

KEPPEL LTD

IS THERE MORE TO THE KEPPEL O&M DEAL THAN MEETS THE EYE?

吉宝海事 (O&M) 交易是否另有隱情?

December 2024

Keppel Offshore
& Marine



sembcorp
marine



REPORT OBJECTIVE

This report aims to examine the rationale and structure of the transformative deal in February 2023 when Keppel spun out its Offshore and Marine (“O&M”) division and merged it with Sembcorp Marine, leading to the creation of Seatrium. At the same time of the merger/KOM combination, Keppel also undertook an AssetCo Transfer (see *Circular to Keppel Shareholders dated 23 November 2022*).

This **AssetCo** transaction was selected because

- (1) The substantial size, at S\$4.4bn, is equivalent to 14% of Keppel’s assets or ~ 37% of its shareholder equity
- (2) Highly complex transaction with extremely generous financing terms granted by Keppel, which received no cash for selling legacy rigs at its carrying cost
- (3) In less than 1 year, Keppel wrote off the perpetual securities it received as part of the transaction to “other comprehensive income”, but did not make any impairment for the vendor notes.
- (4) In less than 2 years, Keppel announced it would take back control of the legacy rigs and raise a private fund to own and seek to monetize such assets.

报告目标

在2023年2月，吉宝 (“Keppel”) 剥离了其海事 (“O&M”) 业务并将其与 胜科海事 (“Sembcorp Marine”) 合并，创建了Seatrium。在这同时，吉宝也签署了AssetCo交易。本报告旨在研究这个重大的AssetCo交易和结构。

明鉴选择研究**AssetCo**交易的原因如下：

1. 这个交易价值44亿新元，规模巨大，相当于吉宝资产的 14% 和其股东权益的约 37%。
2. 这宗交易极其复杂，Keppel 提供了非一般优惠的融资条款，以账面值出售遗留钻井平台但未收到分文现金。
3. 在不到一年的时间里，Keppel 将其在此交易中收到的永久证券 (“Perpetual Securities”) 注销，但未对卖方票据 (“Vendor Notes”) 进行减值。对永久证券的注销也归类为“其他综合收益”，也就是说，此注销产生的亏损不在Keppel 的损益表里体现。
4. 在不到两年的时间里，Keppel 宣布将重新控制这间遗留钻井平台(即AssetCo) 并筹集私募基金重新拥有，管理及寻求变现这些资产。

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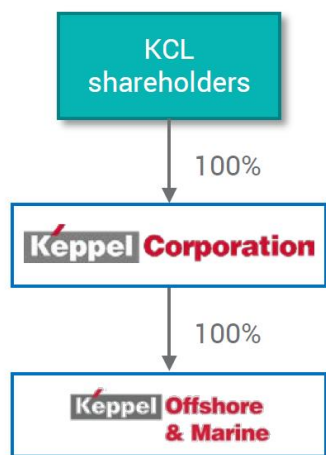
Feb 2023: Keppel spins off O&M unit and combines it with Sembcorp Marine

2023年2月：吉宝剥离O&M业务并将其与胜科海事合并

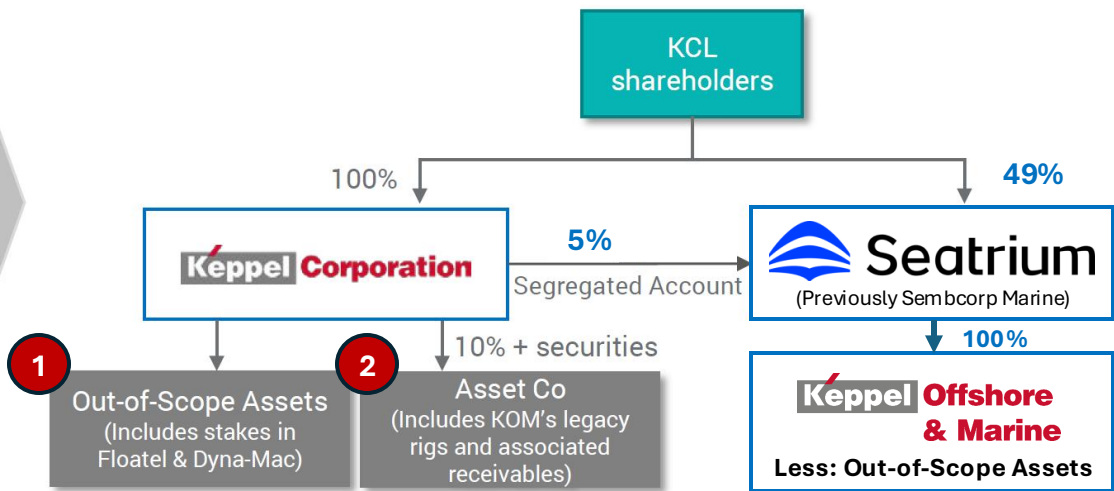
在 2023 年 2 月，吉宝海事业务 (“Keppel O&M”) 和 胜科海事 (“Sembcorp Marine”) 合并成功完成，从而创建了 Seatrium (有关背景信息，请参见附录 I)。该交易涉及股票交换安排，使两家公司的股东成为合并实体 Seatrium 的股东。作为交易的一部分，吉宝还对 Keppel O&M 资产进行了重组，其中 (1) “超出范围的资产”由 Keppel 保留，(2) 其他资产 (主要是遗留钻井平台和遗留的应收款) 则出售给 AssetCo。

