

**KEPPEL CORPORATION LIMITED**

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

**FULL YEAR 2007 FINANCIAL STATEMENT & DIVIDEND ANNOUNCEMENT****TABLE OF CONTENTS**

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# KEPPEL CORPORATION LIMITED

## Executive Chairman's Remarks FULL YEAR ENDED 31 DECEMBER 2007

### Record results, a fruitful year of platform building

I am pleased to report another record year for Keppel. Group PATMI for 2007 crossed the \$1bn mark, with EPS of \$0.65, up 36%. This brings our CAGR for both PATMI and EPS to about 23% over the last seven years (2001 – 2007). All our key businesses performed better in 2007 when compared with the preceding year. A short review of our operations will give a clearer picture of our key activities.

Keppel Offshore & Marine (KOM) has increased its net orderbook to \$12.2b and it is now accepting orders for 2011 delivery. Our long-term partnerships with customers remain robust and they continue to entrust us with repeat orders. As an example, we were awarded a US\$1.2b contract by Petrobras to build the *P-56* production semi, a repeat of the *P-51* currently being built in our Brazil yard. We also struck up new partnerships. Rowan selected KOM to build four jackups for the first time, even though their rigs were historically built in-house.

Singapore Petroleum Company (SPC) had a successful year executing its strategy to grow its upstream business. It now has eight E&P assets, of which three are producing assets yielding 11,000 boepd (barrels of oil equivalent per day), as compared to just 2,500 boepd a-year-ago.

Keppel Land also made significant strides last year in extending its regional reach and growing its townships and integrated lifestyle developments. It also took advantage of the strong office market to secure long-term leases. More than half of the space in the *Marina Bay Financial Centre* (MBFC) has been pre-committed, way ahead of its completion in 2010 – 2012. With its flagship *Ocean Building* being re-developed as *Ocean Financial Centre*, Keppel Land has now largely completed the makeover of its office portfolio and positioned itself strongly in the premium prime office market.

In infrastructure, Keppel Integrated Engineering (KIE)'s strategy to focus on large scale infrastructure projects has paid off. It has added another feather to its cap with a second landmark \$1.5b project in Qatar and an in-principal-approval to develop Vietnam's first Waste-to-Energy plant in Ho Chi Minh City. More importantly, KIE's orderbook includes long term operation and maintenance contracts in addition to design and build contracts. KIE has grown its orderbook to about \$3.5b of which more than

half will be fulfilled through 2010 while the remaining are the long term O&M contracts with recurring income for the next 10 - 20 years.

A common thread across our businesses is the scope to leverage on the Keppel branding, collective network and competencies. Our business units, though distinct, reinforce each other as they penetrate common markets such as the Middle East, China and Vietnam. We shall continue with this group strategy which has served us well.

#### Sino-Singapore Tianjin Eco-city

The Sino-Singapore Tianjin Eco-city (SSTEC) is an example of how our property and environmental units work together to contribute knowledge and expertise and in so doing create new value propositions.

Let me share some background. The Framework Agreement between China and Singapore was signed between Chinese Premier Wen Jiabao and our Prime Minister Lee last November. SSTEC will be equally owned by Singapore and Chinese consortiums. The project is expected to be an international showcase of both countries' commitment towards sustainable development, with the focus extending beyond the environment to also encompass the social aspects of township development. The vision is to create a model city where people live, work and play harmoniously and enjoy a good quality of life, whilst endeavouring to conserve and protect the environment.

The project will be driven on a commercial basis by the private sector, led by Keppel for the Singapore consortium. At the same time, it will have the commitment and support of both governments. SSTEC will tap on Singapore's invaluable experience such as large scale urban design and township planning, as well as landscaping and nature and environment preservation.

The development is located on a 30km<sup>2</sup> site and is expected to be developed in phases over the next 10-15 years.

We are delighted that Qatar Investment Authority has expressed its intent to participate in the Singapore consortium with the MOU signed yesterday.

### Staying ahead – leveraging innovation and technology

We will continue to raise the bar in our technology and R&D capabilities. During the year, we established two centres of excellence, the Keppel Offshore & Marine Technology Centre (KOMtech) and Keppel Environmental Technology Centre (KETC), both aimed at driving technology innovations in their respective areas.

KOM's R&D efforts have enabled it to successfully roll out market-responsive and innovative solutions. These include the recent accommodation semi, a first for the North Sea in more than 20 years, the drilling-cum-production KFELS N Class jackup, icebreaking vessels & Ice-class FSO, as well as deepwater & ultra-deepwater semi-submersibles.

Using technology as a competitive advantage is critical in retaining existing customers and opening up new markets. Some of the largest untapped oil & gas reserves are in very deep waters and hard-to-access Arctic frontiers. Our future is closely tied with our customers through our joint efforts to develop innovative and cost effective products and solutions to find and unlock these reserves.

KOMtech was established to augment current R&D initiatives. KOM will inject \$150m seed money into KOMtech over 5 years. Similarly, for our environmental engineering business, KETC will spearhead KIE into a world-class environmental solutions provider based on technological innovation and leadership, in-house expertise and strategic partnerships. Keppel Seghers' proprietary water-cooled grate technology, DANODRUM system which recycles and pre-treats waste, and Rotary Atomiser system for flue gas treatment are applied in the Qatar Solid Waste Management project. In property, Keppel Land is also incorporating state-of-the-art green features in its properties.

Looking ahead, we continue to see opportunities for us to build growth platforms. Through these efforts we believe we shall endeavour to continue increasing shareholder value but this will become more challenging as we shall have to grapple with increasing uncertainty in the prospects ahead.

This year is a special year for the Keppel Group. We celebrate our 40<sup>th</sup> anniversary of Keppel Corporation Ltd. I shall now hand over to Soon Hoe, our Group Finance Director, to provide you with more details of our financial and business performance and to announce the goodies we have in store for shareholders as part of our 40<sup>th</sup> Anniversary celebration.

