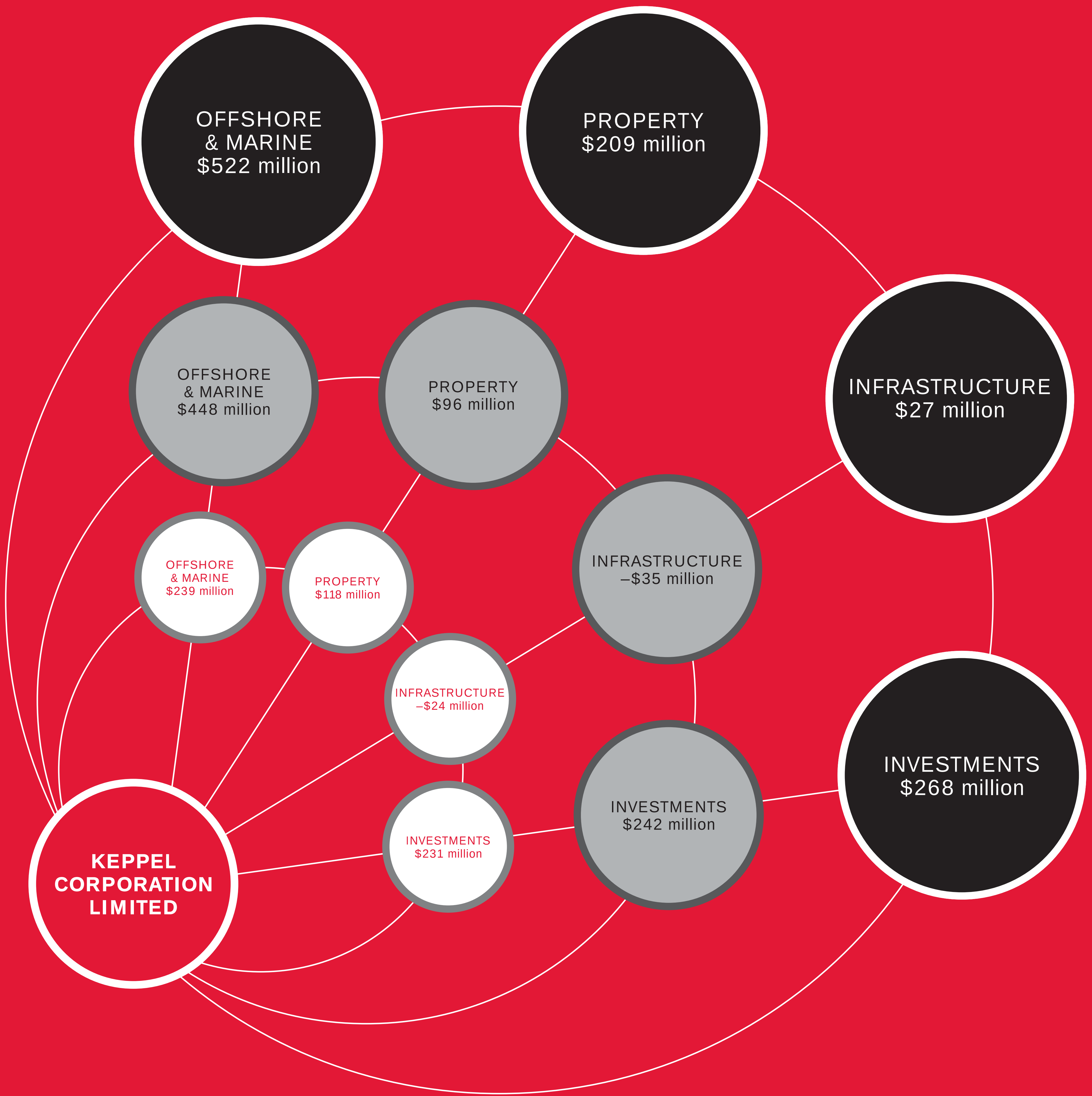
Keppel Corporation

Report to Shareholders 2007

Delivering More

Scale & Spread

Leveraging the collective strengths and global network of its key businesses, Keppel Corporation is poised for robust growth and delivering more to stakeholders.

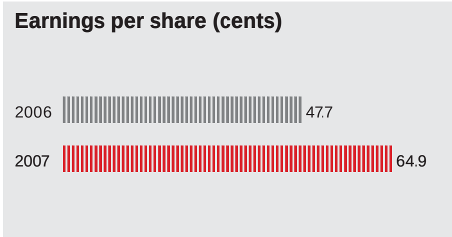


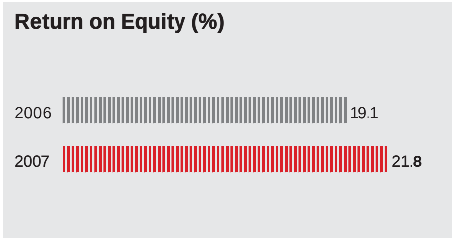
PATMI
- 2005
- 2006
- 2007

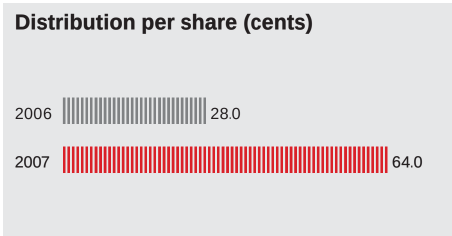
CONTENTS

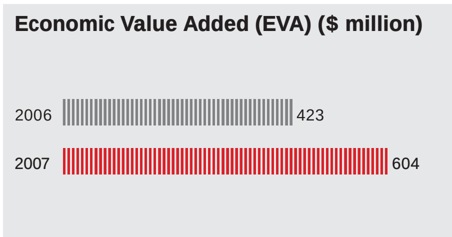
GROUP FINANCIAL HIGHLIGHTS

	2007	2006	% change
For the year ($ million)			
Revenue	10,431	7,601	+37
Profit			
EBITDA	1,176	931	+26
Operating	1,051	804	+31
Before tax & exceptional items	1,556	1,139	+37
Attributable before exceptional items	1,026	751	+37
Attributable after exceptional items	1,131	751	+51
Operating cashflow	1,697	1,854	-8
Free cashflow	1,151	1,480	-22
Economic Value Added (EVA)	604	423	+43
Per share*			
Earnings (cents)			
Before tax & exceptional items	81.4	61.5	+32
Attributable before exceptional items	64.9	47.7	+36
Attributable after exceptional items	71.5	47.7	+50
Net assets ($)	3.28	2.67	+23
Net tangible assets ($)	3.24	2.58	+26
At year-end ($ million)			
Shareholders' funds	5,205	4,205	+24
Minority interests	1,830	1,393	+31
Capital employed	7,035	5,598	+26
Net borrowings	634	1,339	-53
Net gearing (times)	0.09	0.24	-63
Return on shareholders' funds (%)			
Profit before tax & exceptional items	27.4	24.7	+11
Attributable profit before exceptional items	21.8	19.1	+14
Shareholders' value*			
Distribution (cents per share)			
Interim dividend	9.0	6.0	+50
Final dividend	10.0	8.0	+25
Special dividend	45.0	–	n.m.
Capital distribution	–	14.0	n.m.
Total distribution	64.0	28.0	+129
Share price ($)	13.00	8.80	+48
Total Shareholder Return (%)	51.7	65.3	-21









	2007					2006				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Group quarterly results ($ million)										
Revenue	2,028	2,454	2,591	3,358	10,431	1,544	1,646	1,969	2,442	7,601
EBITDA	268	284	322	302	1,176	207	217	249	258	931
Operating profit	242	252	289	268	1,051	176	185	218	225	804
Profit before tax & exceptional items	360	381	394	421	1,556	255	332	277	275	1,139
Attributable profit before exceptional items	252	258	248	268	1,026	170	196	201	184	751
Earnings Per Share (cents)*	15.9	16.4	15.6	17.0	64.9	10.8	12.4	12.8	11.7	47.7

*Comparatives have been adjusted for subdivision of shares in 2007
n.m. not meaningful

Return on Equity

21.8%

With prudent management and sound policies, the Group is on-track to deliver sustained growth and enhance shareholder value.

DEAR SHAREHOLDERS,

I am pleased to report that we have achieved another record year for Keppel. Group Profit After Tax And Minority Interests (PATMI) exceeded the billion-dollar mark for the first time, an increase of 37% compared to the previous year. Earnings per share (EPS) grew 36% to $0.65. This brings our CAGR for both PATMI and EPS to about 23% over the last seven years (2001– 2007). We sustained consistent improvements in Return on Equity (ROE) and Economic Value Added (EVA), with ROE reaching 21.8%, from 19.1% in 2006; EVA increased $181m to $604m. With a robust balance sheet and healthy free cashflows, net gearing declined to only 0.09x.

All our businesses performed better in 2007. Offshore & Marine again contributed more than half of our earnings with $522m, up from $448m the previous year. Property division posted a 118% earnings increase to $209m, while Infrastructure regained its footing to finish the year profitably with $27m, reversing its previous $35m loss. Our Investments division recorded an 11% increase in earnings, as Singapore Petroleum Company hit a record PATMI exceeding half-billion dollars.

In view of the sterling results, and with this year being the 40th anniversary of Keppel Corporation, the Board has recommended a final dividend of 10 cents per share and a special dividend of 45 cents per share. This brings the total payout for 2007 to 64 cents per share, representing a payout ratio of almost 100%. Total Shareholder Return (TSR) for the year was 52%, more than twice the benchmark Straits Times Index's TSR of 21%.

DELIVERING MORE WITH MULTIPLE GROWTH PLATFORMS

Offshore & Marine

Keppel Offshore & Marine (Keppel O&M) continued to grow its market reach, leveraging its extensive network of yards worldwide to deliver more to its customers. Global yard capacity remained tight, with worldwide Exploration & Production (E&P) expenditures exceeding planned budgets on the back of sustained high oil prices. Riding on this strong market, Keppel O&M's net orderbook in 2007 grew by 16% to $12.2b, bolstered by another record $7.4b of new contracts secured during the year. With 43 rigs under construction as at year-end, Keppel O&M has already commenced accepting orders for delivery as far ahead as 2011.

We cultivated new customers whilst existing customers continued to entrust us with repeat orders. Keppel O&M was awarded by Petrobras a US$1.2b contract to build the *P-56* production semisubmersible, a repeat of the *P-51* currently being built at its Brazil yard. Rowan also selected Keppel O&M to build four jackups for the first time, even though their rigs are historically built in-house. As ENSCO's preferred yard, Keppel O&M secured its fourth ultra-deepwater semisubmersible rig contract worth US$427m while delivering their ninth premium jackup early last year. In an operating environment characterised by tight labour and equipment constraints resulting in project delays, our customers value Keppel O&M's execution reliability thus ensuring that their rig deliveries are in good time to fulfill their own business commitments.

Equally significant, Keppel O&M's spread of orders secured during the year underscore its broad competencies beyond just drilling jackups and semisubmersible rigs. In particular, Keppel O&M is well-positioned to exploit the development and production phases of the global E&P cycle with its comprehensive suite of solutions. More than 30% of orders secured by Keppel O&M in 2007 were production rigs and FPSO conversions, with another 18% from rigs capable of undertaking drilling and production concurrently, comprising its proprietary KFELS N Class, as well as the world's first FDPSO (floating-drilling-production-storage-offloading) conversion. Keppel O&M also secured two accommodation floatels, one of which is the first for the harsh North Sea environment in over 20 years. These floatels, together with several specialised vessels, accounted for 20% of contracts secured.

Keppel O&M also added another strategic footprint with a shipyard now jointly under construction in Qatar's Ras Laffan port with Qatar Gas Transport Company (NAKILAT). NAKILAT owns and operates one of the largest LNG fleets in the world. This strategic initiative will further entrench our participation in the growing LNG carrier market, in which Keppel O&M is a leading LNG shiprepairer in Asia-Pacific outside Japan. Qatar holds the third largest gas reserves in the world and this facility, when ready in 2010, will become a hub for the repair and maintenance of LNG carriers. The facility complements our existing five-year drydocking arrangements for repair and maintenance of a fleet of ten LNG carriers on charter to Qatar Liquefied Gas Company. It also lays yet another important pivot for Keppel O&M's offshore and specialised shipbuilding activities in the heart of the key Middle East oil and gas production region.

Oil & Gas

Singapore Petroleum Company (SPC) had a successful year executing its

PATMI ($ million)

$1,026m
+36.6%

PATMI improved 36.6% to $1,026 million crossing the $1 billion mark for the first time.

strategy to grow its upstream business, scaling up its efforts to evolve into a significant integrated energy player in the region. In the past year, SPC expanded its E&P portfolio beyond Southeast Asia, establishing beachheads into China as well as Australia. A relatively young player in this space, SPC made its largest acquisition, paying US$223m for two offshore Production Sharing Contracts (PSCs) in China's Bohai Bay, and took on operatorship in an exploration acreage in the Pearl River Mouth Basin, China. These acquisitions enable it to tap the potential of the booming Chinese energy market while building up invaluable oilfield operator experience and expertise at the Pearl River Mouth acreage. In Australia, SPC took up a 35% participating interest in Block T/47P in the Bass Basin.

SPC now has eight PSCs and one exploration permit in the region, namely in Indonesia, Cambodia, Vietnam, China and Australia. Including its 4,300 barrels of oil per day share of the Bohai Bay production, SPC's production capacity has ramped up from a single PSC producing just 2,500 boepd (barrels of oil equivalent per day) a year ago to four separate PSCs yielding about 10,000 boepd currently. Over time, SPC's upstream drive is intended to counterbalance the volatile nature of the refining sector to provide a more stable earnings profile. Indeed, SPC's operating profit contribution from E&P activities has increased more than three-fold from $14.6m in 2006 to $52.4m in 2007.

2007 proved to be an exceptionally strong year for SPC's refining activities. Both demand and supply-side factors pushed oil prices to record highs. Regional refining capacity remained constrained in the face of robust demand. As a result, SPC achieved higher average refining margins of about US$7.00 per barrel, up from about US$4.50 per barrel in 2006, and operated at 97% capacity utilisation despite a scheduled maintenance shutdown. During the year, it also actively pursued initiatives to enhance downstream capabilities, even as it boosted its upstream assets. With its refinery hydro-desulphuriser upgrade, SPC is positioned to produce diesel clean fuels meeting stricter standards such as Euro-IV specifications as these are introduced across the region.

Property

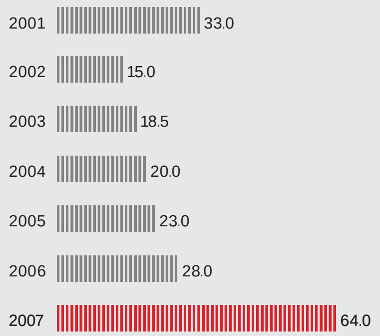
Keppel Land also delivered on its regional strategic initiatives last year, extending its geographic reach and strengthening its residential platforms comprising high value townships and integrated lifestyle communities. Its deliberate and targeted focus on large scale, integrated and lifestyle community homes is primed to tap the rising demand for quality housing across regional emerging markets, which are witnessing unprecedented levels of affluence and urbanisation.

Inroads were made into the Middle East market, with a landmark waterfront project in Jeddah, and its footprint in China was enlarged through another large scale residential development in Shanghai and a township in Shenyang. In Vietnam alone, a total of eight new projects were secured, raising the strong residential pipeline there six-fold to 53 million square feet (sf) of Gross Floor Area (GFA).

Keppel Land's substantial landbank of close to 100 million sf of GFA spanning across key regional growth markets such as China, Vietnam, India and the Middle East, as well as other regional markets, will underpin its drive to grow its regional earnings contribution. In 2008 and 2009, it will launch about 18,000 homes compared to 2,800 overseas homes sold last year.

In Singapore, the launch of Phase 1 of our iconic waterfront lifestyle homes, *Reflections at Keppel Bay*, designed by world-renowned architect Daniel Libeskind, met with strong response with all 620 units launched sold. Keppel Corporation owns a 70% stake in the entire Keppel Bay development, where our former shipyard was located, with Keppel Land owning a 30% stake. The Keppel Bay development will span

Total distribution (cents per share)



Economic Value Added (EVA)

$604m

+$1,269m

EVA improved from negative $665 million to positive $604 million over the last seven years since 2001.

A common thread across the Group is our capacity to leverage the Keppel brand equity, collective networks and competencies.

several stages. In creating more value out of this unique premium waterfront development, *Marina at Keppel Bay* was opened in January this year to a grand welcome fanfare for the Clipper 07-08 Round-the-World Yacht Race. Featuring 170 berths which can accommodate boats ranging from 20 ft to mega yachts more than 200 ft long, the marina located on Keppel Island is connected to the mainland and Keppel Bay development through a new landmark cable stayed bridge named Keppel Bay Bridge.

Keppel Land's steady execution of its office strategy has transformed it into a leading player in Singapore with a prime stable of office assets centred within the Raffles Place and New Downtown conurbation. Its office portfolio capitalised on the robust market to lock in long-term leases. Both DBS Bank and Standard Chartered Bank, which will occupy over 40% of *Marina Bay Financial Centre (MBFC)* when ready in 2010–2012, have signed 12-year leases. Already more than half of the 2.9 million sf net lettable space in *MBFC* has been pre-committed more than two years ahead of its completion. Together with the redevelopment of its flagship *Ocean Building*, Keppel Land has now largely completed the makeover of its office portfolio and positioned itself in the premium prime office market with some 5 million sf of net lettable area, including 3.8 million sf under development in the CBD and New Downtown.

Our office strategy is targeted at identifying and developing premium office projects for rent, and extracting value at the appropriate time, through leveraging our platform in K-REIT Asia. During the year, Keppel Land restructured its one-third stake in *One Raffles Quay (ORQ)* through K-REIT Asia, resulting in Keppel Land recording a gain of $235m.

Both K-REIT Asia and Alpha Investment Partners (Alpha), the property fund management arm of Keppel Land, contributed to an almost two-thirds increase in total assets under management from $3.7b in 2006 to $6.1b in 2007 (when fully invested and leveraged). K-REIT Asia's asset portfolio expanded from $677m to $2.1b with the addition of the one-third stake in *ORQ*, another major step towards realising its ambition of becoming a premier office commercial REIT. With over 40% of K-REIT Asia's portfolio in the core CBD area and the rest just at the outskirts, K-REIT Asia is poised to benefit from positive rental reversions, the portfolio rental average being $6.02 psf inclusive of income support as compared to average prime rentals of $15 psf at end-2007.

Infrastructure

In Infrastructure, Keppel Integrated Engineering's (KIE) strategic focus on building a regional presence through large scale projects has paid off handsomely with a second landmark project awarded in Qatar. Last October, it won a $1.5b project to design, build and operate a wastewater treatment, water reuse and sludge treatment facility in Qatar's Doha North, the largest such facility in the Middle East. Back home, the opening of Keppel Seghers Ulu Pandan NEWater Plant in the first quarter last year marked our contribution to enhance Singapore's water production capabilities. The largest water reuse plant in East Asia and second largest in the world, its 148,000 cubic metres per day capacity will supply over half of the country's current NEWater needs.

As the world faces the realities of escalating water, energy and environmental challenges, these projects underscore Keppel's commitment to create cost-effective and innovative solutions that address communities' needs for alternative water and energy sources. This is a culmination of our efforts over the years in developing the requisite technical and technological expertise to bring scalable and proven environmental capabilities to global markets. Harnessing our strengths across both water and thermal treatment technologies, we have now built the competencies and platforms to deliver integrated packages customised to meet users' long-term needs as well as wider community interests. For example, the Doha North facility will not only recycle wastewater for irrigation needs. Its sludge treatment plant, Qatar's only such plant, will receive and treat sludge from water treatment plants all around the country for use as organic fertiliser or as supplementary green energy source. Further, our concept proposal announced earlier this year seeks to carve out an irrigated green space and enhance and transform the Doha North surroundings into an EcoPark. This illustrates how we constantly push beyond the boundaries to differentiate ourselves from the competition by creating new value propositions for the market.

As at end-2007, KIE has grown its orderbook to about $3.5b. A significant proportion of the orderbook comprises long-term operation and maintenance contracts. This will ensure a stable recurrent income stream over the next 10–20 years following completion of the respective projects.

On another front, Keppel Energy (KE) planted its flag in the local power generation market with its new 500 MW

Keeping at the forefront of technology and developing leading-edge solutions to meet or anticipate market needs continues to be an imperative for us.

co-generation plant in the second quarter. Due to our efforts to speedily address the gas transport infrastructure issue with the regulatory bodies in order to flow our contracted gas supply from Malaysia, this hurdle has now been successfully overcome. In February 2008, KE secured a long-term contract valued at over $3b to supply gas to ExxonMobil's existing and upcoming petrochemical facilities. This follows from our earlier initiative back in 2005 to secure an 18-year gas supply deal from Petronas. Yet again, this is another illustration of our efforts to develop new platforms and tap adjacent opportunities.

LEVERAGING MARKETS AND CUSTOMERS

A common thread across the Group is our capacity to leverage the Keppel brand equity, collective networks and competencies. The market knowledge and operational synergies shared by our business units serve as a mutually-supportive framework to penetrate common markets such as the Middle East, China and Vietnam. Some of our efforts in creating growth opportunities across common markets are now becoming more evident.

Middle East

Let me start with the Middle East market, a relatively new market just a few years ago. Now, Keppel O&M, Keppel Land and KIE have all established a presence there. Keppel was amongst the first Singapore companies to enter this market in the 1990s through its joint venture shipyard, Arab Heavy Industries (AHI), in UAE. Today, AHI is part of Keppel O&M's global network of 20 yards.

KIE is working on two major projects worth $3.2b in Qatar. One will be the largest integrated waste management facility in Qatar and the first such environmental engineering plant in the Middle East. The other which I mentioned earlier will also be the largest wastewater treatment and water reuse facility in the Middle East. Another unit of KIE is presently undertaking facilities management contracts at Doha International Airport in Qatar, while pursuing similar prospects in the region.

Keppel Land is embarking on its first project in the Middle East with the Saudi Economic and Development Co. Ltd. to develop 1,000 luxury seafront apartments along the Corniche waterfront in Jeddah and it also successfully marketed two blocks comprising 56 villa apartments at *Reflections at Keppel Bay* for $286m to the Al-Nibras Islamic Real Estate Fund.

In fact, Keppel Land's fund management arm, Alpha, previously secured its first shariah-compliant fund mandate from a Middle Eastern investor in 2006. The Islamic fund is presently fully invested in four countries with US$119m committed equity. In addition to its AHI base in UAE, Keppel O&M has now acquired a 20% stake in a joint venture with NAKILAT to operate a greenfield shipyard facility in Ras Laffan port which will be completed in 2010. Qatar Petroleum will fund and lease the yard infrastructure to the joint venture.

Vietnam

Vietnam is a market with which we have maintained close ties over the past two decades and as a result established a strong track record and network.

Keppel Land is one of its pioneer and largest real estate investors with over a dozen projects in Ho Chi Minh City, Hanoi and Dong Nai. Similarly, Keppel O&M has actively engaged Vietnam since the 1980s. It built Vietnam's first drilling rig in 1988 for Vietsovpetro, a Vietnam-Russian joint venture, and secured a second order for its proprietary KFELS B Class jackup from PetroVietnam last May.

This follows on the heels of Keppel O&M's delivery of its first jackup to PetroVietnam two months ahead of schedule in March last year. Then, in December 2007, KIE received in-principle approval to develop a waste-to-energy (WTE) plant in Ho Chi Minh City. The proposed plant will have the capacity to treat 2,000 tonnes of waste per day, and generate more than 20 MW of green energy. It will be the first in Vietnam, and the largest in Southeast Asia outside Singapore.

In oil & gas exploration, SPC has PSCs in offshore Vietnam – a 20% interest in Blocks 102 and 106 in the Song Hong Basin in the Gulf of Tonkin, acquired in September 2005, and a 45% interest in Block 101-100/04, acquired in October 2006.

China

In the competitive Chinese market, KIE has steadily strengthened its market leadership for imported WTE environmental solutions. In the past year, it secured contracts to provide solid waste technologies and services in Suzhou and Zhongshan, and is undertaking WTE projects in Changshu, Shenzhen, Tianjin, Jiangyin and Guangzhou. These contracts further extend Keppel's presence in these markets as Keppel Land already operates in some of these cities in addition to Shanghai, Beijing, Chengdu, Wuxi, Shenyang, Changzhou and Kunming.

Keppel O&M, through its Nantong

yard located northwest of Shanghai, is equipped to meet demand for specialised vessels such as offshore support vessels and tugs. As at 2007 year-end, the Nantong yard had accumulated an orderbook of 21 vessels under construction after adding another eight tugs last October. As earlier mentioned, SPC has operating interests and production assets in Pearl River Mouth Basin and Bohai Bay.

LEVERAGING COMPETENCIES

Another key aspect of our portfolio of multiple businesses deserves mention. Although the scope of our businesses is different, the Group has positioned itself to capture value through offering comprehensive solutions that draw on the complementary strengths of each business. In particular, with the global drive towards sustainable development, there are complementarities in competencies and expertise between our different businesses such as Property and Infrastructure which the Group is uniquely placed to exploit. We constantly monitor and take advantage of such opportunities as they arise.

Sino-Singapore Tianjin Eco-City

The Sino-Singapore Tianjin Eco-City (SSTEC) best exemplifies the manner in which our property and environmental businesses are able to jointly address new opportunities by harnessing their collective knowledge and expertise.

To be established under the auspices of a Framework Agreement signed between China and Singapore last November, SSTEC is a joint collaboration of Singapore and Chinese private-sector consortia supported by their respective governments. It aims to showcase sustainable development in terms of environmental as well as social aspects. It is envisioned to be a model city in which the inhabitants live, work and play in a balanced and healthy environment, whilst conserving and protecting the environment and natural resources. You can read more about our new initiative in a separate feature on SSTEC in this Annual Report.

As frontrunner for the Singapore consortium, Keppel will work with its partners to tap on Singapore's experience in large-scale urban design and township planning, as well as landscaping and environment preservation. In this respect, Keppel is well-placed to spearhead the partner consortia in drawing together the complex land and environmental design, engineering and construction elements to crystallise the founding vision while implementing its distinctive features. Our own strengths in integrated township and lifestyle communities, together with environmental development capabilities, in each case backed by a solid track record, networks and market knowledge gained in the Chinese market, will provide a firm foundation for the Group's efforts in helping our two governments achieve their mutual vision for SSTEC.

Reflecting its confidence in the Keppel brand, Qatar Investment Authority has expressed its intent to participate in the Singapore consortium under a MOU signed in January. Again, this testifies to our ability as a Group to leverage networks, bridging our distinct business interests across operating and geographical dimensions.

LEVERAGING INNOVATION AND TECHNOLOGY

Keeping at the forefront of technology and developing leading-edge solutions to meet or anticipate market needs continues to be an imperative for us, our *raison d'être*. Our high value, high performance offerings serve to differentiate us and sustain our competitive edge.

In Offshore & Marine, technological innovation is key to addressing customers' operational challenges in niche markets. Global oil and gas reserves are drawing down with limited near-term prospect of replenishment, prompting the search for hydrocarbons to intensify into deeper waters and more difficult frontiers such as the North Sea and Arctic regions. Through our extensive R&D programmes and partnerships, we have assembled a premium suite of deepwater and production solutions, ranging from FPSOs, production and drilling semisubmersibles, TLPs and SPARs to accommodation floatels, a first for the North Sea in more than 20 years, the drilling-cum-production KFELS N Class jackup, icebreaking vessels and Ice-Class FSO, as well as specialised support vessels.

Two centres of excellence have been launched to drive technology innovation and leadership. The Keppel Offshore & Marine Technology Centre (KOMtech) and Keppel Environmental Technology Centre (KETC) will augment existing R&D initiatives in their respective research spheres and raise these efforts to the next level.

Keppel O&M will inject $150m seed money into KOMtech over five years while KIE is investing $50m into KETC. In environmental engineering, KETC will spearhead KIE's thrust in developing world-class environmental solutions based on technological innovation and leadership, in-house expertise and strategic partnerships. KETC intends to focus in the immediate term on energy recovery and by-product minimisation from waste and wastewater treatment, and membrane applications for producing water from non-conventional sources. Keppel Seghers' proprietary water-cooled grate technology, DANO DRUM system which recycles and pre-treats waste, and Rotary Atomiser system for flue gas treatment are already being applied in the Qatar Solid Waste Management project. In Property, Keppel Land is also incorporating state-of-the-art green features in its properties.

MAINTAINING SAFETY

It is appropriate for me to touch briefly on the premium that the Group places on workplace safety. We recognise a safe and healthy working environment as one of the critical success factors contributing to our superior business performance. Since 2006, with the formation of the Keppel Corporation

Board Safety Committee, progress has been made in driving the safety message down the line. Last November, the first of an annual series of safety conventions was inaugurated to share best practices, recognise efforts at enhancing safety and encourage safety standards to be raised across the Group. In the same spirit, Keppel Land has also set up its own Board Safety Committee last year to oversee safety aspects within its own business arena. I am pleased to report that Keppel O&M has improved upon its already strong safety record in 2007 with an Accident Frequency Rate (AFR) of 0.37 reportable cases per million manhours worked, its lowest since records were kept in the 1980s and down from an AFR of 1.2 the previous year. This is no mean feat considering its record-breaking orderbook and extremely busy yard schedules last year. Not to mention that Keppel Seghers chalked up 1.2 million accident-free manhours for its work on the Kallang-Paya Lebar Expressway and the Keppel Seghers Ulu Pandan NEWater Plant.

These favourable outcomes are only possible because of our holistic approach towards safety, fusing organisational systems and processes with an ingrained culture emphasising substance over form, while forging safety partnerships along the entire value chain comprising external suppliers, vendors, contractors and customers.

We shall continue to actively roll out our safety initiatives across the Group worldwide this year, with a further increase in our financial commitment of no less than $15m this year, from $13m last year and $10.6m the year before.

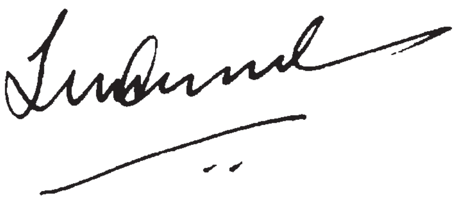
WEATHERING CHALLENGES, DELIVERING SUSTAINED GROWTH

Looking forward, we are encouraged to see many opportunities for us to leverage our efforts to build sustainable growth platforms. Our strategy to build a core portfolio of distinct businesses will keep us on an even keel to weather the turbulent operating conditions as we press on with our efforts to build stronger and more resilient businesses. Despite the challenging global economic environment, I have great faith that Keppelites around the world will once again demonstrate their formidable mettle and rise to the occasion. With prudent management and sound policies, we are confident that the Group is well on track to deliver sustained growth and enhance shareholder value.

I would also like to take this opportunity to express, on behalf of the Group, my deep appreciation to Mr Leung Chun Ying, who stepped down from the Board in 2007, for his wise counsel and invaluable contributions during his tenure as independent Director and member of the Board Remuneration Committee. We wish him all the very best in his undertakings.

Last but not least, on behalf of management, I thank our Board of Directors, business partners, customers, employees and all stakeholders for all the guidance and support given to us during the year. We shall continue to try to create more stakeholders value against the backdrop of increasing uncertainty in the global economy.

Yours sincerely,



LIM CHEE ONN
Executive Chairman

11 March 2008

With its scale and spread, Keppel Corporation is

Delivering More

Robust

From stable to robust growth. Drawing on the complementary strengths and networks of each key business, we seize new opportunities and capture real value. We stay focused on building sustainable growth platforms in our business to ride out different market conditions.

Stable

Stellar

From sterling to stellar returns. Our strategy to grow our key businesses has consistently yielded strong results for shareholders. We seek out new prospects and fuel earnings growth through technology innovation and projects with good potential.

Sterling

Vigilant

From diligent to vigilant stewardship. Beyond striving for strong financial results, we enhance shareholder value through prudent management, sound policies and high standards of corporate governance. Our commitment towards safety and environment protection boost stakeholders' confidence in our leadership and operations.

Diligent

KEY FIGURES

Revenue

Increased 37% from FY06's $7.6 billion
Revenue surpassed $10 billion for the first time in the Group's 40-year history with improvement by all key divisions. Revenue from Infrastructure was particularly strong.

$10.4b

PATMI

Increased 37% from FY06's $751 million
Earnings reached a new full year high, with PATMI crossing the billion-dollar mark. Compounded annual growth rate for PATMI from 2002 to 2007 was 23%. Double-digit growth was achieved year-on-year for the past five years.

$1,026m

ROE

Increased 2.7% above FY06's 19.1%
ROE has improved year-on-year for the ninth year. It surpassed 10% since 2001, exceeded 15% in 2004 and breached 20% in 2007.

21.8%

EVA

Increased $181 million from FY06's $423 million
Increased EVA was due to better NOPAT, partly offset by slight increase in capital charge. EVA at $604 million in 2007 was an improvement of $1.3 billion over seven years.

$604m

EPS

Increased 36% from FY06's 47.7 cents per share
EPS growth kept pace with PATMI growth. No significant dilution in EPS because no major capital call was made since 1997.

64.9¢

Distribution

Increased 129% from FY06's 28.0 cents per share
Total distribution for 2007 comprises final dividend of 10 cents, special dividend of 45 cents and interim dividend of 9 cents already paid. Total distribution to our shareholders will be about $1 billion or almost 100% of PATMI.

64.0¢

Free cashflow

Continued to be above $1 billion
Operational cashflow before working capital changes exceeded $1 billion. Working capital changes were also positive with progress payments received from contracts.

$1,151m

Gearing

Reduced from FY06's 0.24x
Strong cashflow resulted in lower net gearing. Gearing has been reduced from 1.12x in 2001 to 0.77x in 2003 to the current 0.09x. This places the Group in a good position to further strengthen its earnings base going forward.

0.09x

Keppel is delivering more value for stakeholders by growing our businesses through innovation, discipline and integrity.

STRATEGIC DIRECTIONS	STRATEGY IN ACTION

Fortifying core competencies

- Underpin value creation by investing in R&D for long-term growth
- Foster growth by enhancing operational competitiveness through strategic investments and partnerships with trendsetters
- Nurture people to share a common culture and a drive to deliver more

Example: Launch of Keppel Offshore & Marine Technology Centre (KOMtech)

Keppel Offshore & Marine launched a technology centre to boost its R&D edge and position the company for long-term growth. KOMtech is an extension and strengthening of current R&D initiatives undertaken by the company's technology units – Offshore Technology Development, Deepwater Technology Group and Marine Technology Group. The Centre will also work closely with industry partners to conceive effective solutions for the market.

Singapore Foreign Minister George Yeo (right) launches KOMtech on 3 December 2007.

Expanding global footprint

- Build on the Group's strong global network for new business opportunities
- Leverage the Keppel brand equity to enhance its presence in existing markets and penetrate new markets

Example: Doha North Sewage Treatment Works

Building on its landmark $1.7 billion contract for a solid waste plant in 2007, Keppel Integrated Engineering secured from the Qatari Government another contract for the design, construction, operation and maintenance of a wastewater treatment and water reuse plant for $1.5 billion. The largest in the Middle East when completed in 2010, this facility will have a peak design capacity to treat wastewater of up to 439,000 cubic metres per day.

The contract signing was witnessed by the Heir Apparent of Qatar, His Highness Sheikh Tamim Bin Khalifa Bin Hamad Al-Thani and Mr Wong Kan Seng, Singapore Deputy Prime Minister and Home Affairs Minister.

Sealing the agreement.

Increasing business robustness

- Protect long-term earnings through commercial excellence and mitigation of risks
- Drive best practice initiatives through operational excellence, superior cashflow and strong earnings return to shareholders

Example: Environmental Steering Committee

The Environmental Steering Committee will be formed to set out an environmental master plan, which details the vision, policies, directions and roadmap for the Group over the next 5–10 years. The master plan will serve to align environmental policies and practices across various business units, as well as to help Keppel strengthen its operations, stay ahead of the competition, and possibly move into new business areas.

(Left) Ms Grace Fu, MOS for National Development, officiated a Keppel-sponsored project to save corals.

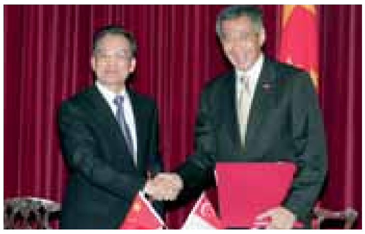
Leveraging growth platforms

- Leverage the Group's scale and the spread of its businesses, and their embedded growth options, to develop new platforms for robust and sustainable earnings streams

Example: Sino-Singapore Tianjin Eco-City

Keppel Corporation was appointed to lead the Singapore consortium in developing the 30 sq km Sino-Singapore Tianjin Eco-City (SSTEC) over 10 to 15 years. SSTEC is envisioned to be a development that integrates society, the economy and the environment harmoniously to create an optimal setting for Live, Work and Play.

The Keppel Group will tap on its strengths and experience in large-scale townships and robust environmental solutions to make SSTEC a successful model for sustainable development.



China Premier Wen Jia Bao and Singapore Prime Minister Lee Hsien Loong at the SSTEC agreement signing ceremony.

The Keppel Group is focused on enhancing the value of our portfolio.

KEPPEL CORPORATION

Strong governance
The Group firmly believes that a genuine commitment to good governance is essential to the sustainability of our businesses and performance. Key to good governance is a strong and independent Board, engaging the executive directors and management, and at the same time, providing wise counsel and excellent insights.

Our Board of Directors comprises six independent directors, one non-executive director and three executive directors. Presiding over strategic directions and corporate governance of Keppel Corporation, the Board also oversees the businesses and processes of the Company.

Strategic management
Based in Singapore, Keppel Corporation provides strategic direction to the business units and co-ordinates corporate services including audit and risk management, corporate planning, corporate communications, finance, human resources, information services, legal, tax and treasury.

Disciplined approach
We remain steadfast in our strategy of building our key businesses of Offshore & Marine, Property, Infrastructure and maximising the value embedded in our Investments.

To achieve consistent performance, our disciplined investment approach supports long-term growth and balances this with fair returns to stakeholders.

High priority is placed on talent management, technology development and acquisition, brand equity enhancement, network building with strategic partners and trendsetters as well as cultivating a corporate culture of integrity and the *Can Do!* spirit.

Collective strength
With operations spanning 34 countries, our strength is underpinned by Group cohesiveness across different business units and between business units and the Headquarters. We use our collective experience, expertise and network to realise the Group's common vision whilst adhering to one another's priorities and focus.

There is open communication between management and the Board, and as a result, Keppel Corporation benefits from the counsel, guidance and expertise of Board members.

We believe that this concerted approach to grow our businesses will enable us to stay focused on delivering more to stakeholders amidst an increasingly uncertain and competitive global environment.

DIVISIONS

Offshore & Marine
To be the choice provider and solutions partner in its selected segments of the offshore and marine industry.

Focus for 2008/2009
- Deliver value through excellent project management and execution
- Enhance R&D initiatives to strengthen group position as market leader in selected segments
- Strengthen presence in deepwater rigs, adjacent business areas and new markets
- Increase capacity through expansion and facility upgrading
- Focus on Health, Safety and the Environment

Property
To be a leading property developer and a premier property fund manager in Asia.

Focus for 2008/2009
- Selectively pursue residential and commercial developments in Singapore, and capitalise on the development of Marina Bay and Keppel Bay
- Continue to roll out townships and other residential projects in Vietnam, China, India and Indonesia
- Expand K-REIT Asia's property portfolio through acquisitions
- Invest in funds under management to generate good returns

Infrastructure
To build a selected portfolio of environmental engineering, power generation, network engineering and logistics businesses.

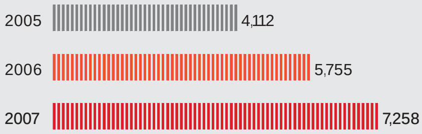
Focus for 2008/2009
- KIE – offer sustainable energy and water solutions to communities through recovery of energy from waste and water from wastewater
- Keppel Energy – build a strong power generation and gas supply business
- Keppel T&T – strengthen its Logistics and Network Engineering businesses

Investments
To maximise value of businesses and investments for shareholders.

Focus for 2008/2009
- SPC – continue to increase E&P portfolio, while developing existing acreages
- k1 – continue to grow existing investment platforms to maximise performance
- M1 – tap on the opportunities arising from telecom media convergence and develop new businesses anchored on its core competencies

RESULTS

Revenue ($ million)



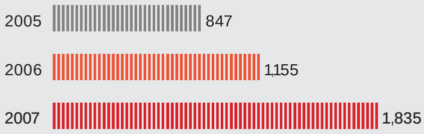
Offshore & Marine continues to be the largest contributor to Group revenue with a 26% growth in 2007.

PATMI

$522m

Earnings from the division increased by 17% in 2007 and accounted for 51% of the Group's PATMI.

Revenue ($ million)



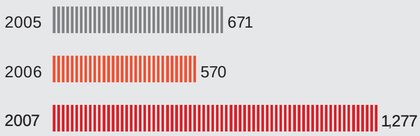
Property achieved a 59% revenue growth in 2007 on the back of robust residential property sales.

PATMI

$209m

In 2007, the division grew its earnings by 118%, which in turn accounted for 20% of the Group's earnings.

Revenue ($ million)



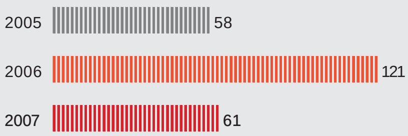
Infrastructure staged a full year turnaround with a record growth of 124% due to new projects.

PATMI

$27m

Having achieved a revenue base of over $1 billion in 2007, the division's contributions to Group earnings are expected to rise gradually.

Revenue ($ million)



Investments' revenue was lower in 2007 because the previous year benefited from gains on sale of investments.

PATMI

$268m

Profit contributions by Investments grew 11% from $242 million in 2006 largely on account of higher earnings by SPC.

KEPPEL AROUND THE WORLD

We have a global presence in 34 countries with overseas customers as our earnings mainstay.

Revenue by market

Total FY07 Revenue: $10,431m

Europe	$ 3,089m
ASEAN	$ 2,769m
North America	$ 2,635m
China/HK	$ 571m
South America	$ 516m
India	$ 456m
Middle East	$ 154m
Australia/NZ	$ 104m
Japan/Korea/Taiwan	$ 70m
Central America	$ 67m

Offshore & Marine
- Azerbaijan
- Brazil
- Bulgaria
- China
- India
- Indonesia
- Japan
- Kazakhstan
- Norway
- Qatar
- Singapore
- The Netherlands
- The Philippines
- United Arab Emirates
- United States of America
- Vietnam

Property
- China
- India
- Indonesia
- Japan
- Korea
- Malaysia
- Myanmar
- Saudi Arabia
- Singapore
- Thailand
- The Philippines
- United States of America
- Vietnam

Infrastructure
- Algeria
- Argentina
- Australia
- Belgium
- China/Hong Kong
- Ecuador
- France
- Germany
- Indonesia
- Malaysia
- Mexico
- Nicaragua
- Qatar
- Singapore
- Spain
- Sweden
- Thailand
- The Philippines
- United Kingdom
- United States of America
- Vietnam

Investments
- Australia
- Cambodia
- China/Hong Kong
- Indonesia
- Singapore
- Thailand
- United States of America
- Vietnam


Sweden
Norway
Europe
$3,089m
The Netherlands
United Kingdom
Belgium
Germany
France
Bulgaria
Kazakhstan
Spain
Azerbaijan
Algeria
Japan
Korea
China/HK
$571m
Saudi Arabia
China
Japan/
Korea/
Taiwan
$70m
Qatar
United Arab Emirates
Hong Kong
Middle East
$154m
India
$456m
Myanmar
Vietnam
India
Thailand
The Philippines
Cambodia
ASEAN
$2,769m
Malaysia
SINGAPORE
Indonesia
Australia
Australia/NZ
$104m

Our Directors bring their **wealth of experience** to the **strategic governance** of the Group.

1

1. LIM CHEE ONN, 63
Executive Chairman
Chairman, Executive Committee
Member, Board Safety Committee

2. TONY CHEW LEONG-CHEE, 61
Lead Independent Director
Executive Chairman, Asia Resource Corporation
Member, Executive Committee
Member, Audit Committee

3. LIM HOCK SAN, 61
Independent Director
Chief Executive Officer, United Industrial Corporation
Chief Executive Officer, Singapore Land
Chairman, Audit Committee
Member, Executive Committee
Member, Board Risk Committee

4. SVEN BANG ULLRING, 72
Independent Director
Chairman, Board of The Fridtjof Nansen Institute, Oslo, Norway
Chairman, Nominating Committee
Chairman, Remuneration Committee
Member, Board Safety Committee

6

5

7

5. TSAO YUAN MRS LEE SOO ANN, 52
Independent Director
Executive Director, SDC Consulting
Member, Nominating Committee
Member, Remuneration Committee
Member, Board Safety Committee

6. OON KUM LOON, 57
Independent Director
Chairperson, Board Risk Committee
Member, Audit Committee
Member, Executive Committee
Member, Nominating Committee

7. TOW HENG TAN, 52
Non-Independent and Non-executive Director
Chief Investment Officer, Temasek Holdings
Member, Executive Committee
Member, Remuneration Committee
Member, Board Risk Committee

8

10

9

8. YEO WEE KIONG, 52
Independent Director
Director, Drew & Napier LLC
Chairman, Board Safety Committee
Member, Board Risk Committee

9. CHOO CHIAU BENG, 60
Senior Executive Director
Member, Executive Committee

10. TEO SOON HOE, 58
Senior Executive Director and Group Finance Director
Member, Executive Committee

KEPPEL GROUP BOARDS OF DIRECTORS

KEPPEL OFFSHORE & MARINE

Choo Chiau Beng
Chairman/Chief Executive Officer

Tong Chong Heong
Managing Director/
Chief Operating Officer

Charles Foo Chee Lee
Managing Director (Special Projects)

Sit Peng Sang
Chief Financial Officer

Bjarne Hansen
Senior Partner, Wing Partners I/S, Denmark

Prof Neo Boon Siong
Director, Asia Competitiveness Institute, Lee Kuan Yew School of Public Policy, National University of Singapore

Stephen Pan Yue Kuo
Chairman, World-Wide Shipping Agency

Prof Minoo Homi Patel
Head of School & Professor of Engineering, School of Engineering, Cranfield University, UK

Dr Malcolm Sharples
President, Offshore Risk & Technology Consulting, USA

Teo Soon Hoe
Senior Executive Director and Group Finance Director, Keppel Corporation

KEPPEL LAND

Lim Chee Onn
Chairman; Executive Chairman, Keppel Corporation

Kevin Wong
Group Chief Executive Officer

Khor Poh Hwa
Senior Adviser to CPG Corporation

Lim Ho Kee
Chairman, Singapore Post

Prof Tsui Kai Chong
Provost and Professor of Finance, SIM University

Lee Ai Ming (Mrs)
Deputy Managing Partner, Rodyk & Davidson

Tan Yam Pin
Former Managing Director, Fraser and Neave Group

Niam Chiang Meng
Permanent Secretary, Ministry of Community Development, Youth and Sports

Heng Chiang Meng
Principal/Director, Spear Consultancy Pte Ltd

Edward Lee
Former Ambassador to Indonesia

Choo Chiau Beng
Chairman/Chief Executive Officer, Keppel Offshore & Marine

Teo Soon Hoe
Senior Executive Director and Group Finance Director, Keppel Corporation

KEPPEL TELECOMMUNICATIONS & TRANSPORTATION

Teo Soon Hoe
Chairman; Senior Executive Director and Group Finance Director, Keppel Corporation

Lam Kwok Chong
Managing Director

Dr Tan Tin Wee
Associate Professor of Biochemistry, National University of Singapore (NUS)

Prof Bernard Tan Tiong Gie
Professor of Physics, NUS

Reggie Thein
Independent Director

Wee Sin Tho
Chief Strategist, Endowment Programme, NUS

Tan Boon Huat
Chief Executive Director, People's Association

KEPPEL INTEGRATED ENGINEERING

Wong Boon Kong
Chairman

Chua Chee Wui
Chief Executive Officer

Lawrence Lim
Director

Luc De Ryck
Senior General Manager

Soh Chee Keong
Executive Director

Tong Chong Heong
Managing Director/Chief Operating Officer, Keppel Offshore & Marine

KEPPEL ENERGY

Lim Chee Onn
Executive Chairman, Keppel Corporation

Ong Tiong Guan
Managing Director

Choo Chiau Beng
Chairman/Chief Executive Officer, Keppel Offshore & Marine

Teo Soon Hoe
Senior Executive Director and Group Finance Director, Keppel Corporation

SINGAPORE PETROLEUM COMPANY

Choo Chiau Beng
Chairman; Chairman/Chief Executive Officer, Keppel Offshore & Marine

Koh Ban Heng
Chief Executive Officer

Bertie Cheng Shao Shiong
Chairman, TeleChoice International

Cheng Hong Kok
Director

Dr Chin Wei-Li, Audrey Marie
Chairman, Vietnam Investing Associates – Financials (S) Pte Ltd

Goon Kok-Loon
Chairman, Global Marine & Port Services Pte. Ltd.

Geoffrey John King
Director, Vermilion Oil & Gas Australia

Datuk Paduka Timothy Ong Teck Mong
Acting Chairman, Brunei Economic Development Board

Teo Soon Hoe
Senior Executive Director and Group Finance Director, Keppel Corporation

k1 VENTURES

Steven Jay Green
Chairman/Chief Executive Officer; Former US Ambassador to Singapore

Kamal Bahamadan
Founder and Managing Partner, The BV Group

Choo Chiau Beng
Chairman/Chief Executive Officer, Keppel Offshore & Marine

Dr Lee Suan Yew
Medical Practitioner and Past President of the Singapore Medical Council

Lim Chee Onn
Executive Chairman, Keppel Corporation

Prof Tan Teck Meng
Professor of Accounting, Singapore Management University

Teo Soon Hoe
Senior Executive Director and Group Finance Director, Keppel Corporation

Yong Pung How
Former Chief Justice, Republic of Singapore

K-REIT ASIA MANAGEMENT

Prof Tsui Kai Chong
Chairman; Provost and Professor of Finance, SIM University

Kevin Wong
Deputy Chairman; Group Chief Executive Officer, Keppel Land

Tan Swee Yiow
Chief Executive Officer/Director; Chief Executive Officer (Singapore Commercial), Keppel Land

Lee Ai Ming (Mrs)
Deputy Managing Partner, Rodyk & Davidson

Lim Poh Chuan
Director, Income Partners funds

Dr Chin Wei-Li, Audrey Marie
Chairman, Vietnam Investing Associates – Financials (S) Pte Ltd

EVERGRO PROPERTIES

Chew Heng Ching
Chairman; Chairman, Governing Council Singapore Institute of Directors

Kevin Wong
Non-executive Vice Chairman; Group Chief Executive Officer, Keppel Land

Goh Toh Sim
Chief Executive Officer/ Executive Director

Ang Wee Gee
Executive Director and Chief Executive Officer (International), Keppel Land International

Choo Chin Teck
Director (Corporate Services), Keppel Land International; Group Company Secretary, Keppel Land

Chow Wing Kin Anthony
Partner, Peter C.Wong, Chow & Chow

Patrick Choy
Chairman, Global Strategy Company Limited; Chairman, China Financial Leasing Group

Goh Yong Hong
Chairman, Advisory Board of Raffles Town Club Pte Ltd

Cultivating a culture of innovation guided by eminent business leaders, professionals and industry experts.

(5th & 6th from left) Senior Executive Director Choo Chiau Beng and Executive Chairman Lim Chee Onn with KTAP members.

1 Dr Brian Clark
2 Dr Tan Gee Paw
3 Dr Malcolm Sharples
4 Professor Sir Eric Ash
7 Professor Minoo Homi Patel
8 Professor Cham Tao Soon (Chairman)
9 Dr Yeo Ning Hong
10 Professor James Leckie
11 Professor Tom Curtis

PROFESSOR CHAM TAO SOON

Chairman

BEng (Civil), 1st Class Honours, University of Malaya; BSc (Maths), University of London; PhD (Fluid Mechanics), University of Cambridge.

He was the founding President of Nanyang Technological University (Singapore) in 1981 and had relinquished the post in 2002 and is now its President (Emeritus). Presently, he is the Chancellor and Chairman of SIM University. He has received several honorary doctorates and foreign academy awards including the International Medal of the British Royal Academy of Engineering.

PROFESSOR SIR ERIC ASH

BSc and PhD, Imperial College London; CBE FREng FRS.

He is presently on the Board of Ocean Power Inc and Chairman of OPT Ltd. A past president of the IEE, he is a Foreign Member of the US National Academy of Engineering. He was Rector of Imperial College 1985–93, Vice President of the Royal Society 1997–2002. He has several honorary doctorates including one from NTU Singapore.

DR BRIAN CLARK

Schlumberger Fellow; B.S. Ohio State University; PhD, Harvard University (1977).

He holds 50 patents related to the exploration and development of oil and gas, primarily in wireline logging and Logging While Drilling. He was recognised as the *Outstanding Inventor of the Year for 2002*, by the Houston Intellectual Property Law Association and as the *Texas Inventor of the Year for 2002*, by the Texas State Bar Association.

DR YEO NING HONG

BSc (Chemistry), First Class Honours, MSc, University of Singapore; Master of Arts and PhD, Cambridge University (1970).

Dr Yeo is Advisor to Far East Organisation and formerly Advisor to Temasek Holdings (Pte) Ltd and Hyflux Ltd. He is also Chairman of SQL View Pte Ltd and Universal Gateway International (Pte) Ltd, and serves as a Director of Singapore Press Holdings Ltd.

Dr Yeo was a Cabinet Minister in the Singapore Government from 1981 to 1994 holding appointments as Minister for Communications, Information, National Development and Defence.

PROFESSOR MINOO HOMI PATEL

Fellow of the Royal Academy of Engineering, the Institution of Mechanical Engineers and the Royal Institution of Naval Architects; Chartered Engineer; BSc (Eng) and PhD, University of London and an Honorary Member of the Royal Corps of Naval Constructors.

He is Head of the School of Engineering at Cranfield University and a Founder Director of the science park company BPP Technical Services Ltd.

He also sits on the Boards of Keppel Offshore & Marine, Cranfield Aerospace and Cranfield Engineering Innovations.

DR MALCOLM SHARPLES

Consulting Engineer, Offshore Risk & Technology; B. E. Sc Engineering Science, University of Western Ontario; PhD Structural Engineering, University of Cambridge; Athlone Fellow; Fellow of the Society of Naval Architects; Registered Professional Engineer.

His company provides consulting on offshore-related projects including project technical risk/safety cases, financial due diligence, regulatory advice, business development assistance, and he has been involved as an expert witness in a number of legal proceedings.

He is a Director of Keppel Offshore & Marine.

PROFESSOR JAMES LECKIE

The C. L. Peck, Class of 1906 Professor of Environmental Engineering and Applied Earth Sciences, Stanford University; Director of the Environmental Engineering Laboratory; Director, Pacific Rim Environmental Research Centre; Director, Stanford-China Executive Leadership Programme; Co-Director, Singapore Stanford Partnership.

He has appointments in both Civil and Environmental Engineering, and Geological and Environmental Sciences at Stanford. He is a member of the National Academy of Engineering.

His areas of teaching and research are in environmental chemistry and human exposure analysis.

DR TAN GEE PAW

BEng (Civil), First Class Honours, University of Malaya; MSc (Systems Engineering), University of Singapore; Doctor of Science (Honorary), University of Westminster; Doctorate in Engineering (Honorary), University of Sheffield.

He is the Chairman of Public Utilities Board (PUB), the national water agency of Singapore since 1 April 2001.

He also sits on the Board of JTC Corporation, NTU-Stanford Management Board, Exploit Technologies Pte Ltd, and the Singapore Millennium Foundation Limited. He is the Advisor for the Centre for Water Research and Adjunct Research Professor for the Division of Environmental Science & Engineering at NUS. He is also the Co-Chairman of the Environmental & Water Technologies International Advisory Panel, Ministry of the Environment & Water Resources. He chairs the Nominating Committee of the Lee Kuan Yew Water Prize, Singapore International Water Week. He is also a member of the Committee on Strategy for National Medical Specialisation Centres of the Ministry of Health; a member of the 2008 National Science & Technology Awards Main Committee, and Chairman of the 2008 National Technology Award Selection Committee of the Agency for Science, Technology & Research.

PROFESSOR THOMAS (TOM) CURTIS

BSc (Hons) Microbiology, University of Leeds; M.Eng and PhD Civil Engineering, University of Leeds.

He is a professor of Environmental Engineering of the University of Newcastle upon Tyne, as well as a recipient of the Royal Academy of Engineering Global Research Fellowship and the Biotechnology and Biological Sciences Research Council (BBSRC) Research Development Fellowship. His major areas of research include microbial ecology, engineered biological systems in general and wastewater treatment in particular.

Our leaders provide the strategic direction to the business units to grow beyond today.

KEPPEL CORPORATION

Lim Chee Onn
Executive Chairman

Choo Chiau Beng
Senior Executive Director

Teo Soon Hoe
Senior Executive Director &
Group Finance Director

CORPORATE SERVICES

Chan Soo Sen
Director (Chairman's Office)

Paul Tan
Group Controller

Wang Look Fung
General Manager
(Group Corporate Communications)

Lynn Koh
General Manager
(Group Treasury)

Tan Poh Hong
Director
(Group Human Resources)

Magdeline Wong
General Manager
(Group Tax)

Tina Chin
General Manager
(Group Risk Management)

Caroline Chang
General Manager
(Group Legal)

Sim Chey Hoon
General Manager
(Corporate Development/Planning)

Sharon Lua
General Manager
(Group Human Resources)

Tan Eng Hwa
General Manager
(Group Internal Audit)

Martin Ling
Deputy General Manager
(Group Information Technology)

OFFSHORE & MARINE

Choo Chiau Beng
Chairman/Chief Executive Officer
Keppel Offshore & Marine

Tong Chong Heong
Managing Director/
Chief Operating Officer
Keppel Offshore & Marine

Sit Peng Sang
Chief Financial Officer
Keppel Offshore & Marine

Charles Foo Chee Lee
Managing Director
(Special Projects)
Keppel Offshore & Marine

Chee Jin Kiong
Executive Director
(Human Resources)
Keppel Offshore & Marine

Michael Chia Hock Chye
Executive Director
Keppel FELS

Wong Kok Seng
Executive Director
(Operations)
Keppel FELS

Nelson Yeo Chien Sheng
Executive Director
Keppel Shipyard

Hoe Eng Hock
Executive Director
Keppel Singmarine

PROPERTY

Kevin Wong
Group Chief Executive Officer
Keppel Land

Ang Wee Gee
Executive Director and
Chief Executive Officer (International)
Keppel Land International

Choo Chin Teck
Director (Corporate Services)
and Group Company Secretary
Keppel Land International

Lim Kei Hin
Chief Financial Officer
Keppel Land International

Tan Swee Yiow
Chief Executive Officer
(Singapore Commercial)
Keppel Land International
Chief Executive Officer/Director
K-REIT Asia Management

Augustine Tan
Chief Executive Officer
(Singapore Residential)
Keppel Land International

Loh Chin Hua
Managing Director
Alpha Investment Partners

Goh Toh Sim
Chief Executive Officer
Evergro Properties

INFRASTRUCTURE

Lam Kwok Chong
Managing Director
Keppel Telecommunications
& Transportation

Ong Tiong Guan
Managing Director
Keppel Energy

Chua Chee Wui
Chief Executive Officer
Keppel Integrated Engineering

INVESTMENTS

Koh Ban Heng
Chief Executive Officer
Singapore Petroleum Company

Steven Jay Green
Chairman/Chief Executive Officer
k1 Ventures

Neil Montefiore
Chief Executive Officer
MobileOne

UNIONS

KEPPEL FELS EMPLOYEES UNION

Muhamad Shah
President

KEPPEL EMPLOYEES UNION

Mohd Yusop B Mansor
President

SHIPBUILDING & MARINE ENGINEERING EMPLOYEES UNION

Wong Weng Onn
President

Lim Chin Siew
Executive Secretary

KEPPEL SERVICE STAFF UNION

Quah Kim Boon
President

A sound code of corporate governance steers us towards our goals with greater confidence and efficacy.

The board and management of Keppel Corporation Limited ("KCL" or the "Company") firmly believe that a genuine commitment to good corporate governance is essential to the sustainability of the Company's businesses and performance, and are pleased to confirm that the Company has adhered to the principles and guidelines of the Code of Corporate Governance 2005[1] (the "2005 Code"), save for Guideline 3.1 (Chairman and CEO should be separate persons) the reason for which deviation is explained in this report.

The following describes the Company's corporate governance practices with specific reference to the 2005 Code.

Note:
[1] The Code of Corporate Governance 2005 issued by the Ministry of Finance on 14 July 2005.

Executive Chairman Lim Chee Onn shares his convictions that good corporate governance strengthens the confidence of stakeholders.

Code of corporate governance 2005
Specific principles and guidelines for disclosure

Relevant guideline or principle	Page reference in this report
Guideline 1.3 Delegation of authority, by the board to any board committee, to make decisions on certain board matters	Pages 36 and 37
Guideline 1.4 The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings	Page 37
Guideline 1.5 The type of material transactions that require board approval under internal guidelines	Pages 36 and 37
Guideline 2.2 Where the company considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the director's relationship and the reason for considering him as independent should be disclosed	Page 37
Guideline 3.1 Relationship between the Chairman and CEO where they are related to each other	Not Applicable
Guideline 4.1 Composition of nominating committee	Page 40
Guideline 4.5 Process for selection and appointment of new directors to the board	Pages 40 and 41
Guideline 4.6 Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent	Pages 213 to 216 and 219
Guideline 5.1 Process for assessing the effectiveness of the board as a whole and the contribution of each individual director to the effectiveness of the board	Pages 41, 42, 54 and 55
Principle 9 Clear disclosure of its remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to directors and key executives, and performance	Pages 44 and 45
Guideline 9.1 Composition of remuneration committee	Page 43
Guideline 9.2 Names and remuneration of each director. The disclosure of remuneration should be in bands of $250,000. There will be a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives	Page 45
Names and remuneration of at least the top five key executives (who are not also directors). The disclosure should be in bands of $250,000 and include a breakdown of remuneration	Page 45
Guideline 9.3 Remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceed $150,000 during the year. The disclosure should be made in bands of $250,000 and include a breakdown of remuneration	Page 46
Guideline 9.4 Details of employee share schemes	Pages 148, 149, 167, 168 and 169
Guideline 11.8 Composition of audit committee and details of the committee's activities	Pages 46 to 48
Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems	Pages 48 to 50

BOARD'S CONDUCT OF AFFAIRS

Principle 1: Effective board to lead and control the company

The principal functions of the board are to:

- decide on matters in relation to the Group's activities which are of a significant nature, including decisions on strategic directions and guidelines and the approval of periodic plans and major investments and divestments;
- oversee the business and affairs of the Company, establish, with management, the strategies and financial objectives to be implemented by management, and monitor the performance of management;
- oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy of such processes; and
- assume responsibility for corporate governance.

