Keppel Corporation

Report to Shareholders 2008

40 years Grow Beyond

Driving
a Difference

Contents

Driving *a Difference*

Keppel is 40 and fighting fit, chiselled through the many recessions and business cycles and fortified by the resilience of our people. This economic downturn will again test our core strengths, but we are resolute as before, to emerge stronger and more competitive. As a Group, we are ***Driving a Difference*** by aggressively tapping on our collective competence and business platforms to achieve our goals and sustain earnings growth for greater shareholder value.

Group Financial Highlights

Earnings Per Share 69 cents

+6%

Return on Equity 22.4%

+3%

Economic Value Added (EVA) $692m

+15%

	2008	2007	% Change
For the year ($ million)			
Revenue	**11,805**	10,431	+13
Profit			
EBITDA	**1,377**	1,176	+17
Operating	**1,238**	1,051	+18
Before tax & exceptional items	**1,597**	1,556	+3
Attributable before exceptional items	**1,097**	1,026	+7
Attributable after exceptional items	**1,098**	1,131	-3
Operating cash flow	**2,047**	1,697	+21
Free cash flow	**1,876**	1,151	+63
Economic Value Added (EVA)	**692**	604	+15
Per share			
Earnings (cents)			
Before tax & exceptional items	**84.2**	81.4	+3
Attributable before exceptional items	**69.0**	64.9	+6
Attributable after exceptional items	**69.0**	71.5	-3
Net assets ($)	**2.89**	3.28	-12
Net tangible assets ($)	**2.84**	3.24	-12
At year-end ($ million)			
Shareholders' funds	**4,596**	5,205	-12
Minority interests	**2,153**	1,830	+18
Capital employed	**6,749**	7,035	-4
Net cash / (borrowings)	**275**	(634)	N.M.
Net cash / (gearing) (times)	**0.04**	(0.09)	N.M.
Return on shareholders' funds (%)			
Profit before tax & exceptional items	**27.3**	27.4	–
Attributable profit before exceptional items	**22.4**	21.8	+3
Shareholders' value			
Distribution (cents per share)			
Interim dividend	**14.0**	9.0	+56
Final dividend	**21.0**	10.0	+110
Special dividend	**–**	45.0	N.M.
Total distribution	**35.0**	64.0	-45
Share price ($)	**4.33**	13.00	-67

	2008					2007				
	1Q	**2Q**	**3Q**	**4Q**	**Total**	1Q	2Q	3Q	4Q	Total
Group quarterly results ($ million)										
Revenue	**2,211**	**2,643**	**3,217**	**3,734**	**11,805**	2,028	2,454	2,591	3,358	10,431
EBITDA	**295**	**294**	**360**	**428**	**1,377**	268	284	322	302	1,176
Operating profit	**262**	**261**	**325**	**390**	**1,238**	242	252	289	268	1,051
Profit before tax & exceptional items	**366**	**434**	**400**	**397**	**1,597**	360	381	394	421	1,556
Attributable profit before exceptional items	**262**	**299**	**273**	**263**	**1,097**	252	258	248	268	1,026
Earnings Per Share (cents)	**16.5**	**18.8**	**17.1**	**16.6**	**69.0**	15.9	16.4	15.6	17.0	64.9

Chairman's Statement

"...prudent financial management has further strengthened our balance sheet, positioning our businesses to ride the downturn and capitalise on opportunities as they arise."

Dear Shareholders,
The second half of 2008 saw macro-economic conditions deteriorate rapidly as the global financial crisis deepened. This adversely affected businesses across broad industry sectors as aggregate demand shrank and capital became difficult to access and expensive. Notwithstanding this, the Keppel Group has weathered the difficult operating conditions to turn in a creditable performance for 2008.

Achieving Sterling Results

Full year profit after tax and minority interests (PATMI) improved 7% over 2007 to notch a record $1.1 billion, cresting the $1 billion mark for the second consecutive year. Earnings Per Share rose 6% to 69 cents. Group revenue increased 13% year-on-year to just under $12 billion.

Key performance measures were higher – Return on Equity remained well above 20% and Economic Value Added grew another $88 million to reach a record $692 million. More importantly, prudent financial management has further strengthened our balance sheet, positioning our businesses to ride the downturn and capitalise on opportunities as they arise. Free cash flow increased 63% from a year ago to $1.9 billion, improving net gearing from 0.09x to net cash of 0.04x.

Our portfolio of businesses has had a mixed year. The Offshore & Marine Division was again the major contributor to PATMI with $705 million or 64%, up from $522 million last year. Contribution from Property and Investments declined on the back of the property market slowdown and volatility in the oil and gas sector. The Infrastructure Division continued its steady build-up, more than doubling PATMI earnings from $27 million to $63 million.

To reward Keppel shareholders, the Board has recommended a full year total ordinary dividend of 35 cents

$1.9b
+63%

Free cash flow increased 63% from a year ago to $1.9 billion, improving net gearing from 0.09x to net cash of 0.04x.

PATMI ($ million)

2008	**1,097**
2007	1,026

per share (including 14 cents interim dividend), which is almost twice the 2007 ordinary dividend of 19 cents per share. Last year, an additional 45 cents per share was paid as a special dividend in celebration of our 40th anniversary.

Building Resilient Businesses

The operating environment last year was exceptionally challenging, particularly in the second half of 2008 as the credit crunch worsened and deleveraging escalated. Major economies in the United States (US), Eurozone and Japan sank into recession, even as the regional economies slowed rapidly. The US ended 2008 with its largest job loss since World War II while China registered a mere 6.8% growth in the last quarter.

On the home front, Singapore's export-oriented economy was the first in Asia to slip into recession. GDP in 2009 is projected to contract by 2% – 5%.

The results achieved by Keppel against this grim backdrop underscore the strength of our multi-business growth strategy, pursued steadfastly through several business cycles. Over the last 40 years since inception amidst a succession of economic feasts and famines, Keppel's drive to constantly rationalise and grow its businesses has buttressed the Group's overall prospects.

During the year, even as confidence and business activities declined, the Keppel Group maintained focus on execution across its multi-business platforms, leveraging its comprehensive skillsets and networks to further strengthen its competitive position.

We shall continue to strengthen our portfolio of complementary businesses that we believe will serve us well amidst the current potentially protracted downturn.

Offshore & Marine

Keppel Offshore & Marine (Keppel O&M) steadily executed its robust orderbook, leveraging its global network of 20 yards to deliver 49 projects across its rigbuilding, conversion and specialised shipbuilding arms, up from 41 projects a year earlier. All deliveries were on time, affirming Keppel O&M's credentials as a premier yard with a strong execution track record. Keppel FELS was lauded as the first local enterprise to clinch the MAXA Award bestowed on outstanding firms achieving innovative, world-class manufacturing standards.

Yard schedule is tighter this year as the business units work on fulfilling the Division's $10.8 billion orderbook well into 2012. A prudent amount totalling more than $270 million has been expended during the year to accommodate existing orders and prepare for the future. Keppel O&M's *"Near Market, Near Customer"* global network strategy, coupled with its proprietary design and engineering capabilities, have further improved our operational efficiency and project management.

The credit crunch has placed financing constraints on rig owners and oil service companies. As a result, Keppel O&M saw the cancellation of two orders amounting to around $650 million and the re-scheduling of payment terms with one customer. As Keppel O&M had received substantial payments for most of its projects by end-2008, there was no material impact on the Group. Furthermore, its diversified client base comprises established international drilling service companies and national oil companies which have longer horizons on their fleet programmes and exploration and production (E&P) activities.

During the year, Keppel O&M secured $5.2 billion in new contracts, including a substantial $0.7 billion during a difficult last quarter. The spread of semisubmersibles (semis), jackups, conversions and a variety of specialised shipbuilding projects, reflect our broad competencies. Repeat orders demonstrate customers' trust in our execution reliability, such as ENSCO's three additional deepwater semis; Seadrill's seventh semi drilling tender; another semi rig for Brazilian driller Queiroz Galvão Óleo e Gás and Golar's second Floating Storage Regasification Unit conversion.

Offshore fundamentals remain sound. With no viable large-scale alternative to hydrocarbons, sustained E&P investment is required to avert a supply crunch. Major oil and gas producers have announced hefty E&P budgets for 2009 for ongoing activities to bolster depleting reserves and declining production.

Oil and Gas

The global downturn led to a steep drop in crude and refined product demand in 2008. Oil prices were extremely volatile, swinging from the peak at US$147/bbl to below US$40/bbl. Singapore Petroleum Company's (SPC) refining margins fell from US$10/bbl in first half 2008 to US$1/bbl in the second half, averaging US$5.50/bbl over the year. Still, SPC achieved a creditable PATMI of $230 million, although down 55% from 2007.

SPC has made progress in transforming itself into a regional integrated energy player, scaling up its upstream E&P footprint and building operatorship expertise. Its growing upstream portfolio will stabilise its earnings profile to counterbalance the volatile downstream sector. SPC's results attest to this – upstream operating profit has risen ten-fold in just two years from $14.6 million in 2006 to $156 million in 2008, contributing 40% to 2008 after-tax profits.

In the past two years, SPC has planted new E&P beachheads in China, Australia and onshore Indonesia. Four of its portfolio of 10 E&P assets across Indonesia, China, Vietnam, Cambodia and Australia are currently producing.

Meanwhile, SPC is acquiring upstream expertise through operatorship roles in the Pearl River Mouth Basin acreage in China and onshore Mahakam Hilir block in Indonesia.

Property

Our Property business witnessed slower home sales in 2008, resulting in a 23% decline in pre-tax profit to $365 million compared to 2007.

In Singapore, *Reflections at Keppel Bay, Park Infinia* and *The Tresor* capitalised on their premium status to secure further take-up of more than 50 luxury units in 2008. Greater value has been built into Keppel Bay's positioning as a world-class waterfront lifestyle precinct with the launch of the exclusive *Marina at Keppel Bay*, luxury yacht chartering services as well as an internationally-accredited sailing academy. This illustrates Keppel's continual drive to enhance its value propositions through innovation and strategic differentiation.

Overseas, residential sales netted another 1,300 units. During the year, another Shenyang site was added to our township portfolio and a waterfront site in Guangdong's affluent Zhongshan which is earmarked for lifestyle development. Our regional pipeline of some 60,000 homes will allow us to capture market opportunities and monetise assets at the appropriate time.

The 30-sq km Tianjin Eco-City was launched in September last year. The milestone project is spearheaded by the Chinese and Singapore governments, with Keppel leading the private sector on Singapore's side. The Tianjin Eco-City will showcase a replicable and scalable model of sustainable development balancing socio-economic and environmental concerns. The project will harness Keppel's strengths in large-scale integrated property development and environmental technology capabilities. The initial 4-sq km start-up phase is progressing well and should complete in three to five years. The first partnership Memorandum of Understanding has just been signed for a US$1 billion solar polysilicon production plant in the Tianjin Eco-City.

Our stable of prime office assets clustered in Singapore's financial enclave has held up well. *Marina Bay Financial Centre* attracted more than 60% pre-commitment ahead of its 2010 and 2012 phased completion, mostly longer-term six to 12-year leases. *Ocean Financial Centre* raised the bar for commercial developments as the first in Singapore's Central Business District to achieve the Green Mark Platinum Award by the Building and Construction Authority of Singapore for its latest state-of-the-art green features.

K-REIT Asia's portfolio occupancy remains just under 100% while average rental of over $7 psf is still significantly below 4Q 2008 average prime rental of $12.90 psf, providing positive rental reversion potential. Another growth pillar, our fund management arm, is steadily generating recurring fee-based income. Assets under management grew 60% to $9.8 billion (when leveraged and invested), including K-REIT Asia's $2.1 billion portfolio, yielding $21 million profit contribution, up from $14 million in 2007.

Keppel Land's strategy to carve out niche markets in large-scale townships and integrated lifestyle communities will tap the urbanisation trends and favourable demographics of regional emerging markets such as China, Vietnam, India and the Middle East.

Long-term demand for quality homes remains underpinned by strong fundamentals such as a growing middle class and greater affluence. The recent setback in demand is expected to be mitigated by a slew of fiscal and monetary measures by governments to support domestic property and infrastructure sectors and stabilise asset markets.

Infrastructure

Rising environmental awareness and imminent water and energy challenges faced by global communities continue to drive growth in our energy and environmental engineering businesses.

Keppel Energy's clean gas-fired 500 MW co-generation plant made its first full-year contribution since debuting in 2007. Adjacencies tapped included a $3 billion long-term gas supply contract for ExxonMobil's petrochemical facilities.

In environmental engineering, our forte in water and thermal treatment technologies has propelled us to the forefront of the global environmental market with our innovative yet cost-effective large-scale integrated solutions for water treatment and waste management.

Landmark projects such as the Qatar domestic solid waste management facility and Doha North water reuse plant are progressing on track, with the Doha North water reuse plant due to begin revenue contribution from first half 2009.

Singapore's Tuas Waste-to-Energy Plant is expected to come online in the second quarter, while our 148,000 m^3/day Ulu Pandan NEWater Plant is already operational. New contracts were sealed in Sweden, Guadeloupe and Honduras. Keppel Integrated Engineering (KIE) is also targeting potential opportunities in the Tianjin Eco-City project through environmental infrastructure, energy and utilities related joint ventures.

KIE's burgeoning orderbook, including a substantial operations and maintenance slate, will yield a steady recurring earnings baseload over the next 10 to 20 years. Meanwhile, a new platform is under consideration – a proposed green trust with the Senoko Incineration Plant as initial seed asset which aims to deliver sustainable returns with secure revenue flow.

Driving Earnings Growth

Looking ahead, our multi-business growth strategy remains intact. We shall continue to enhance the performance of the Group's businesses, prudently manage resources, harness synergies, build our human capital and sharpen our competitive edge to seize new opportunities and deliver greater value.

Technology and innovation are our key value propositions, enabling us to offer cost-effective, leading-edge solutions and create value for customers. Keppel O&M Technology Centre and Keppel Environmental Technology Centre will lead the Group's drive in technology innovation and leadership thrust.

Keppel Land's success in integrating state-of-the-art environmental technologies in its prime office and residential portfolio to significantly reduce energy and water consumption, will prepare the company to build homes of the future.

Keppel's multi-business model is well-suited for extracting synergies and drawing on complementary strengths to develop new business platforms and exploit opportunities. For example, in sustainable development projects like the Tianjin Eco-City, our property and environmental infrastructure capabilities, domain knowledge and track record offer a unique framework to address complex large-scale urban requirements and deliver comprehensive solutions.

Prudent capital allocation and disciplined financial management together with sound operating policies are Keppel's hallmarks, whether in good times or bad. An example is K-REIT Asia which bolstered its capital base with a rights issue and a $1 billion multicurrency medium-term note programme. The Group's businesses are carefully monitoring the operating environment, reviewing investment and capital expenditure requirements while proactively managing credit and cash flow.

The Group will continue to deepen its relationship with regional markets and customers, as well as enhance its operating track record and invaluable brand equity. We will also be looking out for good assets and business opportunities to position us for future growth.

Acknowledgements

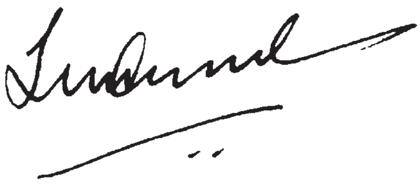
The way ahead will be difficult and uncharted. The Board will keep a keen eye on the impact of the global crisis on our businesses and work with management to ensure the Group is well-equipped to weather the enveloping financial and economic storm.

I am confident that sound corporate governance combined with the constancy of purpose, drive and commitment of Keppelites worldwide will keep us firmly anchored to ride out the turbulence. Together, we shall stay the course and press on to overcome the myriad challenges as we strive to build resilient and enduring businesses.

As part of the Group's succession plan, I am pleased to hand the baton over to Mr Choo Chiau Beng as the new Chief Executive Officer, to lead the Group into the next lap. Chiau Beng, a true blue Keppelite, has been a director of Keppel Corporation since 1983. In his 35 years with Keppel, Chiau Beng has experienced the ups and downs of the business, and on each occasion, has helped Keppel emerge stronger and more successful. He has led our Offshore & Marine Division to become the global leader in offshore drilling rigs and Floating Production Storage and Offloading (FPSO) conversions. Under his able leadership, I am confident the Group will scale new heights and achieve great success in the years ahead.

I thank our Board, management, employees, partners, customers, and all stakeholders for their guidance and support over the years. We shall endeavour to enhance stakeholder value even as we face a deeply uncertain economic environment.

Yours sincerely,



Lim Chee Onn
Chairman
2 March 2009

Q: How has Keppel been impacted by this global economic downturn?

A: This downturn is unprecedented in both scale and magnitude. No business can expect to escape unscathed. The tightening of credit has essentially choked off the lifelines of many businesses. Fortunately, governments around the world are responding and putting in place measures to pump prime the ailing economies. However, the outlook remains uncertain.

We have also been affected. The first to be hit was our Property business. Launches of residential projects had to be shelved due to weak demand. Singapore Petroleum Company's (SPC) earnings were impacted by the huge volatility in crude oil prices and refining margins. With the drastic drop in oil prices, new rig orders have temporarily stopped. We do not expect to see many new orders for drilling rigs in the near term, but we will continue to clinch some Floating Production Storage and Offloading (FPSO) conversion projects and shiprepair work. There is also a slowdown in the number of new infrastructure projects coming onstream.

Over the longer term, we remain confident of the fundamentals of the industries we are in. Our core competencies built up over the years will cushion us from the full impact of the downturn. We will draw lessons and experiences from past crises to help us ride out the present challenges. We have proven our mettle before, emerging stronger after every crisis, and we plan to do so yet again.

Q: What are your plans and priorities in leading Keppel through the present challenges?

A: My top priority is to make Keppel fighting fit by becoming leaner and stronger. To achieve this, we are reviewing all our businesses to see how we can create further value out of them. We will rationalise and restructure, and even shed some operations where we are unlikely to extract much more value.

We would also look at enhancing our operational efficiencies by tapping on our technology and know-how. We must try to do our jobs faster, better and in a more cost-effective way. We are embarking on a Group-wide cost management exercise. All our businesses have been asked to review their operational processes to identify areas where cost savings can be realised.

Keppel's performance in and beyond this current crisis will depend on our core of dedicated leaders, talented managers, as well as our competent and committed workforce. As such, training and development of our people is being stepped up, so that when the recovery comes, our workforce will be equipped and ready to bring Keppel to the next level of growth. We are also focusing on improving the productivity of our workforce, so that our people can contribute to the overall strengthening of the operational efficiencies of the Group.

Q: In the business review you mentioned, are you considering a change in Keppel's business strategy?

A: Our ability to deliver a creditable set of results in 2008 attests to the strength of this strategy. In fact, our growth over the years is due largely to our ability to continually grow, invest, rationalise and synergise our portfolio of businesses. Each business must create value to the Group. We must remain agile and flexible in response to the ever changing market conditions.

We believe there continues to be growth potential in our key businesses, as they meet global needs which are real, concrete and enduring. We will continue to build on our strengths in our various markets.

> "Our growth over the years is largely due to our ability to continually grow, invest, rationalise and synergise our portfolio of businesses…

We must not be derailed from our focus on sustained value creation for our shareholders. We will continue to sharpen our competitive edge and exploit synergies across the Group to ensure that we emerge from this crisis stronger than ever.

Q: Keppel currently has a strong balance sheet and healthy cash flow. How do you intend to maintain this?

A: For us, prudent financial management is important in growing our businesses in good times and sustaining them in bad times. We will continue to manage our finances wisely, guided by stringent risk management and robust corporate governance frameworks.

Despite the difficult environment, we ended 2008 in a net cash position of $275 million and a cash balance of some $2.2 billion. Looking ahead, we have a $10.8 billion Offshore & Marine orderbook extending into 2012, and sizeable Infrastructure contracts, some with recurring income streams for the next 25 years. After taking into consideration the cash which we will

need to complete our projects, our gearing should remain within healthy levels this year.

We will continue to pursue contracts and projects which are cash flow positive. Infrastructure projects which will give us steady recurring income streams are also attractive to us. Capital expenditure requirements and new investments will be evaluated selectively and carefully. We will invest only if the returns are meaningful.

Q: What is Keppel Offshore & Marine (Keppel O&M) doing to prepare itself for the downturn?

A: The fundamentals of the Offshore & Marine business remain intact. In the long run, offshore Exploration & Production (E&P) activities will continue, in order to meet the growing global energy demand. Against this backdrop, we remain firmly committed to grow our Offshore & Marine business. We expect Keppel O&M to leverage its technology and innovation leadership and strong execution capabilities to weather the current storm and more importantly, to propel the business forward.

For 2009, our offshore yards will be busier than 2008 with a total of 14 rig deliveries. FPSO conversions will likewise continue to be active in 2009. Our shiprepair yards are also busy, but may be impacted by the downturn in the global shipping industry.

In good times and bad, Keppel O&M manages its costs tightly. Instead of increasing capacity indiscriminately, we try to do more jobs through outsourcing and subcontracting, apart from sharing our facilities and resources across the globe. Our yards are not top-line driven, but are careful to pursue projects which have good down payments and timely progress payments.

Q: How does Keppel O&M plan to maintain its leadership position?

A: Over the years, Keppel O&M has built up a strong reputation for execution excellence, customer focus and technology innovation. These are the three key strengths which the company will continue to leverage and build upon to further sharpen its competitive edge.

On project execution, we will continue to place emphasis on making timely deliveries, with zero incidents and within budget. This capability stands us in good stead to achieve win-win partnerships with our customers and our customers' customers.

With 20 yards around the world, Keppel O&M is in a good position to continue with its *"Near Market, Near Customer"* strategy. For example in Brazil, where it has one of the largest newbuild yards, Keppel O&M is ready to take on more projects from state-owned Petrobras. Other markets in which we are active include Russia, the Caspian Sea, the Middle East, India, Vietnam and China.

We will continue to enhance Keppel O&M's suite of proprietary designs and technological solutions to meet E&P market demands for activities in deeper waters and harsher environments. The current slowdown enables Keppel O&M to strengthen its research into newer technologies and competencies to meet future untapped demands and needs.

Q: In this recession, where do you see growth opportunities and contribution by your Property Division?

A: 2009 will be very challenging for Keppel Land with weakness in Singapore and other Asian markets where the Group operates. Hopefully, market confidence will be shored up with the various stimulus measures introduced by the regional governments. The lower mortgage rates and tax incentives would likely encourage home purchases too. While home prices have softened, the breakeven prices for Keppel Land's residential projects are still considerably below current market prices. At the same time, the carrying values of its office properties are within the lower end of the market range.

Keppel Land will launch its projects if and when market conditions improve. Keppel Land remains disciplined and prudent in financial management. It will continue to review operating and project costs for all its developments to conserve cash. Meanwhile, it remains on the lookout for selective acquisitions if good opportunities present themselves.

Q: How do you intend to continue to grow the Infrastructure Division?

A: Our Infrastructure Division has performed well in 2008. Its PATMI of $63 million in 2008 is more than double the level achieved in 2007. Moving ahead, our Infrastructure business will continue to build on its track record and develop its expertise and technology to secure new projects.

In environmental engineering, we are extending our reach from Europe, Asia, and the Middle East to Latin America. Margin improvements of this business will come from stronger operational efficiency, productivity increase and focus on technology innovations. We are on the lookout for more projects which will give us a steady recurring income stream.

We continue to seek ways to expand our Infrastructure growth platforms and extract value from our assets. For example, we have announced plans to jointly list the world's first green business trust (the Trust) with the Singapore Government in 2009. For a start, the Senoko Incineration Plant, which treats 2,100 tonnes of waste per day to produce 34 MW of green electrical energy, will be divested by the Singapore Government into the Trust upon listing. Singapore's fifth waste-to-energy plant at Tuas, currently being constructed by Keppel, and the Keppel Seghers Ulu Pandan NEWater Plant, will be among the first assets to be considered for injection into the Trust.

Keppel Energy, which owns and operates a 500 MW co-generation plant on Singapore's Jurong Island, continues to focus on delivering stronger earnings from its existing assets and to evaluate possible areas of growth.

We are studying synergies within the Infrastructure Division with the view to grow the businesses and further optimise value from them.

President Luiz Inácio Lula da Silva sharing a moment of joy with Mr Choo at the christening of Petrobras's *P-51* floating production unit in Brazil.

"We are reviewing all our businesses to see how we can create further value out of them... We must remain agile and flexible in response to ever changing market conditions."

Q: What is Keppel's plan for SPC?

A: SPC is an important part of our multi-business strategy to create value for shareholders. We support its strategy to diversify its earnings base by further growing its portfolio of upstream assets to match its refining capacity of 145,000 barrels per day (bpd). This strategy has reaped results. In 2008, SPC's upstream business contributed about 40% of the company's after-tax earnings. To date, SPC has nine production sharing contracts and one exploration permit across the Asia-Pacific region in Australia, Cambodia, China, Indonesia and Vietnam.

With low gearing, SPC is financially robust and will be able to remain resilient in this downturn. The downturn presents opportunities and SPC will continue to invest prudently to benefit from an eventual recovery of the global economy.

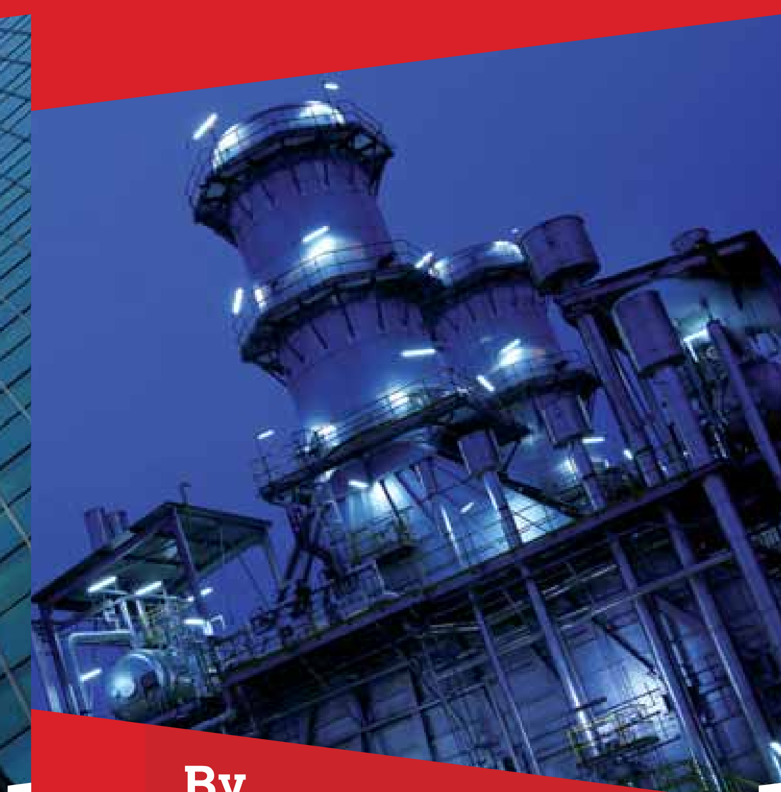
Q: Finally, what is your vision for the Keppel Group?

A: With the valued contribution from Chairman and the Board, together with all Keppelites, I hope to make Keppel a stronger Group with profitable businesses, committed to deliver sustained value creation for all our stakeholders.

I seek the confidence and full support of our stakeholders in our current efforts to overcome the challenges ahead and emerge from this crisis in great shape.

Driving
a Difference

With the invaluable lessons from the past economic downturns, Keppel will navigate the challenging landscape with flexibility, agility, discipline and prudence.



By Enhancing Performance

We are exploiting our core competencies and distinctive qualities of resilience and innovation to strengthen our businesses for sustainable earnings growth

By Exercising Prudence

Integrity, discipline and accountability are core to responsible management of resources entrusted to us

By Creating Value

Getting the right talent to optimise value from our assets is pivotal to achieve business distinction and attractive returns for our shareholders

By Seizing Opportunities

Crises create opportunities for the ready. With our sturdy business platforms, global network and strong balance sheet, Keppel is ready

Keppel's Journey towards Sustainable Earnings Growth
Milestones: 1968–2008

1968
Formation of Keppel Shipyard (Pte) Ltd: Corporatisation of the Dockyard Department of the Port of Singapore Authority managed by British shiprepair group, Swan Hunter.

1971
Expansion into Offshore: Acquisition of 39% interest in listed Far East Shipbuilding Ltd (renamed FELS in 1972). Stake in company was increased to 61.3% in 1973.

1972
Change in Management to Local Hands: Singaporeans took over Keppel's management.

1975
First Overseas Venture: While developing a major shipyard in Tuas, Keppel Philippines Shipyard was set up in partnership with Filipino investors.

1976
Expansion of the Marine Business: Acquisition of Singmarine Shipyard, a medium-size shipbuilder and repairer.

1978
Start in Financial Services: Established to provide factoring to marine contractors, Shin Loong Credit (renamed Shin Loong Finance) propelled the growth and expansion of this division to include insurance and securities.

1980
Listing on the Singapore Stock Exchange: Keppel Shipyard's 30 million shares of $1.00 each was offered to the public at $3.30 per share.

1983
Diversification into Property: Acquisition of 82% interest in Straits Steamship Company.

1984
Restructuring of Keppel: Rationalisation of non-strategic businesses in the recession.

1986
Name Change to Keppel Corporation: Keppel Shipyard became a division of the Company.

Acquisition of ex-Mitsubishi Yard: The 12-ha yard, acquired deep in the offshore recession, became a cornerstone in the growth of FELS.

1989
Sharpening Focus on Property: Straits Steamship Company was renamed Straits Steamship Land following the restructuring of the company to concentrate on property development. The non-property businesses were grouped under Steamers Maritime Holdings (Steamers).

1990
Establishing of Banking and Financial Services as a Major Pillar of Growth: Keppel acquired Asia Commercial Bank (ACBank). Renamed Keppel Bank, the successful acquisition was listed in 1993.

Acquisition of Yard for US Market: FELS purchased a rig yard in the Gulf of Mexico where drilling was most active. The company was renamed Keppel AmFELS in 2004.

1991
Foray into the Middle East: Keppel acquired a 20% stake in Arab Heavy Industries (AHI), a shipyard in the United Arab Emirates. Interest in AHI has since been increased to 33%.

1992
Rationalisation of Engineering Business: This was carried out under Keppel Integrated Engineering (KIE).

1993
Leading Industrial Park Development: Keppel led the Singapore consortium in the development of the Suzhou Industrial Park (SIP).

Foray into Vietnam: Straits Steamship Land developed the first international-class commercial building in the country.

BOO Power Barges: With insufficient rig orders amidst worsening oil prices, FELS developed two Build-Own-Operate floating power barges which supplied a total of 180 MW of electricity to the Philippine power grid addressing brown-out problems in the country.

1994
Seizing Opportunity in Telecoms Liberalisation: Re-positioned for telecommunications business, Steamers (now Keppel Telecommunications & Transportation) spearheaded the Keppel Group's participation in 1997 in MobileOne (M1), a consortium formed with SPH, Cable & Wireless and Hong Kong Telecom.

Offshore Technology Development: FELS set up a technology company for R&D of jackup rigs.

1995
Growing Presence in The Philippines: Subic Shipyard & Engineering Works was inaugurated following the acquisition of the former Philseco yard.

Property Expansion in China: Straits Steamship Land began construction of its first property in Shanghai, and signed agreement to develop a golf resort with residential development in Kunming, Yunnan Province.

1997
Rebranding Exercise Group-wide: The Keppel name was adopted across the Group.

Presence in the Caspian: The Caspian Shipyard in Baku, Azerbaijan, was set up to meet demand for oil rigs in the new frontier for oil and gas industry.

Opportunity in Crisis: Keppel Bank acquired Tat Lee Bank which was impacted by the Asian financial crisis. The enlarged bank was renamed Keppel TatLee Bank in 1998.

1998
Towards a Leaner Keppel: Keppel removed cross-shareholdings in its Group of companies and rationalised the businesses which included the merger of Keppel FELS (previously FELS) and KIE into Keppel FELS Energy & Infrastructure (KFEI).

1999
Entry into Oil and Gas: Keppel acquired about 77% interest in the Singapore Petroleum Company (SPC).

Consolidation of Marine Operations: Keppel Shipyard acquired Hitachi Zosen and was named Keppel Hitachi Zosen (KHZ).

Remodelling Property: Keppel Land (previously Straits Steamship Land) increased its regionalisation thrust, re-balanced its Singapore trading assets and investment properties and started the property fund management fee-based business.

Extracting Value from Land Assets: Keppel Shipyard moved out of Telok Blangah site in the city, paving the way for redevelopment of 32-ha site to Keppel Bay, Singapore's premier waterfront precinct.

2000
k1 Ventures: Formerly Singmarine Industries, then Keppel Marine Industries, the company changed its mandate to become a diversified investment company.

Positioning SPC as an Integrated Oil and Gas Company: Against the backdrop of US$10 oil per barrel, SPC began its upstream business with the acquisition of the offshore Kakap gas field in Indonesia. Its interest in oil and gas fields has since expanded to five countries.

2001
Divestment of Banking and Financial Services Business: The divestment of the Division, which contributed nearly 50% of the Group's earnings, enabled Keppel to privatise and integrate the offshore & marine businesses.

Restructuring for Greater Focus: Offshore & Marine, Property and Infrastructure became the core businesses of Keppel.

Delisting of KFEI: This set off the consolidation of the shipyard operations, including the delisting of KHZ, under the newly formed Keppel Offshore & Marine (Keppel O&M) in 2002.

Opportunity During a Downturn: Keppel Land, with two overseas partners, seized the opportunity to bid at good price a prime site in the New Downtown. The 1.14-ha site was developed as *One Raffles Quay (ORQ)* to yield a total of 1.32 million sf of *ORQ* prime office space.

2002
Foray into The Netherlands: Keppel O&M completed the acquisition of Dutch offshore shipyard and renamed it Keppel Verolme BV.

Environmental Engineering: The acquisition of Keppel Seghers Technology (formerly Seghers Better Technology) in 2002 contributed to the securing of the NEWater and Waste-to-Energy (WTE) projects on Build-Own-Operate basis from the Singapore Government in 2005.

2003
Stronger Presence in the Caspian: Keppel O&M established Keppel Kazakhstan, an offshore engineering and construction facility.

2005
Securing *Marina Bay Financial Centre (MBFC)*: Strategically located in the New Downtown, the integrated development with office, commercial, residential and entertainment offerings has a GFA of 4.7 million sf.

Shipyard in China: Keppel O&M acquired a shipyard in Nantong for cost advantage.

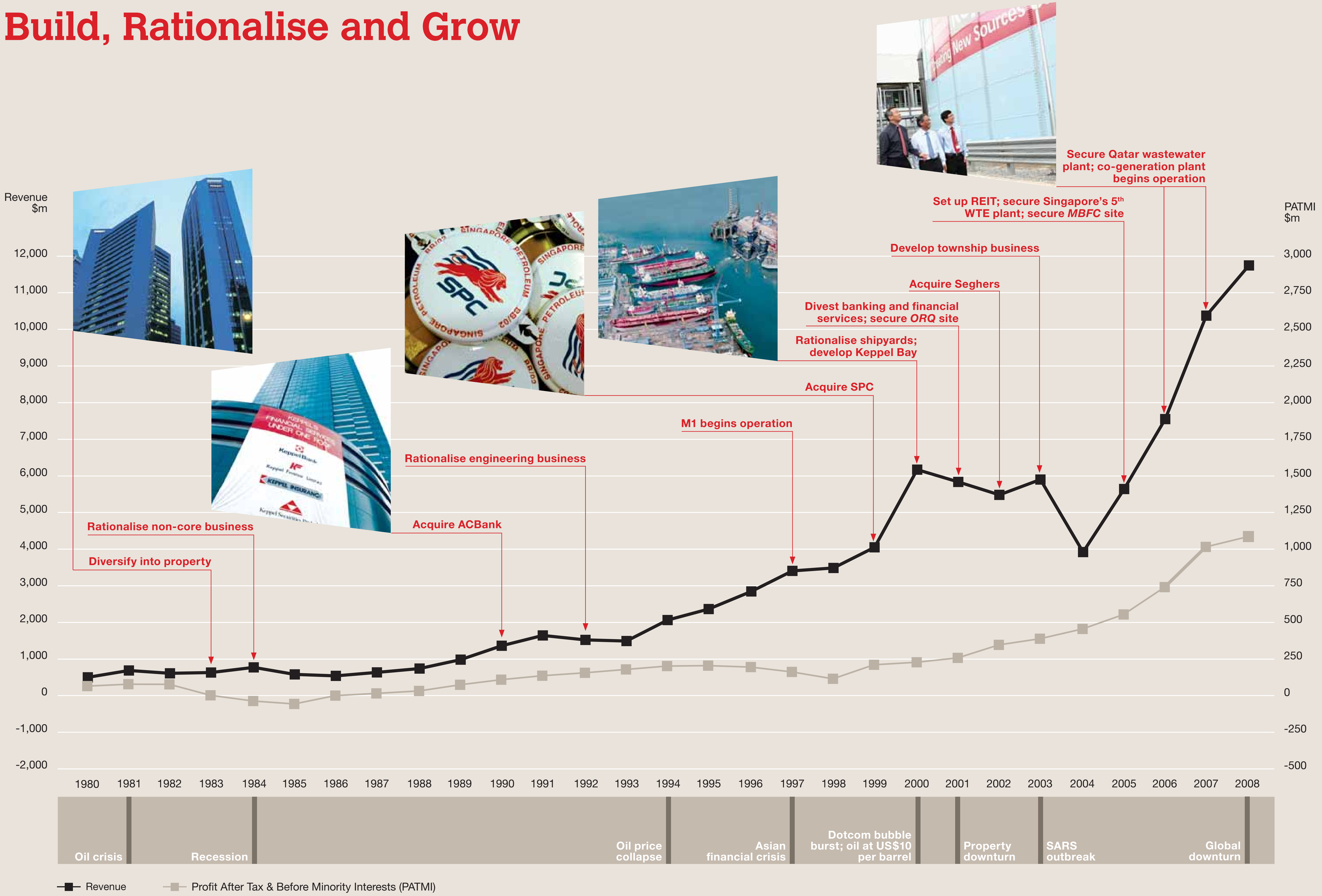
2006
Foray into Qatar with Environmental Engineering: Keppel Seghers secured from the Qatari government a QR 3.9 billion (about $1.7 billion) solid waste management project and in the next year, a QR 3.6 billion (about $1.5 billion) wastewater treatment plant.

Unlocking Value via a REIT: Keppel Land sponsored the establishment of a new real estate investment trust known as K-REIT Asia.

2007
Advancing Technology: Keppel O&M Technology Centre and Keppel Environmental Technology Centre were set up with seed money of $150 million and $50 million respectively.

2008
Tianjin Eco-City Project: The Keppel Group entered into an agreement to lead the Singapore consortium in developing an Eco-City project in Tianjin.

Build, Rationalise and Grow



1968: Incorporation • 1971: Move into offshore • 1975: First venture overseas • 1976: Expand marine business • 1978: Begin financial services

Enhancing *Performance*

In this turbulent environment, we will do whatever it takes to remain fighting fit, manage uncertainties and best position ourselves for the upturn. As we stay committed to create sustainable earnings growth, we will invest in excellence in our relentless drive to restructure, build and grow our businesses.

Harnessing Entrenched Competencies

- Visionary leadership
- Financial strength
- Robust governance
- Experienced and talented workforce
- Technology leadership
- Reputable brand
- Global network

We are embedding our core competencies into our systems to improve and sustain our organisational capability.

Leveraging Broad-Based Platforms

- Offshore & Marine has an orderbook of $10.8 billion (end-2008) extending into 2012.
- Infrastructure's orderbook of five major projects includes some with recurring income of up to 25 years.
- Property has good residential and commercial projects in Singapore including Keppel Bay, *Marina Bay Financial Centre* and *Ocean Financial Centre* and a residential portfolio of about 90 million sf across Asia and the Middle East.
- We will continue to build our collective strengths, sharpen our competitive edge and exploit synergies to sustain high levels of performance across our businesses.

Achieving Steady Earnings

FY2008 PATMI

$1,097m

Having consistently achieved good profits, we are reviewing our businesses to extract more value from them and ensure steady earnings and a healthy cash flow.

Executing and Delivering Well

Our experienced workforce, commercial excellence, project management skills, efficient supply chain and comprehensive facilities are core to our value-enhancing products and services delivered on time, within budget and without incidents.

Exercising *Prudence*

Driven by integrity, Keppel will reinforce our inherent sound business principles and further strengthen accountability to our stakeholders. Amidst the challenging economic and capital conditions, we will stay rooted in our disciplined financial management which has engendered a relationship of trust that has served us well over the years, in good times and bad.

Riding on Corporate Thrusts

We align our businesses with our corporate thrusts of *Sustaining Growth, Empowering Lives and Nurturing Communities*.

With integrity and diligence, passion and pride, we will channel our energy to ride out the crisis and emerge stronger and more robust.

Producing Sturdy Returns

Return on Equity (ROE) 2008

22.4%

Clear guidelines and rigorous discipline are applied to all investments and divestments. Before contracts are approved, they are thoroughly reviewed to ensure positive cash flow during execution and that risks are mitigated. These have contributed to a consistently high ROE for Keppel. This practice will continue more judiciously in this turbulent time.

Strengthening our Balance Sheet

Net Cash Position as at end-2008

Our free cash flow also increased 63% from the previous year. We will continue to ensure positive cash flow on our projects to fortify the strength of our business platforms, allowing them to grow and prosper in the longer term.

Setting Good Governance

Our strong corporate stewardship is recognised and rewarded by investors. Good governance is second nature to us. In this crisis, we will manage risk more closely than ever to protect shareholders' interests.

Creating *Value*

Investing in people and innovation has always been a priority at Keppel. For a sustainable competitive advantage in our businesses, we drive the pace by putting the right people to do the right job, engaging our customers actively with value-added solutions and making our assets work much harder.

Developing Talent

As a people developer, we equip and empower staff to have the right skills, a global mindset and a *Can-Do!* attitude. The nurturing of talents goes beyond career development to succession planning in ensuring long-term sustainability of our businesses.

Capitalising on Brand Equity

Our business excellence, commitment and innovation will set us apart as a trusted business partner, the preferred solutions provider and an employer of choice, both in good times and bad.

Optimising Resources

Economic Value Added (EVA) 2008

$692m

Our fifth consecutive year-on-year EVA growth demonstrates our efficient employment of capital, stringent investment criteria and strong cash flow. We will scrutinise all our activities and processes to ensure continuing business strength.

Investing in Technology

Keppel remains steadfast in investing in market-driven technologies. We prioritise our R&D pipeline to focus on projects that we believe can produce the highest value.

Our R&D initiatives in recent years have yielded above $16 billion worth of Offshore & Marine contracts and $4 billion of Infrastructure projects.

Seizing *Opportunities*

With our strong balance sheet, robust business platforms and a global network, Keppel stands ready to seize opportunities in this crisis. We will judiciously balance short-term pressures with our long-term strategies to grow our businesses and hunt for new markets.

