

## KEPPEL CORPORATION LIMITED

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

### FIRST QUARTER 2005 FINANCIAL STATEMENT

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## **KEPPEL CORPORATION LIMITED**

### **Executive Chairman's Remarks**

**FIRST QUARTER ENDED 31 MARCH 2005**

### **ESTABLISHING EARNINGS VISIBILITY AND SUSTAINABILITY**

#### **Enhanced Earnings Visibility**

It has been a busy first quarter. We continued to strengthen our growth platforms in our core competencies and as a result have generated significant earnings visibility.

In Offshore & Marine (O&M), with the strong orders clinched over the last three months, our orderbook now stretches into 2009. Prospects remain strong and we expect to clinch more contracts. By year-end, we should be able to generate earnings visibility beyond 2007.

As we do not foresee any substantial increase in refining capacity in the short term, refining margins will continue to underpin SPC's earnings. Contributions from SPC's upstream investments should improve further as oil production for the Oyong oil and gas fields in Indonesia is targeted to commence in the fourth quarter of this year.

In Infrastructure, we concluded the financial closure for our cogen and NEWater plants that will contribute earnings from 2007. Dr Ong Tiong Guan, MD of Keppel Energy, will be presenting to you later some details of our 500MW cogen project.

In Property, we made inroads into Fuzhou a new secondary city for our operations in China. We continue to enjoy brisk sales for our overseas residential projects, and profits from these will be progressively recognized.

#### **Building Long-Term Growth Platforms**

Our aim is to take advantage of this robust environment for our businesses to further develop the growth platforms within our core competencies. The aim is to provide sustainable growth beyond the next two years.

In O&M, we are looking to enhance our long-term strategic focus and expand our core competencies through internal R&D efforts as well as acquisition of innovative technology to further enhance our competitiveness.

In Oil & Gas, we are actively pursuing upstream opportunities to lengthen earnings visibility whilst maximising value from existing assets. There are significant opportunities in Infrastructure in the region, both in water and power generation projects. We are actively pursuing some of them.

Our Asian thrust provides a strong platform to grow our property arm – for instance, we would be launching our first project in India shortly. Our entry into township development is an approach that we believe will sustain our earnings baseload well by tapping the increasing number of middle-income families in the region. We just launched our first township development in Chengdu which met with encouraging response.

## **Prospects**

All in all, we are busy not only maximising value from our ongoing projects but also building sustainable growth for the next several years for the Group. Our strong cash flows allow us to do so without deviating from our dividend policy stance. As always, we would work towards these efforts in a prudent manner without diluting our near-term deliverables to shareholders. Our expected earnings growth of 8-12% for the year remains on target.

# KEPPEL CORPORATION LIMITED

## First Quarter Financial Statement

### UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2005

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the first quarter ended 31 March 2005.

#### 1. GROUP PROFIT AND LOSS ACCOUNT for the first quarter ended 31 March 2005

	1Q 2005 \$'000	Restated 1Q 2004 \$'000	+ / (-) %
<b>Turnover</b>	<b>1,145,664</b>	896,213	+27.8
Materials and subcontract costs	<b>(785,654)</b>	(557,359)	+41.0
Staff costs	<b>(167,103)</b>	(167,353)	-0.1
Depreciation and amortisation	<b>(31,229)</b>	(38,487)	-18.9
Other operating expenses	<b>(33,496)</b>	(25,423)	+31.8
<b>Operating profit</b>	<b>128,182</b>	107,591	+19.1
Investment income	<b>21</b>	24	-12.5
Interest income	<b>10,456</b>	4,983	+109.8
Interest expenses	<b>(2,598)</b>	(11,326)	-77.1
Share of results of associated companies	<b>68,167</b>	46,226	+47.5
<b>Profit before tax and exceptional items</b>	<b>204,228</b>	147,498	+38.5
Exceptional items	<b>1,375</b>	-	NM
<b>Profit before taxation</b>	<b>205,603</b>	147,498	+39.4
Taxation	<b>(32,178)</b>	(1,102)	+2820.0
<b>Profit for the period</b>	<b>173,425</b>	146,396	+18.5
<b>Attributable to:</b>			
Shareholders of the Company			
Profit before exceptional items	<b>143,571</b>	130,899	+9.7
Exceptional items	<b>1,375</b>	-	NM
	<b>144,946</b>	130,899	+10.7
Minority interest	<b>28,479</b>	15,497	+83.8
	<b>173,425</b>	146,396	+18.5
<b>Earnings per ordinary share</b>			
Before exceptional items			
- basic	<b>18.4 cts</b>	16.9 cts	+8.9
- diluted	<b>18.2 cts</b>	16.7 cts	+9.0
After exceptional items			
- basic	<b>18.6 cts</b>	16.9 cts	+10.1
- diluted	<b>18.4 cts</b>	16.7 cts	+10.2
Return on equity	<b>15.6%</b>	14.1%	+10.6
Economic value added	<b>42,000</b>	10,000	+320.0

*NM - Not Meaningful*

Financial statements for 2004 have been restated to take into account the requirements of the new and revised Financial Reporting Standards which the Group adopted in 2005 (refer to paragraph 8).

