<u>2,895,665</u>	<u>729,148</u>	<u>-</u>	<u>5,970,872</u>	
	<u>2,219,397</u>	<u>1,222,799</u>	<u>2,918,670</u>	<u>1,092,905</u>	<u>-</u>	<u>7,453,771</u>	
Other sources of revenue	<u>-</u>	<u>113,437</u>	<u>8,661</u>	<u>3,834</u>	<u>-</u>	<u>125,932</u>	
Total	<u>2,219,397</u>	<u>1,336,236</u>	<u>2,927,331</u>	<u>1,096,739</u>	<u>-</u>	<u>7,579,703</u>	
Other information							
Segment assets	9,493,583	14,081,759	3,960,727	12,028,650	(8,243,159)	31,321,560	
Segment liabilities	<u>6,663,302</u>	<u>6,435,784</u>	<u>2,552,695</u>	<u>12,266,907</u>	<u>(8,243,159)</u>	<u>19,675,529</u>	
Net assets	<u>2,830,281</u>	<u>7,645,975</u>	<u>1,408,032</u>	<u>(238,257)</u>	<u>-</u>	<u>11,646,031</u>	
Investment in associated companies	645,946	3,443,534	1,067,436	1,193,929	-	6,350,845	
Additions to non-current assets	95,440	622,622	188,819	297,711	-	1,204,592	
Depreciation and amortisation	121,126	38,275	58,393	157,500	-	375,294	
Impairment loss/(write-back of impairment loss)	<u>6,827</u>	<u>(10)</u>	<u>(776)</u>	<u>37,445</u>	<u>-</u>	<u>43,486</u>	
Geographical information							
	Singapore \$'000	China/ Hong Kong \$'000	Brazil \$'000	Other Far East & ASEAN countries \$'000	Other countries \$'000	Elimination \$'000	Total \$'000
External sales	5,704,097	1,005,803	83,769	429,351	356,683	-	7,579,703
Non-current assets	8,741,671	3,111,521	286,862	1,891,462	686,175	-	14,717,691

Other than Singapore and China, no single country accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2019.

Information about a major customer

No single external customer accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2019.

Note: Pricing of inter-segment goods and services is at fair market value.

NOTES TO THE FINANCIAL STATEMENTS

35. Segment analysis (continued)

	Offshore & Marine \$'000	Property \$'000	Infrastructure \$'000	Investments \$'000	Elimination \$'000	Total \$'000
2018						
Revenue						
External sales	1,874,571	1,340,235	2,628,571	121,404	-	5,964,781
Inter-segment sales	-	6,139	22,729	60,872	(89,740)	-
Total	1,874,571	1,346,374	2,651,300	182,276	(89,740)	5,964,781
Segment Results						
Operating (loss)/profit	(73,433)	1,044,448	105,332	(23,019)	1,834	1,055,162
Investment income	1,199	3,976	2,230	2,586	-	9,991
Interest income	53,675	57,268	57,265	295,233	(299,181)	164,260
Interest expenses	(102,630)	(77,250)	(16,969)	(305,322)	297,347	(204,824)
Share of results of associated companies	8,001	164,688	36,499	11,707	-	220,895
(Loss)/profit before tax	(113,188)	1,193,130	184,357	(18,815)	-	1,245,484
Taxation	2,523	(254,992)	(7,837)	(24,470)	-	(284,776)
(Loss)/profit for the year	(110,665)	938,138	176,520	(43,285)	-	960,708
Attributable to:						
Shareholders of Company	(109,250)	942,459	169,584	(54,401)	-	948,392
Non-controlling interests	(1,415)	(4,321)	6,936	11,116	-	12,316
	(110,665)	938,138	176,520	(43,285)	-	960,708
External revenue from contracts with customers						
- At a point in time	97,835	828,021	28,642	10,470	-	964,968
- Over time	1,776,736	433,529	2,592,846	105,655	-	4,908,766
	1,874,571	1,261,550	2,621,488	116,125	-	5,873,734
Other sources of revenue	-	78,685	7,083	5,279	-	91,047
Total	1,874,571	1,340,235	2,628,571	121,404	-	5,964,781
Other information						
Segment assets	8,461,013	13,831,333	3,649,336	7,596,099	(6,950,188)	26,587,593
Segment liabilities	5,556,134	5,684,310	2,248,589	8,472,056	(6,950,188)	15,010,901
Net assets	2,904,879	8,147,023	1,400,747	(875,957)	-	11,576,692
Investment in associated companies	706,189	3,206,355	1,066,849	1,259,660	-	6,239,053
Additions to non-current assets	87,478	461,857	61,394	28,225	-	638,954
Depreciation and amortisation	99,091	32,762	44,930	5,603	-	182,386
Impairment loss	32,503	796	1,754	53,000	-	88,053

Geographical information

	Singapore \$'000	China/ Hong Kong \$'000	Brazil \$'000	Other Far East & ASEAN countries \$'000	Other countries \$'000	Elimination \$'000	Total \$'000
External sales	4,370,849	741,759	224,573	374,430	253,170	-	5,964,781
Non-current assets	6,119,072	2,747,668	229,917	1,648,108	847,235	-	11,592,000

Other than Singapore and China, no single country accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2018.

Information about a major customer

Revenue of \$730,615,000 is derived from a single external customer and is attributable to the Infrastructure Division for the year ended 31 December 2018.

Note: Pricing of inter-segment goods and services is at fair market value.

36. Business combinations

On 15 February 2019, the Group's 80% owned subsidiary, Konnectivity Pte Ltd, acquired approximately 81% interest in M1 Limited, bringing to a total of 100% as at 31 December 2019. The principal activities of M1 Limited are the provision of telecommunications services, international call services and fixed services, retail sales of telecommunications equipment and accessories, and customer services. The acquisition seeks to drive the business transformation in M1 to enable it to compete effectively. The acquisition will also complement the Group's mission as a solutions provider for sustainable urbanisation, which includes connectivity. M1 can serve as a digital and connectivity platform to complement and augment the Group's current suite of solutions.

In the prior year, acquisition of subsidiaries relates mainly to the acquisition of 77.6% interest in PRE 1 Investments Pte Ltd.

Net assets of subsidiaries acquired at their fair values were as follows:

	2019 \$'000	2018 \$'000
Fixed assets	772,654	47
Investment Properties	-	360,000
Right-of-use assets	44,324	-
Intangible assets	610,516	-
Stocks	34,745	-
Contract assets	163,121	-
Debtors and other assets	197,211	530
Bank balances and cash	88,991	18,521
Creditors and other liabilities	(241,555)	(6,778)
Borrowings and lease liabilities	(496,189)	(297,923)
Current and deferred taxation	(251,498)	(3,827)
Non-controlling interests consolidated	(2,091)	-
Total identifiable net assets at fair value	920,229	70,570
Non-controlling interests measured at fair value	(308,001)	-
Amount previously accounted for as associated companies	(210,137)	(32,484)
Goodwill arising from acquisition	988,288	-
(Gain)/loss on remeasurement of previously held equity interest at fair value at acquisition date	(158,376)	18,487
Net assets acquired	1,232,003	56,573
Total purchase consideration	1,232,003	56,573
Less: Bank balances and cash acquired	(88,991)	(18,521)
Cash outflow on acquisition	1,143,012	38,052

The fair value of the acquired identifiable intangible assets of \$610,516,000 was finalised during the year.

The fair value of debtors and other assets acquired during the year was \$197,211,000 and it includes trade receivables with a fair value of \$121,794,000. The gross contractual amount for trade receivables due was \$131,019,000, of which \$9,225,000 is expected to be uncollectible.

The non-controlling interests at its fair value of \$308,001,000 represents the 16% effective non-controlling interest in M1 Limited, which was measured based on the \$2.06 offer price per M1 Limited's share under the voluntary conditional general offer, which was concluded during the year.

The goodwill of \$988,288,000 arising from the acquisition during the year was attributable to M1 Limited arising from the synergies that is expected to be harnessed as a multi-business group. The goodwill was not deductible for tax purposes.

The revenue and net profit of the acquired business for the period from 15 February to 31 December 2019 were \$950,002,000 and \$46,543,000 respectively. In addition, the Group recognised a net gain on the remeasurement of previously held equity interest at fair value at acquisition date of \$125,261,000, after taking into consideration the non-controlling interests share of \$33,115,000. Had M1 Limited been acquired from 1 January 2019, the revenue and net profit of the Group for the year ended 31 December 2019 would have been \$7,764,708,000 and \$715,255,000 respectively.

Acquisition-related costs of \$4,800,000 was included in the other operating expense in the consolidated profit and loss account for the year.

NOTES TO THE FINANCIAL STATEMENTS

37. New accounting standards and interpretations

At the date of authorisation of these financial statements, the following new/revised SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s that are relevant to the Group and the Company were issued but not effective:

- Amendments to SFRS(I) 3 *Business Combination* (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted.

- Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform* (effective for annual periods beginning on or after 1 January 2020)

In December 2019, the ASC issued 'Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*' (effective 1 January 2020). The amendments provide exceptions that allow entities to continue hedge accounting for existing hedge relationships under the assumption that Inter Bank Offer Rate (IBOR) based hedged cash flows are not altered as a result of the IBOR Reform.

These amendments are issued due to global reform of interest rate benchmarks such as IBORs. IBORs are key reference rates for financial instruments such as derivatives, loans and bonds. In response to cases of attempted manipulation in relation to key IBORs, and to the decline in liquidity in key interbank unsecured funding markets, the Financial Stability Board made several recommendations relating to:

- a. strengthening of IBORs by anchoring them to a greater number of transactions, where possible, and improving the processes and controls around submissions;
- b. identifying alternative near-risk-free rates (RFRs) and, where suitable, encouraging market participants to transition new contracts to an appropriate RFR.

Regulators in a number of jurisdictions, including Singapore, are in the midst of phasing out IBORs and replacing them with more suitable alternative reference rates. There is currently uncertainty around the timing and precise nature of these changes.

For the current financial year, the Group has determined that hedge relationships that include IBORs as a hedged risk continue to qualify for hedge accounting without early adoption of the amendments. The Group continues to monitor the developments of IBOR reform and it will assess the impact for the Group as further information becomes available.

The management anticipates that the adoption of the above SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

38. Significant subsidiaries and associated companies

Information relating to significant subsidiaries consolidated in these financial statements and significant associated companies whose results are equity accounted for is given in the following pages.

SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES

	Gross Interest	Effective Equity Interest			Cost of Investment			Country of Incorporation /Operation	Principal Activities
	2019 %	31 December 2019	2018	1 January 2018	31 December 2019	2018	1 January 2018		
		%	%	%	\$'000	\$'000	\$'000		
OFFSHORE & MARINE									
Offshore Subsidiaries									
Keppel Offshore and Marine Ltd	100	100	100	100	801,720	801,720	801,720	Singapore	Investment holding
Keppel FELS Ltd	100	100	100	100	#	#	#	Singapore	Construction, fabrication and repair of offshore production facilities and drilling rigs, power barges, specialised vessels and other offshore production facilities
Angra Propriedades & Administracao Ltda ^(1a)	100	100	100	100	#	#	#	Brazil	Holding of long term investments and property management
Estaleiro BrasFELS Ltda ^(1a)	100	100	100	100	#	#	#	Brazil	Engineering, construction and fabrication of platforms for the oil and gas sector, shipyard works and other general business activities
FELS Offshore Pte Ltd	100	100	100	100	#	#	#	Singapore	Holding of long term investments
Fernvale Pte Ltd	100	100	100	100	#	#	#	Singapore	Construction, fabrication and repair of drilling rigs and offshore production facilities
FSTP Brasil Ltda ^(1a)	75	75	75	75	#	#	#	Brazil	Procurement of equipment and materials for the construction of offshore production facilities
FSTP Pte Ltd	75	75	75	75	#	#	#	Singapore	Project management, engineering and procurement
Guanabara Navegacao Ltda ^(1a)	100	100	100	100	#	#	#	Brazil	Ship owning
Keppel AmFELS, LLC	100	100	100	100	#	#	#	USA	Construction and repair of offshore drilling rigs and offshore production facilities
Keppel FELS Brasil SA ^(1a)	100	100	100	100	#	#	#	Brazil	Engineering, construction and fabrication of platforms for the oil and gas industry
Keppel Letourneau USA, Inc	100	100	100	100	#	#	#	USA	Design and license of various offshore rigs and platforms
Keppel Offshore & Marine USA Inc	100	100	100	100	#	#	#	USA	Offshore and marine-related services
KV Enterprises BV ⁽³⁾	100	100	100	100	#	#	#	Netherlands	Holding of long term investments
KVE Adminstradora de Bens Imoveis Ltda ^(1a)	100	100	100	100	#	#	#	Brazil	Holding of long term investments and property management
Lindel Pte Ltd	100	100	100	100	#	#	#	Singapore	Project management, engineering and procurement
Offshore Partners Pte Ltd	100	100	100	100	#	#	#	Singapore	Arrange, syndicate and/or provide financing to customers of Keppel Group
Offshore Technology Development Pte Ltd	100	100	100	100	#	#	#	Singapore	Production of jacking systems
Regency Steel Japan Ltd ^(1a)	51	51	51	51	#	#	#	Japan	Sourcing, fabricating and supply of specialised steel components
Willalpha Limited ⁽³⁾	100	100	100	100	#	#	#	BVI	Holding of long term investments
FELS Asset Co Pte Ltd	100	100	100	100	#	#	#	Singapore	Chartering of ships, barges and boats with crew

SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES

	Gross Interest	Effective Equity Interest			Cost of Investment			Country of Incorporation /Operation	Principal Activities
	2019 %	31 December 2019 %	2018 %	1 January 2018 %	31 December 2019 \$'000	2018 \$'000	1 January 2018 \$'000		
FELS Asset Co 2 Pte Ltd ⁽ⁿ⁾	100	100	-	-	#	-	-	Singapore	Chartering of ships, barges and boats with crew
Offshore Partners 2 Pte Ltd ⁽ⁿ⁾	100	100	-	-	#	-	-	Singapore	Chartering of ships, barges and boats with crew
Lenity Pioneer Pte Ltd ⁽ⁿ⁾	100	100	-	-	#	-	-	Singapore	Service activities related to oil and gas extraction
Associated Companies									
Asian Lift Pte Ltd	50	50	50	50	#	#	#	Singapore	Provision of heavy-lift equipment and related services
Floatel International Ltd ^(1a)	50	50	50	50	#	#	#	Bermuda	Operating accommodation and construction support vessels (floatels) for the offshore oil and gas industry
Blue Tern Ltd (fka Seafox 5 Ltd) ⁽²⁾	49	49	49	49	#	#	#	Isle of Man	Owning and leasing of multi-purpose self-elevating platforms
Marine									
Subsidiaries									
Keppel Shipyard Ltd	100	100	100	100	#	#	#	Singapore	Ship repairing, shipbuilding and conversions
Keppel Philippines Marine Inc ^(1a)	98	98	98	98	#	#	#	Philippines	Shipbuilding and repairing
Keppel Nantong Heavy Industry Co Ltd ^(1a)	100	100	100	100	#	#	#	China	Engineering and construction of specialised vessels
Keppel Nantong Shipyard Company Ltd ^(1a)	100	100	100	100	#	#	#	China	Engineering and construction of specialised vessels
Keppel Singmarine Pte Ltd	100	100	100	100	#	#	#	Singapore	Shipbuilding and repairing
Keppel Subic Shipyard Inc ^(1a)	87 ⁺	86 ⁺	86 ⁺	86 ⁺	3,020	3,020	3,020	Philippines	Shipbuilding and repairing
KS Investments Pte Ltd	100	100	100	100	#	#	#	Singapore	Holding of long term investments
Associated Companies									
Arab Heavy Industries PJSC ^(1a)	33	33	33	33	#	#	#	UAE	Shipbuilding and repairing
Dyna-Mac Holdings Ltd	24	24	24	24	#	#	#	Singapore	Fabrication & assembly of topside modules for FPSOs and FSOs
Keppel Smit Towage Pte Ltd	51	51	51	51	#	#	#	Singapore	Provision of towage services
Maju Maritime Pte Ltd	51	51	51	51	#	#	#	Singapore	Provision of towage services
Nakilat - Keppel Offshore & Marine Ltd ⁽²⁾	20	20	20	20	#	#	#	Qatar	Ship repairing
PV Keez Pte Ltd ⁽²⁾	20	20	20	20	#	#	#	Singapore	Chartering of ships, barges and boats with crew
FueLNG Pte Ltd ⁽²⁾	50	50	50	50	#	#	#	Singapore	Provide end-to-end LNG bunkering supply solution

	Gross Interest	Effective Equity Interest			Cost of Investment			Country of Incorporation /Operation	Principal Activities
	2019 %	31 December 2019 %	2018 %	1 January 2018 %	31 December 2019 \$'000	2018 \$'000	1 January 2018 \$'000		
PROPERTY									
Subsidiaries									
Keppel Land Ltd	100	100	100	100	4,793,367	4,793,367	4,793,367	Singapore	Holding, management and investment company
Keppel Land China Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Keppel Land Estate Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Keppel Bay Pte Ltd	100	100	100	100	#	#	#	Singapore	Property development
Keppel Philippines Properties Inc ^(1a)	87+	87+	87+	87+	493	493	493	Philippines	Investment holding
Agathese Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Aintree Assets Ltd ⁽³⁾	100	100	100	100	#	#	#	BVI	Investment holding
Bayfront Development Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Broad Elite Investments Ltd ⁽³⁾	100	100	100	100	#	#	#	BVI	Investment holding
Cesario Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Changzhou Fushi Housing Development Pte Ltd ^(1a)	100	100	100	100	#	#	#	China	Property development
Chengdu Hillstreet Development Co Ltd ^(1a)	100	100	100	100	#	#	#	China	Property development
Chengdu Hilltop Development Co Ltd ^(1a)	100	100	100	100	#	#	#	China	Property development
Chengdu Shengshi Jingwei Real Estate Co Ltd ^(1a)	100	100	100	100	#	#	#	China	Property development
Corredance Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Corson Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Dattson Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
DC REIT Holdings Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Domenico Pte Ltd ⁽⁶⁾	100	100	-	-	#	-	-	Singapore	Investment holding
Double Peak Holdings Ltd ⁽³⁾	100	100	100	100	#	#	#	BVI	Investment holding
Estella JV Co Ltd ^(1a)	98	98	98	98	#	#	#	Vietnam	Property development and investment
Eternal Commercial Ltd ^(1a)	100	100	100	-	#	#	-	HK	Investment holding
Evergro Properties Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
First King Properties Ltd ⁽³⁾	100	100	100	100	#	#	#	Jersey	Property investment
Floraville Estate Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Greenfield Development Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Keppel Bay Tower Pte Ltd	100	100	100	100	#	#	#	Singapore	Property investment
Hillwest Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Jencity Ltd ⁽³⁾	100	100	100	90	#	#	#	BVI	Investment holding

SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES

	Gross Interest	Effective Equity Interest			Cost of Investment			Country of Incorporation /Operation	Principal Activities
	2019 %	31 December 2019 %	2018 %	1 January 2018 %	31 December 2019 \$'000	2018 \$'000	1 January 2018 \$'000		
Jiangyin Evergro Properties Co Ltd ^(1a)	100	99	99	99	#	#	#	China	Property development
Katong Retail Trust	100	100	100	-	#	#	-	Singapore	Investment trust
KeplandeHub Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Keppel China Township Development Pte Ltd	100	100	100	100	#	#	#	Singapore	Property development
Keppel Digihub Holdings Ltd	100	100	100	100	#	#	#	Singapore	Investment, management and holding company
Keppel Heights (Wuxi) Property Development Co Ltd ^(1a)	100	100	100	100	#	#	#	China	Property development
Keppel Hong Da (Tianjin Eco-City) Property Development Co Ltd ^(1a)	100	100	100	100	#	#	#	China	Property development
Keppel Hong Yuan (Tianjin Eco-City) Property Development Co Ltd ^(1a)	100	100	100	100	#	#	#	China	Property development
Keppel Lakefront (Wuxi) Property Development Co Ltd ^(1a)	100	100	100	100	#	#	#	China	Property development
Keppel Land (Saigon Centre) Ltd ^(1a)	100	100	100	100	#	#	#	HK	Investment holding
Keppel Land (Singapore) Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Keppel Land Financial Services Pte Ltd	100	100	100	100	#	#	#	Singapore	Financial services
Keppel Land Realty Pte Ltd	100	100	100	100	#	#	#	Singapore	Property development
Keppel Land Watco IV Co Ltd ^(1a)	84	84	84	84	#	#	#	Vietnam	Property development
Keppel Land Watco V Co Ltd ^(1a)	84	84	84	84	#	#	#	Vietnam	Property development
Keppel REIT Investment Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Keppel Seasons Residences Property Development (Wuxi) Co., Ltd ^(1a)	100	100	100	-	#	#	-	China	Property development
Keppel Tianjin Eco-City Holdings Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Keppel Tianjin Eco-City Investments Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Keppel Tianjin Eco-City Three Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Keppel Tianjin Eco-City Two Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Keppel Yongxiang Corporate Management (Shanghai) Company Ltd ^(1a)	100	100	100	-	#	#	-	China	Property services
Tosalco Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding

	Gross Interest	Effective Equity Interest			Cost of Investment			Country of Incorporation /Operation	Principal Activities
	2019 %	31 December 2019 %	2018 %	1 January 2018 %	31 December 2019 \$'000	2018 \$'000	1 January 2018 \$'000		
Krystal Investments Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Joysville Investment Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Main Full Ltd ^(1a)	100	100	100	100	#	#	#	HK	Investment holding
Mansfield Developments Pte Ltd	100	100	100	100	#	#	#	Singapore	Property development
Merryfield Investment Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Oceansky Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
OIL (Asia) Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Oscario Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Parksville Development Pte Ltd	100	100	100	100	#	#	#	Singapore	Property development
Pasir Panjang Realty Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Peplamo Pte Ltd ⁽ⁿ⁾	100	100	-	-	#	-	-	Singapore	Investment holding
Pembury Properties Ltd ⁽³⁾	100	100	100	100	#	#	#	BVI	Investment holding
Pisamir Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Portsville Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Pre-1 Investments Pte Ltd	100	100	100	-	#	#	-	Singapore	Investment holding
PT Harapan Global Niaga ^(1a)	100	100	100	100	#	#	#	Indonesia	Property development
PT Kepland Investama ^(1a)	100	100	100	100	#	#	#	Indonesia	Property investment
PT Puri Land Development ^(1a)	100	100	100	100	#	#	#	Indonesia	Property development
PT Sukses Manis Indonesia ^(1a)	100	100	100	100	#	#	#	Indonesia	Property development
PT Sukses Manis Tangguh ^(1a)	100	100	100	100	#	#	#	Indonesia	Property development
Riviera Point LLC ^(1a)	75	75	75	75	#	#	#	Vietnam	Property development
Saigon Centre Investment Ltd ⁽³⁾	100	100	100	100	#	#	#	BVI	Investment holding
Saigon Sports City Ltd ^(1a)	100	100	100	90	#	#	#	Vietnam	Property development
Beijing Changsheng Consultant Co Ltd ^{(n)(1a)}	100	100	-	-	#	-	-	China	Property investment
Beijing Changsheng Property Management Co Ltd ^{(n)(1a)}	100	100	-	-	#	-	-	China	Property investment
Shanghai Floraville Land Co Ltd ^(1a)	99	99	99	99	#	#	#	China	Property investment
Shanghai Hongda Property Development Co Ltd ^(1a)	100	99	99	99	#	#	#	China	Property development
Shanghai Ji Xiang Land Co Ltd ^(1a)	100	100	100	100	#	#	#	China	Property development

SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES

	Gross Interest	Effective Equity Interest			Cost of Investment			Country of Incorporation /Operation	Principal Activities
	2019 %	31 December 2019 %	2018 %	1 January 2018 %	31 December 2019 \$'000	2018 \$'000	1 January 2018 \$'000		
Shanghai Jinju Real Estate Development Co Ltd ^(1a)	100	99	99	99	#	#	#	China	Property development
Shanghai Maowei Investment Consulting Co Ltd ^(1a)	100	99	99	99	#	#	#	China	Investment holding
Shanghai Merryfield Land Co Ltd ^(1a)	99	99	99	99	#	#	#	China	Property development
Shanghai Pasir Panjang Land Co Ltd ^(1a)	99	99	99	99	#	#	#	China	Property development
Spring City Golf & Lake Resort Co Ltd ^(1a)	80	69	69	69	#	#	#	China	Golf club operations and development and property development
Spring City Resort Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Straits Greenfield Ltd ⁽²⁾	100	100	100	100	#	#	#	Myanmar	Hotel ownership and operations
Straits Property Investments Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
West Gem Properties Ltd ⁽³⁾	100	100	100	100	#	#	#	Jersey	Investment holding
Associated Companies									
Bellenden Investments Ltd ⁽³⁾	67	67	67	67	#	#	#	BVI	Investment holding
Chengdu Taixin Real Estate Development Co Ltd ⁽²⁾	35	35	35	35	#	#	#	China	Property investment
Chengdu Wanji Real Estate Development Co Ltd ⁽ⁿ⁾⁽²⁾	30	30	-	-	#	-	-	China	Property investment
City Square Office Co Ltd ⁽²⁾	40	40	40	40	#	#	#	Myanmar	Property development
Davinelle Ltd ⁽³⁾	67	67	67	67	#	#	#	BVI	Investment holding
Dong Nai Waterfront City LLC ^(1a)	30	30	50	50	#	#	#	Vietnam	Property development
Empire City Limited LLC ⁽²⁾	40	40	40	40	#	#	#	Vietnam	Property development
EM Services Pte Ltd	25	25	25	25	#	#	#	Singapore	Property management
Garden Development Pte Ltd	60	60	60	60	#	#	#	Singapore	Property development
Keppel Land Watco I Co Ltd ^(1a)	61	61	61	61	#	#	#	Vietnam	Property investment and development
Keppel Land Watco II Co Ltd ^(1a)	61	61	61	61	#	#	#	Vietnam	Property investment and development
Keppel Land Watco III Co Ltd ^(1a)	61	61	61	61	#	#	#	Vietnam	Property investment and development
Keppel REIT	49	49	47	46	#	#	#	Singapore	Real estate investment trust
Nam Long Investment Corporation ⁽²⁾	10	10	10	5	#	#	#	Vietnam	Trading of development properties
Nanjing Jinsheng Real Estate Development Co Ltd ⁽²⁾	40	40	40	-	#	#	-	China	Property development
Nanjing Zhijun Property Development Co Ltd ⁽ⁿ⁾⁽²⁾	25	25	-	-	#	-	-	China	Property development