Investing for the Future

Declining prices present opportunities for our oil and gas company, Singapore Petroleum Company, to prudently acquire upstream assets and fuel future growth. Its strong balance sheet in the current weak market enables the company to balance its reliance on downstream activities and to further diversify its earnings stream.

Unlocking Value

With its healthy balance sheet, Keppel Land which spearheads our Property Division, is poised to make selective acquisitions if good opportunities arise. With the regional markets experiencing difficulties, it will continue to exercise great care in executing its business strategy and actively manage its financial resources.

Pursuing Enduring Businesses

The crisis has dampened but not stopped the momentum to reduce the ecological footprint in urban development and manage scarce water resources. With Keppel's water and waste-to-energy technologies, brand equity and sterling track record, the Infrastructure Division has a strong value proposition for municipal governments and industrial operators seeking to address these environmental issues.

Capturing New Markets

By planting operations *"Near Market, Near Customer"*, our Offshore & Marine Division gains early notice in its hunt for new profit pools and fresh markets. It will act with conviction, tapping on its wide network of business partnerships, local knowledge and key competencies.

Key Figures

Revenue

$11.8b

Increased 13% from FY07's $10.4 billion
Revenue grew $1.4 billion to reach $11.8 billion in 2008. This was mainly contributed by Offshore & Marine Division and Infrastructure Division. The increases were partially offset by a decline in revenue from Property Division.

PATMI

$1,097m

Increased 7% from FY07's $1,026 million
Earnings exceeded the billion-dollar mark, achieving a new high of $1,097 million. Notwithstanding the lower earnings growth in 2008, the five-year CAGR for PATMI remained above 22%.

ROE

22.4%

Increased 3% from FY07's 21.8%
ROE has improved year-on-year for the 10th year. It surpassed 10% since 2001, exceeded 15% in 2004 and breached 20% in 2007. ROE remained above 20% to reach a new record of 22.4% in 2008.

EVA

$692m

Increased $88 million from FY07's $604 million
Increased EVA was due to higher NOPAT coupled with lower capital charge. EVA was negative $665 million in 2001 and continued to improve year-on-year, achieving $692 million in 2008. This is an improvement of $1.4 billion over eight years.

EPS

69.0¢

Increased 6% from FY07's 64.9 cents per share
EPS growth kept pace with PATMI growth. No significant dilution in EPS because no major capital call was made since 1997.

Dividend

35.0¢

Dividend payout remained above 50% of PATMI
Total dividend for 2008 comprises final dividend of 21 cents and interim dividend of 14 cents already paid. In the previous year, total dividend of 64.0 cents included a special dividend of 45 cents. The Group has consistently distributed more than 50% of its PATMI to its shareholders for the past eight years.

Free Cash Flow

$1,876m

Increased 63% from FY07's $1,151 million
Healthy free cash flow of $1.9 billion was the highest ever achieved in a year.

Net Cash

0.04x

Improved from FY07's net gearing of 0.09x
Strong cash flow resulted in net cash position. Gearing has been reduced from 1.12x in 2001 to 0.77x in 2003 to the current negative gearing of 0.04x. This places the Group in good position to further strengthen its earnings base going forward.

Group Strategic Directions

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 and develop people to share a common culture and a drive to deliver more

KOMtech's R&D Achievements
Keppel Offshore & Marine Technology Centre (KOMtech) has patented eight products just a year after its launch. Key projects include developing new anti-corrosive self-compacting concretes for offshore structures, ice-resistant designs for mobile offshore drilling units and winterising jackup rigs for subzero regions.

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

Building on our Presence in the Middle East
In pace with progress in Keppel Integrated Engineering's (KIE) two landmark environmental engineering projects totalling $3.2 billion in Qatar, Keppel Land is developing a luxury waterfront residential development in Jeddah, Saudi Arabia. Keppel O&M is also accelerating the building of the NAKILAT shipyard in the Port of Ras Laffan, north of Doha. Expected to commence operations in 2010, this shipyard is poised to meet the future needs of the region.

Increasing Business Robustness

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

Selective and Careful Evaluation of Investments
Prudent financial management, stringent risk management and strong corporate governance have been key to our net cash position. Each capital expenditure and new investment is carefully evaluated. Beyond a strategic fit with our core businesses, the project has to be EVA positive and generate an ROE of at least 12%. We are conducting a review of our businesses to further rationalise and streamline our portfolio in order to maximise value to shareholders.

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.

Track Record in Water Technology
KIE is building new technologies such as MEMSTILL®, a distillation process using hydrophobic membranes to separate brackish water from pure distilled water. Utilising low-grade waste steam and heat from heat-generating plants, MEMSTILL® presents a cleaner, more economical and energy-efficient alternative to existing technologies. A large demonstration plant for MEMSTILL® is planned for 2010 in Singapore.

Group at a Glance

Keppel Corporation

Revenue ($ million)

2008	**11,805**
2007	10,431

The Group produced a sterling set of results for the year despite the challenges and weakness in the global economy.

$1,097m

PATMI in 2008

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, two non-executive directors and two 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 coordinates corporate services including audit and risk management, corporate planning, corporate communications, finance, human resources, information services, legal, tax and treasury.

Consistent Efforts
We remain steadfast in our strategy of building our key businesses of Offshore & Marine, Property and 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 35 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 in growing our businesses will enable us to deliver more to stakeholders even amidst an increasingly uncertain and competitive global environment.

Offshore & Marine

Revenue ($ million)

2008	**8,569**
2007	7,258

Offshore & Marine continues to be the largest contributor to Group revenue with 18% growth in 2008.

$705m

PATMI in 2008 The Division accounted for 64% of the Group's earnings, up 35% from $522 million in 2007.

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

Focus for 2009/2010
- Deliver value through excellent project management and execution
- Enhance R&D initiatives to strengthen group position as market leader in selected segments
- Explore opportunities in adjacent business areas and new markets
- Maximise and realise operational efficiencies
- Step up prudent cost management
- Focus on Health, Safety and the Environment

Property

Revenue ($ million)

2008	**950**
2007	1,835

Property's revenue of $950 million was $885 million or 48% lower due to lower sales of residential projects in 2008.

$157m

PATMI in 2008 Property's year-on-year earnings fell by 25%, which in turn accounted for 14% of the Group's earnings.

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

Focus for 2009/2010

- Contribute to development of the New Downtown with *Marina Bay Financial Centre* and *Ocean Financial Centre*, and the waterfront precinct with *Reflections at Keppel Bay*
- Selectively pursue township, lifestyle and sustainable developments in Asia
- Grow fund management income
- Strengthen efforts in promoting sustainable development for all its projects
- Further develop green expertise through involvement in the Sino-Singapore Tianjin Eco-City

Infrastructure

Revenue ($ million)

2008	**2,232**
2007	1,277

Infrastructure contributed to a billion-dollar increase in Group revenue due largely to higher revenue from the co-generation plant in Singapore and environmental engineering contracts.

$63m

PATMI in 2008 The Division's PATMI was more than double the level achieved in 2007.

To build a selected portfolio of environmental engineering, power generation, logistics and data centre and networks businesses

Focus for 2009/2010

- 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 in Singapore and beyond
- Logistics – tap logistics growth of China and Southeast Asia

Investments

Revenue ($ million)

2008	**54**
2007	61

Investments' revenue was lower in 2008 compared to 2007.

$172m

PATMI in 2008 Investment's 36% decline in profit compared to 2007 levels was due mainly to lower contribution from SPC.

To maximise value of businesses and investments for shareholders

Focus for 2009/2010

- SPC – prudently invest in oil and gas production assets and develop existing acreages for long-term shareholder value creation
- k1 Ventures – work closely with investee companies for value creation
- M1 – continue to tap on opportunities from media convergence and develop new businesses anchored on core competencies

Keppel Around the World

We have a global presence spanning 35 countries with overseas customers as our earnings mainstay.

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

Property
China
India
Indonesia
Japan
Korea
Malaysia
Myanmar
Saudi Arabia
Singapore
Thailand
The Philippines
Vietnam

Infrastructure
Algeria
Argentina
Australia
Belgium
Brazil
China and Hong Kong
Ecuador
France
Germany
Indonesia
Ireland
Malaysia
Mexico
Nicaragua
Qatar
Singapore
Spain
Sweden
Thailand
The Philippines
United Kingdom
United States
Vietnam

Investments
Australia
Cambodia
China and Hong Kong
Indonesia
Singapore
Thailand
United States
Vietnam

Revenue by Market

ASEAN	$3,641m	India	$451m
Europe	$3,521m	China and Hong Kong	$235m
North America	$1,708m	Australia	$143m
South America	$1,337m	Japan and Korea	$135m
Middle East	$525m	Central America	$109m

Total FY08 Revenue

$11,805m

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

Lim Chee Onn, 64

Non-Executive Chairman
Chairman, Executive Committee

The board and management of Keppel Corporation firmly believe that a genuine commitment to good corporate governance is essential to the sustainability of the Company's businesses and performance.

Choo Chiau Beng, 61

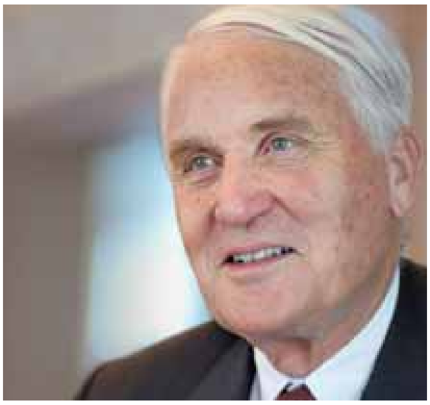
Chief Executive Officer
Member, Executive Committee
Member, Board Safety Committee

Tony Chew Leong-Chee, 62

Lead Independent Director
Executive Chairman,
Asia Resource Corporation
Member, Executive Committee
Member, Audit Committee

Lim Hock San, 62

Independent Director
Chief Executive Officer,
United Industrial Corporation
Chief Executive Officer,
Singapore Land
Chairman, Audit Committee
Member, Executive Committee
Member, Board Risk Committee



Sven Bang Ullring, 73

Independent Director
Chairman, Board of The Fridtjof Nansen Institute, Oslo, Norway
Chairman, Nominating Committee
Chairman, Remuneration Committee
Member, Board Safety Committee

Tsao Yuan Mrs Lee Soo Ann, 53

Independent Director
Executive Coach and Coach Practice Leader, SDC Consulting
Member, Nominating Committee
Member, Remuneration Committee
Member, Board Safety Committee

Oon Kum Loon, 58

Independent Director
Chairman, Board Risk Committee
Member, Audit Committee
Member, Executive Committee
Member, Nominating Committee
Member, Remuneration Committee

Tow Heng Tan, 53

Non-Independent and Non-Executive Director
Chief Investment Officer,
Temasek Holdings
Member, Executive Committee
Member, Remuneration Committee
Member, Board Risk Committee

Yeo Wee Kiong, 53

Independent Director
Director, Drew & Napier LLC
Chairman, Board Safety Committee
Member, Board Risk Committee

Teo Soon Hoe, 59

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,
Keppel Corporation

Tong Chong Heong
Chief Executive 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 Limited

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

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

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

Keppel Land

Lim Chee Onn
Chairman
Chairman, Keppel Corporation

Kevin Wong
Group Chief Executive Officer

Khor Poh Hwa
Senior Advisor 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
Chief Executive Officer,
Keppel Corporation

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

Prof Bernard Tan Tiong Gie
Professor of Physics, National
University of Singapore

Reggie Thein
Independent Director

Wee Sin Tho
Vice President, Endowment
and Institutional Development,
National University of Singapore

Tan Boon Huat
Chief Executive Director,
People's Association

Keppel Energy

Ong Tiong Guan
Managing Director

Choo Chiau Beng
Chief Executive Officer,
Keppel Corporation

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

Khoo Chin Hean
Executive Director,
Energy Studies Institute

Foo Jang See
Director

Keppel Integrated Engineering

Wong Boon Kong
Chairman

Chua Chee Wui
Chief Executive Officer

Tong Chong Heong
Chief Executive Officer,
Keppel Offshore & Marine

Lawrence Lim
Director

Loh Ah Tuan
Director

Singapore Petroleum Company

Choo Chiau Beng
Chairman
Chief Executive Officer,
Keppel Corporation

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
Executive Chairman, Global Marine
& Port Services Pte Ltd

Geoffrey John King
Director, Vermilion Oil & Gas Australia
Director, Phoenix Oil and Gas Limited
Director, Carpathian Resources Limited

Dato 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 Bahamdan
Founder and Managing Partner,
The BV Group

Choo Chiau Beng
Chief Executive Officer,
Keppel Corporation

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

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 International

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

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

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

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

Chow Kok Fong
Chartered Arbitrator

Khor Poh Hwa
Senior Advisor to CPG Corporation

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

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

Keppel Technology Advisory Panel

The Group promotes a culture of innovation with guidance from eminent business leaders, professionals and industry experts.

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 an Advisor to Tata Consulting Engineers Ltd in Mumbai. A past president of the Institution of Electrical Engineers (now Institution of Engineering and Technology), 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 54 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, University of Cambridge (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, Cranfield Engineering Innovations and Pipestream Engineering Inc.

Dr Malcolm Sharples
President, Offshore Risk & Technology Consulting Engineering Inc.; B. E. Sc Engineering Science, University of Western Ontario; PhD; 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, project safety cases and health & safety quality systems, financial due diligence on acquisitions, regulatory advice, business development assistance, and he has been involved as an expert witness in a number of legal proceedings. He is an active member of the Canadian Standards Association on offshore wind farms.

He is a Director of Keppel Offshore & Marine.

Professor James Leckie

BS (Honours), San Jose State University; SM, PhD, Harvard University (1970); The C. L. Peck, Class of 1906 Professor of Environmental Engineering and Applied Earth Sciences, Stanford University; Director of the Stanford Centre for Sustainable Development & Global Competitiveness; Director, Stanford-China Executive Leadership Programme; 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. He holds five patents related to water treatment technology and over 300 publications. 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, the national water agency of Singapore since 1 April 2001.

He is a member of the Presidential Council for Religious Harmony, and sits on the Board of JTC Corporation, NTU-Stanford Management Board, Exploit Technologies Pte Ltd, the Singapore Millennium Foundation Limited, Ascendas Pte Ltd, First DCS Pte Ltd and OpenNet Pte Ltd. He is the Advisor for the Centre for Water Research, and Adjunct Research Professor of the Division of Environmental Science & Engineering, Faculty of Engineering, National University of Singapore (NUS).

Dr Tan co-chairs the Environmental & Water Technologies International Advisory Panel, Ministry of the Environment & Water Resources. He is Chairman of the International Advisory Panel of the Lee Kuan Yew School of Public Policy, NUS, and chairs the Nominating Committee of the Lee Kuan Yew Water Prize, Singapore International Water Week. He is also a Member of the Advisory Board of the Centre for Liveable Cities, and Chairman of the Governing Board for the Earth Observatory of Singapore, Nanyang Technological University.

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. Before entering academia, he worked in construction and public health policy. His major areas of research include microbial ecology, engineered biological systems in general and wastewater treatment in particular.

(5th & 6th from left) CEO Choo Chiau Beng and 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, KTAP)
9 Dr Yeo Ning Hong
10 Professor James Leckie
11 Professor Tom Curtis

Senior Management

Our leaders provide the strategic direction to the business units to further their competitive edge.

Keppel Corporation

Choo Chiau Beng
Chief Executive Officer

Teo Soon Hoe
Senior Executive Director &
Group Finance Director

Corporate Services

Chan Soo Sen
Director (Chairman's Office)

Ko Kheng Hwa
Chief Executive Officer
Sustainable Development
& Living Business Division

Chee Jin Kiong
Director
(Group Human Resources)

Paul Tan
Group Controller

Wang Look Fung
General Manager
(Group Corporate Communications)

Lynn Koh
General Manager
(Group Treasury)

Lai Ching Chuan
General Manager
(Group Corporate
Development / Planning)

Magdeline Wong
General Manager
(Group Tax)

Tina Chin
General Manager
(Group Risk Management)

Caroline Chang
General Manager
(Group Legal)

Tan Eng Hwa
General Manager
(Group Internal Audit)

Martin Ling
General Manager
(Group Information Technology)

Offshore & Marine

Tong Chong Heong
Chief Executive 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

Chow Yew Yuen
President (The Americas)

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 Telecommuncations &
Transportation

Ong Tiong Guan
Managing Director
Keppel Energy

Chua Chee Wui
Chief Executive Officer / Director
Keppel Integrated Engineering

Investments

Koh Ban Heng
Chief Executive Officer
Singapore Petroleum Company

Steven Jay Green
Chairman / Chief Executive Officer
k1 Ventures

Karen Kooi
Acting Chief Executive Officer
Chief Financial Officer
MobileOne

Unions

Keppel FELS Employees Union
Muhamad Shah Bin Md Sahid
President

Atyyah Hassan
General Secretary

Keppel Employees Union
Mohd Yusop Bin Mansor
President

Mohd Yusof Bin Mohd
General Secretary

Shipbuilding & Marine Engineering Employees Union
Wong Weng Onn
President

Lim Chin Siew
Executive Secretary

Investor Relations

We are continually strengthening communications with our shareholders and the investing community.

Senior management engages the investing community through various platforms that include presentations and webcasts of Keppel's quarterly results.

Keppel Corporation has a dedicated Investor Relations team supporting management in the effective communication with our stakeholders, including investors, analysts, fund managers and the media. Through regular communications, we aim to give our stakeholders balanced insights into the Group's strategic directions, performance, key developments and plans for sustainable earnings growth.

We are guided by the principle of achieving best practices in corporate governance and disclosure. Clear, consistent and regular communication is a hallmark of our relationships with analysts and investors worldwide.

Proactive Outreach

As part of our proactive outreach to our stakeholders, our Investor Relations team organises discussions and meetings between Keppel's senior executives and institutional investors and analysts throughout the year.

In 2008, we continued to see a strong level of interest among institutional investors on the progress and prospects of the Company. In all, we held 191 face-to-face investor meetings in Singapore alone.

Through non-deal roadshows to the US, the UK, Europe and Hong Kong, our senior management met up with over 70 institutional investors in 2008. This was instrumental in strengthening relationships with our long-term shareholders and sustain the strong interest among overseas fund managers.

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. For example, investors from Scandinavia and the Asian region visited our yards in Singapore for insights into our rigbuilding operations and facilities.

During the year, we continued to invite investors and analysts to major corporate functions, ranging from vessel-naming ceremonies at our yards to arts and charity events sponsored by the Group. Such events presented 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 clarification of issues and updates on our businesses.

In August 2008, to facilitate a better understanding among analysts of Keppel's participation in the Sino-Singapore Tianjin Eco-City project, a conference chaired by then Executive Chairman Mr Lim Chee Onn was held. About 40 analysts covering Keppel Corporation and Keppel Land attended and were given insights into this 10- to 15-year project.

With Offshore & Marine as one of our key businesses, we continued to identify opportunities to reach out to institutional investors with particular interest in this industry. This led to our second time participation in the Annual Oil & Offshore Conference, organised by Pareto Securities in Norway. Senior executives from Keppel Offshore & Marine and the Investor Relations team communicated our competitive advantage at the conference, attended by over 1,400 personnel from the global financial community and leading oil and gas related companies.

Fund managers and analysts visit our yards and the Keppel Seghers Ulu Pandan NEWater Plant to gain a better understanding of their operations.

Regular Communication

To reach more stakeholders in a timely and effective manner, we continued '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.

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

Market sensitive news is 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.

Focus on Shareholder Value

We are committed to deliver sustained value for all our shareholders through earnings growth.

In 2008, we continued to improve on our returns to shareholders. Our Return on Equity (ROE) increased from 2007's 21.8% to 22.4%. As part of our commitment to reward shareholders with earnings growth, we will be paying a final dividend of 21 cents per share, bringing total distribution for 2008 to 35 cents. This is almost twice the 2007 ordinary dividend of 19 cents per share. A special dividend of 45 cents per share was paid in 2007 as part of Keppel's 40th anniversary celebrations.

Recognition

Our proactive investor relations approach and commitment to corporate transparency was again recognised and rewarded by the investing community in 2008.

For the third consecutive year, Keppel won the coveted 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 9th Investors' Choice Awards organised by the Securities Investors Association of Singapore (SIAS).

Then Executive Chairman Mr Lim Chee Onn was named the Distinguished Honorary Member of SIAS, in recognition of his support for investor education.

We were ranked fifth out of 463 Singapore listed companies for excellence in financial information disclosures by The Business Times Corporate Transparency Index (May 2008).

Awards and Accolades

The Group's businesses are recognised and rewarded for their excellence and achievements.

Mr Lim Chee Onn, Chairman of Keppel Corporation (third from right) with award recipients from Keppel Corporation, Keppel Land and SPC at the Securities Investors Association's 9th Investors' Choice Awards.

Corporate Governance and Transparency

Securities Investors Association of Singapore 9th 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)
- Second, Singapore Corporate Governance Award

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

Singapore Petroleum Company (SPC)
- Third, Singapore Corporate Governance Award

Singapore Corporate Awards

Singapore Petroleum Company
- Bronze Award, Best Managed Board

IR Magazine South East Asia Awards

Singapore Petroleum Company
- Winner, Most Progress in Investor Relations Award

Asset Asian Awards

Keppel Corporation
- Second, Best in Corporate Governance (Singapore)

FinanceAsia Country Awards

Keppel Land
- Fourth, Best Corporate Governance
- Fifth, Best Managed Company
- Eighth, Best Investor Relations

Business Times Corporate Transparency Index (Issue 4 May 2008)

MobileOne, Keppel Land, Keppel Corporation and Keppel T&T were ranked second, third, fifth and 10th respectively out of 463 Singapore-listed companies for excellence in financial information disclosures. SPC and K-REIT Asia ranked 19th and 28th respectively.

Business Excellence

- Keppel FELS was conferred the MAXA 2008 Award by the Economic Development Board, McKinsey & Company and the Singapore-MIT Alliance, which recognises outstanding manufacturing innovation and operational excellence.
- Keppel Shipyard won the Best Shiprepair Yard Award at the Lloyd's List Asia Awards for the fourth year running.
- Keppel Shipyard was the recipient of the Shipyard Award from Seatrade Asia Awards, which recognises improvements in the development, diversification and cost efficiency of a shipyard.
- Keppel Logistics won the Best Retail Logistics Service Provider Award and Best Fast Moving Consumer Goods Award at the Frost & Sullivan ASEAN Transportation & Logistics Awards.
- Singapore Petroleum Company was named the Energy Company of the Year (Gold Award) at the Energy Business Awards, Asia.
- MobileOne bagged the Mobile Operator of the Year Award (Singapore) at the Asian MobileNews Awards 2008.
- Keppel Verolme was named one of The Netherlands' 50 Best Managed Companies at the 2008 Deloitte Gala Awards for its outstanding business practices and performance.
- Keppel Verolme is winner of the Golden Gazelle Award 2008 conferred by *Financieele Dagblad*, a renowned Dutch financial newspaper, in the category of large companies with turnover of €30 million or more.

- Keppel Offshore & Marine, Keppel FELS and Keppel Corporation were ranked sixth, 11th and 16th respectively in the Singapore International 100 Ranking, based on 2007 overseas revenue.
- Keppel FELS and k1 Ventures received the Fastest Growing 50 Certification for outstanding financial performance and consistent growth from the DP Information Group.

At the Euromoney Liquid Real Estate Awards, Keppel Land clinched 11 awards comprising:

- Best Office / Business Developer in Singapore
- Best Mixed-use Developer in Singapore
- Best Office / Business Developer in Vietnam
- Best Retail / Shopping Developer in Vietnam
- Best Mixed-use Developer in Vietnam
- 1st Runner-up for Best Developer in Singapore
- 1st Runner-up for Best Residential Developer in Singapore
- 1st Runner-up for Best Retail / Shopping Developer in Singapore
- 1st Runner-up for Best Developer (Overall) in Vietnam
- 1st Runner-up for Best Residential Developer in Vietnam
- 2nd Runner-up for Best Leisure / Hotel Development in Singapore

Keppel Land garnered recognition for its projects as follows:

One Raffles Quay, Singapore
Awarded by International Real Estate Federation (FIABCI)

- Winner in the office category at the 17th Annual Prix d'Excellence Awards

Ocean Financial Centre, Singapore
Awarded by Singapore's Building and Construction Authority

- Green Mark Platinum Award

Keppel Corporation together with SPC, M1 and *Marina Bay Financial Centre* were extolled at the Patron of the Arts Awards for their active involvement in the development of arts in Singapore.

Marina Bay Financial Centre (Phase 1 – Commercial) Singapore
Reflections at Keppel Bay, Singapore
The Estella, Ho Chi Minh City, Vietnam
Awarded by Singapore's Building and Construction Authority

- Green Mark Gold Award

Marina at Keppel Bay, Singapore
Awarded by Christofle Asia Boating

- Best New Asian Marina / Yacht Club of the Year

Awarded by Marina Industries Association of Australia

- Clean Marina Award, the first and only marina in Asia to have been awarded this status

Saigon Centre, Vietnam
Awarded by the President of the Socialist Republic of Vietnam

- Medal of Labour Award

Sedona Suites Hanoi, Vietnam
Conferred by the Ministry of Planning and Investment and Vietnam News

- Golden Dragon Award

Hotel Sedona Manado, Indonesia
Ranked by World Travel Awards 2008

- Indonesia's Leading Resort

Corporate Citizenry

Keppel Corporation was bestowed the Patron of Heritage Award by the National Heritage Board for its significant contributions to enrich Singapore's heritage.

Keppel Corporation was conferred the title of Distinguished Patron of the Arts at the Patron of the Arts Awards 2008. MobileOne was also named the Distinguished Patron of the Arts, while SPC was named Friend of the Arts and *Marina Bay Financial Centre* Associate of the Arts.

Keppel Shipyard was presented the Distinguished Defence Partner Award for Employers at the Total Defence Awards for its support and contributions as a civil resource owner.

Safety

One Raffles Quay won a safety award at the inaugural BCA Design & Engineering Excellence Awards 2008 for successfully addressing the safety and technical challenges of developing its North and South Towers.

Special Feature

Banding together for Safety Excellence

Keppel is moving closer to the goal of getting our people to embrace safety as our way of life. Our vision is to ensure that every worker goes home safely every day.

Building on the *Five Principles for Safety* launched in 2007, the Keppel Group has been actively promoting individual and collective responsibility in ensuring workplace safety.

In 2008, Keppel Corporation's Board Safety Committee (BSC) launched the motto of *"Safety Starts with Me"* with a safety logo to unify and rally Keppelites behind the Group's commitment to safety.

Encouraged by the BSC, Safety Champions who are representatives of the key business units have introduced an increased number of initiatives. They also collated and analysed data on safety, identified specific areas for improvement and shared lessons across the business units.

In all, the Board and management spent more time and effort in 2008 to promote safety, up from 2007 and 2006 when the BSC was first formed.

Beyond that, a total of $17.5 million was expended to keep the Singapore yards, offices and plants safe and our people trained. This represents a 25% increase over $14 million in 2007 and a 70% increase over $10.6 million in 2006.

Our overseas operations, with 49% of our total workforce invested a total of $21.4 million on improving safety in 2008.

Towards an Accident-Free Environment

The mission to create an accident-free environment is challenging but fruitful. In 2008, the Keppel Group maintained a low Accident Frequency Rate (AFR) of 0.4 reportable cases for every million man-hours worked. In our overseas operations, the AFR went down to 0.63 from 0.64 and the Accident Severity Rate (ASR) fell to 175 from 255 the year before.

Board / Management Leadership
Positive Reinforcement
Safety as a Line Function
Leading Safety Indicators
Stakeholder Involvement
Safety Starts With Me

The Keppel Group Safety Logo embodies the Group's inter-related set of values on safety where the individual elements of the inner core represent the five key safety principles while its outer strokes demonstrates its action plan.

"Whether in Singapore or in Brazil, it is heartening to see our corporate safety policies being practised seamlessly across the yards! The emphasis, programmes and training are aimed at the same goal – protecting lives and safeguarding property."

Eduardo Nunez
President, BrasFELS

Our ASR declined to 125 man-days lost from 143 in 2007. ASR refers to the number of industrial man-days lost to workplace accidents per million man-hours worked.

Keppel Offshore & Marine (Keppel O&M), which accounts for 77% of our total workforce, maintained AFR at a low 0.37 matching its 2007 achievement while its ASR improved markedly to 110 in 2008 from 187 in 2007. These were attained amidst record levels of operational activities against the backdrop of a multi-national, multi-cultural and multi-language workforce in Singapore.

Despite our best effort to improve safety, the Group suffered nine fatalities worldwide. We deeply regret the loss of these lives. Two of these accidents were not accounted for in the ASR statistics as one was a road accident outside the worksite in Qatar and the other was a medical case involving a diver at Keppel Shipyard. The lessons from these tragic incidents were shared at the Group Safety Convention held in Singapore.

Launching the Keppel Group's *"Safety Starts With Me"* campaign are (from left to right) Mr Lim Chee Onn, Chairman of Keppel Corporation; Mr Gan Kim Yong, Acting Minister for Manpower; Mrs Lee Tsao Yuan, Keppel's Board Safety Committee member; Mr Choo Chiau Beng, CEO of Keppel Corporation; and Mr Teo Soon Hoe, Group Finance Director of Keppel Corporation.

Safety Starts with Me

The watch-phrase *"Safety Starts with Me"* was first introduced in Keppel Shipyard to promote individual and collective ownership of safety in 2007 as part of the yard's drive to imbibe safety as a way of life.

We were happy that the Singapore Government adopted this same phrase in April 2008 in a national safety campaign of which Keppel O&M was also a main sponsor. At the launch of this National Safety & Health Campaign 2008 co-organised by the Workplace Safety & Health (WSH) Council and the Ministry of Manpower, Keppel O&M's Singapore yards received the BizSAFE Partner Status from the WSH Council for continued efforts to elevate the safety capabilities of its subcontractors.

Later, the same watch-phrase was adopted by the Keppel Group on 22 May 2008 in conjunction with the launch of Keppel Shipyard's *Safety Excellence 2010* programme graced by Acting Minister for Manpower Mr Gan Kim Yong.

Since then, Keppel's business units rallied behind the Group's initiative by incorporating the logo and motto into their respective work environments such as using them on posters and helmets.

This roll-out of safety solidarity was reinforced at the Group's second Annual Safety Convention held on 16 September 2008. Attended by Mr Lee Tzu Yang, Chairman of Singapore's WSH Council, safety presentations and lessons from incidents that happened during the year were shared.

At the Convention, Mr Lim Chee Onn, Chairman of Keppel Corporation, highlighted, "The real achievement and reward for us is when the determination to practise safety at work and at home is ingrained in every individual within the Group, as well as in our partners at work. To achieve this objective we shall ceaselessly champion the cause that being safe should be a way of life and not an afterthought."

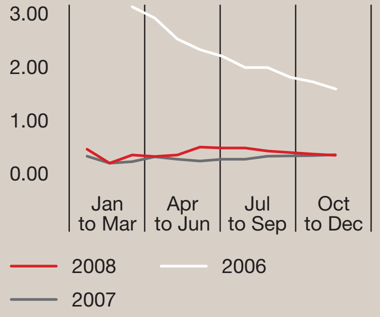
To motivate safety innovation, Mr Lim initiated the Chairman's Challenge Trophy, which was won by Keppel O&M for their outstanding initiatives and creative efforts to promote safe work practices.

Cultivating a Safety Culture

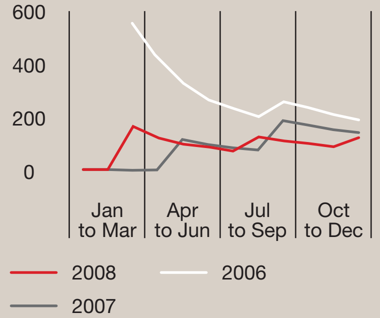
For the first time, new employees were put through a safety initiation programme as part of the Group's orientation programme on 6 October 2008.

During the year, a broad spectrum of external consultants and experts were invited to educate and share lessons learnt and experiences of successful companies in promoting safety. These sessions were aimed at helping the different business units establish best practices that were suited to their businesses.

Keppel's Singapore Operations Accident Frequency Rate
AFR (per million man-hours)



Keppel's Singapore Operations Accident Severity Rate
ASR (per million man-hours)



"The greatest risk to safety is carelessness and ignorance. My role is to ensure that I impart my knowledge of safety to my colleagues so that they make safety a top priority."

Peggy Seah
EHS Officer, Keppel Seghers Engineering Singapore

AFR – Refers to the number of workplace accidents per million man-hours worked. Figures used are incident-based.

ASR – Refers to the number of industrial man-days lost to workplace accidents per million man-hours worked.

Keppel Batangas in The Philippines has a proud safety record of 12 million man-hours without lost time incidents (LTI) for all its offshore, shipbuilding, shiprepair and conversion projects for 2008.

Safety Excellence

Throughout 2008, the Group continued to ensure that all Board Meetings in Keppel companies began with a review and discussion on safety matters.

As the Group is involved in several businesses, the safety initiatives would have to be tailored to fit the diverse requirements. With their large and multi-national workforce, the shipyards were encouraged by the BSC to lead the way in reaching out to all employees in a simple, systematic and focused way.

With solid support of its customers as partners in safety, Keppel Shipyard launched its *Safety Excellence 2010* initiatives which mapped out specific and attainable goals to be achieved by 2010. Their initiatives have also been adopted by Keppel Singmarine.

The initiatives encompass schemes and programmes for the entire workforce including subcontract workers. A roll-out workshop was held to engage all its stakeholders. A Safety Best Practice Team was also set up to look into factors including tools and equipment that can help to improve safety of workers.

Within seven months of launching *Safety Excellence 2010*, Keppel Shipyard trained some 9,000 direct and subcontract workers in programmes such as the Safety Leadership Programme, the Safety Promoter Scheme and the WSH Officer Conversion Scholarship.

Like Keppel Shipyard and Keppel Singmarine, Keppel FELS has been very proactive in the promotion of safety at the projects' level. Each project has specific initiatives, with clear goals to achieve. Rewards by customers were given to the individual project teams when they met their targets on time. During the year, they started the managers' weekly Zone Health, Safety & Environment (HSE) walkabouts to look out for unsafe acts or conditions. The yard also held its Annual Safety Promotion Campaign in April 2008 focusing on hand and finger injury prevention.

At Keppel Verolme in The Netherlands, six additional occupational health and safety ambassadors were appointed as role models to instill the importance of workplace safety in 2008. Keppel AmFELS in the United States (US) continued to maintain its good safety performance with its successful Safety Awareness Programme, a behavioural-based safety management programme.

During the year, Keppel Land organised its inaugural Consultants and Contractors Health & Safety (H&S) meeting to propagate the safety message as well as to reward those who achieved exemplary workplace safety standards. The Group's property developer vigilantly ensured that its contractors continued to comply with its H&S Management System. The Singapore Residential unit introduced the concept of a 'safety circle' to engage employees on workplace safety matters. In addition, training courses and seminars were regularly held to improve management and staff knowledge and skills in managing safety and health risks.

Monthly safety audits by independent parties are conducted for its projects to identify risk areas at various stages of construction. In 2008, the independent safety audit programme for completed buildings was extended to overseas buildings, namely *Saigon Centre* (Ho Chi Minh City) and *International Centre* (Hanoi) in Vietnam, and *Wisma BCA* (Jakarta) in Indonesia.

At Keppel Integrated Engineering (KIE), an Environmental, Health and Safety (EHS) audit team was set up to conduct audits at sites and to ensure full compliance with in-house and regulatory EHS rules in 2008. The team has since audited projects in Singapore and Qatar.

A safety promotion campaign was also organised to celebrate KIE's achievement of one million accident-free man-hours on its Kallang – Paya Lebar Expressway project. Over at its Keppel Seghers Ulu Pandan NEWater Plant, an emergency response exercise and audit was conducted by the Singapore Civil Defence Force (SCDF).

"It is a huge challenge to engage our workers who are from different nations and speak different languages to imbibe the safe work mindset and practices, but it is worth it when our workers go back to their hostels and homes safe and sound."

Wong Weng Ong
President, Shipbuilding and Marine Engineering Employees' Union

"On all our projects, we stress that safety can only be effective when everyone plays their part. By not taking short cuts and compromising on workplace safety, we help one another to be safe."

Wayne Siek
Project Superintendent, Keppel FELS

At Keppel Land's Consultants and Contractors Health & Safety (H&S) Meeting, staff, consultants and contractors were recognised for their commitment to workplace safety.

At KIE, safety and quality go hand-in-hand.

Daily walkabouts around the Keppel Merlimau Co-generation Plant are routine to Keppel Energy, with the goal of identifying unsafe behaviour or hazardous situations to prevent accidents. During the year, employees at the plant underwent a course in Assessment Training and Emergency Response. At the Ecuador's Termoguayas Generation S.A. floating power plant, an in-house training on incident investigation was conducted.

At Keppel Logistics in Singapore, more than 800 employees benefited from various safety training, conventions and seminars held in 2008. The courses include a risk management programme conducted by an external trainer from the Singapore Institution of Safety Officers.

Recognition and Reward

The WSH Award 2008 organised by the WSH Council and Ministry of Manpower saw Keppel Singmarine clinch the Silver Award, the only Singapore shipyard to do so. Keppel FELS won six awards under the Safety & Health Award Recognition for Projects (SHARP) while Keppel Shipyard won five awards under the same category.

Keppel Singmarine also won the Gold Award at the WSH Innovation Convention 2008 for their project 'Safe Stabiliser'.

A new WSH award category for exemplary supervisor HSE performance at the workplace recognised the contributions of Keppel Shipyard Supervisor, Mohd Babui Arman Khan, and Keppel Singmarine's Shukumar Dey Nishi Kanta.

Apart from these awards, projects in the yard also received special commendations from clients on the excellent safety records achieved.

In the US, Keppel AmFELS was lauded by the ALMA Company (Workers Compensation Insurance) as the largest facility with the best safety programme and safety record within the insured group.

"I have learnt to be more proactive in taking preventive measures against unsafe work practices. In my role, I have the moral obligation and responsibility to ensure all my co-workers return safely to their families at the end of the day."

James Jerrico Lim
Project Manager, Singapore Commercial Department, Keppel Land

Keppel Land introduced a safety recognition campaign for contractors whereby every hundred days or a hundred thousand man-hours worked without a lost time injury would be celebrated. *Reflections at Keppel Bay* celebrated its one million accident-free man-hours in December 2008.

In 2008, *One Raffles Quay* was bestowed a safety award by the Building and Construction Authority (BCA) at the inaugural BCA Design & Engineering Safety Excellence Awards 2008 for successfully addressing the safety and technical challenges of developing its impressive twin towers.

"The best way to avoid injury is to make safety a way of life. So I always keep alert to stay safe and look out for my fellow colleagues."

Seng Wely
Operations Technical Officer, Keppel Energy

1 As part of its Business Continuity Management (BCM), exercises simulating fire or terrorist attacks are held with the SCDF to ensure the yard is prepared for emergencies.

2 Keppel Land's Kolkata office encourages its contractors to participate actively in its safety programmes.

Key Safety Programmes in 2008

Keppel FELS

- Annual Safety Promotion Campaign
- Managers' weekly zone HSE walkabouts
- Joint emergency / BCM exercise with SCDF
- Safety Leadership Initiative on semisubmersible projects

Keppel Shipyard

- *Safety Excellence 2010* initiatives as part of the Safety Plus Programme
- Safety workshops and forums
- Safety Best Practice Team

Keppel Land

- Bi-monthly project site visits by management / Board Safety Committee
- Inaugural Consultants and Contractors Health & Safety meeting
- Quarterly sharing of best safety practices by contractors
- Joint safety exhibition with Tan Tock Seng Hospital

Keppel Integrated Engineering

- Internal HSE audits on projects in Singapore and Qatar
- Emergency response exercise and audit conducted by SCDF
- Safety promotion campaign

Keppel Energy

- Inaugural Keppel Energy HSE Day
- Company Emergency Response Team (CERT) training, audit and exercise with SCDF
- Risk assessment training for power plant staff in Singapore
- Regular online safety forum to exchange info and share experiences between power plants

Keppel Telecommunications & Transportation

- Introduction of the Safety Compliance System at Keppel Logistics
- Daily safety checks on vehicles by Keppel Logistics Foshan (KLF)
- Issuance of Safety Handbook "Knowledge of the Guangdong Provincial Emergency" to all new KLF staff

Singapore Petroleum Company (SPC) / Singapore Refining Company (SRC)

- Two major exercises to test emergency response and crisis management plan by SPC
- Promote and sustain an Incident and Injury Free (IIF) safety culture among employees and contractors
- Process Safety Campaign on "Tank Fire Prevention"

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 $16.75 billion as at end 2008, the Keppel Group serves a global customer base through its business units strategically located in 35 countries.

Some of the key factors influencing our businesses are global and regional economic conditions, oil and gas exploration and production activities, real estate market, 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 management's opinion, determines the Group's financial condition or the profitability of our operations.

In this section 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 Keppel Group's performance. It also discusses the challenges in our operating environment balancing short-term pressures and long-term strategies.

This discussion and analysis is based on the Keppel Group's consolidated financial statements as at 31 December 2008.

Contents

Group Structure

Keppel Corporation Limited

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

- **Keppel Offshore & Marine Limited** 100%
  - Keppel FELS Limited 100%
  - Keppel Shipyard Limited 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, *United States* 100%
  - Keppel Verolme BV, *The Netherlands* 100%
  - Keppel FELS Brasil SA, *Brazil* 100%
  - Keppel Norway AS, *Norway* 100%
  - Keppel Philippines Marine Inc, *The Philippines* 96%
  - 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%)
- **Keppel Land Limited** 53%
  - **K-REIT Asia** 75% (31%; 44%)
  - Keppel Land International Limited 100%
  - K-REIT Asia Management Limited 100%
  - Alpha Investment Partners Ltd 100%
  - Evergro Properties Ltd, *Singapore/China* 85%
  - Keppel Thai Properties Public Co Ltd, *Thailand* 45%
  - Keppel Philippines Properties Inc, *The Philippines* 79% (50%; 29%)

Infrastructure
- Environmental engineering
- Power generation
- Logistics
- Data Centre & Networks

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 Data Centre & Networks
- **Keppel Telecommunications & Transportation Ltd** 80%
  - Keppel Logistics Pte Ltd 100%
  - Keppel Logistics (Foshan) Ltd, *China* 70%

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
- Sustainable Development & Living Business
- Corporate 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

Operating & Financial Review
Management Discussion and Analysis

Keppel achieved record results in 2008 despite the challenges and weakness in the global and domestic economy.