## NOTES TO GROUP PROFIT AND LOSS ACCOUNT

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

	1Q 2005 \$'000	Restated 1Q 2004 \$'000	+/(-) %
Share-based payment expenses	2,084	1,315	+58.5
Profit on sale of fixed assets	(586)	(11,099)	-94.7
Profit on sale of investments	(1,491)	(1,120)	+33.1
Provision/(write-back)			
- stocks & work-in-progress	(4,729)	-	NM
- doubtful debts	(8,939)	3,317	NM
Bad debts recovered	(972)	-	NM
Fair value loss/(gain)			
- Assets at fair value through P&L	(2,267)	-	NM
- Forward contracts	1,997	-	NM
- Financial derivatives	(8,408)	-	NM
Foreign exchange loss	4,092	3,610	+13.4

1b. There was no material adjustment for under or over provision of tax in respect of prior years. Taxation expense for the previous period included write-back of deferred tax of \$15 million (attributable \$13.6 million) arising from the reduction in Singapore corporate tax rate from 22% to 20%.

1c. Exceptional items for the quarter comprise the following:

	1Q 2005 \$'000	1Q 2004 \$'000
Gain on disposal of associated companies	10,975	-
Impairment of assets	(9,600)	-
	<u>1,375</u>	<u>-</u>

1d. Earnings per ordinary share

	1Q 2005	Restated 1Q 2004	+/(-) %
Earnings per ordinary share of the Group for the period based on net profit attributable to shareholders:			
(i) Based on weighted average number of shares	18.6 cts	16.9 cts	+10.1
- Weighted average no. of shares ('000)	780,780	775,611	+0.7
(ii) On a fully diluted basis	18.4 cts	16.7 cts	+10.2
- Adjusted weighted average no. of shares ('000)	786,784	781,976	+0.6

1e. There was no extraordinary item during the period.

## 2. BALANCE SHEETS as at 31 March 2005

	Group		Company	
	31.03.05 \$'000	Restated 31.12.04 \$'000	31.03.05 \$'000	Restated 31.12.04 \$'000
<b>Share capital</b>	<b>390,636</b>	389,386	<b>390,636</b>	389,386
<b>Reserves</b>	<b>3,002,871</b>	2,701,776	<b>2,481,693</b>	2,472,960
<b>Share capital &amp; reserves</b>	<b>3,393,507</b>	3,091,162	<b>2,872,329</b>	2,862,346
<b>Minority interests</b>	<b>1,194,929</b>	1,166,955	-	-
<b>Capital employed</b>	<b>4,588,436</b>	4,258,117	<b>2,872,329</b>	2,862,346
<b>Represented by:</b>				
<b>Fixed assets</b>	<b>1,563,173</b>	1,402,201	<b>6,501</b>	6,890
<b>Investment properties</b>	<b>1,878,022</b>	1,880,565	-	-
<b>Development properties</b>	<b>198,742</b>	202,682	-	-
<b>Subsidiaries</b>	-	-	<b>2,867,124</b>	2,865,771
<b>Associated companies</b>	<b>1,595,534</b>	1,518,623	<b>3,074</b>	3,074
<b>Investments</b>	<b>84,497</b>	71,902	-	-
<b>Long term receivables</b>	<b>105,102</b>	85,035	<b>773</b>	771
<b>Intangibles</b>	<b>128,121</b>	125,198	-	-
	<b>5,553,191</b>	5,286,206	<b>2,877,472</b>	2,876,506
<b>Current assets</b>				
Stocks & work-in-progress in excess of related billings	<b>2,548,484</b>	2,602,250	-	-
Amounts due from:				
- subsidiaries	-	-	<b>1,510,377</b>	1,362,785
- associated companies	<b>280,503</b>	265,996	<b>194</b>	323
Debtors	<b>1,290,973</b>	1,133,254	<b>1,966</b>	1,684
Short term investments	<b>390,530</b>	247,842	-	-
Bank balances, deposits & cash	<b>1,120,022</b>	972,961	<b>55,436</b>	23,390
	<b>5,630,512</b>	5,222,303	<b>1,567,973</b>	1,388,182
<b>Current liabilities</b>				
Creditors	<b>1,774,742</b>	1,776,155	<b>22,950</b>	26,055
Billings on work-in-progress in excess of related costs	<b>731,228</b>	438,971	-	-
Provisions	<b>16,784</b>	20,531	-	5,000
Amounts due to:				
- subsidiaries	-	-	<b>302,540</b>	28,542
- associated companies	<b>129,438</b>	27,432	<b>8</b>	3
Term loans	<b>1,399,135</b>	1,986,177	<b>922,815</b>	1,318,439
Taxation	<b>142,145</b>	138,831	<b>4,664</b>	4,164
Bank overdrafts	<b>11,051</b>	1,137	-	-
	<b>4,204,523</b>	4,389,234	<b>1,252,977</b>	1,382,203
<b>Net current assets</b>	<b>1,425,989</b>	833,069	<b>314,996</b>	5,979
<b>Non-current liabilities</b>				
Term loans	<b>2,246,777</b>	1,712,130	<b>300,000</b>	-
Deferred taxation	<b>143,967</b>	149,028	<b>20,139</b>	20,139
	<b>2,390,744</b>	1,861,158	<b>320,139</b>	20,139
<b>Net assets</b>	<b>4,588,436</b>	4,258,117	<b>2,872,329</b>	2,862,346
<i>Group net borrowings</i>	<b>2,536,941</b>	2,726,483	<i>n.a.</i>	<i>n.a.</i>
<i>Group net gearing (times)</i>	<b>0.55</b>	0.64	<i>n.a.</i>	<i>n.a.</i>

