

Desalination plant disappears into murky Off Balance Sheet Waters

浑浊的交易将海水淡化厂淡出财务报表

December 2024

About KIT, KIFM and Keppel

吉宝基础设施信托（KIT）是新加坡上市的基础设施信托。KIT 由 Keppel Infrastructure Fund Management Pte Ltd （KIFM）管理，并由全球资产管理和运营商吉宝（Keppel）赞助。KIFM 是吉宝的子公司。

受托经理 KIFM 具有双重责任，既要保护 KIT 单位持有人的利益，又要管理 KIT 的业务。受托经理对 KIT 的业务和资产拥有一般管理权，其主要责任是为全体单位持有人的利益管理 KIT 的资产和负债。

REPORT OBJECTIVE

KIT这项收购Keppel Infrastructure Holdings Pte Ltd (KIHPL) 50%的Marina East Water Pte Ltd (MEW)股权的交易引起了我们对KIT公司治理和交易结构的质疑。这笔交易真的会对KIT的单位持有人有利吗？是否有其他因素推动了这笔交易？7名董事会成员中有5名成员选择弃权的原因是否有效和公平？CML在这次简报进行了探讨。

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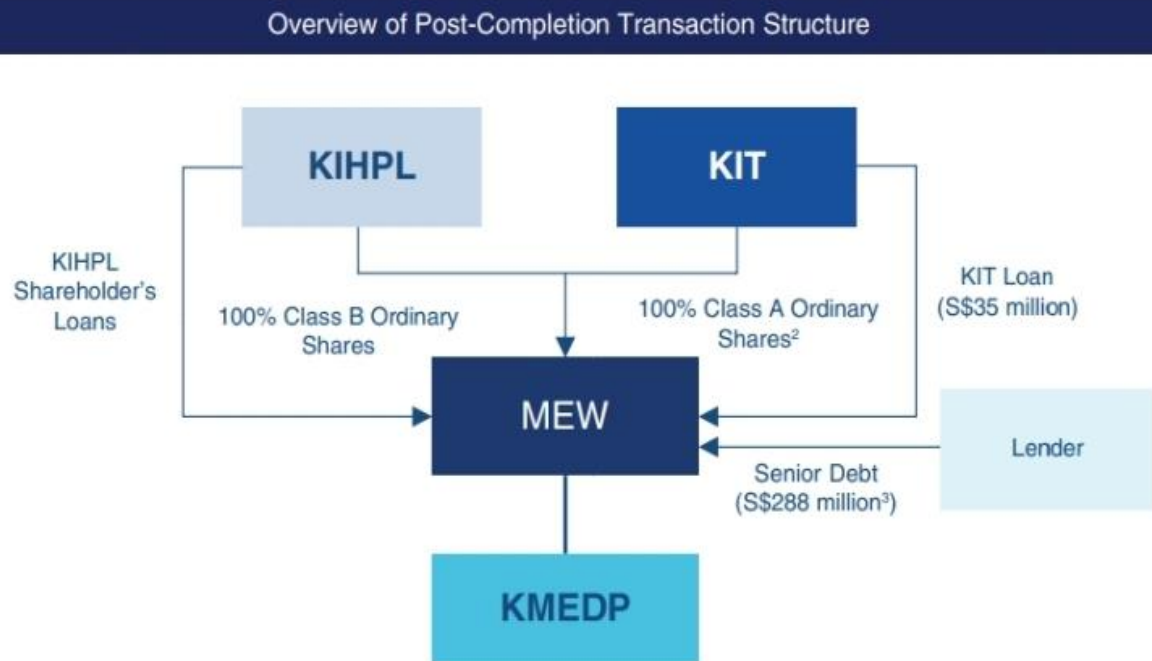
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Nov 2024: Keppel proposes to sell Singapore's 4th Desalination Plant to KIT

Transaction Overview

- Proposed acquisition of 50% equity interest in Marina East Water Pte. Ltd. ("MEW") which owns Keppel Marina East Desalination Plant ("KMEDP"). The enterprise value of MEW is approximately S\$323 million.
- Following completion, Keppel Infrastructure Holdings Pte. Ltd. ("KIHPL") and KIT will each hold a 50% joint-controlling equity interest in MEW, with KIT receiving the entire economic benefit from MEW.
- On 25 April 2022, MEW had drawn down S\$315.0 million on a term loan facility¹, which has since commenced amortisation. As at the Latest Practicable Date, S\$288.2 million remains outstanding on the facility. At completion, KIT will extend a non-interest bearing shareholder's loan of S\$35.0 million to MEW.