这笔 **Asset Co** 交易的价值为 **44 亿新元** (有关对价的详细信息，请参见附录 II)。交易后，Asset Co 将负责将这些资产变卖。在这项交易，**Keppel 在 AssetCo 的持股比例仅仅是 10%**。这份交易表面上看来是 Keppel 已脱售了这些遗留钻井平台和遗留应收款。

Pre-transaction structure



Post-transaction structure as of Nov'22⁽¹⁾



2

#	Legacy Rigs	Value	Original Buyer	Status
1	CAN-DO Vessel	Information unavailable	N/A	Information unavailable
2	Heidrun Vessel	US\$149mn	Borr Drilling	Delivery in progress
3	Huldra Vessel	US\$149mn	Borr Drilling	Delivery in progress
4	Nordic Spring Vessel	US\$425mn ⁽⁴⁾	Awilco	Terminated
5	Nordic Winter Vessel	US\$425mn ⁽⁴⁾	Awilco	Terminated
6	Sapura Raiqa Vessel	Information unavailable	Sapura Energy Berhad	Terminated
7	Tivar Vessel	US\$149mn	Borr Drilling	Delivery in progress
8	TS Jasper Vessel	US\$500mn ⁽⁵⁾	TS Offshore	Terminated
9	Vale Vessel	US\$149mn	Borr Drilling	Delivery in progress
10	Var Vessel	US\$149mn	Borr Drilling	Delivery in progress

1 Out-of-Scope Assets

1. ~50% stake in Floatel which owns 5 floating hotels



2. Minority Stake in Dyna-Mac (floating facility designer & manufacturer)

Note: 24% stake in Dyna-Mac has since been sold for US\$74mn to Hanwha Ocean and Aerospace in May'24⁽²⁾

2 In-Scope Assets⁽¹⁾

Jack-up Rigs



Semi-Submersible Rigs



CAN-DO Drill Ship

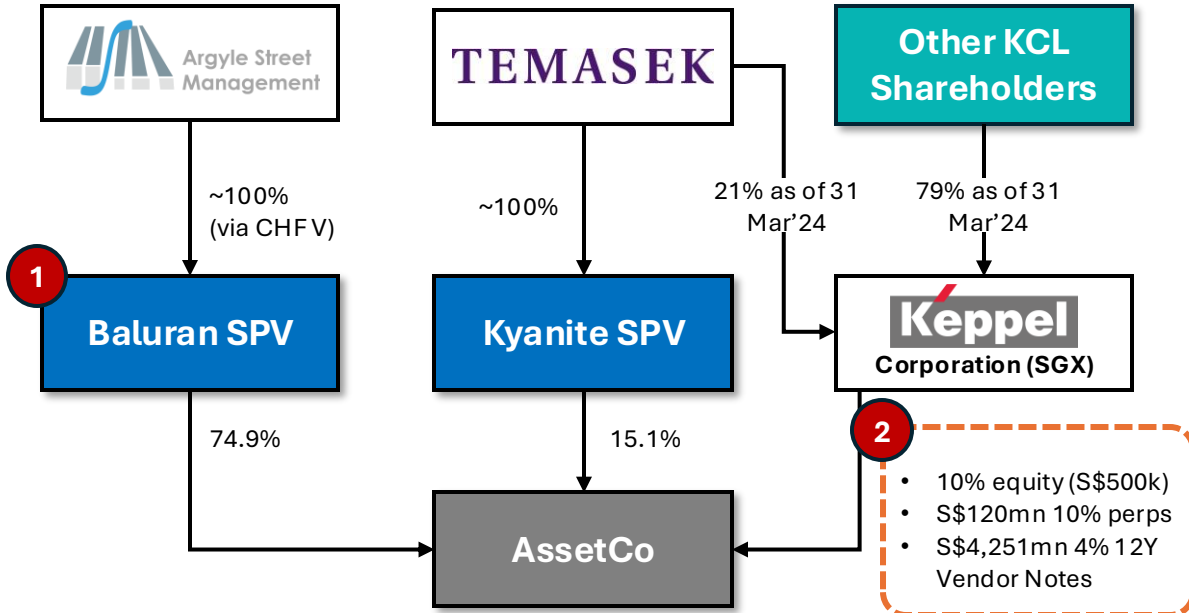


Is AssetCo independent? Is the transaction commercial and arms-length?

AssetCo是否是独立第三方？交易是否公平且基于商业原则？

\$4.4bn Transaction for Keppel; 14% of total asset and 37% of equity

AssetCo's post-transaction ownership structure⁽¹⁾ (as of Nov'22)



1 我们分析了买下这些遗留钻井平台和遗留应收款的 Asset Co（公司名为 RigCo）：

- AssetCo 约 75% 由 Baluran 拥有。Baluran 是 Argyle Street Management (ASM) 的一只基金 CHF V 管理的特殊目的公司 (SPV)。CHF V 是一家总部位于香港的特殊情况基金。
- TIH (上市的 SGX 基金) 被列为 CHF V 的顾问。TIH 也是 CHF V 的有限合伙人。
- 截至 2024 年 11 月, ASM 持有 TIH 23% 的股份。TIH 的主席 Kin Chan 也是 ASM 的创始合伙人和首席投资官。
- 根据有关 TIH 的公开信息, 该基金没有在石油和天然气投资方面的经验。截至 2023 年 12 月, 其资产仅约 1.45 亿新元。
- 有关 ASM、TIH 和 CHF V 的更多信息, 请参见附录 III。