## NOTES TO BALANCE SHEETS

### 2a. Group's borrowings and debt securities

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

As at 31 Mar 2005		As at 31 Dec 2004	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
61,279	1,348,907	110,495	1,876,819

#### (ii) Amount repayable after one year

As at 31 Mar 2005		As at 31 Dec 2004	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
474,847	1,771,930	881,288	830,842

#### (iii) Details of any collateral

Certain subsidiaries of the Company pledged their assets in order to obtain loans from financial institutions. The net book value of properties and other assets pledged/mortgaged to financial institutions amounted to \$855,667,000 (31 December 2004: \$1,159,374,000).

### 2b. Net asset value

	GROUP			COMPANY		
	31.3.05	Restated 31.12.04	+/(-)%	31.3.05	Restated 31.12.04	+/(-)%
Net asset value per ordinary share *	<b>\$4.34</b>	\$3.97	+9.3	<b>\$3.68</b>	\$3.68	-
Net tangible asset per ordinary share *	<b>\$4.18</b>	\$3.81	+9.7	<b>\$3.68</b>	\$3.68	-

\* Based on share capital of 781,271,591 ordinary shares as at the end of the period (31 December 2004: 778,772,591 ordinary shares)

### 2c. Group shareholders' funds increased from \$3.09 billion at 31 December 2004 to \$3.39 billion at 31 March 2005. The increase in shareholders' funds resulted mainly from the retained profits made in 1Q 2005 and the fair value adjustment for investments made in accordance with the transitional provisions for the adoption of new accounting standard, FRS 39 – Financial Instruments: Recognition and Measurement, with effect from 1 January 2005 as disclosed in paragraph 8.

Total assets of the Group of \$11.18 billion at 31 March 2005 were \$675 million or 6.4% higher than the previous year-end. Fixed assets were higher because of the strategic investment in a semisubmersible accommodation platform and initial investment for Keppel Merlimau co-gen plant. Investments also increased as a result of fair value adjustment. Associated companies, which include SPC and M1, were higher because of equity accounting for share of profits.

Debtors were higher due to the increased activities in Offshore & Marine and Property. However, stocks and work-in-progress were lower because of progress payments received.

Group net borrowings at \$2.54 billion were a reduction of \$190 million from \$2.73 billion in the previous year-end because of strong operational cash flow.

### 3. CONSOLIDATED CASHFLOW STATEMENT for the first quarter ended 31 March 2005

	Note	1Q 2005 \$'000	Restated 1Q 2004 \$'000
<b>OPERATING ACTIVITIES</b>			
Operating profit		128,182	107,591
Adjustments:			
Depreciation and amortisation		31,229	38,487
Share-based payment expenses		2,084	1,315
Changes in fair value of financial instruments		(8,678)	-
Profit on sale of fixed assets		(586)	(11,099)
Operational cash flow before changes in working capital		152,231	136,294
Working capital changes:			
Stocks & work-in-progress		215,310	91,356
Debtors		(161,156)	(5,585)
Creditors		10,915	(136,354)
Investments in bonds and shares		(61,655)	8,771
Advances to associated companies		87,499	(59,603)
Translation of foreign subsidiaries		(1,432)	3,810
Interest received		10,456	4,983
Interest paid		(2,598)	(11,326)
Income taxes paid		(18,407)	(1,854)
<b>Net cash from operating activities</b>		<b>231,163</b>	<b>30,492</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition and further investment in associated companies		(5,145)	(5,057)
Proceeds from disposal of associated companies		3,790	-
Repayment of loans to associated companies		-	27,169
Acquisition of fixed assets and investment properties		(64,356)	(23,816)
Expenditure on development properties		-	(204)
Proceeds from disposal of fixed assets		4,262	38,260
Dividends received from investments		1,736	9,348
<b>Net cash (used in)/from investing activities</b>		<b>(59,713)</b>	<b>45,700</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from share issues		8,417	1,796
Proceeds from minority shareholders of subsidiaries		10,481	3,734
Proceeds from term loans		651,229	130,775
Repayment of term terms		(703,624)	(274,703)
Dividend paid to minority shareholders of subsidiaries		(806)	-
<b>Net cash used in financing activities</b>		<b>(34,303)</b>	<b>(138,398)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>137,147</b>	<b>(62,206)</b>
<b>Cash and cash equivalents as at beginning of period</b>		<b>971,824</b>	<b>738,130</b>
<b>Cash and cash equivalents as at end of period</b>	A	<b>1,108,971</b>	<b>675,924</b>
<i>Free cashflow</i>		<b>171,450</b>	<b>76,192</b>