All KCL directors are expected to exercise independent judgment in the best interests of the Company. This is one of the performance criteria for the peer and self assessment on the effectiveness of the individual directors. Based on the results of the peer and self assessment carried out by the KCL directors, all KCL directors have discharged this duty consistently well.

To assist the board in the discharge of its oversight function, various board committees, namely the Executive Committee, Audit Committee, Board Risk Committee, Nominating Committee, and Remuneration Committee, have been constituted with clear written terms of reference. All the Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. In addition, a Board Safety Committee was formed in January 2006. The terms of reference of the respective board committees are disclosed in the Appendix to this report.

The board meets six times a year and as warranted by particular circumstances. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Company's Articles of Association. The number of board and board committee meetings held in FY 2007, as well as the attendance of each board member at these meetings, are disclosed in Table 1.

The Company has adopted internal guidelines setting forth matters that require board approval. Under these guidelines, new investments or increase in investments and divestments exceeding $100 million by any Group company, and all commitments to term loans and lines of credit from banks and financial institutions by the Company, require the approval of the Board.

With keen interest in all aspects of Keppel's businesses, board members visit operating units including the new Keppel Merlimau co-generation plant.

Directors and senior management turned up in full force at the Inaugural Annual Safety Convention 2007.

Table 1	Board Meetings	Board Committee Meetings: Audit	Executive	Nominating	Remuneration	Safety	Risk	Non-executive Directors' Meeting (without presence of management)
Lim Chee Onn	9	–	–	–	–	3	–	–
Tony Chew Leong-Chee	8	5	–	–	–	–	–	5
Lim Hock San	9	5	–	–	–	–	4	5
Sven Bang Ullring	7	–	–	2	5	4	–	5
Tsao Yuan Mrs Lee Soon Ann	8	–	–	2	5	3	–	5
Leung Chun Ying[1]	2 of 7	–	–	–	1 of 4	–	–	1 of 3
Oon Kum Loon	9	5	–	2	–	–	4	5
Tow Heng Tan	8	–	–	–	4	–	4	4 of 5
Yeo Wee Kiong	7	–	–	–	–	4	3	4 of 5
Choo Chiau Beng	8	–	–	–	–	–	–	–
Teo Soon Hoe	9	–	–	–	–	–	–	–
No. of Meetings Held	9	5	0	2	5	4	4	5

Note:
1 Mr Leung Chun Ying resigned as Director with effect from 1 October 2007.

Further, any investment of $100 million and below but which does not have strategic fit with any of the Company's core businesses, is not EVA positive, or does not generate Return on Equity of at least 12% on a standalone basis, would require specific board approval. Each board member has equal responsibility to oversee the business and affairs of the Company. Management on the other hand is responsible for the day-to-day operation and administration of the Company in accordance with the policies and strategy set by the board.

A formal letter is sent to newly-appointed directors upon their appointment explaining their duties and obligations as director. All newly-appointed directors undergo a comprehensive orientation programme which includes management presentations on the Group's businesses and strategic plans and objectives, and site visits.

The directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act and industry-related matters, so as to update and refresh them on matters that affect or may enhance their performance as board or board committee members.

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent element on the board

To carry out its oversight function well, the board must be an effective board which can lead and control the business of the Group. The KCL directors believe that, in view of the many complex businesses that the Company is involved in, the KCL board should comprise executive directors, who have intimate knowledge of the business, and independent directors, who can take a broader view of the Group's activities and bring independent judgment to bear on issues for the board's consideration.

The Nominating Committee determines on an annual basis whether or not a director is independent, bearing in mind the 2005 Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a director not to be independent. The Nominating Committee also deems a director who is directly associated with a substantial shareholder as non-independent, although such a relationship has not been expressly adopted in the 2005 Code as one that would deem a director not to be independent. Mr Tow Heng Tan, who is Chief Investment Officer, Temasek Holdings, is therefore deemed non-independent by the Nominating Committee.

The Nominating Committee is of the view that, taking into account the nature and scope of the Company's businesses, the board should consist of 9 to 11 members. The board currently has majority independent directors with a total of 10 directors of whom 6 are independent.

The nature of the directors' appointments on the board and details of their membership on board committees are set out in the Appendix hereto.

The Nominating Committee is satisfied that the board comprises directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, required for the board to be effective.

The KCL board and management fully appreciate that fundamental to good corporate governance is an effective and robust board whose members engage in open and constructive debate and challenge management on its assumptions and proposals, and that for this to happen, the board, in particular, the non-executive directors, must be kept well informed of the Company's businesses and affairs and be knowledgeable about the industry in which the businesses operate. The Company has therefore adopted initiatives to put in place processes to ensure that the non-executive directors are well supported by accurate, complete and timely information, have unrestricted access to management, and have sufficient time and resources to discharge their oversight function effectively. These initiatives include regular informal meetings for management to brief the directors on prospective deals and potential developments at an early stage before formal board approval is sought, and the circulation of relevant information on business initiatives, industry developments and analyst and press commentaries on matters in relation to the Company or the industries in which it operates. A two-day off-site board strategy meeting was also organised for in-depth discussions on strategic issues, to give the non-executive directors a better understanding of the Group and its businesses, and to provide an opportunity for the non-executive directors to familiarise themselves with the management team to facilitate the board's review of the Company's succession planning and leadership development programme. The Company has also made available on the Company's premises an office for the non-executive directors' use at any time to facilitate direct access to management. Further, a Directors' Portal was established in 2004 as a secured web-based resource centre for the depositing and retrieval of board materials, information on industry developments, and analysts' and other reports on matters relating to the Group, and to provide an alternative medium for the continuous exchange of information and views among board members via secured Internet access.

The KCL non-executive directors meet regularly without the presence of management to discuss matters such as the changes which they would like to see in board processes, corporate governance initiatives, matters which they wish to discuss during the board off-site strategy meeting, succession planning and leadership development, and the remuneration of the Executive Chairman and those of the other two Executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: Chairman and Chief Executive Officer to be separate persons to ensure appropriate balance of power, increased accountability and greater capacity of the board for independent decision making

Mr Lim Chee Onn is both the Chairman and Chief Executive Officer of the Company. The board confirms that this has not concentrated power in the hands of one individual or compromised accountability and independent decision-making for the following reasons:

1. the independent directors form the majority on the KCL board;
2. the independent directors actively participate during board meetings and challenge the assumptions and proposals of management unreservedly, both during and outside of board meetings via e-mail or the telephone, on pertinent issues affecting the affairs and business of the Group; and
3. to enhance the independence of the board, a Lead Independent Director has been appointed to coordinate the activities of the independent directors and act as the principal liaison between the independent directors and the Chair on sensitive issues. The Lead Independent Director holds meetings with the independent directors (without the presence of management) twice a year and on other occasions when required.

In the case of KCL which is in three large core businesses, the board is of the firm and unanimous view that it is in the best interests of the Company to continue to have an Executive Chairman so that the board, and in particular the non-executive directors, can have the benefit of a Chairman who is knowledgeable about the businesses of the Company and is thereby better able to guide discussions and ensure that the board is properly briefed in a timely manner on pertinent issues and developments, and at the same time have the benefit of objective and independent views from the independent directors.

It is evident from the results of the assessment on the effectiveness of the board, and the assessment on the performance of the Chairman, that the Executive Chairman has enhanced the effectiveness of the individual non-executive directors, and the board as a whole, by providing the board with a thorough understanding of the businesses and ensuring open and robust dialogue between the board and management. It is the KCL board's belief that it is the person who fills the role that matters, rather than whether the roles are separate or combined per se. The board retains the right to review the current status as facts and circumstances change.

The Executive Chairman, with the assistance of the Company Secretary, schedules meetings and prepares meeting agenda to enable the board to perform its duties responsibly having regard to the flow of the Company's operations.

The Executive Chairman sets guidelines on and monitors the flow of information from management to the board to ensure that all material information are provided timeously to the board for the board to make good decisions. He also encourages constructive relations between the board and management,

Mr Tony Chew (third from left), Lead Independent Director, directors and senior management from the business units at the Securities Investors Association's 8th Investors' Choice Awards.

Keppel's board and management place importance in grooming talents including those in our overseas units.

and between the Executive Directors and non-executive directors. In this regard, the Executive Chairman has initiated informal meetings on a regular basis for management to brief the directors on prospective deals and potential developments at an early stage before formal board approval is sought. He also ensures that relevant information on business initiatives, industry developments and analyst and press commentaries on matters in relation to the Company or the industries in which it operates are continuously circulated to board members so as to enable them to be updated and thereby enhance the effectiveness of the non-executive directors and the board as a whole. He has also made available on the Company's premises an office for the non-executive directors' use at any time to facilitate direct access to management.

The Executive Chairman also ensures effective communication with shareholders.

The Executive Chairman takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the directors, Company Secretary and management.

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for the appointment of new directors to the board

Nominating Committee

The Company has established a Nominating Committee to, among other things, make recommendations to the board on all board appointments and oversee the Company's succession and leadership development plans. The Nominating Committee comprises entirely independent directors; namely, Mr Sven Ullring (Chairman), Tsao Yuan Mrs Lee Soo Ann (Member) and Mrs Oon Kum Loon (Member).

The terms of reference of the Nominating Committee are disclosed in the Appendix hereto.

Process for appointment of new directors

In 2004, the Nominating Committee recommended, and the board approved, a formal process for the selection of new directors to increase transparency of the nominating process in identifying and evaluating nominees for directors. The Nominating Committee (NC) leads the process and makes recommendations to the board as follows:

a. NC evaluates the balance of skills, knowledge and experience on the board and, in the light of such evaluation and in consultation with management, prepares a description of the role and the essential and desirable competencies for a particular appointment.
b. External help (for example, Singapore Institute of Directors, search consultants, open advertisement) to be used to source for potential candidates if need be. Directors and management may also make suggestions.
c. NC conducts formal interview of short-listed candidates to assess suitability and to ensure that the candidate(s) are aware of the expectations and the level of commitment required.
d. NC makes recommendations to the board for approval.

Criteria for appointment of new directors

All new appointments are subject to the recommendation of the Nominating Committee based on the following objective criteria:

1. Integrity
2. Independent mindedness
3. Diversity – Possess core competencies that meet the current needs of the Company

and complement the skills and competencies of the existing directors on the board
4. Able to commit time and effort to carry out duties and responsibilities effectively – proposed director is on not more than six principal boards
5. Track record of making good decisions
6. Experience in high-performing companies
7. Financially literate

The Nominating Committee is also charged with the responsibility of re-nomination having regard to the director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the individual director by his peers for the previous financial year.

The directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to the Company's Articles of Association, one-third of the directors retire from office at the Company's annual general meeting, and a newly appointed director must submit himself for re-election at the annual general meeting immediately following his appointment.

As a matter of policy, a non-executive director would serve a maximum of two three-year terms of appointment. However, the board recognises the contribution of directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contribution to the board as a whole. In such cases, the board would exercise its discretion to extend the term and retain the services of the director rather than lose the benefit of his contribution.

The NC is also charged with determining the "independence" status of the directors annually. Please refer to page 37 on the basis of the NC's determination as to whether a director should or should not be deemed independent.

The NC also determines annually whether a director with multiple board representations is able to and has been adequately carrying out his duties as a director of the Company. The NC took into account the results of the assessment of the effectiveness of the individual director, and the respective directors' actual conduct on the board, in making this determination, and is satisfied that all the directors have been able to and have adequately carried out their duties as director notwithstanding their multiple board representations.

The NC has adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards. As a guide, directors should not serve on more than six principal boards.

The following key information regarding directors are set out in the following pages of this Annual Report:

Pages 213 to 216 and 219: Academic and professional qualifications, board committees served on (as a member or Chairman), date of first appointment as director, date of last re-election as director, directorships or chairmanships both present and past held over the preceding five years in other listed companies and other major appointments, whether appointment is executive or non-executive, whether considered by the Nominating Committee to be independent; and

Pages 147 to 148: Shareholding in the Company and its subsidiaries.

BOARD PERFORMANCE

Principle 5: Formal assessment of the effectiveness of the board as a whole and the contribution by each director to the effectiveness of the board

The board has implemented formal processes for assessing the effectiveness of the board as a whole, the contribution by each individual director to the effectiveness of the board, as well as the effectiveness of the Chairman of the board.

To ensure that the assessments are done promptly and fairly, the board has appointed an independent third party (the "Independent Co-ordinator") to assist in collating and analysing the returns of the board members. Mrs Fang Ai Lian, Chairman, Ernst & Young, was appointed for this role.

The evaluation processes and performance criteria are disclosed in the Appendix to this report.

In her consolidated report to the board, the Independent Co-ordinator made the following comments in relation to the Company's board processes: "there continues to be improvement in KCL's board processes, and feedback had been taken on board and addressed by the relevant parties."

Regular results conferences, complete with webcast, are held to ensure timely and comprehensive disclosure of shareholders information.

The board assessment exercise provided an opportunity to obtain constructive feedback from each director on whether the board's procedures and processes allowed him to discharge his duties effectively and the changes which should be made to enhance the effectiveness of the board as a whole. The assessment exercise also helped the directors to focus on their key responsibilities. The individual director assessment exercise allowed for peer review with a view to raising the quality of board members. It also assisted the Nominating Committee in determining whether to re-nominate directors who are due for retirement at the next annual general meeting, and in determining whether directors with multiple board representations are nevertheless able to and have adequately discharged their duties as directors of the Company.

ACCESS TO INFORMATION

Principle 6: Board members to have complete, adequate and timely information

As a general rule, board papers are required to be sent to directors at least seven days before the board meeting so that the members may better understand the matters prior to the board meeting and discussion may be focused on questions that the directors may have. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Managers who can provide additional insight into the matters at hand would be present at the relevant time during the board meeting. The directors are also provided with the names and contact details of the Company's senior management and the Company Secretary to facilitate direct access to senior management and the Company Secretary.

The Company fully recognises that the flow of relevant information on an accurate and timely basis is critical for the board to be effective in the discharge of its duties. Management is therefore expected to provide the board with accurate information in a timely manner concerning the Company's progress or shortcomings in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues facing the Company.

Management also provides the board members with management accounts on a monthly basis. Such reports keep the board informed, on a balanced and understandable basis, of the Group's performance, financial position and prospects and consist of the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax and attributable profit by major divisions compared against the budgets, together with explanation given for significant variances for the month and year-to-date.

The Company Secretary administers, attends and prepares minutes of board proceedings. She assists the Chairman to ensure that board procedures (including but not limited to assisting the Chairman to ensure the timely and good information flow to the board and board committees, and between senior management and the non-executive directors, and facilitating orientation

Board members interact with young managers from its worldwide operations at an annual talent development programme.

and assisting in the professional development of the directors) are followed and regularly reviewed to ensure effective functioning of the board, and that the Company's memorandum and articles of association and relevant rules and regulations, including requirements of the Companies Act, Securities & Futures Act and Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX"), are complied with. She also assists the Chairman and the board to implement and strengthen corporate governance practices and processes with a view to enhancing long-term shareholder value. She is also the primary channel of communication between the Company and the SGX.

The appointment and removal of the Company Secretary are subject to the approval of the board.

Subject to the approval of the Chairman, the directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company.

REMUNERATION MATTERS

Principle 7: The procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors should be formal and transparent

Principle 8: Remuneration of directors should be adequate but not excessive

Principle 9: There should be clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

Remuneration Committee

The Remuneration Committee comprises entirely non-executive directors, 3 out of 4 of whom (including the Chairman) are independent; namely: Mr Sven Ullring (Chairman), Tsao Yuan Mrs Lee Soo Ann (Member), Mr Leung Chun Ying[2] (Member) and Mr Tow Heng Tan (Member).

The Remuneration Committee is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for determining the remuneration packages of individual directors and senior management. The Remuneration Committee assists the board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximise shareholder value. The Remuneration Committee recommends to the board for endorsement a framework of remuneration (which covers all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits in kind) and the specific remuneration packages for each director and the Executive Chairman. The Remuneration Committee also reviews the remuneration of senior management and administers the KCL Share Option Scheme.

The Committee has access to expert advice in the field of executive compensation outside the Company where required.

[2] Mr Leung Chung Ying resigned as member of the Remuneration Committee with effect from 1 October 2007.

ANNUAL REMUNERATION REPORT

Policy in respect of non-executive directors' remuneration

The remuneration of the non-executive directors is paid by way of directors' fees in cash and/or in a fixed number of KCL shares as follows:

i. Cash Component: The amount of directors' fees payable in cash is dependent on the respective non-executive directors' level of responsibility. Each non-executive director is paid a basic fee. In addition, non-executive directors who perform additional services in Board Committees are paid an additional fee for such services. The members of the Audit, Board Risk, and Executive Committees are paid a higher fee than the members of the other Board Committees because of the heavier responsibilities and more frequent meetings required of them. The Chairman of each Board Committee is also paid a higher fee compared with the members of the respective Committees in view of the greater responsibility carried by that office. Executive directors are not paid directors' fees. The framework for determining the amount of director's fees payable in cash is set out in Table 2.

(ii) Share Component: At an extraordinary general meeting of the Company held in 2007, the shareholders approved the board's recommendation to amend Article 82 of the Company's Articles of Association relating to the remuneration of directors to permit the Company to award a fixed number of KCL shares in the capital of the Company, as shall from time to time be determined by an Ordinary Resolution of the Company, to the non-executive directors as part of their remuneration. The Company is therefore able to remunerate its non-executive directors in the form of KCL shares by the purchase of KCL shares from the market for delivery to the non-executive directors. The incorporation of an equity component in the total remuneration of the non-executive directors is intended to achieve the objective of aligning the interests of the non-executive directors with those of the shareholders and the long-term interests of the Company.

The remuneration payable to non-executive directors is subject to shareholders' approval at the Company's annual general meetings.

Remuneration policy in respect of executive directors and other key executives

The Company advocates a performance-based remuneration system that is highly flexible and responsive to the market, Company's, business unit's and individual employee's performance. The total remuneration mix comprises 3 key components; annual fixed cash, annual performance incentive and long-term incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the Company's, business unit's and individual employee's performance, inclusive of a portion which is tied to EVA performance[1]. The long-term incentive is in the form of share options which are granted based on the individual's performance and contribution.

The compensation structure is designed to enable the Company to stay competitive and relevant. The Company benchmarks its annual fixed salary at the market median with the variable compensation being performance-driven. More emphasis is placed on the 'pay-at-risk' compensation as an employee moves up the corporate ladder. This allows the Company to better align executive compensation towards shareholders' value creation.

The Executive Directors participate in a long-term incentive scheme in the form of the KCL Share Option Scheme, details of which are set out on pages 148, 149, 167, 168 and 169.

Table 2

			Ratio to retainer of $40,000
Non-executive director	–	$40,000 per annum	1.00
Audit, Board Risk & Executive Committees	Chairman	$30,000 per annum	0.75
	Member	$15,000 per annum	0.38
Remuneration, Nominating & Board Safety Committees	Chairman	$15,000 per annum	0.38
	Member	$7,500 per annum	0.19

Level and mix of remuneration of Directors and Key Executives (who are not also Directors) for the year ended 31 December 2007

The level and mix of each of the directors' remuneration, and that of each of the key executives (who are not also directors), in bands of $250,000 are set out below.

	Base/ Fixed Salary	Variable or Performance-Related Income/ Bonuses	Directors' Fees	Directors' Allowance	Benefits-in-Kind	Options Granted	Remuneration Shares[5]
Remuneration Band and Name of Director							
Abv $9,000,000							
Nil	–	–	–	–	–	–	–
Abv $8,750,000 to $9,000,000							
Lim Chee Onn	13%	77%	–	–	n.m.[2]	10%	–
Abv $6,250,000 to $8,750,000							
Nil	–	–	–	–	–	–	–
Abv $6,000,000 to $6,250,000							
Choo Chiau Beng	14%	76%	–	–	n.m.[2]	10%	–
Abv $4,750,000 to $6,000,000							
Nil	–	–	–	–	–	–	–
Abv $4,500,000 to $4,750,000							
Teo Soon Hoe	17%	70%	–	–	n.m.[2]	13%	–
$250,000 to $4,500,000							
Nil	–	–	–	–	–	–	–
Below $250,000							
Tony Chew Leong-Chee	–	–	71%	2%	–	–	27%
Lim Hock San	–	–	77%	3%	–	–	20%
Sven Bang Ullring	–	–	70%	6%	–	–	24%
Tsao Yuan Mrs Lee Soo Ann	–	–	68%	4%	–	–	28%
Leung Chun Ying	–	–	65%	–	–	–	35%
Oon Kum Loon	–	–	78%	3%	–		19%
Tow Heng Tan	–	–	75%	–	–	–	25%
Yeo Wee Kiong	–	–	71%	2%	–	–	27%
Remuneration Band and Name of Key Executive							
Above $3,250,000 to $3,500,000							
Tong Chong Heong	19%	66%	–	–	n.m.[2]	15%	–
Wong Kingcheung, Kevin	23%	64%	–	–	n.m.[2]	13%[3]	–
Above $2,750,000 to $3,250,000							
Nil	–	–	–	–	–	–	–
Above $2,500,000 to $2,750,000							
Koh Ban Heng	22%	30%	–	–	n.m.[2]	48%[4]	–
Above $1,250,000 to $2,500,000							
Nil	–	–	–	–	–	–	–
Above $1,000,000 to $1,250,000							
Lam Kwok Chong	29%	30%	–	–	n.m.[2]	41%	–
Above $750,000 to $1,000,000							
Ong Tiong Guan	36%	20%	–	–	n.m.[2]	44%	–
Chua Chee Wui	28%	56%	–	–	n.m.[2]	16%	–

Notes:
1. A portion of the annual performance incentive is tied to EVA performance whereby one half from current year EVA and one third from accrued EVA bank is paid out, provided EVA remains positive. The balance will be accrued as EVA Bank and this bank is at risk and can become negative should EVA performance be adversely impacted.
2. n.m. – not material.
3. Received Keppel Land Limited Share Options.
4. Received Singapore Petroleum Company Restricted Shares.
5. Estimated value based on KCL shares' closing price of $13.00 on the last trading day of FY2007.

Remuneration of employees who are immediate family members of a director or the Executive Chairman
No employee of the Company and its subsidiaries was an immediate family member of a director or the Executive Chairman and whose remuneration exceeded $150,000 during the financial year ended 31 December 2007. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

Details of the KCL Share Option Scheme
The KCL Share Option Scheme ("Scheme"), which has been approved by shareholders of the Company, is administered by the Remuneration Committee. Please refer to pages 148, 149, 167, 168 and 169 for details on the Scheme.

ACCOUNTABILITY AND AUDIT

Principle 10: The board should present a balanced and understandable assessment of the Company's performance, position and prospects
Principle 11: Establishment of Audit Committee with written terms of reference

The board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required). Management provides all members of the board with management accounts which present a balanced and understandable assessment of the company's performance, position and prospects on a monthly basis.

The board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXnet to the SGX, press releases, the Company's website, and public webcast and media and analyst briefings. The Company's Summary Financial Report is sent to all shareholders and its Annual Report is available on request and accessible on the Company's website.

Management provides all board members with management accounts on a monthly basis. Such reports keep the board members informed of the Group's performance, position and prospects and consist of the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax and attributable profit by major divisions compared against the respective budgets, together with explanations for significant variances for the month and year-to-date.

Audit Committee
The Audit Committee comprises the following non-executive directors, all of whom are independent: Mr Lim Hock San (Chairman), Mr Tony Chew Leong-Chee (Member) and Mrs Oon Kum Loon (Member).

Mr Lim Hock San and Mrs Oon Kum Loon have accounting and related financial management expertise and experience. The board considers Mr Tony Chew as having sufficient financial management knowledge and experience to discharge his responsibilities as a member of the Committee.

The Audit Committee's main role is to assist the board to ensure integrity of financial reporting and that there is in place sound internal control systems. The Committee's terms of reference are set out on page 52 herein.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The Company has an internal audit team and together with the external auditors, report independently their findings and recommendations to the Audit Committee.

The Audit Committee met with the external auditors 3 times and with the internal auditors 5 times during the year, and once in January 2008 without the presence of management.

During the year, the Audit Committee performed independent review of the financial statements of the Company before the announcement of the Company's quarterly and full-year results. In the process, the Committee reviewed the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a great impact on the financials.

The Audit Committee also reviewed and approved both the Group internal auditor's and external auditor's plans to ensure that the plans covered sufficiently in terms of audit scope in reviewing the significant internal controls of the Company. Such significant controls comprise financial, and operational and compliance controls. All audit findings and recommendations put up by the

Keppel strengthens its risk management processes with regular pandemic exercises for our large workforce.

internal and the external auditors were forwarded to the Audit Committee. Significant issues were discussed at these meetings.

In addition, the Audit Committee undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them, and has confirmed that the non-audit services performed by the external auditors would not affect their independence.

The Committee also reviewed the adequacy of the internal audit function and is satisfied that the team is adequately resourced and has appropriate standing within the Company.

The Committee has reviewed the "**Keppel: Whistle-Blower Protection Policy**" (the "Policy") which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. Following the launch of the Policy, a set of guidelines which was reviewed by the Audit Committee and approved by the board, was issued to assist the Audit Committee in managing allegations of fraud or other misconduct which may be made pursuant to the Policy, so that:

- investigations are carried out in an appropriate and timely manner;
- administrative, disciplinary, civil and/or criminal actions that are initiated following completion of investigations, are appropriate, balanced, and fair; and
- action is taken to correct the weaknesses in the existing system of internal processes and policies which allowed the perpetration of the fraud and/or misconduct, and to prevent a recurrence.

On a quarterly basis, management reported to the Audit Committee the interested person transactions ("IPTs")

The 2007 Inaugural Annual Safety Convention initiated by the Board Safety Committee saw 22 innovative projects Group-wide.

in accordance with the Company's Shareholders' Mandate for IPT. The IPTs were reviewed by the internal auditors. All findings were reported during Audit Committee meetings.

INTERNAL CONTROLS AND RISK MANAGEMENT

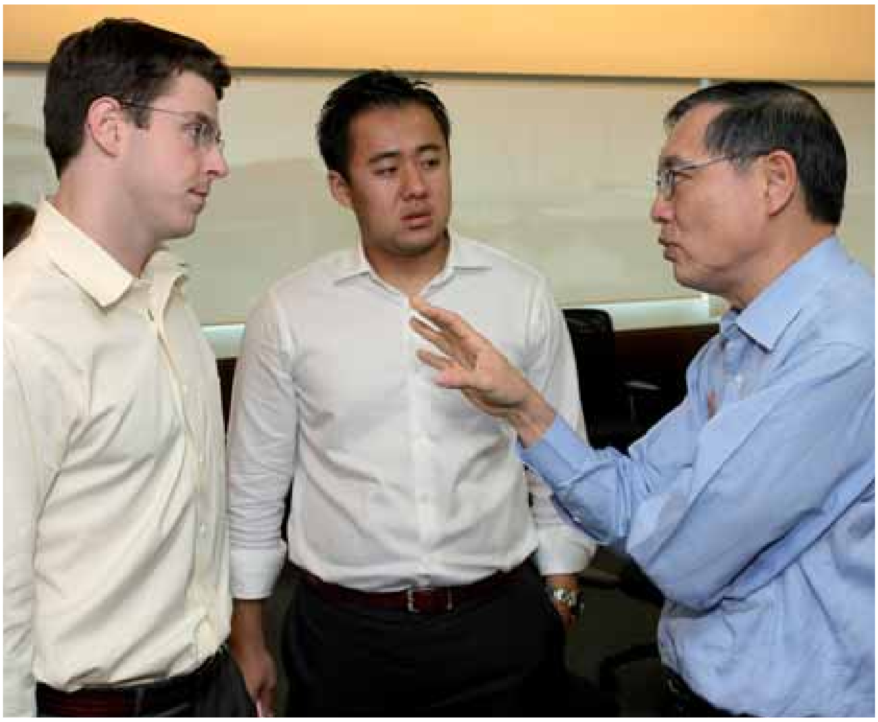
Principle 12: Sound system of internal controls

The Company's approach to risk management and internal control is set out in the "Operating and Financial Review" section on pages 123 to 125 of this Annual Report.

The Company's internal and external auditors conduct an annual review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the Audit Committee. The Audit Committee also reviews the effectiveness of the actions taken by management on the recommendations made by the internal and external auditors in this respect. During the year, the Audit Committee reviewed the effectiveness of the Company's internal control and risk management procedures and was satisfied that the Company's risk management processes and internal controls are adequate to meet the needs of the Company in its current business environment.

Board Risk Committee
In October 2004, as part of the effort to further strengthen the Company's risk management processes, a Board Risk Committee was formed to assist the board in examining the effectiveness of the Group's risk management system to ensure that a robust risk management system is maintained. The Committee reviews and guides management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks, and discusses risk management strategies with management. The Committee reports to the board on material findings and recommendations in respect of significant risk matters. The detailed terms of reference of this Committee is disclosed on page 53 herein.

The Board Risk Committee is made up of 3 independent directors (including the Chairman) and a non-executive director who is independent of management.
Mrs Oon Kum Loon was appointed Chairman of the Committee because of her wealth of experience in the area of risk management. Prior to serving as Chief Financial Officer in the Development Bank of Singapore (DBS), she was the Managing Director & Head of Group Risk Management, responsible for the development and implementation of a group-wide integrated risk management framework for the DBS Group. Mr Lim Hock San, who is the Chairman of the Audit Committee, has in-depth knowledge and experience in finance accountancy, business and management and is the second member of the Board Risk Committee. The third member is Mr Tow Heng Tan who has deep management experience from his extensive business career spanning the management consultancy, investment banking and stock-broking industries. Mr Tow is currently the Chief Investment Officer of Temasek Holdings. The fourth member is Mr Yeo Wee Kiong who is a director in Drew & Napier LLC, a leading law corporation in Singapore, practicing in the areas of corporate law, corporate finance, mergers and acquisitions, listings on stock exchange, venture capital, banking and securities. Mr Yeo sits on the boards of several companies (listed and non-listed) and has vast experience in the corporate world and wide knowledge ranging from engineering, finance and law.



Mr Choo Chiau Beng, Senior Executive Director and Chairman & CEO of Keppel O&M, shares insights with investors and fund managers.

INTERNAL AUDIT

Principle 13: Independent internal audit function

The role of the internal auditors is to assist the Audit Committee to ensure that the Company maintains a sound system of internal controls by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the Audit Committee, and conducting regular in-depth audits of high risk areas. The Company's internal audit functions are serviced in-house ("Group Internal Audit").

Staffed by suitably qualified executives, Group Internal Audit has unrestricted direct access to the Audit Committee. The Head of Group Internal Audit's primary line of reporting is to the Chairman of the Audit Committee, although she reports administratively to the Executive Chairman of the Company.

As a corporate member of the Singapore branch of the Institute of Internal Auditors Incorporated, USA ("IIA"), Group Internal Audit is guided by the Standards for the Professional Practice of Internal Auditing set by the IIA. These standards consist of attribute standards, performance standards and implementation standards.

During the year, Group Internal Audit adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational and compliance controls. Audits were carried out on all significant business units in the Company, inclusive of limited review performed on dormant and inactive companies. All Group

Group Finance Director Teo Soon Hoe interacts with shareholders of Keppel Corporation.

Internal Audit's reports are submitted to the Audit Committee for deliberation with copies of these reports extended to the Executive Chairman and the relevant senior management officers. In addition, internal audit's summary of findings and recommendations are discussed at the Audit Committee meetings.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Regular, effective and fair communication with shareholders

Principle 15: Greater shareholder participation at Annual General Meetings

In addition to the matters mentioned above in relation to "Access to Information/Accountability", the Company's Group Corporate Communications Department (with assistance from the Group Control & Accounts and Group Legal Departments, when required) regularly communicates with shareholders and receives and attends to their queries and concerns.

Material information are disclosed in a comprehensive, accurate and timely manner via SGXnet and the press. To ensure a level playing field and provide confidence to shareholders, unpublished price sensitive information are not selectively disclosed, and on the rare occasion when such information are inadvertently disclosed, they are immediately released to the public via SGXnet and the press.

The annual general meeting is a platform for the Board of Directors to engage shareholders.

Shareholders are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Shareholders are invited at such meetings to put forth any questions they may have on the motions to be debated and decided upon. If any shareholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance.

At shareholders' meetings, each distinct issue is proposed as a separate resolution.

The Chairmen of each Board Committee are required to be present to address questions at the Annual General Meeting. External auditors are also present at such Meeting to assist the directors to address shareholders' queries, if necessary.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the board and management. These minutes are available to shareholders upon their requests.

SECURITIES TRANSACTIONS

Insider Trading Policy

The Company has a formal Insider Trading Policy on dealings in the securities of the Company and its listed subsidiaries, which sets out the implications of insider trading and guidance on such dealings. The policy has been distributed to the Group's directors and officers. It has also adopted the Best Practices Guide on Dealings in Securities issued by the SGX. In line with Best Practice Guide on Dealing in Securities issued by the SGX, the Company issues circulars to its Directors and officers informing that the Company and its officers must not deal in listed securities of the Company one month before the release of the full-year results and two weeks before the release of quarterly results, and if they are in possession of unpublished price-sensitive information.

APPENDIX

BOARD COMMITTEES – TERMS OF REFERENCE

A. Executive Committee

1. Consider and, if deemed fit, approve investments, acquisitions and disposal of assets of the Company and its subsidiaries which are above $10 million or 10% of the net tangible assets (whichever is the lower) of the respective companies but less than $100 million.
2. Consider and recommend to the Board proposed investments, acquisitions and disposal of assets of the Company and its subsidiaries which are $100 million or above.
3. Consider and recommend to the Board proposed investments and acquisitions of the Company and its subsidiaries which do not fall within the Company's core businesses but which are considered strategic investments for the long-term prospects of the Company.
4. Consider and, if deemed fit, approve capital equipment purchases and leases of the Company and its subsidiaries which are above $10 million but less than $100 million.
5. Consider and recommend to the Board on proposed capital equipment purchases and leases of the Company and its subsidiaries which are above $100 million.
6. Consider and, if deemed fit, approve performance bonds and guarantees to be furnished by the Company or its subsidiaries which are above $10 million but less than $100 million.
7. Consider and recommend to the Board on proposed performance bonds and guarantees to be furnished by the Company or its subsidiaries which are above $100 million.
8. Consider and, if deemed fit, approve loans to companies within the Keppel Group of an amount exceeding $30 million but up to $100 million.
9. Consider and, if deemed fit, approve foreign exchange transactions for companies within the Keppel Group of an amount exceeding $100 million but up to $200 million.
10. In relation to matters which require the approval of this Committee pursuant to other provisions of these terms of reference, approve the affixation of the Common Seal onto any legal document in accordance with the Company's Articles of Association.
11. Approve the banks in Singapore and overseas with which the Company may transact.
12. Approve the establishment and registration of local and foreign offices of the Company.
13. Carry out such other functions as may be delegated to it by the Board.
14. Sub-delegate any of its powers within its terms of reference as listed above, from time to time, as this Committee may deem fit.

Matters arising at meetings of the Executive Committee shall be decided by a simple majority of votes including the affirmative vote of at least one member who is an independent director.

B. Audit Committee

1. Examine the effectiveness of the Group's internal control system, including financial, operational and compliance controls, to ensure that a sound system of internal controls is maintained.
2. Review audit plans and reports of the external auditors and internal auditors, and consider the effectiveness of actions or policies taken by management on the recommendations and observations.
3. Review financial statements and formal announcements relating to financial performance, and review significant financial reporting issues and judgments contained in them, to ensure integrity of such statements and announcements.
4. Review the independence and objectivity of the external auditors annually.
5. Review the nature and extent of non-audit services performed by the auditors.
6. Meet with external auditors and internal auditors, without the presence of management, at least annually.
7. Make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor.
8. Review the effectiveness of the Company's internal audit function.
9. Ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, at least annually.
10. Review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.
11. Review interested person transactions.
12. Investigate any matters within the Audit Committee's purview, whenever it deems necessary.
13. Report to the Board on material matters, findings and recommendations.
14. Perform such other functions as the Board may determine.

15. Sub-delegate any of its powers within its terms of reference as listed above from time to time as this Committee may deem fit.

C. Board Risk Committee

1. Review and guide the Group in formulating its risk policies.
2. Discuss risk mitigation strategies with management.
3. Examine the effectiveness of the Group's risk management system to ensure that a robust risk management system is maintained.
4. Review and guide in establishing a process to effectively identify, evaluate and manage significant risks.
5. Review risk limits where applicable.
6. Review the Group's risk profile periodically.
7. Provide a forum for discussion on risk issues.
8. Report to the Board on material matters, findings and recommendations.
9. Perform such other functions as the Board may determine.
10. Sub-delegate any of its powers within its terms of reference as listed above from time to time as this Committee may deem fit.

D. Nominating Committee

1. Recommend to the Board the appointment/re-appointment of directors.
2. Annual review of skills required by the Board, and the size of the Board.
3. Annual review of independence of each director, and to ensure that the Board comprises at least one-third independent directors.
4. Decide where a director has multiple board representation, whether the director is able to and has been adequately carrying out his duties as director of the Company.
5. Decide how the Board's performance may be evaluated, and propose objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each director.
6. Annual assessment of the effectiveness of the Board as a whole and individual directors.
7. Review succession and leadership development plans.
8. Sub-delegate any of its powers within its terms of reference as listed above, from time to time, as this Committee may deem fit.

E. Remuneration Committee

1. Recommend to the Board a framework of remuneration for Board members and key executives, and the specific remuneration packages for each director and the Chief Executive Officer (if the Chief Executive Officer is not an Executive Director).
2. Decide the early termination compensation (if any) of directors.
3. Consider whether directors should be eligible for benefits under long-term incentive schemes (including weighing the use of share schemes against the other types of long-term incentive scheme).
4. Review the terms, conditions and remuneration of the senior management.
5. Administer the Company's employee share option scheme (the "KCL Share Option Scheme") in accordance with the rules of the scheme.
6. Grant share options under the KCL Share Option Scheme as this Committee may deem fit.
7. Sub-delegate any of its powers within its terms of reference as listed above, from time to time, as this Committee may deem fit.

Save that a member of this Committee shall not be involved in the deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him.

F. Board Safety Committee

1. Review and examine the effectiveness of the Keppel Group companies' safety management system, including training and monitoring systems, to ensure that a robust safety management system is maintained.
2. Review and examine the Keppel Group companies' safety procedures against industry best practices, and monitor its implementation.
3. Provide a discussion forum on developments and best practices in safety standards and practices, and the feasibility of implementing such developments and best practices.
4. Assist in enhancing safety awareness and culture within the Keppel Group.
5. Ensure that the safety functions in Keppel Group Companies are adequately resourced (in terms of number, qualification, and budget) and has appropriate standing within the organisation.
6. Consider management's proposals on safety-related matters.
7. Carry out such investigations into safety-related matters as the Committee deems fit.
8. Report to the Board on material matters, findings and recommendations.
9. Perform such other functions as the Board may determine.
10. Sub-delegate any of its powers within its terms of reference as listed above from time to time as the Committee may deem fit.

NATURE OF CURRENT DIRECTORS' APPOINTMENTS AND MEMBERSHIP ON BOARD COMMITTEES

		Committee Membership					
Director	Board Membership	Audit	Executive	Nominating	Remuneration	Risk	Safety
Lim Chee Onn	Executive Chairman	–	Chairman	–	–	–	Member
Tony Chew Leong-Chee	Lead Independent Director	Member	Member	–	–	–	–
Lim Hock San	Independent	Chairman	Member	–	–	Member	–
Sven Bang Ullring	Independent	–	–	Chairman	Chairman	–	Member
Tsao Yuan Mrs Lee Soo Ann	Independent	–	–	Member	Member	–	Member
Leong Chun Ying[1]	Independent	–	–	–	Member	–	–
Oon Kum Loon	Independent	Member	Member	Member	–	Chairman	–
Tow Heng Tan	Non-Independent & Non-Executive	–	Member	–	Member	Member	–
Yeo Wee Kiong	Independent	–	–	–	–	Member	Chairman
Choo Chiau Beng	Executive Director	–	Member	–	–	–	–
Teo Soon Hoe	Executive Director & Group Finance Director	–	Member	–	–	–	–

Note
[1] Mr Leung Chun Ying resigned as Director from 1 October 2007.

PROCESS FOR SELECTING NEW DIRECTORS

EVALUATION PROCESSES

Board

Each Board member is required to complete a Board Evaluation Questionnaire and send the Questionnaire direct to the Independent Co-ordinator ("IC") within five working days. An "Explanatory Note'" is attached to the Questionnaire to clarify the background, rationale and objectives of the various performance criteria used in the Board Evaluation Questionnaire with the aim of achieving consistency in the understanding and interpretation of the questions. Based on the returns from each of the directors, the Independent Co-ordinator prepares a consolidated report and briefs the Chairman of the Nominating Committee ("NC") on the report. Thereafter, the IC presents the report for discussion at a meeting of the non-executive directors ("NEDs"), chaired by the Lead Independent Director. Following the NED meeting, the IC will, together with the Chairman of the NC, brief the Chairman of the Board on the report and the recommendations of the NEDs. The IC will thereafter present the report to the Board together with the recommendations of the NEDs for discussion on the changes which should be made to help the Board discharge its duties more effectively.

Individual Directors

The Board differentiates the assessment of an Executive Director from that of a non-executive director ("NED").

In the case of the assessment of the individual Executive Director, each NED is required to complete the Executive Director's assessment form and send the form directly to the IC within five working days. It is emphasised that the purpose of the assessment is to assess each of the Executive Directors on their respective performance on the Board (as opposed to their respective executive performance). The Executive Directors are not required to perform a self, nor a peer, assessment. Based on the returns from each of the NEDs, the IC prepares a consolidated report and briefs the Chairman of the Nominating Committee ("NC") on the report. Thereafter, the IC presents the report for discussion at a meeting of the non-executive directors ("NEDs"), chaired by the Lead Independent Director. Following the NED meeting, the IC will, together with the Chairman of the NC, brief the Chairman of the Board on the report and the recommendations of the

NEDs. The IC will thereafter present the report to the Board together with the recommendations of the NEDs. The Chairman of the NC will thereafter meet with the Executive Directors individually to provide the necessary feedback on their respective Board performance with a view to improving their Board performance and shareholder value.

As for the assessment of the performance of the NEDs, each director (both NEDs and Executive Directors) is required to complete the NED's assessment form and send the form directly to the IC within five working days. Each NED is also required to perform a self-assessment in addition to a peer assessment. Based on the returns, the IC prepares a consolidated report and briefs the Chairman of the NC on the report. Thereafter, the IC presents the report for discussion at a meeting of the NEDs, chaired by the Lead Independent Director. Following the NED meeting, the IC will, together with the Chairman of the NC, brief the Chairman of the Board on the report and the recommendations of the NEDs. The IC will thereafter present the report to the Board together with the recommendations of the NEDs. The Chairman of the NC will thereafter meet with the NEDs individually to provide the necessary feedback on their respective board performance with a view to improving their Board performance and shareholder value.

Chairman

The Chairman Evaluation Form is completed by each NED and sent directly to the IC within five working days. Based on the returns, the IC prepares a consolidated report and briefs the Chairman of the NC on the report. Thereafter, the IC presents the report for discussion at a meeting of the NEDs, chaired by the Lead Independent Director. Following the NED meeting, the IC will, together with the Chairman of the NC, brief the Chairman of the Board on the report and the recommendations of the NEDs. The IC will thereafter present the report to the Board together with the recommendations of the NEDs.

PERFORMANCE CRITERIA

The performance criteria for the Board evaluation are in respect of the Board size and composition, Board independence, Board processes, Board information and accountability, Board performance in relation to discharging its principal functions, Board committee performance in relation to discharging their responsibilities set out in their respective terms of reference, and financial targets which includes return on capital employed, return on equity, debt/equity ratio, dividend pay-out ratio, economic value added, earnings per share, and total shareholder return (i.e. dividend plus share price increase over the year).

The individual director's performance criteria are categorised into 5 segments; namely, (1) interactive skills (under which factors as to whether the director works well with other directors, and participates actively are taken into account); (2) knowledge (under which factors as to the director's industry and business knowledge, functional expertise, whether he provides valuable inputs, his ability to analyse, communicate and contribute to the productivity of meetings, and his understanding of finance and accounts are taken into consideration; (3) director's duties (under which factors as to the director's board committee work contribution, whether the director takes his role of director seriously and works to further improve his own performance, whether he listens and discusses objectively and exercises independent judgment, and meeting preparation are taken into consideration); (4) availability (under which the director's attendance at Board and Board committee meetings, whether he is available when needed, and his informal contribution via e-mail, telephone, written notes etc are considered, and (5) overall contribution, bearing in mind that each director was appointed for his/her strength in certain areas which taken together provides the Board with the required mix of skills and competencies.

The assessment of the Chairman of the Board is based on his ability to lead, whether he established proper procedures to ensure the effective functioning of the Board, whether he ensured that the time devoted to Board meetings were appropriate (in terms of number of meetings held a year and duration of each Board meeting) for effective discussion and decision-making by the Board, whether he ensured that information provided to the Board was adequate (in terms of adequacy and timeliness) for the Board to make informed and considered decisions, whether he guides discussions effectively so that there is timely resolution of issues, whether he ensured that meetings are conducted in a manner that facilitates open communication and meaningful participation, and whether he ensured that Board committees are formed where appropriate, with clear terms of reference, to assist the Board in the discharge of its duties and responsibilities.

We are committed to engage and further strengthen relationships with our stakeholders.

	2000	2001	2002	2003	2004	2005	2006	2007
Total Shareholder Return (TSR) (%)								
Keppel Corporation	(18.2)	2.0	37.6	75.2	48.7	32.5	65.3	51.7
Straits Times Index	(20.0)	(13.4)	(14.5)	38.3	21.6	19.3	32.4	21.0

Investors and analysts gain better insights into the offshore and marine operations through yard visits.

PROACTIVE COMMUNICATION

Clear, consistent and regular communication is a hallmark of Keppel Corporation's relationship with investors and analysts worldwide.

Our Investor Relations is guided by the principle of achieving best practices in corporate governance and disclosure. Led by the management, our dedicated Investor Relations team and heads of business units meet institutional investors and analysts throughout the year.

The increased level of interest in the progress and prospects of the Company has generated a higher level of investor-related activities in 2007. We held 143 face-to-face investor meetings in Singapore alone.

Through non-deal roadshows to the US, UK, Europe, Japan and Hong Kong, our senior management continued to maintain relationships with our loyal shareholders and sustain the huge interest among overseas fund managers.

We extended our outreach with meetings in the Middle East in 2007.

Such one-on-one meetings allow us to give investors insights into the Group's key developments, strategic directions and plans for sustainable earnings growth.

To aid in the better understanding of our business units and operations, we facilitated meetings with management of key subsidiaries which included tours of the facilities. Investors from the UK, Scandinavia, US and the Asian region visited our shipyards for insights into our rigbuilding operations and facilities.

Since the inauguration of the Keppel Seghers Ulu Pandan NEWater Plant in March 2007, a number of fund managers have toured the water reuse facility, familiarising themselves with the technologies of the plant.

During the year, we continued to invite investors and analysts to major corporate functions, ranging from vessel-naming ceremonies to arts and charity events sponsored by the Group. Such events were excellent platforms for the investing community to interact with the senior executives of our business units.

Our management and Investor Relations team also engaged overseas funds through conference calls, enabling us to clarify issues and provide updates on our businesses.

In August 2007, we participated in a major oil and offshore conference, the 14th Annual Oil & Offshore Conference, held by Pareto Securities in Norway. Senior Executive Director Choo Chiau Beng, who is also the Chairman/CEO of Keppel Offshore & Marine, shared his thoughts on the rigbuilding business at the conference, attended by over 1,400 personnel from the global financial community and leading oil and gas related companies.

To reach more stakeholders in a timely and effective manner, we continued our 'live' webcasts of our quarterly results presentations on our performance and business outlook. These webcasts allow viewers from around the globe to post questions through the Internet for management to respond to in real time.

Keppel Seghers Ulu Pandan NEWater Plant receives its first visit from institutional fund managers.

As Keppel continues to build sustainable businesses, we are committed to keeping our communication channels accessible and timely so as to serve the interests of the investing community well.

News releases are promptly posted on our website, *www.kepcorp.com*, at the end or beginning of each market day, in addition to the Singapore Exchange website. Duty officers are readily accessible to take queries.

SHAREHOLDER ENDORSEMENT

At the last Annual General Meeting, shareholders gave approval to the proposal by Keppel's management for the subdivision of each Keppel Corporation Share into two. The Share began trading on the ex-date at $10.80 and reached an all-time high of $15.30 on 8 October 2007.

Despite the overall stock market decline as a result of uncertainties arising from the US sub-prime fallout, Keppel Corporation's share price closed at a creditable $13.00 per share at the end of the year. This represents a share price gain of 48% over 2006's, outpacing the improvement of 17% recorded by the Straits Times Index (STI) for 2007.

Keppel Corporation's Total Shareholder Return (TSR) of 52% in 2007 was higher than the STI's TSR of 21%, its eighth straight year of outperforming STI's TSR.

RECOGNITION

Our proactive investor relations approach and commitment to corporate transparency was recognised by the investing community and regulatory bodies.

During the year, Keppel was ranked the best in Investor Relations at the Singapore Corporate Awards, clinching a Gold Award. We won the esteemed Golden Circle Award for being the best in transparency across all categories and overall winner in the Most Transparent Company category for multi-industry/ conglomerate companies at the eighth SIAS Investors' Choice Awards.

Executive Chairman Lim Chee Onn was honoured with the Best Investor Relations by a CEO Award at the IR Magazine South East Asia Awards while Keppel received commendation for its efforts in investor relations.

We were ranked second for excellence in financial information disclosures by The Business Times Corporate Transparency Index (October 2007).

Keppel is lauded for achievements in business excellence.

CORPORATE GOVERNANCE AND TRANSPARENCY

Singapore Corporate Awards

Keppel Corporation

- Gold Award, Best Managed Board
- Gold Award, Best Investor Relations
- Gold Award, Best Annual Report – all awards won are in the category for listed firms with more than $500 million market capitalisation

Securities Investors Association of Singapore 8th Investors' Choice Awards

Keppel Corporation

- Golden Circle Award, for being the best in transparency across all categories
- Winner, Most Transparent Company Award (Multi-Industry/Conglomerate)
- Winner, Singapore Corporate Governance Award

Keppel took triple honours at the Singapore Corporate Awards 2007. From left, Group Finance Director Teo Soon Hoe, Executive Chairman Lim Chee Onn and Group Corporate Communications General Manager Wang Look Fung.

Keppel O&M's senior management receives the inaugural Offshore & Marine Engineering Award 2007.

Keppel Land

- Runner-up, Most Transparent Company Award (Property)

Singapore Petroleum Company (SPC)

- Third, Singapore Corporate Governance Award
- Runner-up, Most Transparent Company Award (Non-Electronics Manufacturing)

Business Times Corporate Transparency Index (Oct 2007)

Keppel Corporation, Keppel Land and Keppel T&T were ranked second, fourth and sixth respectively out of 672 Singapore-listed companies for excellence in financial information disclosures.

IR Magazine South East Asia Awards

Keppel Corporation

- Best Investor Relations by a CEO Award
- Commendation for the Best Overall Investor Relations, Best Corporate Governance and Best Investor Relations Website categories

BUSINESS EXCELLENCE

- Keppel Corporation was classed a "global superstar" in the conglomerate category in the Forbes' Global 2000 ranking in March 2007
- Keppel Corporation, Keppel Offshore & Marine (Keppel O&M) and Keppel FELS were ranked sixth, seventh and sixteenth respectively in the Singapore International 100 Ranking, based on 2006 overseas revenue
- Keppel O&M was conferred the Offshore & Marine Engineering Award 2007 for its distinguished contributions to the industry at the Singapore International Maritime Awards
- Keppel O&M was elected to the Offshore Energy Center's Hall of Fame as a Technology Pioneer in the Construction – Rig Building Shipyards category
- SPC won the Energy Company of the Year Award at the Energy Business Awards, Asia
- Keppel Shipyard secured Lloyd's List Maritime Asia Award for being the best shiprepair yard in Asia
- Keppel Logistics was bestowed the Best Retail Logistics Service Provider Award (Singapore) in the Frost & Sullivan's 2007 ASEAN Logistics

Keppel Land garnered recognition for its projects as follows:

Spring City Golf & Lake Resort, Kunming, China

Ranked by Business Initiative Directions of Spain

- Gold Winner, International Star Award for Quality

Ranked by Asian Golf Monthly

- Winner, Best Course in Asia
- Winner, Best Course in China

Ranked by China Golf Digest

- No. 1 Golf Course in China

Ria Bintan Golf Club, Bintan, Indonesia

Ranked by Asian Golf Monthly

- Winner, Best Course in Indonesia
- Runner-up, Best Course in Asia

Marina Bay Residences, Singapore

Awarded by Singapore's Building and Construction Authority

- Green Mark Award

CORPORATE CITIZENSHIP

Keppel Corporation was presented with Singapore's highest recognition for arts sponsorship – the Patron of the Arts Award, while SPC received the Associate of the Arts Award.

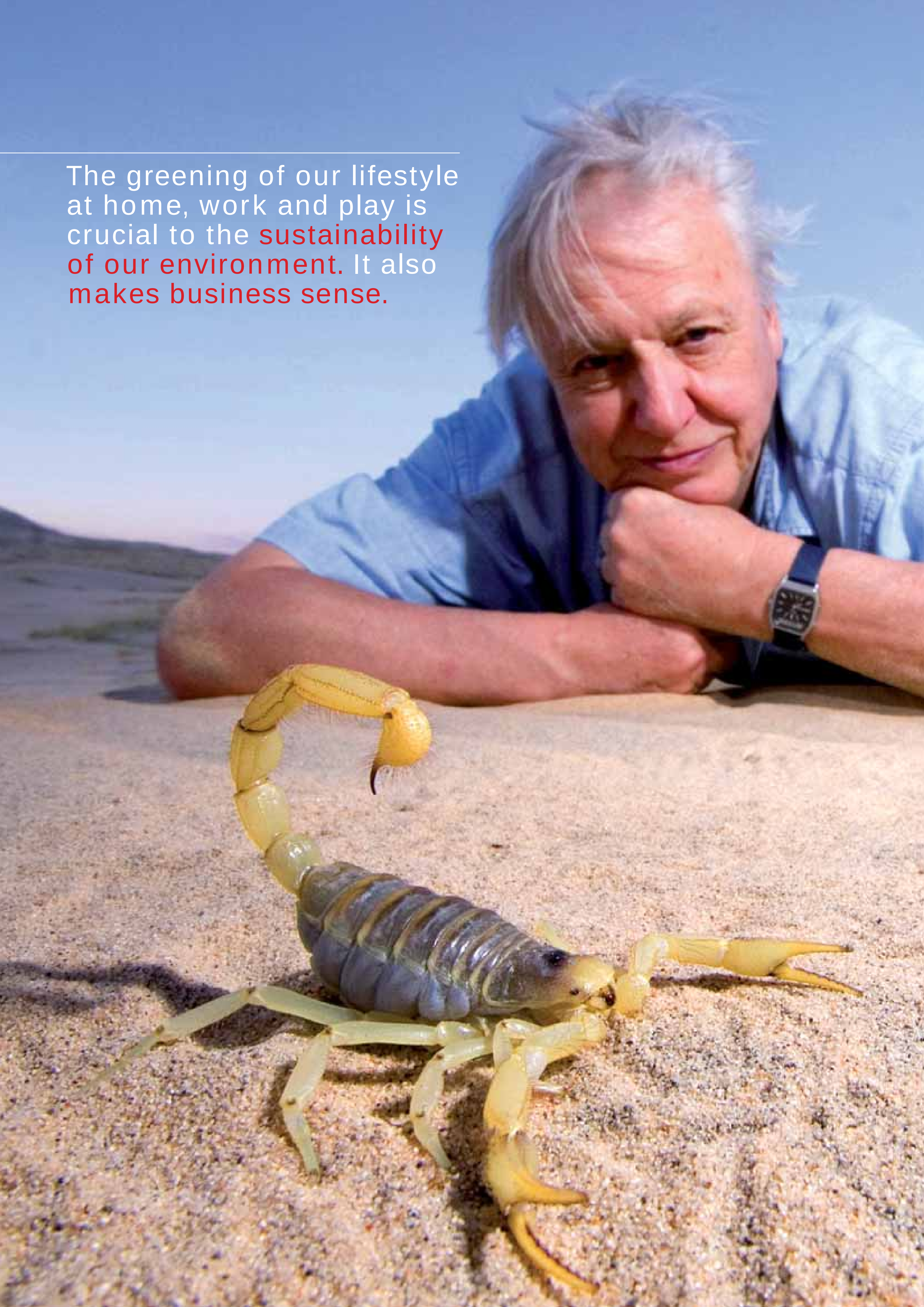
Keppel Singmarine won the SHARE Platinum Award and the 5-Year Outstanding SHARE Award in recognition of its patronage of the Community Chest SHARE Programme. Keppel FELS received the SHARE Achiever Award and the SHARE Corporate Gold Award for matching its employees' contributions while Keppel Shipyard and Keppel Logistics both won the SHARE Gold Award.

SAFETY

National Workplace Safety and Health Campaign

Keppel O&M

- Outstanding Contribution Award for garnering the most pledges to its industry's workplace safety and health



The greening of our lifestyle at home, work and play is crucial to the sustainability of our environment. It also makes business sense.

Promoting a Green Culture

Every effort counts when it comes to protecting our planet for future generations.

Global warming, pollution and loss of biodiversity have been attributed to an increase in human activities and negligent acts, causing harm to the environment.

The report issued in February 2007 by the United Nations Intergovernmental Panel on Climate Change attests to this. It stated, "Warming of the climate system is unequivocal", and highlighted that human activities have played a significant part in overloading the atmosphere with carbon dioxide.

These and many other environmental issues now top global agendas as people become more aware of the effects of global warming and its impact on their lives and on those of future generations.

Keppel is committed to pursue green strategies and processes in our businesses and encourage our people to adopt a green lifestyle.

GREEN PRACTICES AT WORK

More than supporting the green movement, the Keppel Group has been implementing green strategies and practices in our business operations.

In developing property, we take great care to improve the quality of life while minimising the ecological impact.

Keppel Land's developments *The Tresor* and *Marina Bay Residences* were conferred the Green Mark Gold Awards by the Singapore Building and Construction Authority for environment-friendly building practices and innovative green features.

Keppel was the presenting sponsor of the telecast of documentary *Life in the Undergrowth* on MediaCorp Arts Central.

"Green practices are the new business imperative. We must set a clear direction, such as an environmental framework, to guide the Group in taking strategic strides to play our part in protecting the environment and growing our businesses."

MR LIM CHEE ONN
EXECUTIVE CHAIRMAN,
KEPPEL CORPORATION

Keppel Land is also redeveloping a new Grade A office building known as *Ocean Financial Centre* on the site of the former *Ocean Building*. It will be state-of-the-art in green and environment-friendly qualities featuring the largest solar panel system and the first hybrid chilled water system in Singapore.

Keppel Land plans to introduce green building technologies for all its new property development designs and rigorously conduct energy audits on current buildings to better manage them in a cost and energy-efficient way. It also aims to obtain ISO 14001 Environment Management System (EMS) certification for its commercial and residential operations by end 2008.

Keppel Integrated Engineering (KIE), whose main business is environmental engineering, is focusing its research and development on energy-efficient recycling technologies for solid waste and wastewater. It is committed to reduce its carbon footprint and improve energy and process efficiency through value engineering.

A significant milestone achieved in 2007 was the adoption of a green blueprint for its businesses. This was followed up with workshops to seek employee feedback and promote ownership of the plan. Amidst its support of various community sustainability projects such as the 'Bring Your Own Bag Day', the company also held the inaugural KIE Health, Safety and Environment (HSE) Convention in October 2007 for employees and partners.

1

During the year, its Environmental Division, Keppel Seghers Engineering Singapore, achieved certification for ISO 14001 EMS.

In 2008, as KIE presses on to cultivate an eco-mindset in its employees, it is also rolling out green initiatives for its overseas operations. Another initiative would be implementing a 'preference for eco-compliant vendor/supplier' during tender evaluation.

A concept plan to irrigate and transform the surrounding area of the Doha North Sewage Treatment Works Plant into an EcoPark was unveiled during the Foundation Stone Unveiling Ceremony in January 2008. The proposed EcoPark, if approved, is expected to be the first-of-its-kind to provide a green space for the local community to learn, work and play.

Keppel Offshore & Marine (Keppel O&M), led by Keppel FELS, has been conducting its steel blasting in chambers since 1997. Keppel FELS

1. Keppel dove in to launch Singapore's first coral nursery.
2. Personnel of Keppel Batangas Shipyard soiled their hands for the 'Tree for Life Project' under the Green Philippines Programme.

and Keppel Shipyard have long been certified with Occupational Health and Safety Assessment Series (OHSAS) 18001 and ISO 14000 EMS respectively. Keppel FELS Brasil has attained both certifications.

Keppel Shipyard took a step farther to set up an Environmental Task Force in June 2007 dedicated to monitor environmental issues. In the US, Keppel AmFELS has conformed to Texas State Air Quality Permit and Federal Operating Permit requirements.

SPC's co-owned Singapore Refining Company initiated a project to increase production of ultra low sulphur diesel or 'clean fuels' of Euro-IV standard by 2009. SPC's Jalan Buroh station offers the cleaner Compressed Natural Gas (CNG) to motorists with cars that can use CNG. Currently, there are about 500 CNG cars on Singapore roads, and the number is expected to grow with increasing environmental awareness.