2

- AssetCo 交易的价值为 44 亿新元, 占 Keppel 2022 财年资产的 14%, 股东权益的 37%。鉴于此交易规模, 吉宝是否考虑过其他买家?
- 为什么吉宝会选择 ASM / TIH 来控制 AssetCo 75% 的股权?
 - ASM/TIH 没有管理和处置像 AssetCo 这样的遗留钻井平台的经验。
 - CHF V 的资产管理规模仅约 2 亿新元 (见附录 III), 似乎没有足够的财力来进行这笔 44 亿新元的交易。
- 从 AssetCo 的注入股本价值, 我们估计 ASM / TIH / CHF V 在 AssetCo 中的投资不超过 375 万新元, 远低于交易价值的 1%。我们也无法确认这 375 万是否是现金投资。
- 这个交易以 Keppel 资产的账面值作为交易价——面对这些遗留资产, 为什么 ASM 愿意接受 Keppel 对钻井平台和其他遗留资产的账面价值, 而没有进行独立的估值呢? 根据 Keppel 2023 财年年报的独立估值, AssetCo 的卖方票据为 30 亿新元, 远低于交易时 (2023 年 2 月) 的 43 亿新元的作价 (见第 7 页)。
- 为什么 Keppel 会为 AssetCo 提供非一般的优惠利率和融资条款呢?
 - 在整个交易, Keppel 没有收到分文现金。
 - Keppel 得到的是 AssetCo 发行的永久证券 (Perpetual Securities) 和卖方票据 (Vendor Notes)。如果 AssetCo 缺乏足够的现金支付股息和利息, 它可以发行额外的永久证券卖方票据。也就是说, 吉宝收到的利息可能只是更多的证券和票据。
 - AssetCo 无需定期偿还卖方票据的本金, 只需在 12 年后一概偿还。AssetCo 也可以再延长卖方票据的偿还期 3 年, 总计 15 年。
 - 根据 2022 年 11 月的交易独立财务顾问 (IFA), Keppel 当时的债务成本约为 4% (见附录 II), 但卖方票据的利率也是 4%。鉴于 AssetCo 拥有的是高风险的海事资产, Keppel 是否应该获取更高的利率?

Will Keppel recover the Vendor Notes? 吉宝能否收回账面值43亿的卖方票据?

根据其 2023 财年（截至 12 月）的 ACRA 备案，AssetCo 亏损巨大（息税前亏损为 7.18 亿新元），其股权价值为巨大的负值（7.34 亿新元）。

P&L		FY23
Revenue	S\$m	307.8
Opex	S\$m	(1,025.9)
EBIT	S\$m	(718.0)
<i>EBIT Margin</i>	%	(233.2%)
Net Interest Income / (Exp) ⁽¹⁾	S\$m	(144.7)
PBT	S\$m	(862.7)
<i>PBT Margin</i>	%	(280.3%)
Tax	S\$m	1.6
NPAT	S\$m	(861.1)
<i>NPAT Margin</i>	%	(279.7%)

Balance Sheet		FY23
Assets		
ST Assets	S\$m	2,781.2
LT Assets	S\$m	1,160.3
Total Assets	S\$m	3,941.5
Liabilities & Equity		
ST Liabilities	S\$m	314.4
LT Liabilities	S\$m	4,360.8
Total Liabilities	S\$m	4,675.2
Retained Earnings	S\$m	(871.5)
SH Equity	S\$m	137.8
Total Equity	S\$m	(733.8)

除非有迫切且实质性的转变，否则 AssetCo 是否能够在没有新资本注入的情况下继续作为一个持续经营的企业？

CHF V 有什么动力和能力来兑现 43 亿新元的卖方票据？它在 AssetCo 中的投资最多为 375 万新元，资产管理规模约也仅有 2 亿新元。

这是否是促使 Keppel 最近决定收回遗留钻井平台（即AssetCo)的原因？请参考第8页。

After <1 year, Keppel fully writes off AssetCo Perps

不到一年，吉宝完全注销AssetCo发行的永久证券

S\$120mn 10% perpetual securities: full write-off
(Note 36e, FY23 Annual Report)

As at 31 December 2023, management assessed that the \$120,000,000 10.0% perpetual securities issued by Rigco (Note 38), which is measured at fair value through other comprehensive income, may be unrecoverable based on Rigco's business plan and financial projections received in December 2023. Accordingly, the carrying amount of the perpetual securities was reduced to \$nil with the fair value changes recognised within other comprehensive income.