## NOTES TO CONSOLIDATED CASHFLOW STATEMENT

### 3a. Cash and cash equivalents

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

	<b>1Q 2005</b>	1Q 2004
	<b>\$'000</b>	\$'000
Bank balances, deposits and cash	<b>1,120,022</b>	698,802
Bank overdrafts	<b>(11,051)</b>	(22,878)
	<b><u>1,108,971</u></b>	<u>675,924</u>

### 3b. Cashflow analysis

Net cash from operating activities for the quarter of \$231 million was significantly higher than that of the corresponding quarter of the previous year. The strong operating cash flow was because of the increased operating profit. Increases in working capital were also kept low despite the higher level of activities in Offshore & Marine and Property.

Net cash used in investing activities amounted to \$60 million for the quarter. The Group spent \$70 million on new infrastructure projects and operational capex. Divestment and dividend income amounted to \$10 million.

Free cashflow of \$171 million was more than double that in the first quarter of the previous year.

#### 4. STATEMENTS OF CHANGES IN EQUITY for the first quarter ended 31 March 2005

##### 4a. Statement of changes in equity of the Group

	Share <u>Capital</u> \$'000	Share Premium <u>Account</u> \$'000	Capital <u>Reserves</u> \$'000	Revenue <u>Reserves</u> \$'000	Foreign Exchange Translation <u>Account</u> \$'000	Share Capital & <u>Reserves</u> \$'000	Minority <u>Interests</u> \$'000	Capital <u>Employed</u> \$'000
<b>2005</b>								
As at 1 January 2005								
As previously reported	389,386	861,593	79,391	1,792,171	(38,464)	3,084,077	1,165,319	4,249,396
Effect of adopting FRS 102	-	-	7,277	(7,269)	-	8	(8)	-
Change in accounting policy for equity accounting of an associated company	-	-	-	6,691	386	7,077	1,644	8,721
As restated	389,386	861,593	86,668	1,791,593	(38,078)	3,091,162	1,166,955	4,258,117
Effect of adopting FRS 39	-	-	149,155	(23,340)	-	125,815	(7,831)	117,984
	389,386	861,593	235,823	1,768,253	(38,078)	3,216,977	1,159,124	4,376,101
Currency translation loss	-	-	-	-	(7,217)	(7,217)	(2,374)	(9,591)
Loss not recognised in profit & loss account	-	-	-	-	(7,217)	(7,217)	(2,374)	(9,591)
Net profit for the quarter	-	-	-	144,946	-	144,946	28,479	173,425
Share-based payment	-	-	2,648	-	-	2,648	100	2,748
Fair value changes on available-for-sale assets	-	-	11,533	-	-	11,533	86	11,619
Fair value changes on cashflow hedges	-	-	5,751	-	-	5,751	(161)	5,590
Transfer of statutory, capital and other reserves to revenue reserves	-	-	(1,188)	1,188	-	-	-	-
Revaluation deficit realised and transferred to profit & loss account on disposal of property	-	-	9,600	-	-	9,600	-	9,600
Currency translation loss realised and transferred to profit & loss account on disposal of subsidiaries	-	-	-	-	852	852	-	852
Dividend paid to minority shareholders	-	-	-	-	-	-	(806)	(806)
Cash subscribed by minority shareholders	-	-	-	-	-	-	10,481	10,481
Shares issued	1,250	7,167	-	-	-	8,417	-	8,417
As at 31 March 2005	390,636	868,760	264,167	1,914,387	(44,443)	3,393,507	1,194,929	4,588,436

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

	<u>Share Capital</u> \$'000	<u>Share Premium Account</u> \$'000	<u>Capital Reserves</u> \$'000	<u>Revenue Reserves</u> \$'000	<u>Foreign Exchange Translation Account</u> \$'000	<u>Share Capital &amp; Reserves</u> \$'000	<u>Minority Interests</u> \$'000	<u>Capital Employed</u> \$'000
2004								
As at 1 January 2004								
As previously reported	387,533	882,767	182,155	1,447,726	(10,664)	2,889,517	1,069,518	3,959,035
Effect of adopting FRS 102	-	-	1,757	(1,755)	-	2	(2)	-
Change in accounting policy for equity accounting of an associated company	-	-	-	4,303	974	5,277	1,225	6,502
As restated	387,533	882,767	183,912	1,450,274	(9,690)	2,894,796	1,070,741	3,965,537
Currency translation gain	-	-	-	-	1,420	1,420	963	2,383
Gain not recognised in profit & loss account	-	-	-	-	1,420	1,420	963	2,383
Net profit for the quarter	-	-	-	130,899	-	130,899	15,497	146,396
Share-based payment	-	-	1,338	-	-	1,338	67	1,405
Transfer of statutory, capital and other reserves to revenue reserves	-	-	(191)	191	-	-	-	-
Revaluation deficit realised and transferred to profit & loss account on disposal of property	-	-	-	-	-	-	(5,000)	(5,000)
Cash subscribed by minority shareholders	-	-	-	-	-	-	3,734	3,734
Shares issued	329	1,467	-	-	-	1,796	-	1,796
As at 31 March 2004	387,862	884,234	185,059	1,581,364	(8,270)	3,030,249	1,086,002	4,116,251

