

KEPPEL CORPORATION LIMITED

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

SECOND QUARTER 2005 FINANCIAL STATEMENT & DIVIDEND ANNOUNCEMENT**TABLE OF CONTENTS**

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KEPPEL CORPORATION LIMITED

Executive Chairman's Remarks

SECOND QUARTER ENDED 30 JUNE 2005

BUILT MORE EARNINGS VISIBILITY; GROWTH EFFORTS CONTINUE

Another good quarter for O&M and Oil & Gas

We achieved a 17% earnings growth for the first half of 2005. Our Offshore & Marine and Oil & Gas businesses continue to do well, an outcome of the industries' prolonged under-investments in the past. Both orders and indicative interests from our customers remain healthy. On this basis, I am optimistic that we should exceed our targeted 8-12% growth for this year.

Our Offshore & Marine orderbook further expanded in the last three months, from \$5.1bn to over \$7bn as of today. This backlog provides a good base for us to work towards steady earnings growth for our Offshore & Marine division over the next few years.

SPC posted a sterling first half performance on the back of strong refining margins, a larger share of the refining capacity at SRC and the higher oil price. Looking ahead, apart from being well positioned to capitalize on the continued tight refining capacity in Asia and the robust regional demand for refined petroleum products, SPC will participate more actively in E&P activities in the region. The company has exercised its option to invest in the Jeruk Oil Discovery as its potential becomes more ascertainable.

Progressing in our efforts to build growth platforms

We have made encouraging progress so far in growing the other legs of our businesses. Favourable geopolitics and industry dynamics are supporting our pursuit for growth opportunities in China, India, Indonesia, the Middle East and Vietnam.

In addition to the Cogen and Newater plant, we are negotiating to redeploy our power barges to Ecuador. These three projects should be contributing fully by 2007. Our long-term natural gas supply contract with Malaysia enhances the competitiveness of our cogen plant.

We are also working on a number of water and waste-to-energy prospects. All in all, we are hopeful that earnings from the Infrastructure division should grow further going forward.

We broadened our global footprint with the addition of property projects in Bangalore, Fuzhou, and Tianjin in the second quarter. India presents a new potential market for Keppel Land which is among the first foreign developers there. We will continue to actively explore development opportunities in other key Indian and Chinese cities. Keppel Land, together with its partners, have been awarded the

tender to develop the Business & Financial Centre site and we are also looking forward to putting in our bid for the Integrated Resorts in Singapore.

Closer to unlocking value

We raised our stake in Bugis Junction from 31% to 41%. In addition, we swapped our interest in the retail mall, Parco Bugis Junction, to raise our stake to 100% in the office tower, Bugis Junction Towers. This will add to our portfolio of premier office developments and enhance our divestment options. We also believe there is potential to add and eventually unlock value for the Business & Financial Centre development, given its prime location and improving market conditions. Even as we grow, we shall continue to unlock value for our shareholders wherever and whenever we believe it to be appropriate to do so.

KEPPEL CORPORATION LIMITED

Second Quarter Financial Statement and Dividend Announcement

UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2005

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the second quarter ended 30 June 2005.

1. GROUP PROFIT AND LOSS ACCOUNT for the second quarter and half year ended 30 June 2005

	Second Quarter			Half Year		
	30.6.2005 \$'000	Restated 30.6.2004 \$'000	+ / (-) %	30.6.2005 \$'000	Restated 30.6.2004 \$'000	+ / (-) %
Turnover	1,167,462	922,070	+26.6	2,313,126	1,818,283	+27.2
Materials & subcontract costs	(812,550)	(540,770)	+50.3	(1,598,204)	(1,098,129)	+45.5
Staff costs	(182,013)	(216,424)	-15.9	(349,116)	(383,777)	-9.0
Depreciation & amortisation	(26,055)	(41,514)	-37.2	(57,284)	(80,001)	-28.4
Other operating expenses	(20,430)	(3,163)	+545.9	(53,926)	(28,586)	+88.6
Operating profit	126,414	120,199	+5.2	254,596	227,790	+11.8
Investment income	257	305	-15.7	278	329	-15.5
Interest income	13,002	3,640	+257.2	23,458	8,623	+172.0
Interest expenses	(17,085)	(7,844)	+117.8	(19,683)	(19,170)	+2.7
Share of results of associated companies	78,557	40,285	+95.0	146,724	86,511	+69.6
Profit before tax & exceptional items	201,145	156,585	+28.5	405,373	304,083	+33.3
Exceptional items	1,225	487	+151.5	2,600	487	+433.9
Profit before taxation	202,370	157,072	+28.8	407,973	304,570	+34.0
Taxation	(35,199)	(27,676)	+27.2	(67,377)	(28,778)	+134.1
Profit for the period	167,171	129,396	+29.2	340,596	275,792	+23.5
Attributable to:						
Shareholders of the Company						
Profit before exceptional items	133,536	106,438	+25.5	277,107	237,337	+16.8
Exceptional items	1,206	113	+967.3	2,581	113	+2184.1
	134,742	106,551	+26.5	279,688	237,450	+17.8
Minority interests	32,429	22,845	+42.0	60,908	38,342	+58.9
	167,171	129,396	+29.2	340,596	275,792	+23.5
Earnings per ordinary share						
Before exceptional items						
- basic	17.1 cts	13.7 cts	+24.8	35.5 cts	30.6 cts	+16.0
- diluted	17.0 cts	13.6 cts	+25.0	35.2 cts	30.3 cts	+16.2
After exceptional items						
- basic	17.2 cts	13.7 cts	+25.5	35.8 cts	30.6 cts	+17.0
- diluted	17.1 cts	13.7 cts	+24.8	35.5 cts	30.4 cts	+16.8
Return on equity	n.a.	n.a.	n.a.	16.0%	15.1%	+6.0
Economic value added	53,837	3,282	+1540.4	96,206	13,540	+610.5