- 在2023年12月，仅在交易完成后10个月，Keppel决定将AssetCo（在上文中称为RigCo）发行的永久证券的账面价值注销为零。Keppel是基于AssetCo（也就是上段所指的RigCo）的商业计划和对未来的预期作出这个决定。
- Keppel对AssetCo的负面判断应该是非常严重的。这笔永久证券没有还款期限，股息的支出也可以通过发行更多的证券，所以它是不可能违约的。
- 有意思的是，这笔1.2亿新元的注销只在一份254页的年报里的一小段毫不起眼的附注里披露。
- 这笔减值被归类为**其他综合收益**，也就是说，这笔减值不会在吉宝的损益表出现，Keppel的净利润保持不变，不受此次减值的影响。
- **AssetCo的前景发生了什么重大变化，以至于Keppel必须在一年内对此永久证券注销？**

...yet the Vendor Notes are unimpaired ...但没对同是AssetCo发行的卖方票据做减值拨备

同是AssetCo发行的债券，为什么会有这么大的差异对待？

S\$4,251mn 4% Vendor Notes: no impairment (Note 2.27vii & 16, FY23 Annual Report)

The transaction price of the Asset Co Transaction agreed with Rigco was based on the carrying values of the underlying assets as of 27 February 2023. Given the unique business and risk profile of Rigco, the transaction price was assessed to be not representing the fair value of the vendor notes. As the fair value of vendor notes is neither evidenced by a quoted price in an active market (i.e. Level 1 input) nor based on a valuation technique that uses only data from observable markets and as such, in accordance with SFRS(I) 9, paragraph B5.1.2A(b), the difference between the fair value at initial recognition and the transaction price was deferred. The deferred loss will be recognised as a loss on a systematic basis over time.

Subsequent measurement

As of 31 December 2023, the carrying amount of the vendor notes, measured at fair value, was \$4,286,354,000 which included an unamortised deferred loss amounting to \$1,107,501,000.

Movements in the notes receivables for the full year ended 31 December 2023 are as follows:

	Fair value \$'000	Deferred loss \$'000	Carrying value \$'000
At 27 February 2023	3,003,599	1,247,545	4,251,144
Fair value changes, including interest income ¹	150,659	-	150,659
Amortisation to profit or loss ¹ (from 27 February to 31 December 2023)	-	(149,694)	(149,694)
Exchange differences ²	24,595	9,650	34,245
At 31 December 2023	3,178,853	1,107,501	4,286,354

¹ The fair value changes, including interest income and amortisation of the deferred loss are recognised in the profit or loss and presented as "fair value (gain)/loss - Notes receivables" in Note 28.

² The foreign exchange gain arising from the USD denominated vendor notes and the USD denominated unamortised deferred loss are recognised in the profit or loss and presented as "foreign exchange (gain)/loss" in Note 28.

- 在2023年12月由独立评估师和市场专家进行的后续评估中，卖方票据（Vendor Notes）的公允价值估计为30亿，和面值相比下的13亿损失竟没有一次性被纳入损益表里而是按7年来摊销。
- 为什么专家没有在2023年2月之前被任命来对AssetCo进行公允估值？
- 基于公允价值和账面价值存在巨大落差，用7年来摊销这个13亿的损失是否合理？
- 如果Keppel 因为对 AssetCo 的业务前景有那么悲观的判断而导致它在一年内注销了AssetCo 发行的永久证卷，那Keppel 有什么理由不为卖方票据作减值拨备？
- 永久证卷和卖方票据的发行人都是 AssetCo

Now Keppel wants to take back the assets from AssetCo after <2 years?

不到两年，吉宝想从AssetCo重新收回资产？

Extract from Keppel's latest [press release](#) on AssetCo (19 Nov'24)

1 Keppel currently holds a 10% equity stake in Asset Co, S\$139 million in perpetual securities and approximately S\$4.3 billion in vendor notes issued by Asset Co. When the SCR exercise is successfully completed by end-2024, the shares in the capital of Asset Co not held by Keppel will be cancelled, resulting in Asset Co becoming a wholly-owned subsidiary of Keppel. Asset Co will be housed within a newly created private fund to be managed by Keppel.

With control over Asset Co, Keppel will be able to effectively manage when and how the legacy assets are monetised, with the goal of achieving the best risk-adjusted returns. Keppel will also have control of S\$843 million of cash in Asset Co as at end September 2024, which it can utilise to complete the unfinished rigs.

This is complete reversal from Keppel's presentation in Apr'22

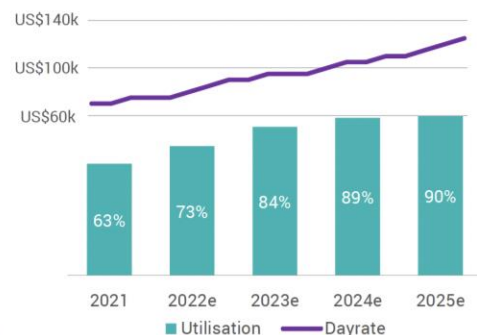
✓ Confidence in Asset Co substantially monetising the assets over next 3-5 years with improving market conditions

✓ Asset Co's external investors will provide capital that can be used for finishing uncompleted legacy rigs, which will no longer be funded by Keppel

✓ Asset Co will be run by an independent management team that will focus on:

- Completing uncompleted rigs
- Marketing of existing rigs to potential buyers
- Chartering of completed rigs to improve their marketability and generate cash flow until suitable outright sales can be arranged
- Selling of rigs

Utilisation & dayrates for modern jackup rigs are expected to improve, underpinned by rising oil prices