4b. Statement of changes in equity of the Company

	Share Capital \$'000	Share Premium Account \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Total \$'000
<b>2005</b>					
As at 1 January 2005					
As previously reported	389,386	861,593	22,764	1,584,287	2,858,030
Effect of adopting FRS 102	-	-	6,192	(8,450)	(2,258)
As restated	<b>389,386</b>	<b>861,593</b>	<b>28,956</b>	<b>1,575,837</b>	<b>2,855,772</b>
Net profit for the quarter	-	-	-	6,276	6,276
Share-based payment	-	-	1,864	-	1,864
Shares issued	1,250	7,167	-	-	8,417
As at 31 March 2005	<b>390,636</b>	<b>868,760</b>	<b>30,820</b>	<b>1,582,113</b>	<b>2,872,329</b>
<b>2004</b>					
As at 1 January 2004					
As previously reported	387,533	882,767	132,881	1,553,118	2,956,299
Effect of adopting FRS 102	-	-	1,515	(497)	1,018
As restated	387,533	882,767	134,396	1,552,621	2,957,317
Net profit for the quarter	-	-	-	(1,224)	(1,224)
Share-based payment	-	-	1,169	-	1,169
Shares issued	329	1,467	-	-	1,796
As at 31 March 2004	387,862	884,234	135,565	1,551,397	2,959,058

4c. Share capital

Since 31 December 2004, the Company issued 2,499,000 ordinary shares of \$0.50 each upon the exercise of options granted under the KCL Share Options Scheme to employees. The share capital of the Company as at the end of the period was 781,271,591 ordinary shares of \$0.50 each.

As at 31 March 2005, there were unexercised options for 13,817,499 of unissued ordinary shares of \$0.50 each (31 March 2004: 14,716,166 ordinary shares of \$0.50 each) under the KCL Share Options Scheme.

5. **AUDIT**

The financial statements have not been audited nor reviewed by our auditors.

6. **AUDITORS' REPORT**

Not applicable

## 7. ACCOUNTING POLICIES

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 2004 except as disclosed in paragraph 8.

## 8. CHANGES IN THE ACCOUNTING POLICIES

- (a) With effect from 1 January 2005, the Group adopted the following new and revised Financial Reporting Standards (FRS) which were issued by the Council on Corporate Disclosure and Governance:

FRS 1 (Revised)	Presentation of Financial Statements
FRS 2 (Revised)	Inventories
FRS 8 (Revised)	Accounting Policies, Changes in Accounting Estimates & Errors
FRS10 (Revised)	Events after the Balance Sheet Date
FRS 16 (Revised)	Property, Plant and Equipment
FRS 17 (Revised)	Leases
FRS 21 (Revised)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (Revised)	Related Party Disclosures
FRS 27 (Revised)	Consolidated and Separate Financial Statements
FRS 28 (Revised)	Investments in Associates
FRS 32 (Revised)	Financial Instruments: Disclosure and Presentation
FRS 33 (Revised)	Earnings per Share
FRS 39	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payment
FRS 103	Business Combinations
FRS 105	Non-current Assets Held for Sale & Discontinued Operations

In particular, the financial effect of adopting FRS 39, 102 and 103 are summarized as follows:

### FRS 39

Financial assets and liabilities, including derivative financial instruments are classified and measured in accordance with the requirements under FRS 39. This change in accounting policy has been accounted for prospectively in accordance with the transitional provisions. The adoption of FRS 39 has resulted in upward adjustment of \$149,155,000 to opening capital reserves, downward adjustment of \$23,340,000 to opening revenue reserves and downward adjustment of \$7,831,000 to opening minority interests.

### FRS 102

In compliance with FRS 102, share options to employees are measured at fair value at the date of grant and recognised as expense over the vesting period. Previously, share options to employees were not charged to the profit and loss account. This change in accounting policy has been accounted for retrospectively in accordance with the transitional provisions and has resulted in:

	1Q 2005 \$'000	1Q 2004 \$'000
Increase in staff costs	(2,084)	(1,315)
Decrease in share of results of associated companies	(664)	(90)
Decrease in profit after taxation	<u>(2,748)</u>	<u>(1,405)</u>
Increase in capital reserves	9,925	3,095
Decrease in revenue reserves	(9,917)	(3,093)
Decrease in minority interests	(8)	(2)
Decrease in basic EPS before exceptional items	0.3 cts	0.2 cts
Decrease in diluted EPS before exceptional items	0.3 cts	0.2 cts

**FRS 103**

In compliance with FRS 103, amortisation of goodwill is discontinued from 1 January 2005. Goodwill is tested for impairment annually and carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately in the profit and loss account. Previously, goodwill was amortised on a straight-line basis over a maximum of 20 years. This change in accounting policy has been accounted for prospectively in accordance with the transitional provisions. The adoption of FRS 103 has resulted in the elimination of accumulated amortisation of \$32,252,000 as at 31 December 2004 against the carrying amount of goodwill.