NM - Not Meaningful

Financial statement for 2004 has 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:

	Second Quarter			Half Year		
	30.6.2005 \$'000	Restated 30.6.2004 \$'000	+/(-) %	30.6.2005 \$'000	Restated 30.6.2004 \$'000	+/(-) %
Share-based payment expenses	2,072	1,334	+55.3	4,156	2,649	+56.9
Profit on sale of fixed assets	(2,590)	(324)	+699.4	(3,176)	(324)	+880.2
Profit on sale of investments	-	(205)	NM	-	(1,325)	NM
Provision/(write-back) - stocks & work-in-progress	(2,637)	(14,428)	-81.7	(7,366)	(14,428)	-49.0
- investments	-	(1,749)	NM	-	(1,749)	NM
- doubtful debts	(727)	(367)	+98.1	(9,666)	2,950	NM
Stocks written off	(25)	-	NM	(84)	-	NM
Bad debts recovered	(149)	(185)	-19.5	(1,121)	(185)	+505.9
Fair value loss/(gain) - Assets at fair value through P&L	(2,628)	-	NM	(4,895)	-	NM
- Forward contracts	5,378	-	NM	7,375	-	NM
- Financial derivatives	5,440	-	NM	(2,968)	-	NM
Foreign exchange loss/(gain)	(15,746)	425	NM	(11,654)	4,035	NM

1b. Taxation expense for the period included over-provision of tax in respect of prior years of \$6 million. 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 period comprise the following:

	Second Quarter		Half Year	
	30.6.2005 \$'000	Restated 30.6.2004 \$'000	30.6.2005 \$'000	Restated 30.6.2004 \$'000
Gain on disposal of ships	-	37,752	-	37,752
Gain on disposal of subsidiaries, associated companies and investments	15,418	4,165	26,393	4,165
Impairment of assets	(14,193)	(39,421)	(23,793)	(39,421)
Costs associated with restructuring of operations	-	(2,009)	-	(2,009)
	1,225	487	2,600	487
Minority share of exceptional items	(19)	(374)	(19)	(374)
Net exceptional items	1,206	113	2,581	113

NOTES TO GROUP PROFIT AND LOSS ACCOUNT

1d. Earnings per ordinary share

	Second Quarter			Half Year		
	30.6.2005	Restated 30.6.2004	+/(-)%	30.6.2005	Restated 30.6.2004	+/(-)%
Earnings per ordinary share of the Group based on net profit attributable to shareholders:-						
(i) Based on weighted average number of shares	17.2 cts	13.7 cts	+25.5	35.8 cts	30.6 cts	+17.0
- Weighted average number of shares ('000)	781,247	776,021	+0.7	781,247	776,021	+0.7
(ii) On a fully diluted basis	17.1 cts	13.7 cts	+24.8	35.5 cts	30.4 cts	+16.8
- Adjusted weighted average number of shares ('000)	787,216	782,116	+0.7	787,216	782,116	+0.7