Source: Pareto Securities

1 CML 对 Keppel 有以下提问：

- 为什么 Keppel 在不到 2 年的时间内完全逆转了 AssetCo 交易？
- 募集一个私募基金来购买这些遗留钻井平台引发了以下的问题：
 - ❖ 如果 Keppel 之前都没办法处理那些遗留钻井平台和遗留应收款，怎么现在又有这种能力了呢？这将会是吉宝第三次尝试处理这些遗留资产。在2021年1月，吉宝就提过关于吉宝海事的重组计划，其中就有类似的Rigco。最终在2023年采取了第三页所描绘的方案。
 - ❖ 这个基金会沦为一次性基金吗？没有成功的资产管理公司会推出一型基金
 - ❖ 把Floatel 加入这个资产池会降低这基金的吸引力吗？Floatel 有好几年都在仰赖更多的债务。仅在2021年Floatel 就进行了债务重组，把近9亿美元的债务降低到2亿8千4百万美元，但到2024年9月，债务又升致3亿3千万美元。Floatel 在2024年 发行了3亿5千万美元的债券付还旧债。在2024年9个月里，债务成本为4千万美元，远高于2千2百万美元的经营利润。
- 私募基金会以与出售给 AssetCo 时相同的价格购买下这些资产吗？鉴于 Keppel 已经注销了AssetCo 1.2亿新元的永久证券，而卖方票据的独立估值为 30 亿新元（账面值则为43亿新元），只有较低的价格才能吸引投资者？
- 为什么 持有75% 股权的大股东 ASM 会允许持有 10% 股权的少数股东 Keppel 取消其股份并控制 8.43 亿新元的现金？毕竟卖方票据还没到还款的期限？ AssetCo 也并没有违约？

Key questions raised on the AssetCo transaction 关于AssetCo交易的关键问题



1

为什么 Keppel 没有对 AssetCo 应付的 43 亿新元卖方票据做任何减值准备？毕竟 Keppel 已注销了 AssetCo 的 1.2 亿新元的永久证券。AssetCo 截至 2023 年亏损巨大，股权为巨大负数。Keppel 在 11 月发出想要收回遗留钻井平台的公告，很难不引发对 AssetCo 的交易质疑。

2

Keppel 是否在 2022/23 年为遗留钻井平台更大规模地寻找买方？为什么选择 Argyle Street Management？ASM 是真正独立的第三方吗？为什么 Keppel 为 AssetCo 提供极其优惠的融资条款？Keppel 现在是否间接承认 ASM 不是合适的合作方？

3

为什么 Keppel 现在决定筹集私募基金来收回遗留钻井平台？Keppel 是否在 2023 年后获取了更好的专业能力能更妥善的处理这些资产？遗留钻井平台在商业和 ESG 方面都不是有吸引力的资产。把 Floatel 加入这资产池只能进一步降低它们的吸引力？如果这更像是一次性基金，那我们该怎么理解 Keppel 的基金战略？

鉴于交易的规模以及遗留钻井平台剥离在 Keppel 2030 愿景中扮演的重要角色，我们呼吁 Keppel 对其 AssetCo 计划提供全面披露。

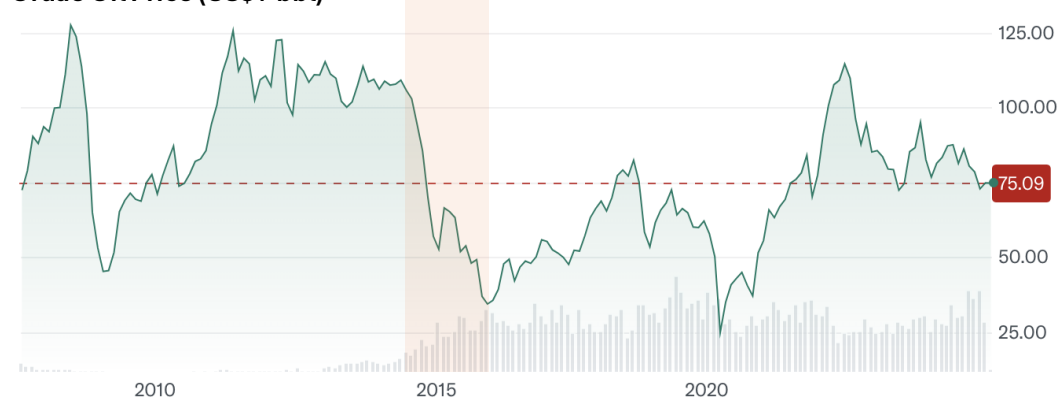
Appendix I: What happened to Keppel's O&M business prior to the spin-off?

Keppel's O&M division designs and manufactures offshore oil rigs for operators which rent them out to upstream oil producers. Pre-2014, Keppel's O&M business was generating steady net profits of ~S\$1bn annually and driving >50% of Group revenues. The unit was a core part of Keppel's DNA and yet by 2019, revenues were a meagre 26% of what they were in the hey day of 2014.

By 2020, Keppel had ceased to disclose segment P&L and by Apr'22, the decision was made to exit the business permanently through a combination with Sembcorp Marine.