- (b) With effect from 1 January 2005, Keppel Telecommunications & Transportation Ltd (KTT), a subsidiary of the Company, changed its accounting policy for the treatment of its 10% interest in Asia Airfreight Terminal Company Limited ("AAT"). AAT is now accounted for using the equity method in accordance with FRS 28, Investments in Associates. Previously, AAT was accounted for as a long term investment and carried at cost. The application of equity method is more appropriate in view of the growing emphasis by KTT on the logistics business and the exercise of significant influence by the Group. This change in accounting policy has been accounted for retrospectively in accordance with FRS 28 and has resulted in:

	1Q 2005 \$'000	1Q 2004 \$'000
Increase in share of results of associated company	1,124	1,231
Increase in taxation	(116)	(335)
Increase in profit after taxation	<u>1,008</u>	<u>896</u>
Increase in revenue reserves	7,509	5,030
Increase in foreign exchange translation account	386	974
Increase in associated companies	16,350	14,019
Decrease in investments	(6,621)	(6,621)
Increase in basic EPS before exceptional items	0.1 cts	0.1 cts
Increase in diluted EPS before exceptional items	0.1 cts	0.1 cts

## **9. REVIEW OF GROUP PERFORMANCE**

In the quarter, the Group recorded turnover of \$1,146 million and operating profit of \$128 million, an improvement of 28% and 19% respectively over the corresponding period in 2004 largely due to higher contributions from Offshore & Marine Division.

At the pre-tax level, Group profit before exceptional items of \$204 million grew at a faster rate of 39%. Strong earnings growth came from associated company Singapore Petroleum Company (SPC) which enjoyed healthy refining margins and increased refining capacity. Earnings from Property Division were also higher while Infrastructure Division's performance was affected by the absence of contribution from the power barges.

Taxation charge was higher compared to that of the previous quarter which had the benefit of a reversal of \$14 million of deferred tax following the reduction in corporate tax rate last year.

The resultant attributable profit before exceptional items of \$143.6 million and earnings per share of 18.4 cents improved by 10% and 9% respectively. Exceptional items of \$1.4 million comprised actual and deemed disposal of interest in associated companies less revaluation deficit of investment properties.

In the opinion of the Directors, no factor has arisen between 31 March 2005 and the date of this report which would materially affect the results of the Group and the Company for the period just ended.

## **10. VARIANCE FROM PROSPECT STATEMENT**

No variance from previous statement.

## **11. PROSPECTS**

The Group expects to report improved earnings for the current year and is on course to achieve its earnings target of compounded annual growth rate of 8 – 12% through 2005 and a return on equity of over 15%.

Offshore & Marine secured a record level of contracts totalling \$2.3 billion in the first quarter of the year bringing its net order book to \$5.1 billion. Prospects for new contracts continue to be strong. The Group's earnings will also be underpinned by SPC through firm refining margins and larger capacity. For Property Division, it will ride on the high take-up rates of overseas residential projects and improving domestic residential and office markets. Infrastructure Division is working on re-deployment opportunities for its power barges.

To provide for sustainable long-term earnings growth, Offshore & Marine will focus on investing in strategic facilities and expanding core competencies. SPC will pursue upstream opportunities while enhancing contributions from existing assets. In Property, the Group will broaden its footprint in the growing Asian economies. In Infrastructure, the Cogen and Newater plants are expected to contribute from 2007 and the Division will continue to actively seek out new projects in the region to expand its portfolio of investments.

## 12. DIVIDEND/CAPITAL DISTRIBUTION

### 12a. Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? No

Name of Dividend	NIL
Dividend type	NIL
Dividend per share (cents)	NIL
Dividend rate (%)	NIL
Par value of shares	NIL
Tax rate	NIL

### 12b. Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

Name of Dividend	NIL
Dividend type	NIL
Dividend per share (cents)	NIL
Dividend rate (%)	NIL
Par value of shares	NIL
Tax rate	NIL

### 12c. Date Payable

Not applicable

### 12d. Books Closure Date

Not applicable

### 12e. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared for the quarter ended 31 March 2005.

For the year ended 31 December 2004, Directors had recommended a final dividend of 22% or 11 cents per share less tax for approval by shareholders at the Annual General Meeting to be held on 29 April 2005. If approved, the final dividend will be payable on 18 May 2005.

With the successful divestment of certain assets and strong operational cashflow last year, Directors had also proposed a capital distribution of 20 cents per share without deduction for tax out of the Company's share premium account. The capital distribution is subject to the approval of shareholders at the Extraordinary General Meeting to be held on 29 April 2005 and the Court's sanction. If approved, the capital distribution is expected to be payable on 22 June 2005.