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

2. BALANCE SHEETS as at 30 June 2005

	Group		Company	
	30.6.2005	Restated 31.12.2004	30.6.2005	Restated 31.12.2004
	\$'000	\$'000	\$'000	\$'000
Share capital	391,007	389,386	391,007	389,386
Reserves	2,876,853	2,701,776	2,448,695	2,472,960
Share capital & reserves	3,267,860	3,091,162	2,839,702	2,862,346
Minority interests	1,227,466	1,166,955	-	-
Capital employed	4,495,326	4,258,117	2,839,702	2,862,346
Represented by:				
Fixed assets	1,424,803	1,402,201	6,142	6,890
Investment properties	1,882,749	1,880,565	-	-
Development properties	206,391	202,682	-	-
Subsidiaries	-	-	3,133,055	2,865,771
Associated companies	1,694,820	1,518,623	3,074	3,074
Investments	88,340	71,902	-	-
Long term receivables	143,135	85,035	664	771
Intangibles	133,906	125,198	-	-
	5,574,144	5,286,206	3,142,935	2,876,506
Current assets				
Stocks & work-in-progress in excess of related billings	2,890,884	2,602,250	-	-
Amounts due from:				
- subsidiaries	-	-	929,994	1,362,785
- associated companies	280,020	265,996	232	323
Debtors	1,482,238	1,133,254	1,652	1,684
Short term investments	391,361	247,842	-	-
Bank balances, deposits & cash	1,195,000	972,961	26,231	23,390
	6,239,503	5,222,303	958,109	1,388,182
Current liabilities				
Creditors	1,938,477	1,776,155	29,735	26,055
Billings on work-in-progress in excess of related costs	1,075,780	438,971	-	-
Provisions	25,156	20,531	-	5,000
Amounts due to:				
- subsidiaries	-	-	2,084	28,542
- associated companies	143,563	27,432	9	3
Term loans	1,383,429	1,986,177	904,861	1,318,439
Taxation	153,271	138,831	4,514	4,164
Bank overdrafts	6,024	1,137	-	-
	4,725,700	4,389,234	941,203	1,382,203
Net current assets	1,513,803	833,069	16,906	5,979
Non-current liabilities				
Term loans	2,446,543	1,712,130	300,000	-
Deferred taxation	146,078	149,028	20,139	20,139
	2,592,621	1,861,158	320,139	20,139
Net assets	4,495,326	4,258,117	2,839,702	2,862,346
<i>Group net borrowings</i>	2,640,996	2,726,483	<i>n.a.</i>	<i>n.a.</i>
<i>Group net gearing (times)</i>	0.59	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 30.6.2005		As at 31.12.2004	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
57,678	1,331,775	110,495	1,876,819

(ii) Amount repayable after one year

As at 30.6.2005		As at 31.12.2004	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
504,570	1,941,973	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 \$864,080,000 (31 December 2004: \$1,159,374,000).

2b. Net asset value

	Group			Company		
	30.6.2005	Restated 31.12.2004	+/(-)%	30.6.2005	Restated 31.12.2004	+/(-)%
Net asset value per ordinary share *	\$4.18	\$3.97	+5.3	\$3.63	\$3.68	-1.4
Net tangible asset per ordinary share *	\$4.01	\$3.81	+5.2	\$3.63	\$3.68	-1.4

* Based on share capital of 782,013,591 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 \$3.27 billion at 30 June 2005. The increase was mainly attributable to retained profits for the period and fair value adjustment for investments as required by the transitional provisions for the adoption of new accounting standard FRS 39 – Financial Instruments: Recognition and Measurement with effect from 1 January 2005 (refer to paragraph 8). This was partly offset by payment of final dividend in respect of financial year 2004 and capital distribution of \$0.20 per share.

Group total assets of \$11.81 billion at 30 June 2005 were \$1.31 billion or 12% higher than the previous year-end. Fixed assets were higher because of the initial investment in Keppel Merlimau's co-gen plant. Investments 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 \$2.64 billion were a reduction of \$85 million from \$2.73 billion in the previous year-end because of strong operational cash flow.