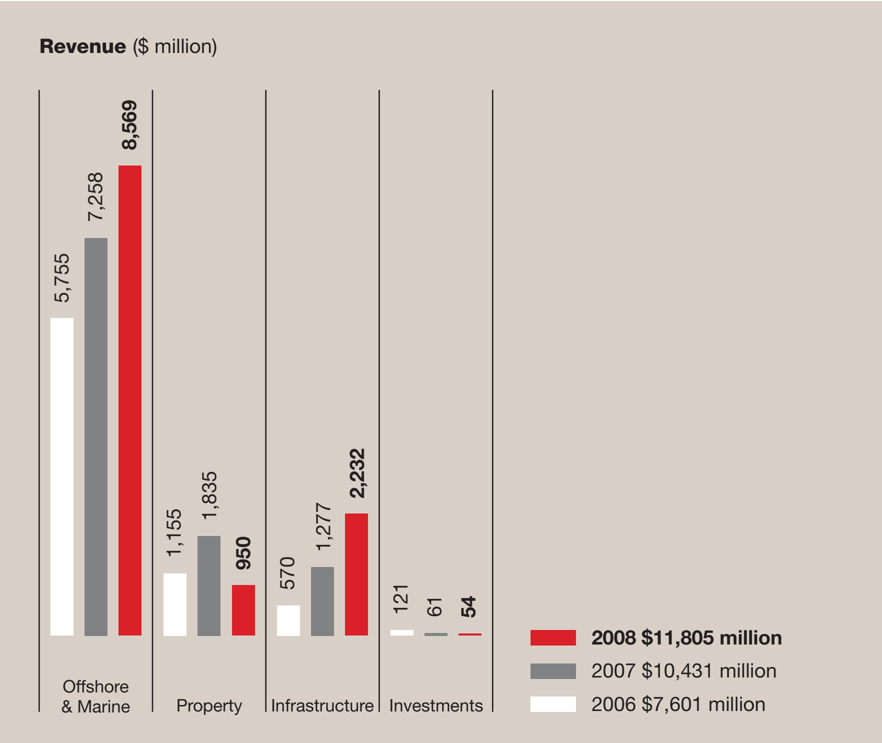
	2008 $ million	08v07 % +/(-)	2007 $ million	07v06 % +/(-)	2006 $ million
Key Performance Indicators					
Revenue	**11,805**	+13	10,431	+37	7,601
Profit after Tax & Minority Interests (PATMI)	**1,097**	+7	1,026	+37	751
Exceptional items	**1**	n.m.	105	n.m.	–
Attributable profit after exceptional items	**1,098**	-3	1,131	+51	751
Operating cash flow	**2,047**	+21	1,697	-8	1,854
Free cash flow	**1,876**	+63	1,151	-22	1,480
Economic Value Added (EVA)	**692**	+15	604	+43	423
Earnings Per Share (EPS)	**69.0 cts**	+6	64.9 cts	+36	47.7 cts
Return on Equity (ROE)	**22.4%**	+3	21.8%	+14	19.1%
Total distribution per share to shareholders	**35.0 cts**	-45	64.0 cts	+129	28.0 cts

Group Overview

Revenue increased 13% to $11,805 million. Profit after tax and minority interests (PATMI) increased by 7% to reach a new high of $1,097 million. Notwithstanding the lower earnings growth in 2008, the compounded annual growth rate for PATMI from 2003 to 2008 was 23%. Attributable profit after exceptional items was $1,098 million.

Earnings Per Share (EPS) of 69.0 cents were 4.1 cents above 2007's and 21.3 cents above 2006's. EPS growth kept pace with PATMI growth. Return on Equity of 22.4% was a new record, and Economic Value Added of $692 million was $88 million above that of the previous year.

Operational cash flow exceeded $2 billion in 2008. The Group utilised $563 million on investment and



operational capital expenditure and received $392 million in investment income and divestment proceeds. As a result, free cash flow for the year amounted to $1.8 billion.

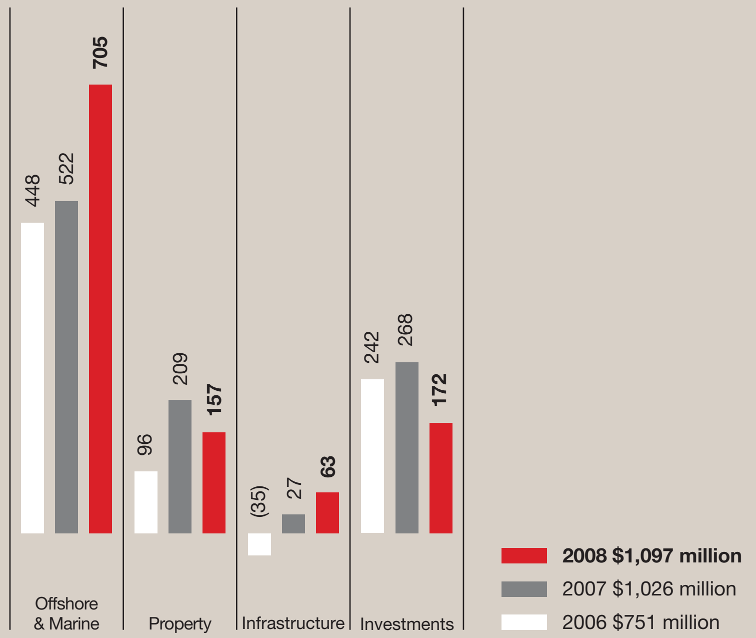
With the strong performance, the Board proposed that shareholders be rewarded with total dividend of 35 cents per share for 2008. This comprised a final dividend of 21 cents per share and the interim dividend of 14 cents per share paid in August 2008. In the previous year, the total dividend of 64 cents per share included a special dividend of 45 cents. The total payout for 2008 represented 51% of Group PATMI.

Segment Operations

Group revenue of $11,805 million was $1,374 million or 13% higher than that of the previous year. Offshore & Marine Division contributed $8,569 million, which was $1,311 million or 18% higher than the previous year's, and accounted for 72% of Group revenue. Major project completions included the delivery of three semisubmersibles and 13 jackups on schedule to its customers. Property Division contributed $950 million, which was $885 million or 48% lower than the previous year's, and accounted for 8% of Group revenue. The decline was due to the completion of several projects in Singapore and overseas in 2007, and lower revenue reported by property services and hotels. Infrastructure Division contributed $2,232 million, which was $955 million or 75% higher than the previous year's, and accounted for 19% of Group revenue. The increase was due to revenue from the co-generation power plant in Singapore and the environmental Engineering, Procurement and Construction (EPC) contracts.

Group PATMI of $1,097 million was $71 million or 7% higher than that of the previous year. Offshore & Marine Division accounted for $705 million, which was $183 million or 35% higher than 2007's and remained the largest contributor to Group PATMI with its 64% share. Profit from Property Division accounted for $157 million, which was 25% lower than 2007's due to lower profit recognition from *Reflections at Keppel Bay* and lower profit from Keppel Land as a result of lower sales and lower contributions from associated companies. Infrastructure Division contributed $63 million, which was 133% higher due mainly to the co-generation power plant and EPC contracts. Contribution from Investments was $172 million, which was $96 million or 36% lower than 2007's. This was due mainly to lower contribution from Singapore Petroleum Company (SPC) and fair value losses of securities, partly offset by higher contribution from k1 Ventures and over provision of tax in respect of prior years.

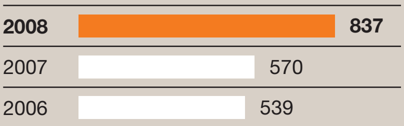
PATMI ($ million)



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

Earnings Highlights

Operating Profit ($ million)



$943m
Profit before Tax

$705m
PATMI

Major Developments in 2008

- Delivered 49 projects on time across rigbuilding, ship conversion and specialised shipbuilding
- Secured $5.2 billion of contracts with deliveries into 2012
- Keppel FELS became the first Singapore company to clinch the MAXA Award for outstanding innovation and world-class manufacturing standards
- Completed Asia's first two icebreakers for the Arctic
- Launched technical and specialised skills training centre

Focus for 2009/2010

- Deliver value through excellent project management and execution
- Enhance Research & Development initiatives to strengthen group position as market leader in selected segments
- Explore opportunities in adjacent business areas and new markets
- Maximise and realise operational efficiencies
- Step up prudent cost management
- Focus on Health, Safety and the Environment

Earnings Highlights

	2008 $ million	2007 $ million	2006 $ million
Revenue	**8,569**	7,258	5,755
EBITDA	**932**	648	604
Operating profit	**837**	570	539
Profit before tax	**943**	700	624
PATMI	**705**	522	448
Manpower (number)	**27,437**	24,448	22,352
Manpower cost	**956**	802	660
ROE	**61%**	46%	50%

Earnings Review

Offshore & Marine Division ended 2008 with new orders of $5.2 billion and a healthy net orderbook of $10.8 billion with deliveries into 2012. The Division's revenue of $8,569 million was $1,311 million or 18% higher than the previous year's and accounted for 72% of Group revenue. Profit before tax of $943 million was $243 million or 35% higher than 2007, and $319 million more than 2006. Operating margins also improved. PATMI of $705 million was $183 million or 35% more than 2007, and $257 million more than 2006. The Division remains the largest contributor, at 64%, to the Group's attributable earnings of $1,097 million.

Market Review

2008 was a volatile year for the offshore and marine industry. Oil prices went from US$90 per barrel in January 2008 to a peak of US$147 per barrel in July 2008. By December 2008, it had plummeted to a four-year low of US$34 per barrel.

The drop in oil prices was mainly due to the US mortgage crisis, which eventually snowballed into a worldwide economic downturn by the end of the year leading to a drop in demand for energy. The Energy Information Administration (EIA) reported in January 2009 that it expects this year's

Brazilian President Luiz Inácio Lula da Silva (raising Brazil's national flag) and First Lady Marisa Leticia (on his right) with workers of Petrobras and Keppel FELS Brasil celebrating the christening of *P-51*.

global oil consumption to be lower than that of 2008, with a modest recovery expected in 2010.

The tightening of credit lines exacerbated the impact of the downturn on the industry, culminating in some contract cancellations in the industry towards the end of 2008 and early 2009.

However, the economic slowdown did not hamper the trend towards exploration in deeper waters, which continued in 2008. Deepwater exploration remained active in the 'Golden Triangle' zone of Africa, the Gulf of Mexico and Brazil, and is expected to constitute up to 75% of all global deepwater expenditure over the next few years. Substantial investments will be required for these developments.

During the year, major hydrocarbon discoveries were made, including the Guara, Jupiter and Iara fields in Brazil. In the Gulf of Mexico, deepwater oil finds included Gunflint and Kodiak while discoveries have been announced in the Tsentralnaya structure in the Caspian Sea.

While a number of oil and gas companies are revising their spending budgets downwards, major oil companies including BP, Chevron, ExxonMobil and Shell, as well as those with strong balance sheets have chosen to maintain their planned Exploration and Production (E&P) developments. National oil companies such as Petrobras and Petróleos Mexicanos (PEMEX) have also similarly announced that they will maintain their capital expenditure for E&P for the next five years.

As for the marine industry, shiprepair was buoyant in the first half year of 2008 due mainly to the increase in shipping activities and the continued fleet expansion. The market softened in the last quarter following sharp declines in trade and shipping activities as a result of the global downturn.

The floating production market was steady throughout the year spurred by demand from new oilfield discoveries. However, the continued weakness in the credit market is expected to result in delays in some projects.

The first three quarters of 2008 saw an unprecedented global orderbook of 600 offshore support vessels (OSV) of various types, due mainly to limited availability of vessels and high day rates. Towards the year end, the global financial meltdown with further uncertainties in the market

Significant Events
(Expected deliveries indicated in brackets)

Mr Choo Chiau Beng, Chairman, Keppel Offshore & Marine, welcomes Mr K M Sheth, Executive Chairman of Great Eastern Shipping at the keel laying of jackup rig *Greatdrill Chitra*.

January
Keppel Shipyard was awarded a second contract valued at $145 million for the integration and completion of the *Bully II* drillship by a company jointly owned by Frontier Drilling Inc and Shell EP Offshore Ventures Limited. (2Q 2010)

February
Keppel Shipyard secured contracts worth over $215 million from Maersk Contractors and BW Offshore for FPSO conversions work. (3Q – end 2009)

March
PetroVietnam Drilling Investment Corp (PVD Invest) awarded Keppel FELS a contract to build its third jackup drilling rig worth US$205 million. (4Q 2009)

outlook resulted in a decline in orders and charter rates as well as some cancellations.

Operating Review

Against the backdrop of a global economic crisis, some of Keppel O&M's customers were affected by the sudden credit squeeze. This resulted in two cancellations and a re-scheduling of payments with one customer. During the year, Keppel Verolme ceased work on a Multi Purpose Unit Heavy Lifter when the owner became bankrupt.

Despite the challenges faced by the industry, Keppel Offshore & Marine (Keppel O&M) had a good run in 2008. Its global network of 20 yards delivered a total of 49 projects on time, up from 41 projects a year earlier. Return on Equity improved from 46% in 2007 to 61% in 2008. All segments of the group – offshore, marine and specialised shipbuilding – posted improved net profits, with Keppel Shipyard once again performing especially well.

Contracts secured for the year amounted to $5.2 billion, comprising three jackups, five semisubmersibles (semi), 17 FPSO-related conversions, outfitting, repair and upgrade projects, and 12 offshore support and other specialised vessels.

Capital expenditure for the year was a prudent $270 million, mainly to accommodate existing orders and prepare for future commitments.

Offshore

Keppel FELS continued to be busy in 2008, and handled close to 30 projects in various stages of completions. In addition, it secured eight newbuilding contracts during the year, of which three were jackups and five were semis. Keppel FELS' proprietary designs continued to

Significant Events

(Expected deliveries indicated in brackets)

Built to the proprietary KFELS B Class jackup rig design, *WilBoss* was delivered ahead of schedule to Awilco Offshore without any lost time incidents during its construction.

May

Keppel FELS secured a contract to build a US$512 million ultra-deepwater semi drilling rig from ENSCO International Incorporated (ENSCO). (2H 2011)

Keppel Singmarine clinched a $141 million contract from Global Offshore International Ltd (Global Offshore) to build a derrick pipelay vessel. (2Q 2011)

June

Keppel FELS won a contract to build ENSCO's sixth ultra-deepwater semi drilling rig worth US$537 million. (2H 2012)

Keppel FELS secured a US$385 million repeat order to build a semi drilling rig for Brazilian drilling contractor group Queiroz Galvão Óleo e Gás (QGOG). (2H 2011)

Keppel FELS won a US$420 million contract to build two jackup drilling rigs for Seadrill Limited (Seadrill). (3Q – 4Q 2010)

Keppel FELS secured a US$160 million contract to build a repeat semisubmersible drilling tender (SSDT) for Seadrill Asia Limited (Seadrill Asia). (1Q 2011)

The fast-track conversion of the *FPSO BW Cidade De Sao Vicente* for BW Offshore by Keppel Shipyard has achieved 700,000 man-hours without lost time incidents.

Significant Events

(Expected deliveries indicated in brackets)

Mr Lim Boon Heng (centre), Minister, Singapore Prime Minister's Office, graced the naming ceremony of deepwater drilling rig *Maersk Developer*.

July
Keppel Singmarine secured a $181 million contract to build a multi-purpose heavylift / pipelay vessel for Romanian drilling contractor, Grup Servicii Petroliere SA (GSP). (3Q 2011)

Keppel Shipyard won contracts amounting to $110 million for the upgrading, modification and conversion of three vessels from repeat customers Bumi Armada Berhad, Boskalis Westminster Shipping B.V. (Boskalis) and BW Offshore. (end 2008 – 1H 2009)

August
Keppel FELS was awarded a contract to build the seventh ENSCO 8500 Series® deepwater semi worth US$560 million. (2H 2012)

October
Keppel Shipyard secured two conversion projects worth $150 million from Single Buoy Moorings Inc (SBM) and Golar LNG. (2Q – 4Q 2009)

November
The *P-51* FPU was delivered to Petrobras Netherlands BV (PNBV).

December
Keppel O&M clinched contracts worth $200 million that include a FPSO conversion by Keppel Shipyard for SBM, the building of two AHTS by Keppel Singmarine for Seaways International Pte Ltd and the construction of three tugboats at Keppel Cebu Shipyard. (1Q 2010 – 1H 2011)

appeal to its customers, with all the three new jackup orders being the KFELS B Class jackup and one semi being the DSS38 design. Of the nine jackups and two semis which Keppel FELS delivered during the year, eight were its own proprietary designs. All were completed on time and within budget. For its manufacturing excellence, Keppel FELS became the first Singapore company to be awarded the prestigious MAXA Award conferred by the Singapore Economic Development Board, McKinsey & Company and the Singapore-MIT Alliance.

For the overseas yards, 2008 was both a rewarding and challenging year. Keppel AmFELS successfully delivered four new jackups and three repair jobs, while Keppel FELS Brasil completed the *P-51* floating production unit (FPU) for Petrobras. The unit has begun to produce oil for the Brazilian national oil company in January 2009.

In the Netherlands, Keppel Verolme achieved a revenue increase of 11% in 2008, with the bulk coming from its offshore work. Caspian Shipyard and Keppel Kazakhstan continued to service Agip KCO with various fabrication jobs. During the year, both yards expanded their capacities in anticipation of increased customers' requirements in the Caspian region.

Marine
In 2008, Keppel Shipyard completed a total of eight FPSO/FSO/FSRU conversions and one drillship upgrading, with work-in-progress on another eight conversions and five other major projects. Seven of these work-in-progress vessels are due for the deepwater regions of West Africa and Brazil. The higher level of activities contributed to a 14% increase in revenue, with more than half the revenue from conversion projects. Revenue from shiprepair activities increased 8%, with improvements in revenue per vessel.

Keppel Philippines Marine comprising Keppel Batangas, Keppel Cebu and Subic Shipyard, posted good revenue and earnings growth in 2008. An 18% increase in revenue was achieved with 56% of the total revenue from shipbuilding and offshore fabrication projects. Arab Heavy Industries continued to improve its productivity, repairing a total of 318 ships, up 17% from the previous year.

Specialised Shipbuilding

Keppel Singmarine had a rewarding year in 2008, achieving revenue growth of 9%. During the year, it delivered five vessels, two jackup hulls and two icebreakers, Asia's first, to LUKOIL-Kaliningradmorneft. Its burgeoning orderbook includes contracts from customers such as Global Offshore International, Romanian drilling contractor Grup Servicii Petroliere SA and Seaways International Pte Ltd.

Keppel Nantong Shipyard is on track to become an established builder of tugboats and OSVs. It has successfully completed and delivered six vessels in 2008. It expects to deliver seven vessels in 2009.

Industry Outlook

Fundamentally, the prospects for global offshore E&P activities are sound. With underinvestment in the last two decades prior to 2005, the decline in reserves of existing fields remains a major challenge. Hence continued investment in the sector is vital in order to avoid another supply crunch and price spike when the global economy recovers.

However, the ongoing credit squeeze and the global economic downturn are expected to result in a slowdown in new orders for offshore drilling and production rigs for 2009. Smaller independent oil companies and marginal field developments are more likely to cut back their exploration efforts and review their development plans.

Despite the downturn, energy demand is expected to grow over the mid-


1

1 The *Offshore Courageous* is an ultra premium jackup drilling rig built by Keppel AmFELS in Brownsville, Texas for Scorpion Offshore.

2 Keppel Singmarine completed Asia's first two icebreakers meant for the Arctic sea, *Varandey and Toboy*, for Russian client LUKOIL-Kaliningradmorneft in 2008.


2

Keppel Verolme BV in the Netherlands has secured a contract from Prosafe Rigs Pte Limited for the refurbishment and outfitting works on *MSV Regalia*, a semisubmersible service vessel.

to long-term. International Energy Agency's (IEA) energy outlook report released in November 2008 forecasted that oil demand will grow from the current 85 million barrels per day (bpd) to 106 million bpd in 2030, largely driven by emerging economies such as China, India and the Middle East. IEA indicated that a total of US$26 trillion of investment is needed to meet the 2030 demand. This is equivalent to about US$1 trillion per year.

With increasing depletion of oil reserves in onshore and shallow water oilfields, oil services companies are increasingly tapping oil reserves in offshore deepwater, harsh environment as well as other unconventional sources such as tar sands and oil shales. Currently, 15% of total offshore oil production is carried out in deepwaters, but this is expected to rise to over 20% in the next few years.

Brazil

With a proven reserve of 11 billion barrels and potential growth of up to 100 billion barrels of new reserves, Brazil offers an attractive market for future projects. Its state-owned oil company, Petrobras, announced in early 2009 that it would invest US$92 billion in E&P in Brazilian waters from 2009 to 2013, which is US$26.9 billion more than its 2008 to 2012 plan.

To help meet its E&P plan, Petrobras is contracting six production rigs in 2009, and there are plans to invite bids for the construction of an additional eight units to be carried out in a drydock in Southern Brazil. It is also expecting to invite bids from within Brazil for the construction of 28 ultra deepwater drilling rigs in 2009, which are part of the 40 rigs it intends to commission in the next few years.

Keppel O&M, through Keppel FELS Brasil, will continue to strengthen its current leadership position in the Brazilian offshore industry to meet the expanded requirements of Petrobras and to tap the full potential of the Brazilian market.

Gulf of Mexico

According to a study by Douglas Westwood, the deepwater sector is expected to continue to attract investments worldwide averaging US$27 billion annually through 2013, with the Gulf of Mexico accounting for a large part of these investments.

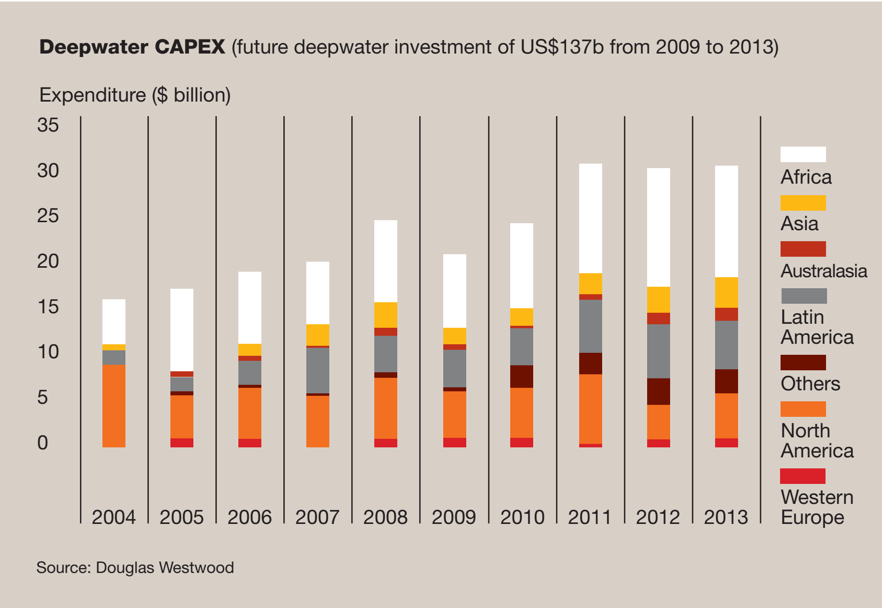
Mexico's PEMEX is focusing on ramping up existing offshore fields in shallower waters. With its track record of building, repairing and refurbishing jackup rigs for PEMEX, Keppel AmFELS is well placed to service the Mexican market. It will also continue to focus on repairs and refurbishments of rigs in the larger Gulf of Mexico region. It will also target SPAR and TLP hulls construction for longer term base workloads in partnership with FloaTEC, the joint venture company of its parent Keppel O&M and JR McDermott.

West Africa

Africa is responsible for about 12% of global oil production and will continue to play a major role in contributing to meet the world's oil demand. The main challenges facing the region lie in the areas of security and availability of funds in developing the projects. The global credit crunch and unpredictable oil prices are also making it more difficult to justify major projects. Looking ahead, the industry expects much of Africa's oil to be located in deepwater and the

Keppel FELS continues to be active in 2009 with the scheduled delivery of 14 rigs.

Al-Zubarah is the second KFELS B Class jackup rig that Keppel FELS has completed for Gulf Drilling International and destined for Doha, Qatar.



production of these offshore fields will be vital in maintaining non-OPEC oil supplies. This augurs well for Keppel O&M which has a complete suite of rig solutions for deepwater E&P as well as a leadership position in the conversion of FPSO and FSO units.

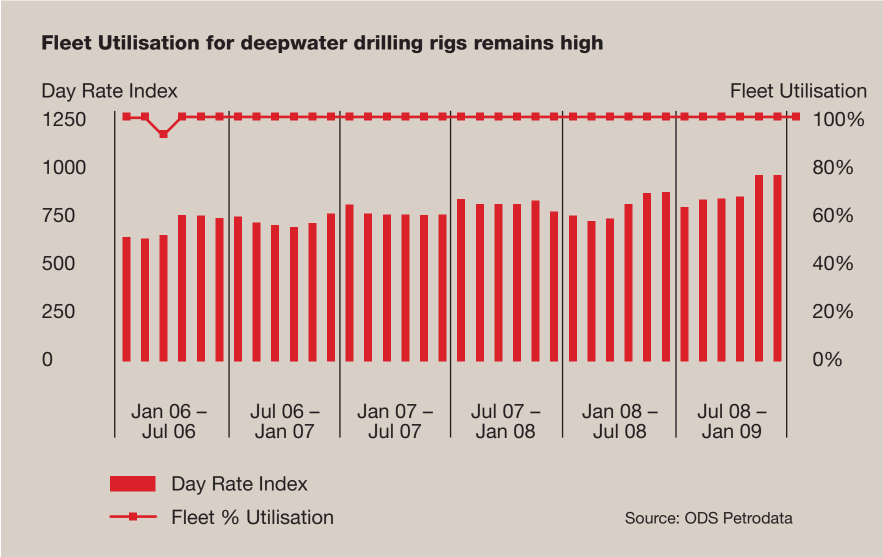
Caspian Sea

Countries surrounding the Caspian Sea are generally stable, which gives opportunities for Keppel O&M, through Caspian Shipyard and Keppel Kazakhstan, to continue to explore new markets, such as the undeveloped fields in Turkmenistan waters and the Russian sector of North Caspian.

Our yards are collaborating to meet customers' requirements in this region. Projects being pursued include the cantilever barge rigs for ExxonMobil Kazakhstan Inc and BP's Shah Deniz Stage 2 (Living Quarters and Subsea Manifolds).

1 Singapore Minister for Finance Mr Tharman Shanmugaratnam was the Guest-of-Honour at the naming ceremony of *Discovery 1*, constructed for a joint venture of India's Jindal Drilling & Industries Ltd.

2 The *FPSO Espirito Santo*, capable of processing 100,000 barrels of oil per day, was delivered by Keppel Shipyard to SBM Offshore in late 2008.



Worldwide Competitive 5,001 + Floating Rig Day Rate Index
1994 = 100
Current Month (January 2009) = 969

Drilling Rigs, Production Units, Specialised Ships

In the jackup rig sector, the Middle East region and Caspian Sea are expected to provide some support amidst a softening in demand for newbuilds as a result of the ongoing economic downturn and falling oil prices. The requirements for repair and upgrade are likely to increase.

Demand for deepwater rigs continues to remain strong, with an effective 100% utilisation rate. Close to full utilisation for this category is expected in the near term.

E&P companies generally have a long-term horizon for deepwater projects and are adaptable to a wider range of oil price movement. With the declining costs of raw materials such as steel and labour, project economics are expected to improve. Hence, the next few years should present opportunities for E&P companies with strong balance sheets.

Floating Production Systems (FPS) such as SPARs, TLPs, semisubmersibles and FPSOs are expected to make up the bulk of offshore production units, with FPSOs accounting for about 60% market share. While Brazil and West Africa continue to be the main destinations for FPSOs, demand is also rising in other areas such as Northern Europe and Southeast Asia.

The specialised shipbuilding market has evolved to meet the offshore industry's demand for more specialised vessels for deepwater and harsh environment exploration. Modern OSVs and Anchor Handling Tugs (AHTS) have the main roles of supporting drilling activities, transporting key supplies and responding to emergency calls. Harsher operating conditions like those in the Arctic and North Sea require vessels to be equipped with increased cargo capacity, larger accommodation areas, heavy lift cranes and advanced Dynamic Positioning (DP) systems for superior stationing. This segment is expected to remain as a key pillar of support for offshore drilling.

Other specialised vessels such as seismic vessels, pipelay vessels and construction vessels should see continued demand in view of ageing fleets and more stringent requirements for newer and more capable vessels.

Keppel FELS delivered the *ENSCO 8500*, the first rig in the fleet of seven new ENSCO 8500 Series® semisubmersibles it is constructing for ENSCO International Incorporated.

Meeting the Challenges

With a strong orderbook of close to $11 billion and deliveries into 2012, Keppel's O&M Division is in a good position to ride out the current downturn. The Division, led by Keppel O&M, is committed to emerge more competitive and to prepare for the market's recovery.

To meet increasing competition for the limited number of new projects in the market, Keppel O&M will harness its "*Near Market, Near Customer*" strategy to offer customers good value and innovative solutions.

It is also strengthening its core competencies while managing costs so as to meet the steady demand for repair, upgrade and maintenance of rigs.

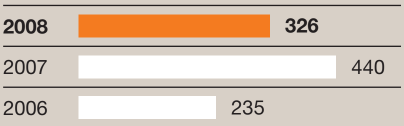
Keppel O&M will continue to foster close partnerships with subcontractors and suppliers to deliver its products and services on time, within budget and without incidents. With its strong balance sheet, it will also explore opportunities to expand its geographical reach and capabilities to better serve customers.

Technology and workforce development are two key areas of focus for the future. It will continue to invest and build up its technology capability as it positions itself as the preferred solutions provider for the global offshore and marine industry.

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

Earnings Highlights

Operating Profit ($ million)



$365m
Profit before Tax

$157m
PATMI

Major Developments in 2008

- *Marina Bay Financial Centre (MBFC)* Phases 1 and 2 achieved overall pre-commitments of 66% and 55% respectively ahead of scheduled completions in 2010 and 2012
- Total assets under management (AUM) by the fund management business increased by about 60% to about $9.8 billion
- Alpha Investment Partners (Alpha) raised US$1.2 billion equity for a new Alpha Asia Macro Trends Fund
- Green Mark awards for *Ocean Financial Centre* (Platinum), *The Estella* (Gold), *MBFC* (Phase 1 – Commercial) (Gold) and *Reflections at Keppel Bay* (Gold)

Focus for 2009/2010

- Contribute to development of the New Downtown with *MBFC* and *Ocean Financial Centre*, and the waterfront precinct with *Reflections at Keppel Bay*
- Selectively pursue township, lifestyle and sustainable developments in Asia
- With funds from its rights issue, Evergro Properties is ready to participate in any early recovery in China
- Grow fund management income through K-REIT Asia and Alpha
- K-REIT Asia and Alpha to selectively acquire new assets
- Further develop green expertise through involvement in Tianjin Eco-City

Earnings Highlights

	2008 $ million	2007 $ million	2006 $ million
Revenue	**950**	1,835	1,155
EBITDA	**337**	453	251
Operating profit	**326**	440	235
Profit before tax	**365**	471	233
PATMI	**157**	209	96
Manpower (number)	**2,955**	2,918	2,674
Manpower cost	**89**	90	63

Earnings Review

Revenue of $950 million was $885 million or 48% lower due to the completion of several trading projects in Singapore and overseas in the previous year. Earnings were affected by the weak macro-economic conditions. Pre-tax profit of $365 million was lower than the previous year due to slower sales of residential properties and lower contributions from associated companies. This was partly offset by higher profit from investment properties and higher fund management fees.

The Division contributed 14% to the Group's overall PATMI.

Market Review

With the unprecedented global economic crisis still running its course, Asia has been seriously affected as external demand slows, liquidity tightens and market confidence wanes.

Singapore entered into recession after its economy contracted in the last two quarters of 2008. For the full year, the economy registered GDP growth of 1.2%, substantially lower than the 7.7% growth of 2007. Residential property sales slowed as market conditions softened. New home sales fell to 4,264 units compared with the bumper 14,811 units in 2007. Private residential prices also declined by 4.7% during the year.

Keppel Bay is set to put Singapore on the world's prime real estate map as a truly world-class waterfront precinct.

Demand for office space declined as financial markets worldwide took a turbulent ride. Office occupancy in the Central Business District dipped to 95.4% in the fourth quarter of 2008 from 97.6% a year ago; demand was a negative 0.37 million square feet (sf), when full-year office take-up softened to 0.19 million sf, significantly lower than the 15-year historical average annual take-up of about 1.5 million sf from 1994 to 2008. Average Grade A and prime office rents fell to $15 per square foot (psf) and $12.90 psf respectively in the fourth quarter of 2008, down from $17.15 psf and $15 psf respectively in the same period in 2007.

Demand for residential homes across key Asian markets was also dampened by weak sentiments and market uncertainties arising from the global economic turmoil. In addition, the liquidity crunch hampered developers and home buyers seeking financing, resulting in lower transacted volume of residential sales and home prices.

China's economic growth slowed to 6.8% in the last quarter of 2008, dragging down full-year growth to a seven-year low of 9% as the country felt the impact of the global financial crisis. Recognising that the property sector is a key component of the economy, the Chinese government introduced various measures, including smaller down payments, lower mortgage rates, tax incentives and easing of rules on home sales, to encourage home purchases.

Vietnam's economy moderated to 6.2% in 2008, compared with 8.5% for 2007. Uncertainties, high mortgage

Significant Events

K-REIT Asia's properties are well-managed and their facilities meet tenant requirements.

January
Keppel Bay Bridge, an icon of Singapore's southern waterfront, was named and opened by His Excellency S R Nathan, President of the Republic of Singapore.

Marina at Keppel Bay premiered with a grand opening by Senior Minister Mr Goh Chok Tong, as the Clipper fleet on the 2007–08 Round the World Yacht Race sailed into Keppel Bay.

Keppel Corporation signed a Memorandum of Understanding (MOU) with the Qatar Investment Authority to participate as an equity investor in the Sino-Singapore Tianjin Eco-City project.

March
Keppel Land obtained the investment certificate for a prime waterfront residential development in Ho Chi Minh City's District 7.

April
Keppel Land entered into a joint venture with Sunsea Yacht Club (HK) Company Limited to develop its first integrated residential-cum-marina lifestyle development on a 82-ha land site in Zhongshan, Guangdong Province of China.

May
K-REIT Asia's rights issue was successfully completed, raising gross proceeds of $551.7 million to partly refinance a bridging loan, which had been used for its acquisition of a one-third interest in *One Raffles Quay*.

June
Keppel Land acquired another 154 mu (about 10 ha) site in Shenyang's Shenbei New District, which when combined with the adjacent site of 353 mu (about 24 ha) acquired earlier in August 2007, will house an integrated township development.

rates and the effects of a weak stock market caused home sales and prices to decline. The government's move to lower interest rates and its VND250 trillion plan to develop affordable housing will help to stabilise the market. The housing market is expected to hold up well in the medium- to long-term, underpinned by strong domestic fundamentals including favourable demographics and rising urbanisation.

In India, transaction volumes and prices declined in 2008 as demand from end-users and investors softened. The market is expected to see further price weakening in the short term until market conditions and consumer confidence improve.

Demand for township homes in Jakarta, Indonesia is expected to slow down in tandem with a weaker economic environment. The Indonesian government has warned that 2009 may see its economy growing at its slowest pace since 2002. Growth is projected to slow from 6.1% in 2008 to 4% in 2009.

Operating Review

Singapore
Keppel Land sold fewer homes in 2008 given the difficult market conditions. Sales launches of its projects including *Marina Bay Suites* were held back as a result of weak buying sentiments. Keppel Land will continue to monitor the market and selectively launch its projects when appropriate.

Keppel Bay remains Keppel Land's key residential development in the pipeline. *Reflections at Keppel Bay*, the landmark designed by Daniel Libeskind, is the second residential project in the exclusive waterfront precinct. The 1,129-unit premier development has since sold more than 630 units. *Park Infinia at Wee Nam*, a 486-unit condominium development in the Newton area, was completed in 2008 with about 96% sold.

Marina Bay Financial Centre (MBFC), a new Grade A commercial development in the New Downtown which is jointly developed by Keppel Land, Cheung Kong (Holdings) and Hongkong Land, has secured strong pre-commitments of 66% and 55% for Phases 1 and 2 respectively, ahead of their scheduled completions in 2010 and 2012.

Construction of *Ocean Financial Centre*, a fourth-generation office building on the site of the former *Ocean Building* at Raffles Place, is progressing. The 43-storey office development is expected to be completed in 2011.

Overseas

Development of the first 4-sq km site in the 30-sq km bilateral Sino-Singapore Tianjin Eco-City project is making progress. Envisioned to be a sustainable and economically vibrant urban living environment, the Tianjin Eco-City enjoys high-level support, with Chinese Premier Mr Wen Jiabao and Singapore's Senior

1 Keppel Land's *Elita Garden Vista* in Kolkata is targeted at the upper middle-income segment comprising professionals and managers, catering to the communities of nearby IT parks.

2 *MBFC* is the centrepiece of the Singapore Government's plans to position the country as a global financial and business hub.

1 Keppel Land's first integrated residential-and-marina lifestyle development in China is in Zhongshan, in the affluent Pearl River Delta region.

2 *The Estella* is Keppel Land's 1,393-unit luxury residential development near the heart of Ho Chi Minh City.

Minister Mr Goh Chok Tong officiating at its groundbreaking ceremony in September 2008.

Construction of the infrastructure by the Eco-City Administrative Committee, formed by the Chinese government, is moving according to schedule. The 50/50 joint venture (JV) company between the Keppel Group and its Chinese consortium partner, Sino-Singapore Tianjin Eco-City Investment and Development Co Ltd, signed up its first international investor, Sembawang Engineers & Constructors Pte Ltd (Sembawang). Sembawang is working on a feasibility study for the development of a US$1 billion solar polysilicon production plant in the northern tip of the Tianjin Eco-City.

Keppel and the Chinese consortium have committed to develop more than 60 ha of land in the first 4-sq km site. Keppel Land, a member of the Singapore Consortium, has been appointed the development manager for the Keppel Group. The Qatar Investment Authority had earlier signed an MOU with Keppel to be an equity partner in the Singapore Consortium.

Keppel Land saw lower home sales across major markets compared with the previous year. Market sentiments turned cautious as potential home buyers defer home purchases until market visibility improves.

During the year, Keppel Land made selective land acquisitions for lifestyle and residential township developments in China. It entered into a JV to develop a niche residential-cum-marina lifestyle development in Zhongshan, Guangdong Province. Covering a total area of 82 ha, the site will be acquired in phases. Keppel Land also acquired a 10-ha site adjacent to an earlier acquired site in Shenyang for an integrated residential township.

Evergro Properties, Keppel Land's listed subsidiary which focuses on China's second-tier cities, has achieved better operating performance in 2008. With cash of about $137 million raised from a rights issue in August, it has positioned itself to ride on any early recovery in China.

Fund Management

In contrast with the slowing property development business, Keppel

Land's fund management business has performed well. Its assets under management (AUM) have grown by 60% from $6.1 billion in the previous year to about $9.8 billion when the funds are fully leveraged and invested.

Keppel-sponsored K-REIT Asia continued to enjoy positive rental reversions despite a weaker office market. Its portfolio of five office assets in Singapore maintained its value at $2.1 billion. Post-rights issue, K-REIT Asia has one of the lowest aggregate leverage ratios among the S-REITs.

Meanwhile, Alpha Investment Partners (Alpha), Keppel Land's private equity fund management vehicle, raised US$1.2 billion ($1.7 billion) for its new Alpha Asia Macro Trends Fund which focuses on enduring trends in Asia. As at end-2008, Alpha manages a total of five funds with about $7.7 billion worth of AUM when all funds are fully leveraged and invested.

Both K-REIT Asia and Alpha are in good positions to selectively acquire quality assets.

Business Outlook

2009 is expected to be another challenging year as Keppel Land continues to face strong headwinds from the global financial and economic crisis.

However, compared with past economic crises, Keppel Land is in a better financial position to

Significant Events

China's Premier Wen Jiabao and Singapore's Senior Minister Goh Chok Tong (front row, 2nd and 3rd from right) officiate at the groundbreaking ceremony of the Start-Up Area of the Tianjin Eco-City.

July

Keppel Corporation's subsidiary, Singapore Tianjin Eco-City (STEC) entered into a JV agreement with Tianjin Eco-City Investment and Development Co Ltd (TEC) to incorporate Sino-Singapore Tianjin Eco-City Investment and Development Co Ltd to develop a 30-sq km eco-city project.

STEC and TEC also signed a commercial agreement with the Eco-City Administrative Committee to co-operate in the development of the Tianjin Eco-City project.

Alpha Investment Partners announced the successful closing of its Alpha Asia Macro Trends Fund, which raised a total of US$1.2 billion and exceeded its original target of US$1 billion.

August

Evergro Properties' rights issue was successfully closed, raising gross proceeds of $137.1 million to acquire land and to improve its existing developments in China.

September

The groundbreaking ceremony of the 4-sq km Start-Up Area of the Sino-Singapore Tianjin Eco-City was graced by China's Premier Mr Wen Jiabao and Singapore's Senior Minister Mr Goh Chok Tong.

MBFC announced additions to its line-up of pre-committed tenants, bringing overall pre-commitment to 61%.

Keppel Land achieved the ISO 14001:2004 certification for its Environmental Management System for the development of commercial and residential properties in Singapore.

November

Launched at *Marina at Keppel Bay*, Keppel Bay Sailing Academy was the first in Singapore to run courses accredited by the internationally recognised and UK-based Royal Yachting Association.

weather the current economic downturn. Progressive cash proceeds generated from strong sales of residential properties in 2006 and 2007, rental income from office leasing, and growing fee income from fund management activities will help buffer its earnings and provide funding for capital needs.

Keppel Land has been disciplined and stringent in its financial management and acquisitions in Singapore and overseas. As a result, no provisions or write-downs are required for its landbank as the breakeven prices are lower than market prices. The carrying values of investment buildings are also within the current market range.

The demographic fundamentals of the countries in which Keppel Land operates are still intact. Keppel Land will continue to pursue the development of township, waterfront lifestyle and sustainable developments in Singapore and overseas. In light of the current market conditions, it will review all its development projects to trim fat and conserve cash so that it can seize attractive investment opportunities that arise and ride through the current global crisis in good shape.

Having won several recognitions for its continued emphasis on green efforts, Keppel Land also aims to achieve the minimum standard of BCA Green Mark Gold Award or its equivalent for all its Singapore and overseas projects.

Ocean Financial Centre is the first office development in Singapore's Central Business District to win the BCA Green Mark Platinum Award. *MBFC* (Phase 1 – Commercial) and *Reflections at Keppel Bay* in Singapore as well as *The Estella* in Vietnam also garnered the BCA Green Mark Gold Awards. Keppel Land also attained ISO 14001 certification for its Singapore projects during the year.

Building Tomorrow's Green Cities Today

Sino-Singapore Tianjin Eco-City

The Tianjin Eco-City will demonstrate the determination of Singapore and China to tackle global climate changes, strengthen environmental protection and resource conservation, and build a harmonious society.