### 13. SEGMENT ANALYSIS

First Quarter ended 31 March 2005

#### BUSINESS SEGMENT

	Offshore & Marine \$'000	Property \$'000	Infra- structure \$'000	Invest- ments \$'000	Elimina- tion \$'000	Total \$'000
<b>Revenue</b>						
External sales	867,336	125,942	124,272	28,114	-	1,145,664
Inter-segment sales	1	1,841	7,876	20,704	(30,422)	-
<b>Total</b>	<b>867,337</b>	<b>127,783</b>	<b>132,148</b>	<b>48,818</b>	<b>(30,422)</b>	<b>1,145,664</b>
<b>Results</b>						
Operating profit	91,655	46,133	(10,770)	1,164	-	128,182
Net investment income & interest income	3,433	(527)	915	4,058	-	7,879
Share of results of associated companies	1,486	3,394	5,944	57,343	-	68,167
Profit before tax & exceptional items	96,574	49,000	(3,911)	62,565	-	204,228
Exceptional items	-	(9,600)	975	10,000	-	1,375
Profit before taxation	96,574	39,400	(2,936)	72,565	-	205,603
Taxation	(17,791)	(7,031)	5,256	(12,612)	-	(32,178)
<b>Profit for the period</b>	<b>78,783</b>	<b>32,369</b>	<b>2,320</b>	<b>59,953</b>	<b>-</b>	<b>173,425</b>
Attributable to:						
Shareholders of Company						
Profit before exceptional items	70,603	21,766	812	50,390	-	143,571
Exceptional items	-	(9,600)	975	10,000	-	1,375
	70,603	12,166	1,787	60,390	-	144,946
Minority interests	8,180	20,203	533	(437)	-	28,479
	78,783	32,369	2,320	59,953	-	173,425
<b>Other information</b>						
Segment assets	3,087,350	5,788,500	662,172	3,397,980	(3,347,833)	9,588,169
Investment in associated companies	67,459	704,792	64,824	758,459	-	1,595,534
<b>Total</b>	<b>3,154,809</b>	<b>6,493,292</b>	<b>726,996</b>	<b>4,156,439</b>	<b>(3,347,833)</b>	<b>11,183,703</b>
Segment liabilities	2,178,100	4,518,859	296,294	2,663,735	(3,347,833)	6,309,155
Net tax provision & deferred taxation	184,369	79,332	5	22,406	-	286,112
<b>Total</b>	<b>2,362,469</b>	<b>4,598,191</b>	<b>296,299</b>	<b>2,686,141</b>	<b>(3,347,833)</b>	<b>6,595,267</b>
<b>Net assets</b>	<b>792,340</b>	<b>1,895,101</b>	<b>430,697</b>	<b>1,470,298</b>	<b>-</b>	<b>4,588,436</b>
Capital expenditure	11,853	653	49,364	2,486	-	64,356
Depreciation and amortisation	14,304	3,596	10,967	2,362	-	31,229

#### GEOGRAPHICAL SEGMENT

	Singapore \$'000	Far East & Other ASEAN Countries \$'000	America \$'000	Other Countries \$'000	Elimination \$'000	Total \$'000
External sales	677,119	149,775	218,622	100,148	-	1,145,664
Segment assets	8,117,175	2,079,817	421,866	210,818	(1,241,507)	9,588,169
Capital expenditure	60,551	1,112	2,693	-	-	64,356

**First Quarter ended 31 March 2004**

**BUSINESS SEGMENT**

	<u>Offshore &amp; Marine</u> \$'000	<u>Property</u> \$'000	<u>Infra- structure</u> \$'000	<u>Invest- ments</u> \$'000	<u>Elimina- tion</u> \$'000	<u>Total</u> \$'000
<b>Revenue</b>						
External sales	545,635	138,304	180,635	31,639	-	896,213
Inter-segment sales	1,239	1,351	6,059	11,063	(19,712)	-
<b>Total</b>	<b>546,874</b>	<b>139,655</b>	<b>186,694</b>	<b>42,702</b>	<b>(19,712)</b>	<b>896,213</b>
<b>Results</b>						
Operating profit	67,402	33,933	10,790	(4,534)	-	107,591
Net investment income & interest income	(1,788)	(4,065)	(198)	(268)	-	(6,319)
Share of results of associated companies	2,881	8,464	4,962	29,919	-	46,226
Profit before tax & exceptional items	68,495	38,332	15,554	25,117	-	147,498
Exceptional items	-	-	-	-	-	-
Profit before taxation	68,495	38,332	15,554	25,117	-	147,498
Taxation	3,454	(1,617)	(374)	(2,565)	-	(1,102)
<b>Profit for the period</b>	<b>71,949</b>	<b>36,715</b>	<b>15,180</b>	<b>22,552</b>	<b>-</b>	<b>146,396</b>
Attributable to:						
Shareholders of Company						
Profit before exceptional items	70,890	24,515	14,795	20,699	-	130,899
Exceptional items	-	-	-	-	-	-
	70,890	24,515	14,795	20,699	-	130,899
Minority interests	1,059	12,200	385	1,853	-	15,497
	71,949	36,715	15,180	22,552	-	146,396
<b>Other Information</b>						
Segment assets	1,872,327	5,957,805	779,701	3,277,081	(3,357,916)	8,528,998
Investment in associated companies	69,479	656,108	65,525	591,415	-	1,382,527
<b>Total</b>	<b>1,941,806</b>	<b>6,613,913</b>	<b>845,226</b>	<b>3,868,496</b>	<b>(3,357,916)</b>	<b>9,911,525</b>
Segment liabilities	1,150,276	4,790,318	393,552	2,551,350	(3,357,916)	5,527,580
Net tax provision & deferred taxation	146,852	97,688	2,803	20,351	-	267,694
<b>Total</b>	<b>1,297,128</b>	<b>4,888,006</b>	<b>396,355</b>	<b>2,571,701</b>	<b>(3,357,916)</b>	<b>5,795,274</b>
<b>Net assets</b>	<b>644,678</b>	<b>1,725,907</b>	<b>448,871</b>	<b>1,296,795</b>	<b>-</b>	<b>4,116,251</b>
Capital expenditure	14,887	6,728	125	2,076	-	23,816
Depreciation and amortisation	14,020	3,544	15,394	5,529	-	38,487