3. CONSOLIDATED CASHFLOW STATEMENTS
for the second quarter and half year ended 30 June 2005

	Note	Second Quarter		Half Year	
		30.6.2005	Restated 30.6.2004	30.6.2005	Restated 30.6.2004
		\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES					
Operating profit		126,414	120,199	254,596	227,790
Adjustments:					
Depreciation and amortisation		26,055	41,514	57,284	80,001
Share-based payment expenses		2,072	1,334	4,156	2,649
Changes in fair value of financial instruments		8,190	-	(488)	-
Profit on sale of fixed assets		(2,590)	(324)	(3,176)	(324)
Operational cash flow before changes in working capital		160,141	162,723	312,372	310,116
Working capital changes:					
Stocks & work-in-progress		161,027	(112,358)	376,337	(21,002)
Debtors		(257,721)	49,246	(418,877)	43,661
Creditors		130,067	62,819	140,982	(73,535)
Investments in bonds and shares		(11,716)	(8,352)	(73,371)	419
Advances to associated companies		14,608	(42,584)	102,107	(102,187)
Translation of foreign subsidiaries		(19,288)	10,889	(20,720)	3,600
		177,118	122,383	418,830	161,072
Interest received		13,002	3,640	23,458	8,623
Interest paid		(17,085)	(7,844)	(19,683)	(19,170)
Income taxes paid		(13,540)	(12,817)	(31,947)	(14,671)
Net cash from operating activities		159,495	105,362	390,658	135,854
INVESTING ACTIVITIES					
Disposal of subsidiaries	3a	-	2,218	-	2,218
Acquisition and further investment in associated companies		(71,177)	(19,259)	(76,322)	(24,316)
Proceeds from disposal of associated companies		8,275	-	12,065	-
Repayment of loans to associated companies		-	408	-	27,577
Acquisition of fixed assets and investment properties		(62,946)	(27,756)	(127,302)	(51,572)
Expenditure on development properties		(624)	(446)	(624)	(650)
Proceeds from disposal of fixed assets		26,703	105,373	30,965	143,633
Dividends received from investments		66,101	37,769	67,837	47,117
Net cash from/(used in) investing activities		(33,668)	98,307	(93,381)	144,007
FINANCING ACTIVITIES					
Proceeds from share issues		2,484	1,699	10,901	3,495
Proceeds from minority shareholders of subsidiaries		13,573	164	24,054	3,898
Proceeds from term loans		157,551	48,399	808,780	179,174
Repayment of term loans		26,509	(25,368)	(677,115)	(300,071)
Capital distribution		(156,391)	(139,744)	(156,391)	(139,744)
Dividend paid to shareholders of the Company		(68,793)	(68,308)	(68,793)	(68,308)
Dividend paid to minority shareholders of subsidiaries		(20,755)	(16,077)	(21,561)	(16,077)
Net cash used in financing activities		(45,822)	(199,235)	(80,125)	(337,633)
Net increase/(decrease) in cash and cash equivalents		80,005	4,434	217,152	(57,772)
Cash and cash equivalents as at beginning of period		1,108,971	675,924	971,824	738,130
Cash and cash equivalents as at end of period	3b	1,188,976	680,358	1,188,976	680,358
<i>Free cashflow</i>		125,827	203,669	297,277	279,861

NOTES TO CONSOLIDATED CASHFLOW STATEMENT

	Second Quarter		Half Year	
	30.6.2005 \$'000	Restated 30.6.2004 \$'000	30.6.2005 \$'000	Restated 30.6.2004 \$'000
3a. Disposal of subsidiaries				
The fair values of net assets and liabilities of subsidiaries disposed were as follows:				
Fixed assets and investment properties	-	(38)	-	(38)
Debtors	-	(244)	-	(244)
Bank balances and cash	-	(269)	-	(269)
Creditors	-	436	-	436
	-	(115)	-	(115)
Net profit on disposal	-	(2,372)	-	(2,372)
Sale proceeds	-	(2,487)	-	(2,487)
Add: Bank balances and cash disposed	-	269	-	269
Cash flow on disposal net of cash disposed	-	(2,218)	-	(2,218)

3b. 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 statements comprise the following balance sheet amounts:

Bank balances, deposits and cash	1,195,000	685,848	1,195,000	685,848
Bank overdrafts	(6,024)	(5,490)	(6,024)	(5,490)
	1,188,976	680,358	1,188,976	680,358

3c. Cashflow analysis

- (i) Net cash from operating activities for the quarter was \$159 million. This was mainly contributed by operational cashflow and progress payments received for contracts.

Net cash used in investing activities for the quarter was \$34 million. The Group spent \$135 million on further investment in associated companies, expenditure on new infrastructure projects and operational capex. Divestment and dividend income amounted to \$101 million.

Free cashflow for the quarter of \$126 million was lower than that of the corresponding quarter last year because of higher investments and capital expenditure.

- (ii) Net cash from operating activities for the half year was \$391 million compared to \$136 million for the corresponding period last year. This was mainly due to positive working capital changes in the current first half, especially from progress payments received for contracts.

Net cash used in investing activities for the half year was \$93 million. The Group spent \$204 million on further investment in associated companies, expenditure on new infrastructure projects and operational capex. Divestment and dividend income amounted to \$111 million.

Free cashflow for the half year was \$297 million compared to \$280 million for the corresponding period last year. This was mainly contributed by the high cash generated from operating activities.