结构的显著特点

- KIT 和 KIHPL 将各持有 MEW 50% 的股权。KIT 将有权享有 MEW 的 100% 经济利益。
- 根据通函，联合控股股东结构确保了 KIT 和 KIHPL 在 KMEDP 运营方面的利益和义务保持一致，同时确保 KIT 有权享有 MEW 的全部经济利益。
- 其他股东权利和董事会代表权基本相似。
- 在2022年4月25日，MEW已提取了3.15亿元的定期贷款，该贷款已开始摊还。截至Latest Practicable Date，该贷款尚有2.88亿元的余额。
- 在回应提问时，KIT 确认 KIT 不会会计合并 MEW 的财务报表。由于 KIT 和 KIHPL 共同控制 MEW，该投资将采用权益法核算。

A complex structure for a single asset purchase? 简单的资产收购，复杂的交易结构？

CML's Question to KIT:

Why would KIT not simply raise equity and debt to buy this asset? Why use a complicated transaction structure?

KIT's Reply:

The joint-controlling shareholder structure and the continued provision of O&M services by a wholly-owned subsidiary of KIHPL ensures that the interests of KIT and KIHPL regarding the operation of KMEDP are aligned, ensures the operational stability of KMEDP and allows MEW to benefit from the proven water services and diverse operating capabilities of KIT's sponsor KIHPL.

1. 由于KIHPL向MEW提供O&M服务中获得的收益远远超过了2元的投资，我们认为KHIPL和KIT的利益并不会保持一致。
2. 如果这是KIT和KIHPL之间的50:50股权，为什么只有KIT股东提供了3500万的股东贷款？
3. 拥有50%的股权但没有任何经济利益，这对KIHPL来说，这笔交易的商业实质是什么？
4. KIT是否无法独立获得债务，因此诉诸于这种交易结构以保留2.88亿的贷款？



Off Balance Sheet effects of the transaction

交易的资产负债表外效应

- 通过这种交易结构，Keppel和KIT都不再需要会计合并MEW的财务报表。也就是说，2.88亿的债务将从Keppel的财务报表中被剔除。我们注意到Keppel近年的负债率在攀高。
- KIT也同样不会在其财务报表中反映这些债务。尽管MEW的债务为2.88亿，KIT的备考杠杆率仅略有增加。在未能进一步分析KIT偿还增加债务能力的情况下，我们不确定这笔交易会否给KIT带来不必要的财务风险。

KIT是否已成为Keppel的资产负债表外工具？

这种拟议的股权结构是否具有真正的商业实质？

Is this transaction truly DPU accretive to KIT unitholders?

这笔交易是否真的对KIT的单位持有人有利？

- KIT需要向MEW提供3500万的无息股东贷款，该贷款是无担保的，也没有固定的还款期限。在没有保证收回其3500万前期投资的情况下，这对KIT的单位持有人有何好处？
- MEW的运营资金（FFO）在2023年为1050万。然而，KIT的分配收入仅增加了60万（\$0.0001乘以60亿单位）。这意味着大部分的FFO已用于偿还MEW的贷款本金。如果未来的FFO减少，MEW是否会有足够的资金偿还2.88亿元的贷款？
- MEW每年的分配收入约为60万。这个海水淡化厂特许期还剩20年，如果未来几年FFO没有显著增加，总分配收入仅为1200万。与KIT的3500万初始投资相比，这笔交易如何被认为对KIT单位持有人有利？

CML calls on KIT to provide clear, sufficient and substantive information on how the Board and the Trustee-Manager are satisfied that this transaction is in the best interest of the unitholders and for the benefit of the beneficiaries of the trust and not to the detriment of unitholders of the business trust.

CML呼吁KIT提供明确、充分和实质性的信息，说明董事会和受托经理如何确信该交易符合单位持有人的最佳利益，并有利于信托的受益人，而不会损害业务信托的单位持有人的利益。

What is the ARC and Board recommending to Unit Holders?

