Keppel Corporation

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Media Release

Keppel reports net loss of S$537m for 1H 2020 due to Offshore & Marine impairments

- *Excluding impairments, the Group would have registered 1H 2020 net profit of S$393 million, 5% higher year-on-year, with resilient performance by other key business units*
- *Interim dividend of 3.0 cents per share declared for 1H 2020.*

Singapore, 30 July 2020 – Keppel Corporation Limited (Keppel) reported a net loss of S$537 million for the half year ended 30 June 2020, compared to a net profit of S$356 million for 1H 2019, after S$930 million of impairments mainly related to Keppel Offshore & Marine's (Keppel O&M) stranded assets, receivables, stocks and share of impairment provisions from Floatel. Excluding impairments, the Group would have registered net profit of S$393 million for 1H 2020, 5% higher year-on-year, underpinned by resilient operations from other businesses in the Group.

The Group's 1H 2020 revenue of S$3,182 million, was slightly lower compared to the S$3,315 million achieved in 1H 2019. Lower contributions from property trading projects in China, power and gas sales, environmental engineering projects and asset management were partially offset by higher revenues from O&M projects and the consolidation of M1 from March 2019.

The Group's net gearing rose to 1.0x as at 30 June 2020, compared to 0.85x as at 31 December 2019, mainly due to investments, working capital requirements, and the payment of the final dividends for FY 2019, as well as the impact from lower equity resulting from the significant impairments recorded in the current period. Cash outflow was S$278 million in 1H 2020, compared to an outflow of S$563 million in 1H 2019.

The Group's net loss for 2Q 2020 was S$697 million, compared to a net profit of S$153 million for 2Q 2019, due mainly to impairments and weaker performance by Keppel O&M. Excluding impairments, net profit would have been S$222 million for 2Q 2020, up 45% from S$153 million in 2Q 2019.

Group revenue of S$1,325 million for 2Q 2020 was 26% lower than the S$1,784 million a year ago, with lower contributions from across business divisions due in part to a significantly lower level of activities as a result of COVID-19 and measures to contain its spread.

Mr Loh Chin Hua, CEO of Keppel Corporation, said, "Notwithstanding COVID-19, most of Keppel's businesses have remained resilient, underpinned by the essential services that we provide. However, due to the impact of the pandemic on the global economy and oil prices, we had to take significant impairments related to the Offshore & Marine business. Without the impairments, Keppel's net profit for 1H 2020 would have been higher year-on-year, even after including the loss of S$69 million by Keppel O&M."

"We will forge ahead in this difficult landscape, guided by our Vision 2030, a long-term roadmap which transcends the current crisis. Harnessing the Group's capabilities and synergy, I am confident that we can emerge stronger."

Against this challenging backdrop, further rightsizing will be required at Keppel O&M to ensure that its fixed overhead costs can be brought down in line with the realities for the industry. To this end, the CEO and management of Keppel O&M have volunteered to take a base salary reduction of between 5% and 10% as a demonstration of collective resolve and to set the tone from the top. In solidarity with Keppel O&M, the senior executive management of Keppel Corporation will also take a base salary reduction of between 5% and 10%, while the directors of Keppel Corporation and Keppel O&M will take a 10% reduction in their annual fees.

Offshore & Marine

The Offshore & Marine Division reported a net loss of S$959 million for 1H 2020, compared to a net profit of S$10 million a year ago, due mainly to S$890 million of impairments for contract assets, receivables, stocks and investments, including share of impairment provisions from Floatel. Excluding impairments for 1H 2020, Keppel O&M's EBITDA was positive at S$40 million.

As a result of COVID-19 and measures to contain its spread, Keppel O&M's Singapore workforce was reduced to about 1,200 persons for most of 2Q 2020, from about 24,000 in March 2020. The workforce has since risen to about 5,000 presently.

As at end-June 2020, the net orderbook stood at S$3.5 billion, which is expected to keep the Division busy for at least two years. In the year to date, the O&M Division has secured S$107 million worth of offshore wind and FPSO projects.

Property

The Property Division recorded a net profit of S$197 million for 1H 2020, 25% lower year on year, due to the absence of divestment gains from Dong Nai Waterfront City in Vietnam and lower investment income, which was partly offset by higher fair value gains on investment properties, as well as the disposal of interests in a mixed-use project in Jiangyin, China.

About 1,230 homes were sold in 1H 2020, underpinned by continued recovery in the Chinese market. In Singapore, residential sales have slowed, although the impact on office properties has been relatively muted. The Vietnamese property market remains healthy albeit the delay in government approvals for new project launches.

Infrastructure

The Infrastructure Division recorded a net profit of S$252 million in 1H 2020, compared to S$59 million a year ago, mainly due to a mark-to-market gain of S$131 milion from the reclassification of the Group's interest in Keppel Infrastructure Trust (KIT) from an associated company to an investment, as well as a gain from the sale Keppel DC REIT units. Keppel Infrastructure performed well in the first half of 2020, with all underlying businesses remaining resilient and reporting higher earnings despite the impact of the COVID-19 pandemic.

In 2Q 2020, Keppel Infrastructure led a consortium in securing a S$1.5 billion Engineering Procurement Construction contract for Singapore's Tuas Nexus Integrated Waste Management Facility, and also commenced operations of the Keppel Marina East Desalination Plant. More recently in July 2020, Keppel DHCS, as part of a consortium, secured a contract worth over THB 7.5 billion (S$329 million) for a district cooling system in Bangkok, Thailand.

Meanwhile, demand remains strong for data centres. In June 2020, Keppel T&T secured government approval to develop a new data centre at Genting Lane, in partnership with SPH. In July 2020, the Group announced its first greenfield data centre development in China, through the Alpha Data Centre Fund.

Investments

The Investments Division recorded a net loss of S$27 million for 1H 2020, compared to a net profit of S$25 million a year ago. This was mainly due to the absence of a remeasurement gain on previously held interests in M1 at acquisition date, as well as mark-to-market losses from investments, which were partly offset by higher contributions from M1's consolidation from March 2019, the sale of a residential plot in the Sino-Singapore Tianjin Eco-City and Keppel Capital's improved results.

In the year-to-date, Keppel Capital-managed funds have received total commitments of US$1.5 billion from investors including pension and sovereign wealth funds, reflecting investors' demand for cashflow-generating real assets that can serve as an inflationary hedge over the long term.

With the joint license and ownership of the infrastructure for 5G, M1 will be able to share costs with StarHub to push out 5G services more aggressively. M1's share of the initial investment to rollout 5G is expected to fall under S$200 million over a five-year period. As part of its transformation from a telco into a digital connectivity platform, M1 is currently undertaking a comprehensive rebuild of its technology stack that aims to transform customer experience. M1 is also actively collaborating with other Keppel entities to create smarter and future-ready offerings, as well as working closely with Singapore government agencies, industry players and enterprises to co-develop 5G use cases for selected markets.

<u>Financial Highlights</u>

				Excluding Impairments		
	1H 2020 (S$ m)	**1H 2019 (S$ m)**	**Change (%)**	**1H 2020 (S$ m)**	**1H 2019 (S$ m)**	**Change (%)**
Revenue	3,182	3,315	(4)	3,182	3,315	(4)
Operating (Loss)/Profit	(149)	482	n.m.f.	553	501	10
Net (Loss)/Profit	(537)	356	n.m.f.	393	375	5
(Loss)/Earnings per Share	(29.5) cents	19.6 cents	n.m.f.	21.6 cents	20.7 cents	4

**n.m.f. denotes - No Meaningful Figure.*

				Excluding Impairments		
	2Q 2020 (S$ m)	**2Q 2019 (S$ m)**	**Change (%)**	**2Q 2020 (S$ m)**	**2Q 2019 (S$ m)**	**Change (%)**
Revenue	1,325	1,784	(26)	1,325	1,784	(26)
Operating (Loss)/Profit	(422)	160	n.m.f.	270	160	69
Net (Loss)/Profit	(697)	153	n.m.f.	222	153	45
(Loss)/Earnings per Share	(38.3) cents	8.4 cents	n.m.f.	12.2 cents	8.4 cents	45

**n.m.f. denotes - No Meaningful Figure.*

- Net gearing was 1.0x at end-June 2020
- Free cash outflow was S$278m in 1H 2020 compared to an outflow of S$563m in 1H 2019
- Declared interim cash dividend of 3.0 cents per share for 1H 2020

Shareholders and investors are advised to exercise caution when dealing with their shares and to refrain from taking any action in relation to their shares which may be prejudicial to their interests. Shareholders and investors should note that there is no certainty that the pre-conditions to the voluntary conditional cash partial offer ("Partial Offer") announced by Morgan Stanley Asia (Singapore) Pte., for and on behalf of Kyanite Investment Holdings Pte. Ltd, on 21 October 2019, will be satisfied and/or waived and that the Partial Offer will be made. In the event of any doubt, they should consult their stockbrokers, bankers, solicitors, accountants or other professional advisors.

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KEPPEL CORPORATION LIMITED

Co. Reg. No. 196800351N
(Incorporated in the Republic of Singapore)

SECOND QUARTER 2020 FINANCIAL STATEMENTS & DIVIDEND ANNOUNCEMENT

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KEPPEL CORPORATION LIMITED

Second Quarter 2020 Financial Statements and Dividend Announcement

UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2020

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the second quarter and half year ended 30 June 2020.

1. GROUP PROFIT AND LOSS ACCOUNT for the second quarter and half year ended 30 June

	Note	Second Quarter			Half Year		
		30.6.2020 $'000	30.6.2019 $'000	+/- %	**30.6.2020 $'000**	30.6.2019 $'000	+/- %
Revenue		**1,325,047**	1,784,510	-25.7	**3,182,478**	3,315,178	-4.0
Materials & subcontract costs	(i)	**(876,002)**	(1,224,501)	-28.5	**(2,206,864)**	(2,248,284)	-1.8
Staff costs	(ii)	**(295,935)**	(274,435)	+7.8	**(583,801)**	(536,285)	+8.9
Depreciation & amortisation	(iii)	**(100,569)**	(102,155)	-1.6	**(201,097)**	(169,779)	+18.4
Impairment loss on financial assets and contract assets	(iv)	**(633,231)**	(2,334)	>+500	**(634,524)**	(3,761)	>+500
Other operating income/(expense) - net	(v)	**157,731**	(21,064)	n.m.f.	**294,387**	124,564	+136.3
Operating (loss)/profit		**(422,959)**	160,021	n.m.f.	**(149,421)**	481,633	n.m.f.
Investment income	(vi)	**10,267**	35,708	-71.2	**12,384**	40,121	-69.1
Interest income		**47,894**	41,995	+14.0	**105,126**	83,440	+26.0
Interest expenses	(vii)	**(77,201)**	(81,592)	-5.4	**(156,846)**	(150,626)	+4.1
Share of results of associated companies	(viii)	**(162,137)**	50,079	n.m.f.	**(168,565)**	34,404	n.m.f.
(Loss)/profit before tax		**(604,136)**	206,211	n.m.f.	**(357,322)**	488,972	n.m.f.
Taxation	1b	**(94,713)**	(53,068)	+78.5	**(178,810)**	(99,299)	+80.1
(Loss)/profit for the period		**(698,849)**	153,143	n.m.f.	**(536,132)**	389,673	n.m.f.
Attributable to:							
Shareholders of the Company		**(697,592)**	153,388	n.m.f.	**(537,131)**	356,283	n.m.f.
Non-controlling interests		**(1,257)**	(245)	+413.1	**999**	33,390	-97.0
		(698,849)	153,143	n.m.f.	**(536,132)**	389,673	n.m.f.
Earnings per ordinary share							
- basic		**(38.3) cts**	8.4 cts	n.m.f.	**(29.5) cts**	19.6 cts	n.m.f.
- diluted		**(38.2) cts**	8.4 cts	n.m.f.	**(29.4) cts**	19.5 cts	n.m.f.

n.m.f. - No Meaningful Figure

NOTES TO GROUP PROFIT AND LOSS ACCOUNT

1a. Pre-tax (loss)/profit of the Group is arrived at after charging/(crediting) the following:

	Note	Second Quarter			Half Year		
		30.6.2020 $'000	30.6.2019 $'000	+/- %	**30.6.2020 $'000**	30.6.2019 $'000	+/- %
Share-based payment expenses		**9,917**	6,865	+44.5	**18,212**	15,111	+20.5
Loss/(profit) on sale of fixed assets and investment properties	(ix)	**203**	(649)	n.m.f.	**(63)**	(806)	-92.2
Provision/(write-back of provision)							
- Stocks	(x)	**41,657**	798	>+500	**41,657**	800	>+500
- Contract assets	(xi)	**430,842**	–	n.m.f.	**430,842**	–	n.m.f.
- Doubtful debts	(xii)	**202,389**	2,316	>+500	**203,682**	3,749	>+500
Fair value loss/(gain)							
- Investments	(xiii)	**12,539**	(5,893)	n.m.f.	**57,577**	10,989	+424.0
- Forward contracts	(xiv)	**2,214**	(5,346)	n.m.f.	**(24,823)**	11,713	n.m.f.
- Financial derivatives		**257**	121	+112.4	**712**	(67)	n.m.f.
Foreign exchange loss/(gain)	(xv)	**5,777**	(6,697)	n.m.f.	**33**	(8,801)	n.m.f.
Impairment /(write-back of impairment) of associated companies	(xvi)	**7,829**	(329)	n.m.f.	**17,543**	18,342	-4.4
Gain on disposal of subsidiaries	(xvii)	**(7,688)**	–	n.m.f.	**(40,086)**	(64,534)	-37.9
Gain on disposal of an associated company	(xviii)	**–**	–	n.m.f.	**–**	(54)	n.m.f.
Gain from sale of units in associated companies	(xix)	**(48,275)**	–	n.m.f.	**(48,275)**	–	n.m.f.
Fair value gain on investment properties	(xx)	**(173,643)**	(38,347)	+352.8	**(173,643)**	(38,347)	+352.8
Loss/(gain) from change in interest in associated companies	(xxi)	**1,677**	(497)	n.m.f.	**761**	(4,618)	n.m.f.
Fair value gain on remeasurement of previously held interest upon acquisition of a subsidiary	(xxii)	**–**	–	n.m.f.	–	(158,376)	n.m.f.
Gain from reclassification of an associated company to an investment carried at fair value through other comprehensive income	(xxiii)	**–**	–	n.m.f.	**(130,547)**	–	n.m.f.

n.m.f. - No Meaningful Figure

Note:

(i) Materials & subcontract costs decreased for the half year ended 30 June 2020 mainly as a result of lower revenue from the Property and Infrastructure Divisions.