**4. STATEMENTS OF CHANGES IN EQUITY
for the second quarter and half year ended 30 June 2005**

4a. Statement of changes in equity of the Group

	Share Capital \$'000	Share Premium Account \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Foreign Exchange Translation Account \$'000	Share Capital & Reserves \$'000	Minority Interests \$'000	Capital Employed \$'000
2005								
As at 1 January								
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 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 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	390,636	868,760	264,167	1,914,387	(44,443)	3,393,507	1,194,929	4,588,436
Currency translation gain	-	-	-	-	17,246	17,246	8,876	26,122
Gain not recognised in profit & loss account	-	-	-	-	17,246	17,246	8,876	26,122
Net profit for the quarter	-	-	-	134,742	-	134,742	32,429	167,171
Dividend paid	-	-	-	(68,793)	-	(68,793)	-	(68,793)
Share-based payment	-	-	1,887	-	-	1,887	80	1,967
Fair value changes on available-for-sale assets	-	-	215	-	-	215	(92)	123
Fair value changes on cashflow hedges	-	-	(53,006)	-	-	(53,006)	241	(52,765)
Transfer of statutory, capital and other reserves to revenue reserves	-	-	11,060	(11,060)	-	-	-	-
Revaluation deficit realised and transferred to profit & loss account on disposal of property	-	-	(1,065)	-	-	(1,065)	(644)	(1,709)
Share of capital reserves of an associated company	-	-	(4,184)	-	-	(4,184)	-	(4,184)
Dividend paid to minority shareholders	-	-	-	-	-	-	(20,755)	(20,755)
Cash subscribed by minority shareholders	-	-	-	-	-	-	13,573	13,573
Other adjustments	-	-	927	291	-	1,218	(1,171)	47
Shares issued	371	2,113	-	-	-	2,484	-	2,484
Capital distribution	-	(156,391)	-	-	-	(156,391)	-	(156,391)
As at 30 June	391,007	714,482	220,001	1,969,567	(27,197)	3,267,860	1,227,466	4,495,326

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

	Share Capital \$'000	Share Premium Account \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Foreign Exchange Translation Account \$'000	Share Capital & Reserves \$'000	Minority Interests \$'000	Capital Employed \$'000
2004								
As at 1 January								
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 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	387,862	884,234	185,059	1,581,364	(8,270)	3,030,249	1,086,002	4,116,251
Currency translation loss	-	-	-	-	(6,556)	(6,556)	(9,691)	(16,247)
Loss not recognised in profit & loss account	-	-	-	-	(6,556)	(6,556)	(9,691)	(16,247)
Net profit for the quarter	-	-	-	106,551	-	106,551	22,845	129,396
Dividend paid	-	-	-	(68,308)	-	(68,308)	-	(68,308)
Share-based payment	-	-	1,388	-	-	1,388	66	1,454
Transfer of statutory, capital and other reserves to revenue reserves	-	-	(503)	2,184	(1,681)	-	-	-
Revaluation deficit realised and transferred to profit & loss account on disposal of property	-	-	-	-	-	-	(186)	(186)
Share of capital reserves of an associated company	-	-	8,333	-	-	8,333	-	8,333
Dividend paid to minority shareholders	-	-	-	-	-	-	(16,077)	(16,077)
Cash subscribed by minority shareholders	-	-	-	-	-	-	164	164
Other adjustments	-	-	1,097	(2,009)	-	(912)	(1,398)	(2,310)
Shares issued	317	1,382	-	-	-	1,699	-	1,699
Capital distribution	-	(29,627)	(110,117)	-	-	(139,744)	-	(139,744)
As at 30 June	388,179	855,989	85,257	1,619,782	(16,507)	2,932,700	1,081,725	4,014,425

4b. Statement of changes in equity of the Company

	Share Capital \$'000	Share Premium Account \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Total \$'000
2005					
As at 1 January					
As previously reported	389,386	861,593	22,764	1,584,287	2,858,030
Effect of FRS 102	-	-	6,192	(8,450)	(2,258)
As restated	389,386	861,593	28,956	1,575,837	2,855,772
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	390,636	868,760	30,820	1,582,113	2,872,329
Net profit for the quarter	-	-	-	188,208	188,208
Dividend paid	-	-	-	(68,793)	(68,793)
Share-based payment	-	-	1,865	-	1,865
Shares issued	371	2,113	-	-	2,484
Capital distribution	-	(156,391)	-	-	(156,391)
As at 30 June	391,007	714,482	32,685	1,701,528	2,839,702
2004					
As at 1 January					
As previously reported	387,533	882,767	132,881	1,553,118	2,956,299
Effect of 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	387,862	884,234	135,565	1,551,397	2,959,058
Net profit for the quarter	-	-	-	125,153	125,153
Dividend paid	-	-	-	(68,308)	(68,308)
Share-based payment	-	-	1,169	-	1,169
Shares issued	317	1,382	-	-	1,699
Capital distribution	-	(29,627)	(110,117)	-	(139,744)
As at 30 June	388,179	855,989	26,617	1,608,242	2,879,027

4c. Share capital

Since 31 March 2005, the Company issued 742,000 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 782,013,591 ordinary shares of \$0.50 each.