FRAMEWORK FOR A GREEN CULTURE

To further consolidate and align the Group's myriad of green initiatives and provide a clear strategic direction, Keppel Corporation is planning to set up an Environmental Steering Committee (ESC) aimed at developing a Group-wide Environment Masterplan. Members of the ESC are expected to comprise managing directors and chief executive officers of the business units as well as Group Corporate Communications and Group Human Resources.

The Environment Masterplan would set out the Group's green vision, policies, directions and framework for the next five to 10 years. The framework would outline how Keppel could create a sustainable business culture through corporate environmental governance and practices, efficient use of energy, conservation of resources, identification of new business opportunities in environmental technologies and involvement of employees in environment-protection activities.

The framework would also chart areas such as partnerships with government agencies, Non-Government Organisations (NGOs), vendors and suppliers through sponsorship and participation in environment-protection projects and educational programmes. Environmental compliance certification of the Group's businesses is yet another aspect.

A working group led by KIE and Environmental Champions from the various business units has been set up. These Environmental Champions would form taskforces to support the units' CEOs to educate, promote and implement green programmes at the business unit level.

Towards primarily educating and raising awareness of environmental sustainability, Keppel also supported several key green initiatives in 2007.

Keppel's green message reached out to the heartlands, distributing 100,000 reusable bags in support of NEA's 'Bring Your Own Bag Day'.

CARING FOR THE ENVIRONMENT

On 6 June 2007, we became the first private organisation to support the National Environment Agency's (NEA) 'Bring Your Own Bag Day' by partnering NTUC FairPrice to give out 100,000 reusable bags at its supermarkets. Over a hundred Keppelites volunteered as Green Ambassadors at various NTUC FairPrice outlets to encourage shoppers to use the reusable bags for their shopping. Within the Group, reusable bags were distributed and the message was reinforced.

In doing our part to preserve our environment, Keppel launched the first Coral Nursery Project in Singapore at a site off Pulau Semakau on 30 July 2007 together with the National University of Singapore (NUS), National Parks Board and NEA. Ms Grace Fu, Minister of State for National Development officiated at the launch of the coral nursery.

This is Singapore's first corporate-sponsored marine environmental initiative, the first of its kind in the region and part of a national effort to conserve the coral cover in Singapore. Keppel is sponsoring $250,000 over two years towards the project.

Keppelites with diving experiences participated as Volunteer Divers under the auspices of Keppel Volunteers (KV), an employee-driven Corporate Social Responsibility group. The Volunteer Divers will support the efforts to nurture and re-grow the coral fragments. Together with the NUS, they will help monitor the progress of the coral nursery. Volunteer Divers have begun deploying nursery tables into the sea and conducting monthly cleaning and brushing of tables to remove fouling organisms.

Another programme that Keppel sponsored was the Corporate Environmental Outreach (CEO) Run held on 17 November 2007 at Pulau Semakau. Organised by NEA, Keppel sponsored $70,000 and participated with several corporations in the inaugural run event. Funds raised were channelled to six local environmental NGOs.

Keppel was the first private organisation to buy 500 tote bags from the Tanglin-Cairnhill Citizens Consultancy Committee under the 'Make Your Own Bag' project to help low-income families. The materials were recycled from old PVC event banners.

At the B4E Global Business Summit for the Environment held in April 2007, Keppel participated as a supporting sponsor. Hosted by the United Nations Environment Programme and The Global Compact, this was Asia's first major international conference for corporations, governments and NGOs to discuss initiatives to create a greener future.

Keppel was the exclusive sponsor for the telecast of *Life in the Undergrowth*, a highly acclaimed five-part documentary series produced by the BBC, and presented by world-renowned David Attenborough. The series, which took two years to produce, explores

1

2

the spectacular micro universe of invertebrates and covers the forests across the Amazon to Costa Rica, Australia, Malaysia, Hungary and Switzerland.

Keppel Corporation is a Founding Sponsor of the Singapore International Water Week (SIWW) for two years. The SIWW is a five-day international event to be held from 23 to 27 June 2008. Government, industry representatives and specialists would meet to discuss the theme 'Sustainable Water Solutions for Cities'.

On World Environment Day, Keppel Land held a series of green initiatives and events to raise awareness of environment and energy conservation for staff and tenants. Employees were also given reusable bags and urged to use less plastic bags. A 'Green Living' exhibition was held to emphasise the importance of going green.

SPC participated in MediaCorp's six-part documentary series, *Saving Gaia*, which premiered on Channel NewsAsia on 23 July 2007. This series examined the ways in which Asian countries are addressing issues on global warming and climate change.

Keppel Shipyard participated in NEA's Annual Clean & Green Week Schools Carnival. It hosted students from Chung Cheng High School (Main) on a tour to showcase the green initiatives at the yard. This is the fourth year that Keppel Shipyard is supporting the school's green education for its students.

Keppel Batangas Shipyard and Keppel Cebu Shipyard contributed to the 'Tree for Life Project' under the Green Philippines Programme initiated by the Department of Environment and Natural Resources (DENR). The project was aimed at planting 20 million trees all over the archipelago from July to November 2007. Keppel Batangas gave 1,400 seedlings of various fruit and non-fruit bearing trees to DENR while Keppel Cebu planted 100 seedlings inside its shipyard compound.

The two yards also participated in the 22nd Annual International Coastal Cleanup on 15 September 2007. Yard volunteers picked up trash along the coastlines of Batangas and Cebu to help preserve the local marine life.

1. The Keppel Group contributed to the fund in aid of environmental NGOs.
2. Keppel was the first private organisation to buy 500 tote bags recycled from old PVC event banners.

Sino-Singapore Tianjin Eco-City

The project is expected to strengthen the earnings platforms for Keppel's environmental engineering and real estate divisions.

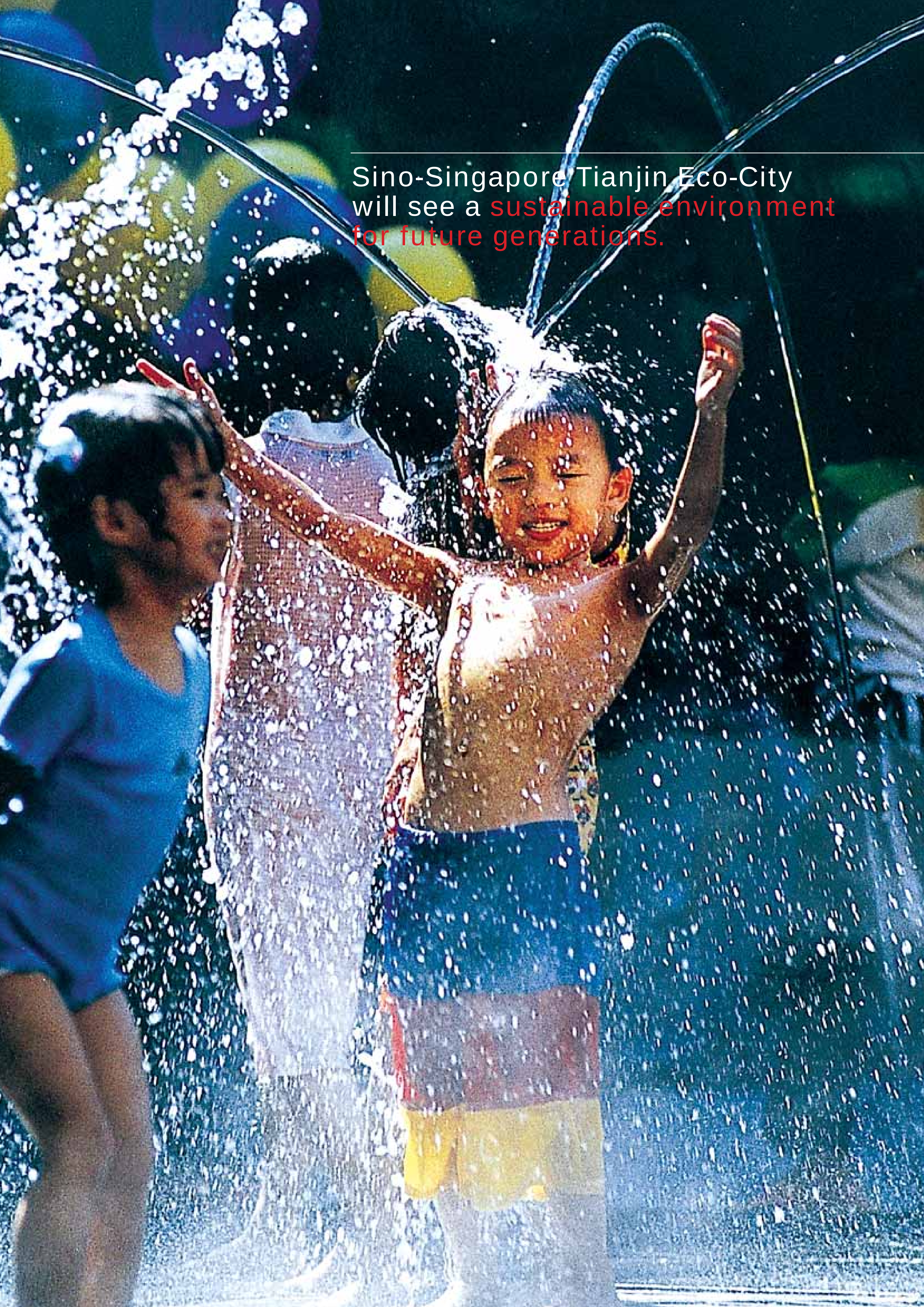
INCEPTING A LANDMARK PROJECT

In November 2007, China and Singapore signed a Framework Agreement to co-operate in developing an eco-city in Tianjin, China. The project was first mooted in April 2007 when Singapore's Senior Minister Goh Chok Tong, whilst on a state visit to China, proposed to the Chinese Premier Wen Jiabao a strategic collaboration to develop a city in China that will be a model for sustainable development.

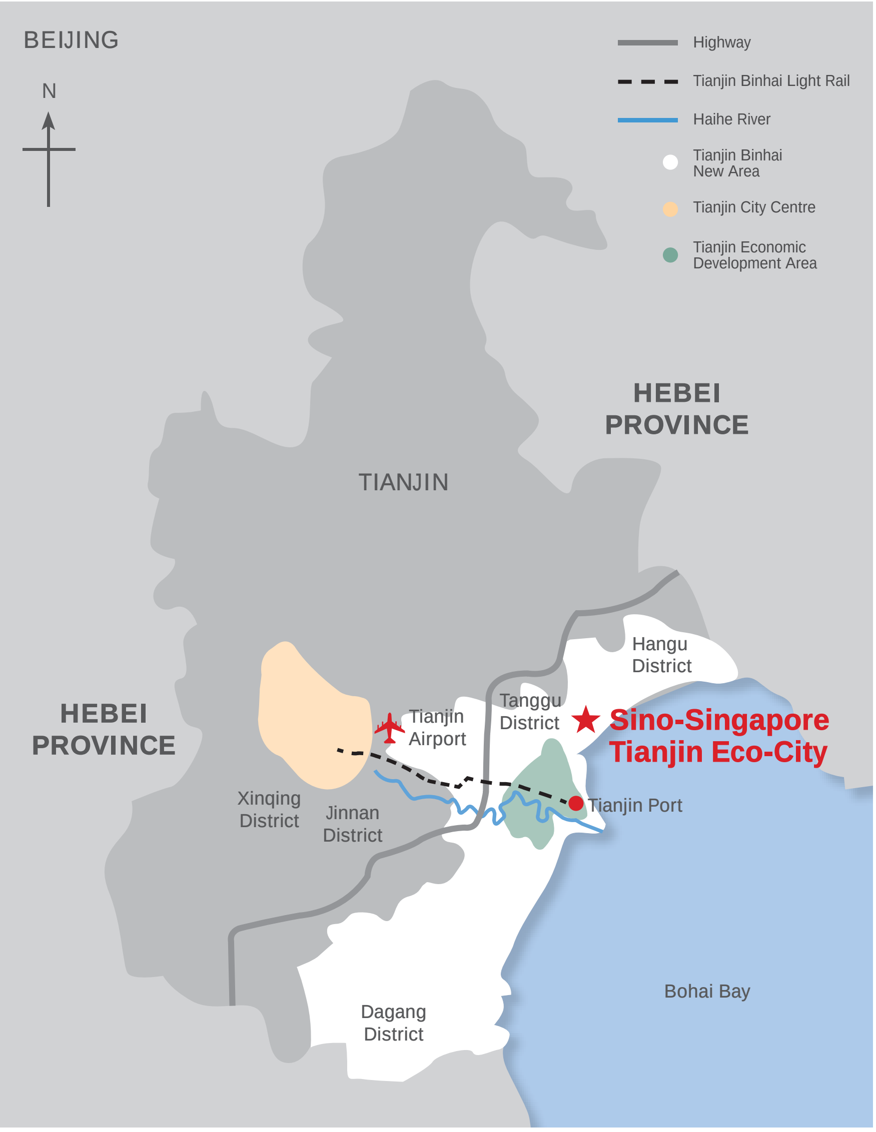
The proposal was timely as it complements the Chinese government's strategic efforts to shift China's rapid economic growth onto a more sustainable trajectory. Sino-Singapore Tianjin Eco-City (SSTEC), as it is to be called, will demonstrate the determination of both countries to tackle global climate changes, strengthen environmental protection and resource conservation, and build a harmonious society.

ESTABLISHING LEADERSHIP FOR THE SINGAPORE CONSORTIUM

The development will be jointly-owned and managed by a Singapore consortium and a Chinese consortium. The Keppel Group was asked by the Singapore government to lead the Singapore consortium. We are excited to be involved in this



Sino-Singapore Tianjin Eco-City
will see a sustainable environment
for future generations.



SSTEC is strategically located in the Tianjin Binhai New Area.

milestone project, which we believe will further strengthen our earnings platforms for our environmental engineering and real estate divisions. It presents a unique opportunity for the Group to participate in environment sustainability developments, in which we are already offering world-class and proven solutions in environmental engineering, and through which we can expand our operational footprint.

The development of SSTEC will require us to apply our full range of experience acquired during our participation in the Suzhou Industrial Park (SIP), China's model industrial park, over the past 15 years. We will also put to good use our experience in township development in China and Southeast Asia.

Keppel's role in SSTEC will further increase our already extensive presence in China, represented by all our businesses – Offshore & Marine, Oil & Gas, Property and Infrastructure. Keppel Land's projects in China cover over 30 million sf gross floor area and it applied its know-how and proven track record in large-scale township development to the region particularly in Vietnam and Indonesia.

LAYING THE GROUND IN THE TIANJIN BINHAI NEW AREA

As a *raison d'être* for its existence, SSTEC is required to be sited in a location that is non-agricultural and water scarce. The challenge is to transform such a greenfield site into a sustainable city that is an attraction for people to live, work and play. After several months of site reviews and intensive consultations, a site located in Tianjin Binhai New Area was chosen.

The 30 km^2 site which partly covers the Hangu and Tanggu districts in Tianjin was selected after careful consideration. The site possesses the best conditions that would facilitate a quick and successful take-off for the project.

HEIGHTENING PUBLIC AND PRIVATE SECTOR COLLABORATION

The project will be another Public-Private Partnership in which the Singapore government will share its "software"

The knowledge and experience of Keppel's senior executives in the Suzhou Industrial Park will be an asset in the development of SSTEC.

and extensive experience in sustainable urban development.

In particular, the Singapore government agencies will contribute its proven experience and know-how in large-scale urban design and master planning, environmental protection, resource conservation, recycling economy, ecological infrastructure development, use of renewable energy, reuse of wastewater, sustainable development and promotion of social harmony.

As a testament to the broad scope of expertise that SSTEC can tap upon, the participating Singapore ministries and agencies comprise a diverse team that includes the Ministry of National Development, the Ministry of the Environment and Water Resources, Urban Redevelopment Authority, Housing and Development Board, Land Transport Authority, Building and Construction Authority, National Parks Board, Public Utilities Board and others.

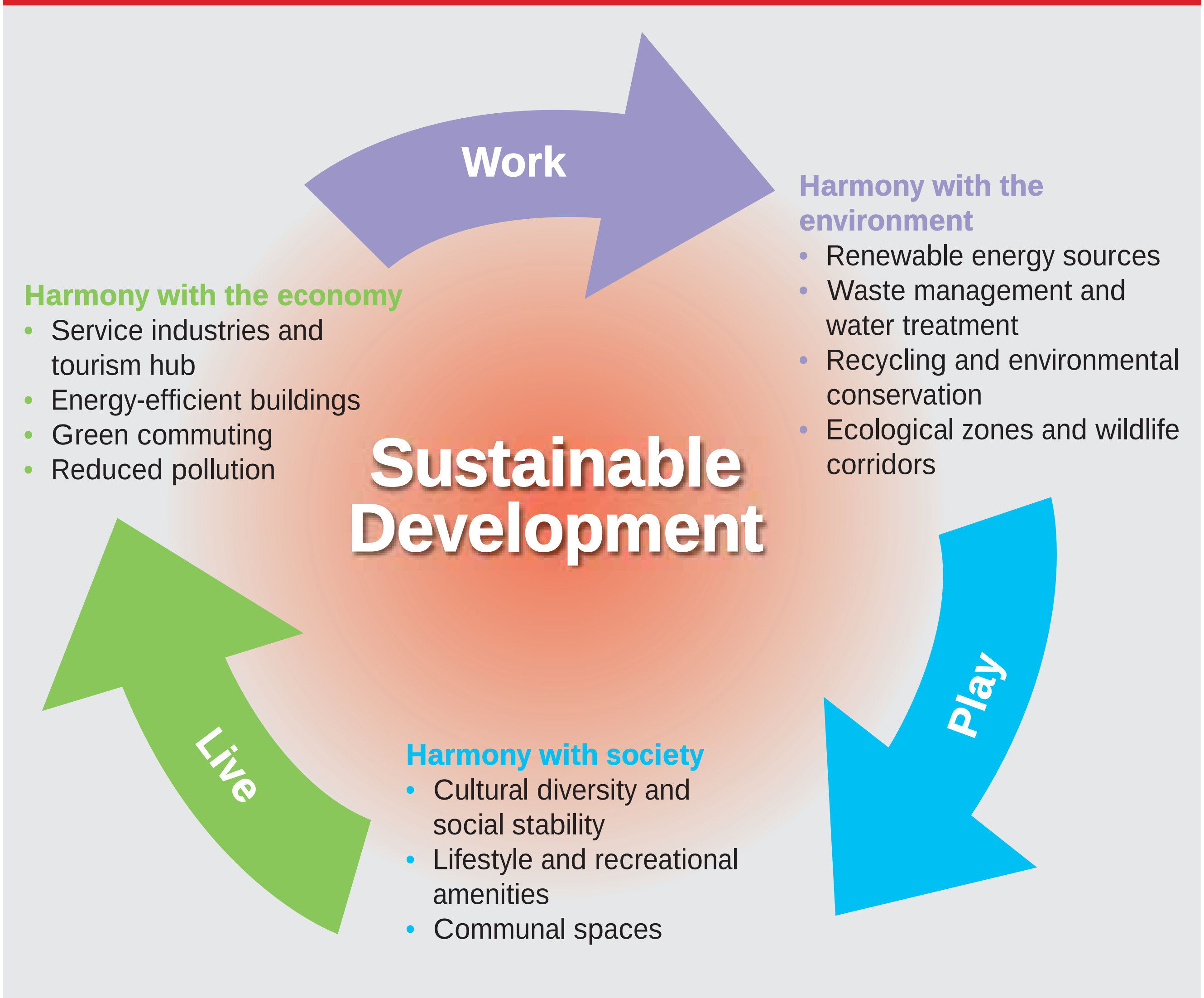
LEVERAGING TOP-LEVEL ENDORSEMENT AND SUPPORT

Whilst SSTEC will enjoy high-level support and endorsement from both governments, it is jointly undertaken on a commercial basis by the private sector through the Chinese and Singapore consortia.

An administrative structure has been set up to ensure that the project is accorded top priority and attention, and will facilitate execution and implementation by providing an expeditious platform to resolve complex issues common in projects of such scale.

Under the agreed framework for bilateral coordination, the implementation team will report to a Joint Working Committee (JWC) headed by Singapore's Minister

THREE HARMONIES OF THE SINO-SINGAPORE TIANJIN ECO-CITY



for National Development and China's Minister of Construction. The JWC will in turn report to the Joint Steering Committee co-chaired by Singapore's Deputy Prime Minister and China's Vice Premier.

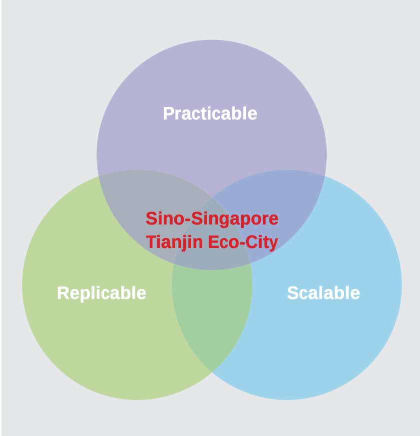
The first meeting of the JWC took place on 31 January 2008. An in-principle endorsement of the Key Performance Indicators (KPI) framework was achieved, setting the foundation for the planning and development of SSTEC.

PRACTISING SUSTAINABLE DEVELOPMENT

Sustainable development, as defined by the Brundtland Commission, is "development that meets the needs of the present without compromising the

SSTEC is expected to be a model for the development of other cities in China.

THREE ABILITIES OF SINO-SINGAPORE TIANJIN ECO-CITY



ability of future generations to meet their own needs".

SSTEC will play the role of a pilot city, serving as a sustainable development model to be replicated in other cities in China. As such, the concepts and technologies adopted have to fulfil the criteria of Practicability, Scalability and Replicability – collectively known as the Three Abilities.

Practicable, in the sense that the technologies introduced, even if they are cutting-edge, must be affordable and commercially viable. Replicable and Scalable in that the technologies introduced are applicable both in the localised context as well as on a larger scale to other cities and even countries.

The intent is to develop a practical, livable city, as opposed to a test-tube city that cannot be replicated or is too costly to build elsewhere. As an example, the thrust towards low carbon emission should necessarily be targeted sensibly and gradually over time. Work has commenced on the formulation of KPIs and related technical standards for SSTEC. It is envisaged that the long-term target is for at least 90% of the residents walking, using public transport or cycling when commuting within SSTEC.

Sustainable development traverses beyond a state of economic vibrancy that is in harmony with resource-efficiency, environmental protection and ecological conservation. It should be a city that is socially harmonious and stable. This goal underscores the other core tenet underpinning SSTEC – the Three Harmonies, i.e. Harmony with economic development, Harmony with the environment, and Harmony with society.

Building a strong social fabric with inclusive, close-knit communities that transcend economic and social disparities is much more difficult than creating a physical environment-friendly place. It requires complementary policies, community enablers such as associations and support groups, and the fostering of a strong community spirit.

Whilst no one may claim to possess the "right" template, our shared roots and common cultural heritage place us in good stead to add value. We believe that it is when the building blocks for the Three Harmonies are in place that a city becomes a truly sustainable place to live in for future generations.

RIDING ON TIANJIN'S GROWTH

In the 1980s and 1990s, China's central government focused its economic thrust in the Pearl River Delta and Yangtze River Delta. As a result, the regions around Shenzhen and Shanghai prospered, enjoying unfettered economic growth.

1. Green buildings will be a feature of SSTEC.
2. Light rail trains will be one of the main transportation.

As part of its national strategy to spread out prosperity across China, the next growth hub that the Chinese government wants to create is in the Northeast region, and the Bohai Rim has been officially designated the development zone to implement this strategy.

Tianjin is situated near the centre of the Bohai Rim, which has a sizeable population of 230 million. Bohai consists of five provinces and municipalities – Beijing, Tianjin, Hebei, Shandong and Liaoning; combined, they contribute about 25% of China's 2006 GDP.

As one of the four municipalities in China, Tianjin enjoys greater autonomy and comes under the direct supervision of the central government. It is a major manufacturing hub, and being one of China's principal deepwater ports, has historically been a key gateway into Northern China.

Beijing has earmarked the Tianjin Binhai New Area to catalyse growth for the northeast region in a manner that is consistent with holistic, sustainable principles.

As an example, the State Council's blueprint for the Binhai New Area, as set out in May 2006, envisioned it to be a place which is resource-efficient, environment-friendly, and promoting the all-round development of a harmonious society.

To fulfil the plan, the State Council formally designated Binhai as a pilot zone to experiment with "comprehensive supporting reforms" – this means Binhai has the autonomy to make creative changes to achieve Beijing's objectives, making it a most appropriate location to host the eco-city which is also a pioneering experimental project.

EMBARKING ON THE VISION

SSTEC is a high-profile project that complements the Chinese central government's strategic thrusts to promote sustainable development. When completed, it will be a showcase of how economic development, environmental protection and social harmony can be reconciled.

Master planning work has commenced and groundbreaking is scheduled for July 2008. We are in the process of inviting international parties to take a stake in the Singapore consortium, with Qatar Investment Authority recently signing a Memorandum Of Understanding (MOU) with Keppel Corporation to participate as an equity investor.

Much work lies ahead to achieve our vision of transforming a piece of non-arable and arid land into a thriving city that is socially harmonious, environment-friendly and resource-efficient, and one that will serve as a model for sustainable development, both in China and the world.


Signing the MOU for QIA to participate in SSTEC are Mr Hussein Ali Al-Abdullah, Board Member of QIA (second from left) and Mr Lim Chee Onn, Executive Chairman, Keppel Corporation (right), witnessed by HE Sheikh Yousef Hussein Kamal, Finance Minister of Qatar (left) and Senior Minister Goh Chok Tong (centre).


People will live, work and play in a green environment.

OPERATING & FINANCIAL REVIEW

The Keppel Group is in the Offshore & Marine, Property, Infrastructure and Investments businesses to deliver sustainable earnings growth. With total assets of about $15.8 billion, the Group is strategically invested in 34 countries with a global customer base.

Some of the key factors influencing our businesses are global and regional economic conditions, oil and gas exploration and production activities, real estate markets, threats, currency fluctuations, capital flows, interest rates, taxation and regulatory legislation. As the Group's operations consist of providing a range of products and services to a broad spectrum of customers in many geographic locations, no one factor, in the management's opinion, determines the Group's financial condition or the profitability of our operations.

In this chapter on the operating and financial review, we seek to provide a strategic, market and business overview of the Keppel Group's operations and financial performance.

This chapter describes the key activities of our businesses and their impact on our performance. It also discusses the challenges in our operating environment and our strategies in growing beyond.

This discussion and analysis is based on the Keppel Group's consolidated financial statements as at 31 December 2007.

CONTENTS

GROUP STRUCTURE

KEPPEL CORPORATION LIMITED

Offshore & Marine
- Offshore rig design, construction, repair and upgrading
- Ship conversions and repair
- Specialised shipbuilding

- Keppel Offshore & Marine Ltd 100%
  - Keppel FELS Ltd 100%
  - Keppel Shipyard Ltd 100%
  - Keppel Singmarine Pte Ltd 100%
  - Keppel Nantong Shipyard Company Limited *China* 100%
  - Offshore Technology Development Pte Ltd 100%
  - Deepwater Technology Group Pte Ltd 100%
  - Marine Technology Development Pte Ltd 100%
  - Keppel AmFELS Inc *USA* 100%
  - Keppel Verolme BV *The Netherlands* 100%
  - Keppel FELS Brasil SA *Brazil* 100%
  - Keppel Norway AS *Norway* 100%
  - Keppel Philippines Marine Inc *The Philippines* 93%
  - Caspian Shipyard Company Ltd *Azerbaijan* 45%
  - Arab Heavy Industries PJSC *UAE* 33%
  - Keppel Kazakhstan LLP *Kazakhstan* 50%

Property
- Property development
- Property fund management
- Property trusts

- Keppel Bay Pte Ltd 100% (70%; 30% held by Keppel Land Limited)
- Keppel Land Limited 53%
  - K-REIT Asia 73% (31%; 42% held by Keppel Land Limited)
  - Keppel Land International Limited 100%
  - K-REIT Asia Management Limited 100%
  - Alpha Investment Partners Ltd 100%
  - Evergro Properties Ltd Singapore/China 71%
  - Keppel Thai Properties Public Co Ltd *Thailand* 45%
  - Keppel Philippines Properties Inc *The Philippines* 80% (50%; 30%)

Infrastructure
- Environmental engineering
- Power generation
- Network engineering
- Logistics

Environmental Engineering
- Keppel Integrated Engineering Ltd 100%
  - Keppel Seghers Engineering Singapore Pte Ltd 100%
  - Keppel Seghers NEWater Development Co Pte Ltd 100%
  - Keppel Seghers Belgium NV *Belgium* 100%
  - Keppel FMO Pte Ltd 100%

Power Generation
- Keppel Energy Pte Ltd 100%
  - Keppel Merlimau Cogen Pte Ltd 100%
  - Keppel Electric Pte Ltd 100%
  - Keppel Gas Pte Ltd 100%

Logistics and Network Engineering
- Keppel Telecommunications & Transportation Ltd 80%
  - Keppel Logistics Pte Ltd 100%
  - Keppel Logistics (Foshan) Ltd *China* 70%
  - Trisilco Folec Sdn Bhd *Malaysia* 55%

Investments
- Oil and gas
- Investments
- Telco

- Singapore Petroleum Company Ltd 45%
- k1 Ventures Limited 36%
- MobileOne Ltd * 20%

* Owned by Keppel Telecommunications & Transportation Ltd, an 80%-owned subsidiary of the Company

Group Corporate Services
- Control & Accounts
- Corporate Communications
- Corporate & Strategic Development/Planning
- Human Resources
- Information Technology
- Legal
- Risk Management
- Audit
- Tax
- Treasury

The complete list of subsidiaries and significant associated companies is available on Keppel Corporation's website www.kepcorp.com

Key performance indicators of Keppel Corporation scaled new heights in 2007.

GROUP OPERATIONS

Revenue increased by 37% to $10.4 billion, surpassing $10 billion for the first time in the Group's history. PATMI crossed the billion-dollar mark to reach $1,026 million, an increase of 37% compared with $751 million in the previous year. The compounded annual growth rate for PATMI from 2002 to 2007 was 23%.

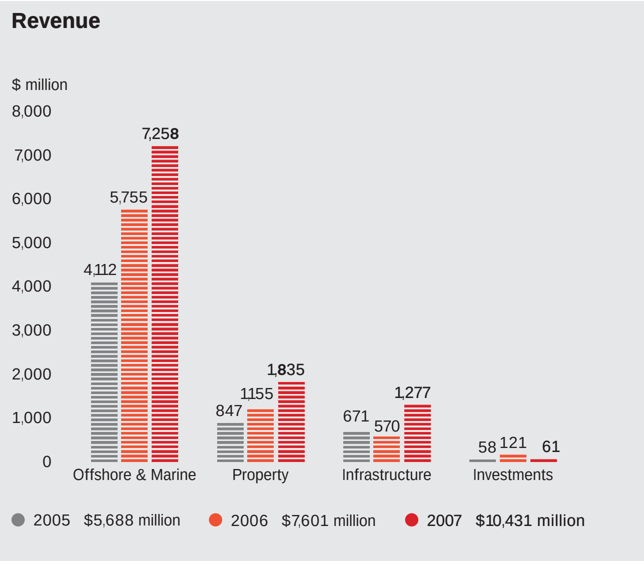
Attributable profit improved by 51% to $1,131 million. Exceptional gains of $105 million comprised principally net appreciation in the value of investment properties partially offset by provision for impairment of non-performing assets in Keppel Energy and the Brazilian operations.

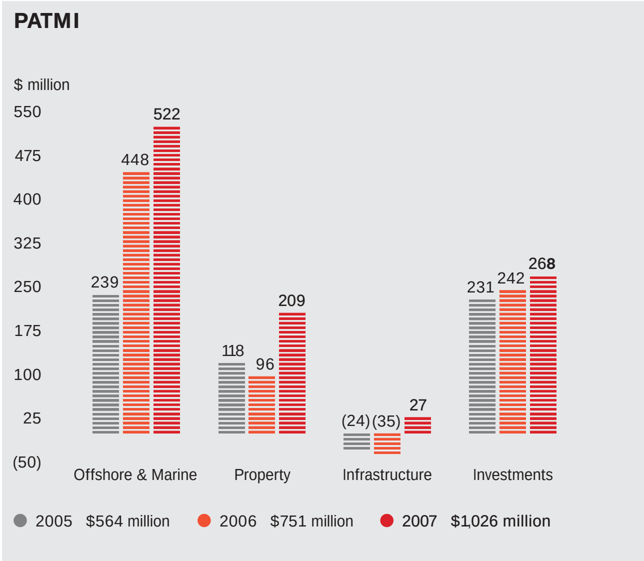
Earnings per share (EPS) of 64.9 cents were 17.2 cents above 2006 and 28.8 cents above 2005. EPS growth of 36% in 2006 and 32% in 2005 kept pace with PATMI growth. Return on Equity exceeded 20% to a new high of 21.8% and Economic Value Added of $604 million was $181 million above the previous year.

Operational cashflow before changes in working capital exceeded $1 billion. Working capital changes were also positive with progress payments received from contracts. The Group utilised half a billion dollars on investing activities, comprising largely further investments in *Marina Bay Financial Centre* and capital expenditure on the co-generation plant. As a result, free cashflow for the year amounted to $1.2 billion.

With the record performance, the Company proposed to reward shareholders with total distribution of 64 cents per share for 2007. This comprised a final dividend of 10 cents per share a special dividend of 45 cents per share and the interim dividend of 9 cents per share paid in August 2007. The total payout represents 98% of Group PATMI.

	2007 $ million	07v06 % +/(-)	2006 $ million	06v05 % +/(-)	2005 $ million
Group overview					
Revenue	10,431	+37	7,601	+34	5,688
Profit after Tax & Minority Interests (PATMI)	1,026	+37	751	+33	564
Exceptional items	105	n.m.	–	–	–
Attributable profit	1,131	+51	751	+33	564
Operating cashflow	1,697	-8	1,854	+19	1,559
Free cashflow	1,151	-22	1,480	+113	694
Economic Value Added (EVA)	604	+43	423	+113	199
Earnings per share (EPS)	64.9 cts	+36	47.7 cts	+32	36.1 cts
Return on Equity (ROE)	21.8%	+14	19.1%	+16	16.4%
Total distribution per share to shareholders	64.0 cts	+129	28.0 cts	+22	23.0 cts





SEGMENT OPERATIONS

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 sources of revenue from the co-generation power plant, NEWater Plant and Qatar domestic solid waste management project as well as the full year operation of power barges.

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, co-generation power plant, Keppel Seghers 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.

OPERATING & FINANCIAL REVIEW
OFFSHORE & MARINE

The Offshore & Marine Division aims to be the **choice provider** and **solutions partner** in its selected segments of the offshore and marine industry.

MAJOR DEVELOPMENTS IN 2007

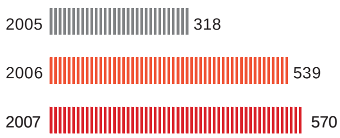
- Delivered 33 major projects on time
- Secured $7.4 billion of contracts with deliveries into 2011
- Launched R&D centre KOMtech with seed money of $150 million over five years
- Clinched landmark US$1.2 billion contract to build a floating production unit
- Made another breakthrough with contracts to build two units of proprietary KFELS N Class drilling-cum-production jackup rigs

FOCUS FOR 2008/2009

- Deliver value through excellent project management and execution
- Enhance R&D initiatives to strengthen group position as market leader in selected segments
- Strengthen presence in deepwater rigs, adjacent business areas and new markets
- Increase capacity through expansion and facility upgrading
- Focus on Health, Safety and the Environment

EARNINGS HIGHLIGHTS

Operating profit ($ million)



Profit before tax

$700m

PATMI

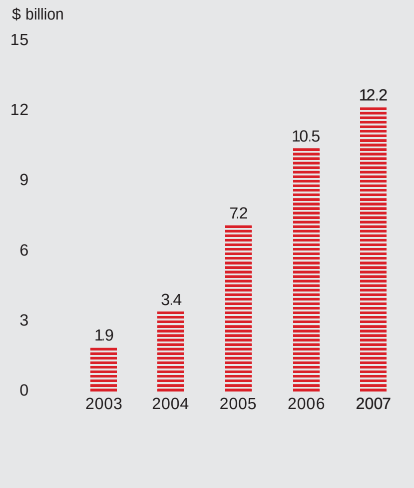
$522m

EARNINGS HIGHLIGHTS

	2007 $ million	2006 $ million	2005 $ million
Revenue	7,258	5,755	4,112
EBITDA	648	604	377
Operating profit	570	539	318
Profit before tax	700	624	351
PATMI	522	448	239
Manpower (number)	24,448	22,352	17,522
Manpower cost	802	660	546
ROE	46%	50%	35%

Provider of Choice, Partner in Solutions

Net order book
(as at 31 December)



Keppel AmFELS in Brownsville, Texas, secured contracts to build five jackups and made two deliveries in 2007.

EARNINGS REVIEW

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 $12.2 billion. The Division's profit before tax of $700 million was $76 million or 12% higher than 2006, and $349 million or two times more than 2005. However, operating margins were lower because of lower margins from the Brazilian operations. Profit after tax increased from $239 million in 2005 to $448 million in 2006, and increased further by 17% to reach $522 million in 2007.

MARKET REVIEW

Overall fundamentals in the Offshore & Marine (O&M) sector was strong throughout 2007, underpinned by the surging demand for energy, an imbalance in the demand and supply of rigs and the moving of Exploration & Production (E&P) activities into deeper waters.

Oil prices were at record levels and went briefly beyond US$100/bbl for the first time in the year. Prices averaged about US$72/bbl for 2007 [based on Energy Information Administration (EIA) report on West Texas Intermediate crude oil].

Rig utilisation in all categories continued to maintain at near 100% levels and in short supply for the semisubmersible (semi) category. Day rates remained at record high except for the Gulf of Mexico which continued to weaken.

Keppel-built FPU *P-52* struck first oil for Petrobras in November 2007 and is producing 10% of Brazil's total oil output of 1.8 million barrels per day.

While the contracting industry benefited from the high oil prices, it did not translate into the proportionate profit margins for the industry. This was due mainly to overall escalating costs, shortage of manpower and tightness in material and equipment supply. This trend is expected to continue into 2008. Enquiries for deepwater drilling rigs continued unabated, in particular for the deepwater semi drilling rigs.

OPERATING REVIEW

Keppel O&M turned in another sterling performance in 2007 delivering 33 major projects on time and within budget. Return on Equity (ROE) for the Division was 46%. All segments of the group operations of offshore, marine and specialised shipbuilding posted improved net profits, with Keppel Shipyard performing especially well.

The record amount of contracts secured at $7.4 billion included eight jackups, five semis, seven FPSO-related conversion and outfitting projects, one drillship outfitting and 23 offshore support and other specialised vessels.

The Division has invested a total of $430 million in the last five years in yard development and expansion. It is expected to put in another nearly $300 million to enhance capacity to meet its contractual obligations as well as to boost capacity for more projects.

OFFSHORE

Keppel FELS was kept busy throughout 2007 with over 30 projects ongoing concurrently in the yard. In addition, seven newbuilding contracts were secured during the year. The US yard, Keppel AmFELS, achieved a revenue

SIGNIFICANT EVENTS

(Expected deliveries indicated in brackets)

February
Keppel FELS secured an order for a KFELS N Class jackup rig for US$392 million from the Skeie Group. (3Q 2010)

March
Keppel O&M and Qatar Gas Transport Company Ltd (NAKILAT) formed a 20/80 joint venture to develop a shipyard in the Port of Ras Laffan by 2010.

April
Keppel Shipyard secured two Brazilian FPSO projects, while associate Keppel Verolme received an order for the outfitting of the world's second cylindrical FPSO. (4Q 2007–3Q 2008)

Keppel FELS received a US$305 million order for a North Sea accommodation semi from Floatel International (Floatel). (2Q 2010)

May
PetroVietnam Drilling Investment Corp (PVD Invest) awarded Keppel FELS a contract to build its second jackup drilling rig worth US$191 million. (4Q 2009)

June
Keppel FELS secured a fourth order for a US$427 million ultra-deepwater semi drilling rig from ENSCO International (ENSCO). (3Q 2010)

1

2

SIGNIFICANT EVENTS

(Expected deliveries indicated in brackets)

The Skeie Group awarded a US$400 million KFELS N Class jackup contract to Keppel FELS. (4Q 2010)

Keppel FELS won a US$134 million contract for a semi drilling tender (SSDT) for Seadrill Management AS (Seadrill). (4Q 2009)

July
Keppel Shipyard secured a $150 million contract to install equipment packages on a new drillship. (4Q 2009)

Keppel Singmarine secured contracts worth $350 million to build six offshore support vessels (OSV) and a derrick pipelay vessel. (2H 2009–1H 2010)

August
Keppel Nantong Shipyard was officially opened in Nantong, Jiangsu province, China.

Keppel Singmarine won a contract to build two platform supply vessels (PSV) for Greatship Global Offshore Services Pte Ltd (Greatship). (end 2009–1Q 2010)

Mexican company Perforadora Central SA de CV awarded Keppel AmFELS a contract to build a jackup rig valued at approximately US$190 million. (4Q 2009)

improvement of 27%, due mainly to an increased number of new construction projects. The floating production unit (FPU), *P-52*, left our Brazilian yard, BrasFELS, and achieved first oil in November 2007. Keppel Verolme BV in The Netherlands performed exceptionally well with 61% improvement in revenue in 2007. Caspian Shipyard in Azerbaijan continued to support Keppel Kazakhstan in a constant stream of fabrication jobs from Agip KCO.

MARINE

Revenue of Keppel Shipyard in 2007 increased by 30% over 2006 due largely to higher-value repair jobs and a larger number of FPSO/FSO conversions and outfitting. A total of 360 vessels were repaired, with revenue from shiprepair enjoying a healthy 25% increase. By year-end, it completed seven FPSO/FSO projects with 10 more conversion projects in progress. In the Philippines, Keppel Philippines Marine Inc, comprising Keppel Batangas, Keppel Cebu and Subic Shipyard, attained a robust increase in revenue of 73% with newbuilding and fabrication work accounting for 52% of the revenue. Arab Heavy Industries, too, had a productive year repairing 271 ships, up 22% from the previous year.

SPECIALISED SHIPBUILDING

Keppel Singmarine chalked up another exceptional year in 2007 with a rise of 64% in revenue over 2006. This was achieved on the back of five vessels and two jackup hull deliveries. By the end of 2007, Keppel Singmarine secured an order book of 19 vessels with a total value of $1 billion. With Keppel Nantong working at increasing capacity, more


3

1. Singapore Minister for Trade and Industry Mr Lim Hng Kiang (centre) graced the naming ceremony of PV Drilling's first jackup rig.
2. Delivering *Umuroa* to Prosafe, one of the first FPSO vessels for 2007, Keppel Shipyard maintained its leadership in shiprepair and conversion services.
3. (Fifth from left) Brunei Minister of Energy, HE Pehin Dato Yahya, visits Keppel Shipyard.

SIGNIFICANT EVENTS

(Expected deliveries indicated in brackets)

September
Keppel Shipyard was awarded two conversion contracts worth $100 million by Prosafe Production Pte Ltd (Prosafe) and Shipping Logistics Incorporated. (1Q 2008–4Q 2008)

October
Keppel Nantong clinched three contracts worth a total of $110 million to build eight tugs. (1H 2010–2011)

The consortium of Keppel FELS Brasil S/A and Technip Brasil Engenharia, Instalacoes e Apoio Maritimo S/A (Technip), FSTP Pte Ltd, secured a US$1.2 billion contract to build a floating production unit (FPU), *P-56*, for Petrobras Netherlands BV (PNBV). (4Q 2010)

November
Keppel AmFELS received an order from Rowan Companies, Inc. (Rowan) to build four jackup rigs worth US$780 million. (2Q 2010–2Q 2011)

Floatel awarded Keppel FELS a US$206 million contract for an accommodation semi vessel. (4Q 2010)

Keppel Shipyard secured a contract worth around $100 million to convert the world's first Floating, Drilling, Production, Storage and Offloading facility (FDPSO) for Prosafe. (4Q 2008)

The *P-52* FPU was completed for Petrobras and achieved first oil in November.

December
Keppel O&M launched Keppel Offshore & Marine Technology Centre (KOMtech) to boost its R&D with $150 million seed money to be utilised over five years.

A commemorative book *More than Mettle, the Keppel Offshore & Marine Story* was launched in conjunction with the company's 5th anniversary celebrations.

Keppel Verolme secured two contracts totalling $160 million for the outfitting of the third cylindrical FPSO facility, *Sevan Voyageur*, for Sevan and the drydocking of *Saipem 7000*, a semi crane and pipelaying DP vessel for Saipem S.p.A. (1Q 2008–Summer 2008)

1

vessel contracts are expected to be won. This expansion is poised to give Keppel Singmarine the opportunity to secure its position in building large offshore support vessels.

INDUSTRY OUTLOOK

The O&M sector is expected to remain strong in the next few years. Demand for oil and gas continues to grow at a strong pace to support global economic development. Supply is tight with global oil reserves declining despite increased E&P activities. The mid-year E&P survey showed that the oil and gas companies would increase spending by about 10%, a positive indicator for the rig sector.

Brazil

The major underwater oil field found in 2007 by Brazil's state-owned oil company, Petrobras, has the potential to turn South America's largest country into a net oil exporter. The Tupi field has the potential of churning out 1 million barrels per day. The current proven reserves under Brazil stands at 12.8 billlion barrels of oil and 247 billion m^3 of natural gas. In 2007, Petrobras also revised their investment plans for 2008–2012 to US$112.4 billion – a 29% increase over their previous budget. Out of this, US$65.1 billion will be used for E&P.

With the national ambition for greater Brazilian content and Petrobras' aim to be among the top five integrated energy companies by 2020, O&M players in Brazil, including Keppel O&M, are poised to benefit from the very buoyant market in the next five years. According to industry analysts, about 75% of Brazil's oil reserves are under at least 400m of water.

2

Russia
The Russian Federation is a major player in world energy markets. It has more proven natural gas reserves than any other country and is among the top ten in proven oil reserves. Energy exports have become a major driver of Russia's economic growth over the last five years, as Russian oil production rose strongly and world oil prices improved.

In 2007, the Russian federal budget announced it will set aside US$3.5 billion to boost civil shipbuilding from 2008 to 2015. Russian companies' requirement for new ships and oil rigs is estimated to be worth US$22.8 billion over this time frame. This augurs well for Keppel O&M which has gained a toehold in the Russian market in recent years.

Mexico
Mexico is currently the largest offshore oil producer in the world – producing nearly 4 million barrels per day. Nearly 40% of the Mexican national budget is linked to taxes paid by Petróleos Mexicanos (PEMEX), Mexico's state-owned petroleum company.

To meet the increasing demand for oil from both domestic and international markets, considerable investments in E&P activities will therefore be necessary for PEMEX. Investment in E&P activities for 2007 was reported to be 43% higher than the average of the past five years. In the next five years, PEMEX requires resources in the order of US$22 billion per year of capital expenditure.


3

1. The addition of Keppel Nantong Shipyard to Keppel O&M's network of yards complements the group's *"Near Market, Near Customer"* strategy.
2. Keppel Singmarine delivered two Ice-Class AHTS vessels, *M.V. Svetlyy* and *VZMORYE*, to Russian customer LUKOIL Kaliningradmorneft.
3. The second icebreaker vessel for Russian customer LUKOIL was launched in January 2008.

Keppel Kazakhstan completes the delivery of four huge barges.

West Africa

Africa has about 10% of the world's proven oil reserves. With depletion rates of oil fields outside OPEC running high, West Africa is proving to be an exciting alternative source notwithstanding political instability in a good part of the continent. The region's oil is light and sweet, making it easier and cheaper to refine than other major sources of oil.

From a regional perspective, the 'Golden Triangle' of West Africa, Gulf of Mexico and Brazil will continue to be the focus for deepwater projects in the next five years. West Africa is expected to retain its status as the leader in deepwater capital expenditure up to 2012, with Brazil and Gulf of Mexico making up the other major deepwater players.

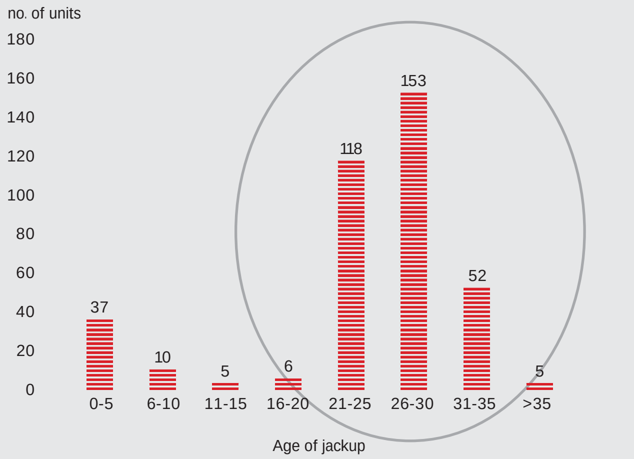
Caspian Sea

According to EIA, estimated proven oil reserves in the Caspian region range between 17 and 49 billion barrels. By 2010, it is expected that production would be between 2.9 and 3.8 million barrels per day, exceeding annual production from South America's largest oil producer, Venezuela.

Sizeable oil production growth has come primarily from the north Caspian states of Kazakhstan and Azerbaijan, where Keppel O&M has a presence. Gas reserves are also very significant with recent finds in the countries surrounding the Caspian Sea. The Caspian Sea region's estimated proven natural gas reserves are at 232 trillion cubic feet (Tcf), comparable to those in Nigeria. European countries are paying special attention to the natural gas resources that could lie beneath the Caspian Sea as a way to diversify their sources of gas imports.

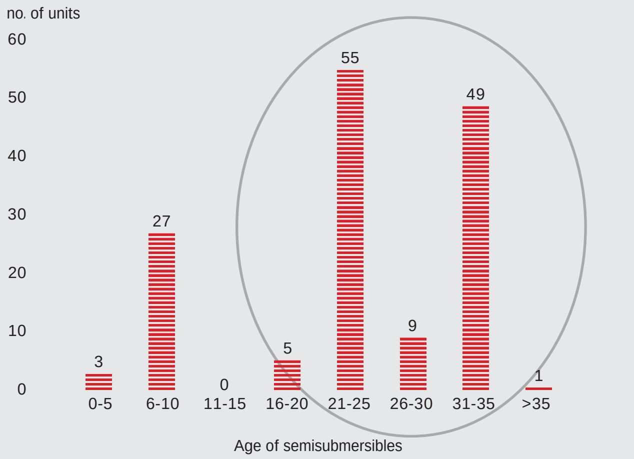
Closer to home, Australasia regions will continue to see strong interest by national oil companies and independents for offshore oil and gas E&P activities.

Jackups – age profile
85% of jackup fleet is more than 20 years old.

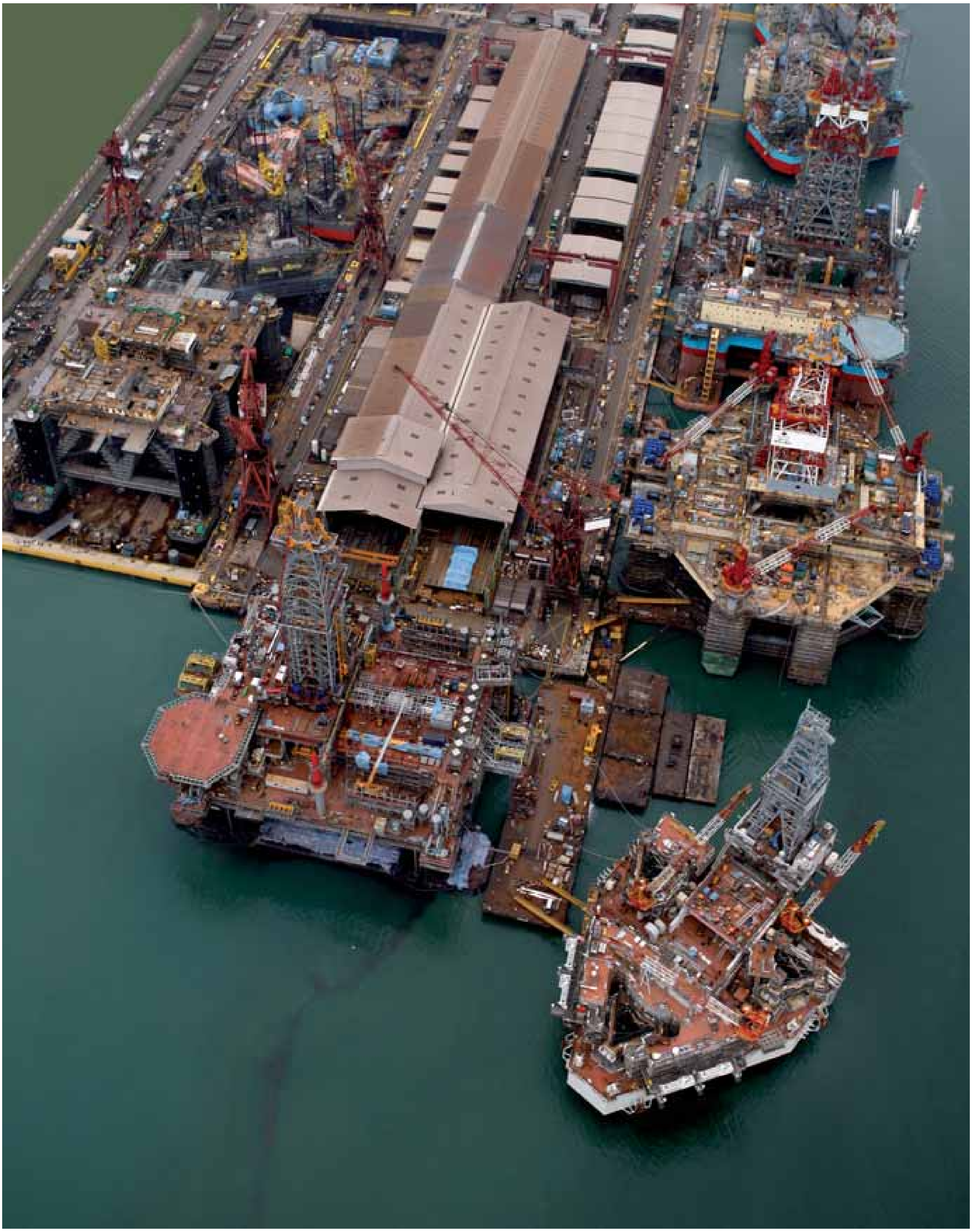


Source: ODS-Petrodata

Semisubmersibles – age profile
77% of semis fleet is more than 20 years old.



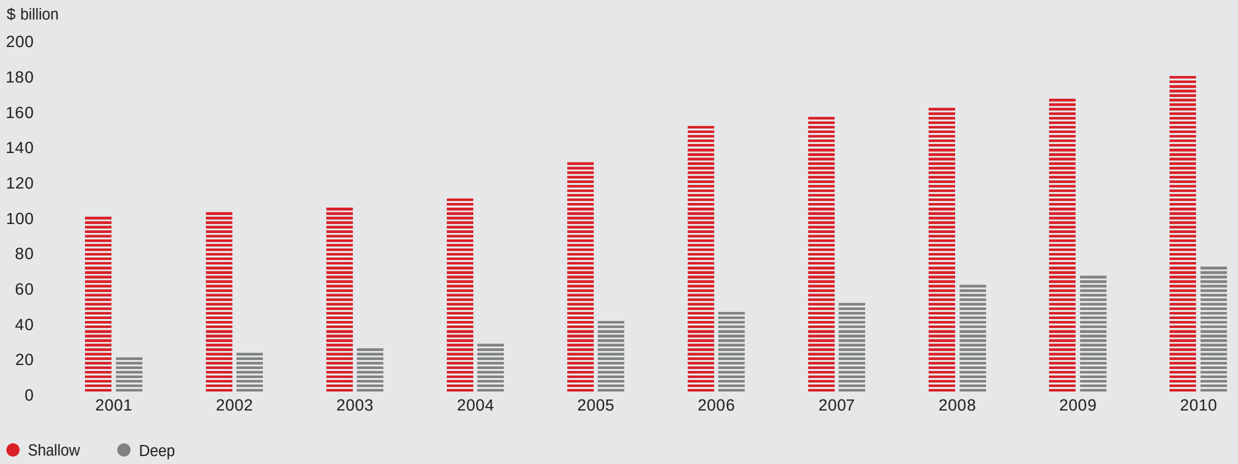
Source: ODS-Petrodata



Keppel FELS is buzzing with activities with over 30 projects currently under construction.

Deep Driller 5 (left) and *West Prospero* were delivered to satisfied customers within a month of each other in June 2007.

Market driver – growing industry expenditure



Sources:
• Citi Investment Research paper "Singapore Conglomerates 2008 Outlook" (dated 4th Dec 2007)
• Douglas-Westwood presentation "World Offshore Drilling Business – $62B market by 2011" (dated 4th Oct 2007)

RIG UTILISATION AND AGEING RIGS

In view of these favourable E&P business outlook, the drilling rig utilisation rate and charter rate remain healthy. Furthermore, the current jackups and semis on order only account for 19% and 27% of the global fleet – levels that are manageable considering the more advanced and complex drilling requirements that will favour the newer rigs.

The global rig fleet for jackups and semis continues to age with 83% of the total fleet above 20 years old. Part of the fleet is likely to be replaced and recent news on the dangers of these old assets may prompt further investments to replace the existing fleet. According to the UK safety watchdog, most of the UK's North Sea oil and gas assets are near or beyond the end of their intended design life and not getting the attention they need to keep operating safely in their twilight years. The need to replace some of these old rigs continues to drive demand for newbuilding.

According to ODS-Petrodata's Offshore Rig Day Rate Index, deepwater drilling rig day rates are at record highs across rig types and geographical locations, except Gulf of Mexico day rates which continue to weaken. Fleet utilisation is at or close to 100% except for the Gulf of Mexico.

It is therefore not surprising that enquiries for deepwater drilling rigs continue to be strong, in particular for the deepwater semi drilling rigs.

INCREASING DEMAND FOR PRODUCTION FLOATERS AND NON-DRILLING FACILITIES

Demand for production assets, especially for FPSO/FSOs, is expected to increase and we already see firm demand for these equipments. There are currently 69 deepwater production units under contract and 119 production projects either planned, at the bidding stage or under design.

FPSOs are the dominant type of FPUs in the market and this trend is expected to continue over the next few years. Industry analysts predict that over the next five years, deepwater capital expenditure will double as compared to the previous five years. Majority of the activity will involve the 'Golden Triangle' of West Africa, Gulf of Mexico and Brazil. There are currently about 100 projects that require FPSO/FSOs and the number of floating productions on order is expected to remain healthy.

Keppel O&M is currently the leader in FPSO conversions and seeks to retain its competitive edge by continuing to work closely with its customers and delivering quality products and services with its hallmark of reliability and flexibility. With an increase in deeper waters exploration and the possibility of developing Arctic reserves in the near future, more sophisticated FPSO/FSOs will be required to meet the harsh exploration environment.

Other segments of the offshore industry continue to see active enquiries for assets such as accommodation floatels, crane barges, offshore supply vessels (OSV), and other related equipment.

The OSV market continued to flourish throughout 2007 due to the unprecedented high oil price and healthy offshore activities. As we enter into 2008 and beyond, there is a shift of focus towards larger sized OSVs in order to support deepwater activities and replace the ageing fleet. In addition, there is growing interest in OSVs capable of operating in Arctic or sub-zero climatic conditions. Keppel O&M has delivered two Ice-Class AHTS to LUKOIL so far and are expected to deliver more

Keppel Shipyard is a leader in FPSO conversion and shiprepair.

Ice-Class vessels in 2008 and beyond. With our continuing efforts in R&D in Arctic technology, we see huge potential in this particular niche market and expect to play a larger role in this sector.

Keppel O&M has seen new orders for non-drilling related rigs and vessels increase from 20% in 2006 to 42% in 2007. While there is a possible slowdown in orders for shallow water drilling assets, overall the industry remains positive as demand for other offshore facilities continues to be strong.

CHALLENGES

With tightening credit (risk to customers), a depreciating US dollar (forex impact risk), and jittery markets due to fear of a recession in the US, the market's willingness to pay for risk may be lowered. These macro risks may lead to a scaled-back risk appetite for some oil and gas and O&M industry projects.

This macro-economic environment would potentially pose new challenges for shipyards. However, Keppel O&M customers can look to the group as the more experienced and reliable yard to help them reduce their execution risks.

Keppel O&M's current product development efforts, coupled with the newly set up $150 million Keppel O&M Technology Centre (KOMtech) will put the group in strong footing to continue to deliver products to meet customers' needs. It will continue to deliver innovative products such as new generation floatels, KFELS N Class drilling-cum-production jackups, icebreakers & Ice-Class vessels as well as undertake more complex conversion projects such as the floating, drilling, production, storage & offloading (FDPSO) vessels.

1. Parts of the *ENSCO 8501* semi are constructed by Keppel Batangas in the Philippines. Plans are underway to further expand the Philippines yards to take on higher-value projects.
2. Keppel Verolme which outfitted two cylindrical FPSO facilities for Sevan Production turned in a sterling performance in 2007.

1

2

Keppel Land aims to be a leading property developer in Asia and a premier manager of property funds.

MAJOR DEVELOPMENTS IN 2007

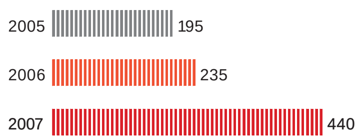
- Sold more than 760 residential units in Singapore and over 2,800 residential units overseas
- Strengthened presence in Asia with the acquisition of 11 new residential township and waterfront homes in China, Vietnam and Middle East
- Embarked on the development of *Ocean Financial Centre*, which is expected to be completed in 2011
- Sale of Keppel Land's one-third interest in *One Raffles Quay* to K-REIT Asia
- Alpha Investment Partners achieved final closing of AIB Alpha Japan Fund, a new Japan-focused fund with Allied Irish Bank, and raised $258m.