1 Steep sell-off in oil markets

Crude Oil Price (US\$ / bbl)



2 O&M's waning profits

Summary P&L in S\$mn

in S\$mn	2012	2013	2014	2015	2016	2017	2018	2019
O&M Revenue	7,963	7,126	8,556	6,241	2,854	1,802	1,875	2,220
O&M NPAT	949	945	1,040	482	29	-826	-109	10
NPAT Margin %	11.9%	13.3%	12.2%	7.7%	1.0%	-45.8%	-5.8%	0.5%
Group Revenue	13,965	12,380	13,283	10,296	6,767	5,964	5,965	7,580
Group NPAT	2,237	1,846	1,885	1,525	784	217	948	707
NPAT Margin %	16.0%	14.9%	14.2%	14.8%	11.6%	3.6%	15.9%	9.3%

O&M P&L as % of Group

Revenue	57%	58%	64%	61%	42%	30%	31%	29%
NPAT	42%	51%	55%	32%	4%	n.m	n.m	1%

- 1 Keppel's O&M troubles started in May'14 when booming US oil production, receding geopolitical concerns, and shifting OPEC policies created an oversupply. Oil prices began to plummet from US\$109 in May'14 to US\$27 in Dec'14, and finally bottoming at US\$25 in Apr'16. Oil prices never recovered to the levels seen in 2011-2014
- Keppel's end clients like Awilco and Borr Drilling, saw their rig utilisation rates and day rates plummet during this period. To manage their capex, these operators either terminated or revised their contracts with Keppel. Take for example Borr Drilling's US\$745mn order for 5 rigs in May'18⁽¹⁾ which was expected to be fully completed by 2020. **As of Nov'22, Keppel had only received US\$160mn for 1 of these rigs⁽²⁾**

- 2 For 6 years, Keppel faced uncertainty over whether its O&M business would recover. Even in 2019, O&M continued to drive a significant portion of the business, generating 29% of revenues (albeit contributing only 1% in NPAT)
- To execute a spin-off of this scale **without a pool of natural buyers** for its O&M division, management risked the incurring a heavy write-down on a firesale and was unlikely to receive shareholder support for a transaction they deemed necessary for Keppel's survival

Appendix II: AssetCo Transaction Overview

\$4.4bn Consideration for In-Scope Assets

1 **\$499k in Ordinary Shares** (implying 10% equity ownership in AssetCo)

2 **\$120mn PIK Toggle Perpetual Securities:**

- 10% dividend yield paid semi-annually
- AssetCo may elect to pay interest (i) entirely in cash (ii) entirely in additional PIK Toggle Perpetual Securities or (iii) a combination of (i) and (ii)
- No fixed redemption date, redeemed at option of AssetCo on or after 5 years from date of issuance

3 **\$4,251mn Vendor Notes:**

- 12 year tenor, 4% fixed interest rate paid annually
- AssetCo may elect to pay interest (i) entirely in cash (ii) entirely in additional Vendor Notes or (iii) a combination of (i) and (ii)
- Option of AssetCo to extend maturity to any date as long as notes are repaid by the 15th year
- Option of AssetCo to redeem outstanding principal with unpaid accrued interest and redemption premium of 5% of outstanding principal amount

In-Scope Assets transferred to AssetCo

1 **Legacy Rigs**

- | | |
|-------------------------|------------------------|
| 1. CAN-DO Vessel | 6. Sapura Raiga Vessel |
| 2. Heidrun Vessel | 7. Tivar Vessel |
| 3. Huldra Vessel | 8. TS Jasper Vessel |
| 4. Nordic Spring Vessel | 9. Vale Vessel |
| 5. Nordic Winter Vessel | 10. Var Vessel |

2 **Ownership in Keppel O&M Subsidiaries**

- | | |
|--------------------------------|----------------------------------|
| 1. FELS Asset Co Pte. Ltd. | 6. Offshore Partners 2 Pte. Ltd. |
| 2. FELS Asset Co 2 Pte. Ltd. | 7. FELS Asset Co 3 Pte. Ltd. |
| 3. Fernvale Pte. Ltd. | 8. FELS Asset Co 4 Pte. Ltd. |
| 4. Lenity Pioneer | 9. FELS Asset Co 5 Pte. Ltd. |
| 5. Offshore Partners Pte. Ltd. | 10. FELS Asset Co 6 Pte. Ltd. |

3 **InterCo Loans to:**

- | | |
|------------------------------|----------------------------------|
| 1. FELS Asset Co Pte. Ltd. | 5. Offshore Partners Pte. Ltd. |
| 2. FELS Asset Co 2 Pte. Ltd. | 6. Offshore Partners 2 Pte. Ltd. |
| 3. Fernvale Pte. Ltd. | |
| 4. Lenity Pioneer | |

IFA's comparison against existing Keppel bonds at the time of issuance in Nov'22⁽¹⁾:

Announcement Date	Issuer	Total issue size (\$m)	Tenure (years)	Coupon rate per annum (%)	Issuance includes non-Interested Persons	Lead managers/Book-runners appointed
29 August 2012	KCL	300.0	30	4.00	Yes	Yes
7 May 2019	KCL	350.0	10	3.66	Yes	Yes
27 October 2022	Asset Co	3,937.7	12	4.00	No	No

Source: Bloomberg

Per Keppel's FY23 Annual Report (pg 159), subscription price for Vendor Notes was \$4,251,144,000

Appendix III: TIH and ASM don't appear to have the scale to manage \$4bn AssetCo (1/2)

Top 10 TIH Investments (FY23 Annual Report)