(ii) Staff costs increased for the half year ended 30 June 2020 mainly due to consolidation of M1 results from March 2019 and higher manpower cost in the Offshore & Marine Division.

(iii) Depreciation & amortisation increased for the half year ended 30 June 2020 mainly due to consolidation of M1 results from March 2019 and higher depreciation & amortisation costs in the Offshore & Marine Division.

(iv) The impairment loss on financial assets and contract assets increased for the half year ended 30 June 2020 mainly due to provision for contract assets (Note xi) and provision for doubtful debts (Note xii).

(v) Other operating income increased for the half year ended 30 June 2020 mainly due to higher fair value gain on investment properties (Note xx), gain from reclassification of Keppel Infrastructure Trust from an associated company to an investment carried at fair value through comprehensive income (Note xxiii), gain from sale of units in associated companies (Note xix) and fair value gain on forward contracts (Note xiv), partly offset by absence of fair value gain on remeasurement of previously held interest upon acquisition of M1 Limited (Note xxii), higher fair value loss on investments (Note xiii), provision for stocks (Note x) and lower gain on disposal of subsidiaries (Note xvii).

(vi) Investment income for the half year ended 30 June 2020 was lower mainly due to lower distributions received from funds invested by the Property Division, partly offset by higher distributions received by the Infrastructure Division, including dividend paid by Keppel Infrastructure Trust during the quarter.

(vii) Higher interest expense was mainly attributable to higher average borrowings.

(viii) Share of losses of associated companies for the half year ended 30 June 2020, as compared to share of profits for the same period in 2019 mainly due to share of losses of associated companies in the Offshore & Marine Division, including share of impairment from Floatel International Ltd.

(ix) Profit on sale of fixed assets for the half year ended 30 June 2020 was largely attributable to disposal of assets in the Investments Division. Profit on sale of fixed assets & investment properties in the prior period was largely attributable to disposal of assets in the Property Division.

(x) The provision for stocks for both periods arose mainly from the Offshore & Marine Division due to the lower net realisable value for certain stocks under work-in-progress.

(xi) The provision for contract assets for the half year ended 30 June 2020 arose mainly from several rigs that were under construction for Offshore & Marine Division's customers who had requested for deferral of delivery dates of the rigs in prior years. Please refer to Section 9b for more details.

(xii) The provision for doubtful debts arose mainly from the Offshore & Marine Division which had delivered rigs to customers where receipts of the construction revenue have been deferred under certain financing arrangements (please refer to Section 9b for more details), as well as the expected credit loss for a receivable in the Property Division.

(xiii) Fair value loss (mark-to-market) on investment portfolio for the second quarter and half year ended 30 June 2020 were due to decrease in prices of listed stocks and lower valuations of unquoted investments.

(xiv) Fair value gain on forward contracts for the half year ended 30 June 2020 arose mainly from the hedging differential on forward exchange contracts due to elapse of time and fluctuations in interest rate and fair value gain in relation to fair value hedge of Euro loan. The corresponding effects from revaluation of the Euro loan was recorded under foreign exchange loss (Note xv). In the prior year, fair value loss on forward contracts for the half year ended 30 June 2019 arose mainly from the hedging differential on forward exchange contracts due to elapse of time and fluctuations in interest rate, partly offset by fair value gain in relation to fair value hedge of United States dollar loan. The corresponding effects from revaluation of the United States dollar loan was recorded under foreign exchange loss (Note xv).

(xv) Foreign exchange loss for the half year ended 30 June 2020 was mainly attributable to the revaluation of Euro loan which was hedged using forward exchange contracts. This was partly offset by foreign exchange gain attributable to the revaluation of net assets denominated in United States dollar, which appreciated against Singapore dollar. The effects from fair value on forward contracts was recorded under fair value gain on forward contracts (Note xiv). In the prior year, foreign exchange gain was mainly attributable to the revaluation of net receivables denominated in United States dollar, which appreciated against Singapore dollar, partly offset by foreign exchange loss arising from the receipt of Renminbi denominated dividends and revaluation of United States dollar loan which was hedged using forward exchange contracts. The effects from fair value on forward contracts was recorded under fair value loss on forward contracts (Note xiv).

(xvi) The impairment of associated companies for the half year ended 30 June 2020 was mainly attributable to the Infrastructure and Investments Divisions. The impairment of associated companies in the prior period was mainly attributable to impairment of an associated company in the Investments Division.

(xvii) Gain on disposal of subsidiaries arose from the sale of First FLNG Holdings Pte Ltd, First FLNG Sub-Fund Holdings Pte Ltd, and Jiangyin Evergro Properties Co., Ltd ("JEP"). First FLNG Holdings Pte Ltd owns 30% interest in Gimi MS Corporation, while JEP owns a residential and commercial mixed-use sited located in Jiangyin, China. In the prior period, gain on disposal of subsidiaries arose from the sale of 70% interest in Dong Nai Waterfront City LLC.

(xviii) In the prior period, the gain on disposal of an associated company arose from the sale of interest in Anew Corporation Limited.

(xix) Gain from sale of units in associated companies relates to sale of units in Keppel REIT and Keppel DC REIT units.

(xx) Fair value gain on investment properties arose from the Group's mid-year revaluation of significant investment properties. The higher fair value gain on investment properties for the current period was underpinned by the Group's commercial portfolio comprising mainly office assets in China and Singapore, including a property which was reclassified from stocks, previously carried at cost, to an investment property carried at fair value.

(xxi) Loss from change in interest in associated companies arose mainly from change in interest in Keppel REIT. In the prior period, gain from change in interest in associated companies relates to change in interest in Keppel REIT and Keppel DC REIT.

(xxii) In the prior period, fair value gain on remeasurement of previously held interest upon acquisition of M1 Limited.

(xxiii) The gain from reclassification of an associated company to an investment carried at fair value through other comprehensive income arose from the loss of significant influence over the Group's former associated company, Keppel Infrastructure Trust.

1b. Taxation expenses for the half year ended 30 June 2020 were higher mainly due to absence of write-backs of tax provision in the Property, Investments and Offshore & Marine Divisions as compared to the prior period.

1c. Earnings per ordinary share

	Second Quarter			**Half Year**		
	30.6.2020	30.6.2019	+/-%	**30.6.2020**	30.6.2019	+/-%
Earnings per ordinary share of the Group based on net profit attributable to shareholders:-						
(i) Based on weighted average number of shares	**(38.3) cts**	8.4 cts	n.m.f.	**(29.5) cts**	19.6 cts	n.m.f.
- Weighted average number of shares (excluding treasury shares) ('000)	**1,819,159**	1,815,955	+0.2	**1,819,159**	1,815,955	+0.2
(ii) On a fully diluted basis	**(38.2) cts**	8.4 cts	n.m.f.	**(29.4) cts**	19.5 cts	n.m.f.
- Adjusted weighted average number of shares (excluding treasury shares) ('000)	**1,828,872**	1,825,302	+0.2	**1,828,872**	1,825,302	+0.2

n.m.f. - No Meaningful Figure

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the second quarter and half year ended 30 June

		Second Quarter			Half Year		
		30.6.2020 $'000	30.6.2019 $'000	+/- %	**30.6.2020 $'000**	30.6.2019 $'000	+/- %
(Loss)/profit for the period		**(698,849)**	153,143	n.m.f.	**(536,132)**	389,673	n.m.f.
Items that may be reclassified subsequently to profit & loss account:							
Cash flow hedges							
- Fair value changes arising during the period, net of tax	(i)	**314**	(179,962)	n.m.f.	**(216,595)**	12,979	n.m.f.
- Realised and transferred to profit & loss account	(ii)	**57,552**	18,064	+218.6	**46,173**	32,984	+40.0
Foreign exchange translation							
- Exchange differences arising during the period	(iii)	**(60,493)**	(32,109)	+88.4	**45,854**	12,228	+275.0
- Realised and transferred to profit & loss account		**(501)**	(89)	+462.9	**10,604**	8,300	+27.8
Share of other comprehensive income of associated companies							
- Cash flow hedges		**(10,428)**	(9,352)	+11.5	**(17,369)**	(10,135)	+71.4
- Foreign exchange translation		**16,429**	13,171	+24.7	**60,685**	(10,192)	n.m.f.
		2,873	(190,277)	n.m.f.	**(70,648)**	46,164	n.m.f.
Items that will not be reclassified subsequently to profit & loss account:							
Financial assets, at FVOCI							
- Fair value changes arising during the period	(iv)	**101,120**	(23,187)	n.m.f.	**(10,668)**	(18,159)	-41.3
Foreign exchange translation							
- Exchange differences arising during the period	(iii)	**(2,038)**	(1,377)	+48.0	**2,466**	1,542	+59.9
Share of other comprehensive income of associated companies							
- Financial assets, at FVOCI		**(304)**	(3)	>+500	**(396)**	116	n.m.f.
		98,778	(24,567)	n.m.f.	**(8,598)**	(16,501)	-47.9
Other comprehensive income/(expense) for the period, net of tax		**101,651**	(214,844)	n.m.f.	**(79,246)**	29,663	n.m.f.
Total comprehensive income/(expense) for the period		**(597,198)**	(61,701)	>+500	**(615,378)**	419,336	n.m.f.
Attributable to:							
Shareholders of the Company		**(592,990)**	(60,072)	>+500	**(618,047)**	384,228	n.m.f.
Non-controlling interests		**(4,208)**	(1,629)	+158.3	**2,669**	35,108	-92.4
		(597,198)	(61,701)	>+500	**(615,378)**	419,336	n.m.f.

n.m.f. - No Meaningful Figure

Note:

(i) Fair value differences were mainly due to the hedging differential on fuel oil forward contracts.

(ii) These represented cash flow hedges, which were transferred to profit & loss account upon realisation.

(iii) These exchange differences arose from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as from the translation of foreign currency loans that form part of the Group's net investment in foreign operations. The translation gains for the half year ended 30 June 2020 and 30 June 2019 arose largely from the strengthening of foreign currencies, such as Renminbi against Singapore dollar.

(iv) Fair value changes were attributable to movements in prices of financial assets measured at fair value with fair value changes recognised in other comprehensive income.