FOCUS FOR 2008/2009

- Selectively pursue residential and commercial developments in Singapore, and capitalise on the development of Marina Bay and Keppel Bay
- Broaden and deepen the Group's footprint in Asia's growth cities with more residential townships and integrated lifestyle developments
- Continue to unlock asset value and recycle capital to generate higher yields
- Expand K-REIT Asia's property portfolio through acquisitions
- Alpha will continue to work on investing funds under management to generate good returns, besides launching new products

EARNINGS HIGHLIGHTS

Operating profit ($ million)



Profit before tax

$471m

PATMI

$209m

EARNINGS HIGHLIGHTS

	2007 $ million	2006 $ million	2005 $ million
Revenue	1,835	1,155	847
EBITDA	453	251	215
Operating profit	440	235	195
Profit before tax	471	233	222
PATMI	209	96	118
Manpower (number)	2,918	2,674	2,219
Manpower cost	90	63	50
ROE	46%	12%	9.5%

EARNINGS REVIEW

The Property Division achieved revenue of $1,835 million, $680 million or 59% above the previous year. Higher revenue was driven by robust sales of residential properties both in Singapore and overseas. Rental income from investment properties was higher as a result of the tight supply of prime office buildings in the Singapore Central Business District. Earnings doubled to $471 million due to the strong residential and office markets.

MARKET REVIEW

The Singapore economy expanded 7.7% in 2007, slightly lower than the 8.2% growth registered in 2006, as growth moderated in the fourth quarter of 2007 due to weaker manufacturing activity.

Despite weaker external economic conditions due to the sub-prime fallout and weakening of the housing market and consumption in the US, growth in the region remained positive in 2007, with economies like China, India and Vietnam sustaining a strong pace of expansion.

The office market in Singapore remained strong, with take-up of 2.07 million sf in 2007. Strong demand from financial institutions, services and oil and gas companies, coupled with tight supply pushed Grade A office occupancy rate to 99.8% as at end-2007 from 99.2% in the previous year. Average Grade A office rents reached a high of $17.15 psf per month as at end-2007, up 96.5% from $8.73 psf at end-2006.

Total take-up of new private residential properties reached a record 14,811 units, 32.9% more than the 11,147 new homes sold in 2006. Overall, private residential prices rose by 31.2% in 2007, the largest gain since 1999. To discourage speculative activity, the Singapore government withdrew the use of the deferred payment scheme for uncompleted private residential properties from October 2007.

1. *Marina Bay Financial Centre* is changing the skyline of Singapore's Central Business District.
2. Mr Mah Bow Tan, Minister for National Development, unveils the *Marina Bay Financial Centre.*

OPERATING REVIEW

Singapore

Bolstered by rising confidence and positive sentiments, Keppel Land sold over 760 homes in Singapore in 2007, positioning itself among the top three listed developers in residential sales in Singapore.

Reflections at Keppel Bay was unveiled in January amid keen interest for world-class waterfront living from local and foreign buyers and investors. Designed by internationally-acclaimed architect Daniel Libeskind, the iconic waterfront development has fully sold all 620 units in Phase 1.

With the strong demand for Grade A office space, Keppel Land, together with consortium members Cheung Kong (Holdings) and Hongkong Land, exercised its option for Phase 2 of the *Marina Bay Financial Centre (MBFC)* site. This phase will add another 1.3 million sf of net lettable area to the 1.6 million sf currently under development in Phase 1, and will comprise both Grade A office space and high-end residential homes. To date, more than 50% of the entire *MBFC* development has been pre-committed by major financial institutions including Standard Chartered Bank and DBS Bank.

Keppel Land is re-developing the site of *Ocean Building* into an iconic office building known as *Ocean Financial Centre (OFC)*. When completed in 2011, the 43-storey *OFC* will contribute 850,000 sf of prime office space, with one of the largest floor plates in Raffles Place.

During the year, Keppel Land sold its one-third stake in *One Raffles Quay (ORQ)* to K-REIT Asia. The strategic move unlocks value in *ORQ* and recycles capital into its twin core businesses of property development and fund management. K-REIT Asia has proposed a fully renounceable rights issue to raise up to $700 million. This will be used to partially refinance part of the $942 million bridging loan from Keppel Corporation for the acquisition of the one-third interest in *ORQ*. Both Keppel Corporation and Keppel Land will take up their respective allotment of the rights units and will undertake to subscribe for any excess rights units not subscribed for by minority Unitholders.

SIGNIFICANT EVENTS

January
Keppel unveiled the prestigious *Reflections at Keppel Bay* designed by master architect Daniel Libeskind.

March
Keppel Land entered into a joint venture (JV) to acquire and develop a 4.8-ha prime residential development, *The Estella*, in Ho Chi Minh City (HCMC), Vietnam.

April
Keppel Land made further inroads into HCMC's residential sector with the acquisition of a 1.74-ha prime land to develop waterfront condominiums by the Saigon River.

June
Keppel Land announced the joint development of luxury condominiums on a 8.5-ha site fronting the Ca Cam River in HCMC.

Keppel Land will develop a pipeline of mega lifestyle precincts in Tianjin. These include the first in a series of township projects along the new Tianjin-Binhai mass transit line; an exclusive arrangement to plan and prepare land for a 44.1 sq km model town in Gegu as well as an integrated Business Process Outsourcing park in the Xiqing Economic & Development Area.

July
Keppel Land inked an agreement to develop the second township in Vietnam comprising about 14,000 homes, which will be on a 509-ha site in the Dong Nai province.

Keppel Land signed Memorandums of Understanding to develop two residential townships in Hanoi, Vietnam.

K-REIT Asia increased its Assets Under Management (AUM) to about $1.62 billion through the acquisition of one-third interest in *One Raffles Quay* from Keppel Land.

August
Keppel Land was awarded an initial 353 mu (about 24-ha) site for the development of a residential township in Shenyang's Shenbei New District, which can eventually yield up to 5,400 homes.

September
Making its first foray into Saudi Arabia, Keppel Land signed a JV Agreement with the Saudi Economic and Development Co. Ltd. (SEDCO) to develop luxury residences on a 3.6-ha site along the Corniche waterfront in Jeddah.

October
Keppel Land signed its fifth new residential project in Vietnam to develop waterfront residences on a 5.1-ha site in District 2 of HCMC.

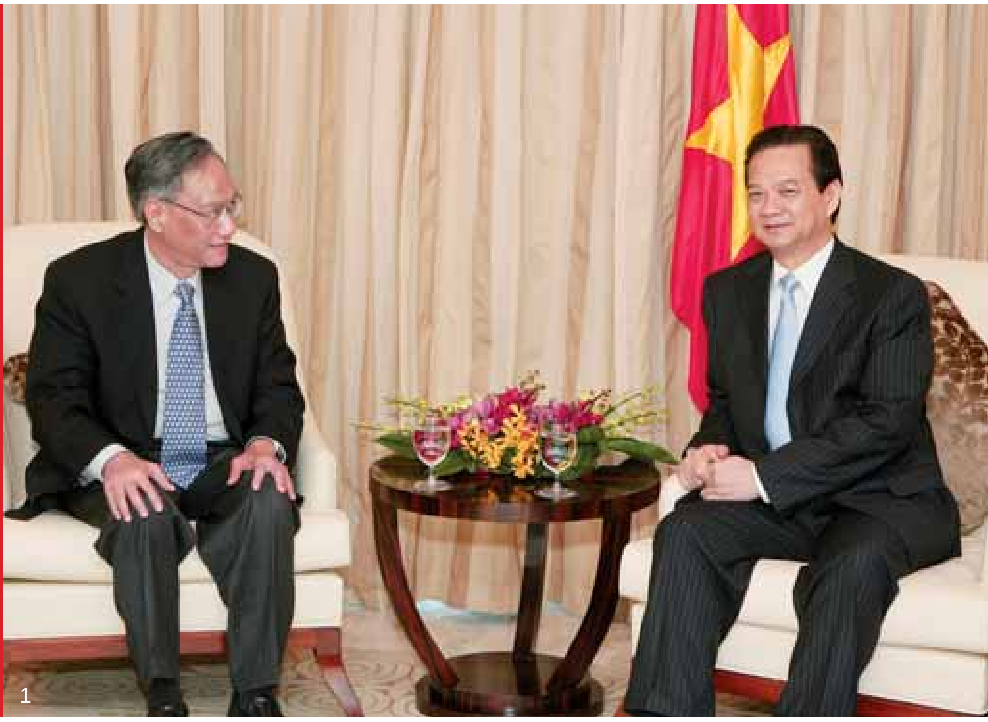
SIGNIFICANT EVENTS

The new name and design of the 43-storey *Ocean Financial Centre*, a re-development of *Ocean Building*, was unveiled at a special ceremony.

November
Keppel Land entered into two JVs with An Phu Corporation to develop luxury villas and condominiums in District 9 of HCMC.

Keppel Land embarked on its fourth residential development in Shanghai, China, through the 100% acquisition of Shanghai Hongda Property Development Co. Ltd., which owns a 26.4-ha site in Xinchang Town, Nanhui District.

A 9.7-ha site in District 9 of HCMC would be developed into a premier waterfront enclave of 140 luxury homes by Keppel Land.


1

Overseas
Demand for quality housing across Asia remains robust, supported by economic growth, home-ownership aspirations, urbanisation and a rising middle class. Against this backdrop, Keppel Land's residential launches continued to do well, with over 2,800 homes sold overseas in 2007, mostly in China and India.

In line with its overseas strategy to tap on the demand for quality housing in Asia's growth cities, Keppel Land continued to strengthen its overseas portfolio with waterfront housing and large-scale integrated townships.

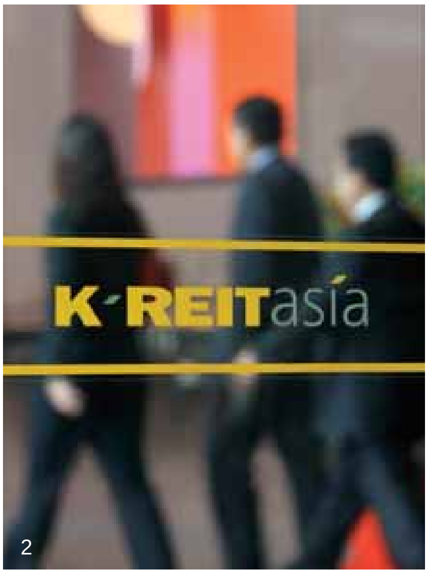
Capitalising on the rising Vietnam market, Keppel Land secured a total of eight residential sites in 2007, increasing its landbank six-fold from 8.5 million sf to 53 million sf of gross floor area. These include seven projects in Ho Chi Minh City and a 14,000-unit waterfront township development in Dong Nai province. Including the earlier acquired *Saigon Sports City* township, these projects will yield a total of more than 25,000 homes, making Keppel Land the largest property developer in Vietnam.

In 2007, Keppel Land expanded its presence in China with the acquisition of new sites in Shanghai and Shenyang.

Keppel Land's listed subsidiary Evergro Properties provides another growth platform into China's second-tier cities with its business networks and sizeable residential landbank in Tianjin, Jiangyin and Changzhou.

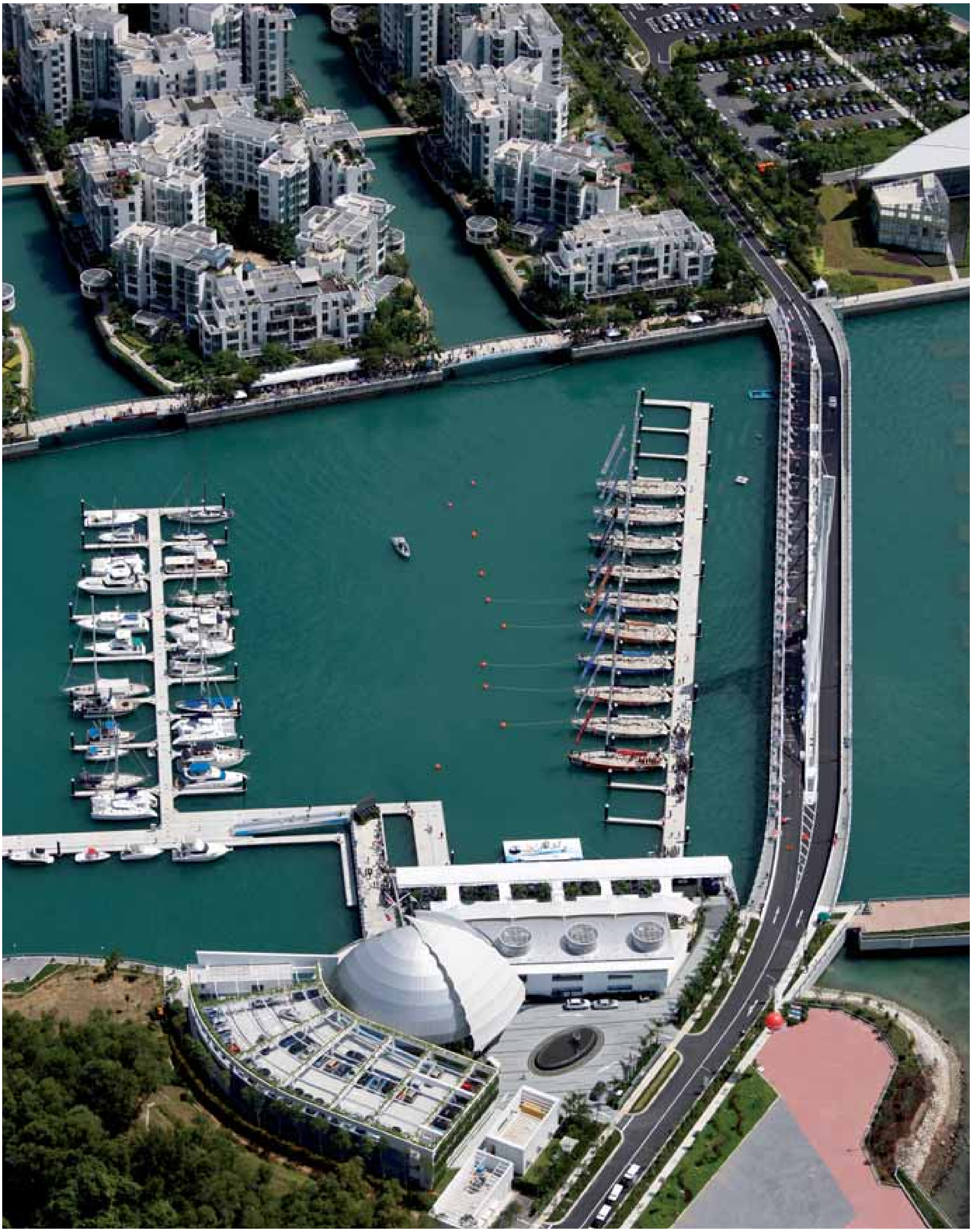
Together with Evergro Properties, the Keppel Land group has a total residential landbank of 33 million sf with a potential pipeline of 21,000 homes in China.

In the Middle East, Keppel Land has tied up with Saudi Economic and Development Co. Ltd. to develop luxury residences on a 3.6-ha site along the Corniche waterfront in Jeddah, Saudi Arabia. Comprising high-rise towers with about 1,000 apartments, the development will be undertaken in phases, according to market demand. It will target the high-end market and is expected to be launched in the second half of 2008.



2

1. Chairman Lim Chee Onn with the Vietnamese Prime Minister during the latter's visit to Singapore in 2007.
2. K-REIT Asia's acquisition of one-third interest in *One Raffles Quay* brings the number of commercial office assets in its portfolio to five.



Keppel Bay is set to position Singapore as a global destination for luxury waterfront living.

Keppel Bay Bridge is part of the masterplan and infrastructure in the transformation of Keppel Bay into a premier waterfront precinct.

Fund management
Keppel Land-sponsored K-REIT Asia achieved a distributable income of $21.8 million in 2007, up 42.5% from 2006. Net property income grew by 19.6% year-on-year to reach $28.3 million, driven mainly by higher gross rental income from K-REIT Asia's properties. As a result, K-REIT Asia's distribution per unit increased by 30.5% from 2006 to 8.82 cents for 2007.

In December 2007, K-REIT Asia completed its acquisition of a one-third interest in *ORQ* for $953.6 million, bringing the number of commercial office assets in its portfolio to five. This yield-accretive acquisition coupled with the initial portfolio's revaluation gains of $433 million enlarged K-REIT Asia's portfolio size by 210.5% to $2.1 billion as at end-2007 from $677 million as at end-2006.

Keppel Land's other property fund management vehicle Alpha Investment Partners (Alpha) continued to deliver higher-than-expected returns to investors with active management of its funds, gains from asset divestments and appreciation in property value.

In 2007, Alpha closed its Japan-focused fund with Allied Irish Bank, raising equity of $258 million (US$172 million). The AIB Alpha Japan Fund has since made three investments.

Together with K-REIT Asia's portfolio value of $2.1 billion, the total Assets Under Management (AUM) of the Keppel Land group will be about $6.1 billion as at end-2007, when the funds are fully leveraged and fully invested.

BUSINESS OUTLOOK

Singapore
Singapore's economy is expected to remain healthy, albeit with a more moderate pace of growth in 2008 due mainly to economic uncertainties. The Ministry of Trade and Industry is forecasting real GDP growth of 4 to 6% for 2008.

Growth in prime office rentals and high-end home prices is also expected to moderate in 2008 after their robust growth in 2007. Nevertheless, Keppel Land remains cautiously optimistic about the Singapore property market.

Limited office supply at an average of 1.7 million sf per annum over the next few years and good demand from financial institutions and multi-national corporations, which continue to anchor and expand their presence in Singapore, will underpin rentals and occupancy rates for Grade A office space.

The group will continue its leasing activity at *MBFC*, while construction of the new *OFC* will commence soon. Through the group's interests in *MBFC* Phase I and II, *OFC* and K-REIT Asia, Keppel Land will remain a dominant landlord in the prime office market in Singapore.

For the residential sector, market fundamentals remain healthy with sustained demand for private residential housing. While high-end prices are dependent on the outcome of the US sub-prime problems, sales activity and prices in the middle and mass market are expected to move up gradually.

Completed and fully sold in 2007, *Villa Riviera* is Keppel Land's first residential project in Vietnam.

Keppel Land will be releasing more units of *Reflections at Keppel Bay* for sale in 2008. The 221-unit *Marina Bay Suites*, the second and last luxurious residential development within *MBFC* and other prime residential projects will be progressively released.

Overseas

Following the last financial crisis in 1997, Asian economies are now more resilient and have created their own strong domestic consumer demand. This should ameliorate the slowdown of export demand should the US slip into recession.

Demand for quality housing across Asia will continue to be driven by economic growth, urbanisation trends, a growing middle class and rising home-ownership aspirations. With Keppel Land's reputation as a premier developer, the group is well-positioned to ride on such a growing trend.

Keppel Land aims to launch about 8,200 homes for 2008. In line with its strategy to tap on rising demand for quality housing in Asia's growth cities, the group will continue to build up its overseas property portfolio with waterfront housing and large-scale integrated developments in existing and new markets.

1. Keppel Land's first foray into property development in Saudi Arabia along the Corniche waterfront in Jeddah.
2. In line with Keppel Land's focus on developing large-scale township homes in Asia's growth cities, it is launching 18,000 homes over two years. One of these townships is *Central Park City* in Wuxi, China.

OPERATING & FINANCIAL REVIEW
INFRASTRUCTURE

The Infrastructure Division will continue to build a selected portfolio of **environmental engineering, power generation, network engineering and logistics** businesses.

MAJOR DEVELOPMENTS IN 2007

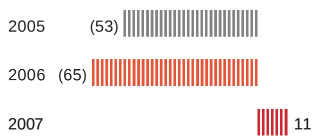
- Clinched a $1.5 billion contract to design, build and operate a wastewater treatment, water reuse and sludge treatment plant in Qatar
- Keppel Seghers Ulu Pandan NEWater Plant officially opened in March
- 500 MW co-generation plant began operations in April
- Setting up of Keppel Environmental Technology Centre
- Securing an In-Principle Approval from the People's Committee of Ho Chi Minh City for the first large-scale WTE plant in Vietnam
- Gas from Petronas began to flow into the Singapore Gas Network for Keppel Energy

FOCUS FOR 2008/2009

- KIE to continue its focus on large-scale design and build projects with long-term operating contracts. Build recurring income streams by investing selectively in such projects.
- R&D of water and waste management technologies
- KIE to participate in the Sino-Singapore Tianjin Eco-City project
- KE to maintain its thrust to build an integrated energy business in gas and power in Singapore, which will be the platform for growth in Asia
- Logistics – tap China's growth in land transportation and warehousing needs
- Network Engineering – expand into emerging markets and grow WiFi business

EARNINGS HIGHLIGHTS

Operating profit ($ million)



Profit before tax

$51m

PATMI

$27m

EARNINGS HIGHLIGHTS

	2007 $ million	2006 $ million	2005 $ million
Revenue	1,277	570	671
EBITDA	45	(19)	(2)
Operating profit	11	(65)	(53)
Profit before tax	51	(24)	(17)
PATMI	27	(35)	(24)
Manpower (number)	4,392	3,998	3,724
Manpower cost	180	158	166

EARNINGS REVIEW

Revenue from Infrastructure Division more than doubled to $1,277 million with new sources of revenue from the co-generation power plant, the Keppel Seghers Ulu Pandan NEWater Plant, power barges and the contract for the solid waste management complex in Qatar. The Division returned firmly to profitability contributing profit before tax of $51 million. The turnaround was achieved despite higher costs incurred in completing some old contracts and the higher gas cost to operate the co-generation plant.

ENVIRONMENTAL ENGINEERING

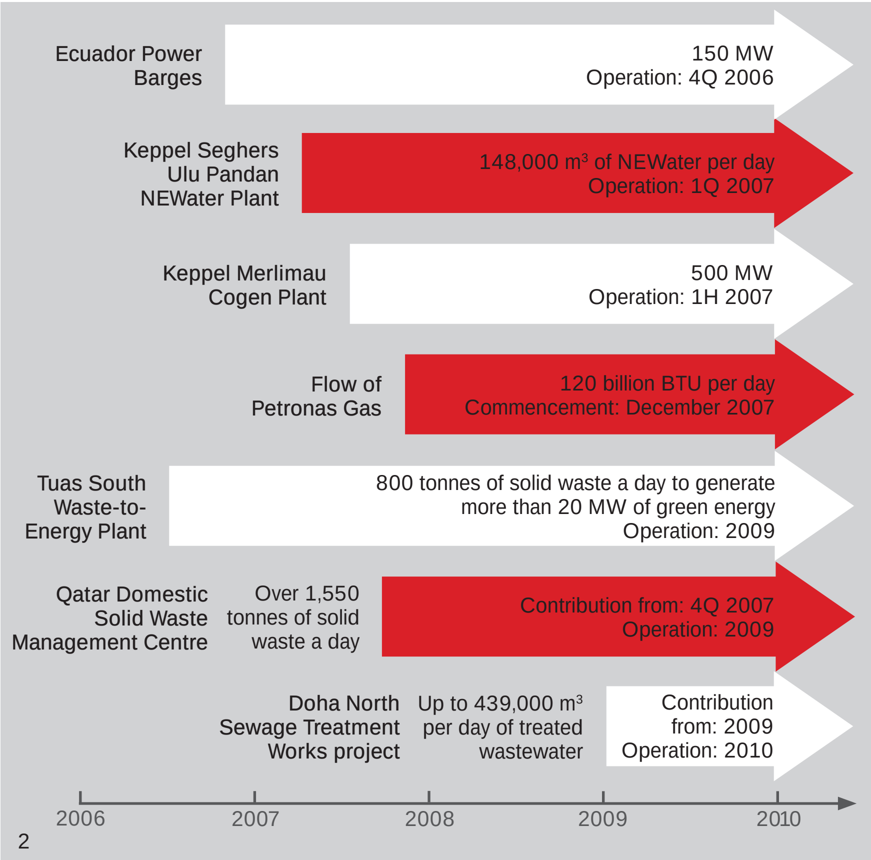
Strategic direction of Keppel Integrated Engineering (KIE)

Combining technology with project management, KIE adopts a three-pronged business model of developing and selling technology packages; designing, building, operating and maintaining wastewater and waste treatment plants on a turnkey basis; and owning and operating such plants developed by KIE.

MARKET REVIEW

China is committed to curb pollutions and mitigate adverse climate change

1



2

1. Mr Lim Chee Onn, Executive Chairman of Keppel Corporation (second from left) presents Keppel's Doha North EcoPark concept proposal to Eng Zayed Mansour Al-Khayarin, CEO of Ashghal (second from right) at the stone laying ceremony for the $1.5 billion Doha North wastewater treatment plant. Senior Minister Goh Chok Tong (left) and HE Sheikh Yousef Hussein Kamal, Finance Minister of Qatar graced the occasion.
2. The Infrastructure Division continues to seize opportunities in growth markets to build sustainable long-term earnings. A constant stream of income is expected from these assets.

while powering strong economic growth. Several Chinese cities are currently undertaking environmental impact studies with the intention to construct waste-to-energy (WTE) plants in the near term. Others have become solar cities under government direction. The country has signed agreements with Britain and Singapore to co-develop five and one eco-cities respectively. Keppel Corporation has been selected to lead the Singapore consortium in developing the Sino-Singapore Tianjin Eco-City. This offers opportunities for Keppel Seghers, which is currently the market leader in providing WTE solutions in China, to participate in the planning and development of renewable energy, waste and water infrastructure.

In Europe where Keppel Seghers has creditable presence, soaring fuel prices are pushing industrial companies to explore alternative sources of energy including renewable energy. Keppel Seghers is working closely with forward-looking large chemical plants and paper mills to generate steam and electricity from solid waste. This co-operation is expected to yield contracts in 2008–2009.

Water scarcity and water stress in North Africa and the Middle East are opening up opportunities for Keppel Seghers to offer individual and integrated solutions for wastewater treatment, water reuse and biosolids treatment.

REVIEW OF OPERATIONS

KIE began 2007 with the official opening of the Keppel Seghers Ulu Pandan NEWater Plant by Singapore Prime Minister Lee Hsien Loong in March. The plant is the largest in Asia and the second largest in the world, producing 148,000m^3/day. The same event saw the opening of the Keppel Environmental Technology Centre (KETC) which is located in the same premises as the Keppel Seghers Ulu Pandan NEWater Plant. KETC has an initial budget of $50 million to develop know-how and technologies in water treatment and energy recovery from waste.

In China, the company secured contracts to supply solid waste treatment technologies to repeat customer China Everbright International and new customer Zhongshan Tianyi Energy Sources Company. The company also obtained an In-Principle Approval for the development of the first large-scale WTE plant in Ho Chi Minh City, Vietnam. The

Singapore Prime Minister Lee Hsien Loong and Minister for Environment and Water Resources, Dr Yaacob Ibrahim, at the opening of the KETC.

SIGNIFICANT EVENTS

February
Keppel Telecommunications & Transportation (Keppel T&T) expanded its data centre business into Europe with the acquisition of a 50% stake in data centre operator, Citadel 100 Datacenters Limited (formerly known as Premier Data Centres Limited).

Keppel Seghers secured a $35 million contract to provide technologies and services to expand an existing WTE plant in Moerdijk, The Netherlands.

March
The 148,000m^3/day Keppel Seghers Ulu Pandan NEWater Plant was officially opened by Prime Minister Lee Hsien Loong.

Keppel Integrated Engineering (KIE) established the Keppel Environmental Technology Centre (KETC) with seed money of $50 million.

Keppel Seghers secured two contracts totalling $23 million to provide solid waste treatment technologies and services in Suzhou, Jiangsu province, and Zhongshan, Guangdong province.

April
Keppel Energy's 500 MW combined cycle power plant, Keppel Merlimau Cogen (KMC), commenced commercial operations. KMC is licensed to generate up to 1,400 MW of electricity.

SIGNIFICANT EVENTS

September
Keppel Seghers secured a $22 million contract to design, build and operate a wastewater treatment and reuse plant for Algeria.

Keppel Seghers won a landmark Design-Build-Operate contract worth approximately $1.5 billion from Ashghal, the Public Works Authority in Qatar, to build the largest greenfield wastewater treatment and water reuse facility in the Middle East.

December
Keppel FMO was awarded a $26.3 million facility management and maintenance contract from Republic Polytechnic.

Keppel Seghers received In-Principle Approval for the development of the first large-scale WTE plant in Vietnam.


1

proposed plant will have the capacity to treat 2,000 tonnes of waste per day and generate more than 20 MW of green energy. It also secured a contract to supply technology and services to Barwon Water in Victoria, Australia, for its biosolids thermal drying facility. The plant will process 54,000 tonnes of biosolids produced in the region each year. The residual will have 'T1' grade for maximum use as a fossil fuel replacement or fertiliser.

In the Middle East, KIE clinched a wastewater contract worth $1.5 billion to design, build and operate, for 10 years, what will be the largest wastewater treatment, water reuse and sludge treatment project in the region. With a peak capacity to treat 439,000m^3 of wastewater per day, the treated water will be used for irrigation. It also strengthened its presence in Algeria securing two water treatment contracts during the year.

In Europe, KIE received a contract to provide technologies and services from Afvalverbranding Zuid-Nederland NV to expand the third largest WTE plant in The Netherlands.

BUSINESS OUTLOOK

High cost of energy and concerns about climate change are driving both industrial and municipal users to seek renewable sources of energy derived from waste. Incinerators with comprehensive flue gas treatments are poised to gain from this trend in Europe and China. Sludge management is expected to gain importance with the shift away from landfills to incineration, agriculture and composting. Keppel Seghers has the technologies and capabilities to meet customers' needs arising from these trends.

The Middle East, which has little access to water and wastewater infrastructure, is seeing an increase in government-led investments in public infrastructure. Demand has increased for non-conventional water sources such


2

1. Keppel Seghers harnesses its proprietary technology and experience to build the integrated waste management project in Qatar.
2. The Singapore WTE plant, which will process 800 tonnes of solid waste a day and generate above 20 MW of green energy, is expected to be operational in 2009.

Keppel Energy's 500 MW combined cycle power plant, Keppel Merlimau Cogen (KMC), commenced commercial operations in April 2007.

as desalination and water reuse due to declining costs of such technologies as well as growing acceptance of such water sources. Water reuse continues to be a significantly lower cost option than desalination due to its lower energy demand, but consumers have to be won over to such water reuse projects. To cater to the long-term demand for water reuse and desalination, KIE is actively researching on reducing the energy quotient and thus minimising the environment impact of both desalination and water reuse projects.

ENERGY

Strategic direction of Keppel Energy

Keppel Energy aims to build a strong and well-balanced power and gas business.

Operating review

2007 was a challenging but rewarding year for Keppel Energy. The company successfully executed its business plans and brought its projects to fruition, namely the commercial operation of its wholly-owned 500 MW Keppel Merlimau Cogen (KMC) combined cycle power plant in Singapore and the first full year operation of Termaguayas Generation S.A. (TGSA), the power barges that were previously deployed in Brazil and in the Philippines. Both companies achieved profitable operations in 2007.

Keppel Energy's operating businesses are namely in Singapore and in the Americas. The commercial operation of its generation facilities in Singapore and Ecuador effectively raised Keppel Energy's asset ownership of the three power plants to more than 700 MW, with more than 500 employees engaged in power generation, electricity trading and retail, utilities and gas marketing and operations.

Singapore's electricity peak demand grew from 5,451 MW in 2006 to 5,782 MW in 2007. While the power plant achieved commercial operation status in April 2007, the delay in the opening of the liberalised gas market resulted in a delay in the KMC plant being able to use the Petroliam Nasional Berhad (Petronas) gas imported by Keppel Gas. The holdup resulted in significantly higher operating costs for the Singapore business, which was resolved by December. Keppel Gas, a wholly-owned subsidiary of Keppel Energy, achieved the important milestone of importing natural gas under its long-term gas supply agreement with Petronas into the Singapore Gas Network.

Keppel Gas entered into a long-term gas supply agreement to supply natural gas to ExxonMobil's facilities on Jurong Island starting from 2009. This marked a significant milestone for Keppel Energy as it positions itself strategically as an integrated electricity and gas service provider.

The two projects in the Americas experienced challenges. Cost of power generation rose dramatically, brought on by record high fuel prices. Some of the countries relied on government subsidies to meet these increased costs rather than pass them on to the consumers. The change in governments in Nicaragua and Ecuador could also lead to changes in laws and regulations that may have impact on operations in these countries.

Business outlook

While the power and gas industries have many defensive characteristics, it is not immune to potential economic slowdowns and the effects of a tightening credit market in 2008.

The continued economic growth in Singapore, including commitments by large chemical industry investments and other undertakings such as the spin-off benefits from the integrated resorts is expected to propel electricity demand. Keppel Energy's investments in Singapore are timely. They can potentially capture part of these expected increases in demand for electricity, gas and utilities.

Temasek Holdings' decision to divest its ownership of three large power generation companies in Singapore would present an opportunity for Keppel Energy to acquire a sizeable operating business with immediate earnings to Keppel Corporation's shareholders.

Over the last decade and more, competition was the theme that permeated through the energy markets in many countries, albeit at different stages of liberalisation. The distinctive shift over the last year has been a particular emphasis on energy security. Singapore is looking into diversifying its sources of energy while demand for efficient clean fuels such as gas has been growing. There may be opportunities for Keppel Energy to benefit from this development in its future growth plans.

The growing global attention to climate change would certainly impact how more of our electricity would be generated. Keppel Energy would be paying close attention to the emergence of renewable energy as costs of such technologies continue to decline over time and to the impact of tighter environmental management on our thermal generation facilities.

Keppel Gas, a subsidiary of Keppel Energy, will supply natural gas to ExxonMobil's facilities on Jurong Island from 2009.

Keppel Logistics operates 1.5 million sf of warehousing space in Singapore.

LOGISTICS AND NETWORK ENGINEERING

Strategic direction of Keppel Telecommunications & Transportation (Keppel T&T)

Keppel T&T aims to leverage core competencies to enhance existing businesses.

LOGISTICS

Market review

In Singapore, the strong domestic economy saw a higher level of logistics activities. Both occupancy rates and rentals increased on the back of limited supply of new warehouse space.

In China, overall cargo throughput at the ports and intra-China cargo movement grew at double-digit levels. Logistics buying patterns are changing with MNCs now more willing to pay for higher quality integrated logistics solutions.

Business review & outlook

Occupancy rates at Keppel T&T's Singapore warehouses were close to 100% in 2007. Its operations rented additional warehouse space to cope with the increased demand.

The Division continued to leverage its strength in the Fast Moving Consumer Goods sector with strategic wins with Danone and Kimberly-Clark. In the niche logistics segments, Keppel Logistics expanded its cold-chain facility with a custom-designed cold room at 7 Gul Circle. It also began providing logistics services for equipment and steel materials.

In Malaysia, Keppel Logistics, which manages one of the largest Central Distribution Centres in excess of 250,000 sq ft of warehouse space, won the Kimberly-Clark project in Kluang.

In China, Keppel Logistics (Foshan) Limited continued to operate at maximum capacity. Warehouse occupancy was close to 100% and the distribution network was strengthened by a fleet of new prime-movers and trucks. During the year, it renewed its contract with Osram International which also awarded the company a distribution project. China Tobacco warehousing contract was also secured for three years.

Through Wuhu Annto Logistics Company Limited (Annto), Keppel Logistics entered the niche segment of cold-chain services in China. Annto's newly launched cold-chain services, with a fleet of imported reefer trucks, attracted quality customers who are willing to pay a premium for consistent services.

NETWORK ENGINEERING

Market review

In Indonesia, mobile penetration rates remained under 30% with most of the growth centred in the populated city areas. In the Philippines and Thailand, penetration rates continued to be low despite incumbent telcos completing their intended network coverage. The low penetration rates present opportunities for the network engineering division.

Low mobile penetration in emerging markets presents opportunities for the network engineering division.

In both Europe and the United States, sustained growth in demand for higher broadband speeds and usage are challenging operators to upgrade their networks. Some operators are also cautiously moving into "quadruple-play", which includes TV services. Demand for Geographical Information System (GIS) services grew as utility providers made use of such tools to better document their network inventory and information.

Business review & outlook

Mobile Network

During the year, Keppel T&T took advantage of the growth in in-building and base station deployment works provided by both incumbent and new telcos in Indonesia. In Thailand, it leveraged close partnerships with major telcos and supported them in their in-building coverage expansion programmes. In the Philippines, it also diversified its customer base.

iCELL Network Pte Ltd continued its roll-out of WiFi hotspots in the eastern region of Singapore under the nation-wide broadband wireless programme.

Wireline and GIS

ECHO Broadband (ECHO) in the US leveraged its project with Cablevision to digitise and migrate its network infrastructure data. ECHO also secured a 24-month project with COX for data capture and digitisation of its networks. In Europe, it carried out documentation works for Unity Media. The company also supported Net Cologne to carry out design and as-built works for a Fibre-to-the-Home project. ECHO extended its reach into the UK and Ireland, carrying out network planning and engineering work for NTL and Chorus.

The Division's entry into the data centres market in Europe also performed well during the year. Citadel 100 Datacenters Limited (formerly known as Premier Data Centres Limited), which provides state-of-the-art third-party data centre co-location and contingency services, achieved over 95% occupancy rate and boasts blue-chip customers such as Hewlett Packard (HP).

We will continue to add value to our investments to generate maximum returns for shareholders.

MAJOR DEVELOPMENTS IN 2007

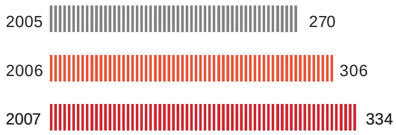
- SPC began oil production at the Oyong field of its Sampang PSC in Indonesia
- SPC expanded its upstream activities to China with the acquisition of offshore producing oilfields and exploration working interests in Bohai Bay and a PSC with China National Offshore Oil Corporation (CNOOC) to operate Block 26/18
- k1 Ventures' operating subsidiary Helm Holding Corporation (Helm) expanded its fleet size to 692 locomotives and 8,691 railcars (including those owned and leased)

FOCUS FOR 2008/2009

- SPC will continue to invest in oil and gas production assets, while developing the existing acreages
- k1 Ventures is assessing its rail equipment capital improvement plans, as well as looking for opportunities to strategically rebalance its rail-related inventories
- M1 will tap on the opportunities arising from telecom media convergence and develop new businesses anchored on its core competencies

EARNINGS HIGHLIGHTS

Profit before tax ($ million)



Profit before tax

$334m

PATMI

$268m

EARNINGS HIGHLIGHTS

	2007 $ million	2006 $ million	2005 $ million
Revenue	61	121	58
EBITDA	30	95	9
Operating profit	30	95	7
Profit before tax	334	306	270
PATMI	268	242	231
Manpower (number)	156	161	160
Manpower cost	60	50	41

1

SPC Regional oil and gas company	Building upstream assets	
	Upgrading and enhancing refining assets	
k1 Ventures Diversified investment company	Scouring opportunities in the two core platforms of energy, education/health/wellness	
	Expansion into third core platform of transport leasing	
M1 Singapore-based telco	Continue to drive growth in 3G services with innovative services	
	Differentiate and strengthen business through alliances	

2

1. SPC entered into a PSC with CNOOC to operate Block 26/18 with 100% participating interest.
2. Managing our portfolio to enhance the value of these investments to bring maximum returns to shareholders.

EARNINGS REVIEW

Investments registered lower revenue of $61 million in 2007, a decline of 50% from $121 million in 2006 due to lower investment income. Earnings were higher as a result of increased contribution from SPC, which also reported record profits.

SINGAPORE PETROLEUM COMPANY (SPC)

SPC aims to be a strong integrated oil and gas company with a premium brand in the Asia-Pacific region.

MARKET REVIEW

2007 was a year of strong growth for the global economy. In line with this growth, crude oil demand was estimated to be 85.7 million barrels per day (bpd), a 1.2% increase from the 84.7 million bpd consumption in 2006.

Geopolitical tensions, supply uncertainties and refinery outages combined to push crude oil prices from around US$55.00 per barrel to a new peak of US$99.29 per barrel for the benchmark West Texas Intermediate (WTI), before ending the year at US$95.98 per barrel. Refining margins were likewise volatile, moving from a high of US$9.00 per barrel to a low of US$5.00 per barrel. Strong demand for refined petroleum products was also seen throughout the year.

Despite 2007 being one of the most volatile years in the oil industry, SPC was able to achieve its best ever performance.

OPERATING REVIEW

SPC scored significant successes in the Exploration & Production (E&P) business in 2007.

The SPC brand is recognised for its quality products marketed in Singapore and across the Asia-Pacific region.

It entered two new E&P markets in Australia and China, growing its oil and gas production to an average of 10,000 bpd at year-end. This was a three-fold increase from early 2007.

Since SPC's move into the upstream business in 2000, the E&P portfolio and footprint has grown considerably to eight Production Sharing Contracts (PSC) and one exploration permit in five countries. In China, SPC made its largest overseas investment to date by acquiring producing fields in the Bohai Bay for US$223 million. It also acquired a 100% interest in a PSC exploration block, Block 26/18 in China, and an exploration permit in Australia. SPC's producing oilfields are Kakap and Oyong oilfields in Indonesia and Bohai Bay in China.

SPC's downstream business continued to be the main revenue generator. High crude and product prices, and tight global refining capacity enabled SPC to achieve average refining margins of US$7.00 per barrel.

The firm demand for refined products kept SPC's 50%-owned refinery, SRC, running at an average utilisation of 97% throughout the year, with 51.5 million barrels of crude processed. SRC successfully carried out a scheduled maintenance of the Crude Distillation Unit No. 1 complex, a major exercise which was completed smoothly and safely. It initiated a US$121 million project to increase production of ultra-low sulphur diesel or 'clean fuels' of Euro-IV standard by 2009.

SPC's island-wide service station network continued to find new ways to better serve the motoring public and expand its base of loyal customers. SPC is the first retail network on mainland Singapore to provide compressed natural gas in early 2008. The marketing of its fuels and lubricants was strengthened with investments in Indonesia and China respectively.

BUSINESS OUTLOOK

Global refining capacity is expected to remain constrained by high construction costs and skill shortages. While volatility in global financial markets may restrain economic activity, refining margins are expected to remain relatively healthy in 2008. This is in view of the continued lack of meaningful spare refining capacity and continuing strong demand for petroleum products from Asia, the Middle East and Russia.

SPC aims to continually upgrade the capability of its refining operations to produce cleaner fuels, including clean motor gasoline, and to be able to process a wider range of difficult crudes that will improve its margins.

SIGNIFICANT EVENTS

January
SPC and its partners increased their participating interest in Cambodia Block B to 33.3% each.

M1 launched MeTV, Singapore's first video sharing service on mobile phones.

February
M1 and Hong Kong Broadband Network Ltd (HKBN) signed a Memorandum of Understanding (MOU) to participate in Singapore's Next Generation National Broadband Network (NBN) project together.

SPC expanded its Exploration & Production portfolio with new acreage in Australia through a 35% participating interest in Block T/47P in the Bass Basin.

August
SPC entered into a PSC with CNOOC to operate Block 26/18 with 100% participating interest.

In Indonesia, SPC acquired a 60% interest in PT Solar Premium Central (PT Solar) which will build on and expand SPC's marketing presence in the country.

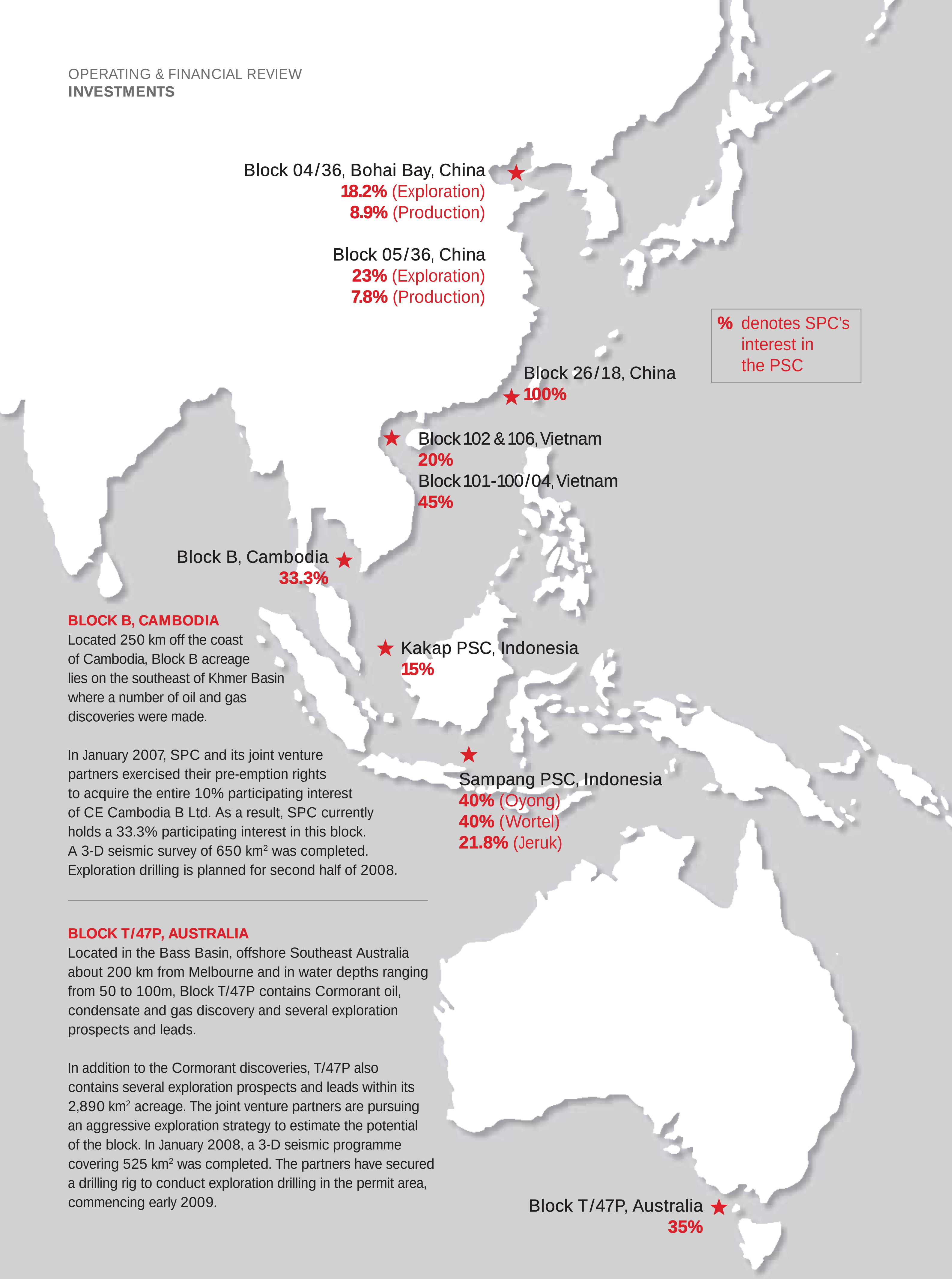
September
SPC began oil production at the Oyong field of its Sampang PSC in Indonesia, which is expected to have a gross production of 8,000 and 10,000 barrels of oil per day (bopd).

SPC acquired offshore producing oilfields and exploration working interests in Bohai Bay, China.

October
k1 Ventures completed the sale of Mid Pac, its retail gasoline business in Hawaii, for a total consideration of US$44 million and US$10.4 million for working capital adjustments.

k1 Ventures' Helm Holdings completed the sale of its investment in Dakota, Minnesota & Eastern Railroad Corp, with PATMI contribution expected to be about $22 million.

December
k1 Ventures announced additional investment in China Auto I Co-Investors LLC of US$4.4 million.



BLOCK B, CAMBODIA

Located 250 km off the coast of Cambodia, Block B acreage lies on the southeast of Khmer Basin where a number of oil and gas discoveries were made.

In January 2007, SPC and its joint venture partners exercised their pre-emption rights to acquire the entire 10% participating interest of CE Cambodia B Ltd. As a result, SPC currently holds a 33.3% participating interest in this block. A 3-D seismic survey of 650 km^2 was completed. Exploration drilling is planned for second half of 2008.

BLOCK T/47P, AUSTRALIA

Located in the Bass Basin, offshore Southeast Australia about 200 km from Melbourne and in water depths ranging from 50 to 100m, Block T/47P contains Cormorant oil, condensate and gas discovery and several exploration prospects and leads.

In addition to the Cormorant discoveries, T/47P also contains several exploration prospects and leads within its 2,890 km^2 acreage. The joint venture partners are pursuing an aggressive exploration strategy to estimate the potential of the block. In January 2008, a 3-D seismic programme covering 525 km^2 was completed. The partners have secured a drilling rig to conduct exploration drilling in the permit area, commencing early 2009.

BOHAI BAY, CHINA

Currently SPC's largest producing asset, Blocks 04/36 and 05/36 are located in western Bohai Bay, 190 km east of Beijing. Covering 3,080 km^2, the blocks contain several Cao Fei Dian producing fields with a total gross production of approximately 50,000 bpd. Produced gas is gathered by six platforms and processed by a Floating Production Storage and Offloading (FPSO) under a long-term lease.

Blocks 04/36 and 05/36 Effective 1 July 2007, the Bohai Bay assets contributed approximately 4,300 bpd to SPC's production. Ongoing infill drilling and well workover are being conducted by the operator to maximise production from the fields.

BLOCK 26/18, CHINA

Located 150 km from shore in the Pearl River Mouth Basin, South China Sea, Block 26/18 covers 4,961 km^2 in water depths between 85 and 200m. Block 26/18 contains the EP-20-3-1 discovery well drilled in 1998. Commercial oil production in the basin is centred in the Wenchang, Penyu, Huizhou, Lufeng and Liuhua fields. Preliminary geological and geophysical studies indicate several prospects. Under the initial three-year exploration phase, SPC is responsible to carry out an agreed work commitment on this block which includes acquiring 2,000 km of 2-D seismic survey and the drilling of one exploration well. Upon commercial hydrocarbon discovery, CNOOC has the right to participate up to an interest of 51% in the PSC.

BLOCKS 102 AND 106, VIETNAM

Blocks 102 and 106 cover approximately 14,000 km^2 and are located in the Song Hong Basin in the Gulf of Tonkin, Vietnam. The blocks contain the Yentu-1X and Thai Binh oil and gas discoveries.

In 2007, the partners completed a 2,189 km 2-D seismic survey in these blocks. The joint venture partners are planning to conduct a three-well exploration/appraisal drilling programme in 2008.

BLOCKS 101-100/04, VIETNAM

Covering approximately 6,174 km^2 , Block 101-100/04 is located next to Blocks 102 and 106 in the Gulf of Tonkin, Northern Vietnam and has gas and condensate discovery. Under the exploration phase of the PSC term, the joint venture partners are committed to the processing and interpretation of existing seismic data, acquisition of new 3-D seismic surveys and drilling of one exploration well within the first three years. To date, the 3-D seismic survey covering 689 km^2 has been completed. Exploration drilling is planned for early 2009.

KAKAP, PSC, INDONESIA

Covering approximately 2,000 km^2, Kakap PSC is located in the West Natuna Sea, Indonesia, 486 km from Singapore. There are nine producing oil and gas fields integrated by four platforms and five subsea tie-backs. Produced oil is processed by a FPSO vessel and gas is transported through the West Natuna Transportation System pipeline to Singapore.

SPC continued to enjoy healthy and stable production from the Kakap PSC. For 2007, the combined field production was approximately 975,000 boe for SPC's share. During the year, an exploration well Pancing-1X was drilled which resulted in a non-commercial oil discovery. Continued efforts to bring additional gas production onstream were carried out with the drilling of the KG West-1 well. This well and the Lukah gas discovery made in 2006 are currently scheduled for tie-back to existing platforms. The two wells will maintain the Kakap gas production for supply to Singapore.

SAMPANG PSC, INDONESIA

Sampang PSC is located offshore East Java, Indonesia. The Sampang PSC contains the Oyong oil and gas field, the Jeruk oil discovery, the Wortel gas discovery, and several exploration prospects and leads.

Oyong In 2007, the final milestone in the development of Oyong oil was completed with the successful conversion of the production barge and subsequent tie-in with the wells and the Floating Storage and Offloading (FSO) vessel. Oil started flowing from the Oyong field in September 2007. This is SPC's second producing asset after the Kakap PSC. At the commencement, Oyong produced oil at approximately 8,000 to 10,000 bpd, which equates to 3,200 to 4,000 bpd for SPC's 40% interest.

With the completion of the Oyong oil development, the Sampang partners have started to monetise its gas reserves. Front End Engineering Design (FEED) has completed and tendering of engineering, procurement, construction and installation (EPCI) contract is ongoing for the second phase development. Gas production is expected to commence in 2009. The gas to be produced will be transported through a 55 km pipeline to an onshore processing facility adjacent to the Grati Power Station in East Java. A gas sales agreement was signed with PT Indonesia Power for the entire gas reserves of the field.

Wortel The partners are evaluating the full potential of the Wortel discovery located 7 km west of the Oyong field. An appraisal well Wortel-3, located east of Wortel-1 well, is scheduled for drilling in 2008. The Wortel discovery is planned as a tie-back to the Oyong gas production.

Jeruk The Sampang partners continue to examine possible development scenarios to commercialise Jeruk's resources.

The investment in China Auto I Co-Investors LLC enables k1 Ventures to leverage the growth in demand of passenger cars in the Chinese market.

k1 VENTURES

The company is committed to maintaining its focus on existing investments in an effort to increase operating profits and value.

k1 Ventures recorded profits of $26.2 million in 2007 due to increased contributions from Mid Pac Petroleum, LLC (Mid Pac) and gains from the disposal of investments and fixed assets. Helm Holding Corporation (Helm), the largest independent locomotive and railcar leasing company in North America, continued to contribute positively to the financial results. For the year ended 30 June 2007, k1 Ventures made a significant capital distribution of 6 cents per share for shareholders.

Subsequent to k1 Ventures' year ended 30 June 2007, Mid Pac was sold for a total consideration of US$50.4 million. k1 Ventures also recognised a gain on the sale of Helm's investment in Dakota, Minnesota & Eastern Railroad Corp. of $22 million.

k1 Ventures made two investments totalling US$8.83 million in China Auto I Co-Investors LLC, a company formed to co-invest in the expansion of the existing automobile dealership platform of the Guanghui Group.

k1 Ventures will continue to be proactive in its current investments of energy, transportation leasing and investments, and seek to enhance shareholder value.

MOBILEONE (M1)

In 2007, the Keppel Group increased its 17% equity in M1 to almost 20%.

Growth in mobile voice traffic remains stable while data traffic is expected to continue to grow strongly. Major initiatives in Singapore to develop fixed line and wireless broadband infrastructure, such as the Next Generation National Broadband Network (NGNBN), will provide the platform for the growth of data intensive applications.

M1 continues to be a significant contributor to Keppel T&T's earnings and cashflow. M1's net profit grew by 4.4% from $164.6 million to $171.8 million.

M1 is a leading mobile communications provider in Singapore with a range of mobile voice and data communications services over its networks.

Helm manages a diverse fleet of 692 locomotives and 8,691 railcars to meet customers' specific operating requirements.

During the year, Keppel T&T received $64.0 million from its investment in M1, with $46.7 million arising from capital reduction and $17.3 million from dividends.

In the near future, M1 expects to see sustained growth in data traffic arising from wider adoption of mobile data usage on M1 broadband and mobile devices. It will tap on opportunities arising from convergence in the telecommunications and media space to develop new businesses anchored on its core competencies.

This involves moving beyond mobile voice services to offer new services such as mobile advertising and mobile TV. M1 will also continue to explore growth opportunities locally and overseas, adopting those which will create shareholder value.

With 75% of its total revenue coming from overseas customers, Keppel Group stays focused on building regional and global winners.

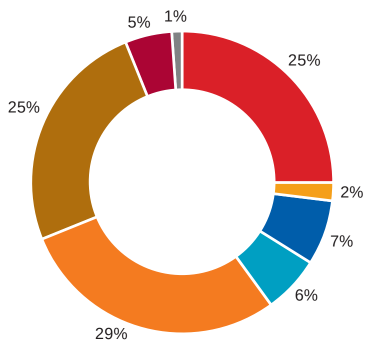
REVENUE BY MARKETS IN 2007

Revenue

$10,431m

Singapore 25%
Overseas 75%

- Singapore
- ASEAN
- Rest of Asia-Pacific
- Middle East / India
- Europe
- North America
- South America
- Central America



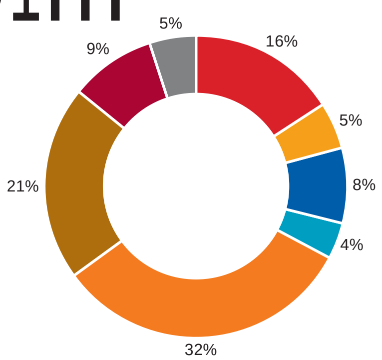
REVENUE BY MARKETS IN 2006

Revenue

$7,601m

Singapore 16%
Overseas 84%

- Singapore
- ASEAN
- Rest of Asia-Pacific
- Middle East / India
- Europe
- North America
- South America
- Central America



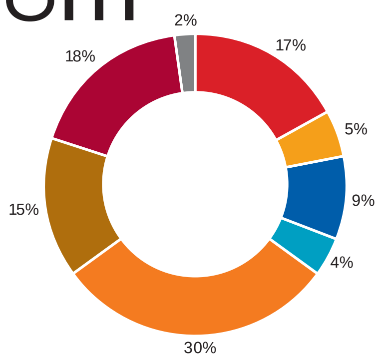
REVENUE BY MARKETS IN 2005

Revenue

$5,688m

Singapore 17%
Overseas 83%

- Singapore
- ASEAN
- Rest of Asia-Pacific
- Middle East / India
- Europe
- North America
- South America
- Central America



Ocean Financial Centre is developed on the site of the former *Ocean Building*. When completed in 2011, the 43-storey Grade A environment-friendly building will yield 850,000 sf office space.

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 & Production activities. There is also a growing need for sophisticated solutions as more Exploration & 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.

Keppel Offshore & Marine will continue to drive its business through its *"Near Market, Near Customer"* strategy, bolstered by a global network of 20 yards and nine engineering and R&D centres. Keppel Offshore & Marine is expected to augment the capacities of its yards and operations with capital expenditure of nearly $300 million in 2008 to meet existing contract obligations and in anticipation of new contracts. Its capital expenditure in the last five years totalled $430 million.

The creation of the Keppel Offshore & Marine Technology Centre, in addition to its three existing technology units, reflects its commitment to achieve a quantum leap in technology. It will also move with the market into deeper water activities by channelling resources to the development of deepwater rig solutions and larger specialised vessels for operations in more difficult terrains.

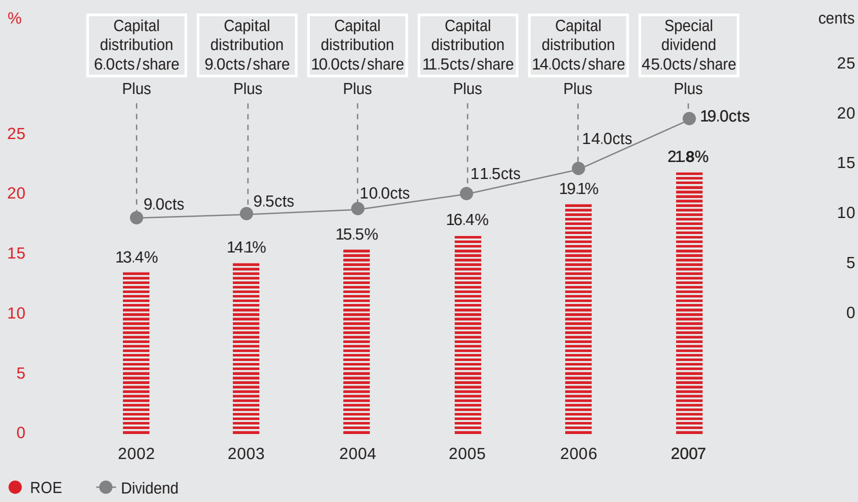
The Property Division has landed housing, townships and resorts homes development in various parts of Asia, including China, Indonesia, India and Vietnam. Its regional thrust has yielded results with securing more project sites. While poised for Singapore's transformation as a global business, financial and lifestyle hub, Keppel Land is making significant breakthrough into the Vietnamese and Chinese markets. With the Keppel brand and collective network of the Group, Keppel Land penetrated the Middle East market with the joint acquisition and development of a waterfront project in Saudi Arabia. This will enable the Division to establish a new regional platform for the property business.

For 2008, Keppel Land plans to launch about 8,200 homes overseas including China, Vietnam, India, Indonesia and Saudi Arabia. In Singapore, Phase II 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 new trading property projects both in Singapore and the region. Keppel Land's stable of prime investment buildings in the CBD and New Downtown in Marina South 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's 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.

SPC, driving the Group's oil and gas business, is gaining ground as an integrated regional oil and gas company. It has successfully invested in upstream activities in Vietnam, Indonesia, Cambodia, Australia and now China. M1 and k1 Ventures, derive their respective revenues from Singapore and USA.

ROE & dividend per share



ROE & DIVIDEND PER SHARE

Return on Equity reached a new high of 21.8%, reflecting our effort to pursue higher returns for our shareholders.

The Company will be paying a final dividend of 10 cents per share and a special dividend of 45 cents per share. The special dividend is proposed to commemorate the Company's 40th anniversary since its incorporation.

Together with the interim dividend of 9 cents per share, total payout for 2007 is 64 cents per share. This is higher than the 28 cents distributed in 2006 and 23 cents distributed in 2005.

	2007 $ million	07v06 +/(-)	2006 $ million	06v05 +/(-)	2005 $ million
Economic Value Added (EVA)					
Profit after tax and exceptional items (Note 1)	1,062	+172	890	+215	675
Adjustment for:					
Interest expense	134	+24	110	+56	54
Interest expense on non-capitalised leases	20	+1	19	+3	16
Tax effect on interest expense adjustments (Note 2)	(19)	-2	(17)	-8	(9)
Provisions, deferred tax, amortisation and other adjustments	32	+21	11	+20	(9)
Net Operating Profit After Tax (NOPAT)	1,229	+216	1,013	+286	727
Average EVA Capital Employed (Note 3)	8,950	-132	9,082	+239	8,843
Weighted Average Cost of Capital (Note 4)	6.99%	+0.49%	6.50%	+0.53%	5.97%
Capital Charge	(625)	-35	(590)	-62	(528)
Economic Value Added	604	+181	423	+224	199
Comprising:					
EVA excluding exceptional items	***779***	*+363*	*416*	*+219*	*197*
EVA of exceptional items	***(175)***	*-182*	*7*	*+5*	*2*
	604	*+181*	*423*	*+224*	*199*

Notes:

1 Profit after tax and exceptional items excludes fair value adjustments for investment properties.

2 The reported current tax is adjusted for statutory tax impact on interest expenses.

3 Average EVA Capital Employed is derived from the quarterly averages of net assets plus interest-bearing liabilities, provision and present value of operating leases.