# KEPPEL CORPORATION LIMITED

## Full Year 2007 Financial Statement and Dividend Announcement

### UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the year ended 31 December 2007.

#### 1. GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December

	2007 \$'000	2006 \$'000	+ / (-) %
<b>Revenue</b>	<b>10,431,250</b>	7,600,940	+37.2
Materials & subcontract costs	<b>(8,037,393)</b>	(5,570,175)	+44.3
Staff costs	<b>(1,132,125)</b>	(931,340)	+21.6
Depreciation & amortisation	<b>(125,692)</b>	(127,438)	-1.4
Other operating expenses	<b>(85,391)</b>	(167,922)	-49.1
<b>Operating profit</b>	<b>1,050,649</b>	804,065	+30.7
Investment income	<b>2,867</b>	3,777	-24.1
Interest income	<b>88,542</b>	79,758	+11.0
Interest expenses	<b>(62,710)</b>	(62,470)	+0.4
Share of results of associated companies	<b>476,882</b>	314,662	+51.6
<b>Profit before tax &amp; exceptional items</b>	<b>1,556,230</b>	1,139,792	+36.5
Exceptional items	<b>564,933</b>	7,304	>500.0
<b>Profit before taxation</b>	<b>2,121,163</b>	1,147,096	+84.9
Taxation	<b>(468,635)</b>	(257,372)	+82.1
<b>Profit for the year</b>	<b>1,652,528</b>	889,724	+85.7
<b>Attributable to:</b>			
Shareholders of the Company			
Profit before exceptional items	<b>1,025,596</b>	750,832	+36.6
Exceptional items	<b>105,105</b>	(82)	NM
	<b>1,130,701</b>	750,750	+50.6
Minority interests	<b>521,827</b>	138,974	+275.5
	<b>1,652,528</b>	889,724	+85.7
Earnings per ordinary share *			
Before exceptional items			
- basic	<b>64.9 cts</b>	47.7 cts	+36.1
- diluted	<b>64.3 cts</b>	47.2 cts	+36.2
After exceptional items			
- basic	<b>71.5 cts</b>	47.7 cts	+49.9
- diluted	<b>70.4 cts</b>	47.2 cts	+49.2
Return on equity	<b>21.8%</b>	19.1%	+14.1
Economic value added	<b>604,000</b>	423,000	+42.8

\* Comparative figures for EPS have been adjusted for the sub-division of shares

NM - Not Meaningful

## NOTES TO GROUP PROFIT AND LOSS ACCOUNT

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

	Note	2007 \$'000	2006 \$'000	+/(-) %
Share-based payment expenses		21,307	14,949	+42.5
Profit on sale of fixed assets		(7,126)	(3,610)	+97.4
Profit on sale of investments (Write-back)/provision	(i)	(54,577)	(88,132)	-38.1
- stocks & work-in-progress	(ii)	(78,602)	(42,460)	+85.1
- doubtful debts		(6,040)	1,461	NM
Bad debts written off		11	2,790	-99.6
Stocks written off		24	2,569	-99.1
Fair value (gain)/loss				
- Assets at fair value through P&L		(3,441)	(15,603)	-77.9
- Forward contracts	(iii)	81,558	17,380	+369.3
- Financial derivatives		8,531	2,310	+269.3
Foreign exchange (gain)/loss	(iv)	14,499	(6,361)	NM

Note:

- (i) Decrease in profit on sale of investments was mainly due to lower investment trading activities during the year.
- (ii) Write-back of provision for stocks & work-in-progress comprised mainly reversal of cost provisions no longer required for Singapore trading property projects. Higher write-back of provision was mainly due to the stronger residential property market.
- (iii) Higher hedging cost on forward contracts was mainly due to increase in the amount of contracts and fluctuations in interest rate differentials.
- (iv) Foreign exchange loss was \$14 million for 2007 compared to a gain of \$6.4 million for 2006 due to the weakening of United States dollar against Singapore dollar.

1b. The Group's tax charge included provision for deferred tax on fair value gains of investment properties amounting to \$150 million and write-back of provision for deferred tax amounting to \$18 million resulting from the reduction in Singapore corporate tax rate from 20% to 18%.

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

	2007 \$'000	2006 \$'000
Gain on disposal of subsidiaries, associated companies and investments	2,291	81,446
Impairment of assets	(324,355)	(72,744)
Fair value gains on investment properties	903,602	-
Costs associated with restructuring of operations	(16,605)	(1,398)
	<u>564,933</u>	<u>7,304</u>
Taxation	(149,500)	-
	<u>415,433</u>	<u>7,304</u>
Minority interests	(310,328)	(7,386)
Attributable exceptional items	<u>105,105</u>	<u>(82)</u>

## NOTES TO GROUP PROFIT AND LOSS ACCOUNT

### 1d. Earnings per ordinary share

	2007	2006	+/(-)%
Earnings per ordinary share of the Group based on net profit attributable to shareholders:-			
(i) Based on weighted average number of shares *	<b>71.5 cts</b>	47.7 cts	+49.9
- Weighted average number of shares ('000)	<b>1,580,786</b>	1,573,278	+0.5
(ii) On a fully diluted basis *	<b>70.4 cts</b>	47.2 cts	+49.2
- Adjusted weighted average number of shares ('000)	<b>1,591,985</b>	1,583,521	+0.5

\* Comparative figures for EPS have been adjusted for the sub-division of shares

### 1e. Breakdown of sales

	2007 \$'000	2006 \$'000	+/(-)%
<b><u>First Half</u></b>			
Sales reported for first half year	<b>4,481,865</b>	3,189,686	+40.5
Operating profit after tax and exceptional items before deducting minority interests reported for first half year	<b>598,517</b>	445,982	+34.2
<b><u>Second Half</u></b>			
Sales reported for second half year	<b>5,949,385</b>	4,411,254	+34.9
Operating profit after tax and exceptional items before deducting minority interests reported for second half year	<b>1,054,011</b>	443,742	+137.5