3. BALANCE SHEETS as at 30 June

	Group		Company	
	30.6.2020	31.12.2019	**30.6.2020**	31.12.2019
	$'000	$'000	**$'000**	$'000
Share capital	**1,305,668**	1,291,722	**1,305,668**	1,291,722
Treasury shares	**(246)**	(14,009)	**(246)**	(14,009)
Reserves	**9,075,338**	9,933,140	**7,565,609**	6,772,318
Share capital & reserves	**10,380,760**	11,210,853	**8,871,031**	8,050,031
Non-controlling interests	**432,551**	435,178	**–**	–
Total equity	**10,813,311**	11,646,031	**8,871,031**	8,050,031
Represented by:				
Fixed assets	**2,830,530**	2,901,845	**6,264**	7,273
Investment properties	**4,070,196**	3,022,091	**–**	–
Right-of-use assets	**735,951**	759,929	**13,508**	12,833
Subsidiaries	**–**	–	**7,962,538**	7,962,528
Associated companies	**5,955,704**	6,350,845	**–**	–
Investments	**1,146,540**	649,069	**20,839**	19,230
Long term assets	**1,955,675**	1,656,362	**11,134**	23,469
Intangibles	**1,658,508**	1,682,981	**–**	–
	18,353,104	17,023,122	**8,014,283**	8,025,333
Current assets				
Stocks	**5,047,817**	5,542,755	**–**	–
Contract assets	**2,778,275**	3,497,476	**–**	–
Amounts due from:				
- subsidiaries	**–**	–	**9,364,715**	7,280,724
- associated companies	**419,905**	563,578	**13**	705
Debtors	**2,770,631**	2,748,484	**7,451**	8,844
Derivative assets	**72,240**	41,050	**31,473**	18,544
Short term investments	**119,606**	121,581	**–**	–
Bank balances, deposits & cash	**2,426,429**	1,783,514	**2,148**	1,047
	13,634,903	14,298,438	**9,405,800**	7,309,864
Current liabilities				
Creditors	**4,360,938**	4,604,544	**73,330**	78,725
Derivative liabilities	**193,709**	119,481	**52,545**	19,988
Contract liabilities	**1,913,227**	1,824,965	**–**	–
Provisions for warranties	**34,230**	36,448	**–**	–
Amounts due to:				
- subsidiaries	**–**	–	**167,412**	156,867
- associated companies	**319,304**	490,286	**29**	–
Term loans	**5,426,045**	4,555,237	**3,796,966**	3,400,430
Lease liabilities	**66,774**	67,387	**4,118**	4,154
Taxation	**319,440**	248,425	**37,523**	31,523
	12,633,667	11,946,773	**4,131,923**	3,691,687
Net current assets	**1,001,236**	2,351,665	**5,273,877**	3,618,177
Non-current liabilities				
Term loans	**7,256,863**	6,504,394	**4,258,950**	3,498,203
Lease liabilities	**493,432**	530,052	**9,598**	11,498
Deferred taxation	**434,440**	399,028	**–**	–
Other non-current liabilities	**356,294**	295,282	**148,581**	83,778
	8,541,029	7,728,756	**4,417,129**	3,593,479
Net assets	**10,813,311**	11,646,031	**8,871,031**	8,050,031
Group net debt	***10,816,685***	*9,873,556*	***n.a.***	*n.a.*
Group net gearing ratio	***1.00x***	*0.85x*	***n.a.***	*n.a.*

NOTES TO BALANCE SHEETS

3a. Group's borrowings and debt securities

(i) Amount repayable in one year or less, or on demand

As at 30.6.2020		As at 31.12.2019	
Secured $'000	**Unsecured $'000**	Secured $'000	Unsecured $'000
164,629	**5,328,190**	165,986	4,456,638

(ii) Amount repayable after one year

As at 30.6.2020		As at 31.12.2019	
Secured $'000	**Unsecured $'000**	Secured $'000	Unsecured $'000
1,139,311	**6,610,984**	840,911	6,193,535

(iii) Details of any collateral and securities

Certain subsidiaries of the Company pledged their assets in order to obtain loans from financial institutions. The Group has mortgaged certain properties and assets of up to an aggregate amount of $2,247,176,000 (31 December 2019: $963,984,000) to banks for loan facilities. Included in secured borrowings are current lease liabilities of $66,774,000 and non-current lease liabilities of $493,432,000 which are secured over the right-of-use assets of $735,951,000.

3b. Net asset value

	Group			**Company**		
	30.6.2020	31.12.2019	+/-%	**30.6.2020**	31.12.2019	+/-%
Net asset value per ordinary share *	**$5.70**	$6.17	-7.6	**$4.87**	$4.43	+9.9
Net tangible asset per ordinary share *	**$4.79**	$5.25	-8.8	**$4.87**	$4.43	+9.9

* Based on share capital of 1,820,517,031 ordinary shares (excluding treasury shares) as at the end of the financial period (31 December 2019: 1,816,379,444 ordinary shares (excluding treasury shares)).

3c. Balance sheet analysis

Group shareholder's funds decreased by $0.83 billion to $10.81 billion at 30 June 2020. The decrease was mainly attributable to retained losses for the half year ended 30 June 2020, payment of final dividend of 12.0 cents per share in respect of financial year 2019, fair value losses from cash flow hedges and investments held at fair value through other comprehensive income, partly offset by foreign exchange translation gains.

Group total assets were $31.99 billion at 30 June 2020, $0.67 billion higher than the previous year end. Non-current assets increased mainly due to a reclassification from stocks to investment properties, fair value gains in investment properties, increase in investments and long term assets, partly offset by decrease in investments in associated companies. Decrease in current assets was mainly due to a reclassification from stocks to investment properties and decrease in contract assets, partly offset by increase in bank balances, deposits & cash.

Group total liabilities of $21.17 billion at 30 June 2020 were $1.50 billion higher than the previous year end. This was largely attributable to the increase in term loans and contract liabilities, partly offset by the decrease in creditors and amounts due to associated companies.

Group net debt increased by $0.94 billion to $10.82 billion at 30 June 2020.

Group net gearing ratio increased from 85% at 31 December 2019 to 100% at 30 June 2020. This was largely driven by increase in group net debt and a reduction in total equity.

4. STATEMENTS OF CHANGES IN EQUITY for the second quarter and half year ended 30 June

4a. Statement of changes in equity of the Group

	Attributable to owners of the Company							
	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	Total Equity $'000
2020								
As at 1 January	**1,291,722**	**(14,009)**	**126,099**	**10,470,627**	**(663,586)**	**11,210,853**	**435,178**	**11,646,031**
Total comprehensive income for first quarter								
Profit for first quarter	**–**	**–**	**–**	**160,461**	**–**	**160,461**	**2,256**	**162,717**
Other comprehensive (expense)/income *	**–**	**–**	**(347,226)**	**–**	**161,708**	**(185,518)**	**4,621**	**(180,897)**
Total comprehensive (expense)/income for first quarter	**–**	**–**	**(347,226)**	**160,461**	**161,708**	**(25,057)**	**6,877**	**(18,180)**
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Share-based payment	**–**	**–**	**7,796**	**–**	**–**	**7,796**	**–**	**7,796**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(8,137)**	**(8,137)**
Purchase of treasury shares	**–**	**(4,974)**	**–**	**–**	**–**	**(4,974)**	**–**	**(4,974)**
Treasury shares reissued pursuant to share plans and share option scheme	**13,946**	**18,983**	**(32,928)**	**–**	**–**	**1**	**–**	**1**
Transfer of statutory, capital and other reserves from revenue reserves	**–**	**–**	**1,493**	**(1,493)**	**–**	**–**	**–**	**–**
Cash subscribed by non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**1,527**	**1,527**
Contributions to defined benefits plans	**–**	**–**	**(110)**	**–**	**–**	**(110)**	**(1)**	**(111)**
Total contributions by and distributions to owners	**13,946**	**14,009**	**(23,749)**	**(1,493)**	**–**	**2,713**	**(6,611)**	**(3,898)**
Changes in ownership interests in subsidiaries								
Acquisition of additional interest in a subsidiary	**–**	**–**	**(3,021)**	**–**	**–**	**(3,021)**	**2,336**	**(685)**
Total change in ownership interests in subsidiaries	**–**	**–**	**(3,021)**	**–**	**–**	**(3,021)**	**2,336**	**(685)**
Total transactions with owners	**13,946**	**14,009**	**(26,770)**	**(1,493)**	**–**	**(308)**	**(4,275)**	**(4,583)**
As at 31 March 2020	**1,305,668**	**–**	**(247,897)**	**10,629,595**	**(501,878)**	**11,185,488**	**437,780**	**11,623,268**

4a. Statement of changes in equity of the Group (cont'd)

	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	Total Equity $'000
	Attributable to owners of the Company							
2020								
Total comprehensive income for second quarter								
Loss for second quarter	**–**	**–**	**–**	**(697,592)**	**–**	**(697,592)**	**(1,257)**	**(698,849)**
Other comprehensive income *	**–**	**–**	**149,167**	**–**	**(44,565)**	**104,602**	**(2,951)**	**101,651**
Total comprehensive (expense)/income for second quarter	**–**	**–**	**149,167**	**(697,592)**	**(44,565)**	**(592,990)**	**(4,208)**	**(597,198)**
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Dividend paid	**–**	**–**	**–**	**(218,462)**	**–**	**(218,462)**	**–**	**(218,462)**
Share-based payment	**–**	**–**	**8,712**	**–**	**–**	**8,712**	**–**	**8,712**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(13,965)**	**(13,965)**
Purchase of treasury shares	**–**	**(391)**	**–**	**–**	**–**	**(391)**	**–**	**(391)**
Treasury shares reissued pursuant to share plans and share option scheme	**–**	**145**	**(146)**	**–**	**–**	**(1)**	**–**	**(1)**
Transfer of statutory, capital and other reserves from revenue reserves	**–**	**–**	**309**	**(309)**	**–**	**–**	**–**	**–**
Cash subscribed by non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**13,898**	**13,898**
Contributions to defined benefits plans	**–**	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Other adjustments	**–**	**–**	**(1,599)**	**–**	**–**	**(1,599)**	**–**	**(1,599)**
Total contributions by and distributions to owners	**–**	**(246)**	**7,277**	**(218,771)**	**–**	**(211,740)**	**(67)**	**(211,807)**
Changes in ownership interests in subsidiaries								
Acquisition of additional interest in subsidiaries	**–**	**–**	**2**	**–**	**–**	**2**	**(2)**	**–**
Disposal of interest in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(952)**	**(952)**
Total change in ownership interests in subsidiaries	**–**	**–**	**2**	**–**	**–**	**2**	**(954)**	**(952)**
Total transactions with owners	**–**	**(246)**	**7,279**	**(218,771)**	**–**	**(211,738)**	**(1,021)**	**(212,759)**
As at 30 June 2020	**1,305,668**	**(246)**	**(91,451)**	**9,713,232**	**(546,443)**	**10,380,760**	**432,551**	**10,813,311**

* Details of other comprehensive income have been included in the consolidated statement of comprehensive income.

4a. Statement of changes in equity of the Group (cont'd)

	Attributable to owners of the Company							
	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	Total Equity $'000
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 first quarter								
Profit for first quarter	–	–	–	202,895	–	202,895	33,635	236,530
Other comprehensive income *	–	–	212,042	–	29,363	241,405	3,102	244,507
Total comprehensive income for first quarter	–	–	212,042	202,895	29,363	444,300	36,737	481,037
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Share-based payment	–	–	8,058	–	–	8,058	157	8,215
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	(596)	(596)
Treasury shares reissued pursuant to share plans and share option scheme	–	34,558	(34,423)	–	–	135	–	135
Cash subscribed by non-controlling shareholders	–	–	–	–	–	–	180	180
Contributions to defined benefits plans	–	–	363	–	–	363	–	363
Total contributions by and distributions to owners	–	34,558	(26,002)	–	–	8,556	(259)	8,297
Changes in ownership interests in subsidiaries								
Acquisition of a subsidiary	–	–	–	–	–	–	308,016	308,016
Total change in ownership interests in subsidiaries	–	–	–	–	–	–	308,016	308,016
Total transactions with owners	–	34,558	(26,002)	–	–	8,556	307,757	316,313
As at 31 March 2019	1,291,722	(10,515)	380,983	10,444,533	(464,306)	11,642,417	650,627	12,293,044

4a. Statement of changes in equity of the Group (cont'd)

	Attributable to owners of the Company							
	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	Total Equity $'000
2019								
Total comprehensive income for second quarter								
Profit for second quarter	–	–	–	153,388	–	153,388	(245)	153,143
Other comprehensive income *	–	–	(194,433)	–	(19,027)	(213,460)	(1,384)	(214,844)
Total comprehensive income for second quarter	–	–	(194,433)	153,388	(19,027)	(60,072)	(1,629)	(61,701)
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Dividend paid	–	–	–	(272,568)	–	(272,568)	–	(272,568)
Share-based payment	–	–	6,372	–	–	6,372	117	6,489
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	(9,256)	(9,256)
Treasury shares reissued pursuant to share plans and share option scheme	–	890	(890)	–	–	–	–	–
Transfer of statutory, capital and other reserves from revenue reserves	–	–	2,978	(2,978)	–	–	–	–
Cash subscribed by non-controlling shareholders	–	–	–	–	–	–	29	29
Contributions to defined benefits plans	–	–	(257)	–	–	(257)	–	(257)
Total contributions by and distributions to owners	–	890	8,203	(275,546)	–	(266,453)	(9,110)	(275,563)
Changes in ownership interests in subsidiaries								
Acquisition of a subsidiary	–	–	–	–	–	–	(15)	(15)
Acquisition of additional interest in subsidiaries	–	–	–	(50,262)	–	(50,262)	(173,390)	(223,652)
Total change in ownership interests in subsidiaries	–	–	–	(50,262)	–	(50,262)	(173,405)	(223,667)
Total transactions with owners	–	890	8,203	(325,808)	–	(316,715)	(182,515)	(499,230)
As at 30 June 2019	1,291,722	(9,625)	194,753	10,272,113	(483,333)	11,265,630	466,483	11,732,113

* Details of other comprehensive income have been included in the consolidated statement of comprehensive income.