	Gross Interest	Effective Equity Interest			Cost of Investment			Country of Incorporation /Operation	Principal Activities
	2019 %	31 December 2019 %	2018 %	1 January 2018 %	31 December 2019 \$'000	2018 \$'000	1 January 2018 \$'000		
North Bund Pte Ltd ⁽ⁿ⁾⁽²⁾	30	30	-	-	#	-	-	Singapore	Investment holding
Raffles Quay Asset Management Pte Ltd ⁽²⁾	33	33	33	33	#	#	#	Singapore	Property management
Renown Property Holdings (M) Sdn Bhd ^(1a)	40	40	40	40	#	#	#	Malaysia	Property investment
Nanjing Jinsheng Real Estate Development Co Ltd ⁽²⁾	40	40	40	-	#	#	-	China	Property development
South Rach Chiec LLC ^(1a)	42	42	42	42	#	#	#	Vietnam	Property development
Suzhou Property Development Pte Ltd ^(1a)	25	25	25	25	#	#	#	Singapore	Property development
Vision (III) Pte Ltd ⁽²⁾	30	30	30	30	#	#	#	Singapore	Investment holding
Win Up Investment Ltd ⁽ⁿ⁾⁽²⁾	30	30	-	-	#	-	-	China	Investment holding
INFRASTRUCTURE									
Subsidiaries									
Keppel Infrastructure Holdings Pte Ltd	100	100	100	100	445,892	445,892	445,892	Singapore	Investment holding
Energy Infrastructure									
Subsidiaries									
Keppel Energy Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Keppel Electric Pte Ltd	100	100	100	100	#	#	#	Singapore	Electricity, energy and power supply and general wholesale trade
Keppel Gas Pte Ltd	100	100	100	100	#	#	#	Singapore	Purchase and sale of gaseous fuels
Keppel DHCS Pte Ltd	100	100	100	100	#	#	#	Singapore	Development of district heating and cooling system for the purpose of air cooling and other utility services
Associated Companies									
Keppel Merlimau Cogen Pte Ltd ⁽²⁾	49	49	49	49	#	#	#	Singapore	Commercial power generation
Environmental Infrastructure									
Subsidiaries									
Keppel Seghers Pte Ltd	100	100	100	100	#	#	#	Singapore	Provision of environmental, technologies, engineering works & construction activities
Keppel Seghers Holdings BV ^(1a)	100	100	100	100	#	#	#	Netherlands	Investment holding
Keppel Seghers Belgium NV ^(1a)	100	100	100	100	#	#	#	Belgium	Provider of services and solutions to the environmental industry related to solid waste treatment
Keppel Seghers UK Ltd ^(1a)	100	100	100	100	#	#	#	United Kingdom	Design and construction of waste-to-energy plants
Marina East Water Pte Ltd	100	100	100	100	#	#	#	Singapore	Design and construction of desalination plant

SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES

	Gross Interest	Effective Equity Interest			Cost of Investment			Country of Incorporation /Operation	Principal Activities
		31 December 2019	2018	1 January 2018	31 December 2019	2018	1 January 2018		
	2019 %	2019 %	2018 %	2018 %	\$'000	\$'000	\$'000		
Associated Companies									
Tianjin Eco-City Energy Investment & Construction Co Ltd ⁽²⁾	20	20	20	20	#	#	#	China	Investment and implementation of energy and utilities related infrastructure
Infrastructure Services									
Subsidiaries									
Keppel Infrastructure Services Pte Ltd	100	100	100	100	#	#	#	Singapore	Provision of technical support including engineering, construction, operations and maintenance of plants and facilities
Keppel Seghers Engineering Singapore Pte Ltd	100	100	100	100	#	#	#	Singapore	Engineering works, construction and O&M of plants and facilities
Keppel Seghers O&M Pte Ltd ⁽³⁾	100	100	100	100	#	#	#	Singapore	Dormant
Investments									
Subsidiaries									
Keppel Integrated Engineering Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Keppel XTE Investments Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Keppel Seghers Hong Kong Ltd ^(1a)	100	100	100	100	#	#	#	Hong Kong	Investment holding
Associated Companies									
Keppel Infrastructure Trust ⁽²⁾	18	18	18	18	#	#	#	Singapore	Public trust
Logistics & Data Centres									
Subsidiaries									
Keppel Telecommunications & Transportation Ltd	100	100	79	79	621,299	397,647	397,647	Singapore	Investment, management and holding company
Keppel Logistics Pte Ltd	100	100	79	79	#	#	#	Singapore	Integrated logistics services and supply chain solutions
Keppel Data Centres Pte Ltd	100	100	79	79	#	#	#	Singapore	Investment holding
Keppel Data Centres Holding Pte Ltd	100 ⁺	100 ⁺	85 ⁺	85 ⁺	#	#	#	Singapore	Investment holding and management services
Keppel DC Investment Holdings Pte Ltd	100	100	79	79	#	#	#	Singapore	Investment holding
Keppel Communications Pte Ltd	100	100	79	79	#	#	#	Singapore	Trading and provision of communications systems and accessories
Keppel Telecoms Pte Ltd	100	100	79	79	#	#	#	Singapore	Investment holding
Associated Companies									
Computer Generated Solutions Inc ⁽²⁾	21	21	17	17	#	#	#	USA	IT consulting and outsourcing provider
Keppel DC REIT ⁽²⁾	23 ⁺	23 ⁺	20 ⁺	29 ⁺	#	#	#	Singapore	Data centre facilities and colocation services

	Gross Interest	Effective Equity Interest			Cost of Investment			Country of Incorporation /Operation	Principal Activities
	2019 %	31 December 2019 %	2018 %	1 January 2018 %	31 December 2019 \$'000	2018 \$'000	1 January 2018 \$'000		
Business Online Public Company Limited ¹⁽²⁾	24	24	19	17	#	#	#	Thailand	Online information service provider
SVOA Public Company Ltd ⁽²⁾	32	32	25	25	#	#	#	Thailand	Distribution of IT products and telecommunications services
Wuhu Sanshan Port Co Ltd ⁽²⁾	50	50	40	40	#	#	#	China	Integrated logistics services and port operations
INVESTMENTS									
Subsidiaries									
Keppel Capital Holdings Pte Ltd	100	100	100	100	783,000	783,000	783,000	Singapore	Investment holding
Keppel Capital Investment Holdings Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Alpha Investment Partners Ltd	100	100	100	100	#	#	#	Singapore	Fund management
Keppel DC REIT Management Pte Ltd	100 ⁺	100 ⁺	90 ⁺	90 ⁺	#	#	#	Singapore	Real estate investment trust management and investment holding
Keppel Capital Three Pte Ltd ⁽³⁾	100	100	100	-	#	#	-	Singapore	Investment holding
First FLNG Holdings Pte Ltd ⁽³⁾	100	100	100	-	#	#	-	Singapore	Investment holding
Keppel Infrastructure Fund Management Pte Ltd	100	100	100	100	#	#	#	Singapore	Trust management
Keppel REIT Management Ltd	100	100	100	100	#	#	#	Singapore	Investment advisory and property fund management
Alpha Real Estate Securities Fund	99	99	99	99	#	#	#	Singapore	Investment holding
Kephinace Investment Pte Ltd	100	100	100	100	90,000	90,000	90,000	Singapore	Investment holding
Kepinvest Holdings Pte Ltd	100	100	100	-	10	10	-	Singapore	Investment holding
Keppel Group Eco-City Investments Pte Ltd	100 ⁺	100 ⁺	100 ⁺	100 ⁺	126,744	126,744	126,744	Singapore	Investment holding
Keppel Konnect Pte Ltd ⁽ⁿ⁾	100	100	-	-	1	-	-	Singapore	Investment holding
Konnectivity Pte Ltd ⁽ⁿ⁾	80	80	-	-	#	#	#	Singapore	Investment holding
Keppel Point Pte Ltd	100 ⁺	100 ⁺	100 ⁺	100 ⁺	122,785	122,785	122,785	Singapore	Property development and investment
Keppel Funds Investment Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment company
Keppel GMTN Pte Ltd	100	100	100	100	10	10	10	Singapore	Investment holding
Keppel Investment Ltd	100	100	100	100	#	#	#	Singapore	Investment company
Keppel Oil & Gas Pte Ltd	100	100	100	100	#	#	#	Singapore	Investment holding
Kepventure Pte Ltd	100	100	100	100	594,922	594,922	594,922	Singapore	Investment holding
M1 Limited ⁽ⁿ⁾	100 ⁺	84 ⁺	15	15	#	#	#	Singapore	Telecommunications services
M1 Shop Pte Ltd ⁽ⁿ⁾	100 ⁺	84 ⁺	15	15	#	#	#	Singapore	Retail sales of telecommunication equipment and accessories
M1 Net Ltd ⁽ⁿ⁾	100 ⁺	84 ⁺	15	15	#	#	#	Singapore	Provision of fixed and other related telecommunication services

SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES

	Gross Interest	Effective Equity Interest		1 January 2018 %	Cost of Investment			Country of Incorporation /Operation	Principal Activities
	2019 %	31 December 2019 %	2018 %		31 December 2019 \$'000	2018 \$'000	1 January 2018 \$'000		
Singapore Tianjin Eco-City Investment Holdings Pte Ltd	90	90	90	90 ⁺	#	#	#	Singapore	Investment holding
Substantial Enterprises Ltd ⁽³⁾	100 ⁺	100 ⁺	100 ⁺	100 ⁺	#	#	#	BVI	Investment holding
Travelmore Pte Ltd	100	100	100	100	265	265	265	Singapore	Travel agency
Associated Companies									
Keppel Pacific Oak US REIT (fka Keppel-KBS US REIT) ⁽²⁾	7	7	7	7	#	#	#	Singapore	Real estate investment trust
KrisEnergy Ltd ⁽²⁾	40	40	40	40	#	#	#	Cayman Islands	Exploration for, and the development and production of oil and gas
Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd ⁽²⁾	50	45	45	45	#	#	#	China	Property development
Vietcombank Tower 198 Ltd ⁽²⁾	30	30	30	30	#	#	#	Vietnam	Property investment
Total Subsidiaries					8,383,528	8,159,875	8,159,865		

Notes:

(i) All the companies are audited by PricewaterhouseCoopers LLP, Singapore except for the following:

(1a) Audited by overseas practice of PricewaterhouseCoopers LLP;

(2) Audited by other firms of auditors; and

(3) Not required to be audited by law in the country of incorporation and companies disposed, liquidated and struck off.

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and significant associated companies does not compromise the standard and effectiveness of the audit of the Company.

(ii) ⁺ The shareholdings of these companies are held jointly with other subsidiaries.

(iii) [#] The shareholdings of these companies are held by subsidiaries of Keppel Corporation Limited.

(iv) ^(a) These companies were incorporated/acquired during the financial year.

(v) The subsidiaries' place of business is the same as its country of incorporation, unless otherwise specified.

(vii) Abbreviations:

British Virgin Islands (BVI) United Arab Emirates (UAE)

Hong Kong (HK) United States of America (USA)

(viii) The Company has 215 significant subsidiaries and associated companies as at 31 December 2019. Subsidiaries and associated companies are considered as significant (a) in accordance to Rule 718 of The Singapore Exchange Securities Trading Limited – Listing Rules, or (b) by reference to the significance of their economic activities.

INTERESTED PERSON TRANSACTIONS

The Group has obtained a general mandate from shareholders of the Company for interested person transactions in the Annual General Meeting held on 23 April 2019. During the financial year, the following interested person transactions were entered into by the Group:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)	
		2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
Transaction for the Sale of Goods and Services					
Temasek Holdings Group (other than the below)	Temasek Holdings	–	–	470	–
PSA International Group	(Private) Limited	–	–	4,319	208
SembCorp Marine Group	is a controlling	–	–	869	2,202
Singapore Power Group	shareholder of the	–	–	876	923
Singapore Technologies Engineering Group	Company. The other	–	–	988	1,272
Singapore Telecommunications Group	named interested	–	–	8,276	–
Starhub Group	persons are its associates.	–	–	3,349	–
Transaction for the Purchase of Goods and Services					
Temasek Holdings Group (other than the below)	Temasek Holdings	–	–	1,377	336
Certis CISCO Security Group	(Private) Limited	–	–	801	549
Mapletree Investments Group	is a controlling	–	–	–	773
Pavilion Gas Pte Ltd	shareholder of the	–	–	62,000	52,000
PSA International Group	Company. The other	–	–	151	501
Singapore Power Group	named interested	–	–	126	43
Starhub Group	persons are its	–	–	19,791	28
MediaCorp Group	associates.	–	–	442	–
SembCorp Marine Group		–	–	327	–
Singapore Technologies Engineering Group		–	–	4,632	418
Singapore Telecommunications Group		–	–	38,111	6,776
SMRT Corporation Group		–	–	1,258	209
Total Interested Person Transactions		–	–	148,163	66,238

Save for the interested person transactions disclosed above, there were no other material contracts entered into by the Company and its subsidiaries involving the interests of its chief executive officer, directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

KEY EXECUTIVES

Chan Hon Chew, 54

Bachelor of Accountancy (Honours), National University of Singapore; CFA® charterholder; Member of the Institute of Chartered Accountants Australia and Fellow Member of the Institute of the Singapore Chartered Accountants.

Mr Chan is the Chief Financial Officer of Keppel Corporation Limited, appointed with effect from 1 February 2014.

Prior to joining Keppel Corporation, Mr Chan was with Singapore Airlines Limited (SIA) and served as Senior Vice President (SVP) of Finance since June 2006. As SVP of Finance, Mr Chan was responsible for a diverse range of functions including investor relations, corporate accounting and reporting, treasury, risk management and insurance. He was also involved in SIA's strategic planning process and had represented SIA as Director on the Boards of various companies including Tiger Airways and Virgin Atlantic Airways Limited.