The Sino-Singapore Tianjin Eco-City (Tianjin Eco-City) is a landmark project between the Governments of Singapore and China to create a practical, scalable and replicable model for sustainable development for other cities in China and the rest of the world.

Currently, the 30-sq km Tianjin Eco-City site is a non-arable, freshwater scarce piece of vacant land, which will be transformed in phases over 10 to 15 years into a sustainable and economically vibrant city, and a home for up to 350,000 residents.

Jointly developed by Singapore's Urban Redevelopment Authority, China's Academy of Urban Planning and Design, and the Tianjin Planning and Design Institute, the masterplan for the Tianjin Eco-City will adhere to key benchmarks to ensure that the project's development will be environment-friendly, resource-efficient and economically sustainable.

The Tianjin Eco-City will adopt affordable technologies and practices to create a strong foundation for sustainable development and living.

Green transport ensures smaller carbon footprints at the individual and family levels. A public light railway system and close proximity of amenities and recreational facilities will make the Tianjin Eco-City a 'walkable' community.

All buildings in the Tianjin Eco-City will meet green building standards of being energy and resource-efficient. Eco-solutions will be integrated to enhance sustainability and commercial viability so that homes will be affordable and well-designed.

Strategically located in the Tianjin Binhai New Area, the Tianjin Eco-City will benefit from the economic vibrancy of the region.

Clean water will be achieved through wastewater recycling and advanced treatment technologies. Tap water will be 100% potable.

Clean and renewable energy sources such as solar water heaters and geothermal heating systems will be used in the Tianjin Eco-City to supplement traditional energy supplies.

A collective system of waste management and recycling will be introduced and integrated with waste disposal and treatment processes to regenerate energy.

Environmental protection is expected to take centre stage in the Tianjin Eco-City, with a vast, beautiful eco-valley running through the city, as well as restoration of natural habitats and cleaning up of rivers, water bodies and wetlands.

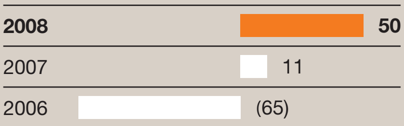
With its location at the heart of China's Bohai Rim, the Tianjin Eco-City will position itself as a modern financial and services hub focusing on eco-business services such as clean energy, environmental protection and green urban solutions. Its eco-business parks will also provide exciting opportunities for residents and businesses.

Operating & Financial Review
Infrastructure

The Infrastructure Division will continue to build a selected portfolio of environmental engineering, power generation, logistics and data centre & networks businesses.

Earnings Highlights

Operating Profit ($ million)



$70m
Profit before Tax

$63m
PATMI

Major Developments in 2008

- Keppel Integrated Engineering (KIE) was selected for the divestment of the Senoko Incineration Plant in Singapore
- Secured more environmental projects in Europe and Central America
- First full year of commercial operation for Keppel Merlimau Co-generation Plant

Focus for 2009/2010

- KIE to launch the green business trust, when appropriate
- Pursue long-term contracts and explore investment opportunities
- R&D of water and waste management technologies
- Strengthen project execution and financial management
- Keppel Energy to selectively acquire power generation assets and technology, including renewable energy
- Divest assets in the Americas
- Keppel Telecommunications & Transportation to tap logistics growth of China and Southeast Asia
- Leverage growth potential for data centres in Europe and Asia

Earnings Highlights

	2008 $ million	2007 $ million	2006 $ million
Revenue	**2,232**	1,277	570
EBITDA	**82**	45	(19)
Operating profit	**50**	11	(65)
Profit before tax	**70**	51	(24)
PATMI	**63**	27	(35)
Manpower (number)	**5,064**	4,392	3,998
Manpower cost	**219**	180	158

The Keppel Merlimau Co-generation Power Plant has been contributing to earnings since operations in 1H 2007.

Project	Capacity	Tenure
Keppel Merlimau Co-generation Plant	500 MW	2007 – 2033
Ulu Pandan NEWater Plant	148,000 m^3/day	2007 – 2027
Tuas South Waste-to-Energy Plant	800 tonnes of solid waste a day to generate more than 20 MW of green energy	2009 – 2034
Qatar Domestic Solid Waste Management Centre	2,300 tonnes of mixed solid waste and 5,000 tonnes of construction and demolition waste a day, and a 1,500 tonnes a day waste-to-energy incineration plant	2009 – 2029
Doha North Sewage Treatment Works	439,000 m^3/day	2010 – 2020

Earnings Review

Infrastructure Division contributed to a billion-dollar increase in Group revenue due largely to higher revenue from the co-generation power plant in Singapore and environmental engineering contracts. It continued to make encouraging progress, contributing $70 million to Group pre-tax profit. PATMI of $63 million was more than double the level achieved in 2007. The Division accounted for 6% of the Group's PATMI.

Environmental Engineering

Keppel Integrated Engineering (KIE)

KIE aims to be a valued partner to customers in sustainable development by:

- Designing and building water and thermal treatment plants;
- Developing turnkey projects and selling environmental technology packages; and
- Utilising the group's global network and strong financial resources to develop DBOO, BOT, DBO and PPP types of environmental projects.

Environmental Engineering

KIE aims to be a global leader in environmental technology and services and to make a significant contribution to a cleaner future.

Significant Events

Signing the agreement for the divestment of the Senoko Incineration Plant are (from left): Ms Tan Puay Joo, Manager of Singapore Land Authority; Ms Chua Geok Wah, Accountant-General; Mr Chua Chee Wui, CEO of KIE and Mr Lee Yuen Hee, CEO of National Environment Agency.

February
Keppel Energy agreed to supply natural gas valued at an expected $3 billion, based on prevailing energy prices, to ExxonMobil Asia Pacific Pte Ltd's facilities on Jurong Island.

March
Keppel Seghers Belgium NV secured a €34 million (approximately $74.8 million) turnkey contract for a Combined Heat and Power waste-to-energy plant owned by Amotfors Energi in Sweden.

June
KIE formed a joint venture (JV)company, Tianjin Eco-City Environmental Protection Co Ltd (TECEP), with Tianjin TEDA Co Ltd (Tianjin TEDA Co) and Tianjin Eco-City Investment & Development Co Ltd (TECID Co).

July
KIE formed a second JV company, Tianjin Eco-City Energy Investment and Construction Co Ltd (TECEIC) with TECID Co and Tianjin Jinneng Investment Co to explore opportunities for infrastructure projects in the Sino-Singapore Tianjin Eco-City.

August
Keppel Logistics made its first foray into Vietnam with the acquisition of a 40% stake in Indo-Trans Logistics Vietnam.

September
The Singapore Government selected KIE's proposal for the divestment of its Senoko Incineration Plant to an infrastructure business trust and KIE planned to establish the Trust as a listed green business trust with the SIP as the seed asset.

It will continue to strengthen its technology leadership through continuous Research and Development (R&D) and leverage our extensive engineering experience.

Market Review

There is an increasing need for proper solutions to treat solid waste in the Middle East. Most of the countries in the Gulf Cooperation Council are ranked among the world's top 10 in terms of waste production per capita, with approximately 120 million tonnes of waste produced each year.

Notwithstanding the global economic crisis, the water sector in South America and the Caribbean is expected to remain active for the next two years, with Latin American countries heavily investing in infrastructure.

Several European Union states have legislations that encourage higher rates of recycling or recovery and impose restrictions on the types of waste that can still be land-filled. As a whole, the market for waste-to-energy (WTE) solutions in Europe remains strong.

After many years of slow development, the market in North America is showing renewed interest in WTE solutions.

China remains an attractive market as urbanisation accelerates, increasing demands for clean water and effective waste management. KIE plans to expand its presence in Guangdong Province to ride on its economic transformation. It signed a framework agreement with Guangdong GuangYe Environmental Protection Industrial Group for the joint investment of environmental infrastructure projects in the province.

Operating Review

In Singapore, KIE's proposal was selected by the government for the divestment of the Senoko Incineration Plant to an infrastructure business trust (the Trust). KIE will spearhead the establishment and listing of the Trust, which is expected to be the first of its kind. Singapore's fifth WTE plant at Tuas, scheduled to commence operations in the second quarter of 2009, and East Asia's largest operational NEWater Plant at Ulu Pandan will be among the first assets to be considered for injection into the Trust.

In China, KIE formed two joint venture (JV) companies with Tianjin partners to explore opportunities in the Sino-Singapore Tianjin Eco-City (Tianjin Eco-City). The first, Tianjin Eco-City Environmental Protection (TECEP) will focus on the investment, construction and operation of infrastructure for environmental protection, and is expected to provide urban environmental management, pollution treatment and environmental restoration and improvement. It will also develop and provide solutions for green energy and environmental protection.

The second JV, Tianjin Eco-City Energy Investment and Construction (TECEIC) will focus on the investment and implementation of energy and utilities-related infrastructure as well as the operations and maintenance of these facilities. TECEIC will also look into the development and promotion of renewable energy.

These two partnerships will allow KIE to strengthen its relationship with Tianjin, enhancing its strong foothold in China as a multi-national player to contribute greatly to the sustainable development of Tianjin City.

In the Middle East, KIE is making steady progress in the design and construction of the world's first integrated solid waste management centre in Qatar. KIE will undertake the operation and maintenance of this facility for 20 years. Construction of the plant is expected to be completed by the last quarter of 2009.

Also making good progress is the contract to design and build the greenfield wastewater treatment and water reuse facility with the capacity to treat 439,000 m^3 of wastewater a day in Qatar. Construction of the Doha North Sewage Treatment Works (DNSTW) plant is expected to be completed by end-2010, following which KIE will operate and maintain the facility for 10 years. KIE has also included a concept proposal to transform and enhance the surrounding area of the DNSTW into an EcoPark. The proposed EcoPark will be the first-of-its-kind to showcase breakthrough ideas on sustainable and resource-conscious development.

Singapore's Prime Minister Mr Lee Hsien Loong (right) and Minister for Environment and Water Resources Dr Yaacob Ibrahim tour the Keppel Group's booth at the SIWW with Keppel Corporation CEO, Mr Choo Chiau Beng (left).

KIE successfully applied its proven water reuse technology, the Keppel Seghers POTABLOC™, to produce high-quality industrial grade water as part of the construction of DNSTW. A mobile water treatment and production unit, POTABLOC™ recycles wastewater to provide water needed for the project construction instead of drawing on precious potable water from the city of Doha. The Public Works Authority of Qatar has hailed the application of POTABLOC™ as an example of green construction practice.

In December 2008, KIE secured two contracts worth nearly $120 million in Honduras and Guadeloupe, an overseas region of France. In Guadeloupe, KIE will design and provide a full suite of technology package for a new WTE plant. When completed in 2011, the plant will treat household, hospital and industrial waste of up to 130,000 tonnes per year to generate steam and electricity.

Keppel Sea Scan, a wholly-owned subsidiary of KIE, secured new marine accommodation projects with total value exceeded $38 million in Singapore, Brazil and Malaysia. Confirmed orders for supply of marine equipment and products exceeded $120 million of which $12 million was from clients in Vietnam, Indonesia, Kazakhstan and Qatar.

Keppel FMO, another wholly-owned subsidiary of KIE, secured several maintenance contracts from new customers including a contract to manage the Ministry of Manpower facilities. Keppel FMO continued to enjoy a high retention rate of existing customers, with extension contracts awarded from Alexandra Hospital, the Ministry of Environment and Water Resources, the Subordinate Courts, the Singhealth Group of Hospitals, National Technological University and Defence Science and Technology Agency.

As Singapore's first WTE plant built under the Public Private Partnership, Keppel Seghers will own and operate the Tuas Incineration Plant for 25 years.

Business Outlook
Sustainable and reliable water supplies have been identified as one of the key global challenges. According to the United Nations' estimates, one-third of the world's population live in areas with water shortages while 1.1 billion people lack access to safe drinking water. Concerns over securing adequate future water resources has resulted in a growing trend to implement effective water-efficiency programmes and a strong growing interest in expanding technologies related to water reuse and desalination.

Growing awareness of landfill pollution risks, land scarcity in rapidly urbanising regions and tighter regulations will create business opportunities in solid waste treatment industries.

As one of the few global companies with the track record to offer the full range of both water and thermal technologies, KIE will be well-positioned to harness these business opportunities.

Energy

Market Review
Average electricity demand in Singapore grew approximately 0.9% in 2008. However, electricity demand began to taper off in the last quarter of 2008. The long-awaited liberalisation of the Singapore gas market was realised with the implementation of the Gas Network Code on 15 September 2008. Keppel Energy's businesses in Singapore benefited from these developments with an improved operating and financial performance.

Temasek Holdings divested the three largest power generation companies in Singapore before the global economy turned for the worse. Keppel Energy is well-positioned to adapt to the entry of new players into the Singapore energy market brought by the privatisation.

Operating Review
Keppel Energy's focus in 2008 has been on execution and delivering value from the investments made in the power and gas businesses in Singapore. The Keppel Merlimau Co-generation Plant has been improving on its reliability and availability. Its retail arm, Keppel Electric, has also secured a larger market share in 2008. Keppel Gas, a gas importer and shipper into Singapore, collaborated with the Singapore authorities, the gas transporter and other companies in the industry to implement the Gas Network Code and successfully managed the transition into the new system.

Operating conditions in the Americas continue to be challenging. Keppel Energy would look to either divest or retire power assets in that region and focus its attention on the opportunities in Asia.

Business Outlook
Notwithstanding the economic slowdown, Keppel Energy's power business in Singapore is expected to continue to deliver sustainable earnings in 2009. While demand for electricity is slowing in tandem with lower economic activity, the company is well-positioned to ride out this volatile period. The gas business is expected to begin supply of gas to ExxonMobil Asia Pacific in the later part of the year.

Keppel Energy would utilise the integrated energy business platform to grow our Singapore business through capacity expansion and development of adjacencies like the utilities business on Jurong Island.

Keppel Energy
Keppel Energy aims to be a power company with innovative fuel solutions in Singapore and beyond.

Significant Events

Mr Wang Yang (left), Member of the Political Bureau of the Communist Party of China (CPC) Central Committee and Secretary of the CPC's Guangdong Committee meeting Mr Lim Chee Onn, Chairman of Keppel Corporation (right), in Singapore in September 2008.

December
Keppel Seghers Belgium NV and Keppel Seghers Latinoamèrica SA secured two environmental contracts worth about $120 million respectively in Guadeloupe (France) and Honduras.

The company would also pursue selective acquisitions of power and gas assets in Asia.

Logistics

Market Review

In Singapore, the strong economy in the first half of the year saw high levels of logistics activities. This led to both higher occupancy and rental rates. However, the global economic downturn in the later half affected logistics activities, especially export and manufacturing-driven ones.

In China, the overall cargo throughput at Chinese ports and internal cargo movement registered good growth in 2008. While China's growth is expected to slow in the first half of 2009, government policies stimulating growth should provide some support in the later part of the year.

Operations Review

Occupancy rates at Keppel Logistics' Singapore warehouses remained healthy at close to 100% as at end-2008. The Division also added about 160,000 square feet (sf) of warehouse space in Singapore, through its subsidiary, Transware Distribution Services.

The Division continued to leverage its strength to serve the Fast Moving Consumer Goods sector. It renewed its contract with long-time customers Nestle and Carrefour, and also acquired new customers such as Kraft and Kao Singapore. Keppel Logistics had also expanded its truck fleet in the year and strengthened its value proposition to provide integrated solutions from warehousing to distribution to its customers.

In Malaysia, Keppel Logistics deepened its footprint in Central Peninsular Malaysia by setting up its first major operations in a 60,000 sf warehouse in Shah Alam.

In China, Keppel Logistics Foshan (KLF) continued to operate at maximum capacity with the Lanshi Port recording a historical high of 220,000 twenty-foot equivalent units handled.

Logistics and Data Centre & Networks

Keppel Telecommunications & Transportation aims to leverage core competencies to enhance existing businesses.

Keppel Logistics expanded its cold-chain facilities to meet the growing needs of its fast moving consumer goods (FMCG) customers.

Leveraging its expertise in delivering 100% availability specialised data centre management, Citadel100 delivers a range of customised solutions ranging from co-location suites to dedicated data vaults.

KLF also enjoyed near full occupancy for its existing warehouse space. To keep pace with the business growth, KLF had in 2008 increased the stacking capability of Lanshi Port. Preparing for growing demand for warehousing space and third-party logistics services, KLF will commence building a new distribution centre in Nanhai during 2009.

Through Wuhu Annto Logistics Company Limited, the Division made good progress in the niche segment of cold-chain services as it increased its fleet size of reefer trucks in 2008 to cope with the growing demand.

Keppel Logistics made its first move into Vietnam in 2008 through the acquisition of a 40% interest in Indo-Trans Logistics Vietnam, a company which operates more than 150,000 sf of warehouse space in Ho Chi Minh City and Hanoi.

Business Outlook

Logistics activities are expected to be affected by the sluggish global economy in 2009. The group will continue to be vigilant in managing costs and improving efficiency while at the same time, build its businesses and take advantage of any opportunities that may arise during this period of adversity.

Data Centre & Networks

Market Review

The overall data centre market in Europe remains buoyant, despite the credit crisis. The supply growth of high-quality data centre facilities continues to lag demand growth, resulting in higher capacity utilisation and co-location prices.

Operations Review

Keppel T&T ventured into the data centre market in Europe in February 2007, through the acquisition of a 50% stake in Premier Data Centres Limited. Premier Data Centres Limited was renamed Citadel 100 Datacenters Limited (Citadel100) in 2008 as part of its re-branding exercise.

Citadel100, Keppel T&T's data centre business in Dublin, achieved 98% occupancy in 2008. Citadel100 continues to provide high-quality services to its blue-chip customers, priding itself in delivering zero downtime.

Business Outlook

The Division continues to explore various new data centre projects in Dublin and The Netherlands on the back of its customers' expansion plans in these markets.

Our investments are committed to deliver good value to shareholders amidst the difficult global climate.

Earnings Highlights

Operating Profit ($ million)

2008	**25**
2007	30
2006	95

$219m
Profit before Tax

$172m
PATMI

Major Developments in 2008

- Singapore Petroleum Company (SPC) acquired full operatorship of its first onshore exploration block in Indonesia, the Mahakam Hilir PSC in Kutai Basin in the East Kalimantan province.
- k1 Ventures realised significant gains on its partial sale of McMoRan Exploration Company.
- MobileOne(M1) submitted a bid to build and operate the active infrastructure layer for Singapore's Next Generation National Broadband Network.

Focus for 2009/2010

- SPC will prudently invest in oil and gas production assets and develop its existing acreages for long-term shareholder value creation.
- k1 Ventures is working closely with its investee companies for value creation. It aims to strategically rebalance Helm's rail-related inventories and prepare Helm for future growth.
- M1 will continue to tap on opportunities arising from media convergence and develop new businesses anchored on its core competencies.

Earnings Highlights

	2008 $ million	2007 $ million	2006 $ million
Revenue	**54**	61	121
EBITDA	**26**	30	95
Operating profit	**25**	30	95
Profit before tax	**219**	334	306
PATMI	**172**	268	242
Manpower (number)	**165**	156	161
Manpower cost	**65**	60	50

Earnings Review

Investments recorded a decline in revenue of 11% to $54 million in 2008 from $61 million in 2007. Profit of $172 million was $96 million or 36% lower compared to the previous year, due mainly to lower contribution from SPC and partly offset by higher contribution from k1 Ventures. Investments contributed 16% to the Group's PATMI in 2008.

Singapore Petroleum Company (SPC)

SPC is a regional oil and gas company with interests in oil and gas exploration and production, refining, terminalling and distribution, marketing and trading of crudes and refined petroleum products. It is an associated company of Keppel Corporation. SPC's vision is to be a strong, integrated oil and gas company with a premium brand in the Asia-Pacific region.

Market Review

2008 saw severe volatility in oil prices and refining margins.

In the first half of 2008, continuing geopolitical tensions, supply uncertainties coupled with strong demand from China and India as well as the weakening of the US dollar resulted in crude oil and refined product prices reaching record levels. The benchmark West Texas Intermediate crude surged to a record US$147.27 per barrel in July 2008.

However, in the second half of 2008, the global economic crisis and the resultant curtailing of bank lending impacted the demand for refined petroleum products, and caused oil prices to fall sharply. By end-2008, crude oil prices had fallen by more than US$100 per barrel from its record highs. Demand for crude oil fell by 0.2 million barrels per day (bpd) in 2008 to 85.8 million bpd.

Refining margins were also extremely volatile during the year. In the first half of 2008, SPC recorded an average refining margin of about US$10.00 per barrel. With weaker demand in the second half year, SPC's average refining margin fell to about US$1.00 per barrel.

Operating Review

In 2008, SPC's Exploration and Production (E&P) business contributed close to 40% of the Group's after-tax earnings, exceeding its near-term target of 30% earnings contributions from E&P, well ahead of initial schedule.

The company's E&P earnings grew 186.2% in 2008 compared to 2007 due to increased production from its producing assets in Indonesia and China. For the year, SPC's E&P producing assets delivered $329.2 million in revenue and $156.0 million in operating profit.

Continued on page 84 ...

In line with its commitment towards a cleaner and greener environment, Singapore Refining Company is upgrading its ultra-low sulphur diesel production capability and volume.

SPC Upstream Assets

Kakap PSC, Indonesia

Kakap Production Sharing Contract (PSC), which covers approximately 2,006 sq km, is located offshore in the West Natuna Sea of Indonesia, 486 km northeast of Singapore. There are nine producing oil and gas fields, integrated by four platforms and seven subsea wellheads. Oil is processed by a Floating Production Storage and Offloading (FPSO) vessel and gas is transported through the 654 km West Natuna Transportation System pipeline to Singapore. SPC has a 15% interest in the Kakap PSC that contributed 2,142 barrels of oil equivalent per day (boepd) for the Group in 2008.

SPC proceeded to link two subsea tie-backs to the KG platform which is scheduled for completion in 2010. Upon completion, they are expected to increase the gas production for supply to Singapore through the KG-KF pipeline that is now under construction.

Sampang PSC, Indonesia

Sampang PSC is located in the Madura Strait, offshore East Java in Indonesia, covering approximately 535.5 sq km. The block is made up of the producing Oyong oil and gas fields as well as the Wortel gas field and Jeruk oil discovery.

Oyong

In 2008, the Oyong field produced oil which averaged 6,318 bpd. This equates to 2,527 bpd for SPC's 40% interest. Gas development of the Oyong field is now in progress, with gas production expected to commence in 2009.

Wortel

Wortel gas field is located approximately 7 km west of the Oyong field. Upon obtaining approval from the Indonesian authority, the partners will proceed to develop the Wortel gas field. First gas production is expected in early 2011.

Jeruk

The Sampang partners continue to work closely to explore possible development plans to commercialise Jeruk's resources.

Mahakam Hilir, Indonesia

Mahakam Hilir block covers approximately 344.14 sq km and is located onshore in the Kutai Basin, East Kalimantan. The Kutai Basin is one of the largest and most important oil and gas producing basins in Indonesia. SPC is a 100% operator of the block, and is committed to conducting seismic survey and exploration drilling under the PSC. SPC will be establishing a branch office in Jakarta in 2009 to facilitate and manage operations of the block.

Gas Pipelines

SPC holds a 15% interest in the Transasia Pipeline Company Private Limited (Mauritius), which in turn holds a 40% interest in PT Transportasi Gas Indonesia (PT TGI). PT TGI owns and operates two major gas transmission lines, namely the 536 km Grissik-Duri pipeline and the 468 km Grissik-Batam-Singapore pipeline.

Bohai Bay, China

Block 04/36 and Block 05/36 are located in western Bohai Bay, 190 km east of Beijing. Covering approximately 225 sq km, the blocks are currently SPC's largest producing assets.

Oil is gathered by six platforms and processed by a FPSO vessel. Block 04/36 and Block 05/36 have a total gross oil production of 44,664 bpd, of which 3,806 bpd was net to SPC. Since the acquisition of the blocks in the second half of 2007, SPC has lifted over a million barrels of oil from the fields.

SPC's upstream business contributed close to 40% of the Group's after-tax earnings in 2008.

Block 26/18, China

SPC holds a 100% operatorship interest in Block 26/18. Located in the Pearl River Mouth Basin, South China Sea, the block covers approximately 4,961 sq km and is 150 km from shore at water depths of between 85 and 200 metres. Block 26/18 is the first offshore block to be operated by SPC.

SPC will continue to acquire and process 3-D seismic data of the block, and conduct more geological and geophysical studies in 2009 in preparation for exploration drilling.

Blocks 102 and 106, Vietnam

Located in the Song Hong Basin, offshore Vietnam in the Gulf of Tonkin, Blocks 102 and 106 cover an area of approximately 8,560 sq km and contain several exploration prospects and leads. SPC holds a 20% participating interest in the blocks.

In December, the Ham Rong-1X exploration well was plugged and abandoned at 3,767 metres. Oil samples drawn from the well indicated that the oil is of 39° API with a flow rate of about 4,859 bpd, while the gas rate was about 6 million standard cubic feet per day. The drilling of Yentu-2X appraisal well, located about 13 km east of Ham Rong-1X, was also carried out. The partners will continue to work closely to further explore the potentials of the Ham Rong and Yentu fields.

Block 101-100/04, Vietnam

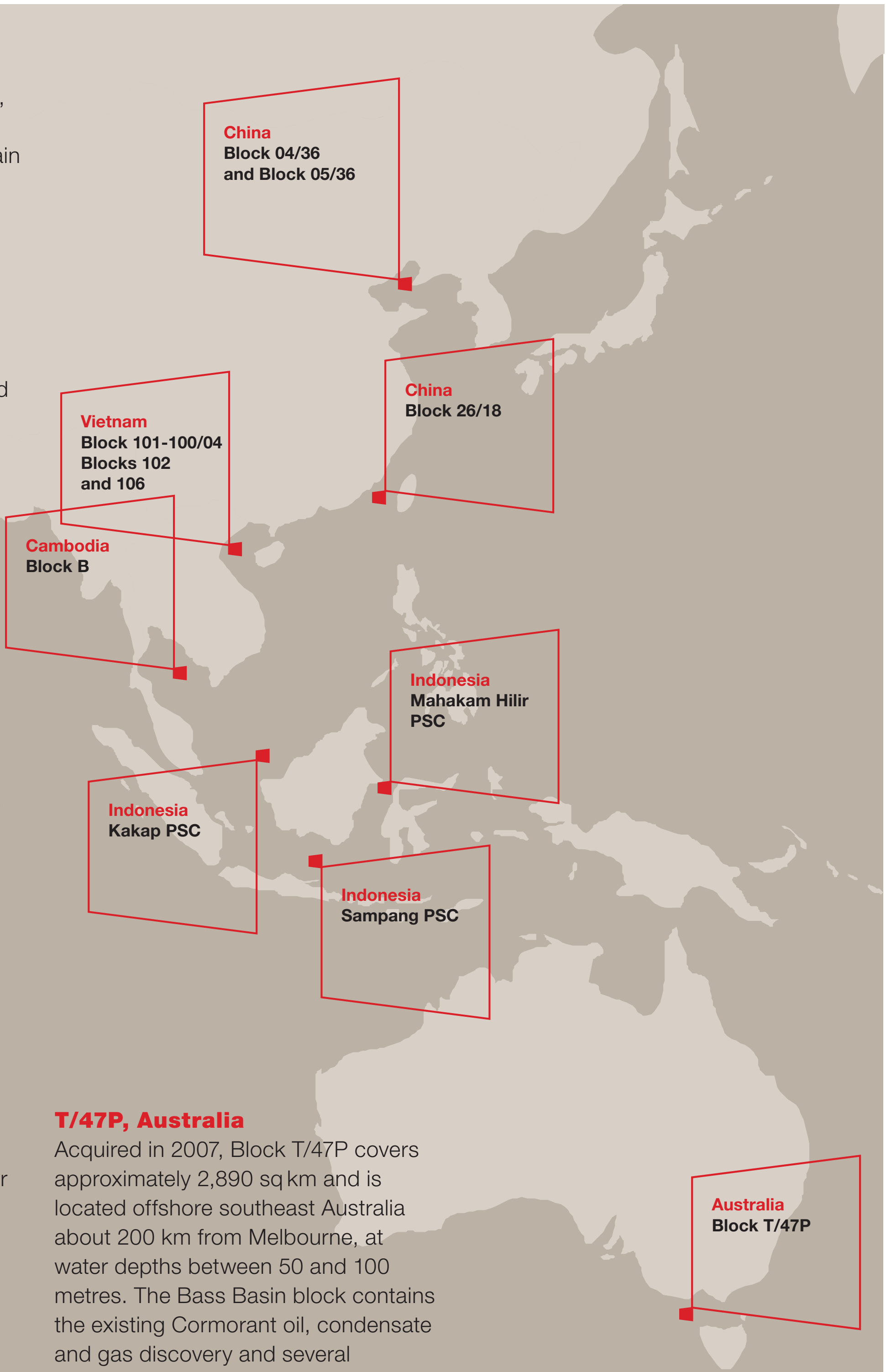
Block 101-100/04 extends across an area of approximately 6,174 sq km, located adjacent to Blocks 102 and 106 in the Gulf of Tonkin.

During the year, the partners continued to acquire and interpret the seismic data of the block. Drilling of an exploration well is expected in the first half of 2009.

Block B, Cambodia

Block B, covering approximately 6,560 sq km, is located 250 km offshore Cambodia, east of the Khmer Basin where a number of oil and gas discoveries were previously made.

In June, the Vimean Morodok MahaNorkor-1 exploration well was drilled but later plugged and abandoned with non-recoverable oil shows. SPC and its partners extended the exploration phase of the block for two years to undertake further technical study and evaluation of the block's potential.



T/47P, Australia

Acquired in 2007, Block T/47P covers approximately 2,890 sq km and is located offshore southeast Australia about 200 km from Melbourne, at water depths between 50 and 100 metres. The Bass Basin block contains the existing Cormorant oil, condensate and gas discovery and several exploration prospects and leads.

Seismic acquisition and processing of the surveys were completed in 2008. Exploration drilling for the block is expected to commence in 2010.

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In 2008, SPC continued to be active in expanding its E&P business. It acquired and gained full operatorship of its first onshore E&P asset, the Mahakam Hilir Production Sharing Contracts (PSC). The block is SPC's third asset in Indonesia, in addition to the Kakap and Sampang PSCs.

An E&P branch office was established in Shekou, Shenzhen, China to operate and manage SPC's three acreages in China: Block 26/18 in the Pearl River Mouth Basin, as well as Block 04/36 and Block 05/36 in Bohai Bay. The blocks in Bohai Bay are SPC's largest producing assets.

To date, SPC has nine PSCs and one exploration permit across the Asia-Pacific region in Australia, Cambodia, China, Indonesia and Vietnam.

The first half of 2008 saw healthy refining margins for SPC due to strong demand for refined products. Singapore Refining Company (SRC), 50% owned by SPC, was kept running at close to full capacity. As the global economic downturn worsened in the later half of 2008, refining margins nosedived. Together with the sharp fall in crude oil and product prices, SPC's downstream earnings were negatively impacted. For the full year 2008, SPC recorded an average refining margin of about US$5.50 per barrel, compared to US$7.00 per barrel in 2007.

During the year, SRC successfully completed its scheduled maintenance of the catalytic reformer and the hydrocracker upgrading units. The revamp of SRC's hydro-desulphuriser unit which started in mid-2007 to produce ultra-low-sulphur diesel progressed on schedule. Due to the ongoing economic slowdown, SPC and its partners are reviewing SRC's proposed clean ultra-low sulphur gasoline and co-generation plant projects.

SPC continues to provide quality service and value to motorists in Singapore through its extensive service station network. During the year, the company introduced yet more initiatives such as "Drive-Thru" ATM and "Drive-Thru" take-away food outlet, to bring greater convenience and value to its customers and to expand its base of loyal customers.

Business Outlook

The global economic downturn adversely impacted SPC's performance in 2008. SPC will leverage its robust corporate governance practices and strong enterprise risk management framework to enhance shareholder value in the long run.

As a result of the global economic slowdown, some companies in the oil and gas industry are delaying or cancelling projects and planned investments. SPC will review its capital investments and operating expenditures to ensure that they make economic sense in the current difficult environment.

Significant Events

McMoRan Exploration Company is principally engaged in the exploration, development and production of oil and natural gas.

June
SPC and its partners began drilling the Ham Rong-1X exploration well in Vietnam.

k1 Ventures sold 2,379,235 shares in McMoRan Exploration Company for an aggregate pre-tax consideration of US$70.1 million with the aim of enhancing shareholder value.

July
SPC and its partners commenced drilling of the first exploration well at Vimean Morodok MahaNorkor-1 in Cambodia.

September
SPC officially opened its Shekou branch office to operate and manage its upstream assets in China.

November
SPC entered into a Petroleum PSC to explore the Mahakam Hilir PSC, its first onshore block in Indonesia.

With low gearing, SPC is financially robust and will be able to remain resilient in the current downturn. SPC will continue to invest prudently to benefit from opportunities that may arise from the current downturn.

k1 Ventures

k1 Ventures, 36%-owned by Keppel Corporation, is invested in companies across diverse industry sectors including transportation leasing, education, and oil and gas exploration. Its major investments are in Helm Holding Corporation (Helm), the largest independent locomotive and railcar leasing company in North America, and Knowledge Universe Holdings (KUH), a leading global education service provider.

For the financial year ended 30 June 2008, the company recorded profits from continuing operations of $72.9 million, a 319% increase over the previous year, mainly driven by the sale of Dakota, Minnesota & Eastern Railroad Corp, an investment held by Helm, and the partial sale of k1 Ventures' investment in McMoRan Exploration Company. k1 Ventures realised profit before tax gains of $49.2 million and $66.2 million respectively, from the dispositions. For 2008, the company distributed 8 cents per share to shareholders.

KUH, through its operating subsidiaries, expanded its international platform by entering into the Singapore market in 2008. KUH has become the largest preschool education services provider in Singapore.

The global economic slowdown has impacted k1 Ventures' investments, and the company is committed to meet these challenges by continuing to be proactive in the management of its investments with the goal of enhancing shareholder value.

1 M1 aims to be the leader in personal voice, business and data communications, focusing on value, quality and customer service.

2 Helm uses its nationwide network of professionals to purchase, refurbish and service rail equipment to customers in North America.

MobileOne (M1)

M1 is a leading mobile communications provider in Singapore, providing a full range of mobile voice and data communications services over its 2G/3G/3.5G network. M1 is 20%-owned by Keppel Telecommunications & Transportation (Keppel T&T).

M1 remains a significant contributor to Keppel T&T's earnings and cash flow, despite a decrease in its net profit from $171.8 million in 2007 to $150.1 million in 2008.

As part of its effort to transform itself into a dynamic multi-play operator, M1 embarked on several key initiatives to drive efficiency and capitalise on new opportunities during the year.

In December 2008, M1 submitted a bid to build and operate the active infrastructure layer for Singapore's Next Generation National Broadband Network (NBN), which is expected to further entrench Singapore's status as an infocomm hub. The tender result is expected to be announced in the first quarter of 2009. M1 will benefit from the introduction of NBN as it will provide a neutral and transparent Open Access environment, enabling M1 to compete more effectively in the fixed line space as a retail service provider.

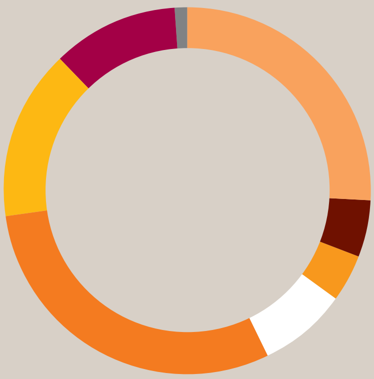
Operating & Financial Review
Financial Review and Outlook

With 74% of its total revenue coming from overseas customers, the Keppel Group stays focused on building regional and global winners.

Revenue by Market 2008

$11,805m
+13%

Singapore **26%**
Overseas **74%**

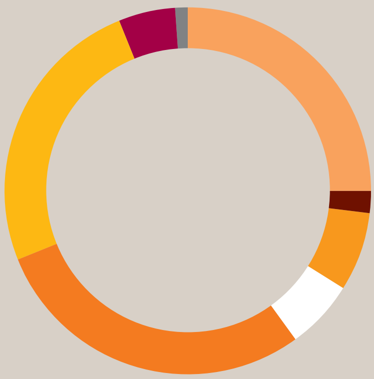


Singapore	26%
ASEAN	5%
Rest of Asia-Pacific	4%
Middle East / India	8%
Europe	30%
North America	15%
South America	11%
Central America	1%

Revenue by Market 2007

$10,431m
+37%

Singapore **25%**
Overseas **75%**

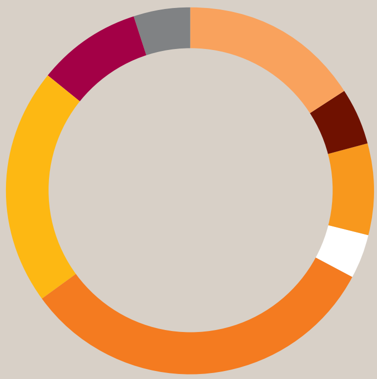


Singapore	25%
ASEAN	2%
Rest of Asia-Pacific	7%
Middle East / India	6%
Europe	29%
North America	25%
South America	5%
Central America	1%

Revenue by Market 2006

$7,601m
+34%

Singapore **16%**
Overseas **84%**



Singapore	16%
ASEAN	5%
Rest of Asia-Pacific	8%
Middle East / India	4%
Europe	32%
North America	21%
South America	9%
Central America	5%

Prospects

The global economic downturn we face today is unprecedented. Notwithstanding the exceptional measures taken by governments around the world to stimulate their economies, the outlook remains opaque and the current recession may last longer than previous ones.

For Keppel, years of prudent investing, growing and rationalising our businesses based on the multi-business strategy has placed the Group in a net cash position as at end-2008. With our strong balance sheet, Keppel endeavours to draw from the lessons and experiences in past crises to strengthen our businesses, maintain leaner operations and enhance our value proposition to customers. As we meet the challenges in these difficult market conditions, we are also preparing for the future.

While fundamentals in the Offshore & Marine business remain intact, the global financial turmoil and declining oil prices have affected the industry resulting in fewer rig orders. Shiprepair is also expected to be affected by slumping freight rates and more vessels being laid up. However, the demand for Floating Production Storage and Offloading conversions remains stable. The outstanding orderbook of $10.8 billion with deliveries into 2012 will keep Keppel Offshore & Marine's yards busy for a few more years.

Offshore & Marine Division will continue to be the largest contributor to the profit of the Group. The Division is harnessing its resources to be the solutions provider of choice through first-class execution, proactive technology development and implementation of its "*Near Market, Near Customer*" strategy. It is also reviewing its assets, systems and processes to make them work harder so that greater value can be extracted. The Division is also stringent in project selection, tracking down payments and progress payments to ensure projects remain cash flow positive.

The current focus of Keppel's top management is to steer the Group to emerge stronger from this economic downturn.

Sales of Singapore and regional private residential properties were subdued in 2008. Looking ahead, the regional property market will continue to remain soft with fewer sales transactions and declining prices. The progressive recognition of revenue and profits of residential properties sold in the past two years is expected to provide some respite for the Property Division, until confidence returns to the market.

The demographic fundamentals of the countries that we operate in are still intact and with regional governments aggressively introducing stimulus measures, hopefully market confidence can be shored up and that would encourage home purchases, especially with lower mortgage rates and tax incentives. Keppel Land is monitoring the markets and will launch its projects if and when conditions are appropriate. The Division, with its healthy balance sheet and a tighter operation, is poised to ride through the current weakness and seize opportunity as the market stabilises.

The credit crunch has also affected the number of new infrastructure projects coming onstream. This will impact the Infrastructure Division which has seen its PATMI in 2008 risen more than double the level achieved in 2007.

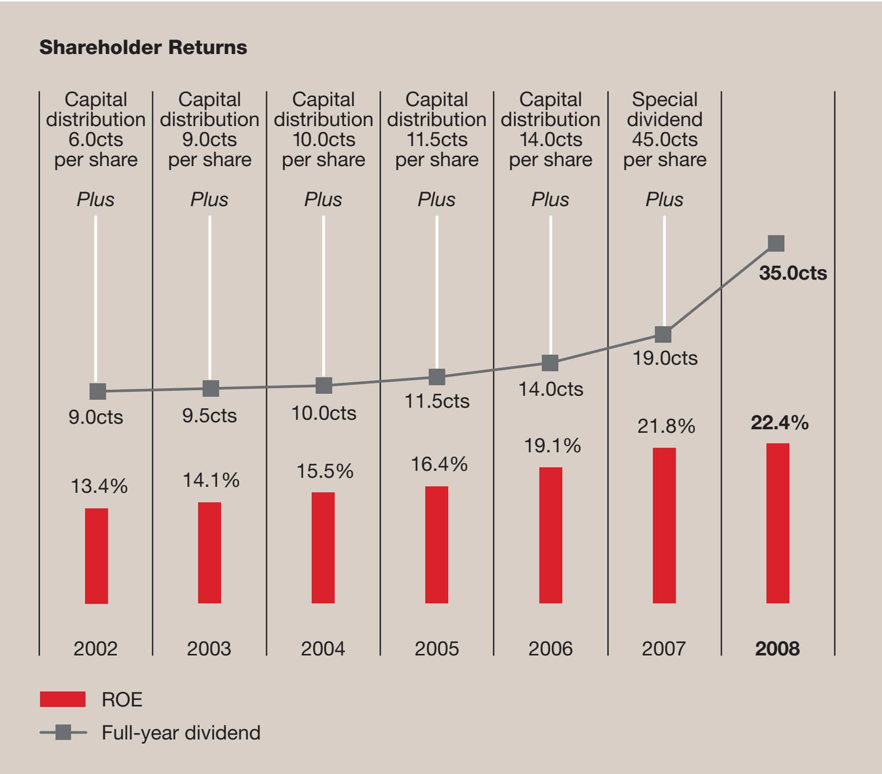
The Division has a mix of different businesses and projects at varying stages of growth and development. Constructions of its projects are progressing on track, and the scheduled payments are expected to provide the Division with a core base of revenue and profits. Environmental Engineering will continue to seek out opportunities to offer technologically-advanced cost-effective solutions to its customers. Power Generation is focusing on delivering stronger earnings from its existing power assets, and evaluating possible areas of growth. Logistics is also taking advantage of the current climate to cautiously increase its capacity.

While the crisis has impacted Singapore Petroleum Company's (SPC) performance, it also presents opportunities for the company to realise its vision as an integrated oil and gas company during this downturn. With low gearing and no long-term borrowings to refinance, SPC is financially robust and will continue to invest prudently to benefit from an eventual recovery of the global economy.

Shareholder Returns

Return on Equity increased from 21.8% in 2007 to 22.4% in 2008, reflecting our effort to pursue higher returns for our shareholders.