4 Weighted Average Cost of Capital is calculated in accordance with Keppel Group EVA Policy as follows:

- a Cost of Equity using Capital Asset Pricing Model with market risk premium set at 6% (2005/6: 6%);
- b Risk-free rate of 3.041% (2006: 3.282%, 2005: 2.737%) based on yield-to-maturity of Singapore Government 10-year Bonds;
- c Unlevered beta at 0.72 (2005/6: 0.63); and
- d Pre-tax Cost of Debt at 3.72% (2006: 3.72%, 2005: 3.07%) using 5-year Singapore Dollar Swap Offer Rate plus 40 basis points (2005/6: 75 basis points).

Total distribution to shareholders will be approximately $1 billion and represents 98% of Group PATMI. This is equivalent to a gross yield of 5.5% on the Company's volume weighted average share price for 2007.

The distribution to shareholders is paid on account of increased profitability and strong operational cashflow. We are committed to reward shareholders with generous payouts as we achieve healthy year-on-year improvement in earnings growth.

ECONOMIC VALUE ADDED (EVA)

We have been reporting positive EVA since 2004, achieving a record $604 million in 2007.

This positive EVA was due mainly to the improvement in Net Operating Profit After Tax (NOPAT), an efficient capital structure, stringent investment criteria and strong cashflow.

The improvement in EVA by $181 million was attributed largely to higher NOPAT partially offset by higher Capital Charge. NOPAT increased by $216 million due to an increase in after-tax profit of $172 million. Capital Charge increased by $35 million due to a higher Weighted Average Cost of Capital (WACC) partially offset by lower EVA Capital. WACC increased from 6.5% to 6.99% attributed largely to a higher unlevered beta. Average EVA Capital decreased by $132 million from $9.08 billion to $8.95 billion.

In all, total EVA growth was $405 million over the last two years.

TOTAL SHAREHOLDER RETURN (TSR)

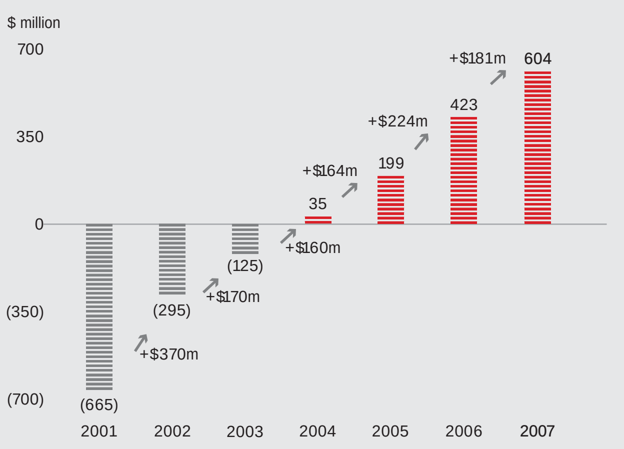
Keppel is committed to deliver value to shareholders through earnings growth. We will continue to identify, develop and build growth platforms for our businesses, sharpen our strategic focus, streamline our businesses, launch new products, strengthen customer relationships and penetrate new markets. This has contributed to an impressive value creation for our shareholders.

Total Shareholder Return (TSR) in 2007 was 52%, 31% higher than the benchmark Straits Times Index's (STI) TSR of 21%. Over the past five years, CAGR TSR of 54% was also significantly higher than STI's TSR of 26%. The yearly TSR outperformed STI's for the past eight years.

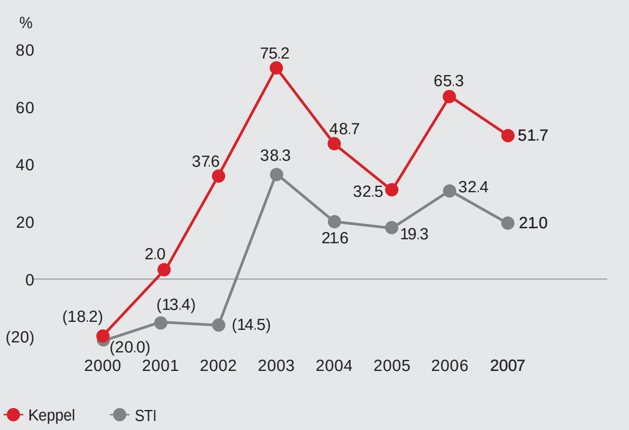
CASHFLOW

Operational cashflow before working capital changes exceeded $1 billion. Working capital changes were also positive with progress payments received from contracts.

Economic Value Added (EVA)



Total Shareholder Return (TSR)



	2007 $ million	07v06 +/(-)	2006 $ million	06v05 +/(-)	2005 $ million
Cashflow					
Operating profit	1,051	+247	804	+337	467
Depreciation, amortisation and other non-cash items	139	-8	147	+8	139
Cashflow provided by operations before changes in working capital	1,190	+239	951	+345	606
Working capital changes	638	-367	1,005	+12	993
Interest receipt and payment and tax paid	(131)	-29	(102)	-62	(40)
Net cash from operating activities	1,697	-157	1,854	+295	1,559
Divestments	32	-146	178	+89	89
Investments and capital expenditure	(841)	-82	(759)	+355	(1,114)
Dividend income	263	+56	207	+47	160
Net cash used in investing activities	(546)	-172	(374)	+491	(865)
Free Cashflow	1,151	-329	1,480	+786	694
Dividend paid to shareholders of the Company & subsidiaries	***(511)***	*-101*	*(410)*	*-86*	*(324)*

Net cash used in investing activities was $546 million compared to $374 million in 2006. Acquisitions and operational capital expenditure accounted for $841 million. This comprised principally further investments in *Marina Bay Financial Centre*, capital expenditure on the co-generation plant and other operational expenses. Divestment and dividend received totalled $295 million. As a result, free cashflow for the year amounted to $1.2 billion.

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.

FINANCIAL POSITION

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 due mainly 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 Citadel 100 Datacenters Limited. Increase in investments was due to fair value adjustments of financial assets and purchases made during the year. Increase in debtors was due mainly 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.

Shareholders' funds increased from $4.21 billion at 31 December 2006 to $5.21 billion at 31 December 2007. The increase was attributed mainly 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.

Minority interests increased from $1.39 billion at 31 December 2006 to $1.83 billion at 31 December 2007 because of higher retained profits of non-wholly owned subsidiaries.

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 due mainly 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.

BORROWINGS

The Group borrows from local and foreign banks in the form of short-term and long-term loans, project loans and bonds. At the end of 2007, 22% (2006: 23% and 2005: 36%) of Group borrowings were repayable within one year with the balance largely payable between two to five years.

Unsecured borrowings constituted 70% (2006: 38% and 2005: 60%) of total borrowings with the balance secured by properties and assets. Secured borrowings are mainly for financing investment properties and project financing loans for property development projects. The net book value of properties and assets pledged/mortgaged to financial institutions amounted to $1.83 billion (2006: $1.97 billion and 2005: $1.07 billion).

Fixed rate borrowings constituted 21% (2006: 16% and 2005: 8%) of total borrowings with the balance at floating rates. The Group has interest rate swap agreements with notional amount totalling $626 million whereby it receives variable rates equal to SIBOR and pays fixed rates of between 2.83% and 3.50% on the notional amount. The Group also has interest rate cap agreements to hedge the interest rate risk exposure arising from its US$ and S$ variable rate term loans. As at the end of the financial year, the Group has outstanding interest rate cap agreements of $58 million. Details of these derivative instruments are disclosed in the notes to the financial statements.

Singapore dollars borrowings represented 76% (2006: 93% and 2005: 73%) and US$ borrowings represented 20% (2006: 4% and 2005: 24%) of total borrowings. The balances were in Australian, European and other Asian currencies. Foreign currencies borrowings were drawn to hedge against the Group's overseas investments and receivables, which were denominated in foreign currencies.

CAPITAL STRUCTURE & FINANCIAL RESOURCES

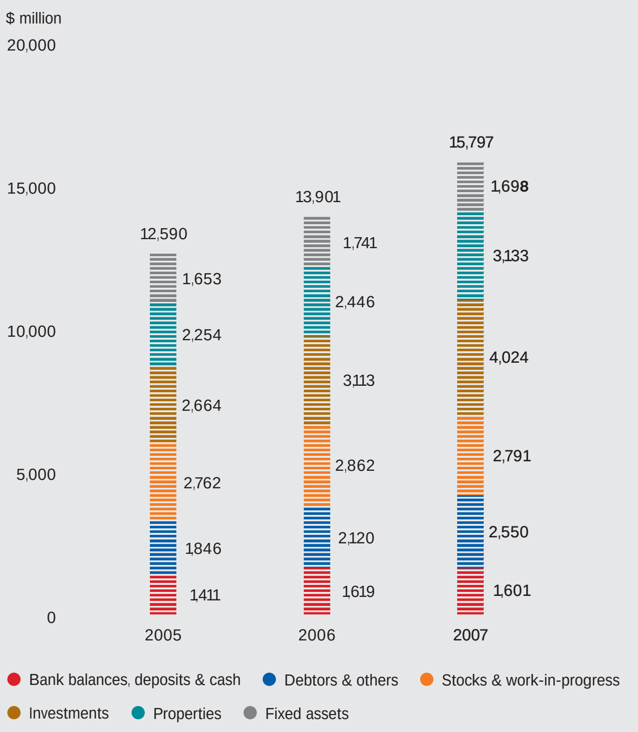
The Group maintains a strong balance sheet and an efficient capital structure to maximise return for shareholders. The strong operational cashflow of the Group and divestment proceeds from low yielding and non-core assets will provide resources to grow the Group's businesses.

Every new investment will have to satisfy strict criteria for return on investment, cashflow generation, EVA creation and risk management. New investments will be structured with an appropriate mix of equity and debt after careful evaluation and management of risks.

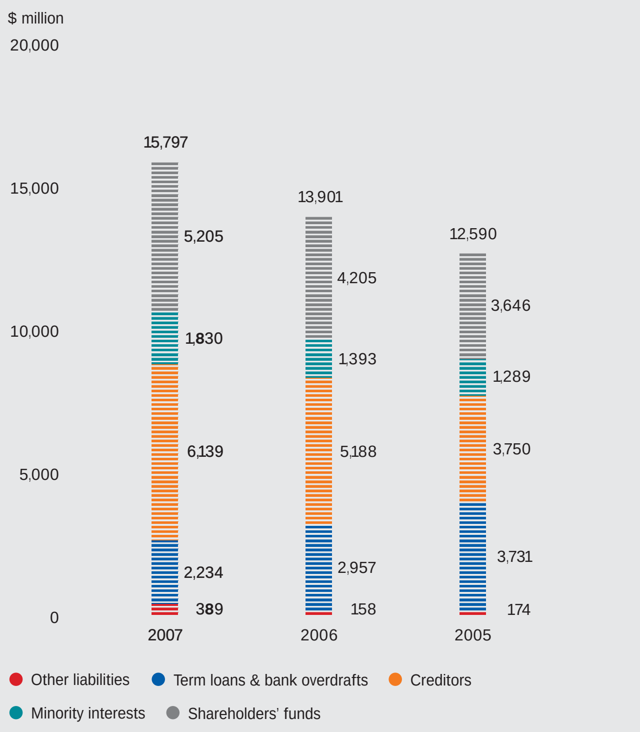
Capital structure

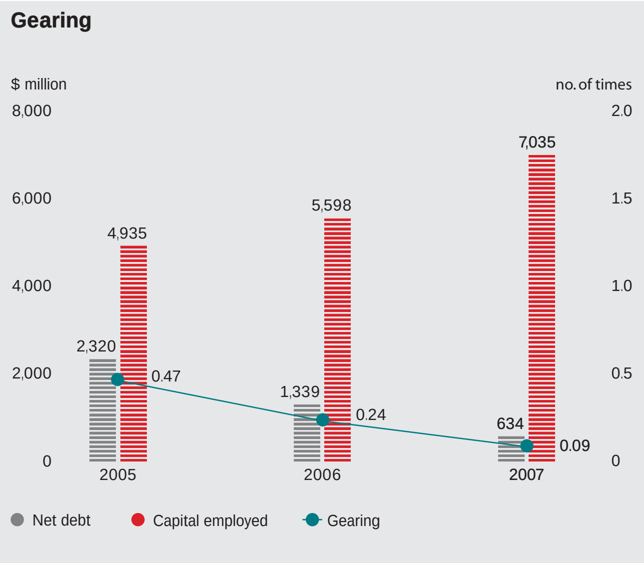
Capital employed at the end of 2007 was $7.04 billion, an increase of $1.44 billion over 2006 and $2.10 billion over 2005. Net borrowings stood at $634 million at end of 2007, a further

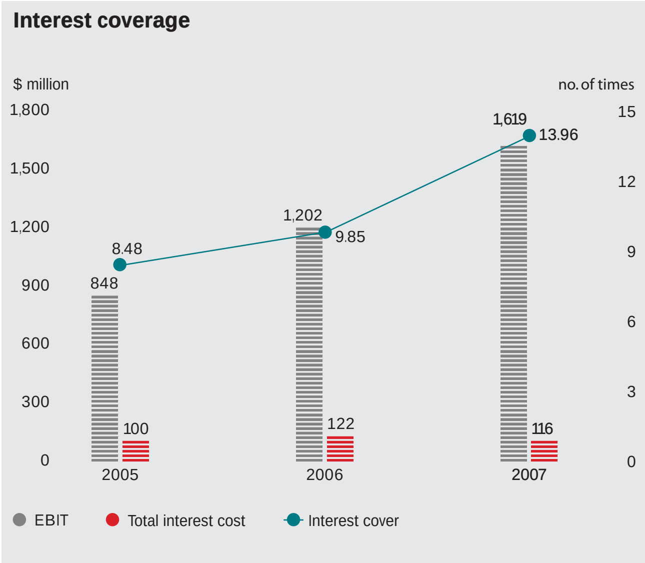
Total assets owned



Total liabilities owed and capital invested







reduction from $1.34 billion in 2006 and $2.32 billion in 2005. With higher capital employed and lower borrowings, net gearing was reduced from 0.47 times in 2005 to 0.09 times in 2007.

Interest coverage improved from 8.48 times in 2005 to 13.96 times in 2007. This was achieved on increasing EBIT despite the escalating cost of funds.

Cashflow coverage decreased from 16.59 times in 2005 to 15.63 times in 2007. Cashflow coverage remained healthy due to the robust operating cashflow generated by the Group.

At the AGM in 2007, shareholders gave their approval for mandates to issue and buy back shares. The Company did not exercise these mandates.

Financial resources

The Group maintains sufficient cash and cash equivalents, short-term marketable securities and an adequate amount of standby credit facilities. Funding of our working capital requirements and capital expenditure/investments is made through a mix of short-term money market borrowings and medium/long-term loans.

Due to the dynamic nature of the Group's businesses, it maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

At the end of 2007, credit facilities in the form of short-term loans, bank overdrafts, letters of credit, and other banking facilities provided by major banks to the Group amounted to $5.32 billion of which $1.33 billion was utilised.

FINANCIAL RISK MANAGEMENT

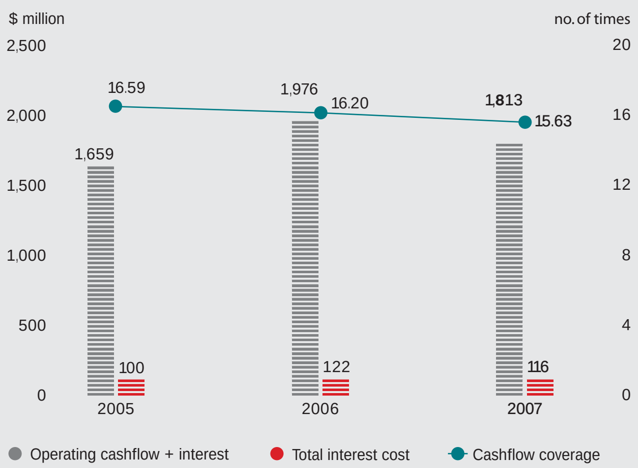
The Group operates globally and is exposed to a variety of financial risks, including market risk (foreign currency exchange rates, interest rates and commodity/equity prices), credit risk and liquidity risk. Financial risk management is carried out by the Keppel Group Treasury Department in accordance with established policies and guidelines.

These policies and guidelines are established by the Group Central Finance Committee and are updated to take into account changes in the operating environment. This committee is chaired by the Group Finance Director and comprises chief financial officers of the Group's key operating companies and Head Office specialists.

The Group's financial risk management is discussed in more detail in the notes to the financial statements. In summary:

- The Group has receivables and payables denominated in foreign currencies, viz US dollars, European and other Asian currencies. Foreign

Cashflow coverage



currency exposures arise mainly from the exchange rate movement of these foreign currencies against Singapore dollar, which is the Group's measurement currency. The Group utilises forward foreign currency contracts to hedge its exposure to specific currency risks relating to receivables and payables. The bulk of these forward foreign currency contracts are entered into to hedge any excess US dollars arising from Offshore & Marine contracts based on the expected timing of receipts. The Group does not engage in foreign currency trading;

- The Group hedges against price fluctuations arising on purchase of natural gas. Exposure is managed via fuel oil forward contracts, whereby the price of natural gas is indexed to a benchmark fuel price index, High Sulphur Fuel Oil (HSFO) 180-CST;

- The Group maintains a mix of fixed and variable rate debt/loan instruments with varying maturities. Where necessary, the Group uses derivative financial instruments to hedge interest rate risks. This may include interest rate swaps and interest rate caps;

- The Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time; and

- The Group adopts stringent procedures on extending credit terms to customers and the monitoring of credit risk.

CRITICAL ACCOUNTING POLICIES

The Group's significant accounting policies are discussed in more detail in the notes to the financial statements. The preparation of financial statements requires management to exercise its judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions which affect the reported amounts of assets, liabilities, income and expenses. Critical accounting estimates and judgement are described below.

Impairment of fixed assets

Determining whether fixed asset value is impaired requires an estimation of the value in use of the cash-generating units. This requires the Group to estimate the future cashflows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cashflows.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. This requires the Group to estimate the future cashflows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cashflows.

Impairment of available-for-sale investments

The Group follows the guidance of FRS 39 in determining whether available-for-sale investments are considered impaired. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and the near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cashflow.

Revenue recognition

The Group recognises contract revenue based on the stage of completion method which is measured by reference to the proportion of contract work completed. Significant assumption is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost and the recoverability of the contracts. In making the assumption, the Group evaluates by relying on past experience and the work of specialists.

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant assumption is required in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Keppel Corporation is well placed to meet the challenges of a dynamic business environment.

The Group is positioned to meet the challenges of a dynamic business environment and sustain its diversified operations well into the long-term, through a framework of best practices, processes and initiatives designed to enhance operational resilience whilst maintaining strategic direction.

Our strong execution capabilities are supported by core competencies and operational focus on risk and business continuity management, technology, health and occupational safety, as well as environmental protection. This provides a robust platform for sustainable growth across markets while creating a compelling value proposition for stakeholders.

MANAGING RISKS AND UNCERTAINTIES

Cultivating a strong risk-centric culture

The Board of Directors, assisted by the Board Risk Committee (BRC), has oversight of risk management in the Group. The BRC examines the effectiveness of the Group's risk management system and guides management in the formulation of risk policies, systems, processes and procedures.

Our Enterprise Risk Management (ERM) framework provides a holistic and systematic risk management process and approach for the Group in terms of risk identification, evaluation, mitigation and monitoring.

Risk management tools and methodology are widely applied to different aspects of our business. Risk management is embedded in business processes to ensure early risk detection for effective management and control, and forms an integral aspect of strategic and budget review, project evaluation and planning, and performance evaluation.

Maintaining clear visibility of risks is emphasised to ensure prompt mitigation and decision-making. Key risk issues and significant identified projects are closely monitored through regular reviews, project meetings, discussion of key risk indicators and issues with senior management and highlighting of key risks in reports to management, BRC and the Board.

Strong top level management commitment in driving Group-wide ERM initiatives ensures effective implementation with dedicated resources, standardised methodology, established measures, clear communication and feedback channels.

Individual business units are accountable for and cognisant of the need to integrate risk management into their business operations. Group Risk Management provides guidance, assistance and resources to facilitate their ERM implementation.

Risk management capabilities are enhanced through in-house training, including customised workshops incorporating case studies and surveys. Conferences and forums also crystallise key messages. Sharing of best practices and in-depth project post-mortem analysis provide further learning avenues.

Preparing for external volatility and operational disruptions

In an increasingly volatile operating environment, the Group seeks to enhance business resilience through business continuity management and scenario planning.

Business continuity management enables our businesses to respond seamlessly to external events while minimising operational disruptions. For example, the Group has developed Business Continuity Plans (BCP) for a pandemic flu outbreak scenario. BCP activities carried out include refining business units' BCPs, simulation exercises for pandemic flu outbreaks at local and overseas business units and testing remote work access procedures from home or alternative sites. This enhances our overall operational preparedness.

External conditions may impact the Group's operations and challenge key underlying parameters. Scenario planning is a useful tool involving long-range scanning to draw additional perspectives that can be incorporated into the process of shaping the Group's strategic direction, meeting potential challenges as well as business opportunities. Ongoing scenario planning augments the risk management system and strengthens the Group's strategic decision-making processes.

Our key emphasis is to promote an effective risk management system across the Group, intensifying our efforts in building a risk-centric culture closely aligned with both near- and long-term corporate goals.

AIMING FOR ZERO TOLERANCE

Safety issues are discussed at every board meeting thus underscoring its importance. Aside from the Board Safety Committee at Keppel Corporation,

Workers participate in a pandemic flu exercise at Keppel Shipyard (Tuas).

Keppel Land also established its Board Safety Committee on 1 March 2007, to further drive home the importance of safety management.

The Group held its Inaugural Annual Group Safety Convention in 2007, aimed to share best practices, recognise efforts to enhance safety and motivate employees to raise safety standards. A total of 22 projects were submitted to a panel of judges from the Ministry of Manpower, Singapore Construction Association and Ngee Ann Polytechnic. Guest of Honour, Minister of State for Manpower and Education, Mr Gan Kim Yong, Mr Lim Chee Onn, Executive Chairman, Keppel Corporation, and Mr Yeo Wee Kiong, Chairman of Board Safety Committee launched the Group's five safety principles at the Convention. The safety principles highlight the Group's philosophy towards safety management, as well as the Group's passion and commitment towards improving safety at the work place. We have also committed no less than $15 million in 2008 to step up our efforts to improve the Group's safety performance. This is an increase from $13 million in 2007 and $10.6 million in 2006.

At the Keppel O&M group, ongoing efforts have been undertaken to imbue a safety mindset in all employees and subcontract workers. In 2006, Keppel O&M achieved its lowest accident rate since it started records in the 1980s. In 2007, the Safety Leadership Programme was launched to ensure that safe work practices are built into everyday work processes. This safety initiative has been implemented on projects across all three of Keppel Shipyard's facilities in Singapore. Our safety standards can be attested by the Accident Frequency Rate (AFR) at Keppel Shipyard with its much improved accident frequency rate of 0.25 in 2007 compared to 1.34 in 2006. AFR measures the total number of reportable accidents per million manhours worked. Keppel Seghers Engineering also achieved 1.2 million accident-free manhours for its work on the Kallang-Paya Lebar Expressway and Keppel Seghers Ulu Pandan NEWater Plant.

In China, setting safety standards were also a key priority. The project team and main contractor of the *Central Park City* (Wuxi) worksite was awarded a recognition plaque by Keppel Land's Board Safety Committee (BSC) for its exemplary safety practices. *8 Park Avenue* (Shanghai) and *Central Park City* (Wuxi) have also received safety recognition awards from the local safety bureaus for good safety practices.

Promoting a safety culture

The HSE efforts of Keppel O&M focus on four main thrusts, namely communications, training, proactive actions, rewards and recognition. Safety initiatives are planned by the yards throughout the year to ensure that HSE aspects receive sufficient coverage.

Keppel O&M continued to build a safety culture based on "interdependent" teamwork. The Workforce Safety Councils in the Tuas, Benoi and Gul yards of Keppel Shipyard and Keppel Singmarine were its active partners. Support was also received from Contractors HSE Watch Groups and from customers' project teams. At Keppel Shipyard, client representatives from ExxonMobil, SBM and Shell sit on the Safety Steering Committee under the yard's Safety Plus Programme.

Keppel O&M participated in the inaugural Keppel Group Annual Safety Convention held in November 2007, with Keppel Singmarine winning the Keppel Group Chairman Safety Challenge Trophy.

Keppel Shipyard launched its Safety Leadership Programme in April 2007, aligning top management down to the workforce to ensure safety is built into everyday work processes. This initiative is a tripartite effort by ExxonMobil, SBM and Keppel Shipyard.

FIVE KEY PRINCIPLES FOR SAFETY

- If Safety is Expensive, Disasters Cost More
- Value Everyone's Safety
- Zero Tolerance for Incidents
- Recognise Safe Behaviours
- Passion for HSE Excellence

Mock exercises are carried out at the yards to hone our security skills and safety procedures.

Keppel Verolme appointed Safety Ambassadors to promote safety awareness in the yard.

Keppel FELS held its Annual Safety Campaign in April 2007, emphasising Prevention of Hand & Finger Injuries, the highest occurrence category in its incident records.

Protection of the environment
Our yards worldwide played their part in ensuring that operational activities were conducted in a responsible manner without negative impact to the environment and surrounding community.

Keppel AmFELS conformed to Texas State Air Quality Permit and Federal Operating Permit requirements.

Keppel Batangas is a member of the Batangas Coastal Resources Management Foundation which conducts surveillance to ensure sea water quality around the Batangas Bay region. Both Keppel Batangas and Keppel Cebu also participated in the Coastal Clean Up Day as part of the Green Philippines Programme in September 2007.

Keppel Shipyard set up an Environmental Task Force in June 2007 dedicated to monitoring environmental issues.

Achieving recognition
At the last Ministry of Manpower Annual Safety & Health Performance Award, Keppel Singmarine won the Silver Award for Workplace Safety & Health. Keppel FELS won the Safety & Health Award Recognition for Projects (SHARP) for the Maersk B273 project while Keppel Shipyard won the same award for the Petrobras *P-53* project.

At the 10th Convention for Workplace Safety & Health Innovations Teams in Marine Industry organised by the Association of Singapore Marine Industries, two teams from Keppel Shipyard Gul won the Gold and Silver Awards respectively.

Keppel FMO and Keppel Land's property management team carry out fire drills to ensure a smooth evacuation for tenants of *Keppel Towers*.

Launching Keppel's Five Key Safety Principles are (from left to right) Mr Lim Chee Onn, Executive Chairman, Keppel Corporation, Minister of State for Manpower and Education, Mr Gan Kim Yong and Mr Yeo Wee Kiong, Chairman of Board Safety Committee, Keppel Corporation.

Caspian Shipyard and Keppel Kazakhstan gained impressive safety records of 4.24 million manhours combined without lost time incidents. Keppel Kazakhstan was lauded by Agip KCO for achieving 1.5 million manhours without any lost time incidents in their project.

Singapore yards continued to achieve both impressive safety records in various projects and receive safety rewards from customers.

SUSTAINING OUR TECHNOLOGY EDGE

Keppel Technology Advisory Panel
Since its 2004 inauguration, the Keppel Technology Advisory Panel (KTAP) has convened semi-annually on eight occasions, with active participation from the Board, senior management and Group companies.

Chaired by Professor Cham Tao Soon, President Emeritus of Nanyang Technological University and Chancellor of UniSIM, KTAP's current membership comprises eight other internationally-renowned researchers, practitioners and industry leaders.

During the year 2007, R&D projects discussed include Keppel O&M's technology collaboration with ConocoPhillips. Environmental discussions focused on water and solid waste related issues and technologies, as well as alternative energy generation. The first Inter-SBU R&D project approved under Central Innovation & Technology Development Funding for offshore gas-to-liquids technology applications feasibility study was successfully completed.

Looking ahead, KTAP will foster a vibrant R&D culture within the Group and lead our technology drive through the TRAM concept – identify Trends impacting our businesses, assist our businesses to remain Relevant to markets, advise on Acquisition of expertise or technology development processes and Mentor the Group in related R&D issues.

Offshore and marine technology development
KOMtech was launched in December 2007, underscoring Keppel O&M's commitment to long-term research driving innovation beyond its current business and markets. An initial funding of $150 million for five years sets the stage for its R&D activities in the near future. The centre also received significant support from The Economic Development Board.

KOMtech augments the work of three existing technology units, Offshore Technology Development, Deepwater Technology Group, and Marine Technology Development. They will focus more intensively on design and engineering, while KOMtech concentrates on new technologies with long-term strategic impact.

New ideas and fresh perspectives will be injected through planned staff rotation while research working stints provide invaluable staff development opportunities.

Research collaborations with the National University of Singapore (NUS), Nanyang Technological University (NTU), and leading overseas universities in Norway and The Netherlands, will further sharpen our technological edge.

KOMtech fulfils a key technology foresight role in spearheading Keppel O&M's thrust into new markets and opportunities, leveraging its market knowledge and developing technologies to meet its future needs.

Keppel O&M continues to play a prominent role in the industry, keeping abreast of latest technology and developments as it contributes to the shaping of significant trends and overall development of our offshore and marine industry. Major events during 2007 included the following:

- The 21st Chua Chor Teck Memorial Lecture was delivered in January by Mr Chris Horrocks, past Secretary General of the International Chamber of Shipping and International Shipping Federation. He spoke on "Raising the Profile of the Shipping Industry";
- Keppel O&M participated in the Offshore Technology Programme launched at NUS and signed a bilateral agreement with its Centre of Offshore & Research Engineering in March;
- In April, Prof Andrew Palmer succeeded Prof Torgeir Moan as Keppel Chair Professor at NUS, researching offshore pipelines & engineering, geotechnics and ice;
- The 5th Keppel Lecture was delivered by Prof Andrew Palmer, Keppel Chair Professor at NUS, on "Arctic Offshore Structures, Ice Engineering & Ice Mechanics", in June;
- Semi-sub/Floaters Asia 2007 conference took place in September. Organised by Petromin, Deepwater Technology Group, together with ENSCO and Siemens, was one of the main sponsors. A broad industry segment presented, including design houses, classification societies, FPSO operators, academia, model test basins and subsea pipelines specialists; and
- OSV Singapore 2007 was another international conference held in Singapore. Keppel Singmarine was the main sponsor. The conference, held in November, provided a forum for open exchange of ideas on offshore support vessels and networking.

Group business units also participated in knowledge-sharing discussions and presentations providing opportunities to explore and derive insights and synergies with the technologies, operations, experiences and expertise of other business units.

The Keppel Technology Advisory Panel held its seventh meeting in Belgium.

KIE is committed to further developing technologies in wastewater treatment.

ENVIRONMENTAL TECHNOLOGIES FOR A CLEANER FUTURE

Our environmental business endeavours to address global challenges of sustainable development and contribute to better living environments through its resource-efficient water and thermal treatment capabilities. Technological innovations are harnessed to deliver cost-effective quality environmental solutions while maintaining our competitive edge.

Keppel Seghers continues to focus its resources on development and commercialisation of proprietary technologies and engineering capabilities as part of its long-term strategy. It aims to be a world leader in advanced environmental technologies for water and wastewater treatment, solid waste management and air pollution control.

Efforts are targeted at energy efficiency improvements by enhancing energy conversion or by tapping previously unusable sources of energy such as waste heat.

We seek to create a robust R&D framework to support our environmental initiatives through centres of excellence spearheading innovation in environmental technologies. In Europe, Keppel Seghers' Environmental Technology Research Centre focuses on thermal and solid waste technologies and projects, and is equipped to conduct small-scale trials and pilot testing.

Keppel Environmental Technology Centre (KETC) was set up in Singapore in 2007 to drive environmental research initiatives. It will focus on energy recovery and by-product minimisation from waste and wastewater treatment, and membrane applications for producing water from non-conventional sources. Project funding from Environmental & Water Industry Development Council (EWI) and PUB will supplement EDB funding.

To complement internal R&D and augment its technology solutions portfolio, KIE also reaches out to external constituencies and stakeholders:

- Research collaboration with leading academic and industrial research institutions around the world including NUS, NTU, PUB, NEA, Stanford University (US), Cranfield University (UK), TNO and KIWA (The Netherlands) and the Von Karman Institute (Belgium), ensures direct access to latest research programmes and technology platforms;
- Working closely with business partners and customers to harmonise research efforts with market needs; and
- Tapping KTAP insights and strategic guidance in R&D activities, technology trends, relevancy and technology acquisition.

Significant projects carried out to meet global environmental challenges include:

- NextGenBioWaste project – EU integrated project in sustainable energy production;
- Keppel Seghers Ulu Pandan NEWater Plant;
- Keppel Seghers & TNO Memstill® membrane distillation project;
- Keppel Seghers & KIWA Project – industrial scale membrane systems study;
- MEMSCAN Project – industrial scale membrane systems study;
- Keppel Seghers & Cranfield University membrane bioreactor optimisation project; and
- Keppel Seghers membrane bioreactor optimisation project for Dutch city of Heenvliet.

The Memstill® project seeks to develop a novel, low cost desalination process. Prequalification and research proposals have been submitted to EWI and PUB for funding. A large full-scale demonstration plant is targeted to be set up in 36 months.

The REDOXAN project applies Keppel's patented process using anaerobic/aerobic digestion to reduce sludge and improve biogas production. A laboratory scale test unit is being constructed to test various combinations of mesophyllic/thermophyllic anaerobic and aerobic operations with or without acidogenic steps on primary and secondary sludge to demonstrate superiority over existing technologies.

Two membrane bioreactor pilot projects are ongoing in collaboration with Cranfield University and Asahi.

QUALITY LIVING AND ENVIRONMENTAL PRESERVATION

Building green alliances

Keppel Land is committed to developing properties that improve the quality of life while minimising their ecological impact.

It joined Singapore Green Business Alliance, which promotes awareness and co-operation for environmental protection, and is a member of Singapore Compact, a national corporate social responsibility movement in Singapore.

In June 2007 marking World Environment Day, a series of green initiatives and events was rolled out to promote awareness of conservation. A 'Green Living' exhibition was held at *Bugis Junction Towers*. 'Go Green with Keppel Land' recycle-able bags were distributed and employees were encouraged to pledge their commitment to environmental protection through its online portal.

As part of the Group-wide Environment Masterplan, Keppel Land formed an Environment Management Committee to address green issues and spearhead environmental sustainability initiatives. A key priority is to obtain ISO 14001 certification for its environmental management system. Work is underway to achieve certification for local commercial and residential operations by end-2008.

Keppel Land embraces environmental and social performance transparency. At the inaugural Singapore Green Summit 2007 jointly organised by the Singapore Environment Council and Association of Chartered Certified Accountants (ACCA), it was a finalist in the ACCA Singapore Environmental and Social Reporting Awards. Since 1997, a dedicated section in its annual report details its environmental initiatives. A link to the latest environment report is included in its website.

Redefining waterfront living

Keppel Bay, a 32-ha waterfront precinct astride the former Keppel Shipyard site, is meticulously designed to optimise the site's rare natural attributes for exciting seafront living.

Reflections at Keppel Bay offers its residents a world-class waterfront lifestyle coupled with environment-friendly features.

Keppel Land incorporates eco-friendly features in its developments in the pursuit of green excellence.

Marina at Keppel Bay, located on the exclusive Keppel Island, is a world-class marina featuring state-of-the-art facilities such as modern concrete floating berths with capacity for 170 yachts, including mega-yachts up to 250 feet. It is linked to the mainland by the landmark Keppel Bay Bridge, Singapore's longest cable-stayed bridge at 250 metres. Designed by leading architects and marina consultants, *Marina at Keppel Bay* sets new standards in marina construction and services.

Iconic *Reflections at Keppel Bay*, designed by world-renowned architect Daniel Libeskind, has applied for Green Mark. Green features include energy efficient air-conditioners, motion sensors, automated irrigation and recycling facilities within the development.

Caribbean at Keppel Bay, the FIABCI Prix d' Excellence award-winning condominium and first residential development at Keppel Bay, boasts more than 2,200 shrubs and 800 trees of diverse species within its grounds.

Spearheading green developments

Harmonising with and improving the environment is a design and development priority. Its latest prime office building, *Ocean Financial Centre,* to be completed in 2011, will showcase state-of-the-art green and environment-friendly features. Designed by well-known architectural firm Pelli Clarke Pelli, the 43-storey building will include green features such as Singapore's largest solar panel system for offices, the first hybrid chilled water system in Singapore, high green plot ratio, energy efficient design and use of environmental management and water conservation systems.

One Raffles Quay, in the New Downtown, hosts a district cooling plant providing centralised and efficient air-conditioning for adjoining sites. To minimise the building's weight and movements, an environment-friendly innovative hybrid structural system comprising concrete core, perimeter concrete-filled steel tube columns, outrigger trusses and diaphragm floors was used in its construction. Other resource-efficient features incorporated in the landmark building include devices optimising air-conditioning control, energy efficient light fittings, motion sensors, condensate water recycling for irrigation, and an air flushing system to remove foul air.

Marina Bay Residences was conferred the Green Mark Gold Award in 2007 in recognition of its environmentally sustainable building practices and innovative green features. Another condominium project, *The Tresor*, also received the same award in 2006. These successive wins attest to Keppel Land's commitment and effort in making its properties eco-friendly and affirm its pursuit of green excellence.

Going green across borders
Keppel Land demonstrates similar commitment to the environment and sets new benchmarks for sustainable development through its quality overseas projects.

Jakarta Garden City, a 270-ha residential township in eastern Jakarta to be launched in 2008, will offer a green haven for families, with communal gardens and parks, tree-lined walkways and landscaped public areas.

In India, sewage treatment plants have been set up at *Elita Promenade* and *Elita Horizon* condominium developments to treat and recycle effluent water for landscape irrigation and toilet flushing system. Solar energy is harvested for all external lightings at *Elita Promenade*. About 40% of land at *Elita Horizon* has been set aside for green belt and landscaping.

In China, *8 Park Avenue* in Shanghai has water and energy conservation features such as solar-powered landscape lamps, rain water recycling system and a heat recovery pump which conserves energy for its swimming pool. In Beijing, *The Seasons* condominium features a mix of evergreen and deciduous trees to ensure residents can enjoy nature's changing scenery through the four seasons.

The planned Sino-Singapore Tianjin Eco-City (SSTEC) development will incorporate the latest green technologies and environment-friendly systems, such as state-of-the-art water recycling and waste treatment systems. SSTEC will be developed by a joint venture formed by consortia from both sides, with Keppel Corporation playing a lead role and Keppel Land supporting the Group's effort.

Jakarta Garden City is expected to be a development that harmonises quality homes with nature.

Keppel Senior Management is actively involved in the identification and development of talents.

Mr Kenny Yap (centre) of Qian Hu Corporation and Mr Adrin Loi (right) of Ya Kun International were the speakers for 2007's 'Grow Beyond' motivational series for Keppelites.

TALENT DEVELOPMENT

We continue to strive to be a preferred employer, to existing and future employees. Our senior management drives the development of young talents across the Group. They meet these young managers quarterly for tea. This enables interaction and exchange of views. Young managers from our overseas offices also converge annually for training, interaction with board members and senior executives and participation in Group-wide programmes to build cohesion as a larger Keppel family.

Bi-annual motivational talks are held as part of the 'Grow Beyond' series. In 2007, our speakers included Mr Khoo Swee Chiow, a well-known Singaporean adventurer; Mr Jack Sim, founder of World Toilet Organisation; Mr Adrin Loi of Ya Kun International, and Mr Kenny Yap of Qian Hu Corporation. Some 300 Keppelites, including board members and senior executives attended these half-day sessions.

A key development opportunity for our young talents is postings to our many operations overseas, for global exposure and grooming. Cross-posting, for example, from China to the Middle East or from one Strategic Business Unit (SBU) to another is currently being institutionalised.

Leadership training is ongoing and has been allocated a generous Learning and Development budget. New programmes have been added in 2007, including conflict management and negotiation skills to equip our managers to work effectively with multi-cultural customers and employees as we expand. Many of our young managers also participated in IE Singapore's Executive Programmes

Keppelites from across the globe stepped up in unity at the Global Young Managers Programme 2007.

Global Young Managers Programme 2007

Hailing from Azerbaijan to China, 33 Keppelites embarked on a five-day journey of discovery during Keppel's second Global Young Managers Programme in September.

The leadership development programme is designed to introduce young managers from Keppel's overseas operations to Group operations.

The programme included workshops that honed negotiation skills and personal effectiveness. Visits to shipyards, the Keppel Seghers Ulu Pandan NEWater Plant and the developments at Keppel Bay were arranged.

To further enrich trainee experience, the programme was structured to coincide with two other events, the Keppel Group Orientation and the 'Grow Beyond' Series talk.

under the International Business Fellowship, and spent two weeks in Dubai and Abu Dhabi, and Beijing and Shanghai in China. Our SBUs also supplement such leadership training with their own programmes.

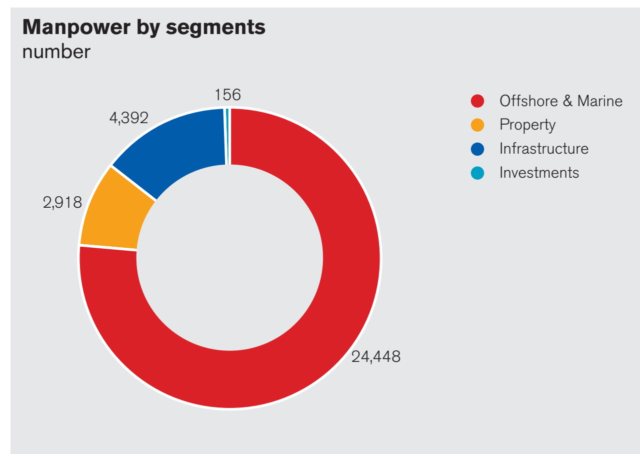
BUILDING BENCH STRENGTH FOR KEY POSITIONS

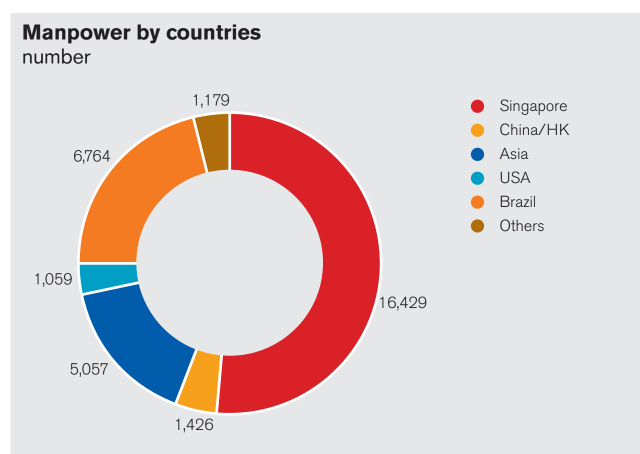
To ensure we have adequate bench strength for key positions, both the Board and our Senior Executive Directors regularly review their list of potential successors, and assess them against a list of leadership attributes developed in-house. In addition, regular face-to-face interactions with these candidates are organised. These candidates are also developed through executive coaching, executive development programmes, and leading major projects. To ensure a deliberate and effective implementation of succession planning, this effort is stewarded as a Key Performance Indicator in the supervisor's Balanced Scorecard.

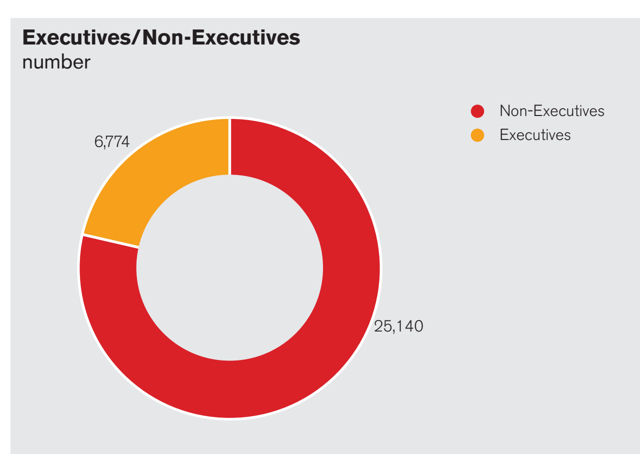
SCHOLARSHIPS AND INTERNSHIP PROGRAMMES

Under the Keppel Group Local Scholarship, a total of 12 scholarships were awarded by various SBUs in 2007, for studies in accountancy, business administration, engineering and real estate in universities in Singapore.

Scholarships under the auspices of the Keppel International Scholarship, launched since 2004, were awarded to two students from Vietnam and China for studies in the National University of Singapore. In addition, four scholarships were offered to pre-university students from Vietnam and India to study in St. Joseph's Institution International.

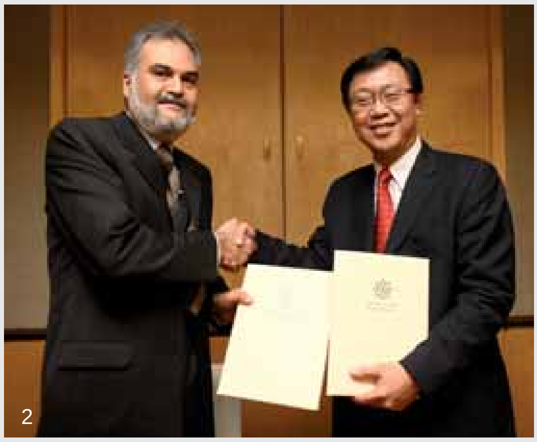






Arab Asian Internship Exchange Programme

Asian Internship Exchange Programme is starting in 2008 to provide opportunities for Arab and Asian youths to experience working in each other's country, facilitate knowledge sharing and foster greater understanding. The programme is part of the Arab Asian Task Force's strategy and action plans to promote co-operation between Asia and the Arab world.



1. Global Action Forum Arab Asian Dialogue was held in Singapore in April 2007.
2. Mr Moustapha Sarhank, Member of the BOD for YAL and Honorary Chairman of Sarhank Group and Mr Michael Chia, ED of Keppel FELS signed the agreement for an exchange programme.

Career Fairs

A career at Keppel promises a myriad of opportunities and experiences. This is what graduating students from Nanyang Technological University (NTU) and National University of Singapore (NUS) found out at career fairs held in early-2007. Students packed the Keppel booth at the career fairs to enquire about job opportunities in the Group.

Keppel's talent attraction campaign drew good response from undergraduates.

In conjunction with the Young Arab Leaders (YAL), we launched the Arab Asian Internship Exchange Programme in 2007. YAL is a network of Arab men and women with the vision of building a prosperous environment by creating opportunities for Arab youth in the areas of education, leadership development and entrepreneurship.

A group of 10 bright young men and women from various Middle East countries would spend three months at Keppel offices as interns. The programme will provide opportunities for Arab and Asian youths to experience working in each other's country, facilitate knowledge sharing and foster greater understanding.


1

EMPLOYEE WELLNESS AND WORK-LIFE BALANCE

Employee well-being is a key priority. A string of activities were lined up to promote wellness and work-life balance for our employees.

The annual Keppel Group Inter-SBU Games (iSBUG) were held for the fifth year running. Keppel O&M had its Family Day at Siloso Beach, Sentosa on 21 October 2007. To celebrate the group's fifth anniversary, a record-breaking chain of 18,000 helmets were utilised to secure a place in the *Guinness World Records* and the *Singapore Book of Records*. Keppel Land's theme for 2007 was 'Live! Work! Play!', which sought to create a healthy management of life. Keppel T&T took part in several sports and competitions. In May, the company held the annual Keppel T&T Bowling Tournament.

HRM AWARDS 2007

Keppel Corporation was nominated for the 'Best Employer Branding' in the Human Resource Manager (HRM) Awards 2007 for building top-of-mind recall as an employer of choice.

The 'Best Employer Branding' category in the HRM Awards recognises employers for their effective and distinctive branding policies and strategies.

Organised by Key Media, the HRM Awards celebrates the best Singapore-based human resources practices and professionals.

KEPPEL SCHOLARS ALUMNI ASSOCIATION (KSAA)

KSAA was formed in August 2001 to augment Group synergy and promote networking across Keppel's SBUs. Over the years, the Association has initiated a wide array of events and programmes, encouraging Keppelites to engage in corporate volunteerism and social pursuits at Group level. Through such activities, KSAA hopes to

Team Building in Qatar

As the operations of Keppel Integrated Engineering (KIE) in Qatar grew in staff strength, a customised teambuilding workshop was organised to promote camaraderie among the staff. On the morning of Saturday 8 December 2007, more than 50 KIE employees and their family members gathered for the inaugural Team Building Workshop.

The half-day workshop kicked off with an overview of Keppel Corporation and KIE, followed by a series of teambuilding activities specially tailored to the international crowd of more than 40 staff from nine countries.


KIE is creating an atmosphere of "home-away-from-home" for its staff based in Qatar.

increase employee interaction, nurture camaraderie and unlock synergies across the business units.

The highlight of 2007 for KSAA was the organising of the iSBUG held between June and August. For its fifth year, iSBUG adopted the theme, 'Rising Beyond', chosen to align with the company's thrust for the year – 'Grow Beyond'. Team managers from the SBUs were appointed to instil a sense of ownership and responsibility towards their teams.

The Vertical Marathon was a new event held at *One Raffles Quay* on 19 August 2007. It garnered enthusiastic support from participants.

1. Engaging a *Can Do!* gameplan on court.
2. Team *Beta* in high spirits after clinching the coveted soccer challenge trophy at the annual iSBUG.

The annual iSBUG fundraiser involving Keppel Volunteers (KV) and students from the Association for Persons with Special Needs (APSN) was an accomplishment as it succeeded in raising the full sum of $30,000 from the various SBUs. The games once again reinforced management support and encouraged Keppelites' enthusiasm for Group-wide activities. Participation for iSBUG 2007 stood at 893, a 4% increase from 862 in 2006.

KSAA kicked off 2007 with a theatre event 'Everything But The Brain', the first play lined up in its quarterly series of *Kepture!* art performances. Following this well-received play, two other plays were recommended.

Discounted tickets to all three plays were snapped up by Keppelites. The enthusiastic response spurred KSAA to further promote greater interest in the arts. The events also enhanced interaction among the families and friends of Keppelites.

KSAA continued to support Group Human Resources in organising the 2007 Keppel Group Scholarships Award Ceremony. A total of 12 candidates, twice the usual number, received scholarships. Held on 3 July at the *Reflections at Keppel Bay* show gallery, the ceremony also screened a video produced by KSAA featuring the 12 young talents besting their element in sports, community involvement or the arts.

2008 will be another exciting year as KSAA delivers more attractive initiatives and programmes to increase interaction among Keppelites as well as their families and friends.

2

As the Group expands into new frontiers, we seek to **deliver more in corporate social responsibility.**

Corporate Social Responsibility (CSR) is our business. We have adopted a multi-faceted approach towards CSR encompassing caring for the environment, showcasing Singapore to the world, public policy research and education, supporting the arts, charity and community engagements and corporate volunteerism.

CARING FOR THE ENVIRONMENT

In 2007, we supported several major environment-friendly initiatives while continuing with efforts to create a cleaner environment and greener living spaces. Key amongst the projects to care for our environment are our support of the National Environment Agency's (NEA) 'Bring Your Own Bag Day', sponsorship and involvement in the conservation of corals surrounding Singapore and contributions to six local environmental Non-Government Organisations (NGOs).

It is also the practice of our strategic business units to improve the quality of life in their communities and minimising the ecological impact of the environment they operate in.

Read pages 60 to 65 for more on the Group's green efforts.

Showcasing Singapore to the world

PRESENTING THE BEST OF SINGAPORE IN CHINA

With a growing presence of over 20 Chinese cities in 20 years, Keppel is committed to create avenues for meaningful exchange and deepening relationships with China through its key businesses.

As a presenting sponsor of Singapore Season in China, the Keppel Group worked in concert with the Ministry of Information, Communications and the Arts and the National Arts Council to bring the best of Singapore arts to Chinese audiences.

Staged in Beijing and Shanghai from October to November 2007, the Season concluded with huge success, drawing more than 165,000 people to its series of 44 lifestyle, creative and business programmes.

Extending its support for the Season's outreach, Keppel also sponsored the Singapore Dance Theatre's (SDT) additional performance in Tianjin, where the Group is present. SDT was among 300 artistes and arts groups that performed during the Singapore Season.

FRONTING THE INTERNATIONAL CLIPPER RACE

Keppel Corporation is the main sponsor of the *Uniquely Singapore* yacht and the host port sponsor for the Singapore stopover in the Clipper 07-08 Round-the-World Yacht Race. This is the second time that Singapore is fielding an entry in the biennial international sailing race for amateurs.

Promoting public and private sector collaboration, the Singapore Tourism Board came alongside Keppel as an official race partner to promote Singapore globally as a must-visit destination.

To provide added exposure and self-development opportunities for the Group's employees, six Keppel ambassadors were sponsored on various legs of the current expedition, up four from the previous 05-06 race.

The *Uniquely Singapore* yacht was launched into the Clipper 07-08 Race in May 2007 by Mr Tharman Shanmugaratnam, Singapore's Minister for Finance and Minister for Education at St. Katherine's Dock in London.

The 07-08 competition which took off from Liverpool in September 2007 will culminate in June 2008 after traversing seven legs and eight ports of call, over ten months.

The world sailed into Keppel Bay on 19 January 2008. Ten international Clippers from Fremantle made an eventful nine-day stop-over at Singapore's new waterfront playground, *Marina at Keppel Bay*, enroute to Qingdao.

Senior Minister Goh Chok Tong who opened the Marina in conjunction with the Clippers' arrival was present to accord the international crew a *Uniquely Singapore* welcome.

Rising to the Clipper challenge are people of all ages, social backgrounds and nationalities who despite their differences, share a similar thirst for adventure.

On its homecoming voyage, the *Uniquely Singapore* Clipper provided fertile ground for greater interaction among the youths of Southeast Asia. The ASEAN contingent, who sailed as crew members on the Fremantle-Qingdao leg, was supported by the Ministry of Foreign Affairs to commemorate ASEAN's 40th anniversary and Singapore's chairmanship of the Association.

During the Singapore stop-over, families, friends and fans of crew members from all across the globe rallied to cheer on the Clipper fleet at Keppel Bay. Not only has the arrival of the Clippers added colour and excitement to Singapore's vibrant southern waterfront hub, it has also generated goodwill for the local sailing fraternity and raised public interest in the sport.

Pitching in for the community

CELEBRATING SINGAPORE

The Keppel Group returned for the fifth year as a sponsor of the National Day Parade in 2007. Joining in the celebrations were students from Keppel's adopted charity, the Association for Persons with Special Needs, accompanied by the Keppel Volunteers.

In February 2008, Keppelites donated the equivalent of what they would spend for lunch in support of the Mainly I Love Kids (MILK) Fund's Share-a-Meal. The sum collected was matched dollar for dollar by the Company.

CHAMPIONING THE SINGAPORE DREAM

To inspire young Singaporeans to become agents of change, Keppel sponsored Mr Tan Yong Soon's book entitled *Living the Singapore Dream*, which features the life experiences of 23 Singaporeans. The book was published under the auspices of the Harvard Singapore Foundation.

Venturing the extra mile to support enterprising individuals, Keppel sponsored adventurer Khoo Swee Chiow's 'World Longest Journey on Skate' expedition. Launched from Hanoi in Vietnam, Khoo skated 6,088 km across five countries in 94 days creating a new *Guinness World Record*.

Keppel was also the Platinum Sponsor of the 600-strong National Volunteerism & Philanthropy and Corporate Social Responsibility (CSR) Conference in 2007, organised by the National Volunteer & Philanthropy Centre and Singapore Compact for CSR.

AIDING CANCER PATIENTS

In memory of the late Mr Sim Kee Boon, who passed away on 9 November 2007 at age 78, the Keppel Group and employees made contributions to the Singapore Cancer Society. Mr Sim was the Executive Chairman of Keppel Corporation from 1984 to 2000.

REJUVENATING COMMUNITIES IN BROWNSVILLE

Be it in Singapore or across the world, Keppel O&M's group of companies are mindful of their roles as responsible corporate citizens in their respective host countries.

Keppel AmFELS was singled out by government agencies such as the Brownsville Economic Development Council, and various charities in Brownsville, USA for its strong support of the community, especially in the areas of education and welfare. Students from the University of Texas at Brownsville (UTB) and the University of Texas at Pan American received engineering scholarships from the company. In addition, UTB also sent students to work as apprentices at the yard.

By working closely with local high schools to develop and provide welder training programmes, Keppel AmFELS also provides job opportunities to thousands in the community each year.

Over the last seven years, Keppel AmFELS has contributed significantly to improve the lives of families and children in Brownsville through non-profit volunteer organisation, United Way of Southern Cameron County (United Way). In April 2007, Keppel AmFELS was recognised by United Way's Million Dollar Club for surpassing the million-dollar mark in contributions towards its programmes. In addition to donations from employees, the yard also consistently supplied manpower and logistical resources to support United Way's fundraising events.

WALKING WITH CHARITIES

In addition to the sponsorship of the Community Chest's Heartstrings Walk at Marina Bay 2007, Keppel also fielded a contingent of Keppelites in the march for charity.

The VIVA Foundation, a partnership between St Jude Children's Research Hospital in the US, the National University Hospital and the National University of Singapore, is another beneficiary of Keppel's philanthropy.

RELIEVING THE LESS FORTUNATE

Whilst celebrating the company's fifth anniversary in 2007, Keppel O&M raised about $1.1 million through in-house donation drives and roadshows for various charities.

Being a major partner of the SingHealth Foundation's *Savemoney Savelives Campaign 2007*, Keppel O&M staff participated in its public fundraising activities. It also made a cash contribution to the Society for the Physically Disabled.

Advancing platforms for business and education

PROMOTING REGIONAL DIALOGUE AND LEARNING

Keppel Corporation co-presented the three-day ASEAN Business & Investment Summit, Singapore 2007 aimed at facilitating greater dialogue between the business community and ASEAN leaders.

During the year, Keppel contributed some $1.2 million to help position Singapore as a world-class education hub. The Company's sponsorships have benefited a number of local institutions and their students, including the Lee Kuan Yew School of Public Policy, the S Rajaratnam School of International Studies and the St. Joseph's Institution (SJI).

Over and above monetary support, Executive Chairman Lim Chee Onn and other prominent SJI alumni formed a Leadership Council to assist and advise the school on its international fund for scholarships.

Keppel also supported the Securities Investors Association of Singapore in its education programmes to help retail investors grow and protect their wealth.

CREATING FORUMS FOR ASEAN THINK TANKS

On ASEAN's 40th anniversary, Keppel O&M sponsored the inaugural ASEAN Think Tank Forum, co-organised by the Singapore Institute of International Affairs and the Institute of Policy Studies. The two-day forum, themed *ASEAN at 40: Achievements and Challenges*, attracted 150 experts and leaders from think tanks and academic institutions in the region.

As Main Sponsor of the 6th IISS Asia Security Summit under the auspices of The Shangri-La Dialogue, attended by defence ministers and senior officials from 25 nations, Keppel supported efforts to promote Asian defence diplomacy. The Group also contributed towards the Global Entrepolis Singapore 2007 jointly organised by the Singapore Business Federation and the Economic Development Board.

Cultivating audiences for the arts

PREMIERING SINGAPORE ARTISTES
Keppel presented a milestone concert by Singapore's very own King of Swing and Cultural Medallion Holder, Jeremy Monteiro at the Esplanade in July 2007. Coinciding with the Singapore Arts Festival's 30th anniversary, the concert was graced with performances by jazz luminaries Jimmy Cobb, Jay Anderson, Bob Sheppard and Roberta Gambarini.

DEVELOPING THE LOCAL ARTS SCENE
With unwavering support for homegrown talents, Keppel sponsored several local arts productions during the year namely, *The Legacy of Goh Choo San: In Memory & Tribute*, the local movie *Gone Shopping!* as well as HSBC Education's *Gabriel Ng @ Esplanade* concert in support of Kids Fund for needy school children.

In recognition of its contributions to the local arts scene in 2007, Keppel Corporation received the Patron of the Arts Award from the National Arts Council. Other companies in the Group were also lauded including MobileOne Ltd which received the Patron of the Arts Award and SPC, the Arts Supporter Award.

CELEBRATING WORLD MUSIC AT WOMAD
For the second consecutive year, Keppel O&M sponsored the World of Music, Arts and Dance (WOMAD) Singapore festival held at Fort Canning Park. The international festival brought together artistes from all over the globe in celebration of the diverse forms of music, arts and dance. As part of its WOMAD sponsorship, Keppel O&M presented renowned Brazilian Samba Group, Clube Do Balançoin.

SHOWCASING BRAZILIAN ARTS AND CULTURE
In October 2007, Keppel O&M brought to Singapore Brazil's reigning Queen of Bossa Nova, Bebel Gilberto, for another sell-out performance at the Esplanade. Keppel O&M had presented her Singapore debut back in 2005.

Apart from music, Keppel O&M also collaborated with Brazil's Ministry of External Relations to showcase the best of Brazilian design and architecture here through the Singapore Design Festival. This exhibition featured works of Oscar Niemeyer, who is recognised worldwide for his contributions to modernist architecture.

The company also endorsed the Association of Capoeira's efforts to promote the Brazilian martial arts dance movement in Singapore.

STEPPING UP CULTURAL EXCHANGE WITH MEXICO
In line with its support for cultural and business exchange with Latin America, Keppel O&M presented the Tamaulipas Folk Dance as part of the Festival Mexicano.

STRIKING A CHORD WITH VIETNAMESE AUDIENCES
Keppel Group presented the Vietnam-Singapore Friendship Concert, held at the Hanoi Opera House. Aptly themed *Chords*, the classical music concert was held in conjunction with Singapore's 42nd National Day celebrations in Vietnam.

Performed by the Vietnam National Symphony Orchestra and led by Singapore conductor, Adrian Tan, the concert also featured three Keppel music scholars from the Yong Siew Toh Conservatory – Tran Thi Tam Ngoc, Tran Duc Minh and Pham Thi Minh – who returned to perform in their homeland.

In 2003, Keppel Group established the Keppel Music Scholarship programme to nurture artistic talents and to support the Yong Siew Toh Conservatory of Music at the National University of Singapore (NUS). The Group has committed $600,000 to sponsor 10 students over a period of five years for a music degree programme at the conservatory.