Prior to joining SIA, Mr Chan was Assistant General Manager for Finance and Corporate Services at Wing Tai Holdings Limited, where he oversaw all financial matters as well as tax legal and corporate secretarial functions from 1998 to 2003.

Mr Chan was appointed by Singapore's Ministry of Finance to the Board of the Accounting Standard Council in November 2015. He also serves on the management board of the Institute of System Science, National University of Singapore since 15 April 2015.

Mr Chan's principal directorships include Keppel Offshore & Marine Ltd, Keppel Land Limited, Keppel Infrastructure Holdings Pte Ltd, Keppel Telecommunications & Transportation Ltd, Keppel Capital Holdings Pte Ltd and M1 Limited.

Past principal directorships in the last five years

KrisEnergy Ltd and Keppel DC REIT Management Pte Ltd (the Manager of Keppel DC REIT).

Christina Tan Hua Mui, 54

Bachelor of Accountancy (Honours), National University of Singapore; CFA® charterholder.

Ms Tan is the Chief Executive Officer of Keppel Capital Holdings Pte Ltd (Keppel Capital), Chairman of Keppel DC REIT Management Pte Ltd (the Manager of Keppel DC REIT) and Deputy Chairman of Alpha Investment Partners Limited (Alpha).

Ms Tan has more than 20 years of experience and expertise in investing and fund management across the United States, Europe and Asia. She previously served as the Chief Financial Officer of GRA (Singapore) Private Limited, the Asian real estate fund management arm of the Prudential Insurance Company of America, managing more than US\$1 billion in real estate funds. Prior to that, she was the Treasury Manager with Chartered Industries of Singapore, managing the group's cash positions and investments. Ms Tan started her career with Ernst & Young before joining the Government of Singapore Investment Corporation.

Ms Tan's principal directorships include Keppel Capital, Keppel REIT Management Limited (the Manager of Keppel REIT), Keppel DC REIT Management Pte Ltd (the Manager of Keppel DC REIT), Keppel Infrastructure Fund Management Pte Ltd (the Trustee-Manager of Keppel Infrastructure Trust) and the two private fund managers under Keppel Capital, being Alpha and Keppel Capital Alternative Asset Pte Ltd (KCAA). She also sits on the Investment Committees for the private funds managed by Alpha and KCAA.

Past principal directorships in the last five years

Nil.

Ong Tiong Guan, 61

Bachelor of Engineering (First Class Honours), Monash University; Doctor of Philosophy (Ph.D.) under Monash Graduate Scholarship, Monash University, Australia.

Dr Ong was appointed Keppel Energy Pte Ltd's Executive Director in November 1999. He became Managing Director of Keppel Energy Pte Ltd with effect from 1 May 2003 and was appointed Deputy Chairman of Keppel Integrated Engineering Ltd on April 2013.

Upon reorganisation of Keppel Energy Pte Ltd and Keppel Integrated Engineering Ltd under Keppel Infrastructure Holdings Pte Ltd in May 2013, Dr Ong was appointed Chief Executive Officer of Keppel Infrastructure Holdings Pte Ltd, responsible for the Keppel Group's energy infrastructure business.

Dr Ong's career spans across the energy industry from engineering and contracting to investment and ownership of energy assets.

His principal directorships include Keppel Infrastructure Holdings Pte Ltd, Keppel Energy Pte Ltd, Keppel Electric Pte Ltd, Keppel Gas Pte Ltd, Keppel DHCS Pte Ltd, Keppel Infrastructure Services Pte Ltd, Keppel Seghers Pte Ltd, Keppel Capital Holdings Pte Ltd and MET Holding AG.

Past principal directorships in the last five years

Keppel Merlimau Cogen Pte Ltd, GE Keppel Energy Services Pte Ltd, Keppel Infrastructure Fund Management Pte Ltd (Trustee-Manager of Keppel Infrastructure Trust) and Energy Studies Institute.

Tan Swee Yiow, 59

Bachelor of Science (First Class Honours) in Estate Management, National University of Singapore; Master of Business Administration in Accountancy, Nanyang Technological University.

Mr Tan has been appointed the Chief Executive Officer and Executive Director of Keppel Land with effect from 1 January 2019.

Mr Tan joined the Keppel Group in 1990. Prior to his current appointment, Mr Tan was the Chief Executive Officer and Executive Director of Keppel REIT Management Limited (the Manager of Keppel REIT). Prior to this, he was President, Singapore at Keppel Land and concurrently Head, Keppel Land Hospitality Management.

Mr Tan continues to serve on the Board of Keppel REIT Management Limited as a Non-Executive Director. He is also a Director of the World Green Building Council Board and Immediate Past President of the Singapore Green Building Council. Mr Tan serves as Deputy Chairman of the Workplace Safety and Health Council (Construction and Landscape Committee) and is second Vice-President on the Management Committee of Real Estate Developers' Association of Singapore.

Past principal directorships in the last five years

Nil.

Chris Ong Leng Yeow, 44

Bachelor and Master Degree in Electrical and Electronics Engineering, National University of Singapore.

Mr Ong is the Chief Executive Officer of Keppel Offshore & Marine Ltd (Keppel O&M) with effect from 1 July 2017. Prior to this appointment, he was Acting Chief Executive Officer of Keppel O&M. Mr Ong's career began in Keppel FELS in 1999 as a Commissioning Superintendent (E&I) and he has held appointments such as Project Engineer, Section Manager, Deputy Engineering Manager, Assistant General Manager (Engineering), General Manager (Engineering), Acting Executive Director (Operations), Executive Director (Commercial) and Managing Director of Keppel FELS Limited.

In addition to his current appointment, Mr Ong is also board member of Maritime and Port Authority of Singapore and The Institute of Technical Education Board of Governors, and a member of the U EnTech Steering Committee, Keppel Chair Professor Management/Selection Committee and the Governance Board of Keppel-NUS Corporate Laboratory.

Mr Ong is a Chartered Engineer; a Fellow of the Institute of Marine Engineering, Science and Technology; a member of the American Bureau of Shipping; DNV GL South East Asia and Pacific Committee, as well as Bureau Veritas Asia-Australia Committee.

Mr Ong is the Chairman of Floatel International Ltd, Keppel Amfels LLC, Keppel Nantong Heavy Industry Co Ltd, Keppel Nantong Shipyard Co Ltd, Asian Lift Pte Ltd, Keppel FELS Brasil S.A. and FueLNG Pte Ltd. He is also a Director of various subsidiaries or associated companies of Keppel O&M. He is also a non-executive director of KrisEnergy Ltd.

Past principal directorships in the last five years

Various subsidiaries and associated companies of Keppel O&M.

Thomas Pang Thieng Hwi, 55

Bachelor of Arts (Engineering) and Master of Arts (Honorary Award), University of Cambridge.

Mr Pang is currently Executive Director and Chief Executive Officer of Keppel Telecommunications & Transportation Ltd (Keppel T&T), a position he held since July 2014. From June 2010 to June 2014, he was Chief Executive Officer of Keppel Infrastructure Fund Management Pte Ltd, the Trustee-Manager of Keppel Infrastructure Trust (KIT).

Mr Pang joined Keppel Offshore & Marine Ltd (Keppel O&M) in 2002 as a Senior Manager (Merger Integration Office) to assist in the merger and integration of Keppel FELS Limited and Keppel Shipyard Limited. He was promoted to General Manager (Corporate Development) in 2007 and oversaw the investment, mergers and acquisitions, as well as strategic planning of Keppel O&M. Prior to that, Mr Pang was an investment manager with Vertex Management (United Kingdom) from 1998 to 2001. Mr Pang was also the Vice President (Central USA) of the Singapore Tourism Board from 1995 to 1998, as well as the Assistant Head (Services Group, Enterprise Development Division) at the Economic Development Board of Singapore from 1988 to 1995.

Mr Pang currently holds directorships in several subsidiaries, associates and joint venture companies of Keppel T&T. He is also a director of ADCF C Private Limited, Keppel Capital Holdings Pte Ltd, Keppel DC REIT Management Pte Ltd (the Manager of Keppel DC REIT), Keppel Technology Innovation Pte Ltd and M1 Limited.

Past principal directorships in the last five years

Keppel Infrastructure Fund Management Pte Ltd (the Trustee-Manager of KIT) and various subsidiaries and associated companies of Keppel T&T.

KEY EXECUTIVES

Manjot Singh Mann, 55

Master of Management Studies (Marketing and Sales Management), University of Bombay; Bachelor of Engineering (Mechanical Engineering), University of Jabalpur.

Mr Manjot Singh Mann assumed the Chief Executive Officer role at M1 Limited (M1) on 6 December 2018 and was appointed to the Board of M1 on 11 June 2019.

Mr Mann has about 30 years of operational leadership experience across diverse geographical markets and a unique blend of insights and perspectives in the rapidly evolving telecommunications industry.

Prior to joining M1, Mr Mann served as CEO at Pareteum Asia, a leading cloud software platform company, where he was appointed to expand NASDAQ-listed Pareteum Corporation's footprint in Asia. He was previously Global CEO (Communications and Convergence) of Lebara Mobile (UK), one of the largest multinational, pan-European mobile virtual network operators in the world. He was also former CEO of Hutchison Telecommunication in Jakarta, Indonesia.

Past principal directorship in the last five years

Pareteum Asia Pte Ltd and Lebara Service Centre Limited.

Chua Hsien Yang, 42

Bachelor of Engineering (Civil), University of Canterbury; Master of Business Administration, University of Western Australia.

Mr Chua is the Chief Executive Officer of Keppel DC REIT Management Pte Ltd (the Manager of Keppel DC REIT). Mr Chua has extensive experience in real estate funds management and the hospitality industries, with more than 17 years of experience in mergers and acquisitions, real estate investments, fund management, business development and asset management in the real estate sector within the Asia-Pacific region.

Prior to joining the Manager of Keppel DC REIT, Mr Chua held the position of Senior Vice President of Keppel REIT Management Limited (the Manager of Keppel REIT) since May 2008, where he headed the investment team.

From January 2006 to April 2008, Mr Chua was with Ascott Residence Trust Management Limited (the Manager of Ascott Residence Trust) as Director of Business Development and Asset Management. From October 2001 to December 2005, Mr Chua was with Hotel Plaza Limited (now known as Pan Pacific Hotels Group Limited) as Assistant Vice President of Asset Management. He was responsible for the business development and asset management activities of the Group-owned properties.

Past principal directorships in the last five years

Mirvac 8 Chifley Pty Limited and Mirvac (Old Treasury) Pty Limited.

Paul Tham Wei Hsing, 38

Bachelor of Science in Civil & Environmental Engineering, Cornell University; Master in Business Administration, Singapore Management University.

Mr Tham was appointed the Chief Executive Officer of Keppel REIT Management Limited (the Manager of Keppel REIT) with effect from 1 January 2019, after having served as its Deputy Chief Executive Officer since 1 February 2018.

Before his current appointment, Mr Tham was the Chief Financial Officer of Keppel Capital Holdings Pte Ltd (Keppel Capital), the asset management arm of Keppel Corporation Limited, overseeing finance, compliance, legal and investor relations. Prior to that, Mr Tham was part of Keppel Corporation's Group Strategy & Development department, where he played a key role in the formation of Keppel Capital.

Before Keppel, Mr Tham served as a management consultant for Bain & Company working with leading global companies in Asia Pacific across a range of topics including financial performance management and growth strategies. Mr Tham started his career as a structural engineer in New York and has experience with building developments and infrastructure.

Mr Tham is also a Director of Keppel Pacific Oak US REIT Management Pte. Ltd. (the Manager of Keppel-Pacific Oak US REIT).

Past principal directorships in the last five years

Nil.

David Eric Snyder, 49

Bachelor of Science in Business Administration, Biola University.

Mr Snyder was part of the management team that led the successful listing of Keppel Pacific Oak US REIT and has been the Chief Executive Officer and Chief Investment Officer since its listing on 9 November 2017. Prior to his current appointment, Mr Snyder was a consultant to KBS Capital Advisors where he managed the AFRT portfolio.

From 2008 to 2015, Mr Snyder was the Chief Financial Officer (CFO) of KBS Capital Advisors and five of its non-traded REITs. In addition to his CFO responsibilities, he led the negotiation for the transfer of the AFRT portfolio comprised of over 800 properties valued at over US\$1.7 billion. He subsequently managed that portfolio for KBS Real Estate Investment Trust.

From 1998 to 2008, Mr Snyder was the Financial Controller for Nationwide Health Properties, a publicly traded healthcare REIT. Prior to that he was the Director of Financial Reporting for Regency Health Services.

Mr Snyder started his career as an auditor at Arthur Andersen LLP after graduating from Biola University.

Past principal directorships in the last five years

Nil.

Matthew R. Pollard, 52

Bachelor of Arts Degree, Columbia University; Master in Business Administration, University of Chicago.

Mr Pollard was appointed Chief Executive Officer (CEO) of Keppel Infrastructure Fund Management Pte Ltd, the Trustee-Manager of Keppel Infrastructure Trust (KIT), with effect from 1 July 2018.

As CEO of the Trustee-Manager, Mr Pollard is responsible for working with the Board to determine the strategy for KIT. He works with other members of the Trustee-Manager's management team to execute the stated strategy of the Trustee-Manager.

Mr Pollard joined Keppel Capital Holdings Pte Ltd (Keppel Capital) as Managing Director, Infrastructure, in November 2017.