### 1f. There was no extraordinary item during the year.

## 2. BALANCE SHEETS as at 31 December

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Share capital	790,407	972,926	790,407	972,926
Reserves	4,414,326	3,232,170	2,557,968	2,332,232
Share capital & reserves	5,204,733	4,205,096	3,348,375	3,305,158
Minority interests	1,830,459	1,392,591	-	-
<b>Capital employed</b>	<b>7,035,192</b>	<b>5,597,687</b>	<b>3,348,375</b>	<b>3,305,158</b>
<b>Represented by:</b>				
Fixed assets	1,698,231	1,740,808	5,668	5,680
Investment properties	2,960,347	2,249,216	-	-
Development properties	172,758	197,080	-	-
Subsidiaries	-	-	2,876,962	3,080,896
Associated companies	3,140,594	2,410,716	3,074	3,074
Investments	335,849	275,892	-	-
Long term receivables	134,857	160,720	301,099	300,977
Intangibles	67,823	135,058	-	-
	8,510,459	7,169,490	3,186,803	3,390,627
<b>Current assets</b>				
Stocks & work-in-progress in excess of related billings	2,790,649	2,861,960	-	-
Amounts due from:				
- subsidiaries	-	-	958,507	410,092
- associated companies	594,353	307,968	284	87
Debtors	1,753,434	1,516,259	157,054	82,013
Short term investments	547,437	426,714	-	-
Bank balances, deposits & cash	1,600,850	1,618,558	3,884	520
	7,286,723	6,731,459	1,119,729	492,712
<b>Current liabilities</b>				
Creditors	3,072,012	2,168,904	75,657	58,885
Billings on work-in-progress in excess of related costs	2,542,517	2,621,815	-	-
Provisions	37,900	29,961	-	-
Amounts due to:				
- subsidiaries	-	-	418,887	194,718
- associated companies	134,331	93,620	2	11
Term loans	499,104	681,635	134,820	-
Taxation	351,864	273,883	15,305	10,182
Bank overdrafts	3,767	3,351	-	-
	6,641,495	5,873,169	644,671	263,796
<b>Net current assets</b>	<b>645,228</b>	<b>858,290</b>	<b>475,058</b>	<b>228,916</b>
<b>Non-current liabilities</b>				
Term loans	1,731,526	2,272,152	300,000	300,000
Deferred taxation	388,969	157,941	13,486	14,385
	2,120,495	2,430,093	313,486	314,385
<b>Net assets</b>	<b>7,035,192</b>	<b>5,597,687</b>	<b>3,348,375</b>	<b>3,305,158</b>
<i>Group net borrowings</i>	<b>633,547</b>	1,338,580	<i>n.a.</i>	<i>n.a.</i>
<i>Group net gearing (times)</i>	<b>0.09x</b>	0.24x	<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 31.12.2007		As at 31.12.2006	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
14,112	488,759	404,723	280,263

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

As at 31.12.2007		As at 31.12.2006	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
646,960	1,084,566	1,422,696	849,456

#### (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 \$1,834,575,000 (31 December 2006: \$1,967,588,000).

### 2b. Net asset value

	Group			Company		
	2007	2006	+/(-)%	2007	2006	+/(-)%
Net asset value per ordinary share *	<b>\$3.28</b>	\$2.67	+22.8	<b>\$2.11</b>	\$2.10	+0.5
Net tangible asset per ordinary share *	<b>\$3.24</b>	\$2.58	+25.6	<b>\$2.11</b>	\$2.10	+0.5

\* Based on share capital of 1,585,086,180 ordinary shares as at the end of the financial year (2006: 1,575,985,848 ordinary shares). The comparative figures for net asset value per ordinary share and net tangible asset per ordinary share have been adjusted for the subdivision of shares.

## NOTES TO BALANCE SHEETS

### 2c. Balance sheet analysis

Group shareholders' funds increased from \$4.21 billion at 31 December 2006 to \$5.20 billion at 31 December 2007. The increase was mainly attributable to retained profits for the year and fair value adjustments of financial assets. This was partly offset by a total payout of \$463 million comprising final dividend and capital distribution in respect of financial year 2006 and interim dividend in respect of the first half year ended 30 June 2007.

Group total assets of \$15.80 billion at 31 December 2007 were \$1.90 billion or 13.6% higher than the previous year-end. Increase in investment properties was mainly due to fair value gains arising from valuation of the Group's portfolio of office buildings. Increase in associated companies was due to equity accounting for share of profits and further investments in Marina Bay Financial Centre, MobileOne and Premier Data Centres. Increase in investments was due to fair value adjustments of financial assets and purchases made during the year. Increase in debtors was mainly due to higher operating activities in Offshore & Marine Division and Infrastructure Division. These were partly offset by decrease in fixed assets due to depreciation charges and write-down of certain fixed assets net of capital expenditure. Impairment of goodwill resulted in decrease in intangibles.

Group total liabilities of \$8.76 billion at 31 December 2007 were \$459 million or 5.5% higher than the previous year-end. Increase in creditors was mainly due to higher operating activities in Offshore & Marine Division and Infrastructure Division. Increase in provision for taxation was due to higher profits of the Group. Increase in deferred taxation was due to provision for deferred tax on fair value gains of investment properties taken to the profit & loss account.

Group net borrowings at \$0.63 billion were a reduction of \$705 million from \$1.34 billion at the previous year-end because of strong operational cash flow.

### 3. CONSOLIDATED CASHFLOW STATEMENT for the year ended 31 December

	Note	2007 \$'000	2006 \$'000
<b>OPERATING ACTIVITIES</b>			
Operating profit		1,050,649	804,065
Adjustments:			
Depreciation and amortisation		125,692	127,438
Share-based payment expenses		21,307	14,949
Profit on sale of fixed assets		(7,126)	(3,610)
Others		(918)	8,657
Operational cash flow before changes in working capital		<u>1,189,604</u>	<u>951,499</u>
Working capital changes:			
Stocks & work-in-progress		61,750	814,324
Debtors		(86,460)	9,679
Creditors		827,372	473,022
Investments in bonds and shares		53,488	(178,976)
Advances to associated companies		(247,466)	(134,422)
Translation of foreign subsidiaries		29,560	20,416
		<u>1,827,848</u>	<u>1,955,542</u>
Interest received		79,755	81,006
Interest paid		(73,548)	(69,027)
Income taxes paid		(136,719)	(113,637)
<b>Net cash from operating activities</b>		<u>1,697,336</u>	<u>1,853,884</u>
<b>INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries	3a	(96,879)	(3,159)
Acquisition of additional shares in subsidiaries		(1,598)	(28,204)
Acquisition and further investment in associated companies		(482,767)	(282,107)
Acquisition of fixed assets and investment properties		(255,909)	(430,348)
Expenditure on development properties		(3,605)	(15,241)
Proceeds from disposal of associated companies		14,277	138,084
Proceeds from disposal of fixed assets		16,788	39,303
Dividend received from investments and associated companies		263,351	207,362
<b>Net cash used in investing activities</b>		<u>(546,342)</u>	<u>(374,310)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from share issues		38,694	19,070
Proceeds from minority shareholders of subsidiaries		25,580	20,058
Proceeds from term loans		377,130	756,301
Capital distribution		(221,213)	(181,040)
Repayment of term loans		(1,099,541)	(1,643,671)
Dividend paid to shareholders of the Company		(241,754)	(157,374)
Dividend paid to minority shareholders of subsidiaries		(48,014)	(71,745)
<b>Net cash used in financing activities</b>		<u>(1,169,118)</u>	<u>(1,258,401)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(18,124)</b>	<b>221,173</b>
<b>Cash and cash equivalents as at 1 January</b>		<u>1,615,207</u>	<u>1,394,034</u>
<b>Cash and cash equivalents as at 31 December</b>	3b	<u>1,597,083</u>	<u>1,615,207</u>
<i>Free cashflow</i>		<b>1,150,994</b>	<b>1,479,574</b>