As at 30 June 2005, there were unexercised options for 13,072,999 of unissued ordinary shares of \$0.50 each (30 June 2004: 14,083,166 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 an increase of \$149,155,000 in capital reserves, a decrease of \$23,340,000 in revenue reserves and a decrease of \$7,831,000 in minority interests as at 1 January 2005.

FRS 102

Under FRS 102, share options to employees are measured at fair value at the date of grant and recognised as expense over the vesting period. Prior to the adoption of FRS 102, 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:

	30.6.2005 \$'000	30.6.2004 \$'000
Increase in staff costs	(4,156)	(2,649)
Decrease in share of results of associated companies	(559)	(210)
Decrease in profit after taxation	<u>(4,715)</u>	<u>(2,859)</u>
Increase in capital reserves	11,834	4,469
Decrease in revenue reserves	(11,804)	(4,467)
Decrease in minority interests	(30)	(2)
Decrease in basic EPS before exceptional items	0.6 cts	0.4 cts
Decrease in diluted EPS before exceptional items	0.6 cts	0.3 cts

FRS 103

Under 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. Prior to the adoption of FRS 103, 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 against the carrying amount of goodwill as at 1 January 2005. No amortisation has been charged to profit and loss account in 2005. Amortisation charge for the period ended 30 June 2004 was \$1,884,000.

- (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:

	30.6.2005 \$'000	30.6.2004 \$'000
Decrease in investment income	(2,466)	(1,552)
Increase in share of results of associated company	2,647	2,785
Increase in taxation	(411)	(634)
(Decrease)/increase in profit after taxation	<u>(230)</u>	<u>599</u>
Increase in revenue reserves	6,878	3,817
Increase in foreign exchange translation account	590	985
Increase in associated companies	15,496	13,735
Decrease in investments	(6,621)	(6,621)
Increase in basic EPS before exceptional items	-	0.1 cts
Increase in diluted EPS before exceptional items	-	0.1 cts

9. REVIEW OF GROUP PERFORMANCE

Group turnover in the second quarter and half year at \$1,167 million and \$2,313 million were 27% above those in the corresponding periods in 2004, largely due to higher revenue reported by Offshore & Marine Division.

For the second quarter, Group profit before tax of \$201 million and attributable profit before exceptional items of \$134 million were 29% and 26% above the same quarter in the previous year.

For the first half year, Group profit before tax of \$405 million and attributable profit before exceptional items of \$277 million improved by 33% and 17% over the first half of 2004.

Exceptional items of \$2.6 million for the half year comprised gains on actual and deemed disposal of interest in associated companies and other investments, partially offset by revaluation deficit of investment properties and impairment of assets.

The earnings growth for the quarter and half year was attributable mainly to increased contributions by Offshore & Marine Division and Singapore Petroleum Company (SPC). Keppel Land achieved higher earnings but Property Division's contributions were somewhat lower due to lower revenue recognition for Caribbean at Keppel Bay residential project. Keppel T&T also reported improved earnings while Infrastructure's performance was affected by the expiry of the power barges contract at the end of last year.

In the opinion of the Directors, no factor has arisen between 30 June 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's earnings in the second half year is expected to continue to be underpinned by strong performances from Offshore & Marine Division and SPC. The Group is, therefore, on track to surpass the targeted compounded annual growth rate of 8 – 12% from 2003 through 2005 and to achieve a return on equity of above 15%.

At mid-year, Offshore & Marine Division's net order book expanded to \$6.7 billion from \$5.1 billion at the end of the first quarter. Prospects for new jobs remain good amidst an all-round tight market environment. SPC's earnings will continue to be driven by healthy refining margins and increased capacity.

Property Division will benefit from the good response to launches of overseas residential projects and an improving local market for residential and office building. Infrastructure Division is negotiating an agreement on the redeployment of the power barges to Ecuador.