4b. Statement of changes in equity of the Company

	Share Capital $'000	Treasury Shares $'000	Capital Reserves $'000	Revenue Reserves $'000	Total $'000
2020					
As at 1 January 2020	**1,291,722**	**(14,009)**	**205,112**	**6,567,206**	**8,050,031**
Profit / Total comprehensive income for first quarter	**–**	**–**	**(1,936)**	**(19,671)**	**(21,607)**
Transactions with owners, recognised directly in equity					
Share-based payment	**–**	**–**	**7,796**	**–**	**7,796**
Treasury shares reissued pursuant to share plans and share option scheme	**13,946**	**18,983**	**(32,928)**	**–**	**1**
Purchase of treasury shares	**–**	**(4,974)**	**–**	**–**	**(4,974)**
Total transactions with owners	**13,946**	**14,009**	**(25,132)**	**–**	**2,823**
As at 31 March 2020	**1,305,668**	**–**	**178,044**	**6,547,535**	**8,031,247**
Profit / Total comprehensive income for second quarter	**–**	**–**	**464**	**1,049,462**	**1,049,926**
Transactions with owners, recognised directly in equity					
Dividend paid	**–**	**–**	**–**	**(218,462)**	**(218,462)**
Share-based payment	**–**	**–**	**8,712**	**–**	**8,712**
Treasury shares reissued pursuant to share plans and share option scheme	**–**	**145**	**(146)**	**–**	**(1)**
Purchase of treasury shares	**–**	**(391)**	**–**	**–**	**(391)**
Total transactions with owners	**–**	**(246)**	**8,566**	**(218,462)**	**(210,142)**
As at 30 June 2020	**1,305,668**	**(246)**	**187,074**	**7,378,535**	**8,871,031**
2019					
As at 1 January 2019	1,291,722	(45,073)	202,141	6,194,448	7,643,238
Profit / Total comprehensive income for first quarter	–	–	–	(7,010)	(7,010)
Transactions with owners, recognised directly in equity					
Share-based payment	–	–	7,507	–	7,507
Treasury shares reissued pursuant to share plans and share option scheme	–	34,558	(34,423)	–	135
Total transactions with owners	–	34,558	(26,916)	–	7,642
As at 31 March 2019	1,291,722	(10,515)	175,225	6,187,438	7,643,870
Profit / Total comprehensive income for second quarter	–	–	–	819,215	819,215
Transactions with owners, recognised directly in equity					
Dividend paid	–	–	–	(272,568)	(272,568)
Share-based payment	–	–	6,600	–	6,600
Treasury shares reissued pursuant to share plans and share option scheme	–	890	(890)	–	–
Total transactions with owners	–	890	5,710	(272,568)	(265,968)
As at 30 June 2019	1,291,722	(9,625)	180,935	6,734,085	8,197,117

4c. Share capital

Issued share capital and treasury shares

	Number of ordinary shares	
	Issued Share Capital	Treasury Shares
As at 1 January 2020	1,818,394,180	2,014,736
Issue of shares under share plan	2,163,587	–
Treasury shares transferred pursuant to share plan	–	(2,754,836)
Treasury shares purchased	–	740,100
As at 31 March 2020	**1,820,557,767**	**–**
Treasury shares transferred pursuant to restricted share plan	–	(24,288)
Treasury shares purchased	–	65,024
As at 30 June 2020	**1,820,557,767**	**40,736**

Treasury shares
During six months ended 30 June 2020, the Company transferred 2,779,124 (30 June 2019: 4,668,482) treasury shares to employees upon vesting of shares released under the KCL Share Plans and Share Option Scheme. There were 805,124 treasury shares purchased (30 June 2019: nil) during the period. As at 30 June 2020, the number of treasury shares held by the Company represented 0.0% (30 June 2019: 0.07%) of the total number of issued shares (excluding treasury shares). Except for the transfer, there was no other sale, disposal, cancellation and/or other use of treasury shares during the six months ended 30 June 2020.

Share options
As at 30 June 2020, there were no unexercised options for unissued ordinary shares (30 June 2019: 1,688,485 ordinary shares) under the KCL Share Options Scheme. No options were exercised during the six months (6 months ended 30 June 2019: 44,000) and twelve months ended 30 June 2020 respectively. Unexercised options for 910,900 unissued ordinary shares (30 June 2019: 157,700) and 1,688,485 of unissued ordinary shares were cancelled during the six months and twelve months ended 30 June 2020 respectively.

KCL Performance Share Plan ("KCL PSP")
As at 30 June 2020, the number of contingent shares granted but not released were 4,400,000 (30 June 2019: 3,885,000) for KCL PSP. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 6,600,000 under KCL PSP.

KCL Performance Share Plan – Transformation Incentive Plan ("KCL PSP-TIP")
As at 30 June 2020, the number of contingent shares granted but not released were 6,622,171 (30 June 2019: 5,920,967) for KCL PSP-TIP. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 9,933,257 under KCL PSP-TIP.

KCL Performance Share Plan – M1 Transformation Incentive Plan ("KCL PSP-M1 TI")
As at 30 June 2020, the number of contingent shares granted but not released were 423,500 (30 June 2019: nil) for KCL PSP-M1 TI. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 635,250 under KCL PSP-M1 TI.

KCL Restricted Share Plan ("KCL RSP")
There are no contingent shares granted but not released as at 30 June 2020 and 30 June 2019.

As at 30 June 2020, the number of awards released but not vested was 24,041 (30 June 2019: 27,241) for KCL RSP.

KCL Restricted Share Plan – Deferred Shares (“KCL RSP-Deferred Shares”)
There are no contingent shares granted but not released as at 30 June 2020 and 30 June 2019.

As at 30 June 2020, the number of awards released but not vested was 4,825,499 (30 June 2019: 4,078,869) for KCL RSP-Deferred Shares.

The movements in the number of shares under KCL PSP, KCL PSP-TIP, KCL PSP-M1 TI, KCL RSP and KCL RSP-Deferred shares are as follows:

Contingent awards:

	Number of shares					
Date of Grant	At 1.1.20	Contingent awards granted	Adjustment upon release	Released	Cancelled	At 30.6.20
KCL PSP						
28.4.2017	1,070,000	–	(417,300)	(652,700)	–	–
30.4.2018	1,180,000	–	–	–	–	1,180,000
30.4.2019	1,635,000	–	–	–	–	1,635,000
31.3.2020	–	1,585,000	–	–	–	1,585,000
	3,885,000	1,585,000	(417,300)	(652,700)	–	4,400,000
KCL PSP-TIP						
29.4.2016	3,585,967	–	–	–	(119,197)	3,466,770
28.4.2017	2,000,000	–	–	–	(124,599)	1,875,401
28.2.2020	–	1,280,000	–	–	–	1,280,000
	5,585,967	1,280,000	–	–	(243,796)	6,622,171
KCL PSP-M1 TI						
17.2.2020	–	127,900	–	–	–	127,900
17.2.2020	–	295,600	–	–	–	295,600
	–	423,500	–	–	–	423,500

Awards:

	Number of shares					
Date of Grant	At 1.1.20	Awards granted	Adjustment upon release	Released	Cancelled	At 30.6.20
KCL RSP-Deferred shares						
17.2.2020	–	5,318,164	(1,709)	(5,316,455)	–	–
	–	5,318,164	(1,709)	(5,316,455)	–	–

Awards released but not vested:

Date of Grant	At 1.1.20	Released	Vested	Cancelled	Other adjustments	At 30.6.20
	Number of shares					
KCL PSP						
28.4.2017	–	652,700	(652,700)	–	–	–
	–	652,700	(652,700)	–	–	–
KCL RSP						
31.3.2014	3,600	–	–	–	–	3,600
31.3.2015	7,300	–	–	–	–	7,300
29.4.2016	15,341	–	(1,600)	(600)	–	13,141
	26,241	–	(1,600)	(600)	–	24,041
KCL RSP- Deferred shares						
23.2.2018	1,214,799	–	(1,176,272)	(35,068)	–	3,459
15.2.2019	2,488,090	–	(1,222,784)	(68,082)	–	1,197,224
18.4.2019	209,675	–	(103,668)	(2,262)	–	103,745
17.2.2020	–	5,316,455	(1,785,687)	(9,697)	–	3,521,071
	3,912,564	5,316,455	(4,288,411)	(115,109)	–	4,825,499

4d. Capital reserves

	Group		**Company**	
	30.6.2020	30.6.2019	**30.6.2020**	30.6.2019
	$'000	$'000	**$'000**	$'000
Share option and share plans reserve	**194,627**	191,843	**171,247**	165,123
Fair value reserve	**(27,548)**	51,227	**20,839**	16,957
Hedging reserve	**(380,655)**	(162,734)	**(3,081)**	–
Bonus issue by subsidiaries	**40,000**	40,000	**–**	–
Others	**82,125**	74,417	**(1,931)**	(1,145)
	(91,451)	194,753	**187,074**	180,935

5. CONSOLIDATED STATEMENT OF CASH FLOWS
for the second quarter and half year ended 30 June

	Note	Second Quarter		Half Year	
		30.6.2020	30.6.2019	**30.6.2020**	30.6.2019
		$'000	$'000	**$'000**	$'000
OPERATING ACTIVITIES					
Operating profit		**(422,959)**	160,021	**(149,421)**	481,633
Adjustments:					
Depreciation and amortisation		**100,569**	102,155	**201,097**	169,779
Share-based payment expenses		**9,917**	6,865	**18,212**	15,111
Loss/(profit) on sale of fixed assets and investment properties		**203**	(649)	**(63)**	(806)
Impairment /(write-back of impairment) of associated companies		**7,829**	(329)	**17,543**	18,342
Gain on disposal of subsidiaries		**(7,688)**	–	**(40,086)**	(64,534)
Gain on disposal of associated companies		**–**	–	**–**	(54)
Gain from sale of units in associated companies		**(48,275)**	–	**(48,275)**	–
Loss/(gain) from change in interest in associated companies		**1,677**	(497)	**761**	(4,618)
Fair value gain on investment properties		**(173,643)**	(38,347)	**(173,643)**	(38,347)
Fair value gain on remeasurement of previously held interest upon acquisition of subsidiary		**–**	–	**–**	(158,376)
Gain from reclassification of an associated company to fair value through other comprehensive income investment		**–**	–	**(130,547)**	–
Unrealised foreign exchange differences		**24,582**	30,860	**58,518**	16,007
Operational cash flow before changes in working capital		**(507,788)**	260,079	**(245,904)**	434,137
Working capital changes:					
Stocks		**(337,094)**	23,440	**(295,872)**	(160,870)
Contract assets		**811,228**	170,901	**704,057**	43,380
Debtors		**(43,205)**	(81,506)	**(365,647)**	(419,598)
Creditors		**(398,157)**	(532,460)	**(13,122)**	(311,011)
Contract liabilities		**31,211**	43,899	**77,834**	(70,729)
Investments		**29,965**	(47,285)	**(74,420)**	(128,747)
Amount due to/from associated companies		**(17,711)**	21,147	**(16,680)**	436
		(431,551)	(141,785)	**(229,754)**	(613,002)
Interest received		**37,863**	41,995	**79,965**	83,440
Interest paid		**(77,098)**	(81,589)	**(156,842)**	(150,621)
Income taxes paid, net of refunds received		**(43,736)**	(102,852)	**(72,383)**	(164,530)
Net cash used in operating activities		**(514,522)**	(284,231)	**(379,014)**	(844,713)
INVESTING ACTIVITIES					
Acquisition of a subsidiary	5a	**–**	–	**–**	(1,143,012)
Acquisition and further investment in associated companies		**(121,077)**	(149,587)	**(374,638)**	(334,451)
Acquisition of fixed assets and investment properties		**(56,995)**	(65,726)	**(237,810)**	(306,981)
Disposal of subsidiaries	5b	**88,305**	20,227	**88,305**	18,481
Proceeds from disposal of fixed assets		**351**	1,779	**2,914**	2,190
Proceeds from partial disposal of associated companies and return of capital		**100,834**	1,460	**101,164**	3,460
Advances to/from associated companies		**89,548**	152,865	**25,389**	189,940
Dividends received from investments and associated companies		**61,643**	100,087	**109,488**	147,817
Net cash from/(used in) investing activities		**162,609**	61,105	**(285,188)**	(1,422,556)

	Note	Second Quarter		Half Year	
		30.6.2020	30.6.2019	**30.6.2020**	30.6.2019
		$'000	$'000	**$'000**	$'000
FINANCING ACTIVITIES					
Acquisition of additional interest in subsidiaries		**–**	(223,652)	**(450)**	(223,652)
Proceeds from share options exercised with issue of treasury shares		**–**	–	**–**	135
Proceeds from non-controlling shareholders of subsidiaries		**–**	–	**336**	180
Proceeds from term loans		**1,073,243**	1,230,461	**2,016,154**	3,191,453
Repayment of term loans		**(308,915)**	(436,253)	**(440,401)**	(601,875)
Principal element of lease payments		**(12,658)**	(23,596)	**(25,476)**	(34,804)
Purchase of treasury shares		**(391)**	–	**(5,365)**	–
Dividend paid to shareholders of the Company		**(218,462)**	(272,568)	**(218,462)**	(272,568)
Dividend paid to non-controlling shareholders of subsidiaries		**(13,965)**	(9,256)	**(22,102)**	(9,852)
Net cash from financing activities		**518,852**	265,136	**1,304,234**	2,049,017
Net increase/(decrease) in cash and cash equivalents		**166,939**	42,010	**640,032**	(218,252)
Cash and cash equivalents as at beginning of period		**2,269,772**	1,719,603	**1,777,244**	1,971,844
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(14,588)**	(2,991)	**4,847**	5,030
Cash and cash equivalents as at end of period	5c	**2,422,123**	1,758,622	**2,422,123**	1,758,622

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

5a. Acquisition of a subsidiary

During the financial period, net assets of subsidiary acquired at their fair values were as follows:

	Second Quarter		Half Year	
	30.6.2020	30.6.2019	**30.6.2020**	30.6.2019
	$'000	$'000	**$'000**	$'000
Fixed assets	**–**	–	**–**	772,654
Right-of-use assets	**–**	–	**–**	44,324
Intangible assets	**–**	–	**–**	610,516
Stocks	**–**	–	**–**	34,745
Contract assets	**–**	–	**–**	163,121
Debtors and other assets	**–**	–	**–**	197,211
Bank balances and cash	**–**	–	**–**	88,991
Creditors and other liabilities	**–**	–	**–**	(241,555)
Borrowings and lease liabilities	**–**	–	**–**	(496,189)
Current and deferred taxation	**–**	–	**–**	(253,589)
Total identifiable net assets at fair value	**–**	–	**–**	920,229
Non-controlling interests measured at fair value	**–**	–	**–**	(308,001)
Amount previously accounted for as associated company	**–**	–	**–**	(210,137)
Goodwill arising from acquisition	**–**	–	**–**	988,288
Gain on remeasurement of previously held equity interest at fair value at acquisition date	**–**	–	**–**	(158,376)
Total purchase consideration	**–**	–	**–**	1,232,003
Less: Bank balances and cash acquired	**–**	–	**–**	(88,991)
Cash outflow on acquisition	**–**	–	**–**	1,143,012

During the prior period, the Group acquired 81% interest in M1 Limited, bringing to a total of 100% as at 30 June 2019.