The Company will be paying a final dividend of 21 cents per share. Together with the interim dividend of 14 cents per share, total dividend for 2008 is 35 cents per share. In the previous year, total dividend of



64 cents per share included a special dividend of 45 cents to commemorate the Company's 40th anniversary since its incorporation. Total payout for 2008 represents 51% of Group PATMI. This is equivalent to a gross yield of 8.1% on the Company's last transacted share price as at 31 December 2008.

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

Economic Value Added (EVA)

EVA increased by $88 million to $692 million in 2008. This was attributable to higher operating profit coupled with lower capital charge.

Net Operating Profit After Tax (NOPAT) increased by $60 million due to an

	2008 $ million	08v07 +/(-)	2007 $ million	07v06 +/(-)	2006 $ million
Economic Value Added (EVA)					
Profit after tax & exceptional items	**1,149**	+87	1,062	+172	890
Adjustment for:					
Interest expense	**105**	-29	134	+24	110
Interest expense on non-capitalised leases	**20**	–	20	+1	19
Tax effect on interest expense adjustments[1]	**(18)**	+1	(19)	-2	(17)
Provisions, deferred tax, amortisation & other adjustments	**33**	+1	32	+21	11
Net Operating Profit After Tax (NOPAT)	**1,289**	+60	1,229	+216	1,013
Average EVA Capital Employed[2]	**8,848**	-102	8,950	-132	9,082
Weighted Average Cost of Capital[3]	**6.75%**	-0.24%	6.99%	+0.49%	6.50%
Capital Charge	**(597)**	+28	(625)	-35	(590)
Economic Value Added	**692**	+88	604	+181	423
Comprising:					
EVA excluding exceptional items	**855**	+76	779	+363	416
EVA of exceptional items	**(163)**	+12	(175)	-182	7
	692	+88	604	+181	423

1 The reported current tax is adjusted for statutory tax impact on interest expenses.
2 Average EVA Capital Employed is derived from the quarterly averages of net assets plus interest-bearing liabilities, provision and present value of operating leases.
3 Weighted Average Cost of Capital is calculated in accordance with the Keppel Group EVA Policy as follows:
a Cost of Equity using Capital Asset Pricing Model with market risk premium set at 6% (2007: 6%);
b Risk-free rate of 2.7797% (2007: 3.041%) based on yield-to-maturity of Singapore Government 10-year Bonds;
c Unlevered beta at 0.72 (2007: 0.72); and
d Pre-tax Cost of Debt at 3.43% (2007: 3.72%) using five-year Singapore Dollar Swap Offer Rate plus 40 basis points (2007: 40 basis points).

improvement in profit after tax of $87 million. Capital charge decreased by $28 million as a result of lower Weighted Average Cost of Capital (WACC) and EVA Capital. WACC declined from 6.99% to 6.75% largely attributable to lower pre-tax cost of debt. Average EVA Capital decreased by $102 million from $8.95 billion to $8.85 billion.

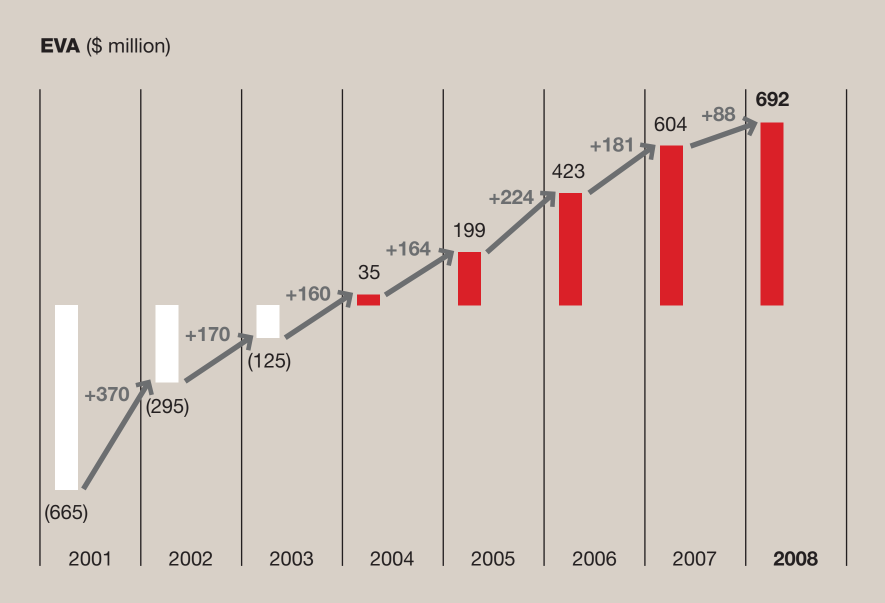
The Group's resources have been more effectively deployed to further enhance shareholder value. This is reflected in the positive and growing EVA that we have been achieving since 2004.

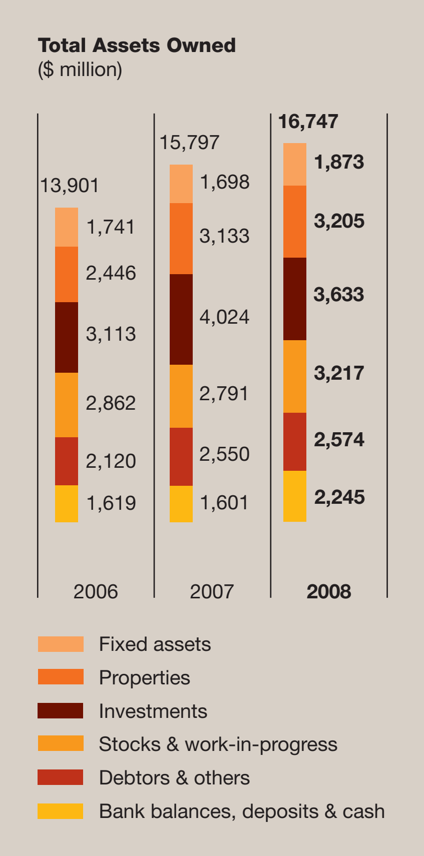
Financial Position

Total assets of $16.75 billion at 31 December 2008 were $0.95 billion or 6.0% higher than the previous year-end. Fixed assets rose as a result of capital expenditure. Investment properties was higher due to *Ocean Financial Centre* redevelopment cost. Increase in associated companies was attributable to equity accounting for share of profits and further investment in *Marina Bay Financial Centre*.

Increase in long-term receivables was due to expenditure on the waste-to-energy plant at Tuas which was accounted for as lease receivable in accordance with prescribed accounting standard. Increase in stocks & work-in-progress was due to expenditure on trading properties and increased activities in Offshore & Marine Division. Debtors was higher as a result of higher billings in Offshore & Marine and Infrastructure Divisions. These were partly offset by decrease in amount due from associated companies because of repayment of advances and decrease in investments due to fair value adjustments of financial assets and sale of equities during the year.

Shareholders' funds decreased from $5.20 billion at 31 December 2007 to $4.60 billion at 31 December 2008. The decrease was attributed mainly to total payout of $1,098 million comprising final and special dividends in respect of financial year 2007 and





interim dividend in respect of the first half year ended 30 June 2008 and reduction in fair value and hedging reserves, partly offset by retained profits for the year.

Minority interests increased because of share of profits and proceeds from the rights issue of K-REIT Asia and Evergro Properties.

Total liabilities of $10.0 billion at 31 December 2008 were $1.24 billion or 14.1% higher than the previous year-end. Increase in creditors was due mainly to higher operating activities in Offshore & Marine and Infrastructure Divisions. Higher billings on work-in-progress in excess of related cost was attributable mainly to deposits received for new jobs and milestone billings for contracts in Offshore & Marine Division. Amount due to associated companies was higher because of deposits received from SPC.

Net cash was $275 million compared to Group net borrowings of $634 million at the previous year-end due to strong operational cash flow.

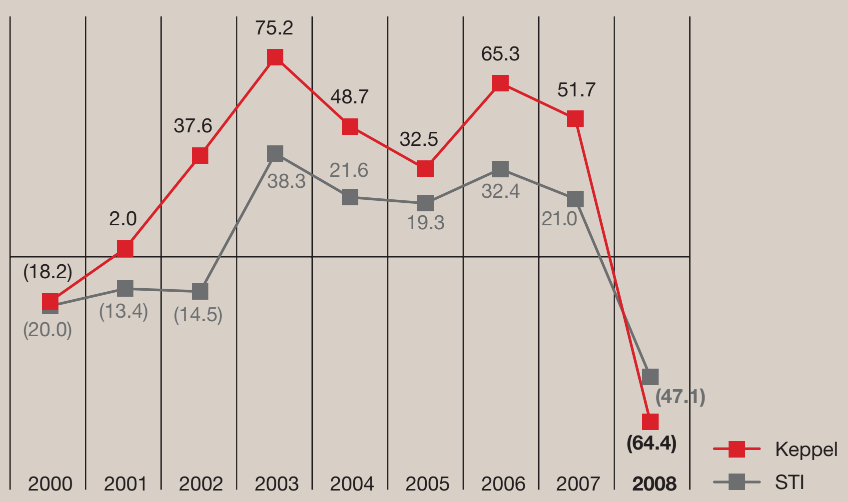
Total Shareholder Return (TSR)

Keppel's Total Shareholder Return (TSR) for 2008 declined to a negative 64% from a positive 52% the year before. This was 17% below the benchmark Straits Times Index's (STI) TSR of negative 47% in the same period. This was notwithstanding the consistent strong dividend payout of 64 cents and 35 cents for the financial years 2007 and 2008 respectively.

The decline is due mainly to weak sentiments as a result of the deepening global crisis that began with the US sub-prime and financial meltdowns in the second half of 2007. Despite the sharp decline in value in 2008, Keppel's Compounded Annual Growth Rate (CAGR) TSR over the last eight years was at 20%, which is almost double the STI's CAGR TSR of 11% for the same period.

We are focused on managing the current market uncertainties while continuing to prune and rationalise our businesses to realise their synergies. We will also remain steadfast in prudently identifying, developing and building growth platforms. Just as our consistent execution of our strategies has contributed to a CAGR for PATMI of 22% over the last seven years, we are committed to deliver value to shareholders through earnings growth.

Total Shareholder Return (%)



Cash Flow

Net cash from operating activities was $2,047 million compared to $1,697 million in the previous year. This was contributed mainly by the increased operating profit and positive working capital changes.

Net cash used in investing activities was $171 million. The Group spent $563 million on acquisitions and operational capital expenditure. This comprised principally further investments in *Marina Bay Financial Centre*, capital expenditure on yards development and other operational capital expenditure. Divestment and dividend received totalled $392 million.

As a result, free cash flow increased from $1,151 million in the previous year to $1,876 million.

Total distribution to shareholders of the Company and minority shareholders of subsidiaries for the year amounted to $1,201 million, an increase of 135% compared to the previous year.

Financial Risk Management

The Group operates internationally 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.

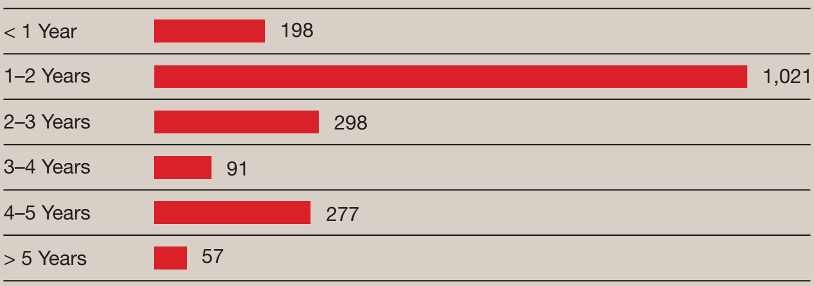
These policies and guidelines are established by the Group Central Finance Committee and regularly updated to take into account changes in the operating environment. This committee is chaired by the Group Finance Director and comprises Chief Financial Officers of the Group's key operating companies and Head Office specialists.

The Group's financial risk management is discussed in more detail in the notes to the financial statements. In summary:

	2008 $ million	08v07 +/(-)	2007 $ million	07v06 +/(-)	2006 $ million
Cash Flow					
Operating profit	**1,238**	+187	1,051	+247	804
Depreciation, amortisation & other non-cash items	**158**	+19	139	-8	147
Cash flow provided by operations before changes in working capital	**1,396**	+206	1,190	+239	951
Working capital changes	**852**	+214	638	-367	1,005
Interest receipt and payment & tax paid	**(201)**	-70	(131)	-29	(102)
Net cash from operating activities	**2,047**	+350	1,697	-157	1,854
Divestments	**19**	-13	32	-146	178
Investments & capital expenditure	**(563)**	278	(841)	-82	(759)
Dividend income	**373**	+110	263	+56	207
Net cash used in investing activities	**(171)**	+375	(546)	-172	(374)
Free cash flow	**1,876**	+725	1,151	-329	1,480
Dividend paid to shareholders of the Company & subsidiaries	(1,201)	-690	(511)	-101	(410)

- The Group has receivables and payables denominated in foreign currencies viz US dollars, European and other Asian currencies. Foreign currency exposures arise mainly from the exchange rate movement of these foreign currencies against the 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.

Debt Maturity ($ million)



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 2008, 10% (2007: 22% and 2006: 23%) of Group borrowings were repayable within one year with the balance largely repayable between two to five years.

Unsecured borrowings constituted 69% (2007: 70% and 2006: 38%) 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 $2.81 billion (2007: $1.83 billion and 2006: $1.97 billion).

Fixed rate borrowings constituted 48% (2007: 50% and 2006: 41%) of total borrowings with the balance at floating rates. The Group has interest rate swap agreements with notional amount totalling $348 million whereby it receives variable rates equal to SIBOR and pays fixed rates of between 3.19% 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 dollar and Singapore dollar variable rate term loans. As at the end of the financial year, the Group has outstanding interest rate cap agreements of $53 million. Details of these derivative instruments are disclosed in the notes to the financial statements.

Singapore dollar borrowings represented 94% (2007: 76% and 2006: 93%) of total borrowings. The balances were in US dollar, 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 cash flow 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, cash flow 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 2008 was $6.75 billion, a decrease of $286 million over 2007 and an increase of $1.15 billion over 2006. The Group was in a net cash position of $275 million at the end of 2008 compared to net borrowings of $634 million in 2007 and $1.34 billion in 2006. With strong cash flow, the Group's net cash was 0.04 times at the end of 2008.

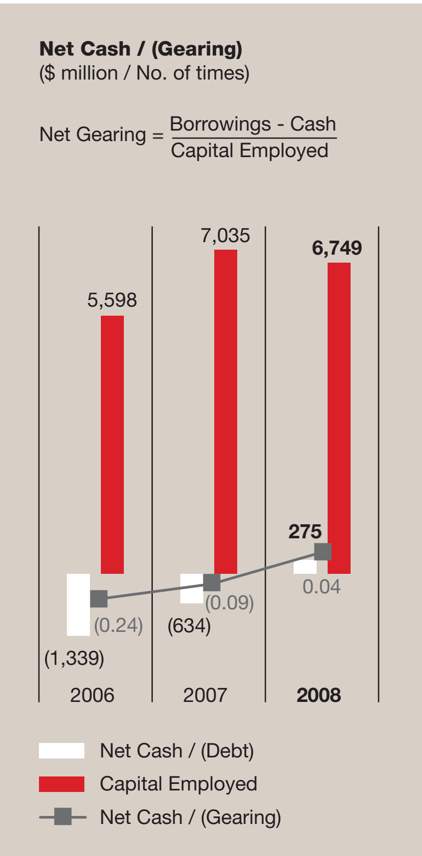
Interest coverage improved from 9.85 times in 2006 to 17.46 times in 2008. This was achieved on increasing EBIT despite the escalating cost of funds.

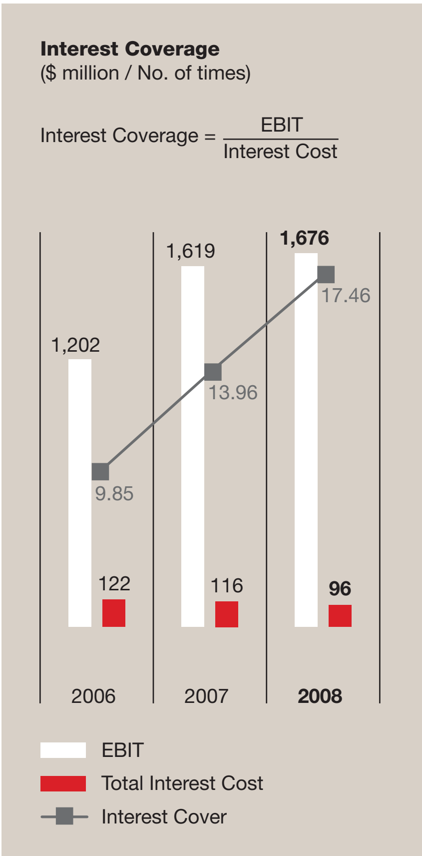
Cash flow coverage increased from 16.20 times in 2006 to 22.32 times in 2008. Cash flow coverage remained healthy due to the robust operating cash flow generated by the Group.

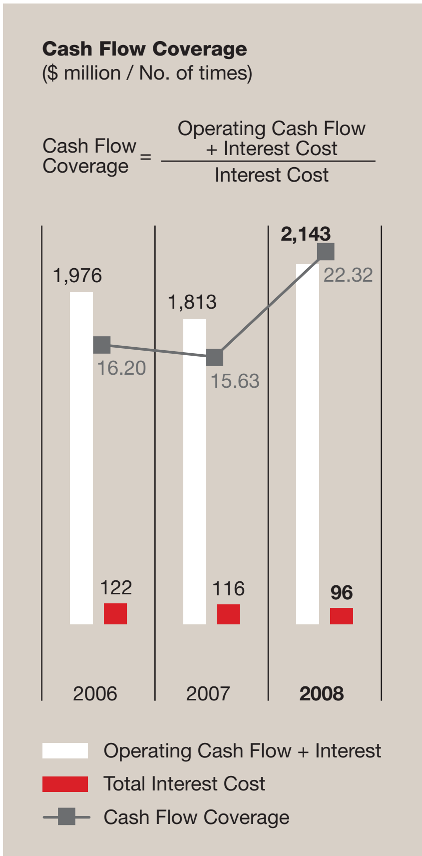
At the Annual General Meeting in 2008, shareholders gave their approval for mandates to issue and buy back shares. The Company did not exercise these mandates.

Financial Resources

As part of its liquidity management, the Group has built up adequate cash reserves and short-term marketable securities and sufficient undrawn







	$ million	Remarks
Financial Capacity		
Cash at Corporate Treasury	1,040	46% of total cash of $2.24 billion
Credit facilities extended to the Group	4,208	Credit facilities of $5.44 billion, of which $1.23 billion was utilised
Total	**5,248**	

banking facilities and capital market programme. Funding of working capital requirements, capital expenditure and investment needs is made through a mix of short-term money market borrowings and medium/long-term loans.

Due to the dynamic nature of its businesses, the Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time. Cash flow, debt maturity profile and overall liquidity position is actively reviewed on an ongoing basis.

The Group has further strengthened its financial capacity during the year. As at end of 2008, total funds available and unutilised facilities amounted to $5.25 billion.

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 cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows.

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 cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows.

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 cash flow.

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.

Revenue arising from additional claims and variation orders, whether billed or unbilled, is recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claims or approve the variation orders, and the amount that it is probable will be accepted by the customer can be measured reliably.

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.

Claims and Litigations

The Group entered into contracts with third parties and is exposed to the risk of claims and litigations. These can arise for various reasons, including change in scope of work, delay and disputes, or defective specifications etc. The scope, enforceability and validity of any potential claim and litigation may be highly uncertain. In making its judgement as to whether the claim or litigation could have a material impact, management relies on past experience and the opinion of legal and technical expertise.

Sustainability Report

Keppel has key businesses in Offshore & Marine, Property and Infrastructure. Harnessing our core competencies, we continue to grow beyond, creating sustainable developments to improve the environment and quality of living.

As we celebrate our 40th anniversary, we continue to drive a difference with our strategic thrusts of ***Sustaining Growth*** in our businesses, ***Empowering Lives*** of our people and ***Nurturing Communities*** where we operate.

This report describes our efforts in 2008 to drive forward these commitments as well as our directions for 2009 and beyond. For us, fulfilling our commitments begins with having a different mindset. We see ourselves as a global corporate citizen with roots that trace back to Singapore's fight for survival and nationhood some 40 years ago. Against that backdrop and as a fledgling shiprepair yard, we grew with the nation to become a financially strong corporation with robust businesses.

Today, we are delivering more with these strategic thrusts. We leverage innovation and technology, invest in continuous Research and Development (R&D), exercise strong corporate governance and synergise Group strengths.

People are important to us. As a Group, we touch lives through training and grooming talent, encouraging work-life balance and instilling a culture of safety and excellence. Career development and succession planning are cornerstones for the high performance of our businesses.

We believe in giving back to the communities where we operate – contributing to society, caring for the environment, cultivating appreciation of the arts, responding to humanitarian needs and driving corporate volunteerism.

Across the globe, more than 35,000 Keppelites drive Keppel's growth into the future.

Forward Keppel...
40 years and beyond.

40 years Grow Beyond

Contents

Nurturing Communities

Sustaining Growth

Empowering Lives

Strong corporate governance enables us to achieve our goal of growing sustainable businesses with greater confidence and efficacy.

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 99 and 100
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 99
Guideline 1.5 The type of material transactions that require board approval under internal guidelines	Page 100
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 101
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 102
Guideline 4.5 Process for selection and appointment of new directors to the board	Page 103
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 220
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 104, 105, 115 and 116
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 106 to 109
Guideline 9.1 Composition of remuneration committee	Page 106
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 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	Pages 108 and 109
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 110
Guideline 9.4 Details of employee share schemes	Pages 148, 149, 167 to 169
Guideline 11.8 Composition of audit committee and details of the committee's activities	Pages 110 to 112
Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems	Pages 111 to 112

Lead Independent Director Mr Tony Chew Leong-Chee.

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"), [2]save for Guideline 3.1 (Chairman and CEO should be separate persons) the reason for which deviation is explained below.

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

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 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 directors, all directors have discharged this duty consistently well.

To assist the board in the discharge of its oversight function, various board committees, namely the Audit Committee, Board Risk Committee, Nominating Committee, Remuneration Committee, and Executive Committee, have been constituted with clear written terms of reference. All the board 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 2008, as well as the attendance of each board member at these meetings, are disclosed below:

		Board Committee Meetings						Non-executive Directors' Meeting (without presence of management)
	Board Meetings	Audit	Executive	Nominating	Remuneration	Safety	Risk	
Lim Chee Onn	6	–	–	–	–	2	–	–
Tony Chew Leong-Chee	7	5	–	–	–	–	–	3
Lim Hock San	6	5	–	–	–	–	4	3
Sven Bang Ullring	7	–	–	3	5	3	–	3
Tsao Yuan Mrs Lee Soo Ann	6	–	–	3	5	2	–	3
Oon Kum Loon[3]	7	5	–	3	2 of 2	–	4	3
Tow Heng Tan	6	–	–	–	2	–	1	3
Yeo Wee Kiong	6	–	–	–	–	2	2	3
Choo Chiau Beng	7	–	–	–	–	–	–	–
Teo Soon Hoe	7	–	–	–	–	–	–	–
Number of meetings held	**7**	**5**	**0**	**3**	**5**	**3**	**4**	**3**

1 The Code of Corporate Governance 2005 issued by the Ministry of Finance on 14 July 2005.
2 On 22 December 2008, the Company announced that with effect from 1 January 2009, Mr Lim Chee Onn would relinquish his role as Chief Executive Officer but would continue to serve as Chairman of the Company, and that Mr Choo Chiau Beng would assume the role of Chief Executive Officer of the Company.
3 Mrs Oon Kum Loon was appointed a member of the Remuneration Committee with effect from 1 May 2008.

1 Board members recognise that a safe and healthy working environment is one of the critical success factors contributing to superior business environment.

2 Overseeing the Company's various businesses, Keppel's board members visit the Group's facilities including the Keppel Merlimau Co-generation Power Plant.

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. 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. By way of an example, some directors attended the course on "Making Corporate Boards More Effective" at the Harvard Business School from 5 to 8 November 2008. The key "take-aways" were discussed at the board meeting immediately following the course.

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 directors believe that, in view of the many complex businesses that the Company is involved in, the 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 Nominating Committee and the board will nevertheless continue to look out for suitable candidates to strengthen the board and board committees.

The 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 is organised every two years 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.

The board's non-executive directors meet regularly without the presence of management to discuss matters such as board processes, corporate governance initiatives, matters which they wish to cover during the board off-site strategy meeting, succession planning and leadership development, and remuneration matters.

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 was both the Chairman and Chief Executive Officer of the Company until 1 January 2009[1]. 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] On 22 December 2008, the Company announced that with effect from 1 January 2009, Mr Lim Chee Onn would relinquish his role as Chief Executive Officer but would continue to serve as Chairman of the Company, and that Mr Choo Chiau Beng would assume the role of Chief Executive Officer of the Company.

Keppel Corporation Chairman Mr Lim Chee Onn interacting with shareholders at the Annual General Meeting 2008.

1. the independent directors form the majority on the 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 non-executive directors (without the presence of management) twice a year and on other occasions when required.

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 Mr Lim Chee Onn 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.

The 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 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, and between the executive directors and non-executive directors. In this regard, the 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 Chairman also ensures effective communication with shareholders.

The 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 Bang Ullring	Chairman
Tsao Yuan Mrs Lee Soo Ann	Member
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
The Nominating Committee has put in place 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, determines the role and the desirable competencies for a particular appointment.
b. External help (for example, Singapore Institute of Directors, search consultants, open advertisement) may be used to source for potential candidates if need be. Directors and management may also make recommendations.
c. NC conducts formal interview of short-listed candidates to assess suitability and to ensure that the candidates 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 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 101 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

The Board and management of Keppel place importance in cultivating young talents within the Group.

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 220: 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

Conferences such as the Keppel Group Finance Seminar are organised annually to keep key personnel abreast of industry developments.

assist in collating and analysing the returns of the board members. Mrs Fang Ai Lian, former Chairman, Ernst & Young and currently Chairman, Great Eastern Holdings Ltd, was appointed for this role.

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

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 Board convenes several times a year for robust discussions on pertinent matters relating to the Group's activities.

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 timely and good information flow to the board and board committees, and between senior management and the non-executive directors, and facilitating orientation 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 Bang Ullring	Chairman
Tsao Yuan Mrs Lee Soo Ann	Member
Mrs Oon Kum Loon[1]	Member
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 Chief Executive Officer. 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.

Annual Remuneration Report

Policy in respect of non-executive directors' remuneration

The directors' fees payable to non-executive directors is paid in cash and/or 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 the table below.

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

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

[1] Mrs Oon Kum Loon was appointed a member of the Remuneration Committee with effect from 1 May 2008.

Making safety an integral part of daily routine and processes requires the collective effort across all business units.

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 directors' fees 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; that is, 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 to 169.

[1] Please refer to Note 1 on page 108.

Level and mix of remuneration of Directors and Key Executives (who are not also Directors) for the year ended 31 December 2008

The level and mix of each of the directors' remuneration in bands of $250,000 are set out below:

	Base/ Fixed Salary	Performance-Related Bonuses Earned (including EVA and non-EVA Bonuses) Paid	Performance-Related Bonuses Earned (including EVA and non-EVA Bonuses) Deferred & at risk[1]	Directors' Fees	Directors' Allowance	Benefits-in-Kind	Options Granted[2]	Remuneration Shares[3]
Remuneration Band & Name of Director								
Abv $10,000,000 to $10,250,000								
Lim Chee Onn	15%[4]	51%	28%	–	–	n.m.[5]	6%	–
Abv $9,750,000 to $10,250,000								
Nil	–	–	–	–	–	–	–	–
Abv $9,500,000 to $9,750,000								
Choo Chiau Beng	9%	57%	29%	–	–	n.m.	5%[6]	–
Abv $6,000,000 to $9,500,000								
Nil	–	–	–	–	–	–	–	–
Abv $5,750,000 to $6,000,000								
Teo Soon Hoe	14%	53%	24%	–	–	n.m.	9%[7]	–
$250,000 to $5,750,000								
Nil	–	–	–	–	–	–	–	–
Below $250,000								
Tony Chew Leong-Chee	–	–	–	89%	–	–	–	11%
Lim Hock San	–	–	–	92%	–	–	–	8%
Sven Bang Ullring	–	–	–	81%	10%	–	–	9%
Tsao Yuan Mrs Lee Soo Ann	–	–	–	88%	–	–	–	12%
Oon Kum Loon	–	–	–	93%	–	–	–	7%
Tow Heng Tan	–	–	–	90%	–	–	–	10%
Yeo Wee Kiong	–	–	–	89%	–	–	–	11%

Notes:
1 A portion of the annual performance incentive is tied to EVA performance and one half of the current year's EVA bonus is paid out and the other half deferred and credited to the executive's EVA Bank[(a)] for payment in future years, subject to the continued performance of the Company.

(a) EVA Bank: The EVA bank concept is used to defer incentive compensation over a time horizon to ensure that the executive continues to generate sustainable shareholder value over the longer term. The EVA bank account is designated on a personal basis and represents the executive's contribution to the EVA performance of the Company. Each year, a portion of the executive's annual performance incentive is tied to EVA performance and one-half of his current year's EVA bonus is paid out and the other half deferred and credited into his EVA bank. In addition, he receives one-third from the accrued EVA bank balance of the preceding year, provided EVA continues to remain positive. Monies credited into the EVA bank are at risk in that the amount in the bank can decrease should EVA performance be adversely affected in the future years.

In the case of the Company's then-Executive Chairman, Mr Lim Chee Onn, and the other 2 Executive Directors, Mr Choo Chiau Beng and Mr Teo Soon Hoe, their respective EVA bank balances as at 31 December 2007 accrued since 2004, are as follows:

EVA Bank as at 31 December 2007 accrued since 2004
EVA Bank Balance Band & Name of Director
Above $5,500,000 to $5,750,000
Lim Chee Onn[(*)]
Above $3,250,000 to $5,500,000
Nil
Above $3,000,000 to $3,250,000
Choo Chiau Beng
Above $2,500,000 to $3,000,000
Nil
Above $2,250,000 to $2,500,000
Teo Soon Hoe

(*) In accordance with the Company's EVA bank policy, an Executive Director is allowed to draw down his EVA bank over 3 tranches when he reaches the statutory retirement age. Each of the 3 tranches is payable consecutively on the respective annual bonus payment dates following the date he reached the statutory retirement age, subject to the pro-rated impact of the Company's EVA performance.

If the Executive Director continues in service after the statutory retirement age, a separate EVA bank account is set up for him such that one-half of his current year's EVA bonus is paid out and the other half credited into this separate EVA bank and in subsequent years, he would in addition receive one-third from the accrued EVA bank balance of the preceding year provided EVA continues to remain positive. After retirement, he would be allowed to draw down his EVA bank balance over 3 tranches. Each such tranche is payable consecutively on the respective annual bonus payment dates following his retirement, subject to the pro-rated impact of the Company's EVA performance.

In line with this policy, Mr Lim will draw down from his EVA bank balance in 3 annual tranches upon his retirement from the Company, the first tranche becomes payable immediately and the balance 2 tranches are subject to pro-rated impact of the Company's EVA performance.

2 Based on the fair value of Options granted in August 2008 and February 2009 using Black Scholes valuation model.
3 Estimated value based on KCL shares' closing price of $4.33 on the last trading day of FY2008.
4 Includes sum of $361,000, being payments pursuant to Mr Lim's contract of employment. On 22 December 2008, the Company announced that Mr Lim Chee Onn would relinquish his role as Chief Executive Officer with effect from 1 January 2009.
5 n.m. – not material
6 In addition to the abovementioned Options granted, Mr Choo Chiau Beng also received 14,500 Singapore Petroleum Company Restricted Shares.
7 In addition to the abovementioned Options granted, Mr Teo Soon Hoe also received 5,000 Singapore Petroleum Company Restricted Shares.

The level and mix of each of the Key Executives (who are not also Directors) in bands of $250,000 are set out below:

	Base/ Fixed Salary	Performance-Related Bonuses Earned (including EVA and non-EVA Bonuses)		Benefits-in-Kind	Options Granted[2]
		Paid	Deferred & at risk[1]		
Remuneration Band & Name of Key Executive					
Abv $5,000,000 to $5,250,000					
Tong Chong Heong	12%	52%	29%	n.m.	7%
Abv $3,250,000 to $5,000,000					
Nil	–	–	–	–	–
Abv $3,000,000 to $3,250,000					
Koh Ban Heng	20%	48%	–	n.m.	32%[8]
Abv $2,250,000 to $3,000,000					
Nil	–	–	–	–	–
Abv $2,000,000 to $2,250,000					
Wong Kingcheung, Kevin	39%	54%	–	n.m.	7%[9]
Abv $1,250,000 to $2,000,000					
Nil	–	–	–	–	–
Abv $1,000,000 to $1,250,000					
Yeo Chien Sheng, Nelson	28%	42%	14%	n.m.	16%
Chia Hock Chye, Michael	31%	36%	15%	n.m.	18%
Chua Chee Wui	27%	38%	17%	n.m.	18%
Lam Kwok Chong	28%	24%	15%	n.m.	33%
Abv $750,000 to $1,000,000					
Ong Tiong Guan	36%	22%	13%	n.m.	29%

8 Received Singapore Petroleum Company Restricted Shares.
9 Received Keppel Land Limited Share Options.

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 2008. "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 to 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).

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.

Keppel's management regularly updates board members with relevant and timely information.

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
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 primary 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 pages 113 and 114 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 at least one of these meetings was conducted 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 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, the Management reported to the Audit Committee the interested person transactions ("IPTs") 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 90 to 93 and the "Risk Management" section on pages 117 to 118 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 and internal control processes 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 114 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. Mrs Oon is a member of the Company's Audit Committee. 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

The Board comprises executive and independent directors who contribute their wealth of experience and expertise to the Group.

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 practising 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.

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 Chief Executive Officer 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 Internal Audit's reports are submitted to the Audit Committee for deliberation with copies of these reports extended to the Chairman, Chief Executive Officer 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 Finance 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.

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 meetings 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 Practices 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. To review and, if deemed fit, approve recommendations for nomination of candidates as nominee director (whether as chairman or member) to the board of directors of investee companies which are:
   i. listed on the Singapore Exchange or any other stock exchange (that is, as at the date hereof, Keppel Land Limited, Keppel Telecommunications & Transportation Ltd, K-REIT Asia Management Limited, Keppel Philippines Holdings Inc, Keppel Philippines Marine Inc, Keppel Philippines Properties Inc, Keppel Thai Properties Public Co Ltd, Singapore Petroleum Company Limited, k1 Ventures Limited, Evergro Properties Ltd and MobileOne Limited);
   ii. managers or trustee-managers of any collective investment schemes, business trusts, or any other trusts which are listed on the Singapore Exchange or any other stock exchange (that is, as the date hereof, K-REIT Asia Management Limited and Keppel Infrastructure Fund Management Pte Ltd); and
   iii. parent companies of the Company's core businesses (that is, as at the date hereof, Keppel Offshore & Marine Ltd, Keppel Integrated Engineering Ltd, and Keppel Energy Pte Ltd),

   (hereinafter referred to as "Nominee Director Nominations").
9. To review all Nominee Director Nominations annually.
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.

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

Nature of current directors' appointments and membership on board committees

Director	Board Membership	Committee Membership					
		Audit	Executive	Nominating	Remuneration	Risk	Safety
Lim Chee Onn[1]	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
Oon Kum Loon[2]	Independent	Member	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	–	–	–	–

1 On 22 December 2008, the Company announced that with effect from 1 January 2009, Mr Lim Chee Onn would relinquish his role as Chief Executive Officer but would continue to serve as Chairman of the Company, and that Mr Choo Chiau Beng would assume the role of Chief Executive Officer of the Company.
2 Mrs Oon Kum Loon was appointed a member of the Remuneration Committee with effect from 1 May 2008.

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.

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 include 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 & business knowledge, functional expertise, whether he provides valuable inputs, his ability to analyse, communicate & 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 guided discussions effectively so that there was timely resolution of issues, whether he ensured that meetings were conducted in a manner that facilitated open communication and meaningful participation, and whether he ensured that board committees were formed where appropriate, with clear terms of reference, to assist the board in the discharge of its duties and responsibilities.

Concerted risk management efforts enhance operational resilience and ensure the Group remains well-placed to protect the interests of and add value to shareholders.

Focus areas

- Manage risks proactively
- Reinforce prudent practices
- Build a culture of managing risk
- Enhance operational preparedness

Managing Risks Proactively

The Board of Directors, assisted by the Board Risk Committee (BRC), oversees 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, processes and procedures. Its terms of reference are disclosed on page 114 of this Report.

With the global financial and economic turmoil in the past year, the Group is exposed to a multitude of risks and challenges in the strategic, financial and operational aspects of its businesses. Strong top management commitment in driving Group-wide risk management systems and processes over the years has equipped the Group to face the present tough business environment.

During the year, risk management forums and workshops were conducted for senior management across the Group to heighten awareness and appreciation of the potential impact of the worsening financial turmoil. Senior management also met more regularly to monitor and discuss changes that would impact the Group's businesses. Concerted efforts and mitigating measures were carried out to ensure that all companies in the Group manage these challenges in a timely and effective manner.

Looking ahead, the Group Risk Management Department is committed to work closely with the business units to continually scan the business environment and help them pre-empt emerging risks and prompt proactive actions to mitigate any adverse impact.

Stress testing exercises which involve analysing business value drivers under various worst-case scenarios will also be performed more frequently. Such exercises augment the risk management system and help shape the Group's strategic directions, facilitating prompt response, planning and decision-making.

All key business operations in the Group are required to have business continuity plans in place.

Reinforcing Prudent Practices

Policies, systems and procedures spanning all operating dimensions have been established to govern business activities. Such policies and risk limits are reviewed regularly to take into consideration the prevailing economic climate, to ensure that they remain adequate and relevant. Prudent risk management practices including effective management of market risks such as currency risks, interest rate risks and price risks, as well as credit and liquidity risks, lay the Group's financial management foundation. For more details on these, please see pages 90 and 91 in this Report.

The Enterprise Risk Management (ERM) framework provides a holistic and systematic process to better prepare the Group to respond to rapid changes in the business environment. Selection of customers, partners and contractors based on stringent guidelines and mutually beneficial terms has enabled the Group to forge strong and credible business relationships. Close tracking of customer payments, credit review and assessment of credit standings minimise risk of material defaults. Rigorous due diligence exercises ensure that projects undertaken are viable and profitable. Long range strategies coupled with flexible and prudent contract structures sustain the Group's competitiveness under volatile business conditions.

Risk management is also an integral aspect of strategic and budget review, policy formulation and revision, project and investment evaluation, and performance evaluation. Individual business units are accountable for the integration and embedding of risk management into their business operations and processes. This will ensure early risk detection for effective management and control.

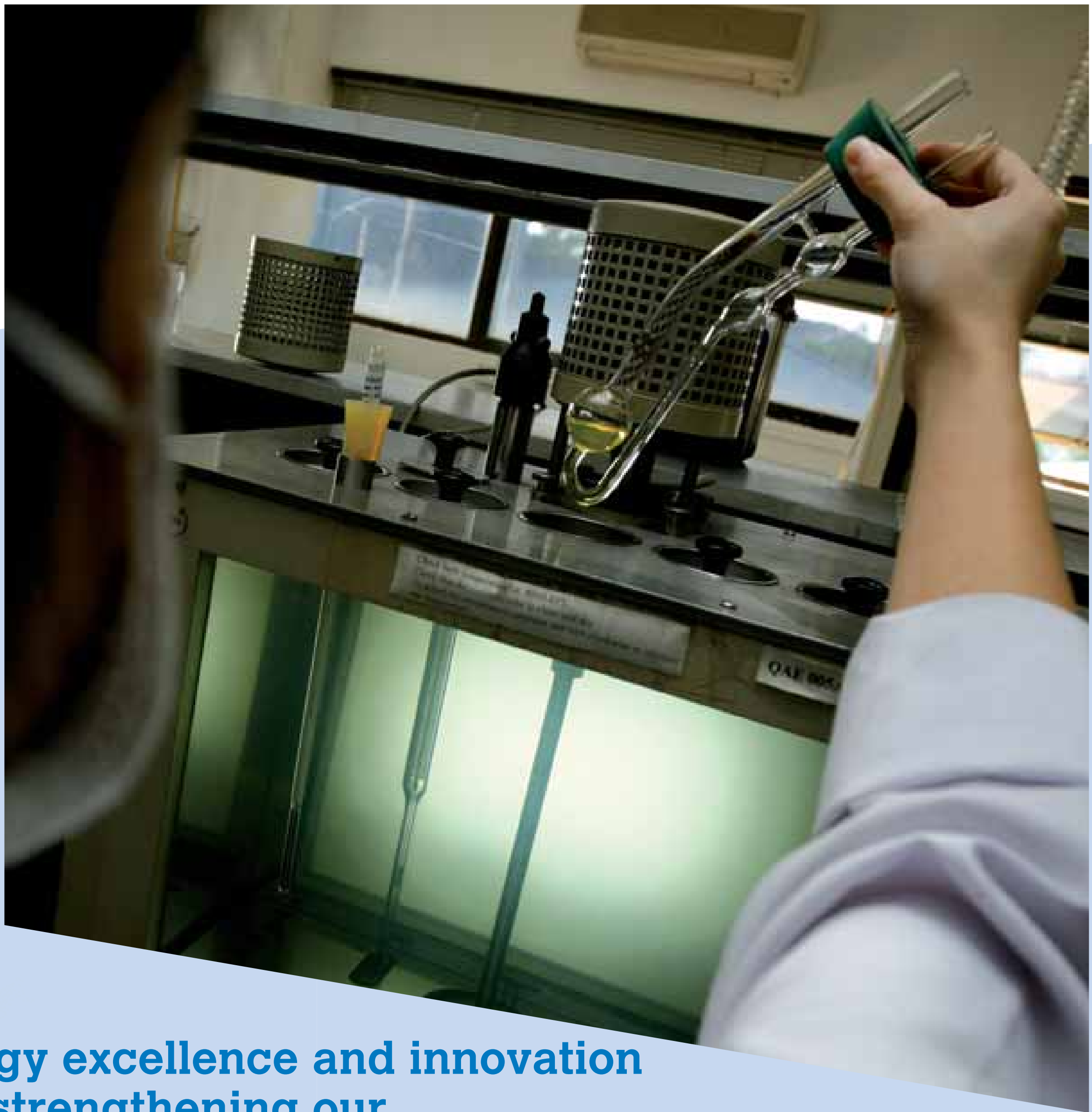
Building a Risk Management Culture

One way to strengthen ERM is to promote an effective integrated risk management system across the Group. The Group has intensified efforts in building a culture of managing risk, closely aligned with both near- and long-term corporate goals.