审计委员会和董事如何推荐此收购交易？

At the date of the circular, Directors of Keppel Infrastructure Fund Management Pte Ltd, as trustee-manager of KIT, consists of the following:

- Daniel Cuthbert Ee Hock Huat, Board Chairman and ARC Member
- Mark Andrew Yeo Kah Chong, also ARC Chairman
- Chong Suk Shien
- Adrian Chan Pengee, also ARC Member
- Ng Kin Sze
- Khor Poh Hwa
- Christina Tan

Other than Christina Tan, all other directors (that is, 6 out of 7 Directors) were considered Independent Directors by KIT.

尽管有6名独立董事，但只有2名董事参与了向单位持有人推荐交易的决策。大多数董事会成员都回避向单位持有人提出建议。CML审查了董事们回避提出建议的原因。

Only 1 out of 3 ARC members made the recommendation with 2 abstaining
在3名审计委员会成员中，只有1名提出了建议，2名回避

6. STATEMENT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (with Mr Daniel Cuthbert Ee Hock Huat and Mr Adrian Chan Pengee abstaining as each of them is a director of certain subsidiaries of Temasek), having reviewed, among other things, the terms and rationale for the Proposed Acquisition, and after considering the advice of the IFA as set out in **Appendix A** to this Circular, concurs with the IFA and is of the opinion that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of KIT and its minority Unitholders.

11. DIRECTORS' RECOMMENDATION

Having considered the relevant factors, including the rationale for the Proposed Acquisition, the Directors (save for Mr Daniel Cuthbert Ee Hock Huat, Mr Adrian Chan Pengee, Mr Ng Kin Sze, Ms Christina Tan Hua Mui and Mr Khor Poh Hwa, all of whom are not making a recommendation in respect of the Proposed Acquisition for the reasons set out in **Section 10 of this Circular**) are of the opinion that the Proposed Acquisition is in the best interests of KIT. Accordingly, the Directors (save for Mr Daniel Cuthbert Ee Hock Huat, Mr Adrian

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See Section 10 on page 5 of this report

Only 2 out of 7 Board members made the recommendation with 5 abstaining

在7名董事会成员中，只有2名提出了建议，5名回避

Chan Pengee, Mr Ng Kin Sze, Ms Christina Tan Hua Mui and Mr Khor Poh Hwa) recommend that Unitholders vote in favour of the Ordinary Resolution in respect of the Proposed Acquisition.



Are the reasons for abstention valid?

这些回避的原因是否合理？

10. ABSTENTION FROM VOTING

By virtue of their interest in the Proposed Acquisition, each of KIHPL, Keppel, Temasek and the Temasek Entities will abstain and have undertaken to ensure that their respective Associates will abstain from voting on the Ordinary Resolution in respect of the Proposed Acquisition. Each of KIHPL, Keppel, Temasek and the Temasek Entities will also decline to accept appointment as proxy for any Unitholder to vote on the Ordinary Resolution in respect of the Proposed Acquisition unless that Unitholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the Ordinary Resolution in respect of the Proposed Acquisition. Please refer to Section 8.2 of this Circular for the relevant Substantial Unitholders' direct or deemed interests in the Units.

Mr Daniel Cuthbert Ee Hock Huat is a director of a subsidiary of Temasek and an investment committee member of certain subsidiaries of KCH. Mr Adrian Chan Pengee is a director of certain subsidiaries of Temasek. Mr Ng Kin Sze is a private equity advisor to a subsidiary of Temasek and an investment committee member of certain subsidiaries of KCH. Ms Christina Tan Hua Mui is the Chief Executive Officer, Fund Management and Chief Investment Officer of Keppel, and a director of several other subsidiaries of Keppel. Mr Khor Poh Hwa is a non-executive director of two associated companies of Keppel.

Accordingly, each of Mr Daniel Cuthbert Ee Hock Huat, Mr Adrian Chan Pengee, Mr Ng Kin Sze, Ms Christina Tan Hua Mui, Mr Khor Poh Hwa and their respective Associates will abstain from voting on the Ordinary Resolution in respect of the Proposed Acquisition, and will also decline to accept appointment as proxy for any Unitholder to vote on the Ordinary Resolution in respect of the Proposed Acquisition unless that Unitholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the Ordinary Resolution in respect of the Proposed Acquisition.

Save for the foregoing, the Trustee-Manager will disregard any votes cast at the EGM on the Ordinary Resolution in respect of the Proposed Acquisition by Mr Daniel Cuthbert Ee Hock Huat, Mr Adrian Chan Pengee, Mr Ng Kin Sze, Ms Christina Tan Hua Mui, Mr Khor Poh Hwa and their respective Associates. Please refer to Section 8.1 of this Circular for the relevant Directors' direct or deemed interests in the Units as at Latest Practicable Date.