1

CHF V appears to have total AUM of ~S\$200mn based on TIH's 7.23% stake valued at S\$14.8mn

10 Largest Investments as at 31 December 2023*

Group	Sector	Cost S\$'000	Carrying Amount As At 31 December 2023 S\$'000	% of Shareholding	Share of Underlying Earnings [#] S\$'000	Net Assets (at book value) Attributable To Investments [#] S\$'000	Gross Dividends/ Distributions S\$'000
<i>Investments at fair value through profit or loss</i>							
Fortune Crane Limited	Property and Development	56,830 [^]	42,467 [^]	7.95	(814)	10,300	-
ASM Connaught House General Partner II Limited	Fund Investment - Private Credit	9,777	24,000	30.00	(4,102)	24,000	4,866
Vasanta Sub-Fund 1	Fund Investment - Public Equity	20,055	23,506	30.87	2,835	23,506	-
1 ASM Connaught House Fund V LP	Fund Investment - Private Credit	13,952	14,835	7.23	578	14,835	-
ASM Connaught House Fund III LP	Fund Investment - Private Credit	6,451	7,734	1.86	76	7,734	-
Sungei Road Limited	Financial Services	6,238	6,482	8.33	(1)	6,482	-
ASM Connaught House General Partner III Limited	Fund Investment - Private Credit	4	2,431	30.00	131	2,431	-
ASM Connaught House Fund II LP	Fund Investment - Private Credit	1,875	1,805	1.39	(10)	1,805	-
ASM Connaught House Fund LP	Fund Investment - Private Credit	1,640	1,687	1.04	99	1,687	101
Robyn Hode Capital Holding Limited	Consulting / Financial services	52	1,197	17.27	527	1,197	-
Total		116,874	126,144				

Total TIH Assets of S\$145mn (FY23 Annual Report)

Note	Group		Company			
	2023 S\$'000	2022 S\$'000	2023 S\$'000	2022 S\$'000		
Assets						
Current assets						
	Cash and cash equivalents	4	12,240	19,034	9,219	14,512
	Other receivables	5	2,535	2,443	802	805
	Amounts due from subsidiaries		423	470	340	357
	Debt investment at FVTPL	6	42,467	41,730	42,467	41,730
			57,665	63,677	52,828	57,404
Non-current assets						
Investments						
	- Equity investments at FVTPL	7	86,803	87,660	86,803	87,660
	- Subsidiary	8	-	-	7,000	7,000
			86,803	87,660	93,803	94,660
	Property, plant and equipment	9	37	57	-	-
	Right-of-use assets	10	341	264	-	-
			87,181	87,981	93,803	94,660
	Total assets		144,846	151,658	146,631	152,064

Appendix III: TIH does not appear to have experience in offshore business (2/2)

TIH Track Record ([Company Website](#))

Investment Portfolios

Portfolio Companies

- **Fortune Crane Limited:** Fortune Crane Limited (formerly known as Fortune Code Limited) invests indirectly in OUE Limited, a diversified real estate owner, developer and operator listed on the SGX-ST with a real estate portfolio located in prime locations in Asia.
- **ASM Connaught House General Partner II Limited & ASM Connaught House Fund III:** ASM Connaught House General Partner II Limited is the general partner to ASM Connaught House Fund II LP ("CHF II Fund"), an investment fund that focuses on special situation opportunities. ASM Connaught House Fund III ("CHF III Fund") targets event driven opportunities, particularly investments in companies that offer attractive valuations as the result of adverse effects from withdrawal of liquidity in the region, financial market volatility and/or currency shocks. TIHIM is the non-discretionary investment advisor to CHF II Fund and CHF III Fund.
- **Vasanta Fund 1 SP:** Focuses on undervalued listed companies in Asia Pacific and unlock value through active engagement with management and stakeholders. TIHIM is the investment manager to the fund.
- **Sungei Road Limited:** Sungei Road Limited is an investment into an Indonesian financial service business.
- **TIHT Investment Holdings Pte. Ltd.:** TIHT Investment Holdings Pte. Ltd. is indirectly 55% owned by TIH and 45% by Republic Technologies Pte Ltd. It holds a stake in SGX-listed CEI Limited.
- **Batavia Enterprise Limited:** Batavia Enterprise Limited is a company focused on property development projects in Taiwan.
- **Capas Road Limited:** Capas Road Limited is an investment into an Indonesian financial service business.
- **K2 Venture Capital Company Limited:** K2 Venture Capital Company Limited is a venture capital company mainly focused on investing in early stage technology ventures in Thailand which are scalable regionally.
- **Lop Buri Limited:** Lop Buri Limited operates a litigation funding business which seeks to invest in suitable litigation funding related investment opportunities in the Asian region.