5b. Disposal of subsidiaries

During the financial period, the book values of net assets of subsidiaries disposed were as follows:

	Second Quarter		Half Year	
	30.6.2020	30.6.2019	**30.6.2020**	30.6.2019
	$'000	$'000	**$'000**	$'000
Fixed assets and investment properties	**(20)**	–	**(20)**	–
Stocks	**(89,407)**	–	**(89,407)**	(94,883)
Debtors and other assets	**(6,283)**	–	**(9,005)**	(707)
Associated companies	**–**	–	**(158,670)**	–
Bank balances and cash	**(3,616)**	–	**(3,616)**	(1,746)
Creditors and other liabilities	**14,053**	–	**207,843**	6,846
Non-controlling interests deconsolidated	**952**	–	**952**	–
Net assets disposed of	**(84,321)**	–	**(51,923)**	(90,490)
Net gain on disposal	**(7,688)**	–	**(40,086)**	(64,534)
Amount accounted for as associated company	**–**	–	**–**	18,320
Realisation of foreign currency translation reserve	**88**	–	**88**	(8,489)
Sale proceeds	**(91,921)**	–	**(91,921)**	(145,193)
Less: Bank balances and cash disposed	**3,616**	–	**3,616**	1,746
Less: (Deferred proceeds received)/proceeds receivable	**–**	(20,227)	**–**	124,966
Cash inflow on disposal	**(88,305)**	(20,227)	**(88,305)**	(18,481)

During the six months, disposal relates to the First FLNG Holdings Pte Ltd, First FLNG Sub-Fund Holdings Pte Ltd, and Jiangyin Evergro Properties Co., Ltd (JEP). First FLNG Holdings Pte Ltd owns 30% interest in Gimi MS Corporation, while JEP owns a residential and commercial mixed-use sited located in Jiangyin, China.

Disposal during the prior period relates to the sale of 70% interest in Dong Nai Waterfront City LLC.

5c. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balance with banks. Cash and cash equivalents in the consolidated statement of cash flows comprise the following balance sheet amounts:

	Group	
	30.6.2020	30.6.2019
	$'000	$'000
Bank balances, deposits and cash	**2,426,429**	1,768,238
Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost and liabilities	**(4,306)**	(9,616)
	2,422,123	1,758,622

5d. Cash flow analysis

(i) Second Quarter

Net cash used in operating activities for the quarter was $515 million as compared to $284 million in the prior period mainly due to higher working capital requirements. The working capital changes were higher by $194 million as compared to second quarter of 2019. The changes exclude the effects of provisions made for stocks, contract assets and doubtful debts amounting to $675 million during the second quarter of 2020.

Net cash from investing activities for the quarter was $163 million. Divestment and dividend income of $251 million and receipts from associated companies of $90 million, was partly offset by acquisitions and capital expenditure of $178 million.

Net cash from financing activities was $519 million as compared to $265 million in the prior period. This was mainly attributable to net proceeds from term loans, partly offset by dividend paid to shareholders.

(ii) Half Year

Net cash used in operating activities was $379 million as compared to $845 million in the prior period mainly due to lower working capital requirements. The working capital changes were lower by $392 million as compared to the first half of 2019. The changes exclude the effects of provisions made for stocks, contract assets and doubtful debts amounting to $676 million during the first half of 2020.

Net cash used in investing activities was $285 million compared to $1,423 million in the prior period. Acquisitions and capital expenditure of $612 million was partly offset by divestments and dividend income of $302 million and receipts from associated companies of $25 million. The acquisitions and capital expenditure comprised investment in associated companies as well as acquisitions of fixed assets and investment properties.

Net cash from financing activities was $1,304 million. This was mainly attributable to net borrowings drawn down, partly offset by dividend of $241 million that was paid to both shareholders of the Company and non-controlling shareholders of subsidiaries during the period.

6. REVIEW

The consolidated financial information of the Group for the second quarter and half year ended 30 June 2020 as set out in Section 1, 2, 3 (excludes the Balance Sheet of the Company and paragraphs 3a, 3b and 3c), 4 (excludes the Statement of changes in equity of the Company and the Statement of changes in equity for the second quarter ended 30 June 2020), 5 (excludes the Consolidated statement of cash flows for the second quarter ended 30 June 2020), 9 and 14 of this announcement, has been extracted from the condensed consolidated interim financial statements that were prepared in accordance with the Singapore Financial Reporting Standard (International) 1-34 *Interim Financial Reporting* and reviewed by the independent auditor, PricewaterhouseCoopers LLP, in accordance with the Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

7. REVIEW REPORT

The review report dated 30 July 2020, on the unaudited condensed consolidated interim financial statement of the Group for the second quarter and half year ended 30 June 2020 which has been prepared in accordance with Singapore Financial Reporting Standard (International) 1-34 *Interim Financial Reporting*, is as attached as Appendix A.

8. ACCOUNTING POLICIES

Except as disclosed below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2019.

The Group adopted the new/revised SFRS(I)s that are effective for annual periods beginning on or after 1 January 2020. 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:

- Amendments to SFRS(I) 3 *Business Combinations*
- Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*
- Amendments to SFRS(I) 16 *Covid-19-Related Rent Concessions*

The adoption of the above 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.

9. CRITICAL ACCOUNTING ESTIMATES

The following are the critical accounting estimates in applying the Group’s accounting policies in the financial statements for the half year ended 30 June 2020:

9a. Coronavirus Disease 2019 (“COVID-19”) and volatility in oil prices

The evolving situation of the outbreak of the COVID-19 and volatility in oil prices, including the sharp reduction in global oil demand, could impact the assessment of the carrying amounts of the Group’s assets and liabilities. As these events and conditions have significant financial reporting implications, ACRA had published a financial reporting practice guidance in May 2020 highlighting key focus areas when preparing and reviewing the financial statements, especially in areas where estimates, assumptions and judgment are required. In the assessment for the current period, management has carried out a review to assess the assumptions used in the assessment of the carrying values of certain assets of the Group. Management has exercised judgment in determining the significant assumptions used and has relied on information currently available, including the COVID-19 official updates from the authorities, the experts' consensus on global oil prices and the work performed by independent advisers on certain assets, in the assessment of the appropriateness of the carrying values of the Group’s assets, including but not limited to the following assets as at 30 June 2020:

- Recoverability of contract assets and receivable balances in relation to Offshore & Marine construction contracts with Sete Brasil and other customers
- Valuation of investment properties
- Estimation of net realisable value of stocks
- Investments in associated companies, including KrisEnergy Limited and Floatel International Limited and related exposures

As the COVID-19 situation continues to evolve, the Group will proactively implement measures in mitigating the potential impact on the Group. Should the COVID-19 situation take a longer than expected period to recover and/or the recovery of the long term oil prices, dayrates or utilisation rates take a longer period or to a lower level than expected, the assessment of the carrying amounts of the assets of the Group could be impacted, and material provisions may be made and additional liabilities may arise in the subsequent financial periods.

9b. 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.

In December 2019, Petrobras issued a press release to communicate their Board's approval on the continuation of four charter agreements, and for Magni and their operator Etesco to step in as the new party to the agreements. Since then, the Group has been in constructive discussions with Magni to finalise the construction contracts for the two rigs and with Sete to close out the condition precedents in the Settlement Agreement. As a result of the global COVID-19 pandemic, finalisation of the agreements between the various parties have been delayed. On 25 June 2020, Petrobras issued a press release that their mediation agreement deadline with Sete has been extended to 30 September 2020 for Sete to conclude their sale transaction. Management continues to be in discussion with Magni and expects to finalise the agreements in due course.

Management 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 (2019: $183,000,000) and the provision for related contract costs of $245,000,000 (2019: $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 as at 30 June 2020 (31 March 2020 and 31 December 2019: $476,000,000).

Other contracts

As at 30 June 2020, 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 and have higher counterparty risks. In the event that the customers are unable to fulfill their contractual obligations, the Group can exercise the right to retain payments received to date, and retain title to the rigs.

The Group had also delivered rigs to customers where receipt of the construction revenue have been deferred under certain financing arrangements, amounting to $1,077,000,000, of which $931,000,000 is secured on the rigs and $146,000,000 is unsecured but the Group has obtained parental guarantee from the customers.

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 expected credit loss on contract assets and trade receivables of deferred projects and of rigs delivered on financing arrangements to determine if a provision for expected loss is necessary.

The global economic environment continues to be significantly affected by COVID-19. The oil and gas industry is experiencing an unprecedented and very difficult period due to the collapse of oil prices as a result of lower expected demands. Oil majors have announced deferment of final investment decisions (FIDs) and significantly reduced capital expenditures. The events during the quarter have provided a clearer indication that the impact from COVID-19 and uncertainties in global economies would likely continue for a prolonged period. Against this backdrop, management has engaged independent professional firms to assist in their assessment if the values of the rigs would exceed the carrying values of contract assets and trade receivables.

As the Group is able to retain the undelivered rigs in the event of default by its customer, management has considered the most likely outcome for the rigs delivered or under construction is for the Group to take possession of the asset and charter it out to work with an operator. The value of the rig on this basis would be based on an estimation of the Value-in-use ("VIU") of the rig, i.e. through estimating the net present value of cash flows from operating the rig over the useful life of the asset.

The VIU model used by the independent firm is consistent with prior periods and is based on Discounted Cash Flow calculations that cover each class of rig under construction. In addition to the independent firm responsible for the valuation based on VIU calculations, management has also engaged a separate industry expert to independently provide a view of the market outlook, assumptions and parameters which are used in the valuations based on estimation of VIU. Key inputs into the estimation of the VIU include dayrates and cost assumptions, utilisation rates, discount rates and estimated commencement of deployment. The valuation of the rigs would decrease if the expected income from operating the rigs decline, or discount rates were higher, or the estimated commencement of deployment were delayed. The parameters and input from the independent advisors resulted in declines in expected income to be generated from rig operations, a further delay in the commencement date of deployment and a higher discount rate, reflecting the current outlook for the industry. The results of the independent assessments (based on industry expert inputs) derived an indicative valuation of the rigs below the carrying values of the contract assets and receivables.

In addition, management has also appointed an independent advisor to conduct an assessment of the recoverability of unsecured receivables.

Accordingly, the Group recognised an expected credit loss allowance of $430,842,000 on contract assets, and $165,460,000 on long term receivables for the quarter as follows:

	Balance before 2Q2020 impairment $ million	Impairment recognised in 2Q2020 [(2)] $ million
Contract assets in Offshore & Marine Division	**3,038 [(1)]**	(431)
Financing to customers		
- unsecured	**146**	(62)
- secured	**931**	(104)
	1,077	(166)

[1] Net of prior year expected credit loss allowance of $21 million.
[2] In addition to the expected credit loss recognised above, the Group has recognised a $14 million expected credit loss on a trade debtor.

The valuation of the rigs based on estimated VIU are most sensitive to discount rates and dayrates.

- A discount rate of 7.4% has been used in the valuation as at 30 June 2020. An increase of 1% of the discount rate would increase the expected credit loss by approximately S$242 million.
- A decrease in dayrates of US$5,000 per day across the entire asset useful life of 25 years would increase the expected credit loss by approximately S$175 million.

9c. 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, determined annually by independent professional valuers on the highest and best use basis except for significant investment properties which are revalued on a half-yearly basis.

For the purpose of this condensed consolidated interim financial statements for the half year ended 30 June 2020, valuations were obtained from the valuers for certain significant investment properties, and the resultant fair value changes were recognised in the profit and loss account.

In determining the 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, price of comparable plots and properties, net initial yield and discount rate. The valuation reports obtained from the valuers for certain properties have highlighted the heightened uncertainty of the COVID-19 outbreak may have on the valuation of these properties.

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.

9d. 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.