In 2008, a risk culture survey was conducted for the Group's senior management in which gaps were identified for continuous improvement. There are ongoing efforts to strengthen our risk culture through conferences and forums to raise risk awareness among employees. Sharing of best practices and in-depth project post-mortem analysis provide further learning avenues.

Enhancing Operational Preparedness

Business Continuity Management (BCM) enables our businesses to respond seamlessly to external events while minimising operational disruptions. All key business operations in the Group are required to continually enhance their operations, identify key threats to operations such as pandemic flu, terrorism and natural disasters, prepare response plans, and perform tests to refine their effectiveness. BCM activities and plans are monitored and reported to respective committees as well as to the BRC. In 2008, pandemic flu outbreak simulations were conducted at selected locations in Singapore as well as overseas.



Technology excellence and innovation is key to strengthening our core competencies and developing new growth drivers.

Focus areas

- Encourage technology development and innovation
- Develop rig and critical equipment solutions for frontier Exploration and Production
- Build up environmental engineering solutions

KTAP members at a briefing on the latest technology developments at Keppel Seghers in Belgium.

Driving Technology and Innovation

Established in 2004, the Keppel Technology Advisory Panel (KTAP) is envisioned to be a key platform for sustaining the Group's technology leadership. In addition to the provision of strategic leadership for our R&D efforts, KTAP also mentors and challenges the robustness of initiatives in research, development, testing and commercialisation of new products and services in our businesses.

With Board and senior management participation, KTAP convenes twice a year and has met 10 times since its inception. Chaired by Professor Cham Tao Soon, President Emeritus of Nanyang Technological University and Chancellor of UniSIM, KTAP comprises eight other academic and industry experts from both the local and international arena.

At its meetings in Amsterdam and Singapore in 2008, KTAP deliberated a broad range of topics ranging from offshore solutions for Arctic environments, maritime renewable energy, intellectual property management practices, green buildings, as well as updates on ongoing R&D projects across the Group. With mounting global climate change concerns, one meeting was dedicated to the exploring of how the Group could meaningfully harness long-term trends in renewable energy and sustainable development.

Looking ahead, KTAP will continue to play a catalytic role in fostering a vibrant R&D culture within the Group and as a platform to identify areas to sustain our competitive edge.

Spearheading O&M Technology Development

Launched in end-2007, Keppel Offshore & Marine Technology Centre (KOMtech) underscores Keppel O&M's commitment to long-term research. It provides crucial technology foresight, spearheading Keppel O&M's thrust into new markets and constantly pushing technology frontiers by developing cutting-edge technologies to meet future market needs.

With its emphasis on technologies with strategic and commercial impact, KOMtech augments the work of three existing technology units – Offshore Technology Development (OTD), Deepwater Technology Group (DTG) and Marine Technology Development (MTD) – which focus on design and engineering.

In November 2008, it moved into its newly-renovated building, bringing together for the first time more than 50 researchers under one roof, and facilitating teamwork and greater cross-fertilisation of ideas.

With an initial $150 million funding for its first five years providing reasonable financial visibility, KOMtech researchers can focus on longer-term innovations and projects without short-term funding distractions. In 2008, KOMtech filed eight patents for the fruits of its labour.

Keppel O&M also actively participates in industry forums and events, keeping abreast of latest technology trends and innovations while projecting its contributory role in shaping offshore and marine industry trends and development. Major events in 2008 include:

- Sponsorship of the Second Jack-Up Conference 2008 in Singapore, in addition to a presentation by OTD;
- Sponsorship of the Deepwater Development Workshop in Singapore in November, in addition to a presentation by DTG;
- Presentation of the 6th Keppel O&M Lecture delivered by Keppel Chair Professor Andrew Palmer, who spoke on 'Carbon Dioxide Capture & Storage: Technology and Politics';
- Support of the 22nd Chua Chor Teck Memorial Lecture delivered by Mr Nick Sansom, who spoke on 'Marine Insurance: Past, Present and Future'; and
- Participation in other international conferences, including LNG Tech Asia Pacific 2008 (Singapore); Gastech 2008 (Bangkok); ICE Tech 2008 (Canada); Algae Biofuel Summit 2008 (India); Futuropolis 2058 (Singapore); ABS Harsh Environment Workshop (Canada); and Commercialising FLNG Asia 2008 (South Korea).

Directing Environmental Solutions

Keppel Seghers continues to direct its efforts to the R&D of innovative environmental solutions and constantly upgrades both its water and thermal treatment capabilities, to maintain its competitive edge as a global player owning both water and thermal technologies, placing it in a key position to address global environmental challenges.

The Keppel Environmental Technology Centre (KETC) was established by KIE in 2007 as a centre of excellence to spearhead innovation in leading-edge environmental technology R&D, augmenting existing R&D initiatives and strategic alliances with leading academic and industry partners.

Since then, KETC has worked closely with research partners and research institutes like A*STAR, Singapore Institute of Manufacturing Technology and Institute of High Peformance Computing, to harness external resources and constituencies in complementing its own research base.

Keppel's environmental technology R&D road map has continued to make steady progress, with a ready stream of testbedding and pilot technology initiatives, as follows:

- The MEMSTILL® project, which seeks to develop a novel and low-cost desalination process, conducted its third pilot testing in the Netherlands. A large demonstration plant is planned for year 2010 in Singapore;
- A pilot plant under the REXODAN project was commissioned and operated to test the digestion of mixed sludge in a mesophylic anaerobic/thermophylic aerobic operation with sludge recycling;
- A membrane bioreactor pilot plant for Mitsubishi Rayon was commissioned at Bedok Water Reclamation Plant in Singapore;
- A NEWater pilot plant was run to optimise operation, with a modified reverse osmosis interstage turbo charger tested and installed to improve energy recovery;
- Research and tests were also done on photocatalystic oxidation for the reduction of membrane fouling; and
- Keppel Seghers also designed, constructed, commissioned and operated two membrane bioreactor pilot plants, to test the technology that treats wastewater into industrial water quality in a single step. The first plant is for Toray at Ulu Pandan Water Reclamation Plant while the second is the third pilot plant for Asahi at Utrecht Water Reclamation Plant in The Netherlands.

KOMtech is developing new techniques and equipment for the difficult frontiers such as the North Sea and Arctic regions.

A commitment to run our operations responsibly and to develop projects with minimised negative impact on our environment will create a positive effect on our businesses, the community and the next generation.

Focus areas
- Pursue responsible development
- Inculcate green mindset

Pursuing Responsible Development

Keppel Land's commitment towards balancing commercial objectives and maintaining high standards of environmental protection has driven its achievement of several green standards and awards.

It attained the ISO 14001:2004 certification for its Environmental Management System (EMS) for property development in Singapore in September 2008. For its environmental and social performance transparency efforts, Keppel Land, a three-time nominee since 2005, emerged a finalist in the 2008 Singapore Environmental and Social Reporting Awards. Keppel Land also earned the Green Office Label by the Singapore Environment Council in December 2008.

Its sterling office and residential developments bagged top green honours from the Building and Construction Authority (BCA). *Ocean Financial Centre* and *Marina Bay Financial Centre* (Phase 1 – Commercial) received the Green Mark Platinum and Gold Awards respectively while iconic waterfront development *Reflections at Keppel Bay* was presented the Green Mark Gold Award. State-of-the-art green features and innovations in these eco-sensitive properties will benefit home owners and tenants in terms of long-term energy savings and contribution to conserving the environment. *Reflections at Keppel Bay* was awarded the Green Mark Gold Award for green and energy-saving features such as motion sensors at lift lobbies and clubhouse toilets, pneumatic waste collection system as well as green roofs and walls at the substation and tennis courts.

Marina at Keppel Bay, located on Keppel Island, became the first Asian marina to be awarded Clean Marina status under the Clean Marinas Australia Programme by the Marina Industries Association of Australia.

Overseas, Keppel Land's properties also set green trends in environmental performance and stewardship.

The Estella in Ho Chi Minh City (HCMC) became the first development in Vietnam to receive BCA's Green Mark Gold Award. The luxury condominium will incorporate the latest green technology expected to yield overall annual energy savings of 23% and 34,000 m^3 of water. *Saigon Centre*, the preferred address for international businesses and diplomatic corps in HCMC, was named the Most Energy-Efficient Building (First Runner-Up) by Vietnam's Ministry of Trade & Industry for its energy conservation features including energy-saving air-conditioning, lighting and lift systems.

Jakarta Garden City, a 270-ha integrated lifestyle township development in Indonesia, offers a green haven for families. Thoughtful planning and design were put into creating extensive landscaped gardens and communal parks zoned for the well-being of residents and to enhance their appreciation of the natural surroundings.

Ria Bintan Golf Club in Bintan, Indonesia, attained certification under the Audubon Cooperative Sanctuary

Key Eco Principles

Ecollaboration

Work with stakeholders, policy-makers and decision-markers to build a 'greener' future

Economy

Balance commercial viability and environmental sustainability

Ecommitment

Promote environmental awareness and support green initiatives

Ecommunity

Create sustainable developments for future generations

Celebrating World Environment Day

On World Environment Day on 5 June 2008, a flurry of green activities was launched across the Group to promote the green message amongst Keppelites. Keppel O&M launched a green campaign with a Group-wide broadcast of its *Green Vision* via emails and posters, encouraging management and staff to embrace a green culture.

Keppel Shipyard held an *Adopt-a-Bin* competition during its Environmental Awareness Month launched on World Environmental Day. Each department adopted, designed and decorated 120-litre waste-bins based on the theme *"Saving the Earth"*.

Keppel Land organised a lunch-time talk at the National Library's The Pod, featuring an eco-stellar line-up of Singapore's environmental champions.

The office lobbies of Keppel Land and K-REIT Asia's buildings were transformed into week-long exhibition areas promoting awareness among tenants and public users on climate change, waste minimisation and recycling processes.

Keppelites abroad also did their part to commemorate the day.

Staff in China, Vietnam and Thailand were given complimentary screenings of *An Inconvenient Truth*, an acclaimed documentary film about global warming championed by former United States Vice President Al Gore.

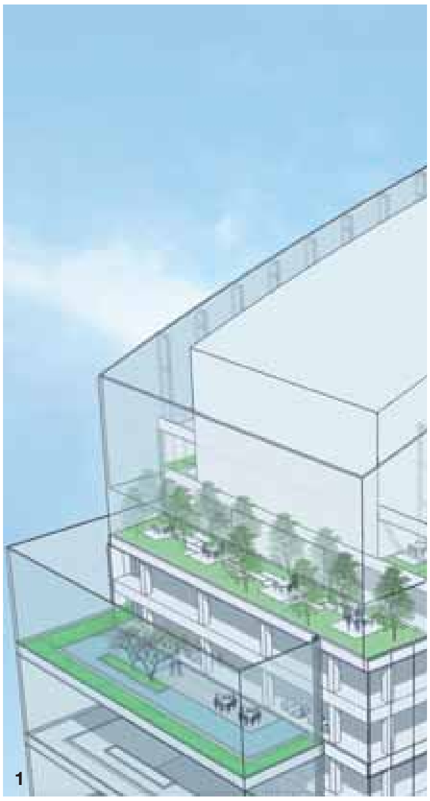
Eco-exhibitions promoting awareness on climate change, waste minimisation and recycling processes were set up in the office lobbies of Keppel Land and K-REIT Asia.

Staff in Myanmar, *Sedona Hotel Yangon* and in *Sedona Suites Hanoi* took to tree-planting.

In China, Keppel Land's Beijing office observed a Green Week where staff were encouraged to forego the use of plastic bags and paper cups, avoid smoking and reduce car usage.

The Vietnam teams put up posters promoting energy and water conservation and waste minimisation at *Saigon Centre*.

Keppel Thai Properties distributed booklets on *How to Save Bangkok from Global Warming* to staff and residents at the Srinakarin and Watcharapol properties. It also organised a *Green Slogan* contest and distributed garden trays to employees as part of a flower-planting exercise.



1 **The BCA Green Mark Platinum Award-winning *Ocean Financial Centre* will boast the largest assembly of Photovoltaic Cell system for a commercial building in Singapore's CBD as well as several green features such as terraced roof gardens.**

2 **Keppel Land's *Go Green* reusable bags were useful communication tools to engage the public.**

Programme for Golf Courses by Audubon International, recognising its ongoing efforts to preserve wildlife and natural resources while delivering world-class product and services.

Keppel Land has set as its benchmark to achieve at least the BCA Gold Green Mark standard or equivalent for all its developments in Singapore and overseas.

Inculcating Green Mindset

Green Champions across Keppel Group were appointed and trained at an Environment Champions Workshop on 5 September 2008. Organised by Keppel Integrated Engineering (KIE) together with National Environment Agency (NEA), the workshop provided valuable knowledge and innovative ideas in caring for the environment. Keppel's Green Champions are now part of more than 500 NEA Corporate Environment Champions nationwide.

Several screenings of *An Inconvenient Truth* were held for employees from Keppel O&M. Some 15,000 notebooks made of 100% recycled paper containing useful resource-saving tips were also distributed to all employees.

Keppel Land undertook various initiatives to drive home the green message. It organised a special talk on sustainable developments by Mr Peter Rawlings, a Principal with Environment Resources Management and a member of the UN Environment Programme's Sustainable Buildings and Construction initiative. Discounts and privileges were secured for staff who brought their own mugs to various patrons at *Bugis Junction* where Keppel Land's office is located. Keppel Land set up a green resource centre, offering a wide selection of books, articles and DVDs on care for the environment. Staff were encouraged to bring their families to the *Climate Change and Water: H20 = Life* exhibitions at the Singapore Science Centre.

Keppel Land participated in the annual international Earth Hour event organised by the World Wildlife Fund held in March. All non-essential lights in its offices were switched off at 8pm on 29 March 2008 for a full hour to contribute to lowering carbon imprint.

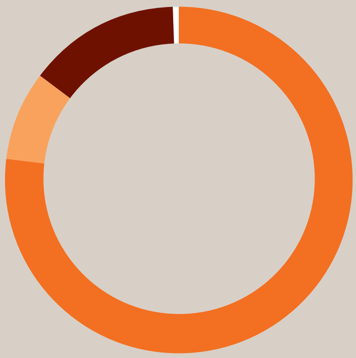
KIE collaborated with Keppel Land and Group Corporate Communications to develop environmental-themed posters for display at their offices, aimed at reminding employees to embrace an eco-friendly lifestyle at work and beyond. The posters carried tips on resource conservation and how to achieve water and energy efficiencies.

Singapore Petroleum Company (SPC) launched a *Green Initiatives* campaign where five recycling bins were placed at its head office for the collection of recycling paper.

Cultivating and growing a diverse pool of holistic individuals, innovative teamplayers and responsible citizens is critical in our mission to build enduring and value-creating businesses.

Focus areas
- Attract, develop and retain talent
- Build a formidable competent workforce
- Create a culture of safety and managing risk

Manpower by Segment (number)

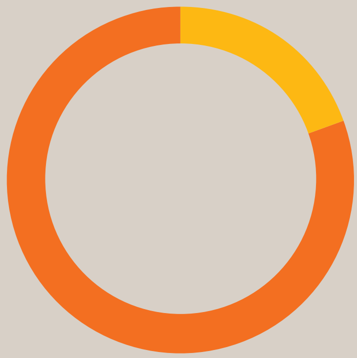


Offshore & Marine	27,437
Property	2,956
Infrastructure	5,064
Investments	164

Manpower by Country (number)

Singapore	18,417
China and Hong Kong	1,732
Rest of Asia	5,401
US	1,315
Brazil	6,865
Others	1,891

Executive / Non-executive (number)



Executive	6,946
Non-executive	28,675

Attracting Talent

Keppel attracts talent through scholarships, internships and exchange programmes amongst other initiatives and recruitment exercises. A total of 12 new Keppel scholars were inducted into the Keppel family at the Keppel Group Scholarship Awards Ceremony on 15 July 2008. They will be groomed for roles in the various business units in alignment with their aspirations and qualifications.

Under the Keppel International Scholarship which was launched to attract international talent, Keppel scholars from Vietnam and China are currently pursuing their post-graduate studies in the National University of Singapore (NUS).

Our outreach initiatives for young talent include the Keppel Scholarships for Hwa Chong Institution and St Joseph International, where international students from India and Vietnam are offered scholarships.

Arab-Asian International Exchange

Keppel Corporation, in partnership with Young Arab Leaders (YAL), successfully piloted the Arab-Asian Internship Exchange Programme. The Programme follows the inauguration of the Global Action Forum: Arab and Asian Dialogue in April 2007, and is part of the Arab-Asian Taskforce's strategy to promote co-operation and understanding between the Arab world and Asia.

With a footprint in 35 countries through our key businesses in Offshore & Marine, Property and Infrastructure, the Keppel Group was selected to pilot and provide meaningful and experience-rich internships to the Arab youths to expand their global mindset.

Nine outstanding young Arabs interns were paired with managers from Keppel, focusing on knowledge exchange in the areas of entrepreneurship, leadership development and education.

With the success of this programme, the Keppel Group will be looking at more strategic exchanges with emerging economies in the near future.

NUS Real Estate Internship Programme

A new collaborative project between Keppel and the NUS Real Estate was the NUS Real Estate Internship Programme. Seven interns, including some from the Dean's List, took on challenging and practical work assignments under the mentorship of Keppel Land managers, gaining work experience and an appreciation of various career options.

Keppelites for China

As part of the *Keppelites for China* initiative, opportunities are available for Keppelites to intern or to work on assignments in China. One studying scholar was posted to China in early 2008 for an internship stint in Keppel's Beijing and Tianjin offices.

1 The Global Young Managers Programme provides opportunities for Keppelites to hone key competencies.

2 Continuous skills upgrading is part of Keppel's people development.

Developing and Grooming Talent

Under Keppel's 3-E (Education, Exposure and Experience) development platforms, the Keppel Group provided the following talent development programmes.

Education

In addition to individualised training needs where employees undergo training from a list of recommended programmes, 13 Keppel Group Management Development Programmes were offered to Keppelites across the Group.

These programmes offer development in personal leadership, people leadership and managerial skills such as conflict resolution, effective communication, interviewing, negotiation, critical thinking and decision-making.

The programmes sharpen participants in the various aspects of Keppel Leadership Competencies and are also excellent platforms for interaction across different strategic business units (SBUs).

More than 200 Keppelites participated in these development offerings in 2008.

Exposure

Eleven Keppelites from across the Group attended IE Singapore's Executive Programmes in Vietnam, Russia, Brazil, China and the Middle East, to gain an overview of business, cultural and socio-political developments in these countries.

Keppelites were also selected for the Leaders! Programme, to learn and network with counterparts from Temasek-linked companies.

As part of the *Keppelites for China* initiative and to deepen Keppelites' exposure to Chinese culture, three runs of business Mandarin and Chinese culture programme were rolled out for senior management, practitioners and young Keppelites.

Our senior management and Board members also exchanged views with talents across the Group at various ongoing interaction and dialogue sessions.

Experience

To develop their global and cross-business units experience, young Keppelites from Keppel Corporation were put on secondment and cross-business units assignments. These included assignments to the Sino-Singapore Tianjin Eco-City project in China and Keppel AmFELS in the US.

Thirty-one young managers across Keppel Group attended the Global Young Managers Programme led by Keppel O&M. These participants underwent intensive modules such as Finance for Non-Finance Managers, Writing and Presentation, Creative and System Thinking, Personal Awareness and Building Effective Teams. The programme is especially beneficial to young overseas managers who were able to visit Keppel's businesses in Singapore.

Building Bench Strengths for Key Positions

Over the past few years, the Board has put in place a succession planning framework for senior management in the Group. 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.

A deliberate plan put in place to develop these candidates via learning and development interventions include regular face-to-face interaction, executive coaching, international assignments, executive development programme and leading roles in major projects. The effort is also stewarded as a Key Performance Indicator in the supervisor's Balanced Scorecard.

Focusing on Employee Wellness

Keppel Corporation was awarded the Biennial Singapore Health Award, Gold category, in recognition of its efforts for employee wellness for the year 2007/2008.

Several talks were organised through the year to promote employee wellness. These included a lunch talk, *CPF Changes and You*, where employees gained insights from Professional Investment Advisory Services, a financial planning firm on recent CPF changes and options available under CPF LIFE. A *Cancer Awareness Talk* by the National Cancer Centre was organised on 19 June 2008. Employees appreciated the talk, with many indicating their interest for more health and fitness related talks.

Grow Beyond Series

Pulling together Keppelites across SBUs was the 4th *Grow Beyond Series – No Limits!* More than 400 Keppelites were inspired by the achievements of Australian Motivational Speaker and Director of Life without Limbs, Mr Nick Vujicic, who overcame numerous obstacles in his life. Keppelites also picked up social and entrepreneurship tips from Ms Elim Chew, a home-grown entrepreneur and youth developer. Such events expose Keppelites beyond their daily challenges at work and sustain their motivation in a continually changing business environment.

Speaking at the Keppel Group *Grow Beyond Series*, Australian motivational speaker Nick Vujicic inspired Keppelites with his boundless enthusiasm for life and achievement.

Young Arab interns joined Keppelites in the Inter-SBU Games.

In addition, weekly serving of fresh and nutritious fruits were distributed to employees during October in support of Health Promotion Board's *Fruit & Vegetable* campaign.

Forging Networks – Keppel Scholars Alumni Association (KSAA)

KSAA is a strategic developmental platform empowering young leaders to drive Group-wide initiatives. Officially inaugurated in 2001, KSAA advances Keppel Group's synergy and serves as a strong driving force in forging friendship and networks between our SBUs. KSAA organised a wide range of activities to promote social, community and professional development.

Inter-SBU Games (ISBUG)

The highlight for 2008 was the annual ISBUG which was held from June to August. ISBUG's finale was once again the popular Vertical Marathon Challenge held at *One Raffles Quay*. A Keppel Volunteers fundraiser event was held in conjunction with the finale and garnered excellent support.

Chinese Tea Appreciation

With the growth of Keppel's businesses in China, the KSAA is exploring initiatives that encourage Keppelites to take an interest in China and equip them with some basic knowledge on the country. Through seminars and activities, KSAA hopes to increase awareness of the Chinese culture as well as career opportunities available in China to Keppelites. Activities organised include a session on Chinese tea appreciation in conjunction with the Mid-Autumn Festival.

KSAA also plays an active role in several community involvement initiatives by the Group.

Embracing health and safety as a way of life goes a long way to ensure that every worker goes home safely every day.

Focus areas

- Individual and collective responsibility
- Safety first mindset
- Safe work practices

The Keppel Group has made much progress in our promotion of safety in 2008.

The Group's focus on safety was reinforced at the second Group Safety Convention in September by spreading the message that safety must be embraced as an individual and collective responsibility. The theme *"Safety Starts with Me"* aptly describes what each and every Keppelite should do when it comes to health and safety.

See pages 40 to 47 for more on Keppel's safety journey and our plans ahead.

In building Keppel's brand equity as a Singapore-grown MNC, we strongly believe in showcasing Singapore to the world and contributing to the country's international image.

Focus areas
- Showcase Singapore to the world
- Support public policy research and education
- Encourage sustainable development

Showcasing Singapore

The Clipper Round the World Yacht Race is one of the world's most celebrated amateur sailing races. For the 2007–08 race, Keppel was the primary sponsor for the Singapore yacht, *Uniquely Singapore* and host port sponsor for the Singapore stopover in the race, together with race partner, Singapore Tourism Board (STB). After 10 months of ocean racing covering 35,000 miles across the globe, Singapore emerged seventh out of the 10-strong international racing fleet and scored a first position in Leg 5 from Hawaii to Santa Cruz.

As part of people development, Keppel sponsored six employees as sailing ambassadors on the race of which four were single leggers, one crewed in three legs and another in five legs. Joining them was a large contingent of young people from the 10 ASEAN countries, supported by the Singapore-ASEAN Youth Fund and Singapore's Ministry of Foreign Affairs as part of ASEAN's 40th anniversary celebrations.

In 2008, Keppel committed to continue its sponsorship of *Uniquely Singapore* for the Clipper Round the World yacht races for 2009–10 and 2011–12. This marks the third consecutive year that Singapore is participating in the race and Keppel's third year as a sponsor.

For the 2009–10 race, Keppel will be the team sponsor and official host port for the Singapore stopover, with STB as team partner. The Keppel Bay Sailing Academy has also secured the rights to provide part of the required pre-race Clipper training for participants.

As part of its efforts to facilitate business exchanges with other countries, Keppel O&M has been a continued supporter of the Latin Asia Business Forum held in Singapore as the gold sponsor, hosting a reception for the business and ministerial delegates for the past three years. The Forum and the reception provided an excellent platform for networking among businessmen and government officials from Singapore and the various countries in Latin America. Keppel is active in Latin America through Keppel O&M and Keppel Seghers.

Keppel O&M extended its support of building ties with Latin American countries, particularly Brazil, by contributing to the sponsorship of the translation and production of the first-ever Portuguese version of Singapore Minister Mentor Lee Kuan Yew's two-part memoirs. The Portuguese edition was jointly launched by Brazilian President Luiz Inácio Lula da Silva and Singapore's Prime Minister Lee Hsien Loong during Prime Minister Lee's visit to Brazil on 25 November 2008.

1 Mr Choo Chiau Beng, CEO of Keppel Corporation (third from left), with ministers and ambassadors of the various Latin American countries at Latin Business Asia 2008.

2 CEO of Keppel Corporation and Singapore's Non-Resident Ambassador to Brazil, Mr Choo Chiau Beng (second from left), with Singapore's Prime Minister Lee Hsien Loong, Brazilian President Luiz Inácio Lula da Silva and Singapore ministers and officials at the Ministry of Foreign Affairs in Brazil following the launch of the memoirs.

Supporting Public Policy Research and Education

Keppel believes in lending its support to public policy research and education.

Keppel Corporation pledged $1 million for two years towards Business China Singapore. Mooted by Singapore's Minister Mentor Lee Kuan Yew, Business China was formed in November 2007 to develop a pool of bilingual and bi-cultural Singaporeans who can engage China comprehensively and holistically in the economic, business, social, cultural or educational fields. Business China plans to launch various initiatives such as talks and networking sessions among Chinese and Singapore businesses as well as develop an e-learning portal with interactive learning resources and reference materials.

Keppel Corporation also sponsored $50,000 towards Singapore Perspectives 2008. Held on 1 February 2008, this flagship conference of Singapore's Institute of Policy Studies aims to engage Singaporeans in a lively debate about the public policy challenges facing the country. Distinguished panelists in 2008 include Minister Mentor Lee Kuan Yew and several Cabinet ministers.

Apart from supporting various schools and institutions financially, Keppel supported the Securities Investors Association of Singapore's Investor Education Programme with a contribution of $100,000. Through seminars and workshops, the programme aims to educate retail investors in making informed investment decisions to grow and protect their wealth.

Keppel Corporation contributed $3 million to the endowment fund of the Sim Kee Boon Institute for Financial Economics, Singapore Management University in 2008. The late Mr Sim had a distinguished career in both the public and private sectors and played an important role in the economic development of Singapore. He was also Executive Chairman of Keppel Corporation from 1984 to 2000, transforming a home-grown shipbuilding company into a global conglomerate.

Keppel Corporation sponsored $1 million to the Lee Kuan Yew Conference Room in *Arundel House*, the headquarters of the International Institute for Strategic Studies (IISS) in London. The IISS is the world's leading authority on political-military conflict. Minister Mentor Lee gave a special lecture at the inauguration of the room on 23 September 2008.

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 numerous nations, Keppel supported efforts to promote Asian defence diplomacy.

Encouraging Sustainable Development

Keppel Corporation is a founding sponsor of the Singapore International Water Week (SIWW) for two years. Organised by the Public Utilities Board, the SIWW is an international platform involving policymakers, industry leaders, experts and practitioners to address challenges, showcase technologies, discover opportunities and celebrate achievements in the water world.

The SIWW was held from 23 to 27 June 2008, together with the World Cities Summit and East Asia Summit Conference on Liveable Cities which explored other aspects of sustainable development. Keppel Land's waterfront developments and Keppel Seghers' Ulu Pandan NEWater Plant were showcased at this inaugural platform. Mr Lim Chee Onn, Chairman of Keppel Corporation, was among the panel of distinguished speakers for the roundtable discussion on *The Business of Water* at the SIWW's Water Leaders Summit.

Keppel Corporation sponsored *Responsible Business*, a new television series showcasing leading global corporations that partner governments, non-governmental organisations

Table housing coral fragments are lowered and secured underwater by Keppel Volunteers, NParks and NUS divers for propagation before transplanting to recipient coral reefs.

(NGOs) and international organisations to develop business-driven solutions for challenges facing our world today.

Keppel Group continued its steadfast support to the Coral Nursery Project in 2008. Launched in July 2007, the project is a collaboration with NUS, National Parks Board and NEA, and is part of a national effort to conserve the coral cover in Singapore. It is Singapore's first corporate-sponsored marine environmental initiative and the first in the region. Keppel's sponsorship of $250,000 spans two years and supports maintenance efforts for the nurturing and re-growth of coral fragments. The growth and development of the coral nursery will be monitored with the view of future transplanting.

In addition, a 30-strong team of Keppel Volunteers with diving experience has come forward as our volunteer divers. Twice a month, four volunteer divers deploy nursery tables and perform maintenance cleaning, hand-in-hand with NUS. The project has been well received by the public and featured in the local media.

Keppel Group is the Gold Sponsor for Asia Dive Expo 2008, an exhibition targeted at educating the public on how human actions affect the marine environment and what humans can do to remedy the situation.

Keppel Group was the main sponsor of *Blue Planet*, a highly acclaimed 10-part BBC documentary narrated by world-renowned naturalist, David Attenborough. Almost five years in the making, the series involved nearly 200 filming locations and has been described as "the first ever comprehensive series on the natural history of the world's oceans". The series was aired on Singapore's Arts Central from April to June 2008 and won multiple Emmy and BAFTA TV awards for music and cinematography.

KIE and Keppel Land were the platinum sponsors of the Corporate Environmental Outreach (CEO) Run held on 19 October 2008 at Pulau Semakau organised by NEA. Funds raised were channelled to six local environmental NGOs to develop and sustain their community outreach and education efforts to enhance the public's environmental responsibility.

Keppelites joined representatives from other corporations at tree planting after the inaugural CEO Run on Pulau Semakau organised by the NEA.

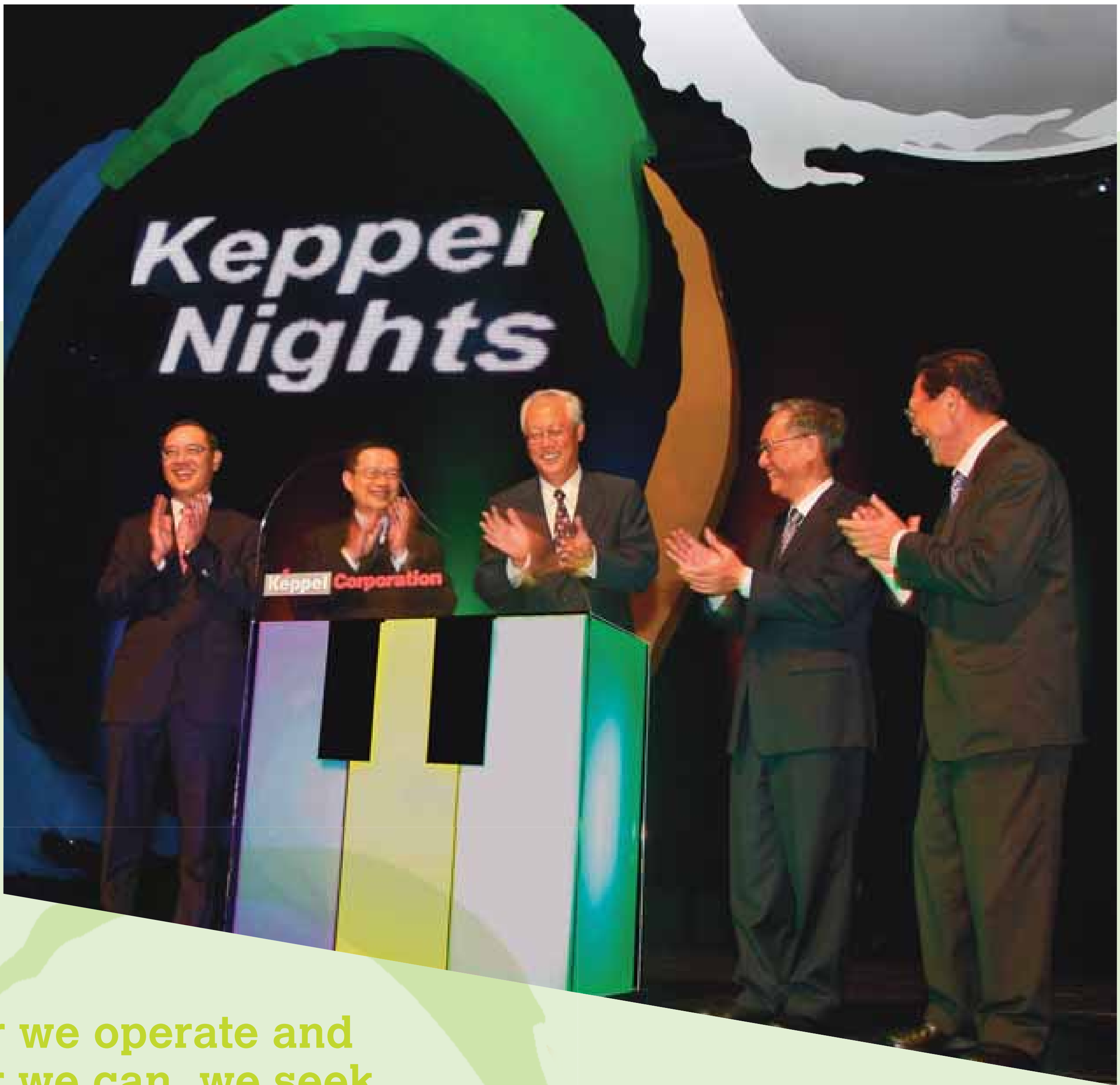
Keppel Land organised a Christmas Bazaar on 10 December 2008 where staff could purchase handicrafts made of recycled material from various charities such as the Institute of Mental Health, Association for Persons with Special Needs (APSN), Cicada Tree Eco-Place and Singapore Management University Ambassadors. Funds raised went to the Elephant Nature Foundation, World Vision, Tabitha Foundation and Riverkids Project.

Keppel Land sponsored 500 recyclable bags and 100 mugs at a public event, RSC Block Party: the Eco-Solutions Festival, held at the *Old School @ Mt Sophia* on 19 July 2008. The highlight of the Festival was a rock concert by local bands to increase youth awareness on environmental issues. Keppel Land further sponsored 200 bags and mugs for *Clean and Green Singapore – North West!* on 9 November 2008, organised by the NEA North West Regional Office and North West Community Development Council.

For the second consecutive year, SPC supported MediaCorp's *Saving Gaia* campaign, which aims to increase awareness of environmental issues.

SPC also collaborated with MediaCorp's Capital 95.8FM radio station in a *Save-the-Earth* recycling drive where listeners dropped off their recyclable items at designated SPC service stations. Proceeds from the collection were donated to Capital 95.8FM's adopted charity, Fei Yue Family Service Centre.

Community Involvement



Management of Keppel Corporation and the National Arts Council celebrating the launch of *Keppel Nights* at the 40th Anniversary with Senior Minister Goh Chok Tong (middle).

Wherever we operate and whenever we can, we seek to make a contribution to the well-being and welfare of the communities.

Focus areas

- Promote the arts
- Encourage volunteerism, community and charity work

Nurturing Appreciation for the Arts

In celebration of our 40th anniversary, Keppel Corporation chose to support and nurture local music talents. We sponsored a performance by the Singapore Symphony Orchestra (SSO) under the baton of Maestro Lim Yau at the Esplanade on 19 August 2008. Graced by Singapore's Senior Minister Goh Chok Tong, the highlight of the concert was the world premiere of *Of Passion and Passages*, a symphony composed by Professor Ho Chee Kong from the Yong Siew Toh (YST) Conservatory of Music. The piece was specially commissioned by Keppel for the occasion. Sixteen-year-old pianist Abigail Sin also did a solo turn at the concert.

Keppel was the Platinum Sponsor of *Encore! The European Season*, the first European Cultural Season to be held worldwide. The Season was launched on 6 May 2008 with the opening of the 18th European Union Film Festival. Minister for Information, Communications and the Arts, Dr Lee Boon Yang graced the inaugural ceremony at the *Cathay Picturehouse*. The Season featured over 45 events including film screenings, concerts, visual arts exhibitions, theatrical productions, literary events and dance performances.

In September 2008, Keppel O&M was the presenting sponsor of the Brazilian musical ensemble and renowned bossa nova pioneers, Roberto Menescal, Wanda Sa, Joao Donato, Marcos Valle and Vinicius Cantuaria.

Keppel O&M was also the presenting sponsor of the 5th International Capoeira Festival organised by the Association of Capoeira Argola de Ouro. Capoeira is an Afro-Brasileira martial art form and Brazil's second most-loved sport after soccer. This is the third year that Keppel O&M has supported the festival.

Keppel Group's Keppel Music Scholarship programme was established to nurture young talents and support Singapore's first conservatory, the YST Conservatory of Music. In 2003, Keppel committed $600,000 to sponsor 10 students over a period of five years to pursue a four-year degree programme at YST. Six Keppel Music Scholars have since graduated while two more Vietnamese were awarded the scholarships in 2008. Two of the six scholars who have graduated, Tran Thi Tam Ngoc and Tran Duc Minh, performed in their homeland with the Ho Chi Minh Symphony Orchestra on 17 August 2008.

Keppel O&M sponsored *A Jazzy Christmas*, a concert by Jeremy Monteiro, Singapore's King of Swing and Cultural Medallion holder. Over 80 Keppel guests were entertained by a stellar cast of acclaimed international musical talents.

Continued on page 140 ...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1 **The SSO gave a stirring performance of *Of Passion and Passages* at Keppel's 40th anniversary concert on 19 August 2008.**

2 **Keppel O&M sponsored a Christmas concert by Jeremy Monteiro and his international jazz luminary friends, who thrilled fans with beautiful renditions of jazzy bossa nova (Photo credit: Peter Phua).**

Bringing Singaporeans to the Arts

In the spirit of *Nurturing Communities*, Keppel Corporation has been deeply involved in promoting Singapore's arts scene, and has provided numerous platforms to showcase both local and foreign talent and artistes for the last 25 years. The Group continues to prop up arts programmes and groups that have impactful causes.

In August 2008, Keppel Corporation joined hands with the NAC in a milestone public-private sector partnership that presented Singapore's first sustained ticket subsidy scheme.

Branded *Keppel Nights*, this innovative scheme was launched by Senior Minister Goh Chok Tong to commemorate Keppel Corporation's 40th anniversary. Backed by a $250,000 cash grant from Keppel, *Keppel Nights* offers the public half-priced tickets to pre-selected performances over a year.

This initiative extends the Company's efforts to help cultivate audiences for arts programmes. It also pays tribute to ordinary Singaporeans and their contributions towards building a vibrant nation in which Keppel thrives.

> **"With half-priced tickets under *Keppel Nights*, I can now watch more arts performances with my parents at prices we can afford."**
>
> **Alyna Tan, 9**
> Student

Keppel Nights is making a difference by promoting the arts as an integral part of the lives of students, senior citizens, heartlanders and their families. By making arts performances more affordable for the public, the scheme also enables show presenters and arts groups to bolster ticket sales and reach out to a wider audience.

About six months into its launch, *Keppel Nights* had allotted some 3,500 tickets and achieved an overall 82% take-up rate. This is translated to $60,000 of savings to arts goers.

Young adults aged 25–34 formed the largest group, or 29% of arts-goers who purchased tickets through *Keppel Nights* in the second quarter of its run. This was closely followed by youths aged 18–24, including tertiary students and full-time national servicemen, at 21%. Senior citizens aged 55 and above formed the third largest group of arts consumers, at 20%.

Starting with Keppel's anniversary concert performed by the Singapore Symphony Orchestra, more than 20 shows of various genres have since benefited from the scheme. These include international favourites such as the Vienna Boys Choir, and West End musicals *ABBA Mania* and *Cats*, among many other local performances with the likes of the Singapore Repertory Theatre's Shakespeare play, *Much Ado about Nothing*.

Subsidised tickets to shows targeted at the older generation of heartlanders such as Art Station's *Vocal Delights* and *Top 10 Chinese Classics* by City Chinese Orchestra were also almost fully subscribed.

Keppel Nights has generated a significant public following through its official website www.keppelnights.com. As at end-January 2009, close to 10,000 individuals have visited the website and viewed its pages some 65,000 times.

> **"My family and I look forward to enjoying the performances under the *Keppel Nights* programme. It will certainly widen my knowledge in music and the arts."**
>
> **Daniel Wong, 12**
> Student

A poll on the website was also conducted to survey public interest in the genres of shows presented. The majority of Singaporeans (39%) voted for Musicals followed by Music (27%), Theatre (17%), Dance (11%) and Arts Exhibitions (6%). These results will guide the future selection of shows for *Keppel Nights*.

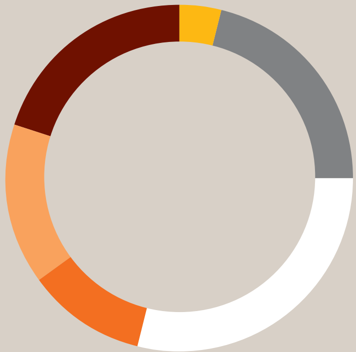
"I think Keppel is doing a good job because senior citizens and retirees may find some tickets too expensive and can't afford to go."

Janet Teo, 59
Retiree

Keppel Nights also reaches out to students, adults and families though interactive social networking platforms such as Facebook. At the end of February 2009, the *Keppel Nights Facebook Club* has a captive membership of more than 3,500 fans, 80% of whom are students and young adults below 35 years of age.

Building on its success, *Keppel Nights* will continue to enhance the variety of performances to appeal to its different target groups, and provide audiences with an even greater choice.

Keppel Nights' Audience Profile
(2nd Quarter)



17 years and below	**4%**
18 – 24 years	**21%**
25 – 34 years	**29%**
35 – 44 years	**11%**
45 – 54 years	**15%**
55 years and above	**20%**

Source: SISTIC, GateCrash & ticket.com. N=506

1 The *Keppel Nights* scheme has been well-received by audiences young and old.

2 The public enjoys a variety of international and local shows under this innovative audience cultivation scheme.

3 Primary school students await with eagerness to enjoy Keppel's 40th Anniversary Concert, the inaugural *Keppel Nights* performance.

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APSN students celebrating Singapore's National Day with Keppel Volunteers.

... continued from page 137

In recognition of its contributions to the arts scene such as the Singapore Season in China, Keppel Corporation received the Patron of the Arts Award from the National Arts Council (NAC) in October 2008. MobileOne received the award as Distinguished Patron of the Arts, SPC as a Friend of the Arts and *Marina Bay Financial Centre* as an Associate of the Arts.

