

## **Keppel Corporation 2Q & 1H 2020 Results Webcast**

### ***Transcript of the Question & Answer Session***

**30 July 2020, 5.30pm, Keppel Bay Tower**

**LCH** Loh Chin Hua, CEO of Keppel Corporation  
**CHC** Chan Hon Chew, CFO of Keppel Corporation  
**CT** Christina Tan, CEO of Keppel Capital  
**CO** Chris Ong, CEO of Keppel Offshore & Marine  
**TSY** Tan Swee Yiow, CEO of Keppel Land

#### **Question from Teo, retail investor**

**With a first half 2020 net loss of \$537 million and impairments of \$930 million, does management believe that there is now material adverse change (MAC) to its business in relation to the pre-conditions of Temasek's partial offer? Thank you.**

**LCH:** Based on the net profit of the second quarter that was adversely impacted by impairment provisions, we believe that the 20% threshold in the MAC clause in respect of net profit after tax has been crossed, which means that the MAC pre-conditions in Temasek's pre-conditional partial offer has not been satisfied as of today. However, we are unable to comment on Temasek's pre-conditional partial offer and the action that Temasek could take resulting from the non-fulfillment of this pre-condition.

#### **Questions from Kelvin Wong, Churchill Capital**

**Is the MAC for Temasek's partial offer triggered?**

**LCH:** I believe I have just answered that question.

**Have you spoken to Temasek on their intention if the MAC is triggered?**

**LCH:** We are unable to comment on the partial offer. I think you have heard from Hon Chew and myself that the Group's underlying businesses, other than for Keppel O&M, remain very strong. We believe in the long-term value of Keppel, and we will do our utmost to realise the full potential of Keppel for all stakeholders.

#### **Question from Aradhana Aravindan, Reuters**

**Taking the second quarter results into account, has Keppel breached the MAC clauses of Temasek's conditional offer? If so, which one?**

**LCH:** This has been answered in the first question.

#### **Question from Donald Chua, BAML**

**In relation to the MAC conditions in Temasek's partial offer, how much has profit after tax fallen since offer date?**

**LCH:** I think this question has also been answered.

**How much has NAV fallen since? How close are we to triggering MAC?**

**LCH:** I think this has already been answered. The NAV change from September 2019 to June 2020 - Hon Chew, do you want to address that?

**CHC:** The NAV decreased about 5.6% from September 2019 to June 2020.

Question from L, retail investor

**Why was the Pareto review not announced previously and why was the review undertaken in this quarter and not in Q1?**

**LCH:** I will ask Hon Chew to address that.

**CHC:** Thank you, Chin Hua. We have touched on the impairment question in my speech. I explained that as a result of COVID-19 and also uncertainties around the global economy, ACRA has issued a guidance for boards in dealing with these uncertainties, in dealing with issues especially around asset valuation and going concern.

We also have observed a lot of terminations of rig contracts, deferral of charters during the months of May and June. There was actually a very sharp increase in such terminations and also a reduction in dayrates. It is prudent for us to do the review with confirmation from an independent advisor like Pareto, who are industry experts. As I've explained in my speech, the findings from Pareto and their advice on the inputs into our VIU model have confirmed our own observations. The intention of engaging a professional firm like Pareto is to add rigour to the whole process in determining the impairments.

Question from Ezien Hoo, OCBC Bank

**For now, Keppel has indicated that no additional impairment is anticipated due to the Keppel O&M global resolution reached, as per the 2019 annual report. However, the Brazilian authorities have started enforcement proceedings. Will there be additional provisions made to cover any potential increase in fines?**

**LCH:** As of this quarter, we have not taken any additional provisions. The matter that you referred to has been covered in the announcement and I will not go further into it.

Questions from Stefan Tudor, Daiwa Securities

**What do you think of current debt levels? Are there any targets for the net gearing ratio? Any plans for debt issues in the near term? How much of credit facilities are still available?**

**LCH:** I will ask CFO Hon Chew to address these two questions please.

**CHC:** Thank you, Chin Hua. As we have discussed in the past, we have always managed our balance sheet in a way that we want to have an institutional quality balance sheet. As a guide, we would not want our gearing to exceed 1.0x, but having said that, that is a guidance. It is not a target or a cap. During different business cycles, there are times when the net gearing is below or above 1x. But as of now, the gearing is not in excess of 1.0x. That said, we have already

mentioned in our respective speeches, we are looking very closely at cost management and also looking at areas where we can improve on our net gearing.