As at 30 June 2020, stocks under work-in-progress amounted to $887,101,000 (after a provision of $50,000,000 made in prior years). This amount included $284,164,000 of contract assets which were reclassified to stocks during the quarter as the Group cancelled a construction contract with a customer due to its non-fulfillment of their payment obligations. Non-payment of any instalment by the customer is a default in accordance with the Contract, entitling the Group to terminate the Contract, retain all payments received to date (approximately US$54 million), seek compensation for the work done to date and claim ownership of the rig.

Arising from the same rig construction contract mentioned in the preceding paragraph, the customer has alleged a breach of contract by the Group and purportedly terminated the Contract on and sought recovery of the payments already made to the Group with interest, or to pay for the work done by the Group and take over the rig. The allegations by the customer were refuted and the purported termination of the contract was rejected by the Group. The Group has engaged legal advisors and commenced arbitration to enforce its rights. Through this process, the Group will continue to evaluate the potential financial impact in consultation with its advisors. Based on currently available information, management is of the opinion that no provision is required for the recovery of the payments already made to the Group by the customer.

The assessment of carrying value of these stocks were performed in conjunction with the valuation assessment of contract assets as described above.

Based on the results of the independent assessments, the Group recognised an impairment provision of $41,508,000 on stocks under work-in-progress during the quarter.

The valuation of the rigs based on estimated VIU are most sensitive to discount rates and dayrates.

- An increase of 1% of the discount rate would increase the impairment by approximately S$138 million.
- A decrease in dayrates of US$5,000 per day across the entire asset life of 25 years would increase the impairment by approximately S$40 million.

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.

9e. Investments in KrisEnergy Limited and related exposures

	30 June 2020 $'000	31 December 2019 $'000
Equity interest	**–**	–
Zero-coupon notes	**56,084**	74,284
Warrants	**–**	–
Loan receivable	**27,685**	–
Total carrying amount	**83,769**	74,284
Other related exposures:		
Contract assets [1]	**33,943**	20,541
Guarantee [2]	**250,368**	262,825

[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 August 2020. KrisEnergy published an initial restructuring plan on 16 June 2020.

In April 2020, the Group entered into a credit facility agreement with two wholly-owned indirect subsidiaries of KrisEnergy (the “Borrowers”), with the Group agreeing to grant a project financing loan in two or more tranches for an aggregate principal amount not exceeding US$87 million (the “CBA Loan Facility”) to the Borrowers. As at 30 June 2020, the total aggregate amount of funds drawn down by the Borrowers through the CBA Loan Facility was $27,685,000.

Management performed an impairment assessment to estimate the recoverable amount of the Group’s exposures in KrisEnergy as at 30 June 2020. Management reviewed the cash flow projections prepared by its financial advisor who 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. The cash flow estimates were based on forecasted oil prices, determined by taking reference from external information sources, ranging from US$40 to US$62 per barrel for

2020 to 2028. The impairment assessment has taken into consideration the initial restructuring proposal published by KrisEnergy on 16 June 2020. The estimates and assumptions used are subject to risk and uncertainty. If the oil prices were to decrease by 5% across the forecasted period of 2020 to 2028, the estimated cash available from producing assets and forecasted production from assets under development would decrease, and this would result in an additional impairment of $54 million.

Based on the assessment, there was no additional impairment provision required for the second quarter ended 30 June 2020. The Group recognised an impairment loss of $18,200,000 on the zero-coupon notes during the first quarter ended 31 March 2020, and the carrying value of the Group's investment in the zero-coupon notes was reduced to $56,084,000. No impairment allowance was made against the loan receivable, 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. In the financial year ended 31 December 2019, management had performed a similar assessment and recognised an impairment charge of $37,000,000 on the equity investment.

9f. Investments in Floatel International Limited

	30 June 2020 $'000	31 December 2019 $'000
Equity interest	–	311,000
Preference shares	–	10,449
Loan receivable	**165,369**	155,425
Total carrying amount	**165,369**	476,874

In February 2020, Floatel 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. On 14 April 2020, Floatel announced that they are in constructive negotiations with all lenders under the Bank Vessel Facility and the RCFs (the "Lenders") and an adhoc committee of holders of the first lien (1L) Bonds holding in aggregate more than 56% of the outstanding amount of 1L ("AHC"). The lenders have confirmed in writing that they remain supportive of the Floatel group and do not intend to take any further action at this time.

As part of these negotiations, Floatel has entered into a forbearance and deferral agreement with the AHC, in relation to payments of amortisation, interest and commitment fees due under the Bank Vessel Facility and RCFs, and coupon payment under the Bonds. The forbearance and deferral agreement has been extended to 15 August 2020. Management has retained an independent financial advisor to support the review of Floatel's business plan and cash flow projections. Based on advice from the independent financial advisor, management is of the view that the ongoing restructuring discussions between the various stakeholders remain constructive and the imminent success of restructuring plans is critical in ensuring the long term viability of Floatel's business.

In June 2020, in view that Prosafe SE, which is a major competitor of Floatel in the same industry, had made a significant impairment to the book value of its vessels, management had requested for Floatel to perform an independent review of the assumptions used in the conduct of its impairment assessment, with a focus on the reasonableness of market outlook assumptions and parameters used in the valuation of its vessels. The parameters provided by the independent review was adopted by Floatel management in their VIU calculations resulting in a revised valuation which is lower than the current carrying value of the vessels. Consequently, Floatel has made an impairment provision of US$398 million to the carrying value of its vessels as at 30 June 2020.

As the Group's share of the above impairment amount exceeds the carrying value of its investment in Floatel, the equity carrying value of $281,076,000 as at 30 June 2020 has been written down to Nil.

With respect to the carrying value of preference shares, based on the fair value assessment conducted by the independent financial advisors using the dividend discount model, the carrying value of $10,449,000 as at 30 June 2020 has similarly been written down to Nil.

In assessing the expected credit loss of the loan receivable repayable on 31 December 2025, based on the ongoing constructive discussions between various stakeholders and the review conducted by the independent financial advisor, management has concluded that no impairment provision was required in the current period ended 30 June 2020. This assessment was performed on the basis that despite the impairment recognised by Floatel on the value of Floatel's vessels in the current quarter, there is sufficient value for the loan to be repaid. This is premised upon the assumption that Floatel will continue as a going concern for the foreseeable future.

The carrying value of Floatel's vessels, after the impairment of US$398 million recognised by Floatel during the current quarter, was US$779 million. The recoverability assessment of the Group's loan to Floatel is primarily dependent on the ability of Floatel continuing as a going concern as set out above, and then on the recoverable amounts of Floatel's vessels, based on their estimated VIU, which are most sensitive to discount rates, utilisation and dayrates. The carrying values of Floatel's vessels ("Floatel's carrying values") will be impacted by these parameters as follows:-

- A 0.5% decrease in the discount rate would lead to US$40 million increase in Floatel's carrying values and a 0.5% increase would lead to US$37 million decrease in Floatel's carrying values.
- A 10% decrease in the long-term utilisation from 65% to 55% would lead to a decrease in Floatel's carrying values by US$167 million whilst a change in approximately 10% of the long-term dayrates would lead to a change in Floatel's carrying values by approximately US$130 million.

10. REVIEW OF GROUP PERFORMANCE

(i) Second Quarter

Group revenue for 2Q 2020 of $1,325 million was $459 million or 26% below that of 2Q 2019. Revenue from the Offshore & Marine Division decreased by $211 million to $270 million mainly due to significantly lower level of activities as a result of COVID-19 and the sharply reduced workforce in Singapore yards, as well as various other restrictions in overseas yards. Revenue from the Property Division declined by $62 million to $209 million mainly due to lower revenue from property trading projects in China, partly offset by higher revenue from property trading projects in Singapore. Revenue from the Infrastructure Division reduced by $167 million to $559 million mainly due to lower sales in the power and gas businesses, slowdown in progress of the Keppel Marina East Desalination Plant project and the Hong Kong Integrated Waste Management Facility project as a result of COVID-19, as well as lower contribution from the logistics business following the divestment of some China logistics assets in November 2019. Revenue from the Investments Division was $19 million lower at $287 million mainly attributable to lower service revenue and equipment sales from M1 Limited ("M1"), as well as lower revenue from the asset management business.

The COVID-19 pandemic has severely impacted the global economy and brought about significant market volatility and uncertainty, including a sharp reduction in global demand for oil and oil prices. As these events and conditions have significant financial reporting implications, ACRA had published a financial reporting practice guidance in May 2020 highlighting key focus areas when preparing and reviewing the financial statements, especially in areas where estimates, assumptions and judgement are required. For its 2Q 2020 financial reporting, the Group has carried out a review to assess the assumptions used in the assessment of the carrying values of certain assets of the Group including the recoverability of contract assets, receivable balances and stocks under work-in-progress in relation to the Offshore & Marine (O&M) business, and investments in associated companies. Amidst the highly volatile environment and low oil prices, oil majors are curtailing exploration and production spending, which has adversely impacted dayrates and utilisation rates of the O&M industry generally and the Group's O&M business more specifically. Arising from this assessment, the Group recognised material impairments in 2Q 2020, pertaining mainly to the O&M business, and the Group's financial results was significantly and adversely impacted for 2Q 2020 and 1H 2020.

Group pre-tax loss was $604 million as compared to pre-tax profit of $206 million for the corresponding quarter in 2019. Pre-tax loss for the quarter included provisions, mainly from the Offshore & Marine Division, for contract assets, doubtful debts, stocks, associated company and investment, as well as share of impairment provision from Floatel International Ltd ("Floatel"), amounting to $919 million. Excluding these impairments, pre-tax profit of the Group at $315 million, was 53% or $109 million higher than pre-tax profit of $206 million in 2Q 2019.

The Offshore & Marine Division's pre-tax loss was $967 million which included provisions for contract assets, doubtful debts and stocks, fair value loss on investment, as well as share of impairment provisions from Floatel, amounting to $889 million. Excluding these impairments, pre-tax loss was $78 million as compared to pre-tax profit of $4 million in the second quarter of 2019. The weaker performance was mainly due to the impact from slower progress on projects as a result of significant downtime from COVID-19 and the sharply reduced workforce in Singapore yards and other restrictions in overseas yards, as well as share of losses from associated companies, partly mitigated by government relief measures for the COVID-19 pandemic. Pre-tax profit of the Property Division increased by $72 million to $233 million mainly due to higher fair value gains from investment properties, higher contribution from property trading projects in Singapore, as well as gain from the disposal of interest in the Jiangyin project in China, partly offset by lower investment income. Pre-tax profit of the Infrastructure Division grew by $40 million to $91 million mainly due to gain from sale of units in Keppel DC REIT, higher contribution from Environmental Infrastructure, and dividend income from Keppel Infrastructure Trust ("KIT"), partly offset by lower contribution from Energy Infrastructure and absence of fair value gain on Keppel DC Singapore 4 in the same quarter last year. Pre-tax profit of the Investments Division was $39 million as compared to pre-tax loss of $10 million in the same quarter in 2019. This was largely due to mark-to-market gains from investments, higher contribution from Sino-Singapore Tianjin Eco-City as a result of a land plot sale, as well as the absence of share of loss from KrisEnergy as compared to the same quarter in 2019.

Tax expenses increased by $42 million. Non-controlling interests were $2 million lower than those of 2Q 2019. After taking into account income tax expenses and non-controlling interests, net loss attributable to shareholders for 2Q 2020 was $697 million as compared to net profit of $153 million for the same quarter in the previous year. Excluding the impairments as mentioned above of $919 million, the Group was profitable at $222 million, 45% or $69 million higher than net profit of $153 million in 2Q 2019.

(ii) Half Year

Group net loss attributable to shareholders was $537 million as compared to net profit of $356 million for the same period in 2019. Loss per share was 29.5 cents as compared to earnings per share of 19.6 cents in the same period last year. Annualised return on equity was negative 10.3%.

The net loss for the half year 2020 included provisions for contract assets, doubtful debts, stocks, associated companies and investment, as well as share of impairment provision from Floatel, amounting to $930 million. Excluding these impairments, the Group achieved a net profit of $393 million which was 5% or $18 million higher than net profit of $375 million (excluding impairments) in 1H 2019.

Group revenue of $3,182 million was $133 million or 4% lower than that in the same period in 2019. Revenue from the Offshore & Marine Division is marginally higher by $26 million, at $839 million mainly due to higher revenue recognition from certain ongoing projects and revenue from new projects in the first quarter, offset by the significantly lower level of activities in the second quarter, as mentioned earlier. Major jobs delivered in 2020 include two jackup rigs, a dual-fuel bunker tanker and a Floating Production Storage and Offloading vessel (FPSO) modification and upgrading project. Revenue from the Property Division decreased by $117 million to $511 million mainly due to lower revenue from property trading projects in China, partly offset by higher revenue from property trading projects in Singapore. Revenue from the Infrastructure Division declined by $169 million to $1,256 million largely due to lower sales in the power and gas businesses, slowdown in progress of the Keppel Marina East Desalination Plant project and the Hong Kong Integrated Waste Management Facility project as a result of COVID-19, as well as lower contribution from the logistics business following the divestment of some China logistics assets in November 2019. Revenue from the Investments Division was $127 million higher at $576 million mainly due to M1 which was consolidated from March 2019, partly offset by lower revenue from the asset management business.