**GEOGRAPHICAL SEGMENT**

	<u>Singapore</u> \$'000	<u>Far East &amp; Other ASEAN Countries</u> \$'000	<u>America</u> \$'000	<u>Other Countries</u> \$'000	<u>Elimination</u> \$'000	<u>Total</u> \$'000
External sales	405,733	90,975	342,829	56,676	-	896,213
Segment assets	7,652,170	1,735,899	382,983	140,916	(1,382,970)	8,528,998
Capital expenditure	15,237	-	6,800	1,779	-	23,816

## NOTES TO SEGMENT ANALYSIS

### 13a. Business segment

The Group's businesses are grouped into four divisions: Offshore & Marine, Property, Infrastructure and Investments. The Investments division consists mainly of the Group's investments in SPC, Logistics, k1 Ventures Ltd and MobileOne Ltd. These four divisions are the basis on which the Group reports its primary segment information. Pricing of inter-segment goods and services is at fair market value. Segment assets and liabilities are those used in the operation of each division.

### 13b. Geographical segment

The Group operates in about 27 countries. Secondary segment information is provided by geographical segment in accordance to the above table.

## 14. REVIEW OF SEGMENT PERFORMANCE

### 14a. Turnover by Segments

The Group registered an increase in revenue of 28% over the corresponding quarter in 2004.

Offshore & Marine's turnover grew by 59% in the quarter on the back of its strong orderbook.

Property's revenue was lower than that of the first quarter 2004 due to the timing difference of revenue recognition and launches of its overseas residential projects.

The dip in revenue for Infrastructure was due to the expiry of the power barge contract at the end of 2004.

For Investments, lower revenue was reported following the sale of the remaining vessels in 2004.

### 14b. PATMI by Segments

For the quarter, the Group achieved an attributable profit before exceptional items to shareholders of the Company (Attributable Profit) of \$144 million. This is a growth of 10% over the corresponding quarter of the previous year.

Offshore & Marine's pre-tax earnings improved by 43% but it achieved the same Attributable Profit as that of the previous year. The corresponding quarter in 2004 had the benefit of a reversal of \$10 million of deferred tax following a reduction in corporate tax rate in 2004. If the tax adjustment in 2004 were excluded, Offshore & Marine's earnings would have shown an improvement of 16%.

For Property Division, Keppel Land did well. However the slight decline in Attributable Profit was due to lower profit recognition on the Caribbean project this quarter.

Infrastructure's lower earnings were primarily caused by the expiry of the power barges contract at the end of last year.

Earnings in Investments Division were higher due mainly to SPC, which enjoyed healthy refining margins and increased refining capacity. Marked to market adjustments to financial instruments also contributed to the positive performance of the Division.

**15. INTERESTED PERSON TRANSACTIONS**

Name of Interested Person	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)	
	<b>3 months 31.3.2005 \$'000</b>	3 months 31.3.2004 \$'000	<b>3 months 31.3.2005 \$'000</b>	3 months 31.3.2004 \$'000
<b>Transaction for the Sale of Goods and Services</b>				
National University Hospital	-	-	<b>3,877</b>	-
PSA Corporation Group	-	-	-	25,850
SembCorp Marine Group	-	-	-	816
Singapore Airlines Group	-	-	<b>8</b>	1,720
Singapore Telecommunications Group	-	-	-	4,900
<b>Transaction for the Purchase of Goods and Services</b>				
Mapletree Investments Pte Ltd	-	-	<b>66</b>	126
<b>Total Interested Person Transactions</b>	-	-	<b>3,951</b>	33,412

**BY ORDER OF THE BOARD**

CAROLINE CHANG  
Company Secretary  
28 April 2005