## NOTES TO CONSOLIDATED CASHFLOW STATEMENT

### 3a. Acquisition of subsidiaries

During the financial year, the fair values of net assets of subsidiaries acquired were as follows:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Fixed assets and investment properties	-	220,461
Investments	<b>8,286</b>	16,024
Stocks & work-in-progress	<b>97,059</b>	3,659
Intangibles	-	1,011
Debtors	<b>3</b>	11,258
Bank balances and cash	<b>941</b>	20,590
Creditors	<b>(23)</b>	(49,481)
Loans	-	(159,050)
Current and deferred tax	<b>(22)</b>	-
Minority interests	<b>(4,490)</b>	(6,357)
	<b>101,754</b>	58,115
Goodwill written off	-	2,677
Amount previously accounted for as associated companies	<b>(3,934)</b>	(37,043)
Purchase consideration	<b>97,820</b>	23,749
Less: Bank balances and cash acquired	<b>(941)</b>	(20,590)
Cash flow on acquisition net of cash acquired	<b>96,879</b>	3,159

### 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 statement comprise the following balance sheet amounts:

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Bank balances, deposits and cash	<b>1,600,850</b>	1,618,558
Bank overdrafts	<b>(3,767)</b>	(3,351)
	<b>1,597,083</b>	1,615,207

### 3c. Cashflow analysis

Net cash from operating activities was \$1,697 million compared to \$1,854 million in the previous year. Higher operational cash flow before changes in working capital of \$1,190 million was partly offset by lower positive working capital changes of \$638 million, resulting in a lower net cash from operating activities.

Net cash used in investing activities was \$546 million. The Group spent \$840 million on acquisitions and operational capex. This comprised principally further investments in Marina Bay Financial Centre, capital expenditure on co-gen plant and other operational capex. Divestment and dividend received totaled \$294 million.

As a result, free cashflow decreased from \$1,480 million in the previous year to \$1,151 million.

Total distribution to shareholders of the Company and minority shareholders of subsidiaries for the year amounted to \$511 million, an increase of 25% compared to the previous year.

#### 4. STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December

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

	Attributable to equity holders of the Company						
	Share Capital \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Foreign Exchange Translation Account \$'000	Share Capital & Reserves \$'000	Minority Interests \$'000	Capital Employed \$'000
<b>2007</b>							
As at 1 January							
As previously reported	972,926	493,230	2,797,896	(58,956)	4,205,096	1,392,591	5,597,687
Effect of FRS 40	-	(11,975)	11,975	-	-	-	-
Deferred tax adjustment for investment properties	-	-	(57,777)	-	(57,777)	(64,617)	(122,394)
As restated	972,926	481,255	2,752,094	(58,956)	4,147,319	1,327,974	5,475,293
Fair value changes on available-for-sale assets	-	218,270	-	-	218,270	4,185	222,455
Fair value changes on cashflow hedges	-	131,412	-	-	131,412	(60)	131,352
Currency translation loss	-	-	-	(39,806)	(39,806)	43	(39,763)
Gain/(loss) not recognised in profit & loss account	-	349,682	-	(39,806)	309,876	4,168	314,044
Net profit for the year	-	-	1,130,701	-	1,130,701	521,827	1,652,528
Dividend paid	-	-	(241,754)	-	(241,754)	-	(241,754)
Share-based payment	-	21,513	-	-	21,513	1,476	22,989
Transfer of statutory, capital and other reserves to revenue reserves	-	(3,562)	3,221	341	-	-	-
Fair value gain on available-for-sale assets realised and transferred to profit & loss account	-	(4,926)	-	-	(4,926)	38	(4,888)
Fair value gain on cashflow hedges realised and transferred to profit & loss account	-	(16,784)	-	-	(16,784)	(167)	(16,951)
Currency translation loss realised and transferred to profit & loss account	-	-	-	41,012	41,012	20,357	61,369
Dividend paid to minority shareholders	-	-	-	-	-	(48,014)	(48,014)
Return of capital to minority shareholders	-	-	-	-	-	(25,350)	(25,350)
Cash subscribed by minority shareholders	-	-	-	-	-	25,580	25,580
Acquisition of subsidiaries	-	-	-	-	-	4,490	4,490
Acquisition of additional interest in subsidiaries	-	-	-	-	-	(1,650)	(1,650)
Other adjustments	-	393	(98)	-	295	(270)	25
Shares issued	38,694	-	-	-	38,694	-	38,694
Capital distribution	(221,213)	-	-	-	(221,213)	-	(221,213)
As at 31 December	790,407	827,571	3,644,164	(57,409)	5,204,733	1,830,459	7,035,192