Driving Corporate Volunteerism

In 2008, Keppel Group sought to drive a difference for its adopted charity, the Association for Persons with Special Needs (APSN), as well as the broader community.

Keppel Group was a significant sponsor of the hydroponics farm project for the Centre for Adults (CFA), a learning institution under APSN. Keppel Volunteers had sponsored the construction of five green houses to help secure more employment opportunities for APSN students. To be used for hydroponics, the green houses will be cared for by APSN students. Keppel Volunteers underwent a training session to equip them with basic knowledge of hydroponics farming to allow them to work effectively alongside APSN students for future activities. A hydroponics farm harvest ceremony was held on 18 January 2008.

Keppel Volunteers brought students from Tanglin School and the CFA to Asia Dive Expo on 19 April 2008 to learn about the challenges facing the sustainability of marine wildlife. The students were taken on a guided tour which explained the damaging effects of irresponsible human behaviour on the long-term survival of marine life and demonstrated ways to protect vulnerable marine species. Keppel Volunteers also organised other monthly activities with students from APSN including a hike to Bukit Timah Hill, visits to the zoo and the Botanic Gardens. Through these monthly activities, Keppelites help to make a difference in the lives of APSN students while at the same time learn to interact with people with mild intellectual disabilities.

A workshop was organised on 15 March 2008 at Katong School for Keppel Volunteers and Keppelites. The purpose of this workshop is to give an overview of Keppel Volunteers' goals and activities and introduce APSN to Keppelites. Keppel Volunteers held periodic training to better equip our volunteers with the necessary skills to be effective when dealing with APSN students.

To help ease the blood shortage in Singapore's blood banks, Keppel Scholars Alumni Association organised a Group-wide blood donation drive in conjunction with the Red Cross Society of Singapore and the Singapore Blood Services Group in the first two weeks of December 2008. The response was encouraging and the collection of 270 packets of blood exceeded expectations.

Promoting Community and Charity Work

Raising Funds for Good Causes

As part of Keppel Corporation's 40th anniversary celebrations, the Keppel Group organised a charity golf tournament at the *Tanah Merah Country Club* on 29 August 2008. The proceeds of $200,000 went to the President's Challenge to help increase awareness of how the community can help the less fortunate and raise funds for the social service sector.

Keppel Corporation also supported several charity fund raising events in 2008. These include the Celebrities Sports Club's Charity Golf Tournament on 11 September 2008 where funds raised were channelled to APSN, the Lee Hsien Loong Cup Charity Golf Tournament on 11 June 2008 to raise funds for needy kindergarten children in seven branches of the PAP Community Foundation in Ang Mo Kio GRC and Yio Chu Kang as well as a Centre for Fathering charity tournament to support the Centre's cause of raising national awareness for positive fathering.

For the third consecutive year, Keppel O&M supported Metta Welfare Association's (Metta) charity golf tournament with a strong show of senior management participation. It also provided opportunities for intellectually challenged students from Metta's schools to showcase their talents in performances at naming ceremonies held at Keppel yards.

Keppel Recreation Club actively participated in the Jurong Town Corporation 40th anniversary 4-km Charity Run on 15 September 2008 and the Maritime and Port Authority of Singapore Nautical 6.6-km Charity Run on 10 October 2008, with a group of runners as well as donation pledges.

Keppel O&M provided 700 tee shirts for the Society for the Prevention of Cruelty to Animals Fun Run at Bedok Reservoir Park on 8 June 2008. Over 200 people, including a team of 10 Keppelites, participated in the 4.3-km run.

Keppel Corporation helped to raise funds for the National Heritage Board's (NHB) community outreach programmes by supporting Heritage Gala 2008, NHB's inaugural fundraising dinner held at *Ritz-Carlton Hotel* on 27 June 2008.

Keppel's contributions to charity have been recognised by the community. Keppel O&M was honoured with the Community Chest's SHARE (Social Help and Assistance Raised by Employees) Platinum Award for its staff support and contribution in 2008. Keppel FELS and Keppel Singmarine also received Platinum Awards while Keppel Shipyard and Keppel Logistics received Gold Awards.

Keppel raised $200,000 for the President's Challenge through a charity golf tournament in August 2008.

Keppelite volunteers clean the shorelines of Keppel Batangas Shipyard.

Caring for Children
The Keppel Group returned for the sixth year as a sponsor of the National Day Parade in 2008. Joining in the celebrations was a group of youngsters from APSN, accompanied by our Keppel Volunteers and youth interns from the Keppel-Young Arab Leaders' Internship Exchange Programme who were in Singapore for a three-month cultural and knowledge exchange stint.

Keppel believes in helping to improve the conditions for children to grow to their full potential. Keppel Land contributed RMB1 million towards the Mainly I Love Kids (MILK) Fund for the construction of a student hostel in Luoyuan, Fujian Province, China. This will benefit some 650 students, many of whom trek miles daily from their suburban homes for education.

Keppel continued its support of the VIVA Foundation for Children with Cancer's fight to improve the survival rate and cure of children with cancer in Singapore and the region, with a pledge of $20,000. The Foundation is a partnership between St Jude Children's Research Hospital in the US, National University Hospital and NUS.

Keppel O&M provided festive cheer to the students of Grace Orchard School, Singapore Autism School and Metta School with 880 digital watches during the Lunar New Year in February 2008.

Keppel Land collaborated with World Vision to promote the *Tree of Life* campaign, a child sponsorship programme. The tree was set up within Keppel Land's office premises featuring photo cards of 25 children waiting to be sponsored.

Promoting Healthy Lifestyle
In line with its Group-wide emphasis on health and safety, Keppel has stepped up its involvement in events promoting health awareness as well as an active lifestyle. Keppel O&M sponsored the first ever Singapore Quadthlon at Changi beach park on 12 October 2008. Organised by SAFRA, over 250 local and foreign

participants raced in a 500-m swim, 12-km in-line skate, 20-km cycle and 6-km run.

Keppel O&M supported the Health Promotion Board (HPB)'s World AIDS Day concert at Fort Canning Park on 29 November 2008. The first such concert of its magnitude, local celebrities like Stephanie Sun, Hardy Mirza and the Dim Sum Dollies performed to the audience to raise their awareness of HIV and AIDS. Keppel Shipyard also organised the *Bridges of Hope* workshop which used games and activities to help participants understand their own perceptions of HIV and AIDS. Talks by HPB were also organised in all its yards to promote awareness and understanding of health issues and sexually transmitted infections.

Connecting with the Community

Contributing to the communities where we have presence is also important to Keppel. At *Acacia Lodge*, residents have been pitching in to make the local community a safe and secure living neighbourhood under the *Acacia Foreign Residents on Patrol (AFROP)* initiative, by patrolling Spring View estate on weekends every fortnight. For its community contributions, *Acacia Lodge* received the Southwest District Community Safety & Security Programme Silver Award.

A team of volunteers from Keppel Batangas in The Philippines joined students, community folks, business groups, and members of different government and non-government organisations to clean the coastal areas along Batangas Bay on 20 September 2008 as part of the International Coastal Cleanup Day.

To help groom prospective and talented athletes, the Keppel Group contributed $30,000 to support the joint efforts of Lantamal IV and PT Citra Mas Batam build the *Lantamal IV Sports Hall*, a multi-purpose sports centre in Tanjung Pinang, Batam, Indonesia.

Lending a Helping Hand to Disaster Relief

Keppel Group donated about US$1 million (about RMB7 million) to the Sichuan Quake relief efforts, channelled through the Red Cross Society of China, to the rebuilding of lives and rehabilitation efforts in the province hit by a devastating earthquake in May 2008.

In China, various fund-raising activities were undertaken. Donation boxes were placed at Keppel Land's offices and residential properties in Beijing, Shanghai, Chengdu and Wuxi. In Kunming, Yunnan, *Spring City Golf and Lake Resort* raised over RMB250,000 with a charity golf game and auction. Keppel Nantong Shipyard organised a donation collection from staff and subcontractors for the Red Cross Society in Nantong.

Keppel Land also donated RMB350,000 to support One Love Charity Festival, a Singapore-led effort to raise additional funds for children affected by the earthquake.

Aid was rendered to employees in Myanmar affected by Cyclone Nargis. Affected employees of *Sedona Hotel Yangon* were given up to two months of advance salary to rebuild their homes while those with monthly salaries below US$150 were provided with food items weekly. *Sedona Mandalay's* management held a donation drive to collect food, clothing and other necessities from its staff, which were distributed to affected employees of *Sedona Hotel Yangon*. *Sedona Hotel Yangon* also gave a one-time donation of US$100 each to employees who had lost their homes

Extending heart and hand to quake-striken children in Sichuan.

Sustainability Report Highlights in 2008

January
The fleet of Clipper 07-08 Round the World yachts sailed into *Marina at Keppel Bay*, before leaving from Singapore to continue with the race.

Keppel Land formed an Environment Management Committee responsible for developing and implementing environmental programmes.

Mr Nick Sansom, Senior Vice President and Head of Marine in Asia, Marsh (S) Pte Ltd, presented a paper on "Marine Insurance: Past, Present and Future" at the 22nd Chua Chor Teck Memorial Lecture.

With contribution by Keppel Corporation, Keppel Volunteers and Association for Persons with Special Needs (APSN) jointly launched the hydroponics farm to enhance the employability of APSN's clients.

April
Keppel Offshore & Marine (Keppel O&M) was a main sponsor of the National Safety & Health Campaign 2008 co-organised by the Workplace Safety & Health (WSH) Council and Singapore's Ministry of Manpower.

As an extension of their support for Singapore's first coral nursery, members of the Keppel Group participated in the Asia Dive Expo 2008 where marine conservation was the theme and message.

May
The Keppel Group donated US$1 million to China's Sichuan quake relief efforts.

The Keppel Group introduced the *"Safety Starts with Me"* initiative, in conjunction with Keppel Shipyard's Safety Excellence 2010, to promote personal and collective responsibility on safety.

Keppel Land's *Ocean Financial Centre* was the first office development in Singapore to achieve the Green Mark Platinum Award by the Building and Construction Authority while *Marina Bay Financial Centre* (Phase 1 – Commercial) and *Reflections at Keppel Bay* both won Gold.

July
The Uniquely Singapore yacht finished 7th position overall in the Clipper 07-08 Round the World Yacht Race. Six Keppelites participated in the Race as part of Keppel's people development initiatives.

Keppel Corporation appointed Mr Ko Kheng Hwa as Chief Executive Officer (CEO) of its new Sustainable Development & Living business to leverage platforms and competencies of the Keppel Group to grow businesses in sustainable developments.

In celebrating our 40th anniversary, Keppel Corporation partnered National Arts Council and contributed $250,000 to introduce *Keppel Nights*, Singapore's first sustained subsidised ticket purchasing scheme to benefit students, heartlanders and senior citizens.

August
Keppel Corporation raised $200,000 for President's Challenge 2008 in conjunction with its 40th Anniversary celebrations.

Keppel Corporation, in partnership with Young Arab Leaders (YAL), successfully piloted the Arab-Asian Internship Exchange Programme with nine interns completing their working stints in Keppel.

September
Keppel Integrated Engineering (KIE) and National Environment Agency (NEA) organised Green Champions Workshop to appoint and train Green Champions across the Keppel Group.

The Keppel Group held its 2nd Keppel Group Safety Convention to reinforce the importance of shared responsibility to ensure excellence in safety, health and environment among Keppelites.

Keppel Chair Professor Andrew Palmer from the Department of Civil Engineering, National University of Singapore, delivered the 6th Keppel O&M Lecture on carbon capture and storage.

Keppel O&M continued its support of the Latin Asia Business Forum, through the sponsorship of a reception for delegates from Singapore and Latin America.

October
The Global Young Leaders Programme, organised by Keppel O&M with the support of Nanyang Business School, was held over three days and trained 31 participants from across the Keppel Group in leadership development.

Keppel O&M inaugurated its new centre of excellence for technical and specialised skills training, and formed a partnership with ITE to create Singapore's first joint-certification training programmes for offshore and marine.

Keppel O&M Quadthlon 2008, Singapore's first quadthlon organised by SAFRA, attracted 250 participants who competed in swimming, cycling, running and in-line skating.

November
Keppel Corporation entered the Uniquely Singapore yacht again for the Clipper 2009–10 and 2011–12 Round the World Yacht Races and signed an agreement for Keppel Bay Sailing Academy to provide Clipper training in Asia.

December
As part of Keppel's ongoing succession planning, Mr Lim Chee Onn relinquished his role as CEO while continuing to serve as Chairman and Mr Choo Chiau Beng assumed the responsibility as CEO of Keppel Corporation.

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Designed by
greymatter williams and phoa (asia)

In collaboration with
Keppel Group Corporate Communications

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(Incorporated in the Republic of Singapore)

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Directors' Report & Financial Statements

Contents

Directors' Report

For the financial year ended 31 December 2008

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 2008.

1. Directors

The Directors of the Company in office at the date of this report are:

Lim Chee Onn (Chairman)
Choo Chiau Beng (Chief Executive Officer)
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
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 LLP 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	
	1.1.2008	31.12.2008	21.1.2009
Keppel Corporation Limited			
(Ordinary shares)			
Lim Chee Onn	2,714,166	3,954,166	3,954,166
Choo Chiau Beng	981,666	1,631,666	1,631,666
Choo Chiau Beng (deemed interest)	200,000	200,000	200,000
Tony Chew Leong-Chee	2,000	4,000	4,000
Lim Hock San	2,000	4,000	4,000
Sven Bang Ullring	70,000	80,000	80,000
Tsao Yuan Mrs Lee Soo Ann	2,000	4,000	4,000
Oon Kum Loon (Mrs)	42,000	44,000	44,000
Oon Kum Loon (Mrs) (deemed interest)	40,000	40,000	40,000
Tow Heng Tan	2,626	4,626	4,626
Tow Heng Tan (deemed interest)	26,172	26,172	26,172
Yeo Wee Kiong	2,000	4,000	4,000
Teo Soon Hoe	2,708,332	3,628,332	3,628,332
(Share options)			
Lim Chee Onn	3,720,000	3,100,000	3,100,000
Choo Chiau Beng	1,840,000	1,610,000	1,610,000
Teo Soon Hoe	2,760,000	2,300,000	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)			
Choo Chiau Beng	-	780,000	780,000
Tow Heng Tan (deemed interest)	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		
	1.1.2008	31.12.2008	21.1.2009
Keppel Philippines Marine, Inc			
(Shares of one Peso each)			
Lim Chee Onn	246,457	-	-
Choo Chiau Beng	283,611	-	-
Teo Soon Hoe	302,830	-	-
Keppel Philippines Properties, Inc			
(Shares of one Peso each)			
Teo Soon Hoe	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 as disclosed in the notes to the financial statements and 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 16,715,000 Ordinary Shares ("Shares") were granted during the financial year. There were 8,048,000 Shares issued by virtue of exercise of options and options to take up 944,000 Shares were cancelled during the financial year. At the end of the financial year, there were 45,491,000 Shares under option as follows:

	Number of Share Options					
Date of grant	Balance at 1.1.2008 or later date of grant	Exercised	Cancelled	Balance at 31.12.2008	Exercise price	Date of expiry
27.09.01	2,000	(2,000)	-	-	$0.62	26.09.11
20.12.02	1,210,000	(1,190,000)	-	20,000	$1.30	19.12.12
11.02.03	665,000	(655,000)	-	10,000	$1.32	10.02.13
14.08.03	680,000	(670,000)	-	10,000	$2.24	13.08.13
13.02.04	1,120,000	(530,000)	-	590,000	$3.01	12.02.14
12.08.04	1,560,000	(780,000)	-	780,000	$3.24	11.08.14
11.02.05	2,030,000	(739,000)	-	1,291,000	$4.42	10.02.15
11.08.05	3,486,000	(903,000)	(20,000)	2,563,000	$6.24	10.08.15
09.02.06	5,650,000	(2,007,000)	(54,000)	3,589,000	$6.39	08.02.16
10.08.06	6,675,000	(558,000)	(149,000)	5,968,000	$7.66	09.08.16
13.02.07	6,837,000	(14,000)	(194,000)	6,629,000	$9.13	12.02.17
10.08.07	7,853,000	-	(237,000)	7,616,000	$12.95	09.08.17
14.02.08	7,903,000	-	(202,000)	7,701,000	$9.96	13.02.18
14.08.08	8,812,000	-	(88,000)	8,724,000	$10.26	13.08.18
	54,483,000	(8,048,000)	(944,000)	45,491,000		

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 and adjusted 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	Aggregate options outstanding as at the end of financial year
Lim Chee Onn	620,000	6,330,000	2,656,250	573,750	3,100,000
Choo Chiau Beng	460,000	4,580,000	2,396,250	573,750	1,610,000
Teo Soon Hoe	460,000	5,040,000	2,166,250	573,750	2,300,000

In addition, options to take up 310,000 Shares in the capital of the Company were granted to Mr Lim Chee Onn on 5 February 2009 as part of his financial year 2008 total remuneration for the services that he rendered in financial year 2008 in his then-capacity as the Company's Executive Chairman.

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 49,669,026 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 3,867,500 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 1,983,000 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 LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board

Choo Chiau Beng
Chief Executive Officer

Teo Soon Hoe
Group Finance Director

Singapore, 2 March 2009

Balance Sheets
As at 31 December 2008

	Note	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Share capital	3	**824,571**	790,407	**824,571**	790,407
Reserves	4	**3,771,605**	4,414,326	**2,320,268**	2,557,968
Share capital & reserves		**4,596,176**	5,204,733	**3,144,839**	3,348,375
Minority interests		**2,152,331**	1,830,459	**-**	-
Capital employed		**6,748,507**	7,035,192	**3,144,839**	3,348,375
Represented by:					
Fixed assets	5	**1,872,571**	1,698,231	**5,890**	5,668
Investment properties	6	**3,029,675**	2,960,347	**-**	-
Development properties	7	**175,510**	172,758	**-**	-
Subsidiaries	8	**-**	-	**2,867,303**	2,876,962
Associated companies	9	**3,201,031**	3,140,594	**3,074**	3,074
Investments	10	**101,024**	335,849	**-**	-
Long term receivables	11	**197,662**	134,857	**301,018**	301,099
Intangibles	12	**78,487**	67,823	**-**	-
		8,655,960	8,510,459	**3,177,285**	3,186,803
Current assets					
Stocks & work-in-progress in excess of related billings	13	**3,217,401**	2,790,649	**-**	-
Amounts due from:					
- subsidiaries	14	**-**	-	**260,718**	958,507
- associated companies	14	**326,583**	594,353	**300**	284
Debtors	15	**1,970,831**	1,753,434	**59,908**	157,054
Short term investments	16	**330,817**	547,437	**-**	-
Bank balances, deposits & cash	17	**2,244,851**	1,600,850	**664,441**	3,884
		8,090,483	7,286,723	**985,367**	1,119,729
Current liabilities					
Creditors	18	**3,939,583**	3,072,012	**219,688**	75,657
Billings on work-in-progress in excess of related costs	13	**2,882,124**	2,542,517	**-**	-
Provisions	19	**58,609**	37,900	**-**	-
Amounts due to:					
- subsidiaries	14	**-**	-	**472,848**	418,887
- associated companies	14	**422,205**	134,331	**-**	2
Term loans	20	**197,868**	499,104	**-**	134,820
Taxation	28	**344,020**	351,864	**19,669**	15,305
Bank overdrafts	21	**27,762**	3,767	**-**	-
		7,872,171	6,641,495	**712,205**	644,671
Net current assets		**218,312**	645,228	**273,162**	475,058
Non-current liabilities					
Term loans	20	**1,744,553**	1,731,526	**300,000**	300,000
Deferred taxation	22	**381,212**	388,969	**5,608**	13,486
		2,125,765	2,120,495	**305,608**	313,486
Net assets		**6,748,507**	7,035,192	**3,144,839**	3,348,375

See accompanying notes to financial statements.

Consolidated Profit and Loss Account

For the financial year ended 31 December 2008

	Note	Group 2008 $'000	Group 2007 $'000
Revenue	23	**11,805,426**	10,431,250
Materials and subcontract costs		**(8,828,492)**	(8,037,393)
Staff costs	24	**(1,329,042)**	(1,132,125)
Depreciation and amortisation		**(139,078)**	(125,692)
Other operating expenses		**(270,340)**	(85,391)
Operating profit	25	**1,238,474**	1,050,649
Investment income	26	**12,087**	2,867
Interest income	26	**71,002**	88,542
Interest expenses	26	**(78,671)**	(62,710)
Share of results of associated companies	9	**353,957**	476,882
Profit before tax and exceptional items		**1,596,849**	1,556,230
Exceptional items	27	**12,592**	564,933
Profit before taxation		**1,609,441**	2,121,163
Taxation	28	**(288,030)**	(468,635)
Profit for the year		**1,321,411**	1,652,528
Attributable to:			
Shareholders of the Company			
Profit before exceptional items		**1,096,653**	1,025,596
Exceptional items	27	**1,318**	105,105
		1,097,971	1,130,701
Minority interests		**223,440**	521,827
		1,321,411	1,652,528
Earnings per ordinary share	29		
Before exceptional items			
- basic		**69.0 cts**	64.9 cts
- diluted		**68.7 cts**	64.3 cts
After exceptional items			
- basic		**69.0 cts**	71.5 cts
- diluted		**68.8 cts**	70.4 cts
Gross dividend per ordinary share	30		
Interim dividend paid		**14.0 cts**	9.0 cts
Final dividend proposed		**21.0 cts**	10.0 cts
Special dividend proposed		**-**	45.0 cts
Total distribution		**35.0 cts**	64.0 cts

See accompanying notes to financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2008

	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							
2008							
As at 1 January	**790,407**	**827,571**	**3,644,164**	**(57,409)**	**5,204,733**	**1,830,459**	**7,035,192**
Fair value changes on available-for-sale assets	**-**	**(344,582)**	**-**	**-**	**(344,582)**	**4,553**	**(340,029)**
Fair value gain on available-for-sale assets realised and transferred to profit & loss account	**-**	**(56,752)**	**-**	**-**	**(56,752)**	**(4,091)**	**(60,843)**
Fair value changes on cash flow hedges	**-**	**(322,712)**	**-**	**-**	**(322,712)**	**(135)**	**(322,847)**
Fair value loss on cash flow hedges realised and transferred to profit & loss account	**-**	**1,827**	**-**	**-**	**1,827**	**-**	**1,827**
Currency translation gain	**-**	**-**	**-**	**64,241**	**64,241**	**27,242**	**91,483**
Currency translation gain realised and transferred to profit & loss account	**-**	**-**	**-**	**(6,475)**	**(6,475)**	**1,788**	**(4,687)**
Net income/(expense) recognised directly in equity	**-**	**(722,219)**	**-**	**57,766**	**(664,453)**	**29,357**	**(635,096)**
Net profit for the year	**-**	**-**	**1,097,971**	**-**	**1,097,971**	**223,440**	**1,321,411**
Total income/(expense) recognised for the year	**-**	**(722,219)**	**1,097,971**	**57,766**	**433,518**	**252,797**	**686,315**
Dividend paid	**-**	**-**	**(1,097,743)**	**-**	**(1,097,743)**	**-**	**(1,097,743)**
Share-based payment	**-**	**20,361**	**-**	**-**	**20,361**	**1,590**	**21,951**
Transfer of statutory, capital and other reserves to revenue reserves	**-**	**1,632**	**(2,394)**	**762**	**-**	**-**	**-**
Dividend paid to minority shareholders	**-**	**-**	**-**	**-**	**-**	**(103,416)**	**(103,416)**
Cash subscribed by minority shareholders	**-**	**-**	**-**	**-**	**-**	**199,559**	**199,559**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**350**	**350**
Acquisition of additional interest in subsidiaries	**-**	**-**	**-**	**-**	**-**	**(29,008)**	**(29,008)**
Other adjustments	**-**	**-**	**1,143**	**-**	**1,143**	**-**	**1,143**
Shares issued	**34,164**	**-**	**-**	**-**	**34,164**	**-**	**34,164**
As at 31 December	**824,571**	**127,345**	**3,643,141**	**1,119**	**4,596,176**	**2,152,331**	**6,748,507**

See accompanying notes to financial statements.

	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	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 cash flow hedges	-	131,412	-	-	131,412	(60)	131,352
Fair value gain on cash flow 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 realised and 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

See accompanying notes to financial statements.

Statements of Changes in Equity

	Share Capital $'000	Capital Reserves $'000	Revenue Reserves $'000	Total $'000
Company				
2008				
As at 1 January	**790,407**	**47,456**	**2,510,512**	**3,348,375**
Net profit for the year	**-**	**-**	**837,457**	**837,457**
Dividend paid	**-**	**-**	**(1,097,743)**	**(1,097,743)**
Share-based payment	**-**	**22,586**	**-**	**22,586**
Shares issued	**34,164**	**-**	**-**	**34,164**
As at 31 December	**824,571**	**70,042**	**2,250,226**	**3,144,839**
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

See accompanying notes to financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2008

	Note	2008 $'000	2007 $'000
Operating activities			
Operating profit		**1,238,474**	1,050,649
Adjustments:			
Depreciation and amortisation		**139,078**	125,692
Share-based payment expenses		**26,527**	21,307
Profit on sale of fixed assets		**(8,268)**	(7,126)
Others		**(93)**	(918)
Operational cash flow before changes in working capital		**1,395,718**	1,189,604
Working capital changes:			
Stocks & work-in-progress		**(73,960)**	61,750
Debtors		**(376,344)**	(86,460)
Creditors		**635,517**	827,372
Investments in bonds and shares		**39,395**	53,488
Advances to associated companies		**557,385**	(247,466)
Translation of foreign subsidiaries		**70,121**	29,560
		2,247,832	1,827,848
Interest received		**69,219**	79,755
Interest paid		**(85,687)**	(73,548)
Income taxes paid, net of refunds received		**(184,550)**	(136,719)
Net cash from operating activities		**2,046,814**	1,697,336
Investing activities			
Acquisition of subsidiaries	A	**(1,400)**	(96,879)
Acquisition of additional shares in subsidiaries		**(23,604)**	(1,598)
Acquisition and further investment in associated companies		**(127,463)**	(482,767)
Acquisition of fixed assets and investment properties		**(399,598)**	(255,909)
Expenditure on development properties		**(11,011)**	(3,605)
Proceeds from disposal of associated companies		**-**	14,277
Proceeds from disposal of fixed assets		**18,667**	16,788
Dividend received from investments and associated companies		**373,246**	263,351
Net cash used in investing activities		**(171,163)**	(546,342)
Financing activities			
Proceeds from share issues		**34,164**	38,694
Proceeds from minority shareholders of subsidiaries		**199,559**	25,580
Proceeds from term loans		**170,228**	377,130
Capital distribution		**-**	(221,213)
Repayment of term loans		**(458,437)**	(1,099,541)
Dividend paid to shareholders of the Company		**(1,097,743)**	(241,754)
Dividend paid to minority shareholders of subsidiaries		**(103,416)**	(48,014)
Net cash used in financing activities		**(1,255,645)**	(1,169,118)
Net increase/(decrease) in cash and cash equivalents		**620,006**	(18,124)
Cash and cash equivalents as at 1 January		**1,597,083**	1,615,207
Cash and cash equivalents as at 31 December	B	**2,217,089**	1,597,083

See accompanying notes to financial statements.

Notes to Consolidated Cash Flow Statement

		2008 $'000	2007 $'000
A.	**Acquisition of Subsidiaries**		
	During the financial year, the fair values of net assets of subsidiaries acquired were as follows:		
	Investments	**-**	8,286
	Stocks & work-in-progress	**1,750**	97,059
	Debtors	**-**	3
	Bank balances and cash	**-**	941
	Creditors	**-**	(23)
	Current and deferred tax	**-**	(22)
	Minority interests	**(350)**	(4,490)
		1,400	101,754
	Amount previously accounted for as associated companies	**-**	(3,934)
	Purchase consideration	**1,400**	97,820
	Less: Bank balances and cash acquired	**-**	(941)
	Cash flow on acquisition net of cash acquired	**1,400**	96,879

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 cash flow statement comprise the following balance sheet amounts:

	2008 $'000	2007 $'000
Bank balances, deposits and cash (Note 17)	**2,244,851**	1,600,850
Bank overdrafts (Note 21)	**(27,762)**	(3,767)
	2,217,089	1,597,083

See accompanying notes to financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2008

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 & logistics; 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 2008 and the balance sheet and statement of changes in equity of the Company at 31 December 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 2 March 2009.

2. Significant acounting 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 2008. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

INT FRS 111 Group and Treasury Share Transactions

The adoption of the above INT FRS did not result in any substantial change to the Group's accounting policies nor any significant impact on these financial statements.

(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.

2. Significant acounting policies (continued)

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.

(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 or phase with a separate temporary occupation permit, each component or phase 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.

(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 associated company 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.

2. Significant acounting policies (continued)

(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 cash flow 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 cash flow 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 High Sulphur Fuel Oil ("HSFO") forward contracts is determined using forward HSFO prices provided by the Group's key counterparty. The fair value of interest rate caps and interest rate swaps are based on valuations provided by the Group's bankers.

(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 cash flows 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.

(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.

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes cost of land and construction, related overhead expenditure 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.

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.

(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 values as reduced by appropriate allowances for estimated irrecoverable amounts.

(n) Financial Liabilities and Equity Instruments

Financial liabilities include trade, intercompany and other payables, bank loans and overdrafts. Trade, intercompany and other payables are stated at their fair values. 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.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

2. Significant acounting policies (continued)

(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 values 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 fair values. 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. 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.

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.

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.

Rental income from operating leases on investment properties are recognised on a straight-line basis over the lease term.

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.

Interest income is recognised on a time proportion basis using the effective interest method.

2. Significant acounting policies (continued)

(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.

(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 cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. 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 cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amount of goodwill at the balance sheet date is disclosed in Note 12.

2. Significant acounting policies (continued)

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 cash flow. 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 engineers. Revenue from construction contracts is disclosed in Note 23.

Revenue arising from additional claims and variation orders, whether billed or unbilled, is recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claims or approve the variation orders, and the amount that it is probable will be accepted by the customer can be measured reliably.

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.

Claims, litigations and reviews

The Group entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgement as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal and technical expertise.

3. Share capital

	Group and Company	
	2008 $'000	2007 $'000
Ordinary Shares ("Shares")		
Issued and paid up:		
Balance 1 January		
1,585,086,180 Shares (2007: 787,992,924 Shares)	**790,407**	972,926
Sub-division of 1 Share into 2 Shares in 2007		
(2007: 789,942,257 Shares)	**-**	-
Issued during the financial year 8,048,000 Shares		
(2007: 1,949,333 Shares before sub-division of Shares		
and 5,201,666 Shares after sub-division of Shares)	**34,164**	38,694
Capital distribution	**-**	(221,213)
Balance 31 December		
1,593,134,180 Shares (2007: 1,585,086,180 Shares)	**824,571**	790,407

During the financial year, the Company issued 8,048,000 Shares for cash upon exercise of options under the KCL Share Option Scheme. This comprised 2,000 Shares at $0.62 per Share, 1,190,000 Shares at $1.30 per Share, 655,000 Shares at $1.32 per Share, 670,000 Shares at $2.24 per Share, 530,000 Shares at $3.01 per Share, 780,000 Shares at $3.24 per Share, 739,000 Shares at $4.42 per Share, 903,000 Shares at $6.24 per Share, 2,007,000 Shares at $6.39 per Share, 558,000 Shares at $7.66 per Share and 14,000 Shares at $9.13 per Share.

In 2007, the Company effected a sub-division of Shares whereby each Share was sub-divided into two Shares with effect from 7 May 2007.

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
Oon Kum Loon (Mrs)
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.

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.

3. Share capital (continued)

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:

	2008		2007	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at 1 January	**37,768,000**	**$7.80**	16,232,166	$10.78
Granted	**-**	**-**	3,496,500	$18.55
Exercised	**-**	**-**	(1,949,333)	$7.07
Cancelled	**-**	**-**	(29,000)	$18.55
Balance before sub-division	**37,768,000**	**$7.80**	17,750,333	$12.71
Adjustment	**-**	**-**	17,750,333	-
Granted	**16,715,000**	**$10.12**	7,883,000	$12.95
Exercised	**(8,048,000)**	**$4.24**	(5,201,666)	$4.79
Cancelled	**(944,000)**	**$9.93**	(414,000)	$7.71
Balance at 31 December	**45,491,000**	**$9.23**	37,768,000	$7.80
Exercisable at 31 December	**14,829,000**	**$6.39**	10,765,000	$4.02

The weighted average share price at the date of exercise for options exercised during the financial year was $10.78 (2007: $18.09 from 1 January 2007 to 7 May 2007 before adjustment for sub-division of Shares and $12.83 thereafter to 31 December 2007). The options outstanding at the end of the financial year had a weighted average exercise price of $9.23 (2007: $7.80) and a weighted average remaining contractual life of 8.3 years (2007: 8.3 years).

On 14 February 2008 and 14 August 2008, the Company granted 7,903,000 options and 8,812,000 options respectively under the KCL Share Option Scheme. The estimated fair values of the options granted on those dates are $1.38 per share (13 February 2007: $2.94 per share) and $1.54 per share (10 August 2007: $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:

	2008		2007	
Date of grant	**14.2.2008**	**14.8.2008**	13.2.2007	10.8.2007
Prevailing share price at grant	**$9.96**	**$10.26**	^$18.55	$12.95
Exercise price	**$9.96**	**$10.26**	^$18.55	$12.95
Expected volatility	**27.59%**	**29.33%**	24.30%	24.35%
Expected life	**3.5 years**	**3.5 years**	3.5 years	3.5 years
Risk free rate	**1.23%**	**1.81%**	2.32%	2.45%
Expected dividend yield	**4.39%**	**4.78%**	2.72%	3.73%

^ Before adjustment for capital distribution and sub-division of Shares in 2007

The expected volatility is determined by calculating the historical volatility of the Company's share price over the previous 3.5 years (2007: 3.5 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**	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Capital Reserves				
Share option reserve	**80,240**	59,879	**70,042**	47,456
Fair value reserve	**36,673**	438,308	**-**	-
Hedging reserve	**(65,580)**	255,305	**-**	-
Bonus issue by subsidiaries	**40,000**	40,000	**-**	-
Others	**36,012**	34,079	**-**	-
	127,345	827,571	**70,042**	47,456
Revenue Reserves	**3,643,141**	3,644,164	**2,250,226**	2,510,512
Foreign Exchange Translation Account	**1,119**	(57,409)	**-**	-
	3,771,605	4,414,326	**2,320,268**	2,557,968

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						
2008						
Cost						
At 1 January	**54,228**	**1,158,464**	**209,730**	**1,598,671**	**103,230**	**3,124,323**
Additions	**4,190**	**5,460**	**8,952**	**71,025**	**229,463**	**319,090**
Disposals	**(2,425)**	**(2,595)**	**(19,242)**	**(19,291)**	**-**	**(43,553)**
Reclassification						
- Investment properties	**-**	**(867)**	**-**	**(5,955)**	**-**	**(6,822)**
- Development properties	**-**	**15,251**	**-**	**98**	**-**	**15,349**
- Other fixed assets categories	**(2,291)**	**64,605**	**27,766**	**88,801**	**(178,881)**	**-**
Exchange differences	**(1,803)**	**3,466**	**(3,568)**	**(2,028)**	**(991)**	**(4,924)**
At 31 December	**51,899**	**1,243,784**	**223,638**	**1,731,321**	**152,821**	**3,403,463**
Accumulated Depreciation & Impairment Losses						
At 1 January	**21,781**	**453,732**	**100,564**	**850,015**	**-**	**1,426,092**
Depreciation charge	**2,507**	**36,135**	**14,918**	**85,139**	**-**	**138,699**
Impairment loss (Note 27)	**-**	**-**	**-**	**1,036**	**-**	**1,036**
Disposals	**(1,433)**	**(1,038)**	**(11,654)**	**(19,054)**	**-**	**(33,179)**
Reclassification						
- Other fixed assets categories	**(3,014)**	**(51)**	**(1,028)**	**4,093**	**-**	**-**
Exchange differences	**(423)**	**1,642**	**(1,286)**	**(1,689)**	**-**	**(1,756)**
At 31 December	**19,418**	**490,420**	**101,514**	**919,540**	**-**	**1,530,892**
Net Book Value	**32,481**	**753,364**	**122,124**	**811,781**	**152,821**	**1,872,571**

During the financial year, the Group recognised impairment losses of $1,036,000 which relates to write-down of non-performing assets in the Infrastructure division. These 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						
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

In 2007, the Group recognised impairment losses of $107,957,000 of which $32,000,000 related to write-down of two hotels in Myanmar in the Property division and $75,957,000 related 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 cash flow 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 cash flow 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).

5. **Fixed assets** (continued)

	Freehold Land & Buildings $'000	Leasehold Land & Buildings $'000	Plant, Machinery & Equipment $'000	Total $'000
Company				
2008				
Cost				
At 1 January	**6,542**	**484**	**6,346**	**13,372**
Additions	**-**	**-**	**682**	**682**
Disposals	**-**	**-**	**(76)**	**(76)**
At 31 December	**6,542**	**484**	**6,952**	**13,978**
Accumulated Depreciation				
At 1 January	**1,671**	**72**	**5,961**	**7,704**
Depreciation charge	**40**	**10**	**407**	**457**
Disposals	**-**	**-**	**(73)**	**(73)**
At 31 December	**1,711**	**82**	**6,295**	**8,088**
Net Book Value	**4,831**	**402**	**657**	**5,890**
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

6. **Investment properties**

	Group	
	2008 $'000	2007 $'000
At 1 January	**2,960,347**	2,249,216
Buildings improvement and development	**80,508**	19,476
Fair value gain (Note 27)	**4,471**	691,444
Disposals	**-**	(501)
Write-off	**(380)**	-
Reclassification		
- Fixed assets	**6,822**	17,840
- Stocks	**(11,435)**	-
Exchange differences	**(10,658)**	(17,128)
At 31 December	**3,029,675**	2,960,347

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 2008:

- Colliers International Consultancy & Valuation (Singapore) Pte Ltd for properties in Singapore;
- CB Richard Ellis (Vietnam) Co. Ltd for properties in Vietnam; and
- PT. Willson Properti Advisindo and PT. Piesta Penilai for properties in Indonesia.

Interest capitalised during the financial year amounted to $1,219,000 (2007: $1,158,000).

Certain investment properties of subsidiaries are mortgaged to banks for loan facilities (Note 20).

7. Development properties

	Group	
	2008 **$'000**	2007 $'000
Land cost	**108,373**	103,020
Development cost incurred to-date	**67,137**	69,738
	175,510	172,758

8. Subsidiaries

	Company	
	2008 **$'000**	2007 $'000
Quoted shares, at cost		
Market value: $997,210,000 (2007: $5,336,248,000)	**1,329,571**	1,329,571
Unquoted shares, at cost	**1,806,332**	1,750,126
	3,135,903	3,079,697
Provision for impairment	**(265,000)**	(199,135)
	2,870,903	2,880,562
Advances from subsidiaries	**(3,600)**	(3,600)
	2,867,303	2,876,962

Movements in the provision for impairment of subsidiaries are as follows:

At 1 January	**199,135**	25,000
Charge to profit and loss account	**65,865**	174,135
At 31 December	**265,000**	199,135

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 38.

9. Associated companies

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Quoted shares, at cost Market value: $916,407,000 (2007: $2,318,996,000)	**590,708**	640,508	**-**	-
Unquoted shares, at cost	**722,218**	694,015	**3,074**	3,074
	1,312,926	1,334,523	**3,074**	3,074
Provision for impairment	**(33,993)**	(28,131)	**-**	-
	1,278,933	1,306,392	**3,074**	3,074
Share of reserves	**759,328**	741,074	**-**	-
	2,038,261	2,047,466	**3,074**	3,074
Advances to associated companies	**1,162,770**	1,093,128	**-**	-
	3,201,031	3,140,594	**3,074**	3,074

Movements in the provision for impairment of associated companies are as follows:

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
At 1 January	**28,131**	28,258	**-**	-
Exchange differences	**251**	(578)	**-**	-
Charge/(write-back) to profit and loss account	**115**	(253)	**-**	-
Impairment loss (Note 27)	**6,209**	704	**-**	-
Amount written off/disposed	**(713)**	-	**-**	-
At 31 December	**33,993**	28,131	**-**	-

Advances to associated companies are unsecured and are not repayable within the next 12 months. Interest is charged at rates ranging from 1.93% to 3.41% (2007: 3.30% to 4.31%) per annum.

	Group 2008 $'000	Group 2007 $'000
The share of attributable profit of associated companies is as follows:		
Share of profit before tax and exceptional items	**353,957**	476,882
Share of exceptional items (Note 27)	**7,684**	212,158
Share of profit before taxation	**361,641**	689,040
Share of taxation (Note 28)	**(71,066)**	(115,462)
Share of attributable profit	**290,575**	573,578
The summarised financial information of associated companies, not adjusted for the Group's proportionate share, is as follows:		
Total assets	**15,516,823**	15,470,300
Total liabilities	**9,172,077**	9,356,233
Revenue	**14,518,960**	12,310,073
Attributable profit before exceptional items	**835,792**	1,056,427
Attributable profit after exceptional items	**850,997**	1,564,354

Investment in Asia Airfreight Terminal Company Limited ("AAT") is equity accounted for in the consolidated financial statements notwithstanding that the Group holds less than 20% of the voting power in this company on grounds that the Group exercises significant influence by virtue of its contractual right to appoint 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 38.

10. Investments

	Group	
	2008 $'000	2007 $'000
Available-for-sale investments:		
Quoted equity shares	**16,040**	228,891
Quoted bonds	**-**	7,373
Unquoted equity shares	**28,524**	53,659
Unquoted property funds	**56,460**	45,926
	101,024	335,849

11. Long term receivables

	Group		Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Receivables from service concession arrangements	**194,088**	134,100	**-**	-
Staff loans	**3,829**	3,817	**1,331**	1,452
Long term trade receivables	**382**	387	**-**	-
Loan to a subsidiary	**-**	-	**300,000**	300,000
Others	**16,397**	7,992	**-**	-
	214,696	146,296	**301,331**	301,452
Less: Amounts due within one year and included in debtors (Note 15)	**(13,104)**	(7,081)	**(313)**	(353)
	201,592	139,215	**301,018**	301,099
Provision for doubtful debts	**(3,930)**	(4,358)	**-**	-
	197,662	134,857	**301,018**	301,099

Movements in the provision for doubtful debts are as follows:

	Group		Company	
At 1 January	**4,358**	6,193	**-**	-
Exchange differences	**(410)**	286	**-**	-
Amount written off	**(18)**	(2,121)	**-**	-
At 31 December	**3,930**	4,358	**-**	-

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 in 2007; and

(b) a 25-year contract to build and operate a waste-to-energy plant. As at 31 December 2008, the plant is still under construction and has not commenced operations.