Save as disclosed in this Circular, none of the Directors or Controlling Unitholders have any direct or indirect interest in the Proposed Acquisition.

CML Observations

- KIT董事们主要是因为他们在其他淡马锡子公司或与Keppel相关的子公司/关联公司担任董事的角色而回避提出建议。
- 有趣的是，由于Keppel是KIT的赞助机构，并且经常将其产生现金的资产转移到商业信托中，MEW这样的交易是否会被视为常规或正常？鉴于Keppel是淡马锡相关公司，如果这些董事因在淡马锡子公司担任职务而弃权向信托单位持有人提出建议，这是否意味着他们永远不会评估来自Keppel的任何交易？如果是这样，这是否符合他们作为受托经理董事的角色？
- 如果这些董事认为他们应该弃权参与此类交易，CML质疑他们如何将自己视为KIFM的独立董事。
- CML将上述观察结果与其他REIT交易及其受托经理（如Mapletree Logistics Trust和Keppel REIT）进行比较。尽管他们的许多董事也是其他淡马锡相关实体的董事，但没有一位董事认为自己在向单位持有人推荐时存在冲突。

当董事会无法推荐来自Keppel的交易时，受托经理的董事会是否还有效？这些所谓的独立董事真的独立吗？

Comparison with MLT and Keppel REIT

Mapletree Logistics Trust - Proposed Acquisition of Logistics Assets from Mapletree; Circular Dated January 2022

11. RECOMMENDATION

11.1 The Proposed Acquisitions

Based on the opinion of the IFA (as set out in the IFA Letter in **Appendix E** of this Circular) and the rationale for and key benefits of the Acquisitions as set out in **Paragraph 4** of this Circular above, the Independent Directors and the Audit and Risk Committee believe that the Acquisitions (including the Income Support) are on normal commercial terms and are not prejudicial to the interests of MLT and its minority Unitholders.

Accordingly, the Independent Directors recommend that Unitholders vote at the EGM in favour of the resolution to approve the Acquisitions.

KEPPEL REIT - Proposed Acquisition of Keppel Bay Tower; Circular Dated 29 January 2021

9. RECOMMENDATION

Based on the opinion of the IFA (as set out in the IFA Letter in **Appendix D** of this Circular) and the rationale for and key benefits of the Acquisition as set out in Paragraph 3 above, the Independent Directors and the Audit and Risk Committee believe that the Acquisition is on normal commercial terms, and is not prejudicial to the interests of Keppel REIT and its minority Unitholders.

Accordingly, the Independent Directors and the Audit and Risk Committee recommend that Unitholders vote at the EGM in favour of the Resolution relating to the Acquisition.

No Abstention from Any Independent Directors and Audit and Risk Committee

Does KIT's Trustee Manager, KIFM, have a higher or lower bar for governance - a closer look at the Independent Chairman and the views of the Nominating Committee



DANIEL CUTHBERT EE HOCK HUAT, 71

Non-Executive Chairman and Independent Director

N A I

Date of first appointment as a director:
18 May 2015

Length of service as a director (as at 31 December 2023):
8 years 7 months

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

Academic & Professional Qualification(s):
Bachelor of Science (Systems Engineering) (First Class Honours), University of Bath, UK;
Master of Science (Industrial Engineering), National University of Singapore

Present Directorships (as at 1 January 2024):
Listed entities
Keppel Infrastructure Fund Management Pte. Ltd. (the Trustee-Manager of Keppel Infrastructure Trust);
Olive Tree Estates Limited;
Capitaland Ascendas REIT Management Limited (the Manager of Capitaland Ascendas REIT)

Other principal directorships
Singapore Mediation Centre

Major Appointments (other than directorships):
Investment Committee Member,
Keppel Asia Infra Fund (GP) Pte. Ltd. and
Keppel Asia Infra Fund II (GP) Pte. Ltd.