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

	Attributable to equity holders of the Company							
	Share Capital	Share Premium Account	Capital Reserves	Revenue Reserves	Foreign Exchange Translation Account	Share Capital & Reserves	Minority Interests	Capital Employed
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2006</b>								
As at 1 January	391,903	720,229	345,761	2,192,117	(3,934)	3,646,076	1,288,566	4,934,642
Surplus on revaluation of investment properties	-	-	24,267	-	-	24,267	(16,494)	7,773
Fair value changes on available-for-sale assets	-	-	73,577	-	-	73,577	(2,182)	71,395
Fair value changes on cashflow hedges	-	-	148,029	-	-	148,029	(947)	147,082
Currency translation loss	-	-	-	-	(70,327)	(70,327)	(28,753)	(99,080)
Gain/(loss) not recognised in profit & loss account	-	-	245,873	-	(70,327)	175,546	(48,376)	127,170
Net profit for the year	-	-	-	750,750	-	750,750	138,974	889,724
Dividend paid	-	-	-	(157,374)	-	(157,374)	-	(157,374)
Share-based payment	-	-	18,868	-	-	18,868	842	19,710
Equity component of convertible bond issued by a subsidiary	-	-	16,850	-	-	16,850	15,067	31,917
Transfer of statutory, capital and other reserves to revenue reserves	-	-	(12,369)	12,369	-	-	-	-
Revaluation surplus realised and transferred to profit & loss account	-	-	(6,901)	-	-	(6,901)	-	(6,901)
Fair value gain on available-for-sale assets realised and transferred to profit & loss account	-	-	(81,356)	-	-	(81,356)	-	(81,356)
Fair value gain on cashflow hedges realised and transferred to profit & loss account	-	-	(9,864)	-	-	(9,864)	-	(9,864)
Currency translation loss realised and transferred to profit & loss account	-	-	-	-	15,305	15,305	-	15,305
Share of capital reserves of an associated company	-	-	(868)	-	-	(868)	-	(868)
Dividend paid to minority shareholders	-	-	-	-	-	-	(71,745)	(71,745)
Cash subscribed by minority shareholders	-	-	-	-	-	-	20,058	20,058
Acquisition of subsidiaries	-	-	-	-	-	-	14,925	14,925
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	(28,936)	(28,936)
Set off against advance from minority shareholders	-	-	-	-	-	-	65,498	65,498
Other adjustments	-	-	-	34	-	34	(2,282)	(2,248)
Shares issued	16,306	2,764	-	-	-	19,070	-	19,070
Capital distribution	(181,040)	-	-	-	-	(181,040)	-	(181,040)
Reclassification arising from abolition of par value *	745,757	(722,993)	(22,764)	-	-	-	-	-
As at 31 December	972,926	-	493,230	2,797,896	(58,956)	4,205,096	1,392,591	5,597,687

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>2007</b>					
As at 1 January	972,926	-	29,577	2,302,655	3,305,158
Net profit for the year	-	-	-	449,611	449,611
Dividend paid	-	-	-	(241,754)	(241,754)
Share-based payment	-	-	17,879	-	17,879
Shares issued	38,694	-	-	-	38,694
Capital distribution	(221,213)	-	-	-	(221,213)
As at 31 December	<b>790,407</b>	-	<b>47,456</b>	<b>2,510,512</b>	<b>3,348,375</b>
<b>2006</b>					
As at 1 January	391,903	720,229	37,057	1,732,855	2,882,044
Net profit for the year	-	-	-	727,174	727,174
Dividend paid	-	-	-	(157,374)	(157,374)
Share-based payment	-	-	15,284	-	15,284
Shares issued	16,306	2,764	-	-	19,070
Capital distribution	(181,040)	-	-	-	(181,040)
Reclassification arising from abolition of par value *	745,757	(722,993)	(22,764)	-	-
As at 31 December	<b>972,926</b>	-	<b>29,577</b>	<b>2,302,655</b>	<b>3,305,158</b>

\* Pursuant to The Companies (Amendment) Act 2005 effective from 30 January 2006, the concept of authorised share capital and par value has been abolished. Amount standing to the credit of share premium account and capital redemption reserve are transferred to share capital as at that date.

4c. Share capital

From 1 January 2007 to 7 May 2007, the Company issued 1,949,333 ordinary shares upon the exercise of options granted under the KCL Share Options Scheme to employees. The share capital of the Company as at 7 May 2007 was 789,942,257 ordinary shares. On that date, each ordinary share of the Company was sub-divided into two ordinary shares. This resulted in 1,579,884,514 sub-divided shares as at 7 May 2007. The sub-division of shares was effected pursuant to the approval of shareholders at an Extraordinary General Meeting held on 27 April 2007.

Since 7 May 2007, the Company issued 5,201,666 ordinary shares 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 financial year was 1,585,086,180 ordinary shares.

As at 31 December 2007, there were unexercised options for 37,768,000 of unissued ordinary shares (2006: 32,464,332 sub-divided ordinary shares) under the KCL Share Options Scheme. The unexercised options have been adjusted for the sub-division of shares.

As at 31 December 2007, the Company is not holding any treasury shares.

4d. Capital reserves

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Asset revaluation surplus	-	11,975	-	-
Share option reserve	59,879	38,366	47,456	29,577
Fair value reserve	438,308	224,964	-	-
Hedging reserve	255,305	140,677	-	-
Bonus issue by subsidiaries	40,000	40,000	-	-
Others	34,079	37,248	-	-
	<b>827,571</b>	<b>493,230</b>	<b>47,456</b>	<b>29,577</b>

## 5. AUDIT

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

## 6. AUDITORS' REPORT

Not applicable

## 7. ACCOUNTING POLICIES

Except as disclosed in paragraph 8 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year compared with those of the audited financial statements as at 31 December 2006.

## 8. CHANGES IN THE ACCOUNTING POLICIES

- (a) On 1 January 2007, the Group adopted the new and revised FRS and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS and INT FRS that are relevant to the Group:

Amendments to FRS 1	Presentation of Financial Statements – Capital Disclosures
FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures

The adoption of these new/revised FRS and INT FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on the financial statements, except for the adoption of FRS 40, the effects of which are disclosed below. FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively.

### **FRS 40 Investment Property**

The Group has adopted FRS 40 Investment Property on 1 January 2007, which is the effective date of the Standard.

Prior to 1 January 2007, investment properties are accounted for as long term investments and stated at valuations made each year. Surpluses arising on revaluation are credited directly to capital reserves. Revaluation deficits are taken to the profit & loss account in the absence of or to the extent that they exceed any surpluses held in reserves relating to previous revaluations of the same class of assets.