For the longer term, sustainability of earnings growth will be supported by Offshore & Marine's burgeoning order book, Property's launches of residential projects across growth cities in Asia and its expansion into township developments, contributions from SPC's upstream assets and Infrastructure's power and NEWater plants.

12. DIVIDEND/CAPITAL DISTRIBUTION

12a. Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

Yes

Name of Dividend	Interim
Dividend type	Cash
Dividend per share (cents)	10 cts
Dividend rate (%)	20%
Par value of shares	\$0.50
Tax rate	20%

With the improved results, Directors are pleased to declare a higher interim dividend of 10 cents per share less tax (2004: 9 cents per share less tax), which will be payable to shareholders on 26 August 2005.

Together with the final dividend of 11 cents per share less tax and capital distribution of 20 cents per share paid on 18 May 2005 and 9 June 2005 respectively, the total cash distributions received by shareholders this year will amount to 41 cents per share in 2005.

12b. Corresponding Period of the Immediately Preceding Financial Year

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

Yes

Name of Dividend	Interim
Dividend type	Cash
Dividend per share (cents)	9 cts
Dividend rate (%)	18%
Par value of shares	\$0.50
Tax rate	20%

12c. Date Payable

26 August 2005

12d. Books Closure Date

Notice is hereby given that, the Share Transfer Books and Register of Members of the Company will be closed on 16 August 2005 to determine shareholders' entitlement to the interim dividend. Duly completed transfer received by the Company's Registrar, B.A.C.S Private Limited, at 63 Cantonment Road, Singapore 089758 up to 5.00 p.m. on 15 August 2005 will be registered to determine shareholders' entitlement to the interim dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Ltd (CDP), the interim dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to shareholders.

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

Not applicable

13. SEGMENT ANALYSIS

Half year ended 30 June 2005

BUSINESS SEGMENT

	Offshore & Marine \$'000	Property \$'000	Infra- structure \$'000	Invest- ments \$'000	Elimina- tion \$'000	Total \$'000
Revenue						
External sales	1,652,284	327,055	269,152	64,635	-	2,313,126
Inter-segment sales	1,465	3,482	11,379	34,191	(50,517)	-
Total	1,653,749	330,537	280,531	98,826	(50,517)	2,313,126
Results						
Operating profit	173,316	94,101	(21,441)	8,620	-	254,596
Net investment income & interest income	2,837	(5,859)	2,445	4,630	-	4,053
Share of results of associated companies	2,429	7,687	13,039	123,569	-	146,724
Profit before tax & exceptional items	178,582	95,929	(5,957)	136,819	-	405,373
Exceptional items	-	(20,267)	(2,605)	25,472	-	2,600
Profit before taxation	178,582	75,662	(8,562)	162,291	-	407,973
Taxation	(37,557)	(14,565)	3,970	(19,225)	-	(67,377)
Profit for the period	141,025	61,097	(4,592)	143,066	-	340,596
Attributable to:						
Shareholders of Company						
Profit before exceptional items	119,557	45,131	(3,369)	115,788	-	277,107
Exceptional items	-	(20,267)	(2,158)	25,006	-	2,581
	119,557	24,864	(5,527)	140,794	-	279,688
Minority interests	21,468	36,233	935	2,272	-	60,908
	141,025	61,097	(4,592)	143,066	-	340,596
Other information						
Segment assets	3,468,022	5,973,247	691,553	3,599,316	(3,613,311)	10,118,827
Investment in associated companies	56,991	766,420	70,140	801,269	-	1,694,820
Total	3,525,013	6,739,667	761,693	4,400,585	(3,613,311)	11,813,647
Segment liabilities	2,677,351	4,729,078	338,225	2,887,629	(3,613,311)	7,018,972
Net tax provision & deferred taxation	187,750	90,510	(1,673)	22,762	-	299,349
Total	2,865,101	4,819,588	336,552	2,910,391	(3,613,311)	7,318,321
Net assets	659,912	1,920,079	425,141	1,490,194	-	4,495,326
Capital expenditure	36,427	1,700	85,360	3,815	-	127,302
Depreciation and amortisation	28,830	7,460	16,447	4,547	-	57,284

GEOGRAPHICAL SEGMENT

	Singapore \$'000	Far East & Other ASEAN Countries \$'000	America \$'000	Other Countries \$'000	Elimination \$'000	Total \$'000
External sales	1,433,280	363,821	329,374	186,651	-	2,313,126
Segment assets	8,253,208	2,240,327	595,313	185,569	(1,155,590)	10,118,827
Capital expenditure	109,672	3,321	13,040	1,269	-	127,302