Selected Divested Portfolio Companies

- **Tingyi (Cayman Islands) Holding Corporation:** A manufacturer of instant noodles with operations in Taiwan and China
- **Foshan Nanhai Zhongnan Aluminum Wheel Co., Ltd:** Chinese manufacturer of aluminum wheels and components for international automotive companies
- **Eastern Multimedia Company:** A Taiwanese producer of media content and operator of various media platforms including television stations, radio station, home-shopping channels, and internet news portal
- **Foodstar:** One of the largest Chinese manufacturers/processors of premium branded soy sauces and fermented bean curd
- **Oculex Asia Pharmaceuticals Ltd:** Investment into a Singapore subsidiary of a US pharmaceuticals company in the business of development and manufacturing of innovative drug delivery systems to the eyes
- **Hsu Fu Chi:** Taiwanese manufacturer and distributor of Chinese snacks to the Taiwanese and Chinese markets
- **Medical Imaging Australasia Limited:** A large Australian medical diagnostics group
- **Watchdata Technologies Ltd:** A developer and provider of system software and enabling solutions for electronic transactions combined with data security and encryption functions
- **AEM Holdings:** A SGX-listed, leading semiconductor equipment manufacturer based in Singapore
- **United Test and Assembly Center:** A provider of semiconductor assembly and testing services for a broad range of integrated circuits
- **Neo-Neon Holdings:** A HKSE-listed and Hong Kong-based leading manufacturer of rope light and other decorative lighting
- **Advanced Communication Equipment (International) Co., Ltd.:** A provider of integrated services in the Broadcasting and Telecommunications markets in Hong Kong and China, covering Multimedia, Video, Pro-Audio, Pro-Sound, Lighting and Musical Instruments
- **Mitsui Life Insurance Company Limited:** A Tokyo-based provider of insurance products to individuals and groups in Japan, covering life insurance, property and casualty insurance, group pension plans, group annuity investment products and mutual funds

Chairman's Message ([Company Website](#))

Chairman Message

Argyle Street Management (ASM) began to be intimately involved in the affairs of TIH in its capacity of a significant shareholder after ASM acquired DBS' stake in TIH in 2003. Ms Angie Li, a director of ASM and myself, a director of ASM Asia Recovery (Master) Fund, a substantial shareholder of TIH, have had the pleasure of working closely with the outstanding TIH management team over the years. Angie Li has been a board member since 2006 and I have been a board member since Oct 2004.

Together, we were able to effectuate profitable exits from a variety of complex situations including the strategic sale of Foodstar to Heinz, IPOs of Hsu Fu Chi in Singapore and Neo Neon in Hong Kong, sale of minority positions in Bukaka Singtel in Indonesia, Eastern Multimedia in Taiwan as well as Zhongnan and Watchdata in China to financial buyers. We were able to exit at valuation multiple times our costs and book value carried on our books. Since 2003, TIH has delivered to its shareholders an internal rate of return of 42.8%. The dividends received alone account for 60% of the total return to our shareholders.

I am grateful to all TIH shareholders for their support and patience. The last several years have not been smooth sailing. We went through the worst financial crisis the world has seen since the 1930s. The fund management business is also evolving rapidly. At this juncture, established funds with enormous balance sheets such as KKR, Carlyle, TPG and CVC are expanding aggressively in the private equity/venture capital business in Asia. As a niche player, TIH must seriously and objectively evaluate our strengths to determine our strategic positioning and tap our competitive advantages in this brave new world.

We believe one of our greatest strengths lie in our execution abilities, particularly when it comes to creating profitable exits in difficult situations. We have accumulated 20 years of experience and expertise in corporate finance and M&A knowledge in both Greater China and the ASEAN region. We see significant opportunities in acquiring non-core assets whose existing owners may have lost interest and lack personnel to undertake active management of such assets.

Our strategic relationships built over the years are unique and will stand us in good stead going forward. As a local player with decades of track record, TIH - along with ASM - enjoy close relationships with and access to significant strategic players including family offices and sovereign wealth funds. These strategic partners will enhance our co-investment firepower as well as deal sourcing capabilities.

Going forward, we shall avoid competing head-on with global behemoths. Instead, we will focus on leveraging on our competitive advantages. TIH will position itself as the service provider to our partners who place their confidence in us to help enhance value for all stakeholders and create exit opportunities. We see little competition in the buying and management of complex secondary portfolios.

We are in the midst of discussions with various partners to participate in our growth through equity investments or joint venture.

In October 2014, the Company, through its subsidiary, TIHT Investment Holdings Pte Ltd (TIHT), has completed a S\$129 million acquisition of assets from Temasek comprises a minority interests in CEI Contract Manufacturing Limited (CEI) and the assignment of beneficial ownership in a minority interest in Mitsui Life Insurance Company Limited. The consideration of S\$129 million is payable partly in cash, partly by way of financing and an issue of shares in TIHT. Post completion, TIHT is indirectly owned 55% by TIH and 45% by Temasek.

This acquisition is very much in line with TIH's new strategy to expand our business beyond private equity and venture capital investments. We are delighted with the confidence placed in us to help create value for all stakeholders. Through TIHT, we will work hard at enhancing capital return and optimizing value to deliver mutually rewarding returns to both parties.

TIH plans to expand its investment coverage to include special situation investment opportunities with listed and private companies. As such, we will broaden and deepen our strategic relationships with significant market players in the Greater China and Southeast Asia region to improve deal sourcing and asset management capabilities. We look forward to creating value and cementing our relationships with our strategic partners by entering into "repeat" transactions that are mutually beneficial to TIH and our strategic partners.

We are very excited about the achievements that the Company and its management have made since the completion of the internalization and are hopeful that the Company's business initiatives will succeed and the management deliver solid financial performance.

Thank you for all your support. We look forward to an exciting and rewarding journey for both the Company and our shareholders in the future.

Kin Chan (Chairman)

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