Under FRS 40, changes in fair values of investment properties are recognised in the profit & loss account. This change in accounting policy has been accounted for prospectively in accordance with the transitional provisions and has resulted in a decrease in capital reserves of \$11,975,000 with a corresponding increase in revenue reserves as at 1 January 2007.

Prior to 1 January 2007, deferred tax liability on the revaluation surplus of investment properties was not recognised. Upon the adoption of FRS 40, the Group has re-evaluated the requirement to account for the deferred tax liability arising from the revaluation surplus on its investment properties. The effect of the related deferred liability has been accounted for prospectively from 1 January 2007 and has resulted in an increase in deferred taxation of \$98,830,000, decrease in associated companies of \$23,564,000, decrease in revenue reserves of \$57,777,000 and decrease in minority interests of \$64,617,000.

- (b) With effect from 1 January 2007, the Group has early adopted INT FRS 112 Service Concession Arrangements for a 20-year contract to build and operate a water treatment plant and a 25-year contract to build and operate a waste-to-energy plant entered into by a subsidiary of the Company. The adoption of INT FRS 112 has no significant impact on the financial statements of the Group.

## 9. REVIEW OF GROUP PERFORMANCE

The Group had an outstanding year. Group revenue exceeded \$10 billion and Group attributable profit exceeded \$1 billion for the first time in its 40 year history. Profit before exceptional items for the year of \$1,026 million was 37% higher than the previous year of \$751 million. Profit after exceptional items improved by 51% to \$1,131 million. All our key performance indicators were also at record levels. Earnings per share of 64.9 cents were 36% above the previous year. Return on equity exceeded 20% to a new high of 21.8% and Economic Value Added of \$604 million was \$181 million above the previous year.

Group revenue of \$10,431 million was \$2,830 million or 37% higher than that of the previous year. Revenue growth was reported by all key divisions. Revenue from Offshore & Marine Division of \$7,258 million was \$1,503 million or 26% higher and accounted for 70% of Group revenue. Revenue from shipconversions and shiprepairs was strong. Property Division achieved revenue of \$1,835 million, \$680 million or 59% higher. The higher revenue was due to sales of Reflections at Keppel Bay, Sixth Avenue Residences and Park Infinia @ Wee Nam in Singapore, Villa Riviera in Shanghai and Elita Promenade in Bangalore. Rental income from investment properties was higher as a result of the tight supply of prime office buildings in the Singapore Central Business District. Revenue from Infrastructure Division more than doubled to \$1,277 million with new source of revenue from the cogen power plant, NEWater plant, power barges and the contract for the solid waste management complex in Qatar.

At the pre-tax profit level, Group earnings of \$1,556 million were 37% more than the previous year. Earnings from Offshore & Marine Division of \$700 million were 12% above the previous year. Production activities continue to increase at the shipyards, however operating margins were lower because of lower margins from its Brazilian operations. Earnings from Property Division more than doubled to \$471 million due to the higher revenue and operating margins from trading projects, and share of profit of Marina Bay Residences. In addition, cost provisions no longer required for Singapore trading projects were released in the year. Infrastructure Division returned firmly to profitability contributing earnings of \$51 million or 3% of Group pre-tax profit. This was mainly derived from new projects and the initial contribution from the contract in Qatar. The turnaround was achieved despite higher costs incurred in completing some old contracts and the higher gas cost to operate the cogen plant. The share of results of associated companies from Investments was significantly higher due mainly to increased contribution from SPC, which also reported record profits.

Exceptional gains of \$105 million comprise principally net appreciation in value of investment properties partially offset by the provision for impairment of non performing assets in Keppel Energy and our Brazilian operations.

Group taxation expenses were significantly higher in the year as a result of provision for deferred tax on fair value gains of investment properties amounting to \$150 million partially offset by write-back of deferred tax amounting to \$18 million resulting from the reduction in Singapore corporate tax rate from 20% to 18%.

After taking into account the higher taxation charge and minority share of profit, the attributable profit after exceptional items was \$1,131 million. Excluding exceptional items, attributable profit was \$1,026 million. Offshore & Marine Division remains the largest contributor to attributable earnings before exceptional items with 51%, followed by Investments with 26%, Property Division with 20% and Infrastructure Division with 3%.

In the opinion of the Directors, no factor has arisen between 31 December 2007 and the date of this report which would materially affect the results of the Group and the Company for the year just ended.

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

No variance from previous statement.

## **11. PROSPECTS**

For the current year, we expect continued growth in all our key divisions. The 37% year-on-year growth in Group earnings for 2007 was achieved on the back of a 33% year-on-year growth in 2006. With a significantly higher earnings base and taking into account current economic uncertainties, a more modest growth rate is expected for the current year.

Offshore & Marine Division secured a record \$7.4 billion of new orders in 2007, bringing the net order book at the end of the year to an all time high of \$12.2 billion. The outlook for the offshore and marine industry is expected to remain buoyant. High oil prices and marginal growth in world's hydrocarbon reserves are expected to sustain exploration and production activities. There is also a growing need for sophisticated solutions as more exploration and production move into deeper waters and harsher environments. Offshore & Marine Division with its suite of proprietary designs, excellent track records and expertise in project execution is poised to benefit from the growing demands of different customers in the industry.

The Property Division continues with its regional thrust by further strengthening its presence in Vietnam and China with more new project sites secured. The expansion into The Middle East market establishes a new regional platform for the Group property business. For 2008, the Group plans to launch about 8,200 residential units overseas including China, Vietnam, India, Indonesia and Saudi Arabia. In Singapore, phase two of Reflections at Keppel Bay and Marina Bay Suites is expected to be launched this year. The financial performance of the Property Division will be boosted by the revenue and profit recognition from its pipeline of current and existing trading property projects both in Singapore and the region. The Group's stable of prime investment buildings in the CBD and New Downtown is expected to benefit from rental reversion in the tight office supply market in Singapore.

The contracts secured for the \$1.5 billion Doha North wastewater treatment facility and the \$1.7 billion Qatar domestic solid waste management complex in the last 18 months have boosted Infrastructure Division track record in environmental engineering. Keppel Energy is also expected to perform better after gaining access to its contracted Malaysia gas supplies and restructuring its overseas assets.

## 12. DIVIDEND/CAPITAL DISTRIBUTION

### 12a. Current Financial Period Reported On

Any dividend recommended for the current financial year reported on?