Prior to joining Keppel Capital, Mr Pollard spent more than 28 years of his career in investment banking, direct investment and entrepreneurship, of which 25 years have been in Asia. He has been involved in the energy, power, renewable and infrastructure sectors his entire career.

Mr Pollard was founder and managing director of Capital Partners Group, Singapore, from 2014 to 2017. He was Head of Infrastructure (Asia) at Arcapita Group from 2008 to 2013. In addition, he was the Chairman of China-based Honiton Energy Group from 2009 to 2015. Prior to joining Arcapita Bank, Mr Pollard held senior positions in the energy and utilities teams of Citigroup, Dresdner Kleinwort, Enron Corp, and Power Pacific Co.

Past principal directorships in the last five years

DataCentre One Pte. Ltd., Keppel Capital Ventures Pte. Ltd. and various subsidiaries and associated companies of Honiton Energy.

Alvin Mah, 48

Bachelor of Business Administration (Honours), National University of Singapore; CFA® charterholder.

Mr Mah is the Chief Executive Officer of Alpha Investment Partners Limited. He currently sits on the Investment Committee for various funds under management and is also an Executive Director of Alpha's Board. Prior to his current appointment, Mr Mah served as the Chief Investment Officer, leading all investment efforts including crafting the investment strategies.

Mr Mah has been active in Asian finance and investment activities for more than 20 years and has conducted investments in key Asian markets. He is well-versed in various aspects of investment and finance, having played key leadership roles in investment and banking. With a wide-ranging exposure to finance, he has been able to customise structured solutions to meet specific investment objectives and has done pioneering work for structured real estate investments, including Real Estate Investment Trusts and securitisation.

Past principal directorships in last five years

Nil.

KEY EXECUTIVES

Bridget Lee Siow Pei, 48

Master of Business Administration, J.L. Kellogg Graduate School of Management, Northwestern University; Bachelor of Accountancy, Nanyang Technological University

Ms Lee is the Chief Executive Officer (CEO) and Executive Director of Keppel Capital Alternative Asset Pte Ltd, a wholly-owned subsidiary of Keppel Capital Holdings Pte Ltd (Keppel Capital). Prior to assuming the role of CEO, Ms Lee helped to spearhead the efforts in the investment of new platforms and initiatives in Keppel Capital. Ms Lee has more than 20 years of experience in investment, corporate finance and mergers and acquisitions with various financial institutions in Asia and the United States. Her track record in transactions ranges from private equity, joint ventures, capital market transactions, listed companies' merger and acquisitions to funds and real assets investments.

Prior to joining Keppel Capital, Ms Lee was with Mapletree Investments as Senior Vice President of Investment overseeing the China market. She was also with other global financial organisations including Temasek International Pte Ltd.

Past principal directorships in last five years

Nil.

Devarshi Das, 48

Master of Business Administration, University of Chicago, Booth School of Business; Master of Science in Civil Engineering, Purdue University; Bachelor of Technology in Civil Engineering, Indian Institute of Technology.

Mr Das is the Chief Executive Officer (CEO), Infrastructure, Keppel Capital Alternative Asset Pte Ltd, a wholly-owned subsidiary of Keppel Capital Holdings Pte Ltd (Keppel Capital). He joined Keppel Capital in Jan 2019 and is focused on building the private infrastructure fund business. Mr Das has more than 20 years of private equity, principal investment and financial services experience.

Prior to Keppel Capital, Mr Das was the CEO of Capital Advisors Partners Asia Pte Ltd (CapAsia). Mr Das joined CapAsia, an infrastructure private equity fund manager specialising in mid-market energy and infrastructure companies and assets, at the launch of its first fund in 2006. Over a tenure of more than 12 years in CapAsia, Mr Das was involved in all aspects of fund management of multiple funds and a key executive of their funds. He was on the board of various portfolio companies representing the power, transportation, renewable energy and telecommunications sectors.

Prior to CapAsia, Mr Das was with Australia and New Zealand Bank in their Project and Structured Finance group in Singapore. Mr Das also has principal investment experience in the United States (US). He worked in the US energy industry for Enron Energy Services as an asset investment manager. He also worked for Sempra Energy Solutions on investments into their contracted energy assets. Mr Das has also acted as a product manager for the commercial auto insurance product of Progressive Insurance where he was responsible for the product profitability across various midwestern states in the US.

Past principal directorships in last five years

Nil.

MAJOR PROPERTIES

Held By	Effective Group Interest	Location	Description and Approximate Land Area	Tenure	Usage
Completed properties					
Keppel REIT	49%	Ocean Financial Centre Collyer Quay, Singapore	Land area: 6,221 sqm 43-storey office tower with ancillary retail space	999 years leasehold	Commercial office building with rentable area of 81,450 sqm
		One Raffles Quay, Singapore	Land area: 15,497 sqm Two office towers of 50-storey and 29-storey	99 years leasehold	Commercial office building with rentable area of 123,187 sqm
		Marina Bay Financial Centre Towers 1 and 2, and Marina Bay Link Mall Marina Boulevard, Singapore	Land area: 33,220 sqm Two office towers of 33-storey and 50-storey with ancillary retail space	99 years leasehold	Commercial office building with rentable area of 161,348 sqm
		Marina Bay Financial Centre Tower 3 Marina Boulevard, Singapore	Land area: 9,710 sqm 46-storey office tower with retail podium	99 years leasehold	Commercial office building with rentable area of 124,171 sqm
		275 George Street Brisbane, Australia Commercial office	Land area: 3,655 sqm 31-storey office tower	Freehold	Commercial office building with rentable area of 41,720 sqm
		8 Exhibition Street Melbourne, Australia	Land area: 4,329 sqm 35-storey office tower with ancillary retail space	Freehold	Commercial office building with rentable area of 45,011 sqm
		8 Chifley Square Sydney, Australia	Land area: 1,581 sqm 30-storey office tower	99 years leasehold	Commercial office building with rentable area of 19,334 sqm
		David Malcolm Justice Centre Perth, Australia	Land area: 2,947 sqm 33-storey office tower	99 years leasehold	Commercial office building with rentable area of 31,175 sqm
Keppel DC REIT	23%	T Tower Seoul, South Korea	Land area: 5,346 sqm 28-storey office tower	Freehold	Commercial office building with rentable area of 21,215 sqm
		Keppel DC Singapore 1 Serangoon, Singapore	Land area: 7,333 sqm 6-storey data centre	30 years lease with option for another 30 years	Data centre with rentable area of 10,193 sqm
		Keppel DC Singapore 2 Tampines, Singapore	Land area: 5,000 sqm 5-storey data centre	30 years lease with option for another 30 years	Data centre with rentable area of 3,575 sqm
		Keppel DC Singapore 3 Tampines, Singapore	Land area: 5,000 sqm 5-storey data centre	30 years lease with option for another 30 years	Data centre with rentable area of 5,103 sqm
		Keppel DC Singapore 4 Tampines, Singapore	Land area: 6,805 sqm 5-storey data centre	30 years lease with option for another 30 years	Data centre with rentable area of 7,854 sqm
		Keppel DC Singapore 5 Jurong, Singapore	Land area: 7,742 sqm 5-storey data centre	30 years lease	Data centre with rentable area of 9,176 sqm
		DC1 Riverside Road, Singapore	Land area: 8,538 sqm 5-storey data centre	70 years and 5 months lease	Data centre with rentable area of 19,864 sqm

OTHER INFORMATION

MAJOR PROPERTIES

Held By	Effective Group Interest	Location	Description and Approximate Land Area	Tenure	Usage
Keppel Pacific Oak US REIT (f.k.a. Keppel-KBS US REIT)	7%	Gore Hill Data Centre Sydney, Australia	Land area: 6,692 sqm 4-storey data centre	Freehold	Data centre with rentable area of 8,450 sqm
		Almere Data Centre Amsterdam, Netherlands	Land area: 7,930 sqm 3-storey data centre	Freehold	Data centre with rentable area of 11,000 sqm
		Keppel DC Dublin 2 Dublin, Ireland	Land area: 13,900 sqm Single-storey data centre	999 years leasehold	Data centre with rentable area of 2,383 sqm
		maincubes Data Centre Offenbach am Main, Germany	Land area: 5,596 sqm 4-storey data centre	Freehold	Data centre with rentable area of 9,016 sqm
		The Plaza Buildings 8th Street, Bellevue, Washington, USA	Land area: 16,295 sqm 16 and 10 storey multi-tenanted office buildings	Freehold	Commercial office building with rentable area of 45,615 sqm
		Bellevue Technology Center 24th Street, Bellevue, Washington, USA	Land area: 188,570 sqm Office campus featuring 9 multi-tenanted office buildings	Freehold	Commercial office buildings with rentable area of 30,705 sqm
		The Westpark Portfolio 8200-8644 154th Avenue NE Redmond, Washington, USA	Land area: 167,621 sqm Business campus comprising 19 office buildings and 2 flex buildings which are multi-tenanted	Freehold	Commercial office and flex buildings with rentable area of 72,667 sqm
		Westmoor Center Westmoor Drive, Colorado, USA	Land area: 176,953 sqm Business campus featuring 6 multi-tenanted office buildings	Freehold	Commercial office building with rentable area of 56,939 sqm
		1800 West Loop South Houston, USA	Land area: 7,627 sqm A 21-storey high rise office multi-tenanted property	Freehold	Commercial office building with rentable area of 37,171 sqm
		Maitland Promenade I & II 485 & 495 N Keller Road, Florida, USA	Land area: 78,379 sqm Office campus featuring 2 multi-tenanted office buildings	Freehold	Commercial office building with rentable area of 42,804 sqm
Keppel Bay Pte Ltd	100%	One Twenty Five 125 East John Carpenter Freeway, Texas, USA	Land area: 25,594 sqm Office complex comprising 2 office buildings and a 7-storey parking garage which are multi-tenanted	Freehold	Commercial office building with rentable area of 41,371 sqm
		Keppel Towers and Keppel Towers 2 Hoe Chiang Road, Singapore	Land area: 9,127 sqm 27-storey and 13-storey office towers	Freehold	Commercial office building with rentable area of 45,355 sqm
		Reflections at Keppel Bay Singapore	Land area: 83,538 sqm	99 years leasehold	A 1,129-unit waterfront condominium development
Keppel Bay Tower Pte Ltd (f.k.a. HarbourFront One Pte Ltd)	100%	Corals at Keppel Bay Singapore	Land area: 38,830 sqm	99 years leasehold	A 366-unit waterfront condominium development
		Keppel Bay Tower HarbourFront Avenue, Singapore	Land area: 17,267 sqm 18-storey office tower	99 years leasehold	Commercial office building with rentable area of 35,916 sqm

Held By	Effective Group Interest	Location	Description and Approximate Land Area	Tenure	Usage
Katong Retail Trust	100%	112 Katong East Coast Road, Singapore	Land area: 7,261 sqm	99 years leasehold	A 6-storey shopping mall
Beijing Changsheng Property Management Co Ltd	100%	Linglong Tiandi Beijing, China	Land area: 3,546 sqm	50 years lease (office) 40 years lease (retail)	A 11-storey office tower with ancillary retail space in Haidian District
Win Up Investment Ltd	30%	Westmin Plaza Guangzhou, China	Land area: 9,278 sqm	50 years lease (office) 40 years lease (retail)	A 17-storey office tower with ancillary retail space in Liwan District
Spring City Golf & Lake Resort Co (owned by Kingsdale Development Pte Ltd)	69%	Spring City Golf & Lake Resort Kunming, China	Land area: 2,507,653 sqm Two 18-hole golf courses	70 years lease (residential) 50 years lease (golf course)	Integrated resort comprising golf courses, resort homes and resort facilities
North Bund Pte Ltd	30%	North Bund Plaza (f.k.a. Yi Fang Tower) Shanghai, China	Land area: 13,373 sqm	50 years lease (office) 40 years lease (retail)	A mixed-use development in Hongkou District
Vision (III) Pte Ltd	30%	Trinity Tower Shanghai, China	Land area: 16,427 sqm	50 years lease (office) 40 years lease (retail)	A mixed-use development in Hongkou District
PT Kepland Investama	100%	International Financial Centre (Tower 1) Jakarta, Indonesia	Land area: 10,428 sqm	20 years lease with option for another 20 years	A prime office development with rentable area of 27,933 sqm
	100%	International Financial Centre (Tower 2) Jakarta, Indonesia	Land area: 10,428 sqm	20 years lease with option for another 20 years	A prime office development with rentable area of 50,200 sqm
Tanah Sutera Development Sdn Bhd	18%	Taman Sutera and Taman Sutera Utama Johor Bahru, Malaysia	Land area: 2,018,390 sqm	Freehold	A township comprising residential units, commercial space and recreational facilities in Skudai
City Square Office Co Ltd	40%	Junction City Tower (Phase 1) Yangon, Myanmar	Land area: 26,406 sqm	50 years BOT with option for another two 10-years	A mix-used development in CBD
Straits Greenfield Ltd	100%	Sedona Hotel Yangon Yangon, Myanmar	Land area: 32,000 sqm	50 years BOT with option for another two 10-years	A 5-star hotel in Yangon with 789 rooms
First King Properties Ltd	100%	75 King William Street London, United Kingdom	Land area: 1,940 sqm 9-storey office tower	Freehold	Commercial office building with rentable area of 11,731 sqm
Keppel Land Watco I Co Ltd	61%	Saigon Centre (Phase 1) Ho Chi Minh City, Vietnam	Land area: 2,730 sqm 25-storey office, retail cum serviced apartments development	50 years leasehold	Commercial building with rentable area of 11,683 sqm office and 89 units of serviced apartments
Keppel Land Watco II & III Co Ltd	61%	Saigon Centre (Phase 2) Ho Chi Minh City, Vietnam	Land area: 8,355 sqm	50 years leasehold	Commercial building with rentable area of 37,600 sqm retail, 34,000 sqm office and 195 units of serviced apartments