The above arrangements are 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 relating to construction services of the waste-to-energy plant amounted to $63,222,000 and $774,000 (2007: $51,700,000 and $3,000,000) respectively. The waste-to-energy plant has been pledged to secure bank loans (Note 20).

Included in staff loans are interest free advances to certain Directors amounting to $409,000 (2007: $264,000) and to directors of related corporations amounting to $536,000 (2007: $684,000) under an approved car loan scheme.

11. Long term receivables (continued)

Long term receivables are unsecured and bears interest ranging from 1.09% to 4.58% (2007: 2.79% to 4.58%) per annum.

The fair value of long term receivables for the Group is $197,600,000 (2007: $134,773,000). The carrying amount of long term receivables for the Company approximates its fair value. These fair values are computed on the discounted cash flow 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			
2008			
At 1 January	**62,389**	**5,434**	**67,823**
Exchange differences	**-**	**14**	**14**
Additions	**10,864**	**165**	**11,029**
Amortisation	**-**	**(379)**	**(379)**
At 31 December	**73,253**	**5,234**	**78,487**
Cost	**73,253**	**8,750**	**82,003**
Accumulated amortisation	**-**	**(3,516)**	**(3,516)**
	73,253	**5,234**	**78,487**
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

Goodwill is allocated to cash-generating units identified according to business segment.

Goodwill allocated to Offshore & Marine division amounted to $16,075,000 (2007: $5,211,000). The recoverable amount is determined based on value-in-use calculation using cash flow projections derived from the most recent financial budgets approved by management for the next five years using discount rates ranging from 7.32% to 20% (2007: 7.56% to 25%). 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 (2007: $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 2008 $'000	Group 2007 $'000
Work-in-progress in excess of related billings	(a)	**400,760**	356,081
Stocks	(c)	**414,032**	204,804
Properties held for sale	(d)	**2,402,609**	2,229,764
		3,217,401	2,790,649
Billings on work-in-progress in excess of related costs	(b)	**(2,882,124)**	(2,542,517)

(a) Work-in-Progress in excess of Related Billings

	2008 $'000	2007 $'000
Costs incurred and attributable profits	**5,696,608**	2,213,340
Provision for loss on work-in-progress	**(1,534)**	(37,284)
	5,695,074	2,176,056
Less: Progress billings	**(5,294,314)**	(1,819,975)
	400,760	356,081

Movements in the provision for loss on work-in-progress are as follows:

	2008 $'000	2007 $'000
At 1 January	**37,284**	9,609
Exchange differences	**130**	(35)
Charge to profit and loss account	**-**	28,005
Amount utilised	**(35,880)**	(295)
At 31 December	**1,534**	37,284

(b) Billings on Work-in-Progress in excess of Related Costs

	2008 $'000	2007 $'000
Costs incurred and attributable profits	**12,474,358**	11,881,586
Less: Progress billings	**(15,356,482)**	(14,424,103)
	(2,882,124)	(2,542,517)

(c) Stocks

	2008 $'000	2007 $'000
Consumable materials and supplies	**385,295**	184,243
Finished products for sale	**28,737**	20,561
	414,032	204,804

(d) Properties Held For Sale

	2008 $'000	2007 $'000
Properties under development		
Land cost	**1,736,713**	2,138,119
Development cost incurred to date	**1,034,395**	1,175,759
Related overhead expenditure	**559,331**	682,911
Progress billing received and recognised profit	**(1,141,802)**	(1,888,472)
	2,188,637	2,108,317
Completed properties held for sale	**286,159**	237,362
	2,474,796	2,345,679
Provision for properties held for sale	**(72,187)**	(115,915)
	2,402,609	2,229,764

13. Stocks and work-in-progress (continued)

Movements in the provision for properties held for sale are as follows:

	Group	
	2008 $'000	2007 $'000
At 1 January	**115,915**	328,948
Exchange differences	**15**	(2)
Write-back to profit and loss account	**(24,616)**	(109,414)
Amount utilised	**(19,127)**	(103,617)
At 31 December	**72,187**	115,915

Interest capitalised during the financial year amounted to $17,113,000 (2007: $53,429,000) at rates ranging from 1.64% to 3.50% (2007: 2.78% to 4.44%) per annum for Singapore properties and 1.23% to 21.00% (2007: 1.62% to 10.05%) 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

	Group		Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Subsidiaries				
Amounts due from				
- trade	**-**	-	**5,366**	7,393
- advances	**-**	-	**261,952**	956,814
	-	-	**267,318**	964,207
Provision for doubtful debts	**-**	-	**(6,600)**	(5,700)
	-	-	**260,718**	958,507
Amounts due to				
- trade	**-**	-	**404,461**	160,030
- advances	**-**	-	**68,387**	258,857
	-	-	**472,848**	418,887

Movements in the provision for doubtful debts are as follows:

	Group		Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
At 1 January	**-**	-	**5,700**	3,862
Charge to profit and loss account	**-**	-	**900**	1,838
At 31 December	**-**	-	**6,600**	5,700

Advances to and from subsidiaries are unsecured and are repayable on demand. Interest is charged at rates ranging from 0.4% to 2.1% (2007: 1.4% to 4.5%) per annum on interest-bearing advances.

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Associated Companies				
Amounts due from				
- trade	**85,363**	70,734	**300**	284
- advances	**242,333**	524,565	**-**	-
	327,696	595,299	**300**	284
Provision for doubtful debts	**(1,113)**	(946)	**-**	-
	326,583	594,353	**300**	284
Amounts due to				
- trade	**17,186**	16,851	**-**	2
- advances	**405,019**	117,480	**-**	-
	422,205	134,331	**-**	2
Movements in the provision for doubtful debts are as follows:				
At 1 January	**946**	1,094	**-**	-
Charge/(write-back) to profit and loss account	**167**	(148)	**-**	-
At 31 December	**1,113**	946	**-**	-

Advances to and from associated companies are unsecured and are repayable on demand. Interest is charged at rates ranging from 0.40% to 9.56% (2007: 1% to 9.72%) per annum on interest-bearing advances.

15. Debtors

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Trade debtors	**1,326,761**	1,098,822	**-**	-
Provision for doubtful debts	**(30,074)**	(20,703)	**-**	-
	1,296,687	1,078,119	**-**	-
Long term receivables due within one year (Note 11)	**13,104**	7,081	**313**	353
Sundry debtors	**114,503**	97,775	**249**	382
Prepaid project cost & prepayments	**54,368**	65,391	**210**	174
Derivative financial instruments (Note 35)	**71,616**	168,646	**58,675**	155,753
Tax recoverable	**44,304**	92,916	**-**	-
GST receivable	**53,917**	39,895	**-**	-
Interest receivable	**17,928**	16,145	**66**	3
Deposits paid	**16,975**	16,110	**395**	389
Recoverable accounts	**50,498**	56,649	**-**	-
Receivables not billed	**6,477**	9,232	**-**	-
Advances to subcontractors	**173,346**	55,583	**-**	-
Advances to corporations in which the Group has investment interests	**52,334**	19,040	**-**	-
Advances to minority shareholders of subsidiaries	**33,131**	62,285	**-**	-
	702,501	706,748	**59,908**	157,054
Provision for doubtful debts	**(28,357)**	(31,433)	**-**	-
	674,144	675,315	**59,908**	157,054
Total	**1,970,831**	1,753,434	**59,908**	157,054

15. Debtors (continued)

Movements in the provision for debtors are as follows:

	Group		Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
At 1 January	**52,136**	55,887	**-**	-
Exchange differences	**(171)**	(24)	**-**	-
Charge/(write-back) to profit and loss account	**12,590**	(6,040)	**-**	-
Impairment (write-back)/loss (Note 27)	**(1,921)**	6,603	**-**	-
Amount written off	**(4,197)**	(4,753)	**-**	-
Reclassification	**(6)**	463	**-**	-
At 31 December	**58,431**	52,136	**-**	-

16. Short term investments

	Group	
	2008 $'000	2007 $'000
Available-for-sale investments:		
Quoted equity shares	**229,484**	399,663
Quoted unit trust	**29,317**	54,561
Quoted bonds	**6,480**	-
Unquoted equity shares	**25,772**	-
Total available-for-sale investments	**291,053**	454,224
Investments held for trading:		
Quoted equity shares	**32,781**	77,494
Quoted unit trust	**6,983**	15,719
Total investments held for trading	**39,764**	93,213
Total short term investments	**330,817**	547,437

17. Bank balances, deposits and cash

	Group		Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Bank balances and cash	**417,603**	328,870	**3,155**	3,806
Fixed deposits with banks	**1,746,261**	1,039,231	**661,286**	78
Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost and liabilities	**34,364**	22,149	**-**	-
Bank balances of property subsidiaries held under Project Account Rules 1985	**46,623**	210,600	**-**	-
	2,244,851	1,600,850	**664,441**	3,884

Fixed deposits with banks of the Group mature on varying periods mainly between 1 day to 12 months (2007: 1 day to 12 months). This comprised Singapore dollar fixed deposits of $672,885,000 (2007: $33,773,000) at interest rates ranging from 0.11% to 2.14% (2007: 0.33% to 3.31%) per annum, and foreign currency fixed deposits of $1,073,376,000 (2007: $1,005,458,000) at interest rates ranging from 0.10% to 18.00% (2007: 0.5% to 9.25%) per annum.

Fixed deposits with banks of the Company mature on varying periods between 2 days to 5 months (2007: 1 month to 6 months). This comprised Singapore dollar fixed deposits of $509,603,000 (2007: nil) at interest rates ranging from 0.37% to 0.50% (2007: nil) per annum, and foreign currency fixed deposits of $151,683,000 (2007: $78,000) at interest rates ranging from 0.10% to 5.88% (2007: 5.95% to 6.50%) per annum.

18. Creditors

	Group		Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Trade creditors	**952,313**	652,457	**52**	137
Customers' advances and deposits	**61,497**	47,530	**56**	74
Derivative financial instruments (Note 35)	**266,516**	20,422	**158,020**	13,952
Sundry creditors	**517,803**	558,434	**5,960**	6,995
Accrued operating expenses	**1,778,607**	1,474,327	**55,294**	53,646
Advances from minority shareholders	**271,330**	245,773	**-**	-
Interest payables	**12,161**	19,177	**306**	853
Other payables	**79,356**	53,892	**-**	-
	3,939,583	3,072,012	**219,688**	75,657

Advances from minority shareholders of certain subsidiaries are unsecured and are repayable on demand. Interest is charged at rates ranging from 2.00% to 18.59% (2007: 2.78% to 12.06%) per annum on interest-bearing loans.

19. Provisions

	Warranties $'000	Claims $'000	Total $'000
Group			
2008			
At 1 January	**35,267**	**2,633**	**37,900**
Exchange differences	**(2,445)**	**(22)**	**(2,467)**
Charge/(write-back) to profit and loss account	**25,830**	**(2,190)**	**23,640**
Amount utilised	**(351)**	**(113)**	**(464)**
At 31 December	**58,301**	**308**	**58,609**
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

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
2008					
Keppel Corporation Medium Term Notes	(a)	**-**	**300,000**	**-**	**300,000**
Keppel Land Medium Term Notes	(b)	**108,500**	**150,000**	**-**	**-**
Keppel Land 2.5% Convertible Bonds 2013	(c)	**-**	**269,579**	**-**	**-**
Keppel Structured Notes Commodity-linked Notes	(d)	**-**	**41,920**	**-**	**-**
K-REIT Asia term loans	(e)	**-**	**190,085**	**-**	**-**
Bank loans					
- secured	(f)	**37,525**	**385,130**	**-**	**-**
- unsecured	(g)	**48,540**	**388,360**	**-**	**-**
Other loans					
- unsecured	(h)	**3,303**	**19,479**	**-**	**-**
		197,868	**1,744,553**	**-**	**300,000**
2007		499,104	1,731,526	134,820	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 1.09% to 3.04% (2007: 2.79% 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 $258,500,000. The notes are unsecured and are issued in series or tranches, and comprised (i) fixed rate notes due 2009 of $10,000,000 and (ii) variable rate notes due 2009 and 2010 of $248,500,000. Interest payable is based on money markets rates ranging from 1.10% to 3.40% (2007: 2.3% to 4.18%) 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	
	2008 $'000	2007 $'000
Balance at 1 January	**263,488**	257,639
Interest expense	**13,591**	13,349
Interest paid	**(7,500)**	(7,500)
Liability component at 31 December	**269,579**	263,488

Interest expense on the convertible bonds is calculated based on the effective interest method by applying the interest rate of 4.78% (2007: 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 bear interest 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 1.50% to 2.77% (2007: 2.77% to 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 Ltd. 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% (2007: 3.91% to 4.06%) per annum.

(f) The secured bank loans consist of:

- A $72,400,000 bank loan drawn down by a subsidiary. 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 3.42% to 3.62% (2007: 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 2010 and is secured on the investment property of the subsidiary. Interest is based on money market rates ranging from 2.03% to 3.71% (2007: 3.08% to 4.05%) per annum.

- A term loan of $81,041,000 drawn down by a subsidiary during the year. The term loan is repayable in 2012 and is secured on the investment property of the subsidiary. Interest is based on money market rates ranging from 1.97% to 2.48% per annum.

- Other secured bank loans totalling $110,614,000 comprised $88,005,000 of loans denominated in Singapore dollar and $22,609,000 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 1.64% to 4.14% (2007: 3.17% to 4.14%) per annum. Interest on foreign currency loans is based on money market rates ranging from 5.40% to 9.95% (2007: 7.10% to 8%) per annum.

(g) The unsecured bank loans of the Group totalling $436,900,000 comprised $370,000,000 of loans denominated in Singapore dollar and $66,900,000 of foreign currency loans. They are repayable between one and two years. Interest on loans denominated in Singapore dollar is based on money market rates ranging from 1.46% to 3.40% (2007: 1.11% to 4.17%) per annum. Interest on foreign currency loans is based on money market rates ranging from 2.03% to 21.0% (2007: 4.7% to 10.15%) 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 3.19% to 6.99% (2007: 3.06% to 7.74%) per annum.

The net book value of property and assets mortgaged to the banks amounted to $2,810,136,000 (2007: $1,834,575,000). These are securities given to the banks for loans and overdraft facilities.

The fair values of term loans for the Group and Company are $1,968,578,000 (2007: $2,253,263,000) and $300,000,000 (2007: $434,820,000) respectively. These fair values are computed on the discounted cash flow 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		Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Years after year-end:				
After one but within two years	**1,020,959**	73,602	**300,000**	-
After two but within five years	**666,562**	1,348,601	**-**	300,000
After five years	**57,032**	309,323	**-**	-
	1,744,553	1,731,526	**300,000**	300,000

21. Bank overdrafts

	Group	
	2008 $'000	2007 $'000
Secured	**180**	1,942
Unsecured	**27,582**	1,825
	27,762	3,767

Interest on the bank overdrafts is payable at the banks' prevailing prime rates ranging from 1.76% to 19.29% (2007: 1.66% to 10.10%) per annum. The secured bank overdrafts are secured by short term investments portfolio of a subsidiary.

22. Deferred taxation

	Group		Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Deferred tax liabilities:				
Accelerated tax depreciation	**146,263**	117,665	**-**	-
Investment properties valuation	**212,017**	210,607	**-**	-
Offshore income & others	**91,717**	111,674	**5,608**	13,486
	449,997	439,946	**5,608**	13,486
Deferred tax assets:				
Other provisions	**(40,323)**	(31,232)	**-**	-
Unutilised tax benefits	**(28,462)**	(19,745)	**-**	-
	(68,785)	(50,977)	**-**	-
Net deferred tax liabilities	**381,212**	388,969	**5,608**	13,486

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 $546,613,000 (2007: $434,802,000) 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 2008 $'000	Group 2007 $'000
Revenue from construction contracts	**8,946,107**	7,593,574
Sale of property and goods	**731,160**	1,663,686
Rental income from investment properties	**165,078**	136,042
Revenue from services rendered	**1,932,229**	1,002,406
Dividend income from quoted shares	**6,569**	8,065
Others	**24,283**	27,477
	11,805,426	10,431,250

24. Staff costs

	Group 2008 $'000	Group 2007 $'000
Wages and salaries	**1,060,421**	900,936
Employer's contribution to Central Provident Fund	**104,068**	83,740
Share options granted to Directors and employees	**26,527**	21,307
Other staff benefits	**138,026**	126,142
	1,329,042	1,132,125

25. Operating profit

Operating profit is arrived at after charging/(crediting) the following:

	Group 2008 $'000	Group 2007 $'000
Auditors' remuneration		
- auditors of the Company	**1,171**	950
- other auditors of subsidiaries	**3,984**	3,131
Fees and other remuneration to Directors of the Company	**580**	624
Shares granted to Directors of the Company	**139**	262
Contracts for services rendered by Directors or with a company in which a Director has a substantial financial interest	**80**	39
Key management's emoluments		
- short-term employee benefits	**34,959**	30,974
- post-employment benefits	**69**	54
- share options granted	**4,993**	4,029
Depreciation of fixed assets	**138,699**	125,383
Write-off of fixed assets	**-**	43
Write-off of investment properties	**380**	-
Amortisation of intangibles	**379**	309
Profit on sale of fixed assets	**(8,268)**	(7,126)
Profit on sale of investments	**(45,263)**	(54,577)
Fair value loss/(gain) on		
- investments held for trading	**45,995**	(3,441)
- forward foreign exchange contracts	**71,321**	81,517
- forward HSFO contracts	**3,012**	41

25. Operating profit (continued)

	Group 2008 $'000	Group 2007 $'000
Provision/(write-back) for		
- warranties	**25,830**	6,143
- claims	**(2,190)**	2,414
(Write-back)/provision for		
- work-in-progress	**-**	28,005
- properties held for sale	**(24,616)**	(109,414)
Provision/(write-back) for doubtful debts		
- trade debts	**14,668**	(6,678)
- receivables	**3,650**	2,967
- other debts	**(5,728)**	(2,329)
Bad debts written off/(recovered)		
- trade debts	**163**	(3)
- other debts	**155**	14
Cost of stocks & properties held for sale recognised as expense	**514,132**	1,331,276
Stocks (recovered)/written off	**(2,554)**	2,831
Rental expense		
- operating leases	**52,088**	45,261
Direct operating expenses		
- investment properties that generated rental income	**51,757**	50,488
Loss on differences in foreign exchange	**101,554**	14,499
Non-audit fees paid to		
- auditors of the Company	**74**	27
- other auditors of subsidiaries	**314**	359

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 2008 $'000	Group 2007 $'000
Investment income from:		
Shares - quoted in Singapore	**-**	1,170
Shares - quoted outside Singapore	**2,074**	1,532
Shares - unquoted	**10,013**	165
	12,087	2,867
Interest income from:		
Bonds, debentures, deposits and associated companies	**71,002**	88,542
Interest expenses on:		
Bonds, debentures, fixed term loans and overdrafts	**(64,931)**	(54,179)
Fair value loss on interest rate caps and swaps	**(13,740)**	(8,531)
	(78,671)	(62,710)

27. Exceptional items

	Group 2008 $'000	Group 2007 $'000
Gain on disposal of subsidiaries, associated companies and investments	**2,568**	2,291
Gain on acquisition of additional interest in a subsidiary	**15,417**	-
Impairment loss of fixed assets (Note 5)	**(1,036)**	(107,957)
Impairment loss of associated companies (Note 9)	**(6,209)**	(704)
Impairment loss of goodwill (Note 12)	**-**	(76,664)
Impairment write-back/(loss) of debtors (Note 15)	**1,921**	(6,603)
Impairment write-back/(loss) of other assets	**2,448**	(132,427)
Fair value gain on investment properties (Note 6)	**4,471**	691,444
Share of associated companies (Note 9)	**7,684**	212,158
Cost associated with restructuring of operations and others	**(14,672)**	(16,605)
	12,592	564,933
Taxation (Note 28)	**(2,810)**	(149,500)
	9,782	415,433
Minority interests	**(8,464)**	(310,328)
Attributable exceptional items	**1,318**	105,105

28. Taxation

(a) Income tax expense

	Group 2008 $'000	Group 2007 $'000
Tax expense comprised:		
Current tax	**218,191**	222,151
Adjustment for prior year's tax	**(15,268)**	(9,011)
Share of taxation of associated companies (Note 9)	**71,066**	115,462
Others	**8,229**	2,286
Deferred tax movement:		
Accelerated tax depreciation	**42,001**	48,471
Investment properties valuation	**1,426**	111,777
Offshore income & others	**(18,042)**	21,526
Other provisions	**(10,742)**	(15,821)
Unutilised tax benefits	**(8,831)**	(16,270)
Reduction in tax rate	**-**	(11,936)
	288,030	468,635

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:

	2008	2007
Profit before tax and exceptional items	**1,596,849**	1,556,230
Tax calculated at tax rate of 18% (2007: 18%)	**287,433**	280,121
Income not subject to tax	**(65,267)**	(72,208)
Expenses not deductible for tax purposes	**68,545**	117,652
Utilisation of previously unrecognised tax benefits	**(2,139)**	(1,995)
Effect of reduction in tax rate	**-**	(11,936)
Effect of different tax rates in other countries	**11,916**	16,512
Adjustment for prior year's tax	**(15,268)**	(9,011)
Tax expense of exceptional items (Note 27)	**2,810**	149,500
	288,030	468,635

28. Taxation (continued)

(b) Movement in current income tax liabilities

	Group		Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
At 1 January	**351,864**	273,883	**15,305**	10,182
Exchange differences	**5,528**	(2,793)	**-**	-
Tax expense	**218,191**	222,151	**8,573**	5,559
Adjustment for prior year's tax	**(15,268)**	(9,011)	**(1,482)**	(4,289)
Income taxes paid	**(229,306)**	(159,797)	**(2,727)**	(13,225)
Subsidiary acquired	**-**	22	**-**	-
Reclassification	**(410)**	24,405	**-**	17,078
Others	**13,421**	3,004	**-**	-
At 31 December	**344,020**	351,864	**19,669**	15,305

29. Earnings per ordinary share

	Group			
	2008 $'000		2007 $'000	
	Basic	**Diluted**	Basic	Diluted
Net profit attributable to shareholders before exceptional items	**1,096,653**	**1,096,653**	1,025,596	1,025,596
Adjustment for dilutive potential ordinary shares of subsidiaries and associated companies, before exceptional items	**-**	**(109)**	-	(2,548)
Adjusted net profit before exceptional items	**1,096,653**	**1,096,544**	1,025,596	1,023,048
Exceptional items	**1,318**	**1,318**	105,105	105,105
Adjustment for dilutive potential ordinary shares of subsidiaries and associated companies, after exceptional items	**-**	**9**	-	(7,974)
Adjusted net profit after exceptional items	**1,097,971**	**1,097,871**	1,130,701	1,120,179
	Number of Shares '000		Number of Shares '000	
Weighted average number of ordinary shares	**1,590,353**	**1,590,353**	1,580,786	1,580,786
Adjustment for dilutive potential ordinary shares	**-**	**5,614**	-	11,199
Weighted average number of ordinary shares used to compute earnings per share	**1,590,353**	**1,595,967**	1,580,786	1,591,985
Earnings per ordinary share				
Before exceptional items	**69.0 cts**	**68.7 cts**	64.9 cts	64.3 cts
After exceptional items	**69.0 cts**	**68.8 cts**	71.5 cts	70.4 cts

30. Dividends

The Directors are pleased to recommend a final dividend of 21 cents per share tax exempt one-tier (2007: final dividend of 10 cents per share tax exempt one-tier and special dividend of 45 cents per share tax exempt one-tier) in respect of the financial year ended 31 December 2008 for approval by shareholders at the next Annual General Meeting to be convened.

Together with the interim dividend of 14 cents per share tax exempt one-tier (2007: 9 cents per share comprising 1.5 cents per share less tax and 7.5 cents per share tax exempt one-tier), total dividends paid and proposed in respect of the financial year ended 31 December 2008 will be 35 cents per share tax exempt one-tier (2007: 64 cents per share comprising 1.5 cents per share less tax and 62.5 cents per share tax exempt one-tier which included the special dividend).

During the financial year, the following dividends were paid:

	$'000
A final dividend of 10 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of the previous financial year	159,065
A special dividend of 45 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of the previous financial year	715,794
An interim dividend of 14 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of the current financial year	222,884
	1,097,743

31. Acquisition of subsidiary

The following subsidiary was 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
Sunseascan Investment (HK) Company Limited	11.4.2008	-	80%	80%	1,400	1,400

Loss of the acquired subsidiary from the date of acquisition to 31 December 2008 amounted to $331,000. There is no material impact to Group revenue and attributable profit before exceptional items if the acquisitions had occurred on 1 January 2008.

Details of net assets acquired are disclosed in the Consolidated Cash Flow Statement.

32. Commitments

(a) Capital commitments

	Group 2008 $'000	Group 2007 $'000
Capital expenditure not provided for in the financial statements:		
In respect of contracts placed:		
- for purchase and construction of development properties	**2,115,095**	1,476,307
- for purchase of other fixed assets	**62,948**	25,765
- for purchase/subscription of shares in other companies	**673,238**	315,916
Amounts approved by Directors in addition to contracts placed:		
- for purchase and construction of development properties	**1,730,102**	2,824,886
- for purchase of other fixed assets	**98,431**	175,948
- for purchase/subscription of shares in other companies	**10,579**	227,877
	4,690,393	5,046,699
Less: Minority shareholders' shares	**(1,474,240)**	(1,666,324)
	3,216,153	3,380,375

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 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Years after year-end:				
Within one year	**50,651**	52,087	**188**	1,452
From two to five years	**149,898**	161,839	**88**	604
After five years	**633,376**	601,713	**-**	-
	833,925	815,639	**276**	2,056

(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 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Years after year-end:				
Within one year	**149,043**	124,224	**-**	-
From two to five years	**166,220**	155,594	**-**	-
After five years	**48,729**	43,802	**-**	-
	363,992	323,620	**-**	-

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	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Guarantees in respect of banks and other loans granted to subsidiaries and associated companies	**27,001**	24,772	**741,413**	427,080
Performance guarantees issued for contracts awarded to subsidiaries and associated companies	**300**	300	**-**	-
Bank guarantees	**60,533**	53,573	**-**	-
Others	**47,912**	59,584	**-**	-
	135,746	138,229	**741,413**	427,080

The financial effects of 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	
	2008 $'000	2007 $'000
Sale of residential properties to directors and their associates	**-**	17,447

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.

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 cash flows 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 cash flow 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 $4,261,980,000 (2007: $4,981,064,000). The net negative fair value of forward foreign exchange contracts is $95,027,000 (2007: net positive fair value of $143,828,000) comprising assets of $64,728,000 (2007: $157,845,000) and liabilities of $159,755,000 (2007: $14,017,000). These amounts are recognised as derivative financial instruments in debtors (Note 15) and creditors (Note 18).

35. Financial risk management (continued)

As at the end of the financial year, the Company has outstanding forward foreign exchange contracts with notional amounts totalling $4,146,968,000 (2007: $4,936,711,000). The net negative fair value of forward foreign exchange contracts is $99,345,000 (2007: net positive fair value of $141,801,000) comprising assets of $58,675,000 (2007: $155,753,000) and liabilities of $158,020,000 (2007: $13,952,000). 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:

	2008			2007		
	USD $'000	**Euro $'000**	**Others $'000**	USD $'000	Euro $'000	Others $'000
Group						
Financial Assets						
Debtors	**140,815**	**3,945**	**65,169**	65,237	10,938	135,160
Investments	**20,472**	**-**	**124,330**	30,175	21,018	372,013
Bank balances, deposits & cash	**141,310**	**190,327**	**290,970**	66,335	232,499	194,466
Financial Liabilities						
Creditors	**44,848**	**18,601**	**108,433**	45,557	23,999	168,915
Term loans	**21,303**	**-**	**13,685**	109,370	-	32,650
Company						
Financial Assets						
Debtors	**-**	**17**	**611**	186	2,088	587
Bank balances, deposits & cash	**95,896**	**25,320**	**33,403**	16	-	3,526
Financial Liabilities						
Creditors	**621**	**-**	**267**	93	-	98

Sensitivity analysis for currency risk

If the relevant foreign currency change against SGD by 5% (2007: 5%) with all other variables held constant, the effects will be as follows:

	Profit after tax		**Equity**	
	2008 $'000	2007 $'000	**2008** $'000	2007 $'000
Group				
USD against SGD				
- Strengthened	**10,739**	(1,161)	**1,018**	1,510
- Weakened	**(10,739)**	1,161	**(1,018)**	(1,510)
Euro against SGD				
- Strengthened	**8,753**	123	**-**	956
- Weakened	**(8,753)**	(123)	**-**	(956)
Company				
USD against SGD				
- Strengthened	**4,739**	6	**-**	-
- Weakened	**(4,739)**	(6)	**-**	-
Euro against SGD				
- Strengthened	**1,264**	105	**-**	-
- Weakened	**(1,264)**	(105)	**-**	-

(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
2008	**$52,708,000**	**2009 - 2011**	**1.8% - 3%**
2007	$58,131,000	2009 - 2011	1.8% - 3%

The positive fair values of interest rate caps for the Group are $265,000 (2007: $493,000). 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 $348,011,000 (2007: $625,995,000) whereby it receives variable rates equal to SIBOR (2007: SIBOR) and pays fixed rates of between 3.19% and 3.50% (2007: 2.83% and 3.50%) on the notional amount.

The net negative fair value of interest rate swaps for the Group is $26,161,000 (2007: $4,113,000) comprising assets of $3,495,000 (2007: $2,292,000) and liabilities of $29,656,000 (2007: $6,405,000). These amounts are recognised as derivative financial instruments in debtors (Note 15) and creditors (Note 18).

Sensitivity analysis for interest rate risk

If interest rates increase/decrease by 0.5% (2007: 0.5%) with all other variables held constant, the Group's and Company's profit after tax would have been lower/higher by $4,169,000 (2007: $4,618,000) and $1,230,000 (2007: $2,174,000) 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 $181,080,000 (2007: $165,638,000). The net negative fair value of HSFO forward contracts for the Group is $73,977,000 (2007: net positive fair value of $8,016,000) comprising assets of $3,128,000 (2007: $18,755,000) and liabilities of $77,105,000 (2007: $10,739,000). These amounts are recognised as derivative financial instruments in debtors (Note 15) and creditors (Note 18).

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% (2007: 5%) with all other variables held constant, the Group's hedging reserve in equity would have been higher/lower by $3,677,000 (2007: $4,365,000) as a result of fair value changes on cash flow hedges.

If prices for quoted investments increase/decrease by 5% (2007: 5%) with all other variables held constant, the Group's profit after tax would have been higher/lower by $1,988,000 (2007: $4,661,000) 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 $14,066,000 (2007: $34,524,000) as a result of higher/lower fair value gains on available-for-sale investments.

35. Financial risk management (continued)

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 but not impaired/partially impaired

The age analysis of trade debtors past due but not impaired/partially impaired is as follows:

	Group	
	2008 $'000	2007 $'000
Past due 0 to 3 months but not impaired	**365,317**	241,917
Past due 3 to 6 months but not impaired	**108,138**	22,675
Past due over 6 months and partially impaired	**76,367**	37,816
	549,822	302,408

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 cash flows, 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.

The following table details the liquidity analysis for derivative financial instruments of the Group and the Company based on contractual undiscounted cash inflows/(outflows).

	Within one year	Within one to two years	Within two to five years
Group			
2008			
Gross-settled forward foreign exchange contracts			
- Receipts	**2,848,157**	**1,180,269**	**109,091**
- Payments	**(2,899,778)**	**(1,224,123)**	**(116,213)**
Net-settled HSFO forward contracts			
- Receipts	**3,128**	**-**	**-**
- Payments	**(73,463)**	**(3,642)**	**-**
2007			
Gross-settled forward foreign exchange contracts			
- Receipts	2,911,183	1,251,510	887,848
- Payments	(2,837,401)	(1,236,732)	(905,494)
Net-settled HSFO forward contracts			
- Receipts	17,106	1,482	167
- Payments	(8,878)	(1,861)	-
Company			
2008			
Gross-settled forward foreign exchange contracts			
- Receipts	**2,782,373**	**1,146,506**	**94,169**
- Payments	**(2,836,179)**	**(1,192,551)**	**(101,915)**
2007			
Gross-settled forward foreign exchange contracts			
- Receipts	2,873,701	1,242,376	887,848
- Payments	(2,801,616)	(1,228,165)	(905,494)

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 cash/(gearing). The Group net cash/(gearing) is calculated as net cash/(borrowings) divided by total capital. Net cash/(borrowings) are calculated as bank balances, deposits & cash (Note 17) less total term loans (Note 20) plus bank overdrafts (Note 21). Total capital refers to capital employed under equity.

	Group	
	2008 $'000	2007 $'000
Net cash/(borrowings)	**274,668**	(633,547)
Total capital	**6,748,507**	7,035,192
Group net cash/(gearing)	**0.04x**	(0.09x)

36. Segment analysis

2008

Business segment

	Offshore & Marine $'000	Property $'000	Infrastructure $'000	Investments $'000	Elimination $'000	Total $'000
Revenue						
External sales	8,569,185	949,589	2,232,549	54,103	-	11,805,426
Inter-segment sales	-	2,543	202,219	61,683	(266,445)	-
Total	8,569,185	952,132	2,434,768	115,786	(266,445)	11,805,426
Results						
Operating profit	837,155	325,655	49,895	(6,396)	32,165	1,238,474
Net investment income & interest income	61,868	(31,152)	(14,195)	20,062	(32,165)	4,418
Share of results of associated companies	43,613	70,852	34,032	205,460	-	353,957
Profit before tax & exceptional items	942,636	365,355	69,732	219,126	-	1,596,849
Exceptional items	(6,209)	27,372	1,404	(9,975)	-	12,592
Profit before taxation	936,427	392,727	71,136	209,151	-	1,609,441
Taxation	(197,206)	(52,089)	1,250	(39,985)	-	(288,030)
Profit for the year	739,221	340,638	72,386	169,166	-	1,321,411
Attributable to:						
Shareholders of Company						
Profit before exceptional items	704,687	156,528	63,078	172,360	-	1,096,653
Exceptional items	(6,209)	15,393	2,109	(9,975)	-	1,318
	698,478	171,921	65,187	162,385	-	1,097,971
Minority interests	40,743	168,717	7,199	6,781	-	223,440
	739,221	340,638	72,386	169,166	-	1,321,411
Other information						
Segment assets	6,478,191	7,155,753	1,961,737	4,764,985	(6,815,254)	13,545,412
Investment in associated companies	96,097	1,833,132	180,203	1,091,599	-	3,201,031
Total	6,574,288	8,988,885	2,141,940	5,856,584	(6,815,254)	16,746,443
Segment liabilities	5,187,100	5,160,816	1,664,419	4,075,623	(6,815,254)	9,272,704
Net tax provision & deferred taxation	256,611	388,034	48,401	32,186	-	725,232
Total	5,443,711	5,548,850	1,712,820	4,107,809	(6,815,254)	9,997,936
Net assets	1,130,577	3,440,035	429,120	1,748,775	-	6,748,507
Capital expenditure	272,023	97,738	29,154	683	-	399,598
Depreciation & amortisation	95,102	11,061	32,369	546	-	139,078

Geographical segment

	Singapore $'000	Far East & other ASEAN countries $'000	America $'000	Other countries $'000	Elimination $'000	Total $'000
External sales	8,180,820	1,087,630	1,688,961	848,015	-	11,805,426
Segment assets	9,736,803	3,351,406	911,241	495,615	(949,653)	13,545,412
Capital expenditure	313,825	37,568	26,067	22,138	-	399,598

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

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 35 countries. Secondary segment information is provided by geographical segment which is based on the locations in which the Group's activities are carried out.

37. New accounting standards and recommended accounting practice

(a) At the date of authorisation of the financial statements, the following FRS, INT FRS and amendments to FRS that are relevant to the Group and the Company were issued but not yet effective:

FRS 1 (Revised)	Presentation of Financial Statements
FRS 23 (Revised)	Borrowing Costs
FRS 108	Operating Segments

The directors anticipate that the adoption of the above FRS, INT FRS and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

(b) RAP 11 Pre-Completion Contracts for the Sale of Development Property
The International Accounting Standards Board issued International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 15 in July 2008 which becomes effective for financial years beginning on or after 1 January 2009. When adopted, the interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 (Construction Contracts) or IAS 18 (Revenue).

RAP 11 is still applicable in Singapore as IFRIC Interpretation 15 has not been adopted by the Accounting Standards Council. RAP 11 was issued by the Institute of Certified Public Accountants of Singapore in October 2005. In the RAP, it is mentioned that a property developer's sale and purchase agreement is not a construction contract as defined in FRS 11 (Construction Contracts) 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 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:

	2008 $'000	2007 $'000
Decrease in opening revenue reserve	**(239,573)**	(82,054)
Increase/(decrease) in revenue recognised for the year	**569,010**	(717,910)
Increase/(decrease) in profit for the year	**53,015**	(157,519)
(Decrease)/increase in carrying value of property held for sale		
Balance as at 1 January	**(98,341)**	(195,546)
Balance as at 31 December	**28,686**	(98,341)
(Decrease)/increase in minority interests		
Balance as at 1 January	**(205,194)**	(81,818)
Share of profit for the year	**9,612**	(123,376)

38. 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 2008 %	Effective Equity Interest 2008 %	Effective Equity Interest 2007 %	Cost of Investment 2008 $'000	Cost of Investment 2007 $'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
AzerFELS Pte Ltd	60	60	60	#	#	Singapore	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	45	#	#	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(4)	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 2008 %	Effective Equity Interest 2008 %	Effective Equity Interest 2007 %	Cost of Investment 2008 $'000	Cost of Investment 2007 $'000	Country of Incorporation /Operation	Principal Activities
Keppel Offshore & Marine Technology Centre Pte Ltd	100	100	100	#	#	Singapore	Research & development
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
Willalpha Ltd(5)	100	100	100	#	#	BVI/Vietnam	Holding of long-term investments
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(1a)	96	96	83	#	#	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(1a)	100	96	83	#	#	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 2008 %	Effective Equity Interest 2008 %	Effective Equity Interest 2007 %	Cost of Investment 2008 $'000	Cost of Investment 2007 $'000	Country of Incorporation /Operation	Principal Activities
Associated Companies							
Arab Heavy Industries Public Joint Stock Company(1a)	33	33	33	#	#	UAE	Shipbuilding and repairing
Consort Land Inc(1a)	33+	32+	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(1a)	46+	44+	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)	75	55	53	#	#	Singapore	Real estate investment trust
Evergro Properties Ltd(2)	85	45	38	#	#	Singapore	Property investment and development
Keppel Bay Pte Ltd	100+	86+	86+	626	626	Singapore	Property development
Keppel Philippines Properties Inc(3)	79+	55+	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(4)	100	45	38	#	#	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
Dong Nai Waterfront City LLC(n)(2a)	50	27	-	#	-	Vietnam	Property development
Double Peak Holdings Ltd(5)	100	53	53	#	#	BVI/Singapore	Investment holding
Doversdale Development Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Duit Investments Ltd(2a)	100	53	53	#	#	HK	Investment holding

	Gross Interest 2008 %	Effective Equity Interest 2008 %	2007 %	Cost of Investment 2008 $'000	2007 $'000	Country of Incorporation /Operation	Principal Activities
Estella JV Co Ltd(1a)	55	29	29	#	#	Vietnam	Property development
Evansville Investment Pte Ltd(2)	100	53	53	#	#	Singapore	Property development
International Centre(1a)	79	53	53	#	#	Vietnam	Property investment
Jiangyin Evergro Properties Co Ltd(4)	83	40	37	#	#	China	Property development
KeplandeHub Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Keppel Al Numu Development Ltd(n)(2)	51	27	-	#	-	Singapore/ Saudi Arabia	Property development
Keppel China Township Development 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(4)	100	53	53	#	#	HK	Investment holding
Keppel Land (Tower D) Pte Ltd(2)	100	53	53	#	#	Singapore	Property development and investment
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(4)	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(2a)	100	53	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
Le Vision 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

Significant Subsidiaries and Associated Companies

	Gross Interest 2008 %	Effective Equity Interest 2008 %	Effective Equity Interest 2007 %	Cost of Investment 2008 $'000	Cost of Investment 2007 $'000	Country of Incorporation /Operation	Principal Activities
PT Mitra Sindo Makmur(1a)	51	27	27	#	#	Indonesia	Property development and investment
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
Red Vibrant Investments Ltd(5)	100	53	53	#	#	BVI/Vietnam	Investment holding
Riviera Core JV LLC(n)(2a)	60	32	-	#	-	Vietnam	Property development
Riviera Point LLC(n)(2a)	75	40	-	#	-	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 Hongda Property Development Co Ltd(2a)	100	53	53	#	#	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(4)	100	53	53	#	#	Myanmar	Hotel ownership and operations
Straits Properties Ltd(2)	100	53	53	#	#	Singapore	Property development and investment
Straits Property Investments Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Straits-CM Village Hotel Pte Ltd(2)	85	21	21	#	#	Singapore	Investment holding
Straits-KMP (HK) Ltd(4)	51	27	27	#	#	HK	Investment holding
Third Dragon Development Pte Ltd(2)	100	45	38	#	#	Singapore	Investment holding
Tianjin Merryfield Property Development Co Ltd(2a)	100	53	53	#	#	China	Property development
Waterville Investment Pte Ltd(2)	100	53	53	#	#	Singapore	Investment holding
Wiseland Investment Myanmar Ltd(4)	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

	Gross Interest 2008 %	Effective Equity Interest 2008 %	2007 %	Cost of Investment 2008 $'000	2007 $'000	Country of Incorporation /Operation	Principal Activities
FELS SES International Pte Ltd	100+	85+	85+	7	7	Singapore	Investment holding
Petro Tower Ltd(4)	76	64	64	#	#	Vietnam	Property investment
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 Group Eco-City Investments Pte Ltd(n)	100	100	-	20	-	Singapore	Investment holding
Keppel (USA) Inc(5)	100	100	100	9,702	9,702	USA	Investment holding
Keppel Houston Group LLC(5)	100	86	86	#	#	USA	Property investment
Keppel Kunming Resort Ltd(4)	100	100	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	Under liquidation
Central Boulevard Development Pte Ltd(2)	33	17	17	#	#	Singapore	Property development
China World Investments Pte Ltd(2)	50	27	27	#	#	Singapore	Investment holding
CityOne Development (Wuxi) Co Ltd(2a)	50	27	27	#	#	China	Property development
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
Keppel Magus Development Pvt Ltd(4)	38	20	20	#	#	India	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 Pulomas Gemala Misori(4)	25	13	13	#	#	Indonesia	Development of holiday resort
PT Purimas Straits Resort(4)	25	13	13	#	#	Indonesia	Development of holiday resort

	Gross Interest 2008 %	Effective Equity Interest 2008 %	Effective Equity Interest 2007 %	Cost of Investment 2008 $'000	Cost of Investment 2007 $'000	Country of Incorporation /Operation	