As at July 2007, five Keppel music scholars emerged in the first cohort of students to graduate with a Bachelor of Music degree jointly awarded by NUS and the Peabody Institute of the John Hopkins University in Baltimore, USA.




Driving corporate volunteerism

In 2007, the Keppel Group sought to do more for its adopted charity, the Association for Persons with Special Needs (APSN).

Executive Chairman Lim Chee Onn hosted a luncheon for the APSN Executive Committee joined by representatives of the Keppel Scholars Alumni Association (KSAA) and Keppel Volunteers. Together, they explore further collaborations with APSN. A key area was the development of the Centre for Adults (CFA) to help boost the employability of APSN's clients.

The fruitful session gave rise to a joint pilot project for a hydroponics farm by Keppel Volunteers and APSN. The farm will serve as a sheltered workshop, as well as a means to create a revenue stream for the CFA.

The training provided at this facility will enable the clients to acquire skills in hydroponics farming such as seeding, transplanting, harvesting, cropping, packaging and selling the produce, which will in turn enhance their employability.

The hydroponics farm was launched on 18 January 2008 with additional contribution by Keppel.

Keppel Volunteers also collaborated with APSN to revive a recycling project in 2007. This project will allow CFA's clients to collect unwanted materials, recycle them and eventually sell the items through the centre's thrift shop. This project can enhance CFA's clients interaction skills with the public and teamwork ethics.

In 2008, Keppel Volunteers intends to encourage more Keppelites to be proactive in the collection of used items as well as to assist in raising awareness of the thrift shop and boosting its sales.

At the schools' level, Keppel Volunteers continued to organise activities to meet the learning needs of the students.

During the year, Keppel Volunteers embarked on a long-term collaboration with the Practice Performing Arts School (PPAS) to introduce arts and culture related activities to the APSN children via a pilot Creative Arts Programme (CAP). PPAS, a non-profit organisation registered with the Ministry of Education, is a premier arts school founded by the late Kuo Pao Kun and Goh Lay Kuan.

Two CAP workshops were held. They featured performances by the students of Chao Yang School. CAP has helped the APSN students to develop their psycho-motor abilities as well as to provide them with an avenue for creative expression. Through the programme, students have improved their ability to understand and respond to simple instructions.

As a means of preparing the students to enter the workforce, the *Move Your Body* series was initiated to help improve their physical fitness and health. A total of 50 students from Katong, Tanglin, Delta Senior School and CFA joined the Keppel Volunteers to scale the 29-storey high *One Raffles Quay South Tower* on 19 August 2007 as part of a fundraising event in Keppel's Inter-SBU Games.

In the *Do-It-Yourself* series, 13 members of the ASPN, CFA and Keppel Volunteers gathered at Funan DigiMall over two Saturdays to learn how to make and paint their own clay mugs. The activity provided a platform for the APSN participants to express themselves artistically.

1. The hydroponics farm was launched in January 2008 to provide related training that will enhance the employability of CFA's clients.
2. Keppel Volunteers works closely with APSN and various non-profit organisations to enhance its existing programmes for the intellectually-challenged youths and adults.
3. Volunteer activities throughout the year garnered substantial employee involvement across the Group.
4. Via the Creative Arts Programme, Keppel Volunteers have helped APSN children improve their ability to understand and respond to simple instructions.

DIRECTORS' REPORT & FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' REPORT
For the financial year ended 31 December 2007

The Directors present their report together with the audited consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2007.

1. Directors
The Directors of the Company in office at the date of this report are:

Lim Chee Onn (Chairman)
Tony Chew Leong-Chee
Lim Hock San
Sven Bang Ullring
Tsao Yuan Mrs Lee Soo Ann
Oon Kum Loon (Mrs)
Tow Heng Tan
Yeo Wee Kiong
Choo Chiau Beng
Teo Soon Hoe

2. Audit Committee
The Audit Committee of the Board of Directors comprises three independent Directors. Members of the Committee are:

Lim Hock San (Chairman)
Tony Chew Leong-Chee
Oon Kum Loon (Mrs)

The Audit Committee carried out its function in accordance with the Companies Act, including the following:

- Review audit plans and reports of the Company's external auditors and internal auditors and consider effectiveness of actions/policies taken by management on the recommendations and observations;
- Review the assistance given by the Company's officers to the auditors;
- Independent review of quarterly financial reports and year-end financial statements;
- Examine effectiveness of financial, operating and compliance controls;
- Review the independence and objectivity of the external auditors annually;
- Review the nature and extent of non-audit services performed by auditors;
- Meet with external auditors and internal auditors, without the presence of management, at least annually;
- Ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, at least annually;
- Review interested person transactions; and
- Investigate any matters within the Audit Committee's term of reference, whenever it deems necessary.

The Audit Committee recommended to the Board of Directors the re-appointment of Deloitte & Touche as auditors of the Company at the forthcoming Annual General Meeting.

3. Arrangements to enable Directors to acquire shares and debentures
Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate other than the KCL Share Option Scheme.

4. Directors' interest in shares and debentures

According to the Register of Directors' shareholdings kept by the Company for the purpose of Section 164 of the Companies Act, none of the Directors holding office at the end of the financial year had any interest in the shares and debentures of the Company and related corporations, except as follows:

		Holdings At	
	1.1.2007	31.12.2007	21.1.2008
Keppel Corporation Limited			
(Ordinary shares)			
Lim Chee Onn	1,357,083	2,714,166	3,334,166
Tony Chew Leong-Chee	-	2,000	2,000
Lim Hock San	-	2,000	2,000
Sven Bang Ullring	31,000	70,000	70,000
Tsao Yuan Mrs Lee Soo Ann	-	2,000	2,000
Oon Kum Loon (Mrs)	20,000	42,000	42,000
Oon Kum Loon (Mrs) (deemed interest)	20,000	40,000	40,000
Tow Heng Tan	313	2,626	2,626
Tow Heng Tan (deemed interest)	13,086	26,172	26,172
Yeo Wee Kiong	-	2,000	2,000
Choo Chiau Beng	860,833	981,666	1,181,666
Choo Chiau Beng (deemed interest)	100,000	200,000	200,000
Teo Soon Hoe	1,354,166	2,708,332	3,168,332
(Share options)			
Lim Chee Onn	1,550,000	3,720,000	3,100,000
Choo Chiau Beng	920,000	1,840,000	1,610,000
Teo Soon Hoe	1,150,000	2,760,000	2,300,000
Keppel Land Limited			
(Ordinary shares)			
Tow Heng Tan (deemed interest)	50	50	50
Keppel Telecommunications & Transportation Ltd			
(Ordinary shares)			
Lim Chee Onn	23,000	23,000	23,000
Teo Soon Hoe	28,000	28,000	28,000
K-REIT Asia			
(Units)			
Tow Heng Tan	10	10	10
Keppel Structured Notes Pte Limited			
(S$ Commodity Linked Guaranteed Note Series 1 due 2011)			
Teo Soon Hoe	$100,000	$100,000	$100,000
Keppel Philippines Holdings, Inc			
("B" shares of one Peso each)			
Lim Chee Onn	2,000	2,000	2,000
Choo Chiau Beng	2,000	2,000	2,000
Teo Soon Hoe	2,000	2,000	2,000

4. Directors' interest in shares and debentures (continued)

	Holdings At 1.1.2007	31.12.2007	21.1.2008
Keppel Philippines Marine, Inc			
(Shares of one Peso each)			
Lim Chee Onn	246,457	246,457	246,457
Choo Chiau Beng	283,611	283,611	283,611
Teo Soon Hoe	302,830	302,830	302,830
Keppel Philippines Properties, Inc			
(Shares of one Peso each)			
Teo Soon Hoe	2,916	2,916	2,916

5. Directors' receipt and entitlement to contractual benefits

Since the beginning of the financial year, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits in their capacity as directors of the Company which are disclosed in the Corporate Governance Report.

6. Share options of the Company

Details of share options granted under the KCL Share Option Scheme ("Scheme") are disclosed in Note 3 to the financial statements.

Options to take up 11,379,500 Ordinary Shares ("Shares") were granted during the financial year. There were 7,150,999 Shares issued by virtue of exercise of options and options to take up 443,000 Shares were cancelled during the financial year. The sub-division of Shares during the financial year resulted in an adjustment of 17,750,333 Shares under option. At the end of the financial year, there were 37,768,000 Shares under option as follows:

	Number of Share Options						
Date of grant	Balance at 1.1.2007 or later date of grant	Exercised	Cancelled	Adjustment*	Balance at 31.12.2007	Exercise price^	Date of expiry
01.11.99	35,000	(35,000)	-	-	-	$3.23	31.10.09
27.09.01	17,000	(17,000)	-	2,000	2,000	$0.62	26.09.11
20.12.02	715,000	(170,000)	-	665,000	1,210,000	$1.30	19.12.12
11.02.03	538,333	(244,166)	-	370,833	665,000	$1.32	10.02.13
14.08.03	662,500	(447,500)	-	465,000	680,000	$2.24	13.08.13
13.02.04	1,043,500	(732,000)	-	808,500	1,120,000	$3.01	12.02.14
12.08.04	1,442,500	(907,500)	-	1,025,000	1,560,000	$3.24	11.08.14
11.02.05	2,535,833	(2,227,333)	(20,000)	1,741,500	2,030,000	$4.42	10.02.15
11.08.05	2,913,000	(2,270,500)	(57,000)	2,900,500	3,486,000	$6.24	10.08.15
09.02.06	2,898,500	(44,500)	(90,000)	2,886,000	5,650,000	$6.39	08.02.16
10.08.06	3,431,000	(40,500)	(134,000)	3,418,500	6,675,000	$7.66	09.08.16
13.02.07	3,496,500	(15,000)	(112,000)	3,467,500	6,837,000	$9.13	12.02.17
10.08.07	7,883,000	-	(30,000)	-	7,853,000	$12.95	09.08.17
	27,611,666	(7,150,999)	(443,000)	17,750,333	37,768,000		

^ Exercise prices are adjusted for capital distribution and sub-division of Shares
* Adjustment as a result of the sub-division of Shares

The information on Directors of the Company participating in the Scheme is as follows:

Name of Director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Adjustment*	Aggregate options outstanding as at the end of financial year
Lim Chee Onn	465,000	4,005,000	1,416,250	573,750	1,705,000	3,720,000
Choo Chiau Beng	345,000	3,315,000	1,706,250	573,750	805,000	1,840,000
Teo Soon Hoe	345,000	3,315,000	1,246,250	573,750	1,265,000	2,760,000

* Adjustment as a result of the sub-division of Shares

No employee received 5 percent or more of the total number of options available under the Scheme.

There are no options granted to any of the Company's controlling shareholders or their associates under the Scheme.

7. Share options of subsidiaries

The particulars of share options of subsidiaries of the Company are as follows:

(a) Keppel Land Limited ("Keppel Land")
At the end of the financial year, there were 49,803,526 unissued shares of Keppel Land Limited under option. This comprised $300 million principal amount of 2.5% Convertible Bonds due 2013 at a conversion price of $6.55 per share and 4,002,000 options under the Keppel Land Share Option Scheme. Details and terms of the options have been disclosed in the Directors' Report of Keppel Land Limited.

(b) Keppel Telecommunications & Transportation Ltd ("Keppel T&T")
At the end of the financial year, there were 2,051,000 unissued shares of Keppel Telecommunications & Transportation Ltd under option relating to the Keppel T&T Share Option Scheme. Details and terms of the options have been disclosed in the Directors' Report of Keppel Telecommunications & Transportation Ltd.

8. Auditors

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

On behalf of the Board

LIM CHEE ONN
Executive Chairman

TEO SOON HOE
Group Finance Director

Singapore, 11 March 2008

BALANCE SHEETS
As at 31 December 2007

	Note	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Share capital	3	**790,407**	972,926	**790,407**	972,926
Reserves	4	**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	**-**	-
Capital employed		**7,035,192**	5,597,687	**3,348,375**	3,305,158
Represented by:					
Fixed assets	5	**1,698,231**	1,740,808	**5,668**	5,680
Investment properties	6	**2,960,347**	2,249,216	**-**	-
Development properties	7	**172,758**	197,080	**-**	-
Subsidiaries	8	**-**	-	**2,876,962**	3,080,896
Associated companies	9	**3,140,594**	2,410,716	**3,074**	3,074
Investments	10	**335,849**	275,892	**-**	-
Long term receivables	11	**134,857**	160,720	**301,099**	300,977
Intangibles	12	**67,823**	135,058	**-**	-
		8,510,459	7,169,490	**3,186,803**	3,390,627
Current assets					
Stocks & work-in-progress in excess of related billings	13	**2,790,649**	2,861,960	**-**	-
Amounts due from:					
- subsidiaries	14	**-**	-	**958,507**	410,092
- associated companies	14	**594,353**	307,968	**284**	87
Debtors	15	**1,753,434**	1,516,259	**157,054**	82,013
Short term investments	16	**547,437**	426,714	**-**	-
Bank balances, deposits & cash	17	**1,600,850**	1,618,558	**3,884**	520
		7,286,723	6,731,459	**1,119,729**	492,712
Current liabilities					
Creditors	18	**3,072,012**	2,168,904	**75,657**	58,885
Billings on work-in-progress in excess of related costs	13	**2,542,517**	2,621,815	**-**	-
Provisions	19	**37,900**	29,961	**-**	-
Amounts due to:					
- subsidiaries	14	**-**	-	**418,887**	194,718
- associated companies	14	**134,331**	93,620	**2**	11
Term loans	20	**499,104**	681,635	**134,820**	-
Taxation		**351,864**	273,883	**15,305**	10,182
Bank overdrafts	21	**3,767**	3,351	**-**	-
		6,641,495	5,873,169	**644,671**	263,796
Net current assets		**645,228**	858,290	**475,058**	228,916
Non-current liabilities					
Term loans	20	**1,731,526**	2,272,152	**300,000**	300,000
Deferred taxation	22	**388,969**	157,941	**13,486**	14,385
		2,120,495	2,430,093	**313,486**	314,385
Net assets		**7,035,192**	5,597,687	**3,348,375**	3,305,158

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the financial year ended 31 December 2007

	Note	GROUP 2007 $'000	2006 $'000
Revenue	23	**10,431,250**	7,600,940
Materials and subcontract costs		**(8,037,393)**	(5,570,175)
Staff costs	24	**(1,132,125)**	(931,340)
Depreciation and amortisation		**(125,692)**	(127,438)
Other operating expenses		**(85,391)**	(167,922)
Operating profit	25	**1,050,649**	804,065
Investment income	26	**2,867**	3,777
Interest income	26	**88,542**	79,758
Interest expenses	26	**(62,710)**	(62,470)
Share of results of associated companies	9	**476,882**	314,662
Profit before tax and exceptional items		**1,556,230**	1,139,792
Exceptional items	27	**564,933**	7,304
Profit before taxation		**2,121,163**	1,147,096
Taxation	28	**(468,635)**	(257,372)
Profit for the year		**1,652,528**	889,724
Attributable to:			
Shareholders of the Company			
Profit before exceptional items		**1,025,596**	750,832
Exceptional items	27	**105,105**	(82)
		1,130,701	750,750
Minority interests		**521,827**	138,974
		1,652,528	889,724
Earnings per ordinary share	29		
Before exceptional items			
- basic		**64.9 cts**	47.7 cts
- diluted		**64.3 cts**	47.2 cts
After exceptional items			
- basic		**71.5 cts**	47.7 cts
- diluted		**70.4 cts**	47.2 cts
Gross dividend per ordinary share	30		
Interim dividend paid		**9.0 cts**	6.0 cts
Final dividend proposed		**10.0 cts**	8.0 cts
Special dividend proposed		**45.0 cts**	-
Total annual dividend		**64.0 cts**	14.0 cts
Capital distribution	30	**-**	14.0 cts
Total distribution		**64.0 cts**	28.0 cts

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2007

	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
Group							
2007							
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 gain on available-for-sale assets realised and transferred to profit & loss account	**-**	**(4,926)**	**-**	**-**	**(4,926)**	**38**	**(4,888)**
Fair value changes on cashflow hedges	**-**	**131,412**	**-**	**-**	**131,412**	**(60)**	**131,352**
Fair value gain on cashflow hedges realised and transferred to profit & loss account	**-**	**(16,784)**	**-**	**-**	**(16,784)**	**(167)**	**(16,951)**
Currency translation loss	**-**	**-**	**-**	**(39,806)**	**(39,806)**	**43**	**(39,763)**
Currency translation loss transferred to profit & loss account	**-**	**-**	**-**	**41,012**	**41,012**	**20,357**	**61,369**
Net income recognised directly in equity	**-**	**327,972**	**-**	**1,206**	**329,178**	**24,396**	**353,574**
Net profit for the year	**-**	**-**	**1,130,701**	**-**	**1,130,701**	**521,827**	**1,652,528**
Total income recognised for the year	**-**	**327,972**	**1,130,701**	**1,206**	**1,459,879**	**546,223**	**2,006,102**
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**	**-**	**-**	**-**
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**

	Attributable to equity holders of the Company							
	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
Group								
2006								
As at 1 January	391,903	720,229	345,761	2,192,117	(3,934)	3,646,076	1,288,566	4,934,642
Revaluation surplus of investment properties	-	-	24,267	-	-	24,267	(16,494)	7,773
Revaluation surplus of investment properties realised and transferred to profit & loss account	-	-	(6,901)	-	-	(6,901)	-	(6,901)
Fair value changes on available-for-sale assets	-	-	73,577	-	-	73,577	(2,182)	71,395
Fair value gain on available-for-sale assets realised and transferred to profit & loss account	-	-	(81,356)	-	-	(81,356)	-	(81,356)
Fair value changes on cashflow hedges	-	-	148,029	-	-	148,029	(947)	147,082
Fair value gain on cashflow hedges realised and transferred to profit & loss account	-	-	(9,864)	-	-	(9,864)	-	(9,864)
Currency translation loss	-	-	-	-	(70,327)	(70,327)	(28,753)	(99,080)
Currency translation loss transferred to profit & loss account	-	-	-	-	15,305	15,305	-	15,305
Net income/(expense) recognised directly in equity	-	-	147,752	-	(55,022)	92,730	(48,376)	44,354
Net profit for the year	-	-	-	750,750	-	750,750	138,974	889,724
Total income/(expense) recognised for the year	-	-	147,752	750,750	(55,022)	843,480	90,598	934,078
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	-	-	-	-
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)
Effect of Companies (Amendment) Act 2005	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

The accompanying notes form an integral part of the financial statements.

	Share Capital $'000	Share Premium Account $'000	Capital Reserves $'000	Revenue Reserves $'000	Total $'000
Company					
2007					
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	**790,407**	**-**	**47,456**	**2,510,512**	**3,348,375**
2006					
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)
Effect of Companies (Amendment) Act 2005	745,757	(722,993)	(22,764)	-	-
As at 31 December	972,926	-	29,577	2,302,655	3,305,158

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED CASHFLOW STATEMENT
For the financial year ended 31 December 2007

	Note	2007 $'000	2006 $'000
Operating activities			
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 cashflow before changes in working capital		**1,189,604**	951,499
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
		1,827,848	1,955,542
Interest received		**79,755**	81,006
Interest paid		**(73,548)**	(69,027)
Income taxes paid		**(136,719)**	(113,637)
Net cash from operating activities		**1,697,336**	1,853,884
Investing activities			
Acquisition of subsidiaries	A	**(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
Net cash used in investing activities		**(546,342)**	(374,310)
Financing activities			
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)
Net cash used in financing activities		**(1,169,118)**	(1,258,401)
Net (decrease)/increase in cash and cash equivalents		**(18,124)**	221,173
Cash and cash equivalents as at 1 January		**1,615,207**	1,394,034
Cash and cash equivalents as at 31 December	B	**1,597,083**	1,615,207

The accompanying notes form an integral part of the financial statements.

NOTES TO CONSOLIDATED CASHFLOW STATEMENT

	2007 $'000	2006 $'000
A. Acquisition of subsidiaries		
During the financial year, the fair values of net assets of subsidiaries acquired were as follows:		
Fixed assets and investment properties	**-**	220,461
Investments	**8,286**	16,024
Stocks & work-in-progress	**97,059**	3,659
Intangibles	**-**	1,011
Debtors	**3**	11,258
Bank balances and cash	**941**	20,590
Creditors	**(23)**	(49,481)
Loans	**-**	(159,050)
Current and deferred tax	**(22)**	-
Minority interests	**(4,490)**	(6,357)
	101,754	58,115
Goodwill on consolidation	**-**	2,677
Amount previously accounted for as associated companies	**(3,934)**	(37,043)
Purchase consideration	**97,820**	23,749
Less: Bank balances and cash acquired	**(941)**	(20,590)
Cashflow on acquisition net of cash acquired	**96,879**	3,159

The carrying amounts of net assets of subsidiaries acquired in the acquirees' books at the point of acquisition approximate their fair values.

B. 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:

	2007 $'000	2006 $'000
Bank balances, deposits and cash (Note 17)	**1,600,850**	1,618,558
Bank overdrafts (Note 21)	**(3,767)**	(3,351)
	1,597,083	1,615,207

The accompanying notes form an integral part of the financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of its principal place of business and registered office is 1 HarbourFront Avenue #18-01, Keppel Bay Tower, Singapore 098632.

The Company's principal activity is that of an investment holding and management company.

The principal activities of the companies in the Group consist of:

- offshore oil-rig construction, shipbuilding & shiprepair and conversion;
- property development & investment and property fund management;
- environmental engineering, power generation and network engineering; and
- investments.

There has been no significant change in the nature of these principal activities during the financial year.

The financial statements of the Group for the financial year ended 31 December 2007 and the balance sheet and statement of changes in equity of the Company at 31 December 2007 were authorised for issue in accordance with a resolution of the Board of Directors on 11 March 2008.

2. Significant accounting policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Adoption of New and Revised Standards

In the current year, the Group adopted the new/revised FRS and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2007.

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

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 adoption of these new/revised FRS and INT FRS did not result in any substantial change 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 were accounted for as long term investments and stated at valuations performed each year. Surpluses arising on revaluation were credited directly to capital reserves. Revaluation deficits were taken to the profit and 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 and loss account.

2. Significant accounting policies (continued)

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 and has accounted for the related deferred tax liability on 1 January 2007.

This change in accounting policy has been accounted for prospectively from 1 January 2007 in accordance to the transitional provision of FRS 40. The effects of adopting FRS 40 are as follows:

	Current financial year 2007		
	* Before adopting FRS 40 $'000	After adopting FRS 40 $'000	As at 1.1.2007 $'000
Consolidated Balance Sheet:			
Capital reserves	477,370	-	(11,975)
Revenue reserves	-	396,190	(45,802)
Minority interests	426,232	357,912	(64,617)
Investment properties	691,444	691,444	-
Associated companies	212,158	174,435	(23,564)
Deferred taxation	-	111,777	98,830
Consolidated Profit & Loss Account:			
Exceptional items	-	396,190	-

* This shows the effects of applying the previous accounting policy under FRS 25 Accounting for Investments

The adoption of FRS 40 has resulted in an increase in basic and diluted earnings per share after exceptional items of 25.1 cts and 24.2 cts respectively for the financial year ended 31 December 2007. There is no impact on the basic and diluted earnings per share before exceptional items for the financial year ended 31 December 2007.

Early Adoption of INT FRS 112

On 1 January 2007, the Group 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. INT FRS 112 which would otherwise be mandatory from 1 January 2008 was early adopted to account for the two contracts based on the latest interpretation. The effects of adopting of INT FRS 112 are disclosed in Note 11.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries as at the balance sheet date.

The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated financial statements from their respective dates of acquisition or disposal. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Acquisition of subsidiaries is accounted for using the purchase method. The cost of an acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Costs directly attributable to an acquisition are included as part of the cost of acquisition.

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

(c) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Profits or losses on disposal of fixed assets are included in the profit and loss account.

Depreciation of fixed assets is calculated on a straight-line basis to write off the cost of the fixed assets over their estimated useful lives. No depreciation is provided on freehold land and capital work-in-progress. The estimated useful lives of other fixed assets are as follows:

Freehold buildings	30 to 50 years
Leasehold land & buildings	Over period of lease (ranging from 2 to 65 years)
Vessels & floating docks	10 to 20 years
Plant, machinery & equipment	1 to 30 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

(d) Investment Properties

Investment properties are initially recognised at cost and subsequently measured at fair value, determined annually by independent professional valuers. Changes in fair value are recognised in the profit and loss account.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the profit and loss account with effect from 1 January 2007.

(e) Development Properties

Development properties are stated at cost less impairment losses.

Cost includes cost of land and construction, related overhead expenditure and financing charges and other net costs incurred during the period of development. They are considered completed and are transferred to investment properties or fixed assets when they are ready for their intended use.

Each property under development is accounted for as a separate project. Where a project comprises more than one component, each component is treated as a separate project, and interest and other net costs are apportioned accordingly.

(f) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are stated in the Company's financial statements at cost less any impairment losses. On disposal of a subsidiary, the difference between net disposal proceeds and the carrying amount of the investment is taken to profit and loss account.

2. Significant accounting policies (continued)

(g) Associated Companies

An associated company is an entity, not being a subsidiary, over which the Group has significant influence, but not control, in the operating and financial policy decisions.

Investments in associated companies are stated in the Company's financial statements at cost less any impairment losses. On disposal of an associated company, the difference between net disposal proceeds and the carrying amount of the investment is taken to profit and loss account.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting whereby the Group's share of profit or loss of the associated company is included in the profit and loss account and the Group's share of net assets of the associated company is included in the balance sheet.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

(h) Intangibles

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. An impairment loss is recognised in the profit and loss account when the carrying amount of the cash-generating unit, including goodwill, exceeds the recoverable amount of the cash-generating unit. The impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Other Intangible Assets

Intangible assets include development expenditure. Costs incurred which are expected to generate future economic benefits are recognised as intangibles and amortised on a straight line basis over their useful lives, ranging from 5 to 15 years.

(i) Investments

Investments are classified as held for trading or available-for-sale. Investments acquired for the purpose of selling in the short term are classified as held for trading. Other investments held by the Group are classified as available-for-sale.

Investments are recognised and derecognised on the trade date where the purchase or sale of an investment is under a contract whose terms required delivery of investment within the timeframe established by the market concerned.

Investments are initially measured at fair value plus transaction costs except for investments held for trading, which are recognised at fair value.

For investments held for trading, gains and losses arising from changes in fair value are included in the profit and loss account.

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit and loss account.

The fair value of quoted investments is based on current bid prices. For investments where there is no active market, the fair value is determined using valuation techniques. Such techniques include using recent arm's length transactions, reference to the underlying net asset value of the investee companies and discounted cashflow analysis.

The Group assesses at each balance sheet date whether there is objective evidence that an investment is impaired. In the case of investment classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account are not reversed through the profit and loss account until the investment is disposed of.

(j) Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Gains or losses arising from changes in fair value of derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account.

For cashflow hedges, the effective portion of the gains or losses on the hedging instrument is recognised directly in the hedging reserve, while the ineffective portion is recognised in the profit and loss account. Amounts taken to hedging reserve are transferred to the profit and loss account when the hedged transaction affects profit or loss.

The fair value of forward foreign currency contracts is determined using forward exchange market rates at the balance sheet date. The fair value of interest rate caps and interest rate swaps are based on valuations provided by the Group's bankers. The fair value of High Sulphur Fuel Oil ("HSFO") forward contracts is determined using forward HSFO prices provided by the Group's key counterparty.

(k) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cashflows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for cash generating unit to which the asset belongs.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of an asset is reduced to its recoverable amount. The impairment loss is recognised in the profit and loss account.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the profit and loss account.

2. Significant accounting policies (continued)

(l) Stocks & Work-in-Progress

Stocks, consumable materials and supplies are stated at the lower of cost and net realisable value, cost being principally determined on the weighted average method.

Work-in-progress is stated at the lower of cost (comprising direct labour, material costs, direct expenses and an appropriate allocation of production overheads) and net realisable value, which is arrived at after providing for anticipated losses, if any, when the possibility of loss is ascertained.

Progress claims made against work-in-progress are offset against the cost of work-in-progress and the profits recognised on partly completed long-term contracts less any provision required to reduce cost to estimated realisable value.

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes cost of land and construction, and interest incurred during the period of construction.

Properties held for sale under development are stated at the lower of cost or net realisable value. Upon receipt of temporary occupation permits, these are transferred to completed properties held for sale.

(m) Financial Assets

Financial assets include cash and bank balances, trade, intercompany and other receivables and investments. Trade, intercompany and other receivables are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts.

(n) Financial Liabilities

Financial liabilities include trade, intercompany and other payables, bank loans and overdrafts. Trade, intercompany and other payables are stated at their fair value. Interest-bearing bank loans and overdrafts are initially measured at fair value and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit and loss account over the period of the borrowings using the effective interest method.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provision for warranties is set up upon completion of a contract to cover the estimated liability which may arise during the warranty period. This provision is based on service history. Any surplus of provision will be written back at the end of the warranty period while additional provisions where necessary are made when known. These liabilities are expected to be incurred over the applicable warranty periods.

Provision for claims is made for the estimated cost of all claims notified but not settled at the balance sheet date, less recoveries, using the information available at the time. Provision is also made for claims incurred but not reported at the balance sheet date based on historical claims experience, modified for variations in expected future settlement. The utilisation of provisions is dependent on the timing of claims.

(p) Leases

When a group company is the lessee

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from lessor) are taken to the profit and loss account on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When a group company is the lessor

Finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Operating leases

Assets leased out under operating leases are included in investment properties and are stated at revalued amounts and not depreciated. Rental income (net of any incentive given to lessee) is recognised on a straight-line basis over the lease term.

(q) Revenue

Revenue consists of:

- Revenue recognised on contracts, under the percentage of completion method when the outcome of the contract can be estimated reliably;
- Invoiced value of goods and services;
- Rental income from investment properties; and
- Investment income, interest and fee income.

(r) Revenue and Income Recognition

Revenue from rigbuildings, shipbuildings and repairs is recognised based on the percentage of completion method in proportion to the stage of completion, provided that the work is at least 20% complete and the outcome of such work can be reliably estimated. For offshore rigbuildings and repairs division, the percentage of completion is measured by reference to the percentage of the physical proportion of the contract work completed as determined by engineers' estimates. For marine shipbuildings and repairs division, the percentage of completion is measured by reference to the percentage of costs incurred to-date to the estimated total costs for each contract, with due consideration made to include only those costs that reflect work performed. Provision is made where applicable for anticipated losses on contracts in progress.

Income recognition on long term engineering contracts is based on the percentage of completion method in proportion to the stage of completion, provided that the work is at least 20% complete and the outcome of such work can be reliably estimated. The percentage of completion is measured by reference to the percentage of the physical proportion of the contract work completed as determined by engineers' estimates. Provision is made where applicable for anticipated losses on contracts in progress.

2. Significant accounting policies (continued)

Income recognition on partly completed properties held for sale is based on the percentage of completion method as follows:

- For Singapore trading properties under development, the profit recognition upon the signing of sales contracts is 20% of the total estimated profit attributable to the actual contracts signed. Subsequent recognition of profit is based on the stage of physical completion;

- For overseas trading properties under development, the profit recognition upon the signing of sales contracts is the direct proportion of total expected project profit attributable to the actual sales contract signed, but only to the extent that it relates to the stage of physical completion; and

- In respect of large residential property projects, income recognition is applied by phases.

When losses are expected, full provision is made in the accounts after adequate allowance has been made for estimated costs to completion. Any expenditure incurred on abortive projects is written off in the profit and loss account.

Revenue from the sale of products is recognised upon shipment to customers and collectibility of the related receivables is reasonably assured. Sales are stated net of goods and services tax and sales returns.

Revenue from the rendering of services including electricity supply and logistic services is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be performed.

Dividend income from investments is recognised when the right to receive payment is established, and in the case of fixed interest bearing investments, on a time proportion basis using the effective interest method.

Rental income from operating leases on investment properties are recognised on a straight-line basis over the lease term.

Interest income is recognised on a time proportion basis using the effective interest method.

(s) Borrowing Costs

Borrowing costs incurred to finance the development of properties are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are taken to the profit and loss account over the period of borrowing using the effective interest rate method.

(t) Employee Benefits

Defined Contribution Plan

The Group makes contributions to pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies make contributions to the Central Provident Fund in Singapore, a defined contribution pension scheme. Contributions to pension schemes are recognised as an expense in the period in which the related service is performed.

Employee Leave Entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

Share Option Scheme

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the profit and loss account with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant.

(u) Income Taxes

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets/liabilities are recognised for deductible/taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. The principal temporary differences arise from depreciation, valuation of investment properties, unremitted offshore income and future tax benefits from certain provisions not allowed for tax purposes until a later period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the profit and loss account, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

(v) Foreign Currencies

Functional Currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency").

The financial statements of the Group and the balance sheet and statement of changes in equity of the Company are presented in Singapore Dollars, which is the functional currency of the Company.

Foreign Currency Transactions

Transactions in foreign currencies are translated at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at exchange rates approximating those ruling at that date. Exchange differences arising from translation of monetary assets and liabilities are taken to the profit and loss account. Exchange differences on non-monetary items such as investments held for trading are reported as part of the fair value gain or loss. Exchange differences on non-monetary items such as available-for-sale investments are included in the fair value reserve.

Foreign Currency Translation

For inclusion in the Group's financial statements, the assets and liabilities of foreign subsidiaries and associated companies that are in functional currencies other than Singapore Dollars are translated into Singapore Dollars at the exchange rates ruling at the balance sheet date. The trading results of foreign subsidiaries and associated companies are translated into Singapore Dollars using the average exchange rates for the financial year. Exchange differences due to such currency translation are classified as reserves and taken directly to the foreign exchange translation account. Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as non-monetary foreign currency assets and liabilities of the acquirer and recorded at the closing exchange rate.

2. Significant accounting policies (continued)

(w) Critical Accounting Estimates and Judgements

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there is no instance of application of judgements which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations described below.

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Impairment of fixed assets

Determining whether fixed asset value is impaired requires an estimation of the value in use of the cash-generating units. This requires the Group to estimate the future cashflows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cashflows. The carrying amount of fixed assets at the balance sheet date is disclosed in Note 5.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. This requires the Group to estimate the future cashflows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cashflows. The carrying amount of goodwill at the balance sheet date is disclosed in Note 12.

Impairment of available-for-sale investments

The Group follows the guidance of FRS 39 in determining whether available-for-sale investments are considered impaired. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and the near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cashflow. The fair values of available-for-sale investments is disclosed in Notes 10 and 16.

Revenue recognition

The Group recognises contract revenue based on the stage of completion method. The stage of completion is measured in accordance with the accounting policy stated in Note 2(r). Significant assumption is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost and the recoverability of the contracts. In making the assumption, the Group evaluates by relying on past experience and the work of specialists. Revenue from construction contracts is disclosed in Note 23.

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant assumption is required in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of taxation and deferred taxation is disclosed in the balance sheet.

3. Share capital

	GROUP AND COMPANY	
	2007	2006
	$'000	$'000
Ordinary Shares ("Shares")		
Issued and paid up:		
Balance 1 January		
787,992,924 Shares (2006: 783,805,424 Shares)	**972,926**	391,903
Issued before sub-division of Shares		
1,949,333 Shares (2006: 4,187,500 Shares)	**13,783**	16,306
Sub-division of 1 Share into 2 Shares		
789,942,257 Shares (2006: Nil)	**-**	-
Issued after sub-division of Shares		
5,201,666 Shares (2006: Nil)	**24,911**	-
Capital distribution	**(221,213)**	(181,040)
Effect of Companies (Amendment) Act 2005	**-**	745,757
Balance 31 December		
1,585,086,180 Shares (2006: 787,992,924 Shares)	**790,407**	972,926

From 1 January 2007 to 7 May 2007, the Company issued 1,949,333 Shares for cash upon exercise of options under the KCL Share Option Scheme. This comprised 15,000 Shares at $1.52 per Share, 50,000 Shares at $2.89 per Share, 167,500 Shares at $2.93 per Share, 35,000 Shares at $3.23 per Share, 197,500 Shares at $4.76 per Share, 235,000 Shares at $6.31 per Share, 417,500 Shares at $6.77 per Share, 794,333 Shares at $9.12 per Share, 12,500 Shares at $12.77 per Share, 12,500 Shares at $13.07 per Share and 12,500 Shares at $15.60 per Share.

On 7 May 2007, each Share of the Company was sub-divided into two Shares. The share capital of the Company on that date was 789,942,257 Shares. The sub-division 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 Shares for cash upon exercise of options under the KCL Share Option Scheme. This comprised 2,000 Shares at $0.62 per Share, 120,000 Shares at $1.30 per Share, 76,666 Shares at $1.32 per Share, 250,000 Shares at $2.24 per Share, 452,000 Shares at $3.01 per Share, 45,000 Shares at $3.15 per Share, 460,000 Shares at $3.24 per Share, 30,000 Shares at $3.38 per Share, 1,309,000 Shares at $4.42 per Share, 124,000 Shares at $4.56 per Share, 2,256,000 Shares at $6.24 per Share, 2,000 Shares at $6.38 per Share, 30,000 Shares at $6.39 per Share, 2,000 Shares at $6.53 per Share, 26,000 Shares at $7.66 per Share, 2,000 Shares at $7.80 per Share and 15,000 Shares at $9.13 per Share.

In 2006, pursuant to the Companies (Amendment) Act 2005, amounts standing to the credit of share premium account and capital redemption reserve have been transferred to the share capital account as at that date.

KCL Share Option Scheme
The KCL Share Option Scheme ("Scheme"), which has been approved by the shareholders of the Company, is administered by the Remuneration Committee whose members are:

Sven Bang Ullring (Chairman)
Tsao Yuan Mrs Lee Soo Ann
Tow Heng Tan

Under the Scheme, an option may, except in certain special circumstances, be exercised at any time after two years but no later than the expiry date. The two-year vesting period is intended to encourage employees to take a longer-term view of the Company.

3. Share capital (continued)

The Shares under option may be exercised in full or in respect of 100 Shares or a multiple thereof, on the payment of the subscription price. The subscription price is based on the average last done prices for the Shares of the Company on the Singapore Exchange Securities Trading Limited for the three market days preceding the date of offer. The Remuneration Committee may at its discretion fix the subscription price at a discount not exceeding 20 percent to the above price. None of the options offered in the financial year was granted at a discount.

To promote transparency, the Board of Directors had in 2002 resolved that the date of offer of share options under the Scheme shall be a pre-determined date; that is, the date falling 14 days immediately after the date of announcement of the Company's half-year or full-year results, as the case may be. The number of Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company.

The employees to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company. Certain employees who have been transferred from subsidiaries to the Company and to whom options have been granted may also hold options granted by subsidiaries prior to their transfer to the Company, while certain employees who have been granted options by the Company and were subsequently transferred from the Company to subsidiaries may be entitled to options under the subsidiaries' share option schemes.

Movements in the number of share options and their weighted average exercise prices are as follows:

	2007		2006	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at 1 January	**16,232,166**	**$10.78**	14,247,166	$7.26
Granted	**3,496,500**	**$18.55**	6,429,500	$14.43
Exercised	**(1,949,333)**	**$7.07**	(4,187,500)	$4.37
Cancelled	**(29,000)**	**$18.55**	(257,000)	$11.20
Balance before sub-division	**17,750,333**	**$12.71**	16,232,166	$10.78
Adjustment	**17,750,333**	**-**	-	-
Granted	**7,883,000**	**$12.95**	-	-
Exercised	**(5,201,666)**	**$4.79**	-	-
Cancelled	**(414,000)**	**$7.71**	-	-
Balance at 31 December	**37,768,000**	**$7.80**	16,232,166	$10.78
Exercisable at 31 December	**10,765,000**	**$4.02**	4,577,833	$5.41

The weighted average share price at the date of exercise for options exercised from 1 January 2007 to 7 May 2007 was $18.09 (before adjustment for sub-division of Shares) and thereafter to 31 December 2007 was $12.83 (2006: $13.61). The options outstanding at the end of the financial year had a weighted average exercise price of $7.80 (2006: $10.78) and a weighted average remaining contractual life of 8.3 years (2006: 8.4 years).

On 13 February 2007 and 10 August 2007, the Company granted 3,496,500 options (before adjustment for sub-division of Shares) and 7,883,000 options respectively under the KCL Share Option Scheme. The estimated fair values of the options granted on those dates are $2.94 per share (before adjustment for sub-division of Shares) and $1.84 per share respectively. These fair values are determined using The Black-Scholes pricing model. The significant inputs into the model are as follows:

	2007		2006	
Date of grant	**13.2.2007**	**10.8.2007**	9.2.2006	10.8.2006
Prevailing share price at grant	**^$18.55**	**$12.95**	^$13.30	^$15.60
Exercise price	**^$18.55**	**$12.95**	^$13.30	^$15.60
Expected volatility	**24.30%**	**24.35%**	23.17%	23.25%
Expected life	**3.5 years**	**3.5 years**	4 years	4 years
Risk free rate	**2.32%**	**2.45%**	3.09%	3.18%
Expected dividend yield	**2.72%**	**3.73%**	3.11%	2.76%

^ Before adjustment for capital distribution and sub-division of Shares

The expected volatility is determined by calculating the historical volatility of the Company's share price over the previous 3.5 years (2006: 4 years). The expected lives used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Details of share options granted by Keppel Land Limited and Keppel Telecommunications & Transportation Ltd, subsidiaries of the Company are disclosed in the annual reports of the respective publicly-listed subsidiaries.

4. Reserves

	GROUP		**COMPANY**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Capital Reserves				
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	**-**	-
	827,571	493,230	**47,456**	29,577
Revenue Reserves	**3,644,164**	2,797,896	**2,510,512**	2,302,655
Foreign Exchange Translation Account	**(57,409)**	(58,956)	**-**	-
	4,414,326	3,232,170	**2,557,968**	2,332,232

Amount standing to the credit of asset revaluation surplus has been adjusted against the revenue reserves as at 1 January 2007 on transition to FRS 40 Investment Property on that date.

Movements in reserves are set out in the Statements of Changes in Equity.

5. Fixed assets

	Freehold Land & Buildings $'000	Leasehold Land & Buildings $'000	Vessels & Floating Docks $'000	Plant, Machinery & Equipment $'000	Capital Work-in-Progress $'000	Total $'000
Group						
2007						
Cost						
At 1 January	**75,837**	**1,148,340**	**221,810**	**1,079,242**	**482,814**	**3,008,043**
Additions	**1,953**	**18,696**	**5,078**	**109,238**	**111,507**	**246,472**
Disposals	**(1,806)**	**(5,766)**	**(17,646)**	**(24,245)**	**(612)**	**(50,075)**
Write-off	**-**	**-**	**-**	**(560)**	**-**	**(560)**
Reclassification						
- Stocks	**(23,262)**	**-**	**-**	**-**	**(4,693)**	**(27,955)**
- Investment properties	**-**	**(27,813)**	**-**	**(2,704)**	**-**	**(30,517)**
- Other fixed assets categories	**301**	**37,140**	**-**	**448,783**	**(486,224)**	**-**
Exchange differences	**1,205**	**(12,133)**	**488**	**(11,083)**	**438**	**(21,085)**
At 31 December	**54,228**	**1,158,464**	**209,730**	**1,598,671**	**103,230**	**3,124,323**
Accumulated Depreciation & Impairment Losses						
At 1 January	**18,564**	**405,874**	**102,358**	**739,827**	**612**	**1,267,235**
Depreciation charge	**3,204**	**33,514**	**15,607**	**73,058**	**-**	**125,383**
Impairment loss (Note 27)	**1,598**	**31,952**	**-**	**74,407**	**-**	**107,957**
Disposals	**(318)**	**(1,413)**	**(15,574)**	**(22,396)**	**(612)**	**(40,313)**
Write-off	**-**	**-**	**-**	**(517)**	**-**	**(517)**
Reclassification						
- Stocks	**(2,122)**	**-**	**-**	**-**	**-**	**(2,122)**
- Investment properties	**-**	**(10,099)**	**-**	**(2,578)**	**-**	**(12,677)**
- Other fixed assets categories	**1,109**	**21**	**-**	**(1,130)**	**-**	**-**
Exchange differences	**(254)**	**(6,117)**	**(1,827)**	**(10,656)**	**-**	**(18,854)**
At 31 December	**21,781**	**453,732**	**100,564**	**850,015**	**-**	**1,426,092**
Net Book Value	**32,447**	**704,732**	**109,166**	**748,656**	**103,230**	**1,698,231**

During the financial year, the Group recognised impairment losses of $107,957,000 of which $32,000,000 relates to write-down of two hotels in Myanmar in the Property division and $75,957,000 relates to write-down of power barges and other non-performing assets in the Infrastructure division.

The carrying amounts of the two hotels in Myanmar were reduced to their recoverable amounts determined by discounting the estimated future cashflow from operations to present value at 14%. The carrying amounts of the power barges were reduced to their recoverable amounts determined by discounting the estimated future cashflow from operations to present value at 15%. The other non-performing assets were fully written down.

Certain plant, machinery and equipment of subsidiaries are mortgaged to banks for loan facilities (Note 20).

	Freehold Land & Buildings $'000	Leasehold Land & Buildings $'000	Vessels & Floating Docks $'000	Plant, Machinery & Equipment $'000	Capital Work-in-Progress $'000	Total $'000
Group						
2006						
Cost						
At 1 January	76,417	1,122,466	251,115	1,027,165	341,060	2,818,223
Additions	4,174	13,851	15,705	83,635	290,291	407,656
Disposals	(4,187)	(5,323)	(42,920)	(35,141)	-	(87,571)
Write-off	-	(911)	-	-	-	(911)
Subsidiaries acquired	-	-	-	5,810	-	5,810
Reclassification						
- Long term receivables	-	-	-	-	(12,485)	(12,485)
- Stocks	-	-	-	-	(21,444)	(21,444)
- Recoverable account	-	-	-	-	(37,288)	(37,288)
- Other fixed assets categories	2,770	48,254	2,091	22,746	(75,861)	-
Exchange differences	(3,337)	(29,997)	(4,181)	(24,973)	(1,459)	(63,947)
At 31 December	75,837	1,148,340	221,810	1,079,242	482,814	3,008,043
Accumulated Depreciation & Impairment Losses						
At 1 January	17,507	367,004	107,855	672,050	612	1,165,028
Depreciation charge	3,134	30,568	14,483	77,688	-	125,873
Impairment loss (Note 27)	-	42,139	-	4,220	-	46,359
Disposals	(1,376)	(1,651)	(23,933)	(33,165)	-	(60,125)
Write-off	-	(19)	-	-	-	(19)
Subsidiaries acquired	-	-	-	5,332	-	5,332
Reclassification						
- Other fixed assets categories	261	(25,051)	5,714	19,076	-	-
Exchange differences	(962)	(7,116)	(1,761)	(5,374)	-	(15,213)
At 31 December	18,564	405,874	102,358	739,827	612	1,267,235
Net Book Value	57,273	742,466	119,452	339,415	482,202	1,740,808

In 2006, the Group recognised impairment losses of $46,359,000 which relates to write-down of two hotels in Myanmar in the Property division. The carrying amounts of these assets were reduced to their recoverable amounts determined by discounting the estimated future cashflow from operations to present value at 12%.

5. Fixed assets (continued)

	Freehold Land & Buildings $'000	Leasehold Land & Buildings $'000	Plant, Machinery & Equipment $'000	Total $'000
Company				
2007				
Cost				
At 1 January	**6,545**	**484**	**6,048**	**13,077**
Additions	**-**	**-**	**376**	**376**
Disposals	**(3)**	**-**	**(78)**	**(81)**
At 31 December	**6,542**	**484**	**6,346**	**13,372**
Accumulated Depreciation				
At 1 January	**1,631**	**62**	**5,704**	**7,397**
Depreciation charge	**40**	**10**	**335**	**385**
Disposals	**-**	**-**	**(78)**	**(78)**
At 31 December	**1,671**	**72**	**5,961**	**7,704**
Net Book Value	**4,871**	**412**	**385**	**5,668**
2006				
Cost				
At 1 January	6,410	484	5,889	12,783
Additions	135	-	217	352
Disposals	-	-	(58)	(58)
At 31 December	6,545	484	6,048	13,077
Accumulated Depreciation				
At 1 January	1,591	52	5,520	7,163
Depreciation charge	40	10	242	292
Disposals	-	-	(58)	(58)
At 31 December	1,631	62	5,704	7,397
Net Book Value	4,914	422	344	5,680

6. Investment properties

	GROUP	
	2007 $'000	2006 $'000
At 1 January	**2,249,216**	2,025,501
Improvement to buildings	**19,476**	22,692
Fair value gain (Note 27)	**691,444**	-
Revaluation loss included in revaluation reserve	**-**	(44,176)
Disposals	**(501)**	(1,300)
Reclassification	**17,840**	42,681
Subsidiary acquired	**-**	220,000
Exchange differences	**(17,128)**	(16,182)
At 31 December	**2,960,347**	2,249,216

The Group's investment properties (including integral plant and machinery) are stated at Directors' valuations based on the following valuations (open market value basis) by independent firms of professional valuers as at 31 December 2007:

- Colliers International Consultancy & Valuation (Singapore) Pte Ltd and Knight Frank Pte Ltd for properties in Singapore;
- Associated Properties Consultants for properties in Vietnam; and
- PT. Wilson Properti Advisindo, PT. SuryaPrapta Permai and PT. Piesta Penilai for properties in Indonesia.

Certain investment properties of subsidiaries are mortgaged to banks for loan facilities (Note 20).

7. Development properties

	GROUP	
	2007 $'000	2006 $'000
Land cost	**103,020**	125,778
Development cost incurred to-date	**69,738**	71,302
	172,758	197,080

8. Subsidiaries

	COMPANY	
	2007 $'000	2006 $'000
Quoted shares, at cost		
Market value: $5,336,248,000 (2006: $3,330,740,000)	**1,329,571**	1,329,571
Unquoted shares, at cost	**1,750,126**	1,779,925
	3,079,697	3,109,496
Provision for impairment	**(199,135)**	(25,000)
	2,880,562	3,084,496
Advances from subsidiaries	**(3,600)**	(3,600)
	2,876,962	3,080,896

Movements in the provision for impairment of subsidiaries are as follows:

At 1 January	**25,000**	25,200
Charge/(write-back) to profit and loss account	**174,135**	(200)
At 31 December	**199,135**	25,000

Advances from subsidiaries are unsecured, interest free and are not repayable within the next 12 months.

Information relating to significant subsidiaries consolidated in the financial statements is given in Note 39.

9. Associated companies

	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Quoted shares, at cost Market value: $2,318,996,000 (2006: $1,600,697,000)	**640,508**	572,185	**-**	-
Unquoted shares, at cost	**694,015**	653,733	**3,074**	3,074
	1,334,523	1,225,918	**3,074**	3,074
Provision for impairment	**(28,131)**	(28,258)	**-**	-
	1,306,392	1,197,660	**3,074**	3,074
Share of reserves	**741,074**	459,840	**-**	-
	2,047,466	1,657,500	**3,074**	3,074
Advances to associated companies	**1,093,128**	753,216	**-**	-
	3,140,594	2,410,716	**3,074**	3,074

Movements in the provision for impairment of associated companies are as follows:

	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
At 1 January	**28,258**	17,090	**-**	-
Exchange differences	**(578)**	(987)	**-**	-
Charge to profit and loss account	**451**	12,590	**-**	-
Amount written off/disposed	**-**	(435)	**-**	-
At 31 December	**28,131**	28,258	**-**	-

Advances to associated companies are unsecured and are not repayable within the next 12 months. Interest is charged at rates ranging from 3.3% to 4.31% (2006: 4.05% to 4.52%) per annum.

	GROUP 2007 $'000	GROUP 2006 $'000
The share of attributable profit of associated companies for the financial year is as follows:		
Share of profit before tax and exceptional items	**476,882**	314,662
Share of exceptional items (Note 27)	**212,158**	31,878
Share of profit before taxation	**689,040**	346,540
Share of taxation (Note 28)	**(115,462)**	(69,000)
Share of attributable profit	**573,578**	277,540
The summarised financial information of associated companies is as follows:		
Total assets	**15,470,300**	11,302,963
Total liabilities	**9,356,233**	6,896,781
Revenue	**12,310,073**	11,982,129
Attributable profit before exceptional items	**1,056,427**	780,985
Attributable profit after exceptional items	**1,564,354**	917,817

Investments in MobileOne Limited ("M1") and Asia Airfreight Terminal Company Limited ("AAT") are equity accounted for in the consolidated financial statements not withstanding that the Group holds less than 20% of the voting power in these companies on grounds that the Group exercises significant influence by virtue of its contractual right to appoint two directors to the board of M1 and one director to the board of AAT.

Information relating to significant associated companies whose results are included in the financial statements is given in Note 39.

10. Investments

	GROUP 2007 $'000	GROUP 2006 $'000
Available-for-sale investments:		
Quoted equity shares	**228,891**	223,518
Quoted bonds	**7,373**	-
Unquoted equity shares	**53,659**	25,857
Unquoted property fund	**45,926**	26,517
	335,849	275,892

11. Long term receivables

	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Receivables from service concession arrangements	**134,100**	96,920	**-**	-
Staff loans	**3,817**	3,648	**1,452**	1,276
Long term trade receivables	**387**	60,035	**-**	-
Loan to a subsidiary	**-**	-	**300,000**	300,000
Other loans	**7,992**	9,561	**-**	-
	146,296	170,164	**301,452**	301,276
Less: Amounts due within one year and included in debtors (Note 15)	**(7,081)**	(3,251)	**(353)**	(299)
	139,215	166,913	**301,099**	300,977
Provision for doubtful debts	**(4,358)**	(6,193)	**-**	-
	134,857	160,720	**301,099**	300,977

Movements in the provision for doubtful debts are as follows:

	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
At 1 January	**6,193**	2,466	**-**	-
Exchange differences	**286**	(104)	**-**	-
Charge to profit and loss account	**-**	3,831	**-**	-
Amount written off	**(2,121)**	-	**-**	-
At 31 December	**4,358**	6,193	**-**	-

Receivables arising from service concession arrangements arose from the following:

(a) a 20-year contract to build and operate a water treatment plant. The plant started commercial operations during the financial year; and

(b) a 25-year contract to build and operate a waste-to-energy plant. As at 31 December 2007, the plant is still under construction and has not commenced operations.

The above arrangements have been classified as service concession arrangements under INT FRS 112. Under the terms of the arrangements, the Group will receive an aggregate minimum amount of $16,300,000 yearly from the contracted parties (grantors) in exchange for services performed by the Group when the plants are in commercial operations. Revenue and profits arising from these arrangements for the provision of construction services amounted to $51,700,000 and $3,000,000 (2006: $Nil and $Nil) respectively. The waste-to-energy plant has been pledged to secure bank loans (Note 20).

11. Long term receivables (continued)

Included in staff loans are interest free advances to certain Directors amounting to $264,000 (2006: $341,000) and to directors of related corporations amounting to $684,000 (2006: $580,000) under an approved car loan scheme.

Loan to a subsidiary is unsecured and bear interest ranging from 2.79% to 3.89% (2006: 3.53% to 3.89%) per annum.

The fair value of long term receivables for the Group is $134,773,000 (2006: $162,988,000). The carrying amount of long term receivables for the Company approximates its fair value. These fair values are computed on the discounted cashflow method using a discount rate based upon the market-related rate for a similar instrument as at the balance sheet date.

12. Intangibles

	Goodwill $'000	Development Expenditure $'000	Total $'000
Group			
2007			
At 1 January	**133,011**	**2,047**	**135,058**
Exchange differences	**6,042**	**(60)**	**5,982**
Additions	**-**	**4,333**	**4,333**
Amortisation	**-**	**(309)**	**(309)**
Impairment loss (Note 27)	**(76,664)**	**-**	**(76,664)**
Reclassification	**-**	**(577)**	**(577)**
At 31 December	**62,389**	**5,434**	**67,823**
Cost	**62,389**	**8,995**	**71,384**
Accumulated amortisation	**-**	**(3,561)**	**(3,561)**
	62,389	**5,434**	**67,823**
2006			
At 1 January	138,231	7,017	145,248
Exchange differences	(5,220)	(165)	(5,385)
Additions	2,677	221	2,898
Amortisation	-	(1,565)	(1,565)
Impairment loss (Note 27)	(2,677)	-	(2,677)
Subsidiaries acquired	-	1,011	1,011
Reclassification	-	(4,472)	(4,472)
At 31 December	133,011	2,047	135,058
Cost	133,011	5,939	138,950
Accumulated amortisation	-	(3,892)	(3,892)
	133,011	2,047	135,058

Goodwill is allocated to cash generating units identified according to business segment.

Goodwill allocated to Offshore & Marine division amounted to $5,211,000 (2006: $75,833,000). The recoverable amount is determined based on value-in-use calculation using cashflow projections derived from the most recent financial budgets approved by management for the next five years using discount rates ranging from 7.56% to 25% (2006: 6.89% to 20%). The key assumptions are those regarding the discount rate and expected changes to selling prices and direct costs. Management estimates discount rate using pre-tax rate that reflects current market assessment of the time value of money and risks specific to the unit. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Goodwill allocated to Infrastructure division amounted to $57,178,000 (2006: $57,178,000). The recoverable amount is determined based on the fair value less cost to sell using the current bid prices.

13. Stocks and work-in-progress

		GROUP 2007 $'000	GROUP 2006 $'000
Work-in-progress in excess of related billings	(a)	**356,081**	400,171
Stocks	(c)	**204,804**	157,260
Properties held for sale	(d)	**2,229,764**	2,304,529
		2,790,649	2,861,960
Billings on work-in-progress in excess of related costs	(b)	**(2,542,517)**	(2,621,815)

(a) Work-in-Progress in excess of Related Billings

	2007 $'000	2006 $'000
Costs incurred and attributable profits	**2,213,340**	1,489,044
Provision for loss on work-in-progress	**(37,284)**	(9,609)
	2,176,056	1,479,435
Less: Progress billings	**(1,819,975)**	(1,079,264)
	356,081	400,171

Movements in the provision for loss on work-in-progress are as follows:

	2007 $'000	2006 $'000
At 1 January	**9,609**	19,839
Exchange differences	**(35)**	(135)
Charge to profit and loss account	**28,005**	6,033
Amount utilised	**(295)**	(16,128)
At 31 December	**37,284**	9,609

(b) Billings on Work-in-Progress in excess of Related Costs

	2007 $'000	2006 $'000
Costs incurred and attributable profits	**11,881,586**	4,934,762
Less: Progress billings	**(14,424,103)**	(7,556,577)
	(2,542,517)	(2,621,815)

(c) Stocks

	2007 $'000	2006 $'000
Consumable materials and supplies	**184,243**	108,699
Finished products for sale	**20,561**	48,561
	204,804	157,260

(d) Properties Held For Sale

	2007 $'000	2006 $'000
Properties under development		
Land cost	**2,138,119**	2,165,507
Development cost incurred to date	**1,175,759**	845,120
Related overhead expenditure	**682,911**	606,849
Progress billing received and recognised profit	**(1,888,472)**	(1,203,537)
	2,108,317	2,413,939
Completed properties held for sale	**237,362**	219,538
	2,345,679	2,633,477
Provision for properties held for sale	**(115,915)**	(328,948)
	2,229,764	2,304,529

13. Stocks and work-in-progress (continued)

Movements in the provision for properties held for sale are as follows:

	GROUP	
	2007 $'000	2006 $'000
At 1 January	**328,948**	623,598
Exchange differences	**(2)**	(25)
Write-back to profit and loss account	**(109,414)**	(48,493)
Amount utilised	**(103,617)**	(246,132)
At 31 December	**115,915**	328,948

Interest capitalised during the financial year amounted to $53,429,000 (2006: $60,332,000) at rates ranging from 2.78% to 4.44% (2006: 2.75% to 4.5%) per annum for Singapore properties and 1.62% to 10.05% (2006: 1.62% to 16%) per annum for overseas properties.

Certain properties held for sale of subsidiaries are mortgaged to banks for loan facilities (Note 20).

14. Amounts due from/to

	COMPANY	
	2007 $'000	2006 $'000
Subsidiaries		
Amounts due from		
- trade	**7,393**	7,543
- advances	**956,814**	406,411
	964,207	413,954
Provision for doubtful debts	**(5,700)**	(3,862)
	958,507	410,092
Amounts due to		
- trade	**160,030**	37,478
- advances	**258,857**	157,240
	418,887	194,718

Movements in the provision for doubtful debts are as follows:

At 1 January	**3,862**	3,862
Charge to profit and loss account	**1,838**	-
At 31 December	**5,700**	3,862

Advances to and from subsidiaries are unsecured and are repayable on demand. Interest is charged at rates ranging from 1.4% to 4.5% (2006: 3.89% to 5.93%) per annum on interest-bearing advances.

	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Associated Companies				
Amounts due from				
- trade	**70,734**	89,780	**284**	87
- advances	**524,565**	219,282	**-**	-
	595,299	309,062	**284**	87
Provision for doubtful debts	**(946)**	(1,094)	**-**	-
	594,353	307,968	**284**	87
Amounts due to				
- trade	**16,851**	11,651	**2**	11
- advances	**117,480**	81,969	**-**	-
	134,331	93,620	**2**	11

Movements in the provision for doubtful debts are as follows:

	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
At 1 January	**1,094**	871	**-**	-
(Write-back)/charge to profit and loss account	**(148)**	223	**-**	-
At 31 December	**946**	1,094	**-**	-

Advances to and from associated companies are unsecured and are repayable on demand. Interest is charged at rates ranging from 1% to 9.72% (2006: 1% to 9.38%) per annum on interest-bearing advances.