On the second question, how much of the credit facilities are still available. I don't think this is something that we have disclosed, but Chin Hua has already mentioned that we have in the past six months issued two bonds, raising in excess of \$600 million. At the same time, we have engaged a number of relationship banks to secure additional credit facilities. Suffice to say, we have sufficient credit facilities to see us through the different scenarios according to our scenario planning as Chin Hua mentioned, whether it is a V, U or L scenario.

Questions from Kwok Wei Chang, Citi Research Malaysia

**How much of the impairment in O&M is related to Sete? Will there be another year-end assessment for more provisions?**

**LCH:** We don't provide details of what the impairments relate to, for commercial reasons. We do impairment testing every quarter.

**CHC:** It is not in relation to Sete. It is actually spelt out in the SGXNet announcement. The provisions are in relation to contract assets, receivables and stocks.

**How should we gauge the level of activity anticipated in the second half of 2020? With 5,000 of O&M staff back to work presently, what sort of work levels can we expect from the third quarter onwards?**

**LCH:** May I ask Chris Ong, CEO of Keppel O&M, to address this please.

**CO:** To gauge the activity, you can take a look at 5,000 and the full capacity in March when we had 24,000 staff, including subcontractors at the yards. How do we expect work levels from third quarter onwards? It really depends. We are working very closely with the authorities on how to bring our workers back to the yards to work safely. As of now, we have all the safe management measures in place. Right now, it is about making sure the workers are ready to work. I think that there will be increased activity coming from the second half of 2020, given that nationally, more dormitories are being cleared and more workers are being cleared. Exactly what is the number, we will not know. But we are monitoring that closely.

**Net gearing has risen to 1.0x. Could you please share with us the Group's levers to pare this down to more palatable levels? Thank you.**

**LCH:** Can I ask Hon Chew to address this?

**CHC:** As discussed in the response to the earlier question, 1.0x is a guidance. We don't want to be above 1x consistently for long periods. But that said, it is just a guidance, not a cap or target. In times like these, given even the very significant provisions that we have made, we have not crossed 1x. And we will work hard to maintain, and not go above this level. Of course, that is something which is dependent on the performance of the company. But it is something that we are working towards.

**LCH:** I will supplement a bit more to give a bit of colour here. We have mentioned in our Vision 2030, various steps that we are going to take to look at capital allocation in order for us to achieve Vision 2030. And one of the steps we had outlined was our goal to more actively turn our property

landbank. The Group has quite a sizeable landbank in China and Vietnam. Some of the land has been accumulated over a number of years. We can build up to 45,000 units of homes. So Swee Yiow and the group at Keppel Land China and at Keppel Land Vietnam have been looking very actively at how we can activate this landbank. This would be through development, master development, or through joint ventures. It could even be outright sale of the land. These would be some of the steps that we could take. Of course, within the Group, we have also been getting some of our assets ready. For some of these assets, when they are de-risked, and they are cash-flow generating and they are core, they might be suitable candidates for us to monetise through the various REITs and Trust that we have. Thank you.

Question from L, retail investor

**Previous communication by the company stated that O&M assets would only be reviewed annually and will not be based on subjective DCF valuations, but if there has been a specific event in relation to a contract. Also, why was such a large \$800 million impairment not updated in the market sooner than 24 July?**

**LCH:** I will get Hon Chew to answer this.

**CHC:** On the contrary, we actually review provisions and adequacy of impairments every quarter, whenever we close our books. In this case, it is no different. In the second quarter of 2020, we have seen unprecedented uncertainties around COVID-19 and volatility in the oil market. We have seen a lot of cancellations of rig charters, contract delays, and also among the oil majors, delay in exploration programmes, resulting in reduction in FIDs from the oil majors and reduction in spending by oil majors. We also saw a lot of rig companies going into Chapter 11 in the US.

Those are events that have taken place during the quarter. As a result, we had to take a serious look at our impairment provisioning. That is a requirement, something we need to do every quarter. And it is made even more important because of the uncertainties, and this has been emphasised by ACRA in their release of guidance in response to this. Recently, SGX has also sent out reminders on the importance of the quality of financial statements. As a result, we have taken the additional step of engaging a professional firm like Pareto – they are industry experts – to provide us with their inputs into our VIU calculations in determining the impairments. So we have ensured that there is rigour in the assessment in the determination of the VIU calculations. This process has taken time and as soon as we were aware of the magnitude of the provisions, we gave a guidance last week on 24 July.