OTHER INFORMATION

MAJOR PROPERTIES

Held By	Effective Group Interest	Location	Description and Approximate Land Area	Tenure	Usage
Properties under development					
Keppel REIT	49%	311 Spencer Street Melbourne, Australia	Land area: 5,136 sqm	Freehold	An office development located in CBD *(2020)
Gardens Development Pte Ltd	60%	The Garden Residences Serangoon, Singapore	Land area: 17,189 sqm	99 years leasehold	A 613-unit condominium development *(2021)
Parksville Development Pte Ltd	100%	19 Nassim Hill, Singapore	Land area: 5,785 sqm	99 years leasehold	A 101-unit condominium development *(2023)
Keppel Bay Pte Ltd	100%	Keppel Bay Plot 6 Singapore	Land area: 43,701 sqm	99 years leasehold	A proposed 86-unit waterfront condominium development
Shanghai Floraville Land Co Ltd	99%	Park Avenue Central Shanghai, China	Land area: 27,958 sqm	40 years lease (retail) 50 years lease (office)	An office and retail development *(2023)
Shanghai Jinju Real Estate Development Co Ltd	99%	Sheshan Riviera Shanghai, China	Land area: 175,191 sqm	70 years lease (residential) 40 years lease (commercial)	A 217-unit landed development in Sheshan *(2022 Phase 2)
Chengdu Hilltop Development Co Ltd	100%	Hill Crest Villas Chengdu, China	Land area: 249,330 sqm	70 years leasehold	A 274-unit landed development in Xinjin County *(2020 Phase 2)
Chengdu Shengshi Jingwei Real Estate Co Ltd	100%	Serenity Villas Chengdu, China	Land area: 286,667 sqm	70 years leasehold	A 867-unit landed development in Xinjin County *(2020 Phase 2)
Chengdu Wanji Real Estate Development Co Ltd	30%	City Park Chengdu, China	Land area: 47,261 sqm	70 years leasehold	A 772-unit landed development in Tianfu New Area *(2021)
Keppel Lakefront (Wuxi) Property Development Co Ltd	100%	Waterfront Residences Wuxi, China	Land area: 215,230 sqm	70 years lease (residential) 40 years lease (commercial)	A 1,403-unit residential development with commercial and SOHO facilities in Binhu District *(2020 Phases 5 & 6)
Keppel Seasons Residences Property Development (Wuxi) Co Ltd	100%	Seasons Residences Wuxi, China	Land area: 180,258 sqm	70 years lease (residential) 40 years lease (commercial)	A 2,904-unit residential development with integrated facilities in Xinwu District *(2020 Phases 1 & 2)
Keppel Hong Da (Tianjin Eco-City) Property Development Co Ltd	100%	Development in Sino-Singapore Tianjin Eco-City Tianjin, China	Land area: 313,265 sqm	70 years lease (residential) 40 years lease (commercial)	A 4,297-unit residential development with retail space *(2020 Seasons Garden Plot 8, Seasons Heights)
Keppel Hong Yuan (Tianjin Eco-City) Property Development Co Ltd/ Keppel Hong Tai (Tianjin Eco-City) Property Development Co Ltd/ Keppel Hong Teng (Tianjin Eco-City) Property Development Co Ltd	100%	Seasons City in Sino-Singapore Tianjin Eco-City Tianjin, China	Land area: 40,451 sqm	40 years leasehold	A commercial sub-centre comprising a retail complex and three office towers *(2020 Phase 1)
Nanjing Jinsheng Real Estate Development Co Ltd	40%	China Chic Nanjing, China	Land area: 87,790 sqm	70 years lease (residential) 40 years lease (commercial)	A 1,589-unit residential development in the core of Nanjing Jiangbei New Area *(2021 Phases 1 & 2)
Nanjing Zhijun Property Development Co Ltd	25%	Xuanwu Mixed-use Devt Nanjing, China	Land area: 37,285 sqm	70 years lease (residential) 40 years lease (commercial)	A mixed-used development with about 181 residential units and 419 commercial units in Xuanwu District *(2022)

Held By	Effective Group Interest	Location	Description and Approximate Land Area	Tenure	Usage
PT Harapan Global Niaga	100%	West Vista at Puri Jakarta, Indonesia	Land area: 28,851 sqm	30 years lease with option for another 20 years	A 2,855-unit residential development with ancillary shop houses
Tanah Sutera Development Sdn Bhd	18%	Taman Sutera and Taman Sutera Utama Johor Bahru, Malaysia	Land area: 2,850,774 sqm	Freehold	A township comprising residential units, commercial space and recreational facilities in Skudai
City Square Tower Co Ltd	40%	Junction City Tower (Phase 2) Yangon, Myanmar	Land area: 26,406 sqm	50 years BOT with option for another two 10-years	A mix-used development in CBD *(2023)
Saigon Sports City Ltd	100%	Saigon Sports City Ho Chi Minh City, Vietnam	Land area: 638,737 sqm	50 years leasehold	A township with about 4,300 apartments, commercial complexes and public sports facilities *(2023 Phase 1)
Empire City LLC	40%	Empire City Ho Chi Minh City, Vietnam	Land area: 146,000 sqm	50 years leasehold	A residential development with commercial space in Thu Thiem New Urban Area, District 2 *(2020 Phase 1)
Dong Nai Waterfront City LLC (owned by Portsville Pte Ltd)	30%	Dong Nai Waterfront City Dong Nai Province, Vietnam	Land area: 1,974,000 sqm	50 years leasehold	A residential township with about 6,600 units and commercial space in Long Thanh District *(2023 Phases 1A & 1B)
Industrial properties					
Keppel FELS Limited	100%	Pioneer and Crescent Yard, Singapore	Land area: 522,097 sqm buildings, workshops, building berths, drydocks and wharves	16 - 30 years leasehold	Offshore oil rig construction and repair
Estaleiro BrasFELS Ltda	100%	Angra dos Reis, Rio de Janeiro, Brazil	Land area: 409,020 sqm buildings, workshops, drydock, berths and wharf	30 years leasehold	Offshore oil rig construction and repair
Keppel Shipyard Limited	100%	Benoi and Pioneer Yard, Singapore	Land area: 799,111 sqm buildings, workshops, drydocks and wharves	30 years leasehold	Shiprepairing, shipbuilding and marine construction

* Expected year of completion

OTHER INFORMATION

GROUP FIVE-YEAR PERFORMANCE

	2015	2016	2017	2018 [#]	2019
Selected Profit & Loss Account Data					
(\$ million)					
Revenue	10,296	6,767	5,964	5,965	7,580
Operating profit	1,576	901	801	1,055	877
Profit before tax	1,991	1,088	442 [^]	1,245	954
Net profit attributable to shareholders of the Company	1,525	784	196 [^]	948	707
Selected Balance Sheet Data					
(\$ million)					
Fixed assets, properties & right-of-use assets	6,118	6,195	5,894	5,224	6,684
Investments	6,030	6,076	6,575	6,825	7,121
Stocks, contract assets, debtors, cash & long term assets	16,672	17,532	16,084	14,410	15,834
Intangibles	100	141	133	129	1,683
Total assets	28,920	29,944	28,686	26,588	31,322
Less:					
Creditors	7,925	8,034	8,298	6,912	7,325
Borrowings & lease liabilities	8,259	9,053	7,793	7,549	11,657
Other liabilities	810	512	622	550	694
Net assets	11,926	12,345	11,973	11,577	11,646
Share capital & reserves	11,096	11,668	11,443	11,268	11,211
Non-controlling interests	830	677	530	309	435
Total Equity	11,926	12,345	11,973	11,577	11,646
Per Share					
Earnings (cents) (Note 1):					
Before tax	104.2	57.1	23.3 [^]	67.7	48.8
After tax	84.0	43.2	10.8 [^]	52.3	38.9
Total distribution (cents)	34.0	20.0	22.0	30.0 [*]	20.0
Net assets (\$)	6.13	6.43	6.29	6.22	6.17
Net tangible assets (\$)	6.07	6.35	6.22	6.15	5.25
Financial Ratios					
Return on shareholders' funds (%) (Note 2):					
Profit before tax	17.6	9.1	3.7	10.8	7.9
Net profit	14.2	6.9	1.7	8.4	6.3
Dividend cover (times)	2.5	2.2	0.5	1.7 [*]	1.9
Net cash/(gearing) (times)	(0.53)	(0.56)	(0.46)	(0.48)	(0.85)
Employees					
Average headcount (number)	36,153	28,879	21,862	18,186	18,297
Wages & salaries (\$ million)	1,662	1,282	1,107	1,018	1,187

[^] Includes the one-off financial penalty from the global resolution and related costs of \$619 million.

[#] The 2018 financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.

^{*} Includes the special dividend paid of 5.0 cents per share.

Notes:

- Earnings per share are calculated based on the Group profit by reference to the weighted average number of shares in issue during the year.
- In calculating return on shareholders' funds, average shareholders' funds has been used.

2019

Group revenue of \$7,580 million for 2019 was \$1,615 million or 27% higher than in the preceding year. Revenue from the O&M Division improved by \$345 million or 18% to \$2,220 million due mainly to higher revenue recognition from ongoing projects, partly offset by the absence of revenue recognised in 2018 from the sale of jackup rigs to Borr Drilling Limited. Major jobs delivered in 2019 include five jackup rigs, three FPSO/FSRU conversions and four dredgers. Revenue from the Property Division decreased marginally by \$4 million to \$1,336 million due mainly to lower revenue from property trading projects in Singapore, partly offset by higher revenue from property trading projects in China. Revenue from the Infrastructure Division grew by \$298 million to \$2,927 million as a result of increased sales in the power and gas business as well as higher progressive revenue recognition from the Keppel Marina East Desalination Plant project and the Hong Kong Integrated Waste Management Facility project. Revenue from the Investments Division increased by \$976 million to \$1,097 million due mainly to the consolidation of M1 and higher revenue from the asset management business.

Group pre-tax profit for the current year was \$954 million, \$291 million or 23% below the previous year. The O&M Division's pre-tax loss was \$24 million as compared to pre-tax loss of \$113m in 2018. The lower loss was due mainly to higher operating results arising from higher revenue, lower impairment provisions and lower net interest expense, partly offset by share of losses from associated companies, and the absence of write-back of provisions for claims in 2018. Pre-tax profit from the Property Division decreased by \$486 million to \$707 million due mainly to the lower gains from the en-bloc sale of development projects in 2019 (disposal of a partial interest in the Dong Nai project in Vietnam) as compared to 2018 (Keppel China Marina Holdings Pte Ltd, Keppel Bay Property Development (Shenyang) Co. Ltd., Keppel Township Development (Shenyang) Co. Ltd. and Quoc Loc Phat Joint Stock Company), the absence of gain from divestment as compared against 2018 (Aether Limited), lower contribution from property trading projects in Singapore and higher net interest expense, partly offset by higher contribution from property trading projects in China, higher investment income, higher fair value gains on investment properties and higher contribution from associated companies. Pre-tax profit of the Infrastructure Division was \$188 million, \$4 million above that in 2018. This was due mainly to higher fair value gains on data centres, higher contributions from Energy Infrastructure and Environmental Infrastructure, partly offset by lower contribution from Infrastructure Services and the logistics business, as well as the absence of gain arising from the sale of stake in Keppel DC REIT in 2018. Pre-tax profit of the Investments Division was \$83 million as compared to pre-tax loss of \$19 million in 2018. This was due mainly to fair value gain from the remeasurement of the previously held interest in M1 at acquisition date, higher contributions from asset management business as well as from M1 resulting from the consolidation of M1, lower provision for impairment of an associated company, partly offset by lower share of profit from the Sino-Singapore Tianjin Eco-City, higher net interest expense, higher fair value loss on KrisEnergy warrants, financing cost and amortization of intangibles arising from acquisition of M1, as well as write-off of a receivable.

Taxation expenses decreased by \$92 million or 32% due mainly to lower taxable profits. Non-controlling interests were \$42 million higher than in the preceding year. Taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders for 2019 was \$707 million, a decrease of \$241 million from \$948 million in 2018. The Property Division was the largest contributor to the Group's net profit with a 73% share, followed by the Infrastructure Division's 24%, the Investments Division's 2% and the O&M Division's 1%.

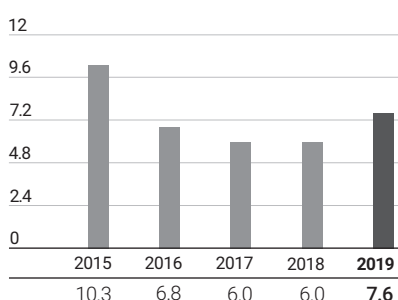
2018

Group revenue of \$5,965 million for 2018 was at almost the same level as in 2017. Revenue from the O&M Division improved by \$73 million or 4% to \$1,875 million due to revenue recognition in relation to the jackup rigs sold to Borr Drilling Limited and higher revenue recognition from ongoing projects. Major jobs completed and delivered in 2018 included two jackup rigs, a gas carrier refurbishment, two Floating Production Storage and Offloading (FPSO) conversions, a Roll-on/Roll-off (RORO) conversion and two dual-fuel Liquefied Natural Gas (LNG) tugs. Revenue from the Property Division decreased by \$442 million to \$1,340 million due mainly to lower revenue from Singapore, China and Vietnam property trading. Revenue from the Infrastructure Division grew by \$422 million to \$2,629 million as a result of increased sales in the power and gas businesses, partly offset by lower progressive revenue recognition from the Keppel Marina East Desalination Plant project. Revenue from the Investments Division decreased by \$52 million to \$121 million due mainly to the absence of sale of investments and lower revenue from the asset management business.