Yes

#### Dividend

Directors are pleased to recommend a tax exempt one-tier final dividend of 10 cents per share and a tax exempt one-tier special dividend of 20 cents per share (2006: final dividend of 8 cents per share less tax) in respect of the financial year ended 31 December 2007 for approval by shareholders at the next Annual General Meeting to be convened. The special dividend is proposed to commemorate the Company's 40<sup>th</sup> anniversary since its incorporation.

Together with the interim dividend of 9 cents per share comprising 1.5 cents per share less tax and 7.5 cents per share tax exempt one-tier, total dividends paid and proposed in respect of the financial year ended 31 December 2007 will be 39 cents per share (2006: 14 cents per share less tax).

Name of Dividend	Final	Special	Total
Dividend type	Cash	Cash	Cash
Dividend per share	10 cents	20 cents	30 cents
Tax rate	Tax exempt	Tax exempt	Tax exempt

#### Capital Distribution

With the increased profitability and the strong operational cash flow, Directors are also proposing a capital distribution of 25 cents per share (2006: 14 cents per share) without deduction for tax out of the Company's share capital account. The capital distribution will be subject to the approval of shareholders and made pursuant to relevant sections of the Companies Act (Chapter 50).

Total distribution and dividends paid and proposed in respect of the financial year ended 31 December 2007 will be 64 cents per share (2006: 28 cents per share). This is almost 100% of our earnings before exceptional items.

### 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	Final
Dividend type	Cash
Dividend per share	8 cents
Tax rate	18%

### 12c. Date Payable

The proposed final and special dividend, if approved at the Annual General Meeting to be held on 25 April 2008, will be paid on 13 May 2008.

12d. Books Closure Date

Notice is hereby given that, the Share Transfer Books and Register of Members of the Company will be closed on 3 May 2008 for the preparation of dividend warrants. Duly completed transfers 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 2 May 2008 will be registered to determine shareholders' entitlement to the proposed final and special dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Ltd (CDP), the final and special dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to shareholders.

12e. Total Annual Dividend / Capital Distribution

	<b>2007</b>	2006	+/( - )
	<b>\$'000</b>	\$'000	%
Interim dividend	<b>138,114</b>	75,565	+82.8
Final dividend *	<b>158,509</b>	103,640	+52.9
Special dividend *	<b>317,017</b>	-	NM
Total annual dividend	<b>613,640</b>	179,205	+242.4
Capital distribution *	<b>396,272</b>	221,213	+79.1
Total distribution	<b>1,009,912</b>	400,418	+152.2

\* 2007 final and special dividend and capital distribution are estimated based on share capital of 1,585,086,180 ordinary shares at the end of the financial year.

### 13. SEGMENT ANALYSIS

2007

#### BUSINESS SEGMENT

	Offshore & Marine \$'000	Property \$'000	Infra- structure \$'000	Invest- ments \$'000	Elimina- tion \$'000	Total \$'000
<b>Revenue</b>						
External sales	7,258,364	1,834,886	1,276,929	61,071	-	10,431,250
Inter-segment sales	-	2,540	131,762	52,647	(186,949)	-
<b>Total</b>	<b>7,258,364</b>	<b>1,837,426</b>	<b>1,408,691</b>	<b>113,718</b>	<b>(186,949)</b>	<b>10,431,250</b>
<b>Results</b>						
Operating profit	570,007	440,062	10,942	13,442	16,196	1,050,649
Net investment income & interest income	98,476	(35,419)	(4,784)	(13,378)	(16,196)	28,699
Share of results of associated companies	31,662	66,840	44,940	333,440	-	476,882
Profit before tax & exceptional items	700,145	471,483	51,098	333,504	-	1,556,230
Exceptional items	(81,011)	810,121	(165,616)	1,439	-	564,933
Profit before taxation	619,134	1,281,604	(114,518)	334,943	-	2,121,163
Taxation	(141,756)	(249,751)	(18,065)	(59,063)	-	(468,635)
<b>Profit for the year</b>	<b>477,378</b>	<b>1,031,853</b>	<b>(132,583)</b>	<b>275,880</b>	<b>-</b>	<b>1,652,528</b>
Attributable to:						
Shareholders of Company						
Profit before exceptional items	522,323	209,387	26,410	267,476	-	1,025,596
Exceptional items	(81,011)	350,543	(165,866)	1,439	-	105,105
	441,312	559,930	(139,456)	268,915	-	1,130,701
Minority interests	36,066	471,923	6,873	6,965	-	521,827
	477,378	1,031,853	(132,583)	275,880	-	1,652,528
<b>Other information</b>						
Segment assets	5,628,504	6,991,699	1,684,391	4,654,856	(6,302,862)	12,656,588
Investment in associated companies	88,058	1,710,317	143,695	1,198,524	-	3,140,594
<b>Total</b>	<b>5,716,562</b>	<b>8,702,016</b>	<b>1,828,086</b>	<b>5,853,380</b>	<b>(6,302,862)</b>	<b>15,797,182</b>
Segment liabilities	4,200,951	5,245,833	1,412,510	3,464,725	(6,302,862)	8,021,157
Net tax provision & deferred taxation	279,676	402,171	18,311	40,675	-	740,833
<b>Total</b>	<b>4,480,627</b>	<b>5,648,004</b>	<b>1,430,821</b>	<b>3,505,400</b>	<b>(6,302,862)</b>	<b>8,761,990</b>
<b>Net assets</b>	<b>1,235,935</b>	<b>3,054,012</b>	<b>397,265</b>	<b>2,347,980</b>	<b>-</b>	<b>7,035,192</b>
Capital expenditure	193,983	25,005	36,542	379	-	255,909
Depreciation and amortisation	78,453	12,784	33,916	539	-	125,692

#### GEOGRAPHICAL SEGMENT

	Singapore \$'000	Far East & Other ASEAN Countries \$'000	America \$'000	Other Countries \$'000	Elimination \$'000	Total \$'000
External sales	7,473,211	1,062,871	1,323,231	571,937	-	10,431,250
Segment assets	9,247,609	2,929,664	860,011	486,880	(867,576)	12,656,588
Capital expenditure	180,930	43,943	19,008	12,028	-	255,909