Half year ended 30 June 2004

BUSINESS SEGMENT

	<u>Offshore & 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
Revenue						
External sales	1,042,634	345,788	367,548	62,313	-	1,818,283
Inter-segment sales	2,450	2,020	14,376	23,326	(42,172)	-
Total	1,045,084	347,808	381,924	85,639	(42,172)	1,818,283
Results						
Operating profit	115,458	86,663	20,494	5,175	-	227,790
Net investment income & interest income	(3,979)	(6,155)	(605)	521	-	(10,218)
Share of results of associated companies	4,706	9,976	10,215	61,614	-	86,511
Profit before tax & exceptional items	116,185	90,484	30,104	67,310	-	304,083
Exceptional items	-	(5,946)	(5,627)	12,060	-	487
Profit before taxation	116,185	84,538	24,477	79,370	-	304,570
Taxation	(6,670)	(7,770)	(2,326)	(12,012)	-	(28,778)
Profit for the period	109,515	76,768	22,151	67,358	-	275,792
Attributable to:						
Shareholders of Company						
Profit before exceptional items	104,641	54,043	27,006	51,647	-	237,337
Exceptional items	-	(5,946)	(4,310)	10,369	-	113
	104,641	48,097	22,696	62,016	-	237,450
Minority interests	4,874	28,671	(545)	5,342	-	38,342
	109,515	76,768	22,151	67,358	-	275,792
Other Information						
Segment assets	1,910,044	5,746,418	664,929	2,535,228	(2,701,174)	8,155,445
Investment in associated companies	69,320	670,831	53,509	609,803	-	1,403,463
Total	1,979,364	6,417,249	718,438	3,145,031	(2,701,174)	9,558,908
Segment liabilities	1,230,580	4,592,026	280,863	1,880,435	(2,701,174)	5,282,730
Net tax provision & deferred taxation	140,581	98,211	1,928	21,033	-	261,753
Total	1,371,161	4,690,237	282,791	1,901,468	(2,701,174)	5,544,483
Net assets	608,203	1,727,012	435,647	1,243,563	-	4,014,425
Capital expenditure	37,895	246	10,779	2,652	-	51,572
Depreciation and amortisation	28,587	7,132	34,378	9,904	-	80,001

GEOGRAPHICAL SEGMENT

	<u>Singapore</u> \$'000	<u>Far East & Other ASEAN Countries</u> \$'000	<u>America</u> \$'000	<u>Other Countries</u> \$'000	<u>Elimination</u> \$'000	<u>Total</u> \$'000
External sales	868,114	223,896	603,705	122,568	-	1,818,283
Segment assets	6,692,552	1,736,246	431,284	114,784	(819,421)	8,155,445
Capital expenditure	35,046	-	16,526	-	-	51,572

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. Revenue by Segments

Group revenue of \$2,313 million for the current first half year was 27% higher than the corresponding period in 2004.

Revenue generated by Offshore & Marine increased 58% due to the record value of contracts secured.

Property's turnover was lower mainly on account of timing difference in revenue recognition for residential projects.

Infrastructure's revenue was significantly lower following the expiry of the power barge contract at the end of last year.

14b. PATMI (before exceptional items) by Segments

For the first half, the Group achieved an attributable profit before exceptional items to shareholders of the Company (Attributable Profit) of \$277 million. This is a growth of 17% over the corresponding period of the previous year.

Offshore & Marine registered a higher pre-tax growth of 53% compared to Attributable Profit growth of 14%. This was due to higher taxation charge and minority interest on overseas income. The previous year's Attributable Profit also included a one-off reversal of deferred tax of \$10 million.

Keppel Land achieved increased earnings in the first half. However Property Division's contributions declined due to lower revenue for Caribbean at Keppel Bay residential project.

Infrastructure's earnings were impacted by the absence of contribution from the power barges.

Under Investments, earnings grew by more than 100% from the strong contribution by SPC, k1 Ventures and M1.

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)	
	Half Year 30.6.2005 \$'000	Half Year 30.6.2004 \$'000	Half Year 30.6.2005 \$'000	Half Year 30.6.2004 \$'000
Transaction for the Sale of Goods and Services				
National University Hospital	-	-	3,877	-
PSA Corporation Group	-	-	92	44,050
SembCorp Marine Group	-	-	165	1,339
Singapore Airlines Group	-	-	8	3,400
Singapore Telecommunications Group	-	-	-	4,900
Transaction for the Purchase of Goods and Services				
Mapletree Investments Pte Ltd	-	-	186	304
Total Interested Person Transactions	-	-	4,328	53,993

BY ORDER OF THE BOARD

CAROLINE CHANG
Company Secretary
28 July 2005