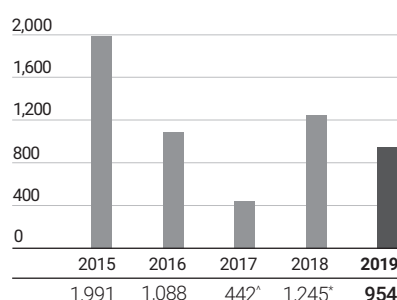
Group pre-tax profit for the current year was \$1,245 million, \$803 million or 182% above the previous year. Group pre-tax profit for 2017 included \$619 million for the one-off financial penalty and related costs. Excluding the one-off financial penalty and related costs from 2017, Group pre-tax profit for 2018 of \$1,245 million was \$184 million or 17% above the pre-tax profit of \$1,061 million for 2017.

The O&M Division's pre-tax loss was \$113 million as compared to pre-tax loss, excluding the one-off financial penalty and related costs, of \$243 million in 2017. This was mainly due to higher operating results arising from higher revenue, write-back of provisions for claims and lower net interest expense, partly offset by higher impairment provisions and absence of gain from divestment of Keppel Verolme. Pre-tax profit from the Property Division increased by \$349 million to \$1,193 million due mainly to en-bloc sales of development projects (Keppel

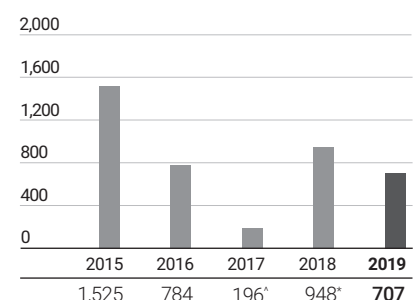
Revenue (\$ billion)



Pre-Tax Profit (\$ million)



Net Profit (\$ million)



* The 2018 financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.

^ Includes the one-off financial penalty and related costs of \$619 million.

GROUP FIVE-YEAR PERFORMANCE

China Marina Holdings Pte Ltd, Keppel Bay Property Development (Shenyang) Co. Ltd., Keppel Township Development (Shenyang) Co. Ltd. and Quoc Loc Phat Joint Stock Company) and gain from divestment of the stake in Aether Limited. The positive variance was partly offset by lower fair value gains on investment properties, lower contribution from Singapore and China property trading, and lower share of associated companies' profits. Pre-tax profit of the Infrastructure Division was \$184 million, \$14 million above that in 2017. This was mainly due to dilution gain following Keppel DC REIT's private placement exercise, the gain arising from the sale of stake in Keppel DC REIT, as well as higher contribution from Environmental Infrastructure and Infrastructure Services, partly offset by lower contribution from Energy Infrastructure, lower share of profits from Keppel Infrastructure Trust, and absence of gain from divestment of GE Keppel Energy Services Pte Ltd compared against last year. Pretax loss of the Investments Division was \$19 million as compared to pre-tax profit of \$290 million in 2017. This was mainly due to lower profit from land sales in the Sino-Singapore Tianjin Eco-City, lower contribution from the asset management business and provision for impairment of an associated company, partly offset by lower share of loss from KrisEnergy. In 2017, the Investments Division also benefitted from the share of profit from k1 Ventures, write-back of provision for impairment of an associated company, and profit from sale of investments.

Taking into account income tax expenses and non-controlling interests, and excluding the one-off financial penalty from the global resolution and related costs of \$619 million in 2017, net profit attributable to shareholders for 2018 was \$948 million, an increase of \$133 million from \$815 million in 2017. The Property Division was the largest contributor to the Group's net profit with a 99% share, followed by the Infrastructure Division's 18% while the O&M Division and Investments Division contributed negative 11% and negative 6% to the Group's net profit respectively.

2017

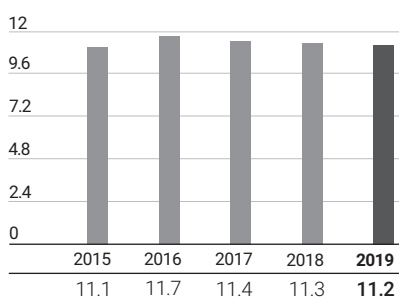
Group revenue of \$5,964 million for 2017 was \$803 million or 12% below that of 2016. Revenue from the O&M Division declined by \$1,052 million to \$1,802 million due to lower volume of work and deferment of some projects. Major jobs completed and delivered in 2017 include a semisubmersible (semi), a subsea construction vessel, an FPSO conversion, an FPSO topsides installation/integration, a module fabrication & integration, a floating LNG conversion and an ice-class multi-purpose vessel project. Revenue from the Property Division decreased by \$253 million to \$1,782 million due mainly to lower revenue from China and Singapore, partly offset by higher revenue from Vietnam. Revenue from the Infrastructure Division grew by \$463 million to \$2,207 million as a result of increased sales in the power and gas businesses and progressive revenue recognition from the Keppel Marina East Desalination Plant project.

Group pre-tax profit for the current year was \$442 million, \$646 million or 59% below the previous year. Excluding the one-off financial penalty from the global resolution and related costs, the Group registered a pre-tax profit of \$1,061 million which is \$27 million lower than that of the preceding year.

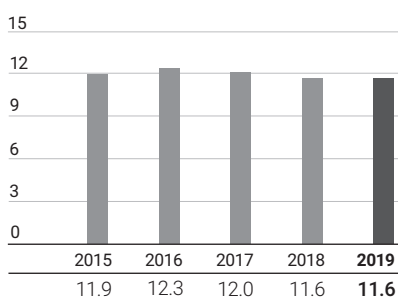
The O&M Division's pre-tax loss in 2017 was \$862 million. Excluding the one-off financial penalty from the global resolution and related costs, the Division's pre-tax loss was \$243 million as compared to pre-tax profit of \$76 million in 2016. This was mainly due to lower operating results arising from lower revenue and lower share of associated companies' profits, partly offset by lower impairment provisions and lower net interest expense. Provisions mainly for impairment of fixed assets, stocks & works-in-progress (WIP), investments and an associated company, and restructuring costs, of \$140 million in 2017 was lower than the \$277 million impairment provisions recorded in 2016. Pre-tax profit from the Property Division of \$844 million was \$11 million or 1% higher than that in 2016. This was due mainly to higher fair value gains on investment properties and higher contribution from Singapore and Vietnam property trading, and en-bloc sales of development projects, partly offset by lower share of associated companies' profits, mainly resulting from the absence of the gains from divestment of the stakes in Life Hub @ Jinqiao and 77 King Street last year, and the absence of reversal of impairment for hospitality assets. Pre-tax profit of the Infrastructure Division increased by \$47 million to \$170 million due mainly to higher contribution from Energy Infrastructure, the gain on divestment of its interest in GE Keppel Energy Services Pte Ltd, as well as the recognition of fair value gain on investment. These were partly offset by lower contribution from the data centre business, due mainly to the absence of contribution from Keppel DC Singapore 3, which was injected into Keppel DC REIT in January 2017. Pre-tax profit of the Investments Division increased by \$234 million to \$290 million due mainly to higher share of profit from Sino-Singapore Tianjin Eco-City and k1 Ventures, higher contribution from asset management business, write-back of provision for impairment of investments and profit on sale of investments. These were partly offset by the share of loss in KrisEnergy and recognition of fair value loss on KrisEnergy warrants.

Taking into account income tax expenses and non-controlling interests, and excluding the one-off financial penalty from the global resolution and related costs of \$619 million, net profit attributable to shareholders was \$815 million, an increase of \$31 million from last year. The Property Division was the largest contributor to the Group's net profit with an 80% share, followed by the Investments Division's 29% and Infrastructure Division's 16% while the O&M Division contributed negative 25% to the Group's net profit.

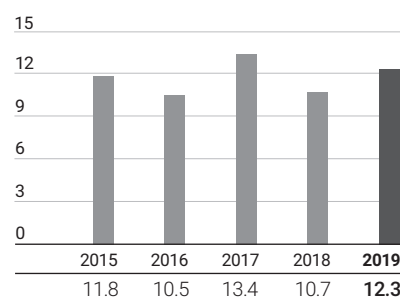
Shareholders' Fund (\$ billion)



Total Equity (\$ billion)



Market Capitalisation (\$ billion)



2016

Group revenue of \$6,767 million for 2016 was \$3,529 million or 34% lower than that for the full year of 2015. O&M Division's revenue of \$2,854 million was 54% below the \$6,241 million for 2015 because of lower volume of work, deferment of some projects and the suspension of the Sete contracts. Major jobs completed in 2016 include four jackup rigs, a land rig, a derrick lay vessel, an accommodation semi and two FPSO conversions. The Property Division saw its revenue increase by 12% to \$2,035 million due mainly to higher revenue from Singapore and China. Revenue from the Infrastructure Division contracted by \$293 million to \$1,744 million as a result of a drop in revenue recorded by the power and gas business from lower prices and volume.

The Group's pre-tax profit for the current year was \$1,088 million, \$903 million or 45% below the previous year. The O&M Division reported a \$614 million drop in pre-tax profit to \$76 million due mainly to lower operating results arising from lower revenue, lower share of associated companies' profits and impairment of assets. Impairment of assets in the year amounted to \$277 million and comprises impairment of fixed assets, stocks & WIP and investments. The negative variance was partially offset by the absence of provision for losses for the Sete rigbuilding contracts of about \$230 million in 2015. The Property Division's profit of \$833 million for 2016 was \$31 million or 4% lower than 2015 due mainly to lower fair value gains on investment properties, lower contribution from Singapore property trading, lower share of associated companies' profits and the absence of cost write-back upon finalisation of project cost for Reflections at Keppel Bay in 4Q 2015, partially offset by reversal of impairment of hospitality assets. The lower share of associated companies' profits was due mainly to lower share of fair value gains on investment properties, partly offset by share of profits arising from divestment of the stake in Life Hub @ Jinqiao and 77 King Street. Profit from the Infrastructure Division decreased by \$116 million to \$123 million due mainly to lower fair value gains on data centres and the absence of gains recognised in 2015. In 2015, there were gains from disposal of the 51% interest in Keppel Merlimau Cogen Pte Ltd and dilution re-measurement gain from the combination of Crystal Trust and CitySpring Infrastructure Trust to form the enlarged Keppel Infrastructure Trust, which were partially offset by the losses following finalisation of the cost to complete the Doha North Sewage Treatment Plant. Pretax profit of the Investments Division decreased by \$142 million to \$56 million due mainly to share of losses and impairment losses of an associated company, and the absence of gain from sale of investments last year, partially offset by share of profits from Sino-Singapore Tianjin Eco-City.

Taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders was \$784 million, \$741 million or 49% lower than last year. The Property Division was the largest contributor to Group net profit at 79%, followed by the Infrastructure Division's 13%, the Investments Division's and the O&M Division's at 4% each.

2015

Group revenue of \$10,296 million for 2015 was \$2,987 million or 22% lower than that for the full year of 2014. O&M Division's revenue of \$6,241 million was 27% below the \$8,556 million for 2014 due to lower volume of work, deferment of some projects and the suspension of the Sete contracts. Major jobs completed in 2015 include seven jackup rigs, an accommodation semi, one FPSO conversion, one depletion compression platform, one floating crane and an FPSO integration. The Property Division saw its revenue increase by 12% to \$1,823 million due mainly to higher revenue from China partly offset by lower revenue from Singapore and the absence of the sale of a residential development in Jeddah, Saudi Arabia which was sold in 2014. Revenue from the Infrastructure Division contracted by \$877 million to \$2,037 million as a result of a drop in revenue recorded by the power and gas business due to lower prices and volume, lower revenue from engineering, procurement and construction (EPC) projects, lower contribution from the data centre business, as well as absence of revenue from Keppel FMO Pte Ltd which was disposed in December 2014.

The Group's pre-tax profit for the current year was \$1,991 million, \$844 million or 30% below the previous year. The O&M Division reported a \$667 million drop in pre-tax profit to \$690 million. Lower operating results arising from lower revenue, provision for losses for Sete rigbuilding contracts of about \$230 million and lower net interest income were partially offset by an increase in share of associated companies' profits. The Property Division's profit of \$864 million for 2015 was \$80 million or 8% below that of 2014. This was due mainly to lower operating results, reduction in share of associated companies' profits, higher net interest expense and absence of gains from the disposal of investment properties (Equity Plaza, Prudential Tower and Marina Bay Financial Centre Tower 3 (MBFC T3) were disposed in 2014), partly offset by higher fair value gains on investment properties and cost write-back upon finalisation of project cost for the Reflections at Keppel Bay. Profit from the Infrastructure Division decreased by \$193 million to \$239 million. The gain from disposal of 51% interest in Keppel Merlimau Cogen Pte Ltd and dilution re-measurement gain from the combination of Crystal Trust and CitySpring Infrastructure Trust to form the enlarged Keppel Infrastructure Trust were partially offset by the losses following finalisation of the cost to complete the Doha North Sewage Treatment Works and the reduced contribution from the power and gas business. There were also gains from divestment of data centre assets and Keppel FMO in 2014.