**LCH:** This VIU has been a model that we have been using not just this quarter, but in the course of how we assess the adequacy of impairments as well as our carrying assets.

Questions from Ezian Hoo, OCBC Bank

**Assuming Temasek's stake in Keppel stays at around 20%, would this change Keppel's access to bank financing and cost of funding? Are there any banking lines which are contingent on Keppel becoming a subsidiary of Temasek?**

**LCH:** First, I am not going to speculate what is going to happen on the partial offer, as I have said earlier. Keppel has had Temasek as our shareholder for many years, and they have been at around the 20% level for quite a long time. Keppel's access to bank financing has never been impeded. Our cost of funding has also always been very competitive. We are quite confident that

this will continue, whatever happens. We are working very closely – Hon Chew and I – with our network of banks and will continue to do so.

Are there any banking lines which are contingent on Keppel becoming a subsidiary of Temasek? I will get Hon Chew to answer that.

**CHC:** The answer is “no”.

Question from Cheryl Lee, UBS

**Regarding the \$430 million provision on contract assets, as I recall, the valuations of the assets were last reviewed for Q1 results. Could management provide some colour on the rationale for the size of the provision? For example, was the main reason a change in discount rates, utilisation rates, charter rates or others?**

**LCH:** I believe the question has already been answered by Hon Chew in his remarks and also in the answers to the earlier questions. Hon Chew, do you want to add any more to it?

**CHC:** Perhaps just to add that there is further information in the SGXNet statement, concerning the sensitivities around for example, discount rates and dayrates. Cheryl, I think that might help to give you a sense of the sensitivities.

Questions from Lim Siew Khee, CIMB

**Given that you’ve engaged industry expert to review your rigs, how should we be looking at your future review and whether you have done a thorough review this round?**

**CHC:** As we explained earlier on, the industry expert’s review basically helped us to confirm our own observations. That makes the whole review much more robust. This time round it is necessary because of uncertainties surrounding COVID-19 and also the volatility in oil prices. We also took the cue from the guidance from ACRA and SGX. I think this is the right thing for us to do, to confirm our own observations. Also, it is necessary because even looking at the data points in the whole industry, we saw a very sharp increase in some of the contract terminations and contract delays. We needed to have that confirmation to add rigour to the whole process.

On an ongoing basis, I think that in the end, the review is still the responsibility of management. From time to time, we may make reference to industry experts where we see it is necessary, to make sure that the process is robust.

**How does this impact Temasek’s partial offer?**

**LCH:** We have covered that already.

**How are you managing your workforce in O&M now?**

**LCH:** I think Chris has already addressed that. Chris do you want to add anything else?

**CO:** I think the question is quite broad. But in short, for the past three months, the company has been working very closely with the authorities about how we can safely bring the workforce back to work. There are still active cases country-wide, so we are being very careful. The first thing we do with our workforce is to make sure that they are taken care of. Communication with our workers

while they are locked in, providing assurance, medical services, meals and necessities to them; they are our topmost priority. And moving forward, it would be to make sure we have all the safety measures in place, which are not only limited to the workplace. We are now working with subcontractors and with our own dorms, to make sure the workers are segregated, at the dorm, in company transportation, and also at the workplace, to keep incidents as low as possible.

Question from Sahas Sankaran, retail investor

**Net gearing has been a focus in Keppel for some time now. Is there a long-term target to bring this down and what will be the optimal level of net gearing?**

**LCH:** As you have heard from Hon Chew earlier, we do strive to keep around just below 1. Now we are at 1. Obviously, it is elevated, but as you have also heard from Hon Chew, from time to time, it may cross. Our goal is always to try and bring it down, and I've explained some of the levers that we can pull in order to bring this net gearing down, in terms of being more conscientious, more disciplined in our capital investment. And also looking very closely at how we can activate our landbank and looking at potential assets that the Group has that may be ready for monetisation.

Questions from Gerald Wong, Credit Suisse

**Could you provide details on the impairments for contract assets and doubtful debts in O&M? Do they relate to jackups or semi-subs?**

**LCH:** Hon Chew, I'm not sure we can address that.

**CHC:** Because of the commercial sensitivities, we do not provide the breakdown by projects as you will be able to appreciate, because these are all customers. I don't think we can give the breakdown.