Group pre-tax loss was $357 million, as compared to pre-tax profit of $489 million for the same period in 2019. Excluding impairments of $930 million, pre-tax profit of the Group was $573 million which was $65 million or 13% higher than $508 million (excluding impairments) in 1H 2019. The Offshore & Marine Division's pre-tax loss was $963 million as compared to pre-tax profit of $5 million in the same period in 2019. Excluding impairments of $890 million, the division's pre-tax loss was $73 million which was largely due to impact from slower progress on projects due principally to significant downtime as a result of COVID-19 and the sharply reduced workforce in Singapore yards and various restrictions in overseas yards, as well as share of losses from associated companies, partly mitigated by government relief measures for the COVID-19 pandemic. The results of the same period last year were contributed by operating profits and share of profits from associated companies. Pre-tax profit from the Property Division decreased by $16 million to $326 million as a result of the absence of gain from the disposal of a partial interest in the Dong Nai project in Vietnam compared to the same period in 2019, lower contribution from property trading projects in China, as well as lower investment income. These were partly offset by the higher fair value gains from investment properties, higher contribution from property trading projects in Singapore, as well as gain from the disposal of interest in the Jiangyin project in China. Pre-tax profit of the Infrastructure Division grew by $202 million to $273 million. This was mainly due to mark-to-market gain recognised from the reclassification of the Group's interest in KIT from an associated company to an investment following the loss of significant influence over KIT. Excluding the mark-to-market gain, pre-tax profit doubled that of the same period last year, led by gain from sale of units in Keppel DC REIT, higher contributions from Energy Infrastructure, Environmental Infrastructure and Infrastructure Services, as well as lower losses from the logistics business. Pre-tax profit of the Investments Division decreased by $64 million to $7 million mainly due to the absence of fair value gain recognised in 2019 from the remeasurement of previously held interest in M1 at acquisition date, as well as mark-to-market losses from investments. These were partly offset by higher contribution from M1 due to the consolidation of M1 from March 2019, gain from divestment of interest in Gimi MS Corporation, as well as the absence of share of loss from KrisEnergy and fair value loss on KrisEnergy warrants as compared to the same period in 2019.

Taxation expenses increased by $80 million mainly due to absence of write-backs of tax provision compared to the same period in 2019. Non-controlling interests were $33 million lower than the same period last year. Taking into account income tax expenses and non-controlling interests, net loss attributable to shareholders was $537 million as compared to net profit of $356 million for the same period in 2019. Losses at Offshore & Marine and Investments Divisions were partly offset by the profits generated from the Infrastructure and Property Divisions.

11. VARIANCE FROM FORECAST STATEMENT

No forecast was previously provided.

12. PROSPECTS

The Offshore & Marine Division's net order book, excluding the Sete rigs, stands at $3.5 billion. The industry is going through unprecedented challenges from the severe downturn as well as the COVID-19 pandemic, and this is also affecting the performance of the Division. Despite these challenges, 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 1,230 homes in the first half of 2020, comprising about 80 in Singapore, 1,050 in China, 10 in Vietnam, 60 in Indonesia and 30 in India. Keppel REIT's office buildings in Singapore, Australia and Korea maintained a high portfolio committed occupancy rate of 99% as at 30 June 2020. The Division will remain focused on strengthening its presence in its key markets such as Singapore, China and Vietnam and scaling up in other markets such as Indonesia and India, while actively 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, in collaboration with Alpha DC Fund, continue to actively pursue new development opportunities to grow its data centre footprint beyond its traditional areas of operation while concurrently exploring innovative new solutions to strengthen its market position in the long run. Keppel T&T has also commenced a strategic review of its logistics portfolio in South-East Asia.

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 alternative asset classes.

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

M1 will complement the Group's mission as a solutions provider for sustainable urbanisation, which includes connectivity. Through a multi-year transformation plan, M1 seeks to develop and implement new strategic and operational plans to sharpen its competitive edge, increase its momentum in digital transformation and undertake growth initiatives. It will focus on strengthening its consumer business to meet changing customer needs and expectations, developing platforms and initiatives to support enterprise customers, collaborating actively with other Keppel entities to create smarter and future-ready offerings, and working closely with Singapore government agencies, industry players and enterprises to co-develop 5G use cases for selected markets. With the final award of 5G network licence to M1 and Starhub Limited by the Infocomm Media Development Authority (IMDA), M1 will start to roll out its 5G network coverage across Singapore.

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.

The COVID-19 pandemic shows no signs of abating and has impacted the lives of countless people around the world as well as the global economy. Many of the Group's businesses provide essential services, such as power, data centres and telecommunications, and continued to operate even during the circuit breaker in Singapore. Nevertheless, with the sharp fall in global economic activity, as well as the demand for oil and oil prices, lockdowns and movement restrictions in various countries, and disruptions to supply chains, the Group's businesses have inevitably also been affected. As a result of the sharp reduction in the number of personnel working in the yards due to COVID-19 and measures to contain its spread, several of the Offshore & Marine Division's projects have been delayed. Force majeure notices have been served to customers of the affected projects and the Group is working closely with them to mitigate the impact of COVID-19. Given the current highly volatile environment and low oil prices, oil majors are curtailing exploration and production spending, which has adversely impacted dayrates and utilisation rates of the O&M industry generally and the Group's O&M business more specifically. The Offshore & Marine Division will face very challenging conditions in the near future. The Property Division has limited retail and hospitality assets and our office portfolio is relatively resilient to COVID-19. The impact of the pandemic is therefore mainly on residential trading projects and its impact across markets is not uniform. Construction works at the Keppel Marina East Desalination Plant (KMEDP) and Hong Kong Integrated Waste Management Facility slowed as a result of COVID-19. Despite this, the KMEDP has commenced commercial operations on 29 June 2020. COVID-19 and work from home arrangements have further increased the demand for digital connectivity and accelerated digital transformation for many organisations. This will create new opportunities for the Group's connectivity business. As the COVID-19 situation continues to evolve, the Group will proactively implement measures to mitigate the potential impact on the Group, while at the same time safeguarding the health and well-being of our employees and stakeholders.

The Group continues to have a strong balance sheet and the necessary credit lines to finance its operations. Nevertheless, given the tightening liquidity and the difficult operating environment that the Offshore & Marine Division is facing, we will continue to monitor cashflows and gearing closely, and exercise discipline in capital allocation and cost management.

We will continue to work as a Group and strive to provide better outcomes than what the underlying business conditions might otherwise allow. In times like these, it is important for the Group to be guided by a bold, long term vision, which transcends the impact of the current crisis. This is the reason why we had unveiled our Vision 2030 in May this year. We will work hard to make Vision 2030 a reality, and in the process, realise the long-term value of our business.

13. DIVIDEND

13a. Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Interim
Dividend type Dividend per share Tax rate	Cash 3.0 cents Tax exempt

The Directors are pleased to declare a tax exempt one-tier interim cash dividend of 3.0 cents per share (2019: tax exempt one-tier interim cash dividend of 8.0 cents per share) in respect of the half year ended 30 June 2020. The interim dividend will be paid to shareholders on 20 August 2020.

13b. Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim
Dividend type Dividend per share Tax rate	Cash 8.0 cents Tax exempt

13c. Date Payable

20 August 2020.

13d. Books Closure Date

Notice is hereby given that, the Share Transfer Books and Register of Members of the Company will be closed on 11 August 2020 at 5.00 p.m. for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares in the capital of the Company (“Shares”) received by the Company’s Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 up to 5.00 p.m. on 11 August 2020 will be registered to determine shareholders’ entitlement to the interim dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited (CDP) are credited with Shares at 5.00 p.m. on 11 August 2020 will be entitled to the interim dividend.

14. SEGMENT ANALYSIS

Half year ended 30 June 2020

	Offshore & Marine $'000	Property $'000	Infra-structure $'000	Invest-ments $'000	Elimination $'000	Total $'000
Revenue						
External sales	**838,958**	**511,346**	**1,255,644**	**576,530**	**–**	**3,182,478**
Inter-segment sales	**372**	**5,117**	**13,704**	**50,925**	**(70,118)**	**–**
Total	**839,330**	**516,463**	**1,269,348**	**627,455**	**(70,118)**	**3,182,478**
Segment Results						
Operating profit	**(682,264)**	**289,631**	**231,513**	**11,638**	**61**	**(149,421)**
Investment income	**995**	**253**	**8,536**	**2,600**	**–**	**12,384**
Interest income	**50,832**	**22,457**	**32,439**	**204,286**	**(204,888)**	**105,126**
Interest expenses	**(60,434)**	**(38,113)**	**(12,551)**	**(250,575)**	**204,827**	**(156,846)**
Share of results of associated companies	**(272,455)**	**52,366**	**12,680**	**38,844**	**–**	**(168,565)**
Profit before tax	**(963,326)**	**326,594**	**272,617**	**6,793**	**–**	**(357,322)**
Taxation	**1,960**	**(130,618)**	**(22,410)**	**(27,742)**	**–**	**(178,810)**
Profit for the period	**(961,366)**	**195,976**	**250,207**	**(20,949)**	**–**	**(536,132)**
Attributable to:						
Shareholders of Company	**(959,514)**	**197,492**	**251,717**	**(26,826)**	**–**	**(537,131)**
Non-controlling interests	**(1,852)**	**(1,516)**	**(1,510)**	**5,877**	**–**	**999**
	(961,366)	**195,976**	**250,207**	**(20,949)**	**–**	**(536,132)**
Other Information						
Segment assets	**8,929,801**	**14,320,832**	**4,223,129**	**13,730,440**	**(9,216,195)**	**31,988,007**
Segment liabilities	**7,155,189**	**7,371,250**	**2,641,077**	**13,223,375**	**(9,216,195)**	**21,174,696**
Net assets	**1,774,612**	**6,949,582**	**1,582,052**	**507,065**	**–**	**10,813,311**
Investment in associated companies	**324,495**	**3,543,750**	**817,565**	**1,269,894**	**–**	**5,955,704**
Additions to non-current assets	**22,603**	**219,201**	**93,883**	**281,381**	**–**	**617,068**
Depreciation and amortisation	**60,158**	**18,107**	**26,892**	**95,940**	**–**	**201,097**
Impairment loss/(write-back of impairment loss)	**472,376**	**–**	**(652)**	**18,318**	**–**	**490,042**

GEOGRAPHICAL SEGMENT

	Singapore $'000	China/ Hong Kong $'000	Brazil $'000	Far East & Other ASEAN Countries $'000	Other Countries $'000	Elimination $'000	Total $'000
External sales	**2,414,321**	**403,878**	**21,425**	**118,534**	**224,320**	**–**	**3,182,478**
Non-current assets	**8,644,226**	**3,456,637**	**243,106**	**1,949,880**	**957,040**	**–**	**15,250,889**

Half year ended 30 June 2019

	Offshore & Marine $'000	Property $'000	Infra-structure $'000	Invest-ments $'000	Elimination $'000	Total $'000
Revenue						
External sales	813,408	627,671	1,424,926	449,173	–	3,315,178
Inter-segment sales	91	5,481	14,363	49,673	(69,608)	–
Total	813,499	633,152	1,439,289	498,846	(69,608)	3,315,178
Segment Results						
Operating profit	13,910	269,689	39,180	157,299	1,555	481,633
Investment income	4,692	34,017	1,410	2	–	40,121
Interest income	33,252	22,175	30,397	174,638	(177,022)	83,440
Interest expenses	(56,591)	(45,601)	(13,805)	(210,096)	175,467	(150,626)
Share of results of associated companies	9,115	61,844	13,562	(50,117)	–	34,404
Profit before tax	4,378	342,124	70,744	71,726	–	488,972
Taxation	4,302	(85,425)	(10,738)	(7,438)	–	(99,299)
Profit for the period	8,680	256,699	60,006	64,288	–	389,673
Attributable to:						
Shareholders of Company	9,482	262,290	58,972	25,539	–	356,283
Non-controlling interests	(802)	(5,591)	1,034	38,749	–	33,390
	8,680	256,699	60,006	64,288	–	389,673
Other Information						
Segment assets	9,027,952	13,654,976	4,017,399	11,180,418	(7,400,127)	30,480,618
Segment liabilities	6,322,305	6,096,894	2,512,966	11,368,655	(7,400,127)	18,900,693
Net assets	2,705,647	7,558,082	1,504,433	(188,237)	–	11,579,925
Investment in associated companies	719,737	3,157,354	1,134,638	1,088,618	–	6,100,347
Additions to non-current assets	35,261	232,709	108,490	136,922	–	513,382
Depreciation and amortisation	56,443	21,220	28,362	63,754	–	169,779
Impairment loss/(write-back of impairment loss)	794	–	(652)	19,000	–	19,142

GEOGRAPHICAL SEGMENT

	Singapore $'000	China/ Hong Kong $'000	Brazil $'000	Far East & Other ASEAN Countries $'000	Other Countries $'000	Elimination $'000	Total $'000
External sales	2,424,908	557,782	31,921	138,413	162,154	–	3,315,178
Non-current assets	8,771,504	2,945,112	292,143	1,700,217	744,514	–	14,453,490

Note:

(a) The Group is organised into business units based on their products and services, and has four reportable operating segments: Offshore & Marine, Property, Infrastructure and Investments. Investments consist mainly of the Group's investments in fund management, M1 Limited, KrisEnergy Limited, 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 that segment as it currently undergoes transformation of its business. M1 contributed about 16% and negative 7% of the Group's total revenue and net loss respectively for the half year ended 30 June 2020. M1 accounted for about 5% and 5% of the Group's total assets and total liabilities respectively as at 30 June 2020.