15. Debtors

	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Trade debtors	**1,098,822**	1,111,216	**-**	-
Provision for doubtful debts	**(20,703)**	(25,531)	**-**	-
	1,078,119	1,085,685	**-**	-
Long term receivables due within one year (Note 11)	**7,081**	3,251	**353**	299
Sundry debtors	**97,775**	118,863	**382**	407
Prepaid project cost & prepayments	**65,391**	45,227	**174**	111
Derivative financial instruments (Note 35)	**168,646**	87,010	**155,753**	80,709
Tax recoverable	**92,916**	58,267	**-**	-
GST receivable	**39,895**	22,692	**-**	-
Interest receivable	**16,145**	7,358	**3**	-
Deposits paid	**16,110**	11,364	**389**	487
Recoverable accounts	**56,649**	53,113	**-**	-
Receivables not billed	**9,232**	4,236	**-**	-
Advances to subcontractors	**55,583**	14,221	**-**	-
Advances to corporations in which the Group has investment interests	**19,040**	31,281	**-**	-
Advances to minority shareholders of subsidiaries	**62,285**	4,047	**-**	-
	706,748	460,930	**157,054**	82,013
Provision for doubtful debts	**(31,433)**	(30,356)	**-**	-
	675,315	430,574	**157,054**	82,013
Total	**1,753,434**	1,516,259	**157,054**	82,013

15. Debtors (continued)

Movements in the provision for debtors are as follows:

	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
At 1 January	**55,887**	57,839	**-**	531
Exchange differences	**(24)**	288	**-**	-
(Write-back)/charge to profit and loss account	**(6,040)**	1,461	**-**	-
Impairment loss (Note 27)	**6,603**	940	**-**	-
Amount written off	**(4,753)**	(3,468)	**-**	(531)
Reclassification	**463**	(1,173)	**-**	-
At 31 December	**52,136**	55,887	**-**	-

16. Short term investments

	GROUP 2007 $'000	GROUP 2006 $'000
Available-for-sale investments:		
Quoted equity shares	**399,663**	297,235
Quoted unit trust	**54,561**	39,627
Total available-for-sale investments	**454,224**	336,862
Investments held for trading:		
Quoted equity shares	**77,494**	76,573
Quoted unit trust	**15,719**	13,279
Total investments held for trading	**93,213**	89,852
Total short term investments	**547,437**	426,714

17. Bank balances, deposits and cash

	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Bank balances and cash	**328,870**	523,257	**3,806**	520
Fixed deposits with banks	**1,039,231**	928,610	**78**	-
Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost and liabilities	**22,149**	1,407	**-**	-
Bank balances of property subsidiaries held under Project Account Rules 1985	**210,600**	165,284	**-**	-
	1,600,850	1,618,558	**3,884**	520

Fixed deposits with banks of the Group mature on varying periods mainly between 1 day to 12 months (2006: 1 day to 3 months). Fixed deposits with banks comprised $33,773,000 of deposits denominated in Singapore dollar and $1,005,458,000 of foreign currency deposits. The interest rates of deposits denominated in Singapore dollar as at 31 December 2007 range from 0.33% to 3.31% (2006: 0.33% to 4.96%) per annum. The interest rates of foreign currency deposits as at 31 December 2007 range from 0.5% to 9.25% (2006: 0.31% to 11%) per annum.

Fixed deposits with banks of the Company mature on varying periods between 1 month to 6 months. The interest rates of these deposits as at 31 December 2007 range from 5.95% to 6.5% per annum.

18. Creditors

	GROUP		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Trade creditors	**652,457**	547,319	**137**	68
Customers' advances and deposits	**47,530**	61,828	**74**	-
Derivative financial instruments (Note 35)	**20,422**	4,622	**13,952**	12,633
Sundry creditors	**558,434**	386,024	**6,995**	7,782
Accrued operating expenses	**1,474,327**	826,064	**53,646**	37,187
Advances from minority shareholders	**245,773**	266,408	**-**	-
Interest payables	**19,177**	30,015	**853**	1,215
Other payables	**53,892**	46,624	**-**	-
	3,072,012	2,168,904	**75,657**	58,885

Advances from minority shareholders of certain subsidiaries are unsecured and are repayable on demand. Interest is charged at rates ranging from 2.78% to 12.06% (2006: 4.06% to 5%) per annum on interest-bearing loans.

19. Provisions

	Warranties $'000	Claims $'000	Total $'000
Group			
2007			
At 1 January	**29,729**	**232**	**29,961**
Exchange differences	**(326)**	**(13)**	**(339)**
Charge to profit and loss account	**6,143**	**2,414**	**8,557**
Amount utilised	**(279)**	**-**	**(279)**
At 31 December	**35,267**	**2,633**	**37,900**
2006			
At 1 January	17,372	232	17,604
Exchange differences	318	(3)	315
Charge to profit and loss account	11,840	3	11,843
Amount utilised	(235)	-	(235)
Reclassification	434	-	434
At 31 December	29,729	232	29,961

20. Term loans

		GROUP		COMPANY	
		Due within one year $'000	Due after one year $'000	Due within one year $'000	Due after one year $'000
2007					
Keppel Corporation Medium Term Notes	(a)	**-**	**300,000**	**-**	**300,000**
Keppel Land Medium Term Notes	(b)	**192,250**	**200,000**	**-**	**-**
Keppel Land 2.5% Convertible Bonds 2013	(c)	**-**	**263,488**	**-**	**-**
Keppel Structured Notes Commodity-linked Notes	(d)	**-**	**41,920**	**-**	**-**
K-REIT Asia term loans	(e)	**-**	**190,085**	**-**	**-**
Bank loans					
- secured	(f)	**6,085**	**323,480**	**-**	**-**
- unsecured	(g)	**297,342**	**391,760**	**134,820**	**-**
Other loans					
- unsecured	(h)	**3,427**	**20,793**	**-**	**-**
		499,104	**1,731,526**	**134,820**	**300,000**
2006		681,635	2,272,152	-	300,000

(a) The $300,000,000 Floating Rate Notes 2010 were issued in 2005 under the US$600,000,000 Multi-Currency Medium Term Note Programme by the Company. The notes are unsecured and are issued in tranches which will mature five years from the date of issue. Interest is based on money market rates ranging from 2.79% to 3.89% (2006: 3.53% to 3.89%) per annum.

(b) At the end of the financial year, notes issued under the US$800,000,000 Multi-Currency Medium Term Note Programme by Keppel Land Limited, a subsidiary of the Company, amounted to $392,250,000. The notes are unsecured and are issued in series or tranches, and comprised (i) fixed rate notes due 2008 of $90,000,000 and (ii) variable rate notes due 2008, 2009, 2010 and 2013 of $302,250,000. Interest payable is based on money markets rates ranging from 2.3% to 4.18% (2006: 2.23% to 4.39%) per annum.

(c) The $300,000,000 2.5%, 7 year convertible bonds were issued in 2006 by Keppel Land Limited. Interest is payable semi-annually. The bonds, maturing on 23 June 2013, are convertible at the option of bondholders to Keppel Land ordinary shares at a conversion price of $6.55 per share. Any bondholder may request to redeem all or some of its bonds on 23 June 2011 or in the event that its shares cease to be listed or admitted to trading on the Singapore Stock Exchange.

The convertible bonds are recognised on the balance sheet as follows:

	GROUP	
	2007 $'000	2006 $'000
Balance at 1 January	**257,639**	-
Face value of convertible bonds issued	**-**	300,000
Equity conversion component, net of deferred tax liability	**-**	(31,917)
Deferred tax liability	**-**	(7,979)
Liability component on initial recognition	**-**	260,104
Interest expense	**12,570**	6,899
Interest paid	**(7,500)**	(3,914)
Prepaid issue expenses	**779**	(5,450)
Liability component at 31 December	**263,488**	257,639

Interest expense on the convertible bonds is calculated based on the effective interest method by applying the interest rate of 4.78% (2006: 4.78%) per annum for an equivalent non-convertible bond to the liability component of the convertible bonds.

(d) The S$23,960,000 ("Tranche A") and US$11,565,000 ("Tranche B") commodity-linked notes were issued in 2006 by Keppel Structured Notes Pte Ltd ("KSN"), a subsidiary of the Company. The commodity-linked notes, maturing on 28 November 2011, may be redeemed at par at the option of KSN, in whole, on notice, in the event of certain changes in the tax laws of Singapore, subject to certain other conditions. The notes are unsecured and a commodity-linked fixed interest is payable annually at a rate ranging from 6% to 13% per annum for the period from 27 November 2006 to 28 November 2011. The notes are unconditionally and irrevocably guaranteed by the Company. KSN has entered into a 5-year commodity-linked interest rate swap transaction relating to Tranche A notes and a 5-year commodity-linked cross currency and interest rate swap transaction relating to the Tranche B notes to hedge the foreign exchange and interest rate risks of the notes. The effect of the swap transactions is that KSN pays an interest rate based on money market rates ranging from 2.77% to 3.51% (2006: 3.51%) per annum.

(e) K-REIT Asia, a subsidiary of the Company, secured two fixed rate mortgage loans in 2006 totalling $190,085,000 from a special purpose company, Blossom Assets Ltd. The loans consist of a Tranche A Mortgage Loan amounting to $160,197,000 and a Tranche B Mortgage Loan amounting to $29,888,000, which are funded by the proceeds of commercial mortgaged-backed securities notes issued by Blossom Assets. The loans are due on 17 May 2011 and are secured on the investment properties and certain assets of K-REIT Asia. Interest is payable ranging from 3.91% to 4.06% (2006: 3.91% to 4.06%) per annum.

(f) The secured bank loans consist of:

- A $32,650,000 bank loan drawn down by a subsidiary during the year. The term loan is repayable in 2029 and is secured on certain fixed assets of the subsidiary. Interest is swapped to fixed rates ranging from 3.52% to 3.63% per annum.

- A term loan of $158,600,000 drawn down by a subsidiary. The term loan is repayable in 2009 and is secured on the investment property of the subsidiary. Interest is based on money market rates ranging from 3.08% to 4.05% (2006: 4.56% to 4.81%) per annum.

- Other secured bank loans totalling $138,315,000 comprised $121,914,000 of loans denominated in Singapore dollar and $16,401,000 of foreign currency loans. They are repayable between one and five years and are secured on certain fixed and other assets of subsidiaries. Interest on loans denominated in Singapore dollar is based on money market rates ranging from 3.17% to 4.14% (2006: 3.1% to 5.5%) per annum. Interest on foreign currency loans is based on money market rates ranging from 7.1% to 8% (2006: 7.7% to 12.69%) per annum.

(g) The unsecured bank loans of the Group totalling $689,102,000 comprised $504,820,000 of loans denominated in Singapore dollar and $184,282,000 of foreign currency loans. They are repayable between one and five years. Interest on loans denominated in Singapore dollar is based on money market rates ranging from 1.11% to 4.17% (2006: 2% to 4.52%) per annum. Interest on foreign currency loans is based on money market rates ranging from 4.7% to 10.15% (2006: 3.86% to 10%) per annum.

The short-term unsecured bank loans of the Company bears interest ranging from 1.11% to 1.18% per annum.

(h) The other unsecured loans include term loan facilities and hire purchase contracts entered into with various finance and leasing companies for purchase of machinery and equipment. Interest range from 3.06% to 7.74% (2006: 1.75% to 7.9%) per annum.

The net book value of property and assets mortgaged to the banks amounted to $1,834,575,000 (2006: $1,908,005,000). These are securities given to the banks for loans and overdraft facilities.

The fair values of term loans for the Group and Company are $2,253,263,000 (2006: $2,978,195,000) and $434,820,000 (2006: $300,000,000) respectively. These fair values are computed on the discounted cashflow method using a discount rate based upon the borrowing rate which the Directors expect would be available as at the balance sheet date.

20. Term loans (continued)

Loans due after one year are estimated to be repayable as follows:

	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Years after year-end:				
After one but within two years	**73,602**	297,835	**-**	-
After two but within five years	**1,348,601**	1,434,803	**300,000**	300,000
After five years	**309,323**	539,514	**-**	-
	1,731,526	2,272,152	**300,000**	300,000

21. Bank overdrafts

	GROUP 2007 $'000	GROUP 2006 $'000
Secured	**1,942**	3,339
Unsecured	**1,825**	12
	3,767	3,351

Interest on the bank overdrafts is payable at the banks' prevailing prime rates ranging from 1.66% to 10.1% (2006: 1.63% to 9.2%) per annum. The secured bank overdrafts are secured by short term investments portfolio and fixed assets of subsidiaries.

22. Deferred taxation

	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Deferred tax liabilities:				
Accelerated tax depreciation	**117,665**	74,226	**-**	-
Investment properties valuation	**210,607**	-	**-**	-
Offshore income & others	**111,674**	95,322	**13,486**	14,385
	439,946	169,548	**13,486**	14,385
Deferred tax assets:				
Other provisions	**(31,232)**	(5,898)	**-**	-
Unutilised tax benefits	**(19,745)**	(5,709)	**-**	-
	(50,977)	(11,607)	**-**	-
Net deferred tax liabilities	**388,969**	157,941	**13,486**	14,385

Deferred tax assets are recognised for unutilised tax benefits carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

The Group has unutilised tax losses and capital allowances of $434,802,000 (2006: $459,026,000) for which no deferred tax benefit is recognised in the balance sheet. These tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The unutilised tax losses and capital allowances do not have expiry dates.

23. Revenue

	GROUP 2007 $'000	GROUP 2006 $'000
Revenue from construction contracts	**7,593,574**	5,764,526
Sale of property and goods	**1,663,686**	1,064,761
Rental income from investment properties	**136,042**	123,701
Revenue from services rendered	**1,002,406**	619,178
Dividend income from quoted shares	**8,065**	8,950
Others	**27,477**	19,824
	10,431,250	7,600,940

24. Staff costs

	GROUP 2007 $'000	GROUP 2006 $'000
Wages and salaries	**948,634**	781,254
Employer's contribution to Central Provident Fund	**47,734**	39,451
Share options granted to Directors and employees	**21,307**	14,949
Other staff benefits	**114,450**	95,686
	1,132,125	931,340

25. Operating profit

Operating profit is arrived at after charging/(crediting) the following:

	GROUP 2007 $'000	GROUP 2006 $'000
Auditors' remuneration		
- auditors of the Company	**950**	881
- other auditors of subsidiaries	**3,131**	2,954
Fees and other remuneration to Directors of the Company	**624**	610
Shares granted to Directors of the Company	**262**	-
Contracts for services rendered by Directors or with a company in which a Director has a substantial financial interest	**39**	476
Key management's emoluments		
- short-term employee benefits	**25,072**	19,634
- post-employment benefits	**54**	50
- share options granted	**4,029**	3,310
Depreciation of fixed assets	**125,383**	125,873
Write-off of fixed assets	**43**	892
Amortisation of intangibles	**309**	1,565
Profit on sale of fixed assets	**(7,126)**	(3,610)
Profit on sale of investments	**(54,577)**	(88,132)
Fair value loss/(gain) on		
- investments held for trading	**(3,441)**	(15,603)
- forward foreign exchange contracts (swap cost)	**81,558**	17,380

25. Operating profit (continued)

	GROUP 2007 $'000	GROUP 2006 $'000
Provision for		
- warranties	**6,143**	11,840
- claims	**2,414**	3
Provision/(write-back) for		
- work-in-progress	**28,005**	6,033
- properties held for sale	**(109,414)**	(48,493)
Provision/(write-back) for doubtful debts		
- trade debts	**(6,678)**	1,711
- receivables	**2,967**	1,068
- other debts	**(2,329)**	(1,318)
Bad debts written off/(recovered)		
- trade debts	**(3)**	2,844
- other debts	**14**	(54)
Stocks written off	**2,831**	2,569
Rental expense		
- operating leases	**45,261**	46,811
Direct operating expenses		
- investment properties that generated rental income	**50,488**	40,026
- investment properties that did not generate rental income	**2,910**	1,324
Loss/(gain) on differences in foreign exchange	**14,499**	(6,361)
Non-audit fees paid to		
- auditors of the Company	**27**	294
- other auditors of subsidiaries	**359**	511

The Audit Committee has undertaken a review of all non-audit services provided by the auditors and in the opinion of the Audit Committee, these services would not affect the independence of the auditors.

26. Investment income, interest income and interest expenses

	GROUP 2007 $'000	GROUP 2006 $'000
Investment income from:		
Shares - quoted in Singapore	**1,170**	-
Shares - quoted outside Singapore	**1,532**	72
Shares - unquoted	**165**	3,705
	2,867	3,777
Interest income from:		
Bonds, debentures, deposits and associated companies	**88,542**	79,758
Interest expenses on:		
Bonds, debentures, fixed term loans and overdrafts	**(54,179)**	(60,160)
Fair value loss on interest rate caps and swaps	**(8,531)**	(2,310)
	(62,710)	(62,470)

27. Exceptional items

	GROUP 2007 $'000	GROUP 2006 $'000
Gain on disposal of subsidiaries, associated companies and investments	**2,291**	33,527
Impairment loss of fixed assets (Note 5)	**(107,957)**	(46,359)
Impairment loss of goodwill (Note 12)	**(76,664)**	(2,677)
Impairment loss of debtors (Note 15)	**(6,603)**	(940)
Impairment of assets, currency translation loss and provision for claims of certain overseas operations	**(133,131)**	(6,727)
Fair value gain on investment properties (Note 6)	**691,444**	-
Share of associated companies (Note 9)	**212,158**	31,878
Cost associated with restructuring of operations	**(16,605)**	(1,398)
	564,933	7,304
Taxation (Note 28)	**(149,500)**	-
	415,433	7,304
Minority interests	**(310,328)**	(7,386)
Attributable exceptional items	**105,105**	(82)

28. Taxation

	GROUP 2007 $'000	GROUP 2006 $'000
Tax expense comprised:		
Current tax	**222,151**	193,209
Adjustment for prior year's tax	**(9,011)**	6,318
Share of taxation of associated companies (Note 9)	**115,462**	69,000
Others	**2,286**	4,084
Deferred tax movement:		
Movement in temporary differences	**149,683**	(15,239)
Reduction in tax rate	**(11,936)**	-
	468,635	257,372
Deferred tax movement comprised:		
Accelerated tax depreciation	**48,471**	(8,492)
Investment properties valuation	**111,777**	-
Offshore income & others	**21,526**	(3,283)
Other provisions	**(15,821)**	(1,142)
Unutilised tax benefits	**(16,270)**	(2,322)
	149,683	(15,239)

28. Taxation (continued)

The income tax expense on the results of the Group differ from the amount of income tax expense determined by applying the Singapore standard rate of income tax to profit before tax and exceptional items due to the following:

	GROUP 2007 $'000	GROUP 2006 $'000
Profit before tax and exceptional items	**1,556,230**	1,139,792
Tax calculated at tax rate of 18% (2006: 20%)	**280,121**	227,958
Income not subject to tax	**(72,208)**	(69,596)
Expenses not deductible for tax purposes	**117,652**	63,002
Utilisation of previously unrecognised tax benefits	**(1,995)**	(9,610)
Effect of reduction in tax rate	**(11,936)**	-
Effect of different tax rates in other countries	**16,512**	39,300
Adjustment for prior year's tax	**(9,011)**	6,318
Tax expense of exceptional items (Note 27)	**149,500**	-
	468,635	257,372

29. Earnings per ordinary share

	GROUP 2007 $'000 Basic	GROUP 2007 $'000 Diluted	GROUP 2006 $'000 Basic	GROUP 2006 $'000 Diluted
Net profit attributable to shareholders before exceptional items	**1,025,596**	**1,025,596**	750,832	750,832
Adjustment for dilutive potential ordinary shares of subsidiaries and associated companies, before exceptional items	**-**	**(2,548)**	-	(3,378)
Adjusted net profit before exceptional items	**1,025,596**	**1,023,048**	750,832	747,454
Exceptional items	**105,105**	**105,105**	(82)	(82)
Adjustment for dilutive potential ordinary shares of subsidiaries and associated companies, after exceptional items	**-**	**(7,974)**	-	-
Adjusted net profit after exceptional items	**1,130,701**	**1,120,179**	750,750	747,372
	Number of Shares '000		Number of Shares '000	
Weighted average number of ordinary shares	**1,580,786**	**1,580,786**	1,573,278	1,573,278
Adjustment for dilutive potential ordinary shares	**-**	**11,199**	-	10,243
Weighted average number of ordinary shares used to compute earnings per share	**1,580,786**	**1,591,985**	1,573,278	1,583,521
Earnings per ordinary share				
Before exceptional items	**64.9 cts**	**64.3 cts**	47.7 cts	47.2 cts
After exceptional items	**71.5 cts**	**70.4 cts**	47.7 cts	47.2 cts

30. Dividends/Capital distribution

The 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 45 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 40th 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 (2006: 6 cents per share less tax), total dividend paid and proposed in respect of the financial year ended 31 December 2007 will be 64 cents per share comprising 1.5 cents per share less tax and 62.5 cents per share tax exempt one-tier (2006: 14 cents per share less tax).

During the financial year, the following dividends and capital distribution were paid:

	$'000
A final dividend of 8 cents per share less tax at 18% on the issued and fully paid ordinary shares in respect of the previous financial year	103,640
A capital distribution of 14 cents per share on the issued and fully paid ordinary shares in respect of the previous financial year	221,213
An interim dividend of 9 cents per share comprising 1.5 cents per share less tax at 18% and 7.5 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of the current financial year	138,114
	462,967

31. Acquisition of subsidiaries

The following subsidiaries were acquired during the financial year:

Name of subsidiary	Date of acquisition	Gross interest before acquisition	Interest acquired	Gross interest after acquisition	Net assets acquired $'000	Consideration $'000
Shanghai Hongda Property Development Co. Ltd	15.11.2007	-	100%	100%	97,059	97,059
The Vietnam Investment Fund (Singapore) Ltd	1.1.2007	40%	11%	51%	761	761
					97,820	97,820

Profit of the acquired subsidiaries from the date of acquisition to 31 December 2007 amounted to $110,000. There is no material impact to Group revenue and attributable profit before exceptional items if the acquisitions had occurred on 1 January 2007.

Details of net assets acquired are disclosed in the Consolidated Cashflow Statement.

32. Commitments

(a) Capital commitments

	GROUP 2007 $'000	GROUP 2006 $'000
Capital expenditure not provided for in the financial statements:		
In respect of contracts placed:		
- for purchase and construction of development properties	**1,476,307**	633,365
- for purchase of other fixed assets	**25,765**	228,801
- for purchase/subscription of shares in other companies	**315,916**	224,115
Amounts approved by Directors in addition to contracts placed:		
- for purchase and construction of development properties	**2,824,886**	2,244,828
- for purchase of other fixed assets	**175,948**	110,603
- for purchase/subscription of shares in other companies	**227,877**	397,980
	5,046,699	3,839,692
Less: Minority shareholders' shares	**(1,666,324)**	(1,168,585)
	3,380,375	2,671,107

There was no future capital expenditure/commitment of the Company.

(b) Lessee's lease commitments

The Group leases land and office buildings from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future minimum lease payable in respect of significant non-cancellable operating leases as at the end of the financial year are as follows:

	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Years after year-end:				
Within one year	**52,087**	43,147	**1,452**	1,455
From two to five years	**161,839**	149,830	**604**	2,061
After five years	**601,713**	588,039	**-**	-
	815,639	781,016	**2,056**	3,516

(c) Lessor's lease commitments

The Group leases out commercial space to non-related parties under non-cancellable operating leases. The future minimum lease receivable in respect of significant non-cancellable operating leases as at the end of the financial year are as follows:

	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Years after year-end:				
Within one year	**124,224**	98,927	**-**	-
From two to five years	**155,594**	148,958	**-**	-
After five years	**43,802**	29,754	**-**	-
	323,620	277,639	**-**	-

Some of the operating leases are subject to revision of lease rentals at periodic intervals. For the purposes of the above, the prevailing lease rentals are used.

33. Contingent liabilities (unsecured)

	GROUP		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Guarantees in respect of banks and other loans granted to subsidiaries and associated companies	**24,772**	20,395	**427,080**	512,057
Performance guarantees issued for contracts awarded to subsidiaries and associated companies	**300**	8,500	**-**	-
Bank guarantees	**53,573**	43,908	**-**	-
Others	**59,584**	22,927	**-**	-
	138,229	95,730	**427,080**	512,057

The financial effects of the Amendments to FRS 39 relating to financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised.

The Directors do not expect material losses under these guarantees.

34. Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, there were the following significant related party transactions which were carried out in the normal course of business on terms agreed between the parties during the financial year:

	GROUP	
	2007 $'000	2006 $'000
Sale of residential properties to directors and their associates	**17,447**	13,360

35. Financial risk management

The Group operates internationally and is exposed to a variety of financial risks, comprising market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Financial risk management is carried out by the Keppel Group Treasury Department in accordance with established policies and guidelines. These policies and guidelines are established by the Group Central Finance Committee and are updated to take into account changes in the operating environment. This committee is chaired by the Group Finance Director and comprises Chief Financial Officers of the Group's key operating companies and Head Office specialists.

35. Financial risk management (continued)

Market Risk

(i) Currency risk

The Group has receivables and payables denominated in foreign currencies viz US dollars, European and other Asian currencies. The Group's foreign currency exposures arise mainly from the exchange rate movement of these foreign currencies against the Singapore dollar, which is the Group's presentation currency. To hedge against the volatility of future cashflows caused by changes in foreign currency rates, the Group utilises forward foreign currency contracts and other foreign currency hedging instruments to hedge the Group's exposure to specific currency risks relating to investments, receivables, payables and other commitments. Group Treasury Department monitors the current and projected foreign currency cashflow of the Group and aims to reduce the exposure of the net position in each currency by borrowing in foreign currency and other currency contracts where appropriate.

As at the end of the financial year, the Group has outstanding forward foreign exchange contracts with notional amounts totalling $4,981,064,000 (2006: $4,099,049,000). The net positive fair values of forward foreign exchange contracts is $143,828,000 (2006: $72,147,000) comprising assets of $157,845,000 (2006: $72,970,000) and liabilities of $14,017,000 (2006: $823,000). These amounts are recognised as derivative financial instruments in debtors (Note 15) and creditors (Note 18).

As at the end of the financial year, the Company has outstanding forward foreign exchange contracts with notional amounts totalling $4,936,711,000 (2006: $4,059,696,000). The net positive fair values of forward foreign exchange contracts is $141,801,000 (2006: $68,076,000) comprising assets of $155,753,000 (2006: $80,709,000) and liabilities of $13,952,000 (2006: $12,633,000). These amounts are recognised as derivative financial instruments in debtors (Note 15) and creditors (Note 18).

Other than the above hedged foreign currency contracts, the unhedged currency exposure of financial assets and financial liabilities denominated in currencies other than the respective entities' functional currencies are as follows:

	2007			2006		
	USD $'000	**Euro $'000**	**Others $'000**	USD $'000	Euro $'000	Others $'000
Group						
Financial Assets						
Debtors	**65,237**	**10,938**	**135,160**	35,888	3,423	136,590
Investments	**30,175**	**21,018**	**372,013**	25,060	3,640	191,057
Bank balances, deposits & cash	**66,335**	**232,499**	**194,466**	146,709	159,750	55,004
Financial Liabilities						
Creditors	**45,557**	**23,999**	**168,915**	60,396	10,525	49,199
Term loans	**109,370**	**-**	**32,650**	164,519	-	1,615
Company						
Financial Assets						
Debtors	**186**	**2,088**	**587**	1,400	85	177
Bank balances, deposits & cash	**16**	**-**	**3,526**	15	-	225
Financial Liabilities						
Creditors	**93**	**-**	**98**	1,215	-	-

Sensitivity analysis for currency risk

If the relevant foreign currency change against SGD by 5% (2006: 5%) with all other variables held constant, the effects will be as follows:

	Profit after tax		Equity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Group				
USD against SGD				
- Strengthened	**(1,161)**	(2,111)	**1,510**	1,254
- Weakened	**1,161**	2,111	**(1,510)**	(1,254)
Euro against SGD				
- Strengthened	**123**	2,889	**956**	10
- Weakened	**(123)**	(2,889)	**(956)**	(10)
Company				
USD against SGD				
- Strengthened	**6**	10	**-**	-
- Weakened	**(6)**	(10)	**-**	-
Euro against SGD				
- Strengthened	**105**	4	**-**	-
- Weakened	**(105)**	(4)	**-**	-

(ii) Interest rate risk

The Group is exposed to interest rate risk for changes in interest rates primarily for debt obligations, placements in the money market and investments in bonds. The Group policy is to maintain a mix of fixed and variable rate debt instruments with varying maturities. Where necessary, the Group uses derivative financial instruments to hedge interest rate risks.

The Group purchases interest rate caps to hedge the interest rate risk exposure arising from its US$ and S$ variable rate term loans (Note 20). As at the end of the financial year, the Group has the following outstanding interest rate cap agreements.

Year	Notional amount	Maturity	Interest rate caps
2007	**$58,131,000**	**2009 - 2011**	**1.8% - 3%**
2006	$1,064,853,000	2007 - 2011	1.8% - 3%

The positive fair values of interest rate caps for the Group are $493,000 (2006: $1,389,000). This amount is recognised as derivative financial instruments in debtors (Note 15).

The Group enters into interest rate swap agreements to hedge the interest rate risk exposure arising from its S$ variable rate term loans (Note 20). As at the end of the financial year, the Group has interest rate swap agreements with notional amount totalling $625,995,000 (2006: $731,679,000) whereby it receives variable rates equal to SIBOR (2006: SIBOR) and pays fixed rates of between 2.83% and 3.5% (2006: 2.33% and 3.14%) on the notional amount.

The net negative fair values of interest rate swaps for the Group are $4,113,000 (2006: net positive fair values of $8,852,000) comprising assets of $2,292,000 (2006: $12,651,000) and liabilities of $6,405,000 (2006: $3,799,000). These amounts are recognised as derivative financial instruments in debtors (Note 15) and creditors (Note 18).

35. Financial risk management (continued)

Sensitivity analysis for interest rate risk
If interest rates increase/decrease by 0.5% (2006: 0.5%) with all other variables held constant, the Group's and Company's profit after tax would have been lower/higher by $4,618,000 (2006: $7,140,000) and $2,174,000 (2006: $1,500,000) respectively as a result of higher/lower interest expense on floating rate loans.

(iii) Price risk
The Group hedges against fluctuations arising on the purchase of natural gas that affect cost. Exposure to price fluctuations is managed via fuel oil forward contracts, whereby the price of natural gas is indexed to a benchmark fuel price index, High Sulphur Fuel Oil (HSFO) 180-CST. As at the end of the financial year, the Group has outstanding HSFO forward contracts with notional amounts totalling $165,638,000 (2006: $Nil). The positive fair values of HSFO forward contracts for the Group are $8,016,000 (2006: $Nil). This amount is recognised as derivative financial instruments in debtors (Note 15).

The Group is exposed to equity securities price risk arising from equity investments classified as investments held for trading and available-for-sale investments. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Sensitivity analysis for price risk
If prices for HSFO increase/decrease by 5% with all other variables held constant, the Group's hedging reserve in equity would have been higher/lower by $4,365,000 (2006: $Nil) as a result of fair value changes on cashflow hedges.

If prices for quoted investments increase/decrease by 5% (2006: 5%) with all other variables held constant, the Group's profit after tax would have been higher/lower by $4,661,000 (2006: $4,493,000) as a result of higher/lower fair value gains on investments held for trading, and the Group's fair value reserve in equity would have been higher/lower by $34,524,000 (2006: $28,019,000) as a result of higher/lower fair value gains on available-for-sale investments.

Credit Risk
Credit risk refers to the risk that debtors will default on their obligation to repay the amount owing to the Group. A substantial portion of the Group's revenue is on credit terms or stage of completion. These credit terms are normally contractual. The Group adopts stringent procedures on extending credit terms to customers and on the monitoring of credit risk. The credit policy spells out clearly the guidelines on extending credit terms to customers, including monitoring the process and using related industry's practices as reference. This includes assessment and valuation of customers' credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered. The Group's policy does not permit non-secured credit risk to be significantly centralised in one customer or a group of customers.

The maximum exposure to credit risk is the carrying amount of financial assets which are mainly trade debtors and bank balances, deposits and cash.

(i) Financial assets that are neither past due nor impaired
Trade debtors that are neither past due nor impaired are substantially companies with good collection track record with the Group. Bank deposits, forward foreign exchange contracts, interest rate caps and interest rate swaps are mainly transacted with banks of high credit ratings assigned by international credit-rating agencies.

(ii) Financial assets that are past due and/or impaired

The age analysis of trade debtors past due and/or impaired is as follows:

	GROUP	
	2007 $'000	2006 $'000
Past due 0 to 3 months	**241,917**	151,389
Past due 3 to 6 months	**22,675**	55,741
Past due over 6 months and partially impaired	**37,816**	45,628
	302,408	252,758

Trade debtors that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments.

Information relating to the provision for doubtful debts is given in Note 15.

Liquidity Risk

Prudent liquidity risk management requires the Group to maintain sufficient cash and marketable securities, internally generated cashflows, and the availability of funding resources through an adequate amount of committed credit facilities. Group Treasury also maintains a mix of short-term money market borrowings and medium/long term loans to fund working capital requirements and capital expenditures/investments. Due to the dynamic nature of business, the Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

Information relating to the maturity profile of loans is given in Note 20.

Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on the Group net gearing (times). The Group net gearing (times) is calculated as net borrowings divided by total capital. Net borrowings are calculated as total term loans (Note 20) plus bank overdrafts (Note 21) less bank balances, deposits & cash (Note 17). Total capital refers to capital employed under equity.

	GROUP	
	2007 $'000	2006 $'000
Net borrowings	**633,547**	1,338,580
Total capital	**7,035,192**	5,597,687
Group net gearing (times)	**0.09x**	0.24x

36. Segment analysis

2007

Business segment

	Offshore & Marine $'000	Property $'000	Infrastructure $'000	Investments $'000	Elimination $'000	Total $'000
Revenue						
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)	-
Total	7,258,364	1,837,426	1,408,691	113,718	(186,949)	10,431,250
Results						
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)
Profit for the year	477,378	1,031,853	(132,583)	275,880	-	1,652,528
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
Other information						
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
Total	5,716,562	8,702,016	1,828,086	5,853,380	(6,302,862)	15,797,182
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
Total	4,480,627	5,648,004	1,430,821	3,505,400	(6,302,862)	8,761,990
Net assets	1,235,935	3,054,012	397,265	2,347,980	-	7,035,192
Capital expenditure	193,983	25,005	36,542	379	-	255,909
Depreciation & 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

	Offshore & Marine $'000	Property $'000	Infrastructure $'000	Investments $'000	Elimination $'000	Total $'000
Revenue						
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)	-
Total	5,755,336	1,166,415	656,524	166,162	(143,497)	7,600,940
Results						
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)
Profit for the year	478,009	200,177	(25,614)	237,152	-	889,724
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
Other information						
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
Total	5,212,183	7,515,681	1,618,444	4,585,185	(5,030,544)	13,900,949
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
Total	4,021,736	5,342,424	1,081,053	2,888,593	(5,030,544)	8,303,262
Net assets	1,190,447	2,173,257	537,391	1,696,592	-	5,597,687
Capital expenditure	165,827	32,779	227,233	4,509	-	430,348
Depreciation & amortisation	65,049	15,471	46,469	449	-	127,438

Geographical segment

	Singapore $'000	Far East & other ASEAN countries $'000	America $'000	Other countries $'000	Elimination $'000	Total $'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

36. Segment analysis (continued)

Notes:

(a) 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.

(b) Geographical segment

The Group operates in about 34 countries. Secondary segment information is provided by geographical segment in accordance to the above table.

37. New accounting standards and recommended accounting practice

Certain new accounting standards and FRS interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2008. The Group's assessment of those standards and interpretations that are relevant to the Group is set out below:

(a) Revised FRS 23 Borrowing Costs

The revised standard removes the option to recognise immediately as an expense borrowing costs that are attributable to qualifying assets, except for those borrowing costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis.

The Group will apply the revised FRS 23 from 1 January 2009. The adoption of the revised standard is not expected to have a significant impact on the financial statements of the Group.

(b) FRS 108 Operating Segments

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group does not expect the new operating segments to be significantly different from business segments currently disclosed.

(c) RAP 11 Pre-Completion Contracts for the Sale of Development Property

RAP 11 was issued by the Institute of Certified Public Accountants of Singapore in October 2005. This Statement mentions that a property developer's sales and purchase agreement is not a construction contract as defined in FRS 11 (Construction Contract) and the percentage of completion ("POC") method of recognising revenue, which is allowed under FRS 11 for construction contracts, may not be applicable for property developers.

The relevant standard for revenue recognition by property developers is FRS 18 (Revenue), which addresses revenue recognition generally for all types of entities. However, there is no clear conclusion in FRS 18 whether the POC method or the completion of construction ("COC") method is more appropriate for property developers. The issue is being addressed by the International Accounting Standards Board.

The Group uses the POC method for recognising revenue from partly completed residential projects which are held for sale. Had the COC method been adopted, the impact on the financial statements of the Group will be as follows:

	2007 $'000	2006 $'000
Decrease in opening revenue reserve	**(82,054)**	(38,394)
Decrease in revenue recognised for the year	**(717,910)**	(619,350)
Decrease in profit for the year	**(157,519)**	(43,660)
Decrease in carrying value of property held for sale		
Balance as at 1 January	**(195,546)**	(97,134)
Balance as at 31 December	**(98,341)**	(195,546)
Decrease in minority interests		
Balance as at 1 January	**(81,818)**	(35,552)
Share of profit for the year	**(132,702)**	(46,266)

38. Comparative figures

Certain reclassifications have been made to the prior year's financial statements of the Group to enhance comparability with the current year's financial statements.

The items were reclassified as follows:

	GROUP	
	Previously reported 2006 $'000	Reclassified 2006 $'000
Current asset		
Stocks & work-in-progress in excess of related billings	2,777,217	2,861,960
Current liabilities		
Creditors	2,380,657	2,168,904
Billings on work-in-progress in excess of related costs	2,325,319	2,621,815

39. Significant subsidiaries and associated companies

Information relating to significant subsidiaries consolidated in these financial statements and significant associated companies whose results are equity accounted for is given in the following pages.

SIGNIFICANT SUBSIDIARIES AND ASSOCIATED COMPANIES

	Gross Interest 2007 %	Effective Equity Interest 2007 %	Effective Equity Interest 2006 %	Cost of Investment 2007 $'000	Cost of Investment 2006 $'000	Country of Incorporation /Operation	Principal Activities
OFFSHORE & MARINE							
Offshore							
Subsidiaries							
Keppel Offshore and Marine Ltd	100	100	100	801,720	801,720	Singapore	Investment holding
Keppel FELS Ltd	100	100	100	#	#	Singapore	Construction, fabrication and repair of offshore production facilities and drilling rigs, power barges, specialised vessels and other offshore production facilities
AmFELS Offshore Ltd(5)	100	100	100	#	#	BVI/Mexico	Holding of long-term investments
BrasFELS SA(1a)	100	100	100	#	#	Brazil	Engineering, construction and fabrication of platforms for the oil and gas sector, shipyard works and other general business activities
Caspian Shipyard Company Ltd(2a)	75	45	53	#	#	Azerbaijan	Construction and repair of offshore drilling rigs
Deepwater Technology Group Pte Ltd	100	100	100	#	#	Singapore	Research and experimental development on deepwater engineering
FELS Offshore Pte Ltd	100	100	100	#	#	Singapore	Holding of long-term investments
Fornost Ltd(1a)	100	100	100	#	#	HK	Holding of long-term investments and provision of procurement services
FSTP Brasil Ltda(1a)	75	75	75	#	#	Brazil	Procurement of equipment and materials for the construction of offshore production facilities
FSTP Pte Ltd	75	75	75	#	#	Singapore	Construction, fabrication and repair of offshore production facilities and drilling rigs
Hygrove Investments Ltd(5)	100	100	100	#	#	BVI/HK	Investment holding
Keppel AmFELS Inc(4)	100	100	100	#	#	USA	Construction and repair of offshore drilling rigs and offshore production facilities
Keppel FELS Baltech Ltd(4)	100	100	100	#	#	Bulgaria	Marine-related engineering and consultancy services
Keppel FELS Brasil SA(1a)	100	100	100	#	#	Brazil	Engineering, construction and fabrication of platforms for the oil and gas sector, shipyard works and other general business activities
Keppel FELS Offshore & Engineering Services Mumbai Pte Ltd(1a)	100	100	100	#	#	India	Provision of engineering services
Keppel Norway A/S(1a)	100	100	100	#	#	Norway	Construction and repair of offshore drilling rigs and offshore production facilities

	Gross Interest 2007 %	Effective Equity Interest 2007 %	Effective Equity Interest 2006 %	Cost of Investment 2007 $'000	Cost of Investment 2006 $'000	Country of Incorporation /Operation	Principal Activities
Keppel SLP LLC(4)	60	60	60	#	#	USA	Fabrication of offshore platforms and structures
Keppel Verolme BV(1a)	100	100	100	#	#	Netherlands	Construction and repair of offshore drilling rigs and shiprepairs
KV Enterprises BV(1a)	100	100	100	#	#	Netherlands	Hiring and leasing of barges
Marine & Offshore Protection & Preservation BV(1a)	100	100	100	#	#	Netherlands	Chamber blasting services and painting and coating works
Offshore Technology Development Pte Ltd	100	100	100	#	#	Singapore	Production of jacking systems and provision of jacking analysis
Regency Steel Japan Ltd(1a)	51	51	51	#	#	Japan	Sourcing, fabricating and supply of specialised steel components
Associated Companies							
Asian Lift Pte Ltd	50	50	50	#	#	Singapore	Provision of heavy-lift equipment and related services
Keppel Kazakhstan LLP(4)	50	50	50	#	#	Kazakhstan	Construction and repair of offshore drilling units and structures and specialised vessels
Marine							
Subsidiaries							
Keppel Shipyard Ltd	100	100	100	#	#	Singapore	Shiprepairing, shipbuilding and marine construction
Keppel Philippines Marine Inc(3)	83	83	81	#	#	Philippines	Shipbuilding and repairing
Alpine Engineering Services Pte Ltd	100	100	100	#	#	Singapore	Marine contracting
Blastech Abrasives Pte Ltd	100	100	100	#	#	Singapore	Marine contracting
Keppel Cebu Shipyard Inc(3)	100	83	81	#	#	Philippines	Shipbuilding and repairing
Keppel Nantong Shipyard Company Limited(4)	100	100	100	#	#	China	Shipbuilding and repairing
Keppel Singmarine Pte Ltd	100	100	100	#	#	Singapore	Shipbuilding and repairing
Keppel Smit Towage Pte Ltd	51	51	51	#	#	Singapore	Provision of towage services
KS Investments Pte Ltd	100	100	100	#	#	Singapore	Holding of long-term investments
KSI Production Pte Ltd(5)	100	100	100	#	#	BVI/Norway	Holding of long-term investments
Maju Maritime Pte Ltd	51	51	51	#	#	Singapore	Provision of towage services
Marine Technology Development Pte Ltd	100	100	100	#	#	Singapore	Provision of technical consultancy for ship design and engineering works

	Gross Interest 2007 %	Effective Equity Interest 2007 %	Effective Equity Interest 2006 %	Cost of Investment 2007 $'000	Cost of Investment 2006 $'000	Country of Incorporation /Operation	Principal Activities
Associated Companies							
Arab Heavy Industries Public Joint Stock Company(2a)	33	33	33	#	#	UAE	Shipbuilding and repairing
Consort Land Inc(3)	33+	27+	27+	54	54	Philippines	Land holding company and power distributor
Kejora Resources Sdn Bhd(4)	49	25	25	#	#	Malaysia	Chartering tugs and other marine services
Subic Shipyard & Engineering Inc(3)	46+	38+	38+	3,020	3,020	Philippines	Shipbuilding and repairing
PROPERTY							
Subsidiaries							
Keppel Land Ltd(2)	53	53	53	931,432	931,432	Singapore	Holding, management and investment company
K-REIT Asia(2)	73	53	53	#	#	Singapore	Real estate investment trust
Evergro Properties Ltd(2)	71	38	38	#	#	Singapore	Property investment and development
Keppel Bay Pte Ltd	100+	86+	86+	626	626	Singapore	Property development
Keppel Philippines Properties Inc(3)	74+	50+	50+	493	493	Philippines	Investment holding
Alpha Investment Partners Ltd(2)	100	53	53	#	#	Singapore	Fund management
Avenue Park Development(2)	52	28	28	#	#	Singapore	Property development
Bayfront Development Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
BCH Office Investment Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Beijing Kingsley Property Development Co Ltd(2a)	100	53	53	#	#	China	Property development
Bintan Bay Resort Pte Ltd(2)	90	48	48	#	#	Singapore	Investment holding
Boulevard Development Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Bukit Timah Hill Development Pte Ltd(2)	100	53	53	#	#	Singapore	Property development
Changzhou Fushi Housing Development Pte Ltd(2a)	100	53	53	#	#	China	Property development
Chengdu Hillwest Development Co Ltd(2a)	100	53	53	#	#	China	Property development
Devonshire Development Pte Ltd(2)	60	32	32	#	#	Singapore	Property development
DL Properties Ltd(2)	65	34	34	#	#	Singapore	Property investment
Double Peak Holdings Ltd(5)	100	53	53	#	#	BVI/Singapore	Investment holding
Duit Investments Ltd(2a)	100	53	53	#	#	HK	Investment holding
Evansville Investment Pte Ltd(2)	100	53	53	#	#	Singapore	Property development
Greenfield Development Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
International Centre(1a)	79	53	51	#	#	Vietnam	Property investment

	Gross Interest 2007 %	Effective Equity Interest 2007 %	2006 %	Cost of Investment 2007 $'000	2006 $'000	Country of Incorporation /Operation	Principal Activities
KeplandeHub Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Keppel China Township Development Pte Ltd (formerly Toshmatic Pte Ltd)(2)	100	53	53	#	#	Singapore	Investment holding
Keppel Land (Hong Kong) Ltd(4)	100	53	53	#	#	HK	Investment holding
Keppel Land (Saigon Centre) Ltd(2a)	100	53	53	#	#	HK	Investment holding
Keppel Land (Tower D) Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Keppel Land China Holdings Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Keppel Land Financial Services Pte Ltd(2)	100	53	53	#	#	Singapore	Financial services
Keppel Land International Ltd(2)	100	53	53	#	#	Singapore	Property services
Keppel Land Properties Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Keppel Land Realty Pte Ltd(2)	100	53	53	#	#	Singapore	Property development and investment
Keppel Land Watco I Co Ltd(2a)	68	36	36	#	#	Vietnam	Property investment and development
Keppel Puravankara Development Pvt Ltd(4)	51	27	27	#	#	India	Property development
Keppel Thai Properties Public Co Ltd(2a)	45	24	24	#	#	Thailand	Property development and investment
Keppel Township Development (Shenyang) Co Ltd(n)(2a)	100	53	-	#	-	China	Property development
K-REIT Asia Investment Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
K-REIT Asia Management Ltd(2)	100	53	53	#	#	Singapore	Property fund management
K-REIT Asia Property Management Ltd(2)	100	53	53	#	#	Singapore	Property management services
Mansfield Developments Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Merryfield Investment Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Ocean & Capital Properties Pte Ltd(2)	100	53	53	#	#	Singapore	Property and investment holding
Ocean Properties Pte Ltd(2)	76	40	40	#	#	Singapore	Property investment
OIL (Asia) Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Pasir Panjang Realty Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Pembury Properties Ltd(5)	100	53	53	#	#	BVI/Singapore	Investment holding
PT Kepland Investama(1a)	100	53	53	#	#	Indonesia	Property investment and development
PT Keppel Land(2a)	100	53	53	#	#	Indonesia	Property services and development and investment
PT Mitra Sindo Makmur(1a)	51	27	27	#	#	Indonesia	Property development and investment

	Gross Interest 2007 %	Effective Equity Interest 2007 %	Effective Equity Interest 2006 %	Cost of Investment 2007 $'000	Cost of Investment 2006 $'000	Country of Incorporation /Operation	Principal Activities
PT Mitra Sindo Sukses(1a)	51	27	27	#	#	Indonesia	Property development and investment
PT Ria Bintan(1a)	100	24	24	#	#	Indonesia	Golf course ownership and operation
PT Sentral Supel Perkasa(2a)	80	42	42	#	#	Indonesia	Property investment and development
PT Sentral Tanjungan Perkasa(2a)	80	42	42	#	#	Indonesia	Property development
PT Straits-CM Village(1a)	100	21	21	#	#	Indonesia	Hotel ownership and operations
Quang Ba Royal Park JV Co(4)	70	34	34	#	#	Vietnam	Property investment
Saigon Centre Holdings Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Saigon Centre Investment Ltd(5)	100	53	53	#	#	BVI/HK	Investment holding
Saigon Riviera JV Co Ltd(2a)	90	48	48	#	#	Vietnam	Property development
Saigon Sports City(2a)	100	48	48	#	#	Vietnam	Property development
Shanghai Floraville Land Co Ltd(2a)	99	52	52	#	#	China	Property development
Shanghai Merryfield Land Co Ltd(2a)	99	52	52	#	#	China	Property development
Shanghai Minghong Property Co Ltd(2a)	99	52	52	#	#	China	Property development
Shanghai Pasir Panjang Land Co Ltd(2a)	99	52	52	#	#	China	Property development
Sherwood Development Pte Ltd(2)	100	53	53	#	#	Singapore	Property development
Spring City Resort Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Straits Greenfield Ltd(2a)	100	53	53	#	#	Myanmar	Hotel ownership and operations
Straits Properties Ltd(2)	100	53	53	#	#	Singapore	Property development
Straits Property Investments Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Straits-CM Village Hotel Pte Ltd(2)	85	21	21	#	#	Singapore	Property investment
Straits-KMP (HK) Ltd(2a)	51	27	27	#	#	HK	Investment holding
Third Dragon Development Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding and marketing agent
Tianjin Merryfield Property Development Co Ltd(5)	100	53	53	#	#	China	Property development
Vanese International Ltd(5)	100	67	67+	#	17,639	BVI/HK	Investment holding
Waterville Investment Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Wiseland Investment Myanmar Ltd(2a)	100	53	53	#	#	Myanmar	Hotel ownership and operations
FELS Property Holdings Pte Ltd	100	100	100	70,214	70,214	Singapore	Investment holding
Brightway Property Pte Ltd	100	100	100	#	#	Singapore	Property investment
FELS SES International Pte Ltd	100+	85+	83+	7	7	Singapore	Investment holding
Petro Tower Ltd(4)	76	64	63	#	#	Vietnam	Property investment

	Gross Interest 2007 %	Effective Equity Interest 2007 %	2006 %	Cost of Investment 2007 $'000	2006 $'000	Country of Incorporation /Operation	Principal Activities
Alpha Real Estate Securities Fund	98	98	98	#	#	Singapore	Investment holding
Esqin Pte Ltd	100	100	100	11,001	11,001	Singapore	Investment holding
Harbourfront One Pte Ltd	70	65	65	#	#	Singapore	Property development
Keppel (USA) Inc(5)	100	100	100	9,702	21,813	USA	Investment holding
Keppel Houston Group LLC(5)	100	86	86	#	#	USA	Property investment
Keppel Kunming Resort Ltd(4)	100+	91+	100+	4	4	HK	Property investment
Keppel Point Pte Ltd	100+	86+	86+	122,785	122,785	Singapore	Property development and investment
Keppel Real Estate Investment Pte Ltd	100	100	100	50,000	50,000	Singapore	Investment holding
Associated Companies							
Asia No. 1 Property Fund Ltd(1a)	10	5	5	#	#	Guernsey	Property investment
Asia Real Estate Fund Management Ltd(2)	50	27	27	#	#	Singapore	Fund management
BFC Development Pte Ltd(2)	33	17	17	#	#	Singapore	Property development
Bugis City Holdings Pte Ltd(2)	31	16	16	#	#	Singapore	Property investment
Central Boulevard Development Pte Ltd(n)(2)	33	17	-	#	-	Singapore	Property development
China World Investments Pte Ltd(2)	50	27	27	#	#	Singapore	Investment holding
CityOne Township Development Pte Ltd(2)	50	27	27	#	#	Singapore	Investment holding
EM Services Pte Ltd(4)	25	13	13	#	#	Singapore	Property management
Harbourfront Three Pte Ltd(4)	39	33	33	#	#	Singapore	Property development
Harbourfront Two Pte Ltd(4)	39	33	33	#	#	Singapore	Property development
Kingsdale Development Pte Ltd(2)	50	27	27	#	#	Singapore	Investment holding
One Raffles Quay Pte Ltd(2)	33	17	17	#	#	Singapore	Property development
Parksville Development Pte Ltd(2)	50	27	27	#	#	Singapore	Property investment
PT Pantai Indah Tateli(2a)	50	27	27	#	#	Indonesia	Property development
PT Purimas Straits Resort(4)	25	13	13	#	#	Indonesia	Development of holiday resort
PT Purosani Sri Persada(4)	20	11	11	#	#	Indonesia	Property investment
Renown Property Holdings (M) Sdn Bhd(2a)	40	21	21	#	#	Malaysia	Property investment
SAFE Enterprises Pte Ltd(4)	25	13	13	#	#	Singapore	Investment holding
Suzhou Property Development Pte Ltd(4)	25	13	13	#	#	Singapore	Investment holding
Wuxi Cityone Development Co Ltd(5)	50	27	27	#	#	China	Property development

	Gross Interest 2007 %	Effective Equity Interest 2007 %	Effective Equity Interest 2006 %	Cost of Investment 2007 $'000	Cost of Investment 2006 $'000	Country of Incorporation /Operation	Principal Activities
INFRASTRUCTURE							
Power Generation							
Subsidiaries							
Keppel Energy Pte Ltd	100	100	100	280,914	280,914	Singapore	Investment holding
BV Power Ltd(5)	100	100	100	#	#	BVI/Philippines	Holding of long-term investment
Corporacion Electrica Nicaraguense SA(1a)	100	100	100	#	#	Nicaragua	Commercial power generation
Dawley Developments Ltd(5)	100	100	100	#	#	BVI/HK	Holding of long-term investments
Keppel Electric Pte Ltd	100	100	100	#	#	Singapore	Electricity, energy and power supply and investment holding and general wholesale trade
Keppel Gas Pte Ltd	100	100	100	#	#	Singapore	Purchase and sale of gaseous fuels
Keppel Merlimau Cogen Pte Ltd	100	100	100	#	#	Singapore	Holding of long-term investments, generation and supply of electricity
New Energy Industrial Ltd(5)	100	100	100	#	#	BVI/Ecuador	Holding of long-term investments
Nordeste Generation Energia Ltda(1a)	100	100	100	#	#	Brazil	Commercial power generation
Okachi Investments Ltd(5)	100	100	100	#	#	BVI/HK	Holding of long-term investments
Rodeo Power Pte Ltd	100	100	100	#	#	Singapore	Holding of long-term investments
Termoguayas Generation SA(1a)	100	100	100	#	#	Ecuador	Commercial power generation
Environmental Engineering							
Subsidiaries							
Keppel Integrated Engineering Ltd	100	100	100	163,574	163,574	Singapore	Investment holding
Keppel Seghers Engineering Singapore Pte Ltd	100	100	100	#	#	Singapore	Fabrication of steel structures, mechanical and electrical works and engineering services specialising in treatment plants
FELS Cranes Pte Ltd	100	100	100	#	#	Singapore	Fabrication of heavy cranes and provision of marine-related equipment
Keppel FMO Pte Ltd	100	100	100	#	#	Singapore	Construction, project and facilities management and operational maintenance of industrial and commercial complexes
Keppel Prince Engineering Pty Ltd(2a)	100	100	100	#	#	Australia	Metal fabrication
Keppel Sea Scan Pte Ltd	100	100	100	#	#	Singapore	Trading and installation of hardware, industrial, marine and building-related products, leasing and provision of services

	Gross Interest 2007 %	Effective Equity Interest 2007 %	Effective Equity Interest 2006 %	Cost of Investment 2007 $'000	Cost of Investment 2006 $'000	Country of Incorporation /Operation	Principal Activities
Keppel Seghers Belgium NV(1a)	100	100	100	#	#	Belgium	Provider of services and solutions to the environmental industry related to solid waste, waste-water and sludge management
Keppel Seghers Holdings Pte Ltd	100	100	100	#	#	Singapore	Investment holding
Keppel Seghers Hong Kong Ltd(1a)	100	100	100	#	#	HK	Engineering contracting and investment holding
Keppel Seghers Newater Development Co Pte Ltd	100	100	100	#	#	Singapore	Collection, purification and distribution of water
Keppel Seghers Tuas Waste-to-Energy Plant Pte Ltd	100	100	100	#	#	Singapore	Collection and treatment of solid waste to generate green energy
Associated Companies							
GE Keppel Energy Services Pte Ltd(2)	50	50	50	#	#	Singapore	Precision engineering, repair, services and agencies
Network Engineering & Logistics							
Subsidiaries							
Keppel Telecommunications & Transportation Ltd(2)	80	80	81	397,647	397,647	Singapore	Investment, management and holding company
DataOne Asia Pte Ltd(2)	100	80	81	#	#	Singapore	Investment holding
ECHO Broadband Gmbh(2a)	100	80	81	#	#	Germany	Broadband network services
Keppel Communications Pte Ltd(2)	100	80	81	#	#	Singapore	Trading and provision of communications systems and accessories
Keppel Logistics (Foshan) Ltd(4)	70	56	57	#	#	China	Shipping operations, warehousing and distribution
Keppel Logistics Pte Ltd(2)	100	80	81	#	#	Singapore	Warehousing and distribution
Keppel Telecoms Pte Ltd(2)	100	80	81	#	#	Singapore	Telecommunications services and investment holding
Transware Distribution Services Pte Ltd(2)	50	40	41	#	#	Singapore	Warehousing and distribution
Trisilco Folec Sdn Bhd(2a)	55	44	45	#	#	Malaysia	Trading and provision of communications systems and accessories
Associated Companies							
Advanced Research Group Co Ltd(2a)	45	36	36	#	#	Thailand	IT publication and business information
Asia Airfreight Terminal Company Ltd(4)	10	8	8	#	#	HK	Operation of air cargo handling terminal

	Gross Interest 2007 %	Effective Equity Interest 2007 %	Effective Equity Interest 2006 %	Cost of Investment 2007 $'000	Cost of Investment 2006 $'000	Country of Incorporation /Operation	Principal Activities
Computer Generated Solutions Inc(2a)	21	17	17	#	#	USA	IT consulting and outsourcing provider
Premier Data Centres Ltd(n)(4)	50	40	-	#	-	Ireland	Provision of Internet Service Exchange
Radiance Communications Pte Ltd(2)	50	40	41	#	#	Singapore	Distribution and maintenance of communications equipment and systems
SVOA Public Company Ltd(2a)	31	25	25	#	#	Thailand	Distribution of IT products and telecommunications services
Trisilco Radiance Communication Sdn Bhd(2a)	40	32	32	#	#	Malaysia	Sales, installation and maintenance of telecommunications systems, equipment and accessories
Wuhu Annto Logistics Company Ltd(4)	35	28	28	#	#	China	Transportation, warehousing and distribution
INVESTMENTS							
Subsidiaries							
Keppel Philippines Holdings Inc(3)	53+	53+	52+	-	-	Philippines	Investment holding
China Canton Investments Ltd	56	56	56	#	#	Singapore	Investment holding
k1 eBiz Holdings Pte Ltd	100	100	100	1,814	1,814	Singapore	Investment holding
Kep Holdings Ltd(5)	100+	100+	100+	10,480	10,480	BVI/HK	Investment company
Kephinance Investment (Mauritius) Pte Ltd(4)	100	100	100	#	#	Mauritius	Investment holding
Kephinance Investment Pte Ltd	100	100	100	90,000	90,000	Singapore	Investment holding
Kepital Management Ltd(4)	100	100	100	#	#	HK	Investment company
Kepmount Shipping (Pte) Ltd	100	100	100	4,000	4,000	Singapore	Investment holding
Keppel FELS Invest (HK) Ltd(4)	100	100	100	#	#	HK	Investment company
Keppel Infrastructure Pte Ltd	100	100	100	#	#	Singapore	Investment holding
Keppel Investment Ltd	100	100	100	#	#	Singapore	Investment company
Keppel Oil & Gas Services Pte Ltd	100	100	100	116,609	116,609	Singapore	Investment holding
Kepventure Pte Ltd	100	100	100	16,160	16,160	Singapore	Investment holding
KI Investments (HK) Ltd(4)	100	100	100	#	#	HK	Investment company
KV Management Pte Ltd	100	100	100	250	250	Singapore	Fund management
Steamers Containerships Holdings Pte Ltd(2)	100	80	92+	#	49	Singapore	Investment holding
Travelmore Pte Ltd	100	100	100	265	265	Singapore	Travel agency
The Vietnam Investment Fund (Singapore) Ltd	51	51	40	#	#	Singapore	Venture fund investment

	Gross Interest 2007 %	Effective Equity Interest 2007 %	2006 %	Cost of Investment 2007 $'000	2006 $'000	Country of Incorporation /Operation	Principal Activities
Associated Companies							
Singapore Petroleum Company Ltd	45	45	45	#	#	Singapore	Petroleum refining, marketing, distribution and trading of crude oil and petroleum products
k1 Ventures Ltd	36	36	38	#	#	Singapore	Investment holding
MobileOne Ltd(2)	20	16	14	#	#	Singapore	Telecommunications services
Total							
Subsidiaries				3,079,697	3,109,496		
Associated Companies				3,074	3,074		

Notes:

(i) All the companies are audited by Deloitte & Touche, Singapore except for the following:
(1a) Audited by overseas practice of Deloitte & Touche;
(2) Audited by Ernst & Young, Singapore;
(2a) Audited by overseas practice of Ernst & Young;
(3) Audited by SyCip Gorres Velayo & Co, Philippines;
(4) Audited by other firms of auditors (not significant associated companies and foreign subsidiaries); and
(5) Not required to be audited by law in the country of incorporation and companies disposed, liquidated and struck off.

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and significant associated companies would not compromise the standard and effectiveness of the audit of the Company.

(ii) + The shareholdings of these companies are held jointly with other subsidiaries.

(iii) # The shareholdings of these companies are held by subsidiaries of Keppel Corporation Limited.

(iv) (n) These companies were incorporated during the financial year.

(v) The subsidiaries' place of business is the same as its country of incorporation, unless otherwise specified.

(vi) Abbreviations:
British Virgin Islands (BVI)
Cayman Islands (CI)
Hong Kong (HK)
United Arab Emirates (UAE)
United States of America (USA)

STATEMENT BY DIRECTORS
For the financial year ended 31 December 2007

We, LIM CHEE ONN and TEO SOON HOE being two Directors of Keppel Corporation Limited, do hereby state that in the opinion of the Directors, the financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 150 to 209 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007, and of the results, changes in equity and cashflows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board

LIM CHEE ONN
Executive Chairman

TEO SOON HOE
Group Finance Director

Singapore, 11 March 2008

INDEPENDENT AUDITORS' REPORT

to the Members of Keppel Corporation Limited

For the financial year ended 31 December 2007

We have audited the accompanying financial statements of Keppel Corporation Limited ("Company") and its subsidiaries ("Group") which comprise the balance sheets of the Group and the Company as at 31 December 2007, the profit and loss account, statement of changes in equity and cashflow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 150 to 209.