**Was there any impairment for Can-Do Drillship?**

**LCH:** Ditto, for the answer to this question.

**With the losses in 1H20 and net gearing of 1x, could you share the consideration in still paying out an interim dividend?**

**LCH:** This is a good question. This was something the Board had debated at length. The losses in the first half were primarily driven by the huge impairment in the O&M business. Of course, you can't extract that, but if you were to exclude that, actually the Group has improved on its performance in terms of net profit for the first half. Our cash outflow is also smaller. On that basis, we have decided to pay a very small interim dividend. Last year, it was eight cents, and this year we have decided that a small interim dividend is appropriate and something that we can still afford. That was how we landed on this decision on three cents.

Questions from Lim Siew Khee, CIMB

**What is the reason for strong revenue in O&M given the lockdown?**

**LCH:** I will ask Chris Ong to address this.

**CO:** The strong revenue is accounted for by continued activities in the Brazil, US and China yards. We still have activities going on in those yards because different jurisdictions have different approaches to the pandemic. The most badly hit was Singapore where we had a total lockdown for almost a full quarter. So they have been contributing to the topline for the O&M group during this quarter.

**LCH:** Thank you Chris. The other thing is that for O&M, our revenue was quite strong in the first quarter. As I mentioned in my speech, we actually came into 2020 with quite a strong orderbook. First quarter was before the lockdown in Singapore, so we were still able to work. I think in March we had over 20,000 total workforce. The slowdown was mainly in the second quarter, but overall, we were still quite respectable for the first half.

**What will happen to your undelivered jackup rigs such as for Clearwater, Fecon, TS Offshore?**

**LCH:** May I ask Chris to address this question?

**CO:** We still have valid contracts with these customers. The delivery has been delayed, but what we are doing here is that we are in constant conversations with these customers in the midst of this poor market, on what do we do with these rigs.

**What was the loss if you had just impaired on Floatel?**

**LCH:** We have disclosed what are the Floatel impairments, so you can work that out, Siew Khee.

**CHC:** You can look at Slide 25. There is a listing of all the impairments, Siew Khee.

**What happens to the loan extended to Floatel?**

**LCH:** That loan is still in our books.

Question from Gerald Wong, Credit Suisse

**Could you share what was the total amount of Job Support Scheme (JSS) and other government subsidies received in the second quarter?**

**LCH:** We do not disclose the specific quantum. But the Group has about 5,000 employees in Singapore who benefit from the JSS.

Question from Anita Gabriel, Business Times

**That the MAC has been triggered for Temasek's offer brings great shareholder uncertainty. When do you think the picture could get clearer? Could the financials for the MAC be based on end-September showing, not end-June, if regulatory nods for the offer stretch out to then?**

**LCH:** Anita, I am afraid I am not going to speculate. This would be a question probably better addressed to the offeror, so I will end there.

Question from Mayuko Tani, Nikkei

**With lower demand in O&M, what is the number of manpower you think is necessary in Singapore yards, out of 24,000? Will you have to let go of some of them before they return to work?**

**LCH:** I think the question is regarding what the outlook is going forward. Maybe Chris you want to address this?

**CO:** On the manpower requirement, as CEO and CFO mentioned earlier on in their speeches, we came into the year with quite a big backlog, and the manpower has also been right sized since 2015. We are lean. Of course, we are also looking at how to control our costs, and part of it would be on streamlining our manpower. We will be working closely with stakeholders like our unions to take a look at what is the right size post-pandemic.

Question from Gerald Wong, Credit Suisse

**Why was VIU not used in 2014 to 2016 to assess impairments when oil prices were also low and volatile?**

**CHC:** We have always used the same VIU methodology. You are going back between six and four years ago, and not all the rigs were stranded at that time. Apart from volatile oil prices, today we also have the Covid-19 situation. So it's a twin crisis today, low oil prices and also COVID-19. But just to be clear, we always use the same VIU methodology.

Question from Jason Yeo, Goldman Sachs

**Several property companies have seen a fair value loss on investment properties. Can you share what drove the revaluation gain for your investment properties?**

**LCH:** As I shared earlier in my speech, most of our exposure is not in retail or hospitality, which are probably more impacted by the COVID-19 pandemic. But I will ask Mr Tan Swee Yiow, CEO of Keppel Land, to provide further illumination on this question.