(b) Pricing of inter-segment goods and services is at fair market value.

(c) For the half year ended 30 June 2020 and 30 June 2019, other than Singapore and China/Hong Kong, no single country accounted for 10% or more of the Group's revenue.

(d) No single external customer accounted for 10% or more of the Group's revenue for half year ended 30 June 2020. Revenue of $360,176,000 is derived from a single external customer and is attributable to the Infrastructure Division for the half year ended 30 June 2019.

15. REVIEW OF SEGMENT PERFORMANCE

15a. Revenue by Segments

Group revenue of $3,182 million was $133 million or 4% lower than that in the same period in 2019. Revenue from the Offshore & Marine Division is marginally higher by $26 million, at $839 million mainly due to higher revenue recognition from certain ongoing projects and revenue from new projects. Major jobs delivered in 2020 include two jackup rigs, a dual-fuel bunker tanker and a Floating Production Storage and Offloading vessel (FPSO) modification and upgrading project. Revenue from the Property Division decreased by $117 million to $511 million mainly due to lower revenue from property trading projects in China, partly offset by higher revenue from property trading projects in Singapore. Revenue from the Infrastructure Division declined by $169 million to $1,256 million largely due to lower sales in the power and gas businesses, slowdown in progress of the Keppel Marina East Desalination Plant project and the Hong Kong Integrated Waste Management Facility project as a result of COVID-19, as well as lower contribution from the logistics business following the divestment of some China logistics assets in November 2019. Revenue from the Investments Division was $127 million higher at $576 million mainly due to M1 which was consolidated from March 2019, partly offset by lower revenue from the asset management business.

15b. Net profit by Segments

Group net loss was $537 million, as compared to net profit of $356 million for the same period in 2019. The net loss for the half year 2020 included provisions for contract assets, doubtful debts, stocks, associated companies and investment, as well as share of impairment provisions from Floatel, amounting to $930 million. Excluding these impairments, net profit of the Group was $393 million. Net loss from the Offshore & Marine Division was $959 million as compared to net profit of $10 million in 2019. Excluding impairments of $890 million, the division’s net loss was $69 million which was largely due to the impact from slower progress on projects due principally to significant downtime as a result of COVID-19 and the sharply reduced workforce in Singapore yards and various restrictions in overseas yards, as well as share of losses from associated companies, partly mitigated by government relief measures for the COVID-19 pandemic. The results of the same period last year were contributed by operating profits and share of profits from associated companies. Net profit from the Property Division decreased by $65 million to $197 million as a result of the absence of gain from the disposal of a partial interest in the Dong Nai project in Vietnam and write-back of tax provision in relation to divestment of Beijing Aether and Sedona Mandalay, lower contribution from property trading projects in China, as well as lower investment income compared to the same period in 2019. These were partly offset by the higher fair value gains from investment properties, higher contribution from property trading projects in Singapore, as well as gain from the disposal of interest in the Jiangyin project in China. Net profit from the Infrastructure Division was $252 million, $193 million above the same period in 2019. This was mainly due to mark-to-market gain recognised from the reclassification of the Group’s interest in KIT from an associated company to an investment following the loss of significant influence over KIT. Excluding the mark-to-market gain, net profit doubled that of the same period last year, led by gain from sale of units in Keppel DC REIT, higher contributions from Energy Infrastructure, Environmental Infrastructure and Infrastructure Services, as well as lower losses from the logistics business. Net loss from the Investments Division was $27 million as compared to net profit of $25 million for the corresponding period in the prior year mainly due to the absence of fair value gain recognised in 2019 from the remeasurement of previously held interest in M1 at acquisition date, as well as mark-to-market losses from investments and higher tax expenses. These were partly offset by higher contribution from M1 due to the consolidation of M1 from March 2019, gain from divestment of interest in Gimi MS Corporation, as well as the absence of share of loss from KrisEnergy and fair value loss on KrisEnergy warrants as compared to the same period in 2019. Losses at Offshore & Marine and Investments Divisions were partly offset by the profits generated from the Infrastructure and Property Divisions.

15c. Revenue by Geographical Segments

Revenue from Singapore of $2,414 million was $11 million lower than that of corresponding period in 2019, due largely to lower revenue from the Infrastructure and Offshore & Marine Divisions, partly offset by higher revenue from the Investments and Property Division.

16. 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 2 June 2020. During the financial period, 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)	
Transaction for the Sale of Goods and Services		**Half Year 30.6.2020 $'000**	Half Year 30.6.2019 $'000	**Half Year 30.6.2020 $'000**	Half Year 30.6.2019 $'000
Temasek Holdings Group (other than the below)	Temasek Holdings (Private) Limited is a controlling shareholder of the Company. The other named interested persons are its associates.	**–**	–	**5,157**	3,081
PSA International Group		**–**	–	**–**	2,995
SembCorp Marine Group		**–**	–	**3,927**	82
CapitaLand Group		**–**	–	**576**	419
Singapore Power Group		**–**	–	**94**	362
Singapore Technologies Engineering Group		**–**	–	**2,471**	47
Singapore Telecommunications Group		**–**	–	**7,570**	7,348
SMRT Corporation Group		**–**	–	**1**	–
Transaction for the Purchase of Goods and Services					
Temasek Holdings Group (other than the below)	Temasek Holdings (Private) Limited is a controlling shareholder of the Company. The other named interested persons are its associates.	**–**	–	**25,799**	20,766
Certis CISCO Security Group		**–**	–	**654**	179
Pavilion Energy Group		**–**	–	**55,163**	62,000
PSA International Group		**–**	–	**–**	98
SembCorp Marine Group		**–**	–	**14,435**	99
CapitaLand Group		**–**	–	**170**	–
Singapore Power Group		**–**	–	**149**	–
Singapore Technologies Engineering Group		**–**	–	**4,040**	711
Singapore Telecommunications Group		**–**	–	**35,845**	33,353
MediaCorp Group		**–**	–	**–**	426
SMRT Corporation Group		**–**	–	**1,533**	1,258
Joint Venture and Related Transactions					
Temasek Holdings Group (other than the below)	Temasek Holdings (Private) Limited is a controlling shareholder of the Company. The other named Interested persons are its associates.	**326,207**	–	**–**	–
Clifford Capital Group		**962**	–	**–**	–
Total Interested Person Transactions		**327,169**	–	**157,584**	133,224

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

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

BY ORDER OF THE BOARD

CAROLINE CHANG/KENNY LEE
Company Secretaries

30 July 2020

Voluntary Pre-Conditional Cash Partial Offer

*On 21 October 2019, an announcement was made by Morgan Stanley Asia (Singapore) Pte., for and on behalf of Kyanite Investment Holdings Pte. Ltd (the "**Offeror**") that subject to the satisfaction and/or waiver of certain pre-conditions, the Offeror intends to make a voluntary conditional cash partial offer ("**Partial Offer**") to acquire such number of ordinary shares ("**Shares**") in the capital of the Company (other than those already owned, controlled or agreed to be acquired by the Offeror and persons acting or deemed acting in concert with the Offeror) which when aggregated with the existing Shares held by Temasek Holdings (Private Limited), would represent 51.00 per cent. of the total number of Shares in issue (excluding Shares held in treasury).*

The Singapore Code on Take-overs and Mergers

*The unaudited results of the Group for the second quarter and half year ended 30 June 2020 ("**Unaudited 2Q Results**") have been reported in accordance with The Singapore Code on Take-overs and Mergers.*

Auditor's Consent

PricewaterhouseCoopers LLP has given and has not withdrawn its consent to the release of the Unaudited 2Q Results with the inclusion therein of its name and its report dated 30 July 2020 on the Unaudited 2Q Results (attached as Appendix A).

Independent Financial Adviser's Consent

Evercore Asia (Singapore) Pte. Ltd., the independent financial adviser to the Recommending Directors (defined as directors of the Company who are independent of the Offeror and its concert parties) of the Company for the purpose of the Partial Offer, has given and has not withdrawn its consent to the release of the Unaudited 2Q Results with the inclusion therein of its name and its letter dated 30 July 2020 (attached as Appendix B).

Shareholders and investors are advised to exercise caution when dealing with their Shares and to refrain from taking any action in relation to their Shares which may be prejudicial to their interests. Shareholders and investors should note that there is no certainty that the pre-conditions will be satisfied and/or waived and that the Partial Offer will be made. In the event of any doubt, they should consult their stockbrokers, bankers, solicitors, accountants or other professional advisors.

CONFIRMATION BY THE BOARD

We, LEE BOON YANG and LOH CHIN HUA, being two directors of Keppel Corporation Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the second quarter 2020 financial statements to be false or misleading in any material respect.

On behalf of the board of directors

LEE BOON YANG
Chairman

LOH CHIN HUA
Chief Executive Officer

Singapore, 30 July 2020

Appendix A

The Board of Directors
Keppel Corporation Limited
1 Harbourfront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

Independent Auditor's Report on the Review of the Unaudited Condensed Consolidated Interim Financial Statements of Keppel Corporation Limited and its subsidiaries

Introduction
We have reviewed the accompanying condensed consolidated balance sheet of Keppel Corporation Limited ("the Company") and its subsidiaries ("the Group") as of 30 June 2020, the related condensed consolidated profit and loss account and condensed consolidated statement of comprehensive income for the quarter and for the six-month period ended 30 June 2020, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2020 and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with Singapore Financial Reporting Standard (International) 1-34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review
We conducted our review in accordance with Singapore Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements is not prepared, in all material respects, in accordance with Singapore Financial Reporting Standard (International) 1-34 *Interim Financial Reporting*.

Other matter
The comparative information for the condensed consolidated balance sheet is based on the audited financial statements as at 31 December 2019. The comparative information for the condensed consolidated profit and loss account and condensed consolidated statement of comprehensive income for the quarter and for the six-month period ended 30 June 2019, the condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows and other explanatory notes, for the six-month period ended 30 June 2019 has not been audited or reviewed.

Restriction of use
Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we can report to you on the condensed consolidated interim financial statements solely to assist the directors of the Company to meet the requirements set out under paragraph 3 of Appendix 7.2 of the Listing Manual of the Singapore Exchange Securities Trading Limited and for the purpose of complying with the Singapore Code on Take-overs and Mergers administered by the Securities Industry Council and for no other purpose.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 30 July 2020

Appendix B

EVERCORE

LETTER FROM IFA ON THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF KEPPEL CORPORATION LIMITED FOR THE SIX MONTHS ENDED 30 JUNE 2020

30 July 2020

The Board of Directors
Keppel Corporation Limited
1 HarbourFront Avenue
#18-01, Keppel Bay Tower
Singapore 098632

Dear Sir/Madam:

THE VOLUNTARY PRE-CONDITIONAL CASH PARTIAL OFFER BY KYANITE INVESTMENT HOLDINGS PTE. LTD. (THE "OFFEROR"), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF TEMASEK HOLDINGS (PRIVATE) LIMITED ("TEMASEK"), TO ACQUIRE SUCH NUMBER OF SHARES IN THE CAPITAL OF KEPPEL CORPORATION LIMITED (THE "COMPANY") OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND PERSONS ACTING OR DEEMED ACTING IN CONCERT WITH THE OFFEROR, WHICH WOULD RESULT IN THE OFFEROR AND TEMASEK HAVING AN AGGREGATE DIRECT HOLDING IN 51.00 PER CENT OF THE TOTAL NUMBER OF SHARES IN THE CAPITAL OF THE COMPANY IN ISSUE (EXCLUDING SHARES HELD IN TREASURY) AS AT THE RECORD DATE

On 30 July 2020, the Board of Directors of the Company (the "**Board of Directors**") announced the unaudited consolidated interim financial statements of the Company and its subsidiaries for the six-month period ending 30 June 2020 (the "**Unaudited Interim Financial Statements**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

We have examined the Unaudited Interim Financial Statements and have discussed the same with the management of the Company. We have also considered the independent auditor's report to the Board of Directors dated 30 July 2020 issued by PricewaterhouseCoopers LLP in relation to its review of the Unaudited Interim Financial Statements in accordance with the Singapore Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to, or discussed with, us by the management of the Company. Save as provided in this letter, we do not express any opinion on the Unaudited Interim Financial Statements. The Board of Directors remains solely responsible for the Unaudited Interim Financial Statements.

Based on the procedures performed and on the basis described above, we are of the opinion that the Unaudited Interim Financial Statements have been prepared by the Company and the Board of Directors after due and careful enquiry.

This letter is provided to the Board of Directors solely for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers and not for any other purpose.

We do not accept responsibility for any person(s), other than the Board of Directors, in respect of, arising out of, or in connection with this letter.

Yours faithfully,

For and on behalf of

EVERCORE ASIA (SINGAPORE) PTE. LTD.

Keith Magnus

Chief Executive Officer and
Senior Managing Director
Evercore Asia (Singapore) Pte. Ltd.