## 2006

### 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	5,755,336	1,154,639	569,868	121,097	-	7,600,940
Inter-segment sales	-	11,776	86,656	45,065	(143,497)	-
<b>Total</b>	<b>5,755,336</b>	<b>1,166,415</b>	<b>656,524</b>	<b>166,162</b>	<b>(143,497)</b>	<b>7,600,940</b>
<b>Results</b>						
Operating profit	538,815	235,755	(65,587)	77,378	17,704	804,065
Net investment income & interest income	72,229	(27,207)	2,319	(8,572)	(17,704)	21,065
Share of results of associated companies	13,354	24,487	39,328	237,493	-	314,662
Profit before tax & exceptional items	624,398	233,035	(23,940)	306,299	-	1,139,792
Exceptional items	2,617	17,521	(1)	(12,833)	-	7,304
Profit before taxation	627,015	250,556	(23,941)	293,466	-	1,147,096
Taxation	(149,006)	(50,379)	(1,673)	(56,314)	-	(257,372)
<b>Profit for the year</b>	<b>478,009</b>	<b>200,177</b>	<b>(25,614)</b>	<b>237,152</b>	<b>-</b>	<b>889,724</b>
Attributable to:						
Shareholders of Company						
Profit before exceptional items	447,817	96,107	(34,736)	241,644	-	750,832
Exceptional items	2,617	8,261	872	(11,832)	-	(82)
	450,434	104,368	(33,864)	229,812	-	750,750
Minority interests	27,575	95,809	8,250	7,340	-	138,974
	478,009	200,177	(25,614)	237,152	-	889,724
<b>Other information</b>						
Segment assets	5,137,992	6,344,514	1,509,512	3,528,759	(5,030,544)	11,490,233
Investment in associated companies	74,191	1,171,167	108,932	1,056,426	-	2,410,716
<b>Total</b>	<b>5,212,183</b>	<b>7,515,681</b>	<b>1,618,444</b>	<b>4,585,185</b>	<b>(5,030,544)</b>	<b>13,900,949</b>
Segment liabilities	3,772,191	5,190,857	1,081,464	2,857,470	(5,030,544)	7,871,438
Net tax provision & deferred taxation	249,545	151,567	(411)	31,123	-	431,824
<b>Total</b>	<b>4,021,736</b>	<b>5,342,424</b>	<b>1,081,053</b>	<b>2,888,593</b>	<b>(5,030,544)</b>	<b>8,303,262</b>
<b>Net assets</b>	<b>1,190,447</b>	<b>2,173,257</b>	<b>537,391</b>	<b>1,696,592</b>	<b>-</b>	<b>5,597,687</b>
Capital expenditure	165,827	32,779	227,233	4,509	-	430,348
Depreciation and amortisation	65,049	15,471	46,469	449	-	127,438

### 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	4,524,852	862,040	1,724,144	489,904	-	7,600,940
Segment assets	8,228,446	2,526,478	1,084,261	393,627	(742,579)	11,490,233
Capital expenditure	332,545	48,294	44,964	4,545	-	430,348

## 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, 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 34 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 \$10,431 million was \$2,830 million or 37% higher than that of the previous year. Revenue from Offshore & Marine Division of \$7,258 million was \$1,503 million or 26% higher and accounted for 70% of Group revenue. The increased revenue was due to healthy order book of the division. Revenue from Property Division of \$1,835 million was \$680 million or 59% higher and accounted for 17% of Group revenue. The increased revenue was due to new revenue streams from trading projects in Singapore (Reflections at Keppel Bay and Sixth Avenue Residences) and China (Villa Riviera and The Arcadia) as well as higher revenue from current property trading projects in Singapore (Park Infinia at Wee Nam, Urbana, The Suites at Central and Belvedere), China (The Seasons), Vietnam (Villa Riviera) and India (Elita Promenade). Rental income from investment properties also increased as a result of the tight supply of prime office buildings in the Singapore Central Business District. Revenue from Infrastructure Division of \$1,277 million was \$707 million or 124% higher and accounted for 12% of Group revenue. The increased revenue was due to new source of revenue from the cogen power plant, NEWater plant and Qatar domestic solid waste management project as well as the full year operation of power barges in Ecuador.

### 14b. PATMI (before exceptional items) by Segments

Group PATMI of \$1,026 million was \$275 million or 37% higher than that of the previous year. PATMI from Offshore & Marine Division of \$522 million was \$74 million or 17% higher and the division remains the largest contributor to Group PATMI with 51% share. PATMI from Property Division of \$209 million was \$113 million or 118% higher. The division's contribution to Group PATMI increased from 13% to 20% because of higher revenue and operating margins from trading, share of profit of Marina Bay Residences and release of cost provisions no longer required for Singapore trading projects. Infrastructure Division reported a profit of \$27 million compared to a loss of \$35 million for 2006. This was largely attributable to contribution from the operation of the power barges, cogen power plant, NEWater plant and Qatar domestic solid waste management project. PATMI from Investments of \$268 million was \$26 million or 11% above that of 2006 due to increased contribution from SPC.

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)	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Transaction for the Sale of Goods and Services</b>				
PSA Corporation Group	-	-	5,150	-
SembCorp Marine Group	-	-	2,273	2,067
SembCorp Industries Group	-	-	-	463
Singapore Power/PowerSeraya/Senoko Power/Tuas Power Group	-	-	28,000	12,000
Singapore Airlines Group	-	-	17,350	4,978
Singapore Telecommunications Group	-	-	4,633	-
Gas Supply Pte Ltd	-	-	13,140	-
KCL Directors and their associates	17,447	-	-	-
<b>Transaction for the Purchase of Goods and Services</b>				
Gas Supply Pte Ltd	-	-	380,000	9,000
Mapletree Investments Pte Ltd	-	-	407	492
Singapore Power/PowerSeraya/Senoko Power/Tuas Power Group	-	-	-	1,000
<b>Transaction for the Acquisition of Companies</b>				
Havelock Investment Pte Ltd	-	270	-	-
<b>Total Interested Person Transactions</b>	<b>17,447</b>	<b>270</b>	<b>450,953</b>	<b>30,000</b>

BY ORDER OF THE BOARD

CAROLINE CHANG  
Company Secretary

31 January 2008