**TSY:** Thank you Chin Hua. As shared by Chin Hua, I think most of our portfolio are in prime commercial assets, and not in retail and hospitality assets, so the impact of COVID-19 is less. All our commercial assets are good quality, prime, Grade-A office buildings, across different countries that we operate in. Based on the current situation, they all have very good occupancy in the portfolio, and some of them have been kept in our book for a while, so I think we can manage to get some valuation gains from there.

**Is your gearing a concern at these levels? And if so, how are you planning to lower it?**

**LCH:** I think you've heard Hon Chew address that. It is close to a level of 1.0x, but it's not a concern for us at this point. We are watching it closely, and I have already mentioned some of the levers we can pull in order to make sure that it stays at this level or lower.

Question from Cheryl Lee, UBS

**Could I clarify if the provisions made to the contract assets and doubtful debts were made against specific contracts, or made generally against the entire portfolio of assets? In the coming quarters, if a specific customer reneges on their contract, would further impairment be required?**



**LCH:** Hon Chew?

**CHC:** Thanks Cheryl for the question. Just to put things in context, I think the contract assets refer to several rigs that were actually constructed by Keppel O&M, and requests were made by customers to defer the delivery dates in the prior years. In making the assessment on these contract assets, we have precisely considered likely outcomes such as rigs not being delivered, and us taking possession of those rigs and chartering them out to work. That is precisely the reason why we use Value In Use as a basis for determining the impairment. So we have considered that scenario, and as of now, we believe those provisions are sufficient, even considering that scenario.

Question from Andrew Ow, SPD Bank

**How would the huge impairment impact the financials, for example the liquidity of the Group?**

**LCH:** Hon Chew do you want to address that?

**CHC:** We have discussed this, the issue around the gearing. We will continue to work on managing the gearing of the Group, and looking at how we can manage costs across the whole Group. In relation to liquidity, I think we have also mentioned that in the last six months, we have raised a number of additional bonds, raised additional funds, and at the same time, also engaged a number of banks to increase our credit lines to make sure that we have sufficient liquidity for the Group.

**LCH:** The other thing we should say is also, just to remind everyone, impairment is a non-cash item. Of course, it will impact our net gearing because you reduce the shareholders' equity. But it is a non-cash item. There is no cash implication.

**Any further significant impairment expected for Floatel and KrisEnergy, or Offshore & Marine in 2H 2020?**

**LCH:** Well, we don't provide forecasts for provisions. This is based on what we see today, working very closely with our external auditors, and we are satisfied that the provisions that we have provided today are adequate.

Question from Anita Gabriel, Business Times

**Keppel had unveiled a 10-year roadmap only two months ago. And now the company is reporting huge impairments. Would you admit you could have been somewhat wrongfooted in your assumptions up until a week ago?**

**LCH:** I am not sure how you draw the comparison between the two. The ten-year road map, Anita, as we know, is something that will guide the Group going forward. As I have shared in my speech, more than ever, this Vision 2030 becomes even more important, because it will guide the Group in going beyond the current challenges, the current pandemic. So the short answer is no, there is no relationship between the two.

Question from Teo, retail investor

**When will Vision 2030 be put into action? Thank you.**

**LCH:** Good question. Vision 2030 has already been put into action. We already have the road map for the Group that will guide us over the next ten years to fulfil our ambition to be a solutions provider for sustainable urbanisation. We have a young group already working on the vision. I think the next step for them is to put together very concrete steps for us to realise this Vision 2030. In short, this has already been put into action. Thank you.

Questions from Gerald Wong, Credit Suisse

**Given the significant impairments in O&M in recent years, will there be any changes in terms of risk assessment and appetite to take on new contracts?**

**LCH:** Looking at new contracts, we would have to look particularly at the terms of those contracts. This is something that we are now steering towards, to make sure we look at what is the project, what are the payment terms, who are the customers etc.

**Will there be any clawback of management remuneration?**

**LCH:** Our management remuneration is long-term. We have, of course, some short-term components, but ultimately the management remuneration will be impacted in terms of some of the longer-term bonus plans that we have, such as our RSP and PSP. Of course, if the company's financial performance is affected, that will directly impact management's remuneration.