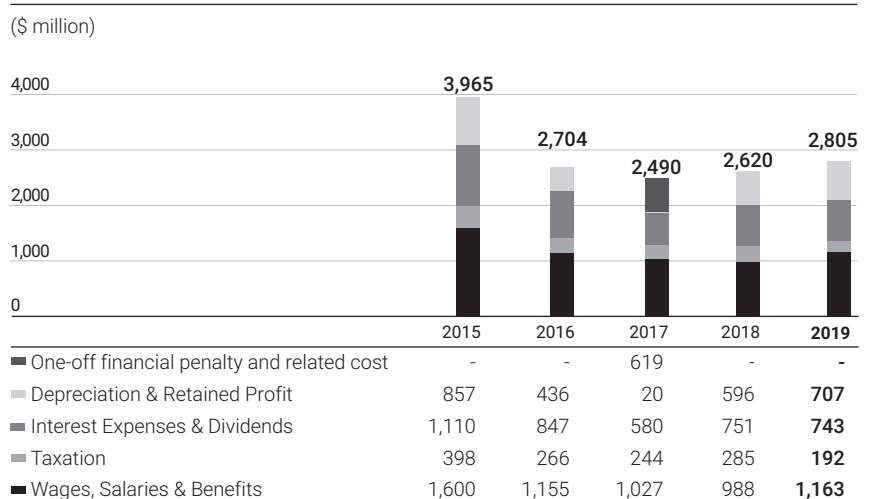
Taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders was \$1,525 million, \$360 million or 19% lower than last year. The Property Division was the largest contributor to Group net profit at 43%, followed by the O&M Division's 32%, the Infrastructure Division's 13% and the Investments Division's at 12%.

OTHER INFORMATION

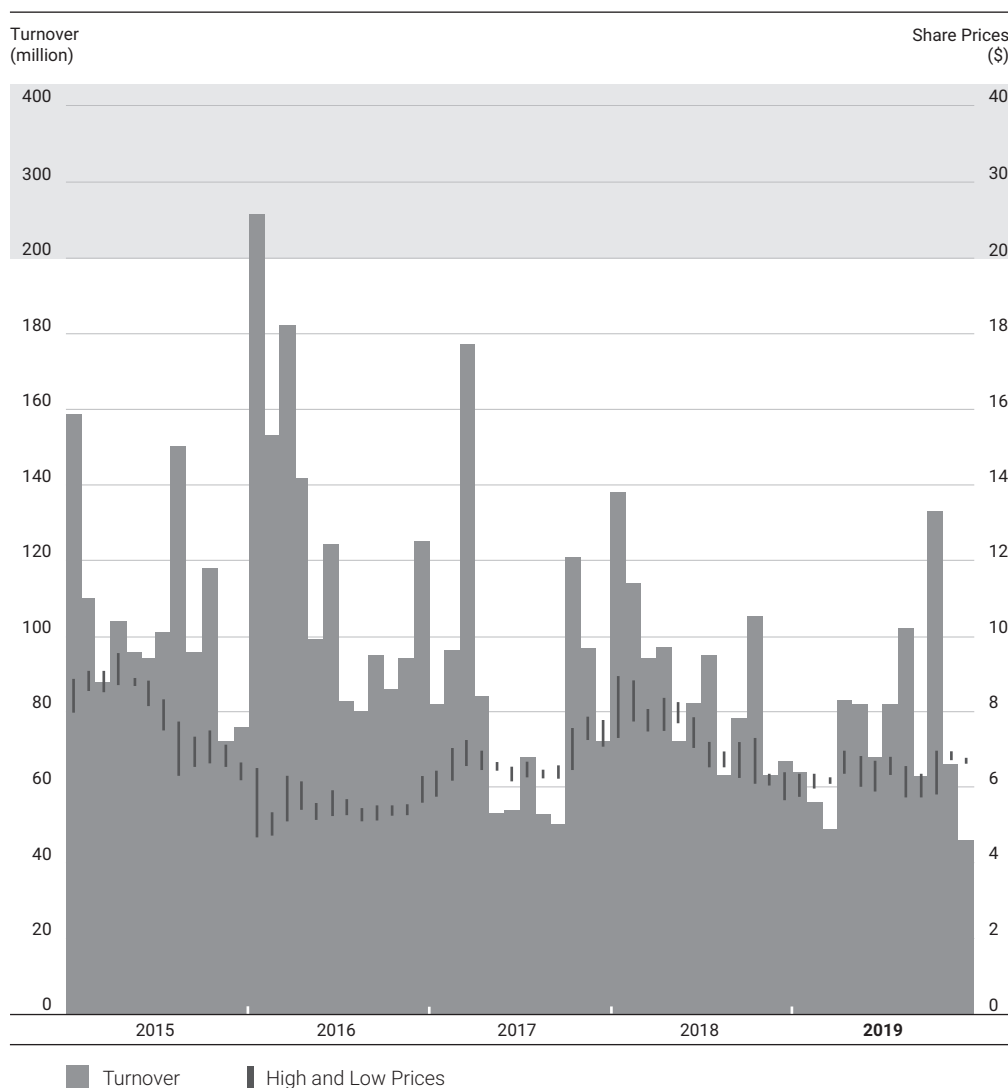
GROUP VALUE-ADDED STATEMENTS

	2015	2016	2017	2018*	2019
(\$ million)					
Value added from:					
Revenue earned	10,296	6,767	5,964	5,965	7,580
Less: purchases of materials and services	(7,303)	(4,287)	(4,119)	(3,926)	(5,379)
Gross value added from operation	2,993	2,480	1,845	2,039	2,201
In addition:					
Interest and investment income	134	139	158	174	242
Share of associated companies' profits	436	272	291	221	147
Other operating income/(expenses)	402	(187)	196	186	215
	3,965	2,704	2,490	2,620	2,805
Distribution of Group's value added:					
To employees in wages, salaries and benefits	1,600	1,155	1,027	988	1,163
To government in taxation	398	266	244	285	192
To providers of capital on:					
Interest on borrowings	155	225	189	205	313
Dividends to our partners in subsidiaries	83	77	27	20	12
Dividends to our shareholders	872	545	364	526	418
	1,110	847	580	751	743
One-off financial penalty and related costs	-	-	619	-	-
Total Distribution	3,108	2,268	2,470	2,024	2,098
Balance retained in the business:					
Depreciation & amortisation	220	236	212	182	375
Non-controlling interests share of profits in subsidiaries	(15)	(39)	(25)	(8)	43
Retained profit for the year	652	239	(167)	422	289
	857	436	20	596	707
	3,965	2,704	2,490	2,620	2,805
Number of employees	36,153	28,879	21,862	18,186	18,297
Productivity data:					
Gross value added per employee (\$'000)	83	86	84	112	120
Gross value added per dollar employment cost (\$)	1.87	2.15	1.80	2.06	1.89
Gross value added per dollar sales (\$)	0.29	0.37	0.31	0.34	0.29

* The 2018 financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.



SHARE PERFORMANCE



	2015	2016	2017	2018*	2019
Share Price (\$)*					
Last transacted (Note 3)	6.51	5.79	7.35	5.91	6.77
High	9.54	6.56	7.83	8.92	6.97
Low	6.20	4.64	5.73	5.67	5.67
Volume weighted average (Note 2)	7.92	5.46	6.79	7.35	6.38
Per Share					
Earnings (cents) (Note 1)	84.0	43.2	10.8 [^]	52.3 [#]	38.9
Total distribution (cents)	34.0	20.0	22.0	30.0 [@]	20.0
Distribution yield (%) (Note 2)	4.3	3.7	3.2	4.1 [@]	3.1
Net price earnings ratio (Note 2)	9.4	12.6	62.9	14.1	16.4
Net assets backing (\$)	6.07	6.35	6.22	6.15	5.25
At Year End					
Share price (\$)	6.51	5.79	7.35	5.91	6.77
Distribution yield (%) (Note 3)	5.2	3.5	3.0	5.1 [@]	3.0
Net price earnings ratio (Note 3)	7.8	13.4	68.1	11.3 [#]	17.4
Net price to book ratio (Note 3)	1.1	0.9	1.2	1.0	1.3

Notes:

1. Earnings per share are calculated based on the Group net profit by reference to the weighted average number of shares in issue during the year.

2. Volume weighted average share price is used in calculating distribution yield and net price earnings ratio.

3. Last transacted share price is used in calculating distribution yield, net price earnings ratio and net price to book ratio.

* Historical share prices are not adjusted for special dividends, capital distribution and dividend in specie.

[^] Includes the one-off financial penalty from the global resolution and related costs of \$619 million.

[#] The 2018 financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.

[@] Includes the special dividend paid of 5.0 cents per share.

OTHER INFORMATION

SHAREHOLDING STATISTICS

As at 5 March 2020

Issued and Fully paid-up capital	: \$1,305,667,320.62
Number of Issued shares	: 1,820,557,767
Number/Percentage of Treasury Shares	: 0 (0%)
Number/Percentage of Subsidiary Holdings ¹	: 0 (0%)
Class of Shares	: Ordinary Shares
Voting Rights	: One Vote Per Share

The Company cannot exercise any voting rights in respect of treasury shares. Subject to the Companies Act, Chapter 50, subsidiaries cannot exercise any voting rights in respect of shares held by them as subsidiary holdings.

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	202	0.29	7,273	0.00
100 - 1,000	16,063	22.88	13,010,432	0.72
1,001 - 10,000	44,038	62.73	174,080,367	9.56
10,001 - 1,000,000	9,863	14.05	301,659,697	16.57
1,000,001 & Above	33	0.05	1,331,799,998	73.15
Total	70,199	100.00	1,820,557,767	100.00

Twenty Largest Shareholders	No. of Shares	%
Temasek Holdings (Private) Limited	371,408,292	20.40
DBS Nominees Pte Ltd	281,790,102	15.48
Citibank Nominees Singapore Pte Ltd	269,296,016	14.79
DBSN Services Pte Ltd	104,319,966	5.73
HSBC (Singapore) Nominees Pte Ltd	75,206,057	4.13
Raffles Nominees (Pte) Limited	52,912,620	2.91
United Overseas Bank Nominees Pte Ltd	48,906,443	2.68
BPSS Nominees Singapore (Pte.) Ltd.	22,751,884	1.25
OCBC Nominees Singapore Pte Ltd	13,851,505	0.76
Morgan Stanley Asia (Singapore) Securities Pte Ltd	12,375,806	0.68
OCBC Securities Private Ltd	9,312,252	0.51
Societe Generale Singapore Branch	8,171,836	0.45
BNP Paribas Nominees Singapore Pte Ltd	7,428,624	0.41
Shanwood Development Pte Ltd	7,040,000	0.39
UOB Kay Hian Pte Ltd	6,629,295	0.36
Phillip Securities Pte Ltd	5,102,097	0.28
Maybank Kim Eng Securities Pte. Ltd.	4,491,928	0.25
Chen Chun Nan	3,618,100	0.20
DB Nominees (Singapore) Pte Ltd	3,584,255	0.20
CGS-CIMB Securities (Singapore) Pte Ltd	3,252,460	0.18
Total	1,311,449,538	72.04

Substantial Shareholders (as shown in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Temasek Holdings (Private) Limited ²	371,408,292	20.40	18,850,337	1.03	390,258,629	21.43

Notes:

¹ "Subsidiary holdings" is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

² Temasek Holdings (Private) Limited is deemed interested in 18,850,337 shares in which its subsidiaries and associated companies have direct or deemed interests.

Public Shareholders

Based on the information available to the Company as at 5 March 2020, approximately 78.09% of the issued shares of the Company is held by the public and therefore, pursuant to Rules 723 and 1207 of the Listing Manual of the Singapore Exchange Securities Trading Limited, it is confirmed that at least 10% of the ordinary shares of the Company is at all times held by the public.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lee Boon Yang (Chairman)
Loh Chin Hua (Chief Executive Officer)
Alvin Yeo
Tan Ek Kia
Danny Teoh
Till Vestring
Veronica Eng
Jean-François Manzoni
Teo Siong Seng
Tham Sai Choy
Penny Goh

AUDIT COMMITTEE

Danny Teoh (Chairman)
Alvin Yeo
Veronica Eng
Tan Ek Kia
Tham Sai Choy
Penny Goh

REMUNERATION COMMITTEE

Till Vestring (Chairman)
Lee Boon Yang
Danny Teoh
Teo Siong Seng

NOMINATING COMMITTEE

Jean-François Manzoni (Chairman)
Lee Boon Yang
Alvin Yeo
Till Vestring

BOARD RISK COMMITTEE

Veronica Eng (Chairman)
Danny Teoh
Tan Ek Kia
Jean-François Manzoni
Tham Sai Choy
Penny Goh

BOARD SAFETY COMMITTEE

Tan Ek Kia (Chairman)
Lee Boon Yang
Loh Chin Hua
Teo Siong Seng

COMPANY SECRETARIES

Caroline Chang
Kenny Lee

REGISTERED OFFICE

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Website: www.kepcorp.com

SHARE REGISTRAR

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AUDITORS

PricewaterhouseCoopers LLP
Public Accountants and Chartered
Accountants
7 Straits View
Marina One East Tower
Level 12
Singapore 018936
Audit Partner: Yeoh Oon Jin
Year appointed: 2018

FINANCIAL CALENDAR

FY2019

Financial year-end	31 December 2019
Announcement of 2019 1Q results	18 April 2019
Announcement of 2019 2Q results	18 July 2019
Announcement of 2019 3Q results	17 October 2019
Announcement of 2019 full year results	23 January 2020

NOTES

NOTES

Keppel Corporation Limited

(Incorporated in the Republic of Singapore)

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