Directors' Responsibility

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the results, changes in equity and cashflows of the Group and changes in equity of the Company for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche

DELOITTE & TOUCHE
Certified Public Accountants
Singapore

Chaly Mah Chee Kheong
Partner
Appointed on 28 April 2006

11 March 2008

INTERESTED PERSON TRANSACTIONS

During the financial year, the following interested person transactions were entered into by the Group:

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
Transaction for the Sale of Goods and Services				
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**	-	**-**	-
Transaction for the Purchase of Goods and Services				
Gas Supply Pte Ltd	**-**	-	**380,000**	9,000
Mapletree Investments Pte Ltd	**-**	-	**407**	492
Singapore Power/PowerSeraya/Senoko Power/Tuas Power Group	**-**	-	**-**	1,000
Transaction for the Acquisition of Companies				
Havelock Investment Pte Ltd	**-**	270	**-**	-
Total Interested Person Transactions	**17,447**	270	**450,953**	30,000

Save for the interested person transactions disclosed above, there were no other material contracts entered into by the Company and its subsidiaries involving the interests of its chief executive officer, directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

DIRECTORS AND KEY EXECUTIVES

Directors

Lim Chee Onn, 63
Executive Chairman
Bachelor of Science (First Class Honours) in Naval Architecture, Glasgow University; Masters in Public Administration, Edward S. Mason Fellow, Kennedy School, Harvard University; Member of the Wharton Society of Fellows, University of Pennsylvania; Honorary Doctorate in Engineering, Glasgow University. Conferred the Distinguished Service Order by the President of the Republic of Singapore in 2007.

Executive Chairman of Keppel Corporation Limited since January 2000 (Director since 1983; date of last re-election: 29 April 2005) and Chairman of the Executive Committee and member of the Board Safety Committee. He is also Chairman of Keppel Land Limited, MobileOne Ltd, and Singapore-Suzhou Township Development Pte Ltd and a Board Member of the Monetary Authority of Singapore, k1 Ventures Limited and Business China. Mr Lim is also the Honorary Chairman of the National Heritage Board, Deputy Chairman/Advisory Board, Harvard Singapore Foundation and Alternate Member of the Council of Presidential Advisors.

Mr Lim started his career in the Civil Service. He was Deputy Secretary, Ministry of Communications until elected as Member of Parliament in July 1977. He served as Political Secretary, Ministry of Science and Technology from August 1978 to September 1980. Mr Lim was Secretary-General, National Trades Union Congress from May 1979 to June 1983 and concurrently Minister without Portfolio, Prime Minister's Office from September 1980 to July 1983, and remained as Member of Parliament until December 1992.

In addition, Mr Lim is Co-Chairman of the Philippines-Singapore Business Council and Deputy Chairman of the Seoul International Business Advisory Council. He is Economic Advisor to Jiangsu Provincial Government, PRC, and Consultant to the People's Government of Yunnan Province, PRC. He is a Member of the Singapore-US Business Council and a Member of the INSEAD Singapore International Council. Mr Lim is also Member of the Board of Trustees, Asia Business Council, Member of the Board of Trustees of The Conference Board and Counsellor of The Conference Board's Global Advisory Council on Economic Issues.

Tony Chew Leong-Chee, 61
Lead Independent Director
Trained as an agronomist at Ko Plantations Berhad and Serdang Agricultural College in Malaysia from 1966 to 1970.

Appointed to the Board in 2002 (date of last re-election: 29 April 2005). An independent and non-executive Director, he is the Company's Lead Independent Director and member of the Company's Audit Committee and Executive Committee.

Mr Chew is the Executive Chairman of Asia Resource Corporation and Chairman of KFC Vietnam. He also serves on the boards of Macondray Corporation and Orangestar Investment Holdings Pte Ltd, amongst others.

From 1966, he worked at Sri Gading Estates in Malaysia, Guthrie Trading in Singapore, and the Sampoerna Group of Indonesia. In 1975 he ventured out, becoming an entrepreneur, and built a group of companies in the region which became Asia Resource Corporation.

He plays an active role in promoting regional business, having served on the Trade Development Board, Economic Review Sub-Committee for Entrepreneurship and Internationalisation, Regional Business Forum, and the GPC Resource Panel for Finance, Trade and Industry. He is presently council member of the Singapore Business Federation and ASEAN Business Advisory Council, Chairman of Network Indonesia and Chairman of the Governing Board of Duke-NUS Graduate Medical School Singapore. He is a Public Service Award recipient.

Lim Hock San, 61
Independent Director
Bachelor of Accountancy, University of Singapore; Master of Science, MIT Sloan School of Management; Advanced Management Program, Harvard Business School; Fellow, Chartered Institute of Management Accountants (UK).

Appointed to the Board in 1989 (date of last re-election: 27 April 2007), he is an independent and non-executive Director. Mr Lim is also the Chairman of the Company's Audit Committee and member of the Executive Committee and Board Risk Committee. Mr Lim is the CEO of United Industrial Corporation Ltd and Singapore Land Ltd. He is also the Chairman of Gallant Ventures Ltd and the National Council Against Problem Gambling, and a board member of Ascendas Pte Ltd and Interra Resources Limited. Mr Lim previously served as the Director-General of Civil Aviation (1980-1992) and was past President of the Institute of Certified Public Accountants of Singapore.

Sven Bang Ullring, 72
Independent Director
Master of Science, Swiss Federal Institute of Technology, Zurich.

Appointed to the Board in 2000 (date of last re-election: 27 April 2007). An independent and non-executive Director and Chairman of the Nominating Committee and the Remuneration Committee and member of the Board Safety Committee.

Mr Ullring is the Chairman of the Board of The Fridtjof Nansen Institute, Oslo, Norway. He was President and Chairman of the Executive board of Det Norske Veritas, Oslo from 1985-2000 and President and CEO of NORCONSULT, Oslo from 1981-1985. He worked for SKANSKA, Malmo, Sweden from 1962-1981 in Africa, Asia, Europe and the Americas; from 1972-1981 he was Director of the International Department.

In addition, Mr Ullring is Chairman of the Maritime and Port Authority of Singapore's Third Maritime and Research and Development Advisory Panel; Chairman of the Board of Transparency International (Norway), and a Director of Sustainable Forest Management, London and the Institute for Culture and Oriental Languages University of Oslo.

Tsao Yuan Mrs Lee Soo Ann, 52
Independent Director
PhD in Economics, Harvard University; President Scholar with a First Class Honours degree in Economics and Statistics, University of Singapore.

Appointed to the Board in 2002 (date of last re-election: 28 April 2006). An independent and non-executive Director and member of the Nominating Committee, the Remuneration Committee and the Board Safety Committee.

Dr Lee Tsao Yuan is an Executive Director with SDC Consulting, a privately-owned Singapore-based human resources development training, consultancy and coaching company.

An economist by training, Dr Lee has extensive experience in public policy both in Singapore and internationally. She was with the Institute of Policy Studies (IPS), a public policy think-tank for 10 years, as Deputy Director (1990-1997), and Director (1997-November 2000). Prior to her joining IPS, she taught at the Department of Economics and Statistics, National University of Singapore (1982-1989).

She served as a Nominated Member of Parliament in Singapore for two terms (1994-1996 and 1997-1999).

Dr Lee sits on the Boards of various companies and organisations, including Oversea-Chinese Banking Corporation Ltd.

Oon Kum Loon, 57
Independent Director
Bachelor of Business Administration (Honours) from the University of Singapore.

Appointed to the Board in 2004 (date of last re-election: 27 April 2007). An independent and non-executive Director of the Company and Chairperson of the Company's Board Risk Committee and member of the Company's Audit, Executive and Nominating Committees.

Mrs Oon is a veteran banker with about 30 years of extensive experience, having held a number of management and executive positions with the DBS Group. She was the Chief Financial Officer (CFO) of the bank until September 2003.

Prior to serving as CFO, she was the Managing Director & Head of Group Risk Management, responsible for the development and implementation of a group-wide integrated risk management framework.

During her career with the bank, Mrs Oon was also involved with treasury and markets, corporate finance and credit management activities.

Her other directorships include PSA International Pte Ltd; SP PowerGrid Ltd; CSMC Technologies Corporation; and Schmidt Electronics Group Ltd. She is also a member of the Board Risk Management Committee of Singapore Power Ltd.

Tow Heng Tan, 52
Non-Independent and Non-Executive Director
Fellow of the Association of Chartered Certified Accountants as well as the Chartered Institute of Management Accountants.

Appointed to the Board in 2004 (date of last re-election: 27 April 2007). A non-executive Director and member of the Company's Executive, Remuneration and Board Risk Committees.

Mr Tow has an extensive business career spanning the management consultancy, investment banking and stockbroking industries. He is currently the Chief Investment Officer of Temasek Holdings (Pte) Ltd (Temasek Holdings).

Prior to joining Temasek Holdings in September 2002, he was Senior Director of Business Development at DBS Vickers Securities (Singapore) Pte Ltd. From 1993 to 2001, Mr Tow was Managing Director of Lum Chang Securities Pte Ltd.

Mr Tow also sits on the Board of ComfortDelGro Corporation Limited, among others.

Yeo Wee Kiong, 52
Independent Director
LLB Honours University of London, MBA National University of Singapore, First Class Honours (Mechanical Engineering) University of Singapore.

Appointed to the Board in 2005 (date of last re-election: 28 April 2006). An independent and non-executive Director of the Company, Chairman of the Company's Board Safety Committee, and member of the Company's Board Risk Committee.

Mr Yeo Wee Kiong is a director in Drew & Napier LLC, a leading law corporation in Singapore practising in the areas of corporate law, corporate finance, mergers and acquisitions, listings on stock exchanges, venture capital, banking and securities.

He started his career in 1980 as a senior industry officer with the Singapore Economic Development Board (EDB) where he participated in EDB's international drive to promote high technology investments into Singapore. He was an investment banker with NM Rothschild & Sons Singapore between 1984 to 1989 in capital markets and corporate finance advisory services. He started his legal career with Drew & Napier in 1989, subsequently founding his own law firm. He was also previously a senior partner in Rajah & Tann, a leading law firm in Singapore. He rejoined Drew & Napier in 2007.

Mr Yeo is an independent director of two listed companies, namely, Bonvests Holdings Limited and PCA Technology Ltd. He is also a non-executive director and audit chairman of Ascendas Pte Ltd, which is a government group in commercial property development and property trust management.

Choo Chiau Beng, 60
Senior Executive Director
Bachelor of Science (First Class Honours), University of Newcastle upon Tyne (awarded the Colombo Plan Scholarship to study Naval Architecture); Master of Science in Naval Architecture, University of Newcastle upon Tyne; attended the Programme for Management Development in Harvard Business School in 1982 and is a Member of the Wharton Society of Fellows, University of Pennsylvania.

Appointed to the Board in 1983 (date of last re-election: 28 April 2006). A Senior Executive Director and member of the Company's Executive Committee.

Mr Choo is the Chairman and Chief Executive Officer of Keppel Offshore & Marine Ltd and is also the Chairman of Singapore Petroleum Company Limited, Singapore Refining Company Pte Ltd and SMRT Corporation Ltd. Mr Choo sits on the Board of Directors of Keppel Land Limited, k1 Ventures Limited, and is a Board Member of Singapore Maritime Foundation and Maritime and Port Authority of Singapore. He is Chairman of the Nanyang Business School's International Advisory Board.

Mr Choo started his career with Keppel Shipyard as a Ship Repair Management Trainee in 1971 and was appointed Executive Director of Singapore Slipway in 1973. In 1975, when Keppel set up its shipyard in the Philippines, he was posted there to assume the position of Executive Vice President and CEO of the company for a period of four years. He joined Keppel FELS (formerly known as Far East Levingston Shipbuilding Ltd) in 1980 as Assistant General Manager and was appointed as Director to the Board of the company. He was promoted to Deputy Managing Director in November 1981 and to Managing Director in March 1983. In 1994, he was appointed Deputy Chairman and in 1997, Chairman of the company.

He is also Chairman of Det Norske Veritas South East Asia Committee and Council Member of the American Bureau of Shipping and member of the American Bureau of Shipping's Southeast Asia Regional Committee and Special Committee on Mobile Offshore Drilling Units. He is Singapore's Non-Resident Ambassador to Brazil.

Teo Soon Hoe, 58
Senior Executive Director and Group Finance Director
Bachelor of Business Administration, University of Singapore; Member of the Wharton Society of Fellows, University of Pennsylvania.

Appointed to the Board in 1985 (date of last re-election: 29 April 2005). A Senior Executive Director and the Group Finance Director and member of the Company's Executive Committee.

Mr Teo is the Chairman of Keppel Telecommunications & Transportation Ltd and Keppel Philippines Holding Inc. In addition, he is a director of several other companies within the Keppel Group, including Keppel Land Limited, Keppel Offshore & Marine Ltd, k1 Ventures Limited and Singapore Petroleum Company Limited. He is also a director of MobileOne Ltd.

Mr Teo began his career with the Keppel Group in 1975 when he joined Keppel Shipyard. He rose through the ranks and was seconded to various subsidiaries of the Keppel Group before assuming the position of Group Finance Director in 1985.

Key Executives
In addition to the Executive Chairman (Mr Lim Chee Onn) and the two Senior Executive Directors (Mr Choo Chiau Beng and Mr Teo Soon Hoe), the following are the key executive officers ("Key Executives") of the Company, its principal subsidiaries and Singapore Petroleum Company Limited:

Tong Chong Heong, 61
Graduate of Management Development Programme, Harvard Business School; Stanford - NUS Executive Programme, Diploma in Management Studies, The University of Chicago Graduate School of Business.

Mr Tong has been the Managing Director/Chief Operating Officer of Keppel Offshore & Marine Ltd since May 2002. He is also the Managing Director of Keppel FELS and Keppel Shipyard. He was the Executive Director of Keppel Corporation from 1989-1996. He served for 27 years and was appointed Commander of the Volunteer Special Constabulary (VSC) from 1995-2001 and was honoured with Singapore Public Service Medal at the 1999 National Day Award. He had served as Vice President/President of Association of Singapore Marine Industries (1993-1996), Member/Deputy Chairman of the Shipbuilding & Offshore Engineering Advisory Committee, Ngee Ann Polytechnic (1986-1995). He is a member of Society of Naval Architects and Marine Engineers (USA), member of Singapore Institute of Directors, member of American Bureau of Shipping and member of Nippon Kaiji Kyokai (Class NK) Singapore Committee and Fellow of the Society of Project Managers as well as Fellow of The Royal Institute of Naval Architects (RINA) UK.

His directorships include Keppel Offshore & Marine Ltd; Keppel FELS Limited; Keppel Shipyard Ltd, Keppel Integrated Engineering Ltd and Chairman of Keppel AmFELS, Inc.

He is the Honorary Consul (Designate) of Trinidad & Tobago in Singapore.

Kevin Wong Kingcheung, 52
Bachelor degree in Civil Engineering with First Class Honours, Imperial College, London; Masters degree, Massachusetts Institute of Technology, USA.

Mr Wong has been Group CEO/Managing Director, Keppel Land Limited since January 2000. Prior to this appointment, he was Executive Director since November 1993. He is Vice-Chairman and Director, Evergro Properties Limited, Chairman and Director of Alpha Investment Partners Ltd, and Deputy Chairman and Director of K-REIT Asia Management Pte Ltd. He is also a director of Prudential Assurance Company Singapore (Pte) Ltd.

Prior to joining Keppel Land Limited, Mr Wong had diverse experience in the real estate industry in the UK, USA and Singapore.

Lam Kwok Chong, 53
Bachelor of Business Administration, National University of Singapore.

Mr Lam was appointed the Chief Financial Officer of Keppel T&T in July 2003 and was appointed the Managing Director and a Director of Keppel T&T in April 2004. He holds directorships in several Keppel T&T subsidiaries and associated companies. He began his career with the Keppel Group in 1980. Since then, he has held various senior management appointments within the Keppel Group, including appointments such as the Chief Financial Officer of Keppel Insurance Pte Ltd, Managing Director of Keppel Securities Pte Ltd and General Manager (Special Projects) of Keppel Corporation Limited.

Ong Tiong Guan, 49
Bachelor of Engineering (First Class Honours), Monash University; and Doctor of Philosophy (Ph.D.) under Monash Graduate Scholarship, Monash University, Australia.

Dr Ong was appointed Keppel Energy Pte Ltd's Executive Director from November 1999. He became Managing Director of Keppel Energy Pte Ltd with effect from 1 May 2003. He is responsible for Keppel Corporation's power generation business, which develops, owns and operates power generation projects in Asia and in the Americas.

Dr Ong's career spans across the energy industry from engineering and contracting to investment and ownership of energy assets. He started with Jurong Engineering as a Design Engineer in 1987 and went on to hold senior management positions in Foster Wheeler Eastern, the Sembawang Group, and CMS Energy Asia. Dr Ong was Chairman of SEPEC (Singapore Electricity Pool Executive Committee) for the FY 2002/2003.

His directorships include Keppel Energy Pte Ltd, Keppel Electric Pte Ltd, Keppel Merlimau Cogen Pte Ltd, Keppel Gas Pte Ltd, Termoguayas Generation S.A. and Corporacion Electrica Nicaraguense, S.A..

Chua Chee Wui, 41
Bachelor of Engineering Science (2nd Upper Hons), Oxford University, on a Scholarship from the Singapore Government; completed Chartered Financial Analysts (CFA) Programme in 1999; attended the Insead Executive Programme.

Mr Chua was appointed Deputy CEO of Keppel Integrated Engineering Ltd (KIE) in January 2004 and is presently CEO of KIE. KIE is the environmental and engineering division of Keppel Corporation Limited. He is also General Manager, Group Strategic Development in Keppel Corporation.

Prior to joining Keppel Corporation in 2000, he held various positions in ExxonMobil Singapore and in the Ministry of Defence of Singapore.

His directorships include KIE, Keppel Seghers Engineering Singapore Pte Ltd, Seghers Keppel Technology Group NV, Keppel Seghers NEWater Development Co Pte Ltd, Keppel Seghers Tuas Waste-To-Energy Plant Pte Ltd, and Keppel FMO Pte Ltd.

Koh Ban Heng, 59
Bachelor degree in Applied Chemistry and post-graduate diploma in Business Administration, University of Singapore.

Mr Koh is the Chief Executive Officer of Singapore Petroleum Company Limited (SPC). He joined SPC in February 1974 and held several key positions in the company rising to the position of CEO in August 2003. The breadth of his experience spans refining operations and planning, marketing and distribution, supply and trading, oil and gas exploration and production including the development and establishment of new businesses.

Mr Koh has delivered exceptional results in the last four years. He was instrumental in the landmark refining and retail acquisitions in 2004. He has also led and paved the way for several key capital investments in E&P. These have provided the strategic drive that has led to SPC's current success and will be the foundation for sustained growth

Mr Koh holds directorships in several of SPC's subsidiaries and associate companies.

Past Principal Directorships In The Last Five Years

Directors

Lim Chee Onn
National Heritage Board; Singapore Airlines Ltd; Glory Central Holdings Ltd; Kepital Holdings Pte Ltd; Keppel Harbour Redevelopment Ltd; Keppel Power Systems Pte Ltd; Keppel Telecoms Pte Ltd; K1 eBiz Holdings Private Limited; NatSteel Ltd; Temasek Holdings (Pte) Ltd; Parksville Development Pte Ltd.

Tony Chew Leong-Chee
Del Monte Pacific Ltd; Singapore Trade Development Board; Keppel Capital Holdings Ltd; KTB Limited (formerly Keppel Tatlee Bank Ltd & Keppel Bank of S'pore Ltd); CapitalLand Commercial Ltd (formerly DBS Land Ltd); Highsonic Enterprises Pte Ltd; Macondray Packaging Corporation Pte Ltd; Pontirep Investments Pte Ltd; Operational Development Pte Ltd; CCL Myanmar Pte Ltd; Myanmarcorp Pte Ltd; Juno Pacific Pte Ltd; ARC Corporate Services Pte Ltd; RHB-Cathay Securities Pte Ltd; Dohler Asia Pte Ltd; Net Decisions Singapore Pte Ltd; Eurolife Limited; International Beverages Company; Viethai Plastic Company; Hangzhou Hua Feng Paper Mill Ltd; Myanmar Airways International Ltd; International Beverages Trading Co., Myanmar; Myanmar Development International Co. Ltd; Asia Net Media Ltd (BVI); Cycle & Carriage Golden Star Ltd; Del Monte Pacific Resources Ltd; Dewey Ltd; Macondray Holdings Corporation; Alliance Resource Corporation; Opdev Investments Ltd; Surfield Development Corporation; Yearsley, Inc.; Central American Resources Inc; IES Holdings.

Lim Hock San
Singapore Changi Airport Enterprise Pte Ltd; Changi Airports International Pte Ltd; Air Transport Training College Pte Ltd; Advanced Material Technologies Pte Ltd; Silkroute E-commerce Fund I Ltd; Pasir Ris Resort Pte Ltd; United Test and Assembly Center Ltd.

Sven Bang Ullring
NORSK HYDRO ASA, Oslo; STOREBRAND ASA, Oslo; SCHLUMBERGER, New York; Det Norske Veritas, Oslo.

Tsao Yuan Mrs Lee Soo Ann
Director of Pacific Internet Limited; Chairman of the International Trade Institute of Singapore (ITIS); Deputy Chairman of the protem exco of the eLearning Chapter of the Singapore IT Federation; Director of Keppel Capital Holdings Ltd and Keppel FELS Energy & Infrastructure Limited; Executive Deputy Chairman of Inchone.com Pte Ltd; Governor of Singapore International Foundation and the United World College of South East Asia.

Oon Kum Loon
Gas Supply Pte Ltd; Intraco Limited; General Securities Investments Limited; PT Bank DBS Indonesia.

Tow Heng Tan
IE Singapore; Shangri-la Asia Limited.

Yeo Wee Kiong
OM Holdings Ltd; China Sun Bio-Chem Technology Group Company Ltd; Ezyhealth Asia Pacific Ltd; City Axis Holdings Ltd (ISG Asia Limited); Global Testing Corporation Limited; ASJ Limited; Pacific Internet Limited; Territory Iron Ltd; AEM-Evertech Holdings Ltd; Compact Metal Industries Ltd.

Choo Chiau Beng
Caspian Shipyard Company Limited; EDBI Investments Pte Ltd; FELS Property Holdings Pte Ltd; FELS Realty (Texas) Inc; FELS (USA) Inc; K1 eBiz Holdings Private Limited; Kepital Holdings Pte Ltd; Kepmount Shipping Pte Ltd; Keppel Asia Limited; Keppel FELS (China) Ltd; Keppel FELS Invest (HK) Ltd; Keppel Infrastructure Pte Ltd; Keppel Marine Agencies Inc; Keppel Oil & Gas Services Pte Ltd; Keppel Offshore Investment Ltd; Keppel Power Systems Pte Ltd; Keppel Regional Infrastructure Pte Ltd; Keppel Telecoms Pte Ltd; Keppel-UAE Investment Pte Ltd; Keppel Vietnam Investment Pte Ltd; Kepventure Pte Ltd; Travelmore Pte Ltd; Waterfront Development Consultants Pte Ltd; WIIG Global Ventures Pte Ltd.

Teo Soon Hoe
Keppel Bank Philippines Inc; Centurion Bank Limited; Southern Bank Bhd; Keppel Shipyard Limited.

Key Executives

Tong Chong Heong
Nil.

Kevin Wong Kingcheung
HDB Corporation Pte Ltd; Singapore Hotel Association; subsidiaries and associates of Keppel Land Limited.

Lam Kwok Chong
Keppel Global Investors Pte Ltd; Keppel Insurance Pte Ltd; Keppel Bank Philippines, Inc.; Poverest Investments Limited; Netrust Pte Ltd; Nippon Keppel Communications Kabushiki Kaisha; Rodway Investments Ltd; Folec Holdings (M) Sdn Bhd; Steamers Telecommunications Pte Ltd; Computer Generated Solutions (Asia) Pte Ltd; Keppel Securities Philippines Inc.; Indotel Ltd; SEM Thong Nhuat Hotel Metropole; Societe de Development de Metropole (SDM) B.V.; Folec Communications (B) Sdn Bhd; Blue Cherries, Inc.; Business Online Public Co Ltd; DataOne Corporation Pte Ltd; Heritage (Vietnam) Investments Pte Ltd.

Ong Tiong Guan
Nil.

Chua Chee Wui
Nil.

Koh Ban Heng
Changi Airport Fuel Hydrant Installation Pte. Ltd.; FST Aviation Services Limited; SPC Shipping Company Limited; Singapore Petroleum (China) Private Limited; Singapore Petroleum (Thailand) Co. Ltd; Singapore Petroleum Trading Company Limited; SPC Cambodia Ltd.

MAJOR PROPERTIES

Held By	Effective Group Interest	Location	Description and Approximate Land Area	Tenure	Usage
Completed properties					
K-REIT Asia	53%	Prudential Tower Cecil Street & Church Street, Singapore	30-storey office building	99 years leasehold	Commercial office building with rentable area of 10,074 sqm (retained interest)
		Keppel Towers Hoe Chiang Rd, Singapore	Land area: 7,760 sqm 27-storey office building	Freehold	Commercial office building with rentable area of 32,624 sqm
		GE Tower Hoe Chiang Rd, Singapore	Land area: 1,367 sqm 13-storey office building	Freehold	Commercial office building with rentable area of 7,378 sqm
		Bugis Junction Tower Victoria Street, Singapore	15-storey office building	99 years leasehold	Commercial office building with rentable area of 22,990 sqm
One Raffles Quay Pte Ltd	17%	One Raffles Quay, Singapore	Land area: 11,367 sqm Two office towers	99 years leasehold	Commercial office building with rentable area of 124,078 sqm
DL Properties Ltd	34%	Equity Plaza Cecil Street, Singapore	Land area: 2,345 sqm 28-storey office building	99 years leasehold	Commercial office building with rentable area of 23,147 sqm
Ocean Properties Pte Ltd	40%	Ocean Towers Collyer Quay, Singapore	Land area: 3,552 sqm 27-storey office building	999 years leasehold	Commercial office building with rentable area of 21,319 sqm
Keppel Bay Pte Ltd	86%	Caribbean at Keppel Bay, Singapore	Land area: 97,494 sqm	99 years leasehold	A 969-unit waterfront condominium development
Harbourfront One Pte Ltd	65%	Keppel Bay Tower HarbourFront Avenue, Singapore	Land area: 17,267 sqm 18-storey office building	99 years leasehold	Commercial office building with rentable area of 36,016 sqm
Harbourfront Two Pte Ltd	33%	HarbourFront Tower One and Two HarbourFront Place, Singapore	Land area: 15,072 sqm 18-storey and 13-storey office buildings	99 years leasehold	Commercial office building with rentable area of 48,671 sqm
PT Straits-CM Village	21%	Club Med Ria Bintan Bintan, Indonesia	Land area: 200,000 sqm	30 years lease with option for another 50 years	A 302-room beachfront hotel
PT Kepland Investama	53%	Wisma BCA Jakarta, Indonesia	Land area: 10,444 sqm	20 years lease with option for another 20 years	A prime office development with rentable area of 38,093 sqm

Held By	Effective Group Interest	Location	Description and Approximate Land Area	Tenure	Usage
Keppel Land Watco I Co Ltd	36%	Saigon Centre (Phase 1 Tower) Ho Chi Minh City, Vietnam	Land area: 2,730 sqm 25-storey office, retail cum serviced apartments	50 years lease	Commercial building with rentable area of 10,443 sqm office, 3,663 sqm retail, 305 sqm post office and 89 units of serviced apartments
Properties under development					
Ocean Properties Pte Ltd	40%	Ocean Financial Centre, Collyer Quay, Singapore	Land area: 2,557 sqm	999 years leasehold	Commercial building with rentable area of 78,968 sqm *(2011)
BFC Development Pte Ltd	17%	Marina Bay Financial Centre/ Marina Bay Residences Marina Boulevard/Central Boulevard, (Phase 1) Singapore	Land area: 20,505 sqm	99 years leasehold	An integrated development comprising office, retail and 428 condominium units *(2010)
Central Boulevard Development Pte Ltd	17%	Marina Bay Financial Centre/ Marina Bay Residences Marina Boulevard/Central Boulevard, (Phase 2) Singapore	Land area: 15,010 sqm	99 years leasehold	An integrated development comprising office, retail and 221 condominium units *(2012)
Devonshire Development Pte Ltd (joint venture)	32%	The Suites at Central Devonshire Road, Singapore	Land area: 7,400 sqm	Freehold	A 157-unit condominium development *(2008)
Keppel Land Realty Pte Ltd	53%	Park Infinia Wee Nam/ Keng Lee Road, Singapore	Land area: 21,733 sqm	Freehold	A 486-unit condominium development *(2008)
Keppel Bay Pte Ltd	86%	Reflections at Keppel Bay, Singapore	Land area: 83,591 sqm	99 years leasehold	A 1,129-unit waterfront condominium development *(2012)
		Keppel Bay Plot 3 and 6, Singapore	Land area: 82,619 sqm	99 years leasehold	Waterfront condominium development
Shanghai Pasir Panjang Land Co Ltd	52%	Eight Park Avenue Shanghai, China	Land area: 33,432 sqm	70 years lease	A 946-unit residential apartment development (Plot B) *(2009/2010)

Held By	Effective Group Interest	Location	Description and Approximate Land Area	Tenure	Usage
Shanghai Hongda Property Development Co Ltd	53%	Residential development Shanghai, China	Land area: 264,090 sqm	70 years lease (residential) 40 years lease (commercial)	A 3,082-unit residential development with integrated facilities *(2012)
Spring City Golf & Lake Resort Co (owned by Kingsdale Development Pte Ltd)	21%	Spring City Golf & Lake Resort Kunming, China	Land area: 2,157,361 sqm	70 years lease	Integrated resort comprising golf courses, resort homes and resort facilities *(2017)
CityOne Development (Wuxi) Co (owned by Pasir Panjang Realty Pte Ltd)	16%	Central Park City Wuxi, China	Land area: 352,534 sqm	70 years lease (residential) 40 years lease (commercial) 50 years lease (others)	A 4,700-unit residential township development with integrated facilities *(2009 Phase 1)
PT Mitra Sindo Sukses/ PT Mitra Sindo Makmur	27%	Jakarta Garden City Jakarta, Indonesia	Land area: 2,700,000 sqm	30 years lease with option for another 20 years	A 7,000-unit residential township *(2009/2010)
Industrial properties					
Keppel FELS Limited	100%	Jurong, Pioneer, Cresent and Tuas South Yard, Singapore	Land area: 704,509 sqm buildings, workshops, building berths and wharves	24 - 30 years leasehold	Oil rigs, offshore and marine construction, repair, fabrication, assembly and storage
Keppel Shipyard Limited	100%	Benoi and Tuas Yard, Singapore	Land area: 775,527 sqm buildings, workshops, drydocks and wharves	30 years leasehold	Shiprepairing, shipbuilding and marine construction

* Expected year of completion

GROUP FIVE-YEAR PERFORMANCE

	2003	2004	2005	2006	**2007**
Selected Profit & Loss Account Data					
($ million)					
Revenue	5,947	3,963	5,688	7,601	**10,431**
Operating profit	503	409	467	804	**1,051**
Profit before tax & exceptional items	557	645	826	1,139	**1,556**
Attributable profit					
Before exceptional items	394	465	564	751	**1,026**
After exceptional items	397	464	564	751	**1,131**
Selected Balance Sheet Data					
($ million)					
Fixed assets & properties	3,800	3,482	3,907	4,187	**4,831**
Investments	1,682	1,839	2,664	3,113	**4,024**
Stocks, debtors & cash	4,604	5,059	5,874	6,466	**6,874**
Intangibles	147	125	145	135	**68**
Total assets	10,233	10,505	12,590	13,901	**15,797**
Less :					
Creditors	2,001	2,402	3,750	5,188	**6,139**
Borrowings	3,788	3,699	3,731	2,957	**2,234**
Other liabilities	481	148	174	158	**389**
Net assets	3,963	4,256	4,935	5,598	**7,035**
Share capital & reserves	2,893	3,090	3,646	4,205	**5,205**
Minority interests	1,070	1,166	1,289	1,393	**1,830**
Capital employed	3,963	4,256	4,935	5,598	**7,035**
Per Share					
Earnings (cents) (Note 1):					
Before tax & exceptional items	29.3	35.2	43.9	61.5	**81.4**
Attributable profit					
Before exceptional items	25.5	29.9	36.1	47.7	**64.9**
After exceptional items	25.7	29.9	36.1	47.7	**71.5**
Gross dividend (cents)	9.5	10.0	11.5	14.0	**64.0**
Capital distribution (net) (cents)	9.0	10.0	11.5	14.0	**-**
Total distribution (cents)	18.5	20.0	23.0	28.0	**64.0**
Net assets ($)	1.87	1.98	2.33	2.67	**3.28**
Net tangible assets ($)	1.77	1.90	2.23	2.58	**3.24**
Financial Ratios					
Return on shareholders' funds (%) (Note 2):					
Profit before exceptional items					
Before tax	16.2	18.3	20.0	24.7	**27.4**
Attributable profit	14.0	15.5	16.4	19.1	**21.8**
Dividend cover (times)	3.4	3.7	3.9	4.2	**1.0**
Net gearing (times)	0.77	0.64	0.47	0.24	**0.09**
Employees					
Number	20,505	22,186	23,625	29,185	**31,914**
Wages & salaries ($ million)	708	695	803	931	**1,132**

Notes:
1. Earnings per share are calculated based on the Group profit by reference to the weighted average number of shares in issue during the year.
2. In calculating return on shareholders' funds, average shareholders' funds has been used.
3. Comparative figures have been adjusted for sub-division of shares in 2007.

2007
Group revenue of $10,431 million was $2,830 million or 37% higher than that of the previous year. Revenue from Offshore & Marine Division at $7,258 million was $1,503 million or 26% higher and accounted for 70% of Group revenue. Revenue from shipconversion and shiprepair 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 as a result of new income stream from the cogen power plant, NEWater plant, power barges and the contract for the solid waste management complex in Qatar.

Group profit before tax was $1,556 million or 37% more than the previous year's. Earnings from Offshore & Marine Division at $700 million were 12% above the previous year. Production activities continued 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 $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.

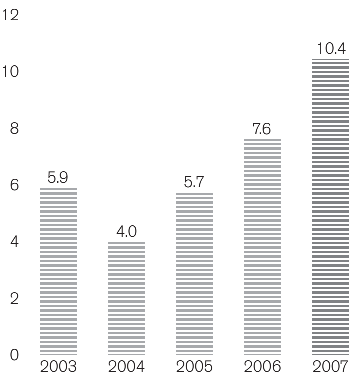
Group taxation expenses were higher in the year as a result of write-back of deferred tax amounting to $18 million from the reduction in the Singapore corporate tax rate from 20% to 18%. After taking into account the higher taxation charge and minority share of profit, the attributable profit before exceptional items was $1,026 million.

2006
Group revenue of $7,601 million was $1,913 million or 34% higher than that of the previous year. Revenue from Offshore & Marine of $5,755 million was $1,643 million or 40% higher and accounted for 76% of Group revenue. Twenty six newbuilds and conversions were completed and delivered in the year, on time or ahead of time and within budget. Revenue from ship and rig repair was also strong. Property achieved revenue of $1,155 million, $308 million or 36% higher. The increased revenue was underpinned by higher sales and prices of the Group's new and existing trading projects both in Singapore and regionally. Rental income from investment properties was higher as a result of the tight supply of prime office buildings in the Singapore Central Business District. Keppel T&T reported lower revenue as no major new network engineering contract was secured. Revenue from electricity trading also declined as non-profitable fixed price contracts were not renewed.

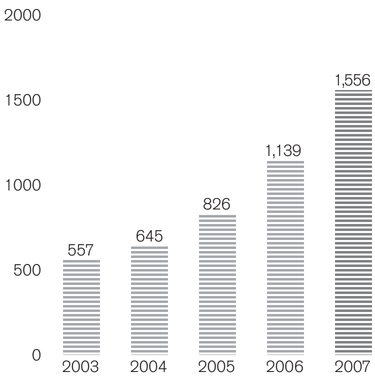
Group profit before tax exceeded $1 billion for the first time to $1,139 million, 38% higher than the previous year. Offshore & Marine, which had an exceptionally busy year contributed significantly to the Group earnings growth. The division's profit before tax of $624 million was $273 million or 78% higher. Revenue and operating margins improved with higher prices and efficient project execution. Property posted earnings of $233 million, 5% above the previous year due to the higher revenue from trading projects and profit from sale of a piece of land in Tianjin and an equity interest in a property project. Infrastructure returned to profitability in the fourth quarter with the commercial operation of the power barges in Ecuador. However, the quarter's profit was not sufficient to reverse the losses in the first nine months. Earnings from Investments were higher with gains from the sale of investments and much better contributions from k1 Ventures which benefited from the divestment of The Gas Company, LLC. These were more than sufficient to offset the lower contributions from SPC, which was affected by lower margins in the second half year.

Group taxation expenses were higher in the year as a result of higher profits from overseas operations. After taking into account the higher taxation charge and minority share of profit, the attributable profit to shareholders was $751 million.

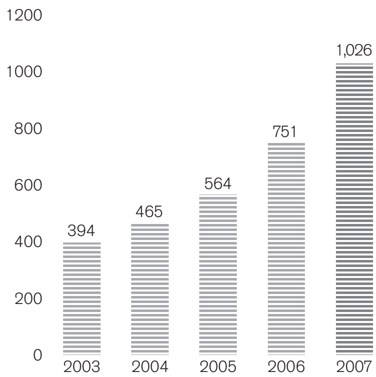
Revenue ($ billion)



Pre-Tax Profit ($ million)



PATMI ($ million)



2005

Group revenue of $5,688 million for the year was $1,725 million or 44% higher than that of the previous year. Revenue from Offshore & Marine of $4,112 million was 69% higher and contributed 72% of Group revenue. The net orderbook carried over from the previous year and the record new orders secured in the year contributed to the increased revenue of Offshore & Marine. Revenue from Property of $848 million was $137 million or 19% higher than the previous year. The increased revenue was due to the strong performance of the Group's trading projects both in Singapore and overseas. The increased revenue from Offshore & Marine and Property was partially offset by lower revenue from Infrastructure following the cessation of the power barges contract in Brazil at the end of the previous year.

Group pre-tax profit of $826 million was 28% higher than the previous year with increased contributions from Offshore & Marine, Property and SPC. Offshore & Marine benefited from profit recognition of completed jobs arising from its large orderbook. Keppel Land's earnings rose by 31% from the healthy sales of its residential developments. However, this was partially offset by lower earnings from Caribbean at Keppel Bay. Losses were incurred by the Infrastructure because of the redeployment cost of the power barges and losses in electricity trading. KIE returned to profitability after the restructuring efforts from the previous year. The continuing tight refining capacity and strong growth in demand for refined products led to significantly higher earnings at SPC.

Taking into consideration taxation and minority share of profits, the resultant profit attributable to shareholders of $564 million was 21% higher than the previous year. Offshore & Marine remains the largest contributor to attributable earnings with 42%, followed by SPC with 33%, Property with 21% and the rest from Keppel T&T and Investments net of the losses of Infrastructure.

2004

Group revenue was below that of the previous year due mainly to the deconsolidation of SPC. If revenue of SPC were to be excluded from previous year, there would have been a 20% increase in Group's revenue due to a hefty increase in Offshore & Marine's revenue.

Group pre-tax profit of $645 million and attributable profit of $465 million were 16% and 18% above those of 2003 respectively.

The Group's strong earnings growth was underpinned by the vastly improved performances of Offshore & Marine from a strong order book and SPC from increased refining margins and demand for its products. Property also achieved commendable earnings improvement in 2004 mainly from its residential development projects in China. Infrastructure's performance was affected by the lower than expected revenue from its investment in environmental engineering unit, Seghers Keppel Technology (SKG), and by costs associated with the restructuring of SKG to focus on growth segments.

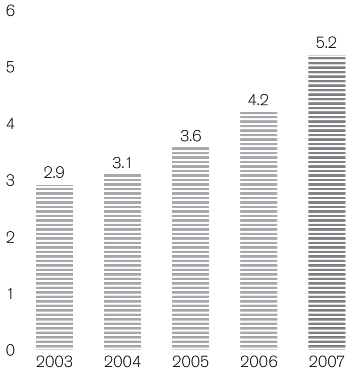
2003

Group revenue of $5.9 billion was 8% above that of 2002 due mainly to higher revenue from Property, Infrastructure and SPC, partially offset by lower revenue from Offshore & Marine.

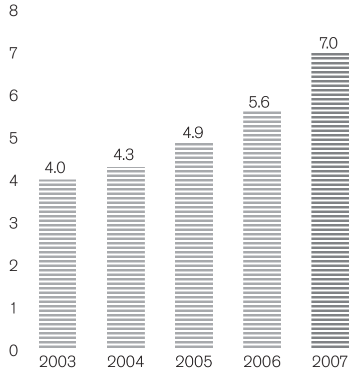
Attributable profit of $394 million exceeded those of 2002's record earnings by 11%, despite the adverse impact from the Iraq war and SARS in the first half year. If the one-off deferred tax adjustment of $20 million in 2002 was excluded, earnings in 2003 would have increased by 18%.

The Group's commendable results came mainly from a full year's earnings of the power barges, contribution from the residential development in China and gains on quoted securities. Earnings from Offshore & Marine decreased with the lower value of contracts secured in 2002.

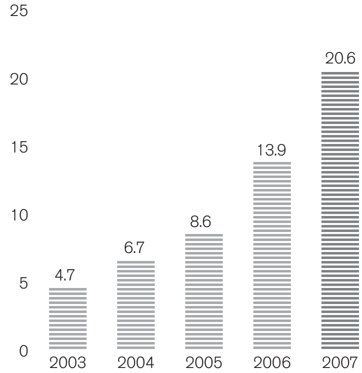
Shareholders' Funds ($ billion)



Capital Employed ($ billion)

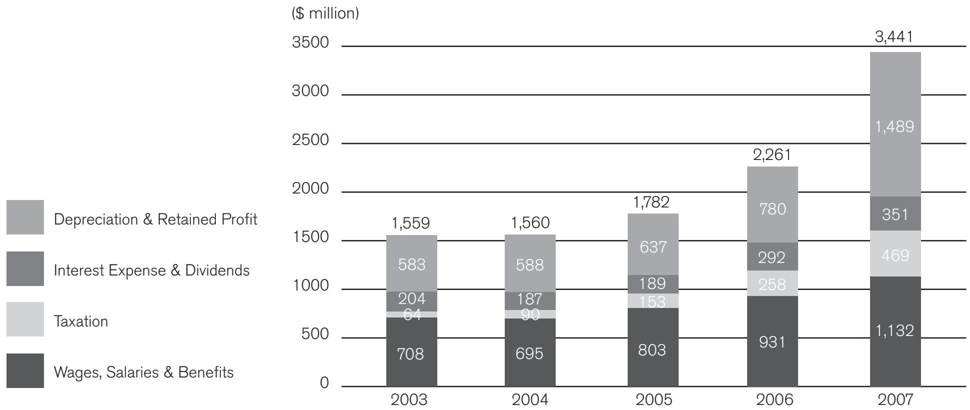


Market Capitalisation ($ billion)

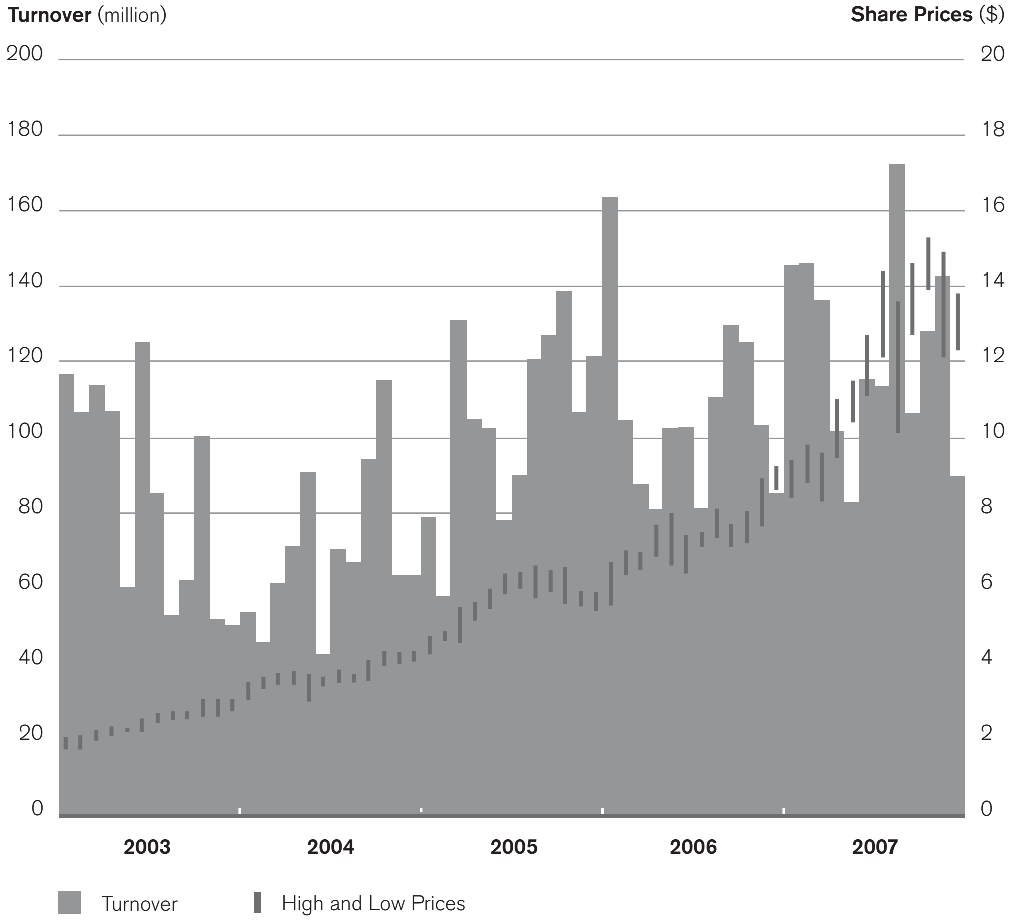


GROUP VALUE-ADDED STATEMENTS

($ million)	2003	2004	2005	2006	**2007**
Value added from:					
Revenue earned	5,947	3,963	5,688	7,601	**10,431**
Less: purchases of materials and services	(4,511)	(2,679)	(4,287)	(5,738)	**(8,123)**
Gross value added from operation	1,436	1,284	1,401	1,863	**2,308**
In addition:					
Interest and investment income	31	23	60	83	**91**
Share of associated companies' profits	89	253	321	315	**477**
Exceptional items	3	-	-	-	**565**
	1,559	1,560	1,782	2,261	**3,441**
Distribution of Group's value added:					
To employees in wages, salaries and benefits	708	695	803	931	**1,132**
To government in taxation	64	90	153	258	**469**
To providers of capital on:					
Interest on borrowings	67	41	22	62	**63**
Dividends to our partners in subsidiaries	28	22	36	73	**46**
Dividends to our shareholders	109	124	131	157	**242**
	204	187	189	292	**351**
Total Distribution	976	972	1,145	1,481	**1,952**
Balance retained in the business:					
Depreciation & amortisation	223	180	132	127	**126**
Minority share of profits in subsidiaries	71	68	73	60	**474**
Retained profit for the year	289	340	432	593	**889**
	583	588	637	780	**1,489**
	1,559	1,560	1,782	2,261	**3,441**
Number of employees	20,505	22,186	23,625	29,185	**31,914**
Productivity data:					
Gross value added per employee ($'000)	70	58	59	64	**72**
Gross value added per dollar employment cost ($)	2.03	1.85	1.74	2.00	**2.04**
Gross value added per dollar sales ($)	0.24	0.32	0.25	0.25	**0.22**



SHARE PERFORMANCE



	2003	2004	2005	2006	**2007**
Share Price ($) (Note 1)					
Last transacted	3.05	4.30	5.50	8.80	**13.00**
High	3.08	4.38	6.60	9.25	**15.30**
Low	1.78	3.00	4.25	5.55	**8.30**
Volume weighted average	2.37	3.74	5.69	7.22	**11.56**
Per Share					
Earnings (Note 1) (cents)	25.5	29.9	36.1	47.7	**64.9**
Gross dividend (Note 1) (cents)	9.5	10.0	11.5	14.0	**64.0**
Capital distribution (Note 1) (net) (cents)	9.0	10.0	11.5	14.0	**-**
Distribution yield (Note 2) (%)	7.8	5.4	4.1	3.9	**5.5**
Net price earnings ratio (Note 2)	9.3	12.5	15.8	15.1	**17.8**
Net assets backing ($) (Note 1)	1.77	1.90	2.23	2.58	**3.24**

Notes:
1. Earnings per share are calculated based on the Group PATMI by reference to the weighted average number of shares in issue during the year.
2. Volume weighted average share price is used in calculating distribution yield and net price earnings ratio.
3. Comparative figures have been adjusted for sub-division of shares in 2007.

SHAREHOLDING STATISTICS
As at 29 February 2008

Total no. of issued shares	:	1,588,106,180
Issued and Fully Paid-up Capital	:	$800,791,373.19
Class of Shares	:	Ordinary Shares with equal voting rights

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 999	463	2.78	210,980	0.01
1,000 - 10,000	14,189	85.32	44,425,323	2.80
10,001 - 1,000,000	1,950	11.73	73,639,406	4.64
1,000,001 and above	28	0.17	1,469,830,471	92.55
Total	16,630	100.00	1,588,106,180	100.00

Twenty Largest Shareholders	Number of Shares	%
DBS Nominees Pte Ltd	382,728,694	24.10
Temasek Holdings (Pte) Ltd	337,643,902	21.26
Citibank Nominees Singapore Pte Ltd	198,606,949	12.51
HSBC (Singapore) Nominees Pte Ltd	173,065,734	10.90
DBSN Services Pte Ltd	168,487,531	10.61
United Overseas Bank Nominees Pte Ltd	105,402,933	6.64
Raffles Nominees Pte Ltd	41,763,851	2.63
DB Nominees (S) Pte Ltd	8,276,153	0.52
Shanwood Development Pte Ltd	6,400,000	0.40
Merrill Lynch (Singapore) Pte Ltd	5,783,685	0.36
Morgan Stanley Asia (Singpore) Securities Pte Ltd	4,243,063	0.27
Societe Generale S'pore Branch	4,215,059	0.26
TM Asia Life Singapore Ltd - PAR Fund	3,789,000	0.24
OCBC Nominees Singapore Pte Ltd	3,425,832	0.22
Lim Chee Onn	3,334,166[i]	0.21
Oversea Chinese Bank Nominees Pte Ltd	3,303,150	0.21
Teo Soon Hoe	3,168,332[ii]	0.20
Amex Nominees (S) Pte Ltd	3,106,131	0.20
Royal Bank of Canada (Asia) Ltd	2,281,414	0.14
UOB Kay Hian Pte Ltd	1,951,500	0.12
Total	1,460,977,079	92.00

Note:
(i) Includes 293,250 shares held by OCBC Nominees Singapore Pte Ltd on his behalf.
(ii) Includes 40,000 shares held by OCBC Nominees Singapore Pte Ltd on his behalf.

Substantial Shareholder

	Direct Interest		Deemed Interest		Total Interest	
	No. of shares	%	No. of shares	%	No. of shares	%
Temasek Holdings (Pte) Ltd	337,643,902	21.26	12,426,269[i]	0.78	350,070,171	22.04

Note (i):-
By operation of Section 7 of the Companies Act, Temasek Holdings (Pte) Ltd is deemed to be interested in an aggregate of 12,426,269 Shares in which its subsidiaries and associated companies have an aggregate interest.

Public Shareholders

Approximately 77% of the issued shares of the Company is held by the public and therefore, pursuant to Rules 1207 and 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited, it is confirmed that at least 10% of the ordinary shares of the Company is at all times held by the public.

Keppel Corporation

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

NOTICE IS HEREBY GIVEN that the 40th Annual General Meeting of the ordinary shareholders of the Company which will be held at Four Seasons Hotel, Four Seasons Ballroom (Level 2), 190 Orchard Boulevard, Singapore 248646 on Friday, 25 April 2008 at 2.30 p.m. to transact the following business:

As ordinary business

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended 31 December 2007. **Resolution 1**

2. To declare a final dividend of 10 cents per share tax exempt one-tier and a special dividend of 45 cents per share tax exempt one-tier for the year ended 31 December 2007 (2006: final dividend of 8 cents per share less tax). **Resolution 2**

3. To re-elect the following directors, each of whom will retire pursuant to Article 81B of the Company's Articles of Association and who, being eligible, offer themselves for re-election pursuant to Article 81C (see Note 2):

   (i) Lim Chee Onn **Resolution 3**

   (ii) Tony Chew Leong-Chee **Resolution 4**

   (iii) Teo Soon Hoe **Resolution 5**

4. To re-elect Mr Sven Bang Ullring who, being over the age of 70 years, will cease to be a director at the conclusion of this annual general meeting, and who, being eligible, offers himself for re-election pursuant to Section 153(6) of the Companies Act (Cap. 50) to hold office until the conclusion of the next annual general meeting of the Company (see Note 2). **Resolution 6**

5. To approve the remuneration of the non-executive directors of the Company for the financial year ended 31 December 2007, comprising the following: **Resolution 7**

   (a) the payment of directors' fees of an aggregate amount of $600,625 in cash (2006: $610,000); and

   (b) (1) the award of an aggregate number of 15,500 existing ordinary shares in the capital of the Company (the "Remuneration Shares") to Mr Tony Chew Leong-Chee, Mr Lim Hock San, Mr Sven Bang Ullring, Tsao Yuan Mrs Lee Soo Ann, Mr Leung Chun Ying, Mrs Oon Kum Loon, Mr Tow Heng Tan and Mr Yeo Wee Kiong (together, the "Non-Executive Directors") as payment in part of their respective remuneration for the financial year ended 31 December 2007 as follows:

      (i) 2,000 Remuneration Shares to Mr Tony Chew Leong-Chee;

      (ii) 2,000 Remuneration Shares to Mr Lim Hock San;

      (iii) 2,000 Remuneration Shares to Mr Sven Bang Ullring;

(iv) 2,000 Remuneration Shares to Tsao Yuan Mrs Lee Soo Ann;

(v) 1,500 Remuneration Shares to Mr Leung Chun Ying*;

(vi) 2,000 Remuneration Shares to Mrs Oon Kum Loon;

(vii) 2,000 Remuneration Shares to Mr Tow Heng Tan; and

(viii) 2,000 Remuneration Shares to Mr Yeo Wee Kiong.

(2) the directors of the Company be and are hereby authorised to instruct a third party agency to purchase from the market 15,500 existing shares at such price as the Directors may deem fit and deliver the Remuneration Shares to each Non-Executive Director in the manner as set out in (1) above; and

(3) any director or the Secretary be authorised to do all things necessary or desirable to give effect to the above (see Note 3).

6. To re-appoint the Auditors and authorise the directors to fix their remuneration. **Resolution 8**

As special business

7. To consider and, if thought fit, approve with or without modification, the following resolution which will be proposed as an Ordinary Resolution: **Resolution 9**

That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore, and Article 48A of the Company's Articles of Association, authority be and is hereby given to the directors of the Company to:

(a) (i) issue shares in the capital of the Company ("Shares") whether by way of right, bonus or otherwise, and including any capitalisation pursuant to Article 124 of the Company's Articles of Association of any sum for the time being standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution; and/or

(ii) make or grant offers, agreements or options that might or would require Shares to be issued (including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares) (collectively "Instruments"),

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and

(b) (notwithstanding that the authority so conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the directors while the authority was in force,

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant thereto and any adjustments effected under any relevant Instrument), does not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution and any adjustments effected under any relevant Instrument) does not exceed 15% of the issued Shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be calculated based on the issued Shares in the capital of the Company as at the date of the passing of this Resolution after adjusting for:

(i) new Shares arising from the conversion or exercise of convertible securities or employee share options or vesting of share awards outstanding or subsisting as at the date of the passing of this Resolution; and

(ii) any subsequent consolidation or sub-division of Shares;

(3) in exercising the power to make or grant Instruments (including the making of any adjustments under the relevant Instrument), the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier (see Note 4).

To transact such other business which can be transacted at the Annual General Meeting of the Company.

NOTICE IS ALSO HEREBY GIVEN that the Transfer Books and the 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, 63 Cantonment Road, Singapore 089758 up to the close of business at 5.00 p.m. on 2 May 2008 will be registered to determine shareholders' entitlement to the proposed final and special dividends. The proposed final and special dividends if approved at this annual general meeting will be paid on 13 May 2008.

BY ORDER OF THE BOARD

Caroline Chang
Company Secretary

Singapore, 27 March 2008

Notes:

1. A Member is entitled to appoint one proxy or two proxies to attend and vote in his place. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the registered office of the Company at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632, not less than 48 hours before the time appointed for holding the annual general meeting.

2. Detailed information about these directors can be found in the Board of Directors and Information on Directors and Key Executives sections of the Company's Annual Report. Mr Lim Chee Onn will upon re-election continue to serve as Executive Chairman, Chairman of the Executive Committee, and member of the Board Safety Committee. Mr Tony Chew Leong-Chee will upon re-election continue to serve as member of the Audit Committee and Executive Committee. Mr Teo Soon Hoe will upon re-election continue to serve as member of the Executive Committee. Mr Sven Bang Ullring will upon re-election continue to serve as Chairman of the Nominating Committee, Chairman of the Remuneration Committee and member of the Board Safety Committee. These directors (other than Messrs Lim Chee Onn and Teo Soon Hoe) are considered by the Nominating Committee to be independent directors.

3. The proposed award of Remuneration Shares to the Non-Executive Directors forms part of the ordinary remuneration of the Non-Executive Directors for the financial year ended 31 December 2007, and is in addition to the proposed directors' fees in cash referred to in Resolution 7. The Remuneration Shares to be awarded to the Non-Executive Directors will rank pari passu with the then existing issued Shares at the time of the award. The Non-Executive Directors (except Mr Leung Chun Ying) will each, subject to Shareholders' approval, be awarded 2,000 Shares as part of their remuneration for the financial year ended 31 December 2007. Mr Leung Chun Ying will, subject to Shareholders' approval, be awarded 1,500 Shares as part of his remuneration for his service on the Board from 1 January 2007 to 30 September 2007. The Non-Executive Directors will abstain from voting, and will procure their respective associates to abstain from voting, in respect of this Resolution 7.

4. Resolution 9 is to empower the directors from the date of the Annual General Meeting until the date of the next Annual General Meeting to issue further Shares and Instruments in the Company, up to a number not exceeding in total 50 per cent. of the issued Shares in the capital of the Company, with a sub-limit of 15 per cent. for issues other than on a *pro rata* basis to shareholders. The 15 per cent sub-limit for non-pro rata issue is lower than the 20 per cent sub-limit allowed under the Listing Manual of the SGX-ST and the Articles of Association of the Company. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time that Resolution 9 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 9 is passed, and (b) any subsequent consolidation or sub-division of Shares.

* Mr Leung Chun Ying resigned from the Board with effect from 1 October 2007.

FINANCIAL CALENDAR

FY 2007

Financial year-end	31 December 2007
Announcement of 2007 1Q results	26 April 2007
Announcement of 2007 2Q results	26 July 2007
Announcement of 2007 3Q results	25 October 2007
Announcement of 2007 full year results	31 January 2008
Despatch of Summary Financial Report to Shareholders	27 March 2008
Despatch of Annual Report to Shareholders	10 April 2008
Annual General Meeting	25 April 2008
2007 Proposed final and special dividends	
Books closure date	5.00 p.m., 2 May 2008
Payment date	13 May 2008

FY 2008

Financial year-end	31 December 2008
Announcement of 2008 1Q results	April 2008
Announcement of 2008 2Q results	July 2008
Announcement of 2008 3Q results	October 2008
Announcement of 2008 full year results	January 2009

CORPORATE INFORMATION

BOARD OF DIRECTORS
Lim Chee Onn (Chairman)
Tony Chew Leong-Chee
Lim Hock San
Sven Bang Ullring
Tsao Yuan Mrs Lee Soo Ann
Oon Kum Loon (Mrs)
Tow Heng Tan
Yeo Wee Kiong
Choo Chiau Beng
Teo Soon Hoe

EXECUTIVE COMMITTEE
Lim Chee Onn (Chairman)
Tony Chew Leong-Chee
Lim Hock San
Oon Kum Loon (Mrs)
Tow Heng Tan
Choo Chiau Beng
Teo Soon Hoe

AUDIT COMMITTEE
Lim Hock San (Chairman)
Tony Chew Leong-Chee
Oon Kum Loon (Mrs)

REMUNERATION COMMITTEE
Sven Bang Ullring (Chairman)
Tsao Yuan Mrs Lee Soo Ann
Tow Heng Tan

NOMINATING COMMITTEE
Sven Bang Ullring (Chairman)
Tsao Yuan Mrs Lee Soo Ann
Oon Kum Loon (Mrs)

BOARD RISK COMMITTEE
Oon Kum Loon (Mrs) (Chairman)
Lim Hock San
Tow Heng Tan
Yeo Wee Kiong

BOARD SAFETY COMMITTEE
Yeo Wee Kiong (Chairman)
Lim Chee Onn
Sven Bang Ullring
Tsao Yuan Mrs Lee Soo Ann

COMPANY SECRETARY
Caroline Chang

REGISTERED OFFICE
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632
Telephone: (65) 6270 6666
Telefax: (65) 6413 6391
Email: keppelgroup@kepcorp.com
www.kepcorp.com

SHARE REGISTRAR
B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

AUDITORS
Deloitte & Touche
Certified Public Accountants
Singapore
Audit Partner: Chaly Mah Chee Kheong
Year appointed: 2006

NOTES

Designed by
greymatter williams and phoa (asia)

Keppel Corporation Limited
(Incorporated in the Republic of Singapore)

1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632
Tel: (65) 6270 6666
Fax: (65) 6413 6391
Email: keppelgroup@kepcorp.com
www.kepcorp.com

Co Reg No: 196800351N

This annual report is printed on recycled paper