Questions from Foo Zhiwei, Macquarie

**On Property, noticed there was a loss of \$7 million for the property trading arm. Could you provide some color there?**

**LCH:** Can I ask Swee Yiow to address that question?

**TSY:** For trading projects, from time to time, we review the cost versus the market value that can be achieved, and if there is a shortfall, we will provide for it. This is on a portfolio basis. We review individual projects, with these adding up to the \$7 million.

**For O&M, your net assets of \$1.8 billion include a \$2 billion perpetual security. Given the headwinds in the business, will the perpetual security be converted into equity at some point?**

**LCH:** Hon Chew, do you want to address that?

**CHC:** That is an internal financial arrangement, so we do have that flexibility. It is something that we can consider. But at this point, the answer is probably not at this point.

**Given that you have impaired financing provided to your O&M customers, how does this impact the interest income O&M is getting going forward? Is the interest income for O&M in 2Q20 a representative level?**

**CHC:** I am afraid we cannot provide any guidance on the income, including interest income.

Question from L, retail investor

**Following up on Gerald's question and your answer: If you did use VIU previously in the O&M business, why was this never disclosed and discussed? Why did you not disclose this process by Pareto when it was performed in Q2, like you did with the Floatel VIU review?**

**LCH:** Maybe Hon Chew can answer the first question on VIU.

**CHC:** I believe we have discussed about VIU before in the past; but in terms of impairment for contract assets, in recent years, this is the first time. But internally, at each quarter-end and year-end, we do make an assessment of the recoverability of the assets, including contract assets, stocks and also receivables. So that is the basis that we have always been using. But in terms of provisioning, actually making a provision for impairment, this is the first time in recent years.

**LCH:** I think VIU is a pretty well accepted accounting methodology.

**CHC:** That is right. It is really the circumstances. Because of the stranded assets, we had to use the VIU model to determine the recoverability of those assets.

Questions from Mayuko Tani, Nikkei

**Is this the largest quarterly loss for Keppel?**

**LCH:** I think it is the largest quarterly loss, at least in the last two decades.

**Do you expect that a full-year net loss is inevitable from the current market and economic condition?**

**LCH:** We don't provide forecasts, so we can't address that question.

Question from Ezien Hoo, OCBC Bank

**What is the Return on Equity target in the ten-year roadmap? And by when?**

**LCH:** The target has always been 15%. We believe that is achievable in the medium to long-term, as part of our Vision 2030. As to when it can be achieved, it will depend on several factors. First and foremost, we have set ROE targets for all our businesses. In order for the Group to hit our 15% target, all our businesses must be performing, and at least performing close to their potential. At this point in time, I think we would expect that this can be reached probably in the next three to five years.

Question from Lim Siew Khee, CIMB

**China property sales were strong in the second quarter, can you please walk us through what is happening on the ground?**

**LCH:** Swee Yiow, do you want to address this?

**TSY:** Thank you Chin Hua. When the COVID-19 lockdown was lifted and sales flats are opened, the buying interest is coming back quite healthily. In 1H 2020, in China, we actually sold about 1,050 homes, compared to 1,140 sold in 1H 2019. It's quite close. And home sales in most cities that we operate in, such as Chengdu, Wuxi, Shanghai and Nanjing, are quite resilient and quite healthy, and we expect the resilient demand will continue in the second half.

Question from Lim Hock Chuan, retail investor

**With the current uncertain and dynamic market situation, does Vision 2030 need to be calibrated from time to time?**

**LCH:** Our Vision 2030 is broad enough. We do recognise, like you said, that markets are now changing, and not only changing but changing rapidly. Vision 2030 spells out very clearly the direction of travel; but I think in terms of the specifics, there can be some agility in the way we run our businesses, taking into account the changing external environment, and also even the portfolio that we have. We have set a very clear way that we will do capital allocation, looking at some metrics, and this will be something that will guide the Group going forward. So in short, our Vision 2030 is actually designed to have that agility to take into account changes in circumstances. The direction of travel is very clear, we want sustainability to be a very key part of our strategy. We know what our strengths are, with very strong engineering DNA and project management. And of course, we have this asset management arm that works very symbiotically together with our other business segments to create opportunities for the Group and also for the investors, which can come through the private funds and the listed REITS and listed trust.