Past Directorships held over the preceding 5 years (from 1 January 2019 to 31 December 2023):
Nil

Others:
Nil

Taking into account the views of the NRC, the Board has determined that:

- a. although Mr Daniel Cuthbert Ee Hock Huat is strictly not considered to be independent from Temasek and Keppel, a deemed substantial shareholder of the Trustee-Manager according to the BTR, nonetheless, the Board considers that Mr Ee is an independent Director. Mr Ee is a director of Capitaland Ascendas REIT Management Limited (Ascendas), a subsidiary of Temasek. In addition, Mr Ee is also an investment committee member of Keppel Asia Infra Fund (GP) Pte. Ltd. (KAIF) and Keppel Asia Infra Fund II (GP) Pte. Ltd., (KAIF II, and together with KAIF, the KAIF Entities), each of which is a wholly-owned indirect subsidiary of Keppel Capital. After review, the Board is satisfied that the above relationship will not interfere with Mr Ee's independent judgment and ability to act with regard to the interests of all the Unitholders as a whole. The Board reached

its conclusion on the basis that (i) Mr Ee is an independent non-executive director of Ascendas and his investment committee member roles on the KAIF Entities are independent non-executive roles, (ii) Mr Ee serves on the Board in his personal capacity, not as Temasek's and/or Keppel Capital's representative, (iii) Mr Ee is not an employee of Temasek and/or Keppel Capital and he has declared he does not act in accordance with the instructions of Temasek and/or Keppel Capital, and (iv) Mr Ee has declared that he does not derive any compensation from Ascendas, Temasek and/or Keppel Capital other than remuneration received for his service as a director of Ascendas and as an investment committee member of the KAIF Entities. Mr Ee has also consistently shown independent judgment in his deliberation of the interests of KIT. Mr Ee's participation in the Board will benefit KIT given his expertise. Mr Ee will however, abstain from the Board's decisions in relation to any matter which involves Temasek, Keppel Capital and its subsidiaries.

Similar playbook is seen in assessing the independence of Adrian Chan and Ng Kin Sze

仔细看看负责评估投资、收购和/或处置的投资委员会:

投资委员会的组成

Christina Tan – 非独立董事

Daniel Cuthbert Ee Hock Huat, 独立董事

Ng Kin Sze, 独立董事

由于这次与MEW的拟议收购涉及Keppel, 所有三人都有利益冲突, 所以不对交易进行投票。他们是否也因为利益冲突而回避与交易相关的任何讨论?

那么, 到底是谁在评估这笔交易并向董事会推荐, 进而董事会向单位持有人推荐呢?

Corporate governance of KIFM raises serious questions on the effective oversight of this transaction

我们对KIFM董事会对该交易的有效监督提出严重的质疑

在KIT 2023财年年报的公司治理部分，5名独立董事中的3名（Daniel Ee、Ng Kin Sze和Adrian Chan）并未严格被视为独立于Keppel和/或淡马锡，但董事会仍认为他们是独立的。在2024年，Khor Poh Hwa被任命为KIFM新董事，但他也是Keppel两家关联公司的非执行董事，因此与上述3名独立董事处于相同的情况。

此外，Daniel Ee和另一位独立董事Mark Andrew Yeo Kah Chong（也是该审计委员会主席）自2010年或更早已是Cityspring Infrastructure Trust (CIT) 的独立主席和独立董事。CIT与KIT合并。因此，他们一直是KIT及其前身的独立董事。严格来说，他们都超过了独立董事应有的年限。

董事会有选择性地运用规则将上述董事视为独立的决定令人失望。

KIFM董事会的投资委员会由唯一的非执行非独立董事Christina Tan担任主席。其他两名成员是Daniel Ee和Ng Kin Sze，他们严格来说并不独立，但仍被董事会视为独立。由于这次与MEW的拟议收购涉及Keppel，所有三人都有利益冲突，所以不对交易进行投票。他们是否也因为利益冲突而回避与交易相关的任何讨论？那么，到底是谁在评估这笔交易并向董事会推荐，进而董事会向单位持有人推荐呢？

CML VIEWS

KIFM应该怎么做？

- KIFM应该在确定董事独立性方面设定高标准。
- KIFM的独立董事不应与任何其他Keppel子公司/关联公司有任何其他关系。
- 对于可能是其他淡马锡相关实体的董事，只要这些实体与所讨论的交易没有冲突，他们就不应弃权推荐。

我们对KIFM 董事对该交易的有效监督提出了严重质疑。KIFM在评估董事会独立性方面似乎标准较低，然而在管理利益冲突方面标准“较高”，使得董事们选择在需要实际工作时回避/弃权，留下单位持有人自己评估此类复杂交易。