Questions from Chew Boon Leong, SPH

**With the market gradually recovering and the large impairment made, would you say that the worst is over, or are there more challenges yet to come?**

**LCH:** The quarter's impairment reflects the reality of what has happened in the oil and gas market. As what Hon Chew has pointed out, we hope that the market will continue to recover from here on. At the same time, we always have to prepare for more challenges ahead. The Group is very diverse, and you can see from our 1H results the strength of the other business units, whether it is Keppel Infrastructure, Keppel T&T, Keppel Capital, M1 and Keppel Land, they have all come together. So this is how we will navigate this more difficult period ahead.

**Would you consider the downturn in the oil and gas sector a short-term impact, or is it a longer term structural issue?**

**LCH:** I think we have said already for some years since 2015 that for Keppel O&M, we have already started to pivot away from oil towards renewables, towards gas solutions, as well as non-oil and gas. We believe that this energy transition is not a short-term thing. It's going to be, if anything, accelerated. As I mentioned in my speech, Keppel O&M is now working on, and has actually profited from this pivot. We are seeing more and more of our existing orders are in the renewables space, and a lot of the enquiries are also in the renewables space.

Questions from Adrian Loh, UOB Kay Hian

**With \$1.5 billion in commitments for Keppel Capital, when does the fund start operations?**

**LCH:** I will ask Christina Tan, CEO of Keppel Capital to provide some comments here.

**CT:** For the \$1.5 billion in terms of commitments for Keppel Capital, it is actually committed by sovereign wealth funds as well as large pension funds into different funds. So for instance Keppel Asia Infrastructure Fund, we have already started investing. We have a good deal flow pipeline supported by the Group and also other investments that we are looking at. We are into logistics, both in Indonesia and China. We are also looking at assets in Vietnam. So we have already started looking for investments in the various activities that we have.

**Can we assume that the 5,000 workers at your Singapore yard now are engaged in maintenance and safety activities, rather than revenue-generating work?**

**LCH:** Well, I certainly hope not. I will ask Chris Ong to provide more colour on what these workers are engaged in.

**CO:** We have a 5,000 workforce in the yard now, definitely not all are in maintenance and safety. It's a mix of people in engineering, procurement and also physical workers on the ground, and all these are revenue-generating. We're definitely trying to catch up on some of the projects that have been affected by the pandemic.

**LCH:** Thank you Chris. I think many of our customers have very strong interests for us to continue their projects, so these 5,000 workers are definitely a godsend in terms of, as Chris says, getting our projects going again.

Question from Teo, retail investor

**Seen against other property players, what would you say are the comparative advantages of Keppel in the property sector?**

**LCH:** I think Swee Yiow is in a good position to address that.

**TSY:** Thank you Chin Hua. I think our key strength is really in terms of good quality execution. You can see from all our past projects, whether it is Marina Bay Financial Centre, Ocean Financial Centre or Reflections, we are able to deliver good quality assets at a competitive cost, and that's also reflected well in our overseas markets, be it Saigon Centre that we have developed, or the China projects. The other thing is that we tend to think longer term, looking ahead - so we deploy a fair bit of innovative solutions and smart features, and focus on sustainability. In that aspect, we set ourselves a lot of sustainability targets which we are all on track to deliver. Generally, we are also very good in working with partners. For a lot of projects, it is not just ourselves doing it. We are able to put stakeholders together with our other partners to deliver large-scale township projects, as well as put together large-scale projects.

**LCH:** Thank you, Swee Yiow. If I could add to that, besides all the strengths that Swee Yiow has outlined for Keppel Land, I would also say that in more recent years, Keppel Land is also becoming more nimble. We don't always have to develop a project from the ground up. Sometimes, we find that we can actually make quite good money buying an older asset and doing enhancement. We have also been more nimble in recent years in that we are no longer just developing everything for sale. Sometimes, when the opportunity comes up for us to sell on an en-bloc basis, we have also done so.

Question from Ezien Hoo, OCBC Bank

**Are there any plans to further simplify Keppel's corporate structure in a bid to boost shareholder's returns?**

**LCH:** Our corporate structure has already been simplified in the last few years through the various privatisations. I mentioned in my speech about Keppel Land's privatisation and how that has panned out for us quite well. The idea is that all the key operating units are now 100% owned, so it makes it a bit easier for us to allocate capital across the whole Group, and of course we are still very open to having listed REITs, of which we have IPO-ed a number in recent years. But as far as the main operating arms of Keppel are concerned, all the operating units are now private. Only the head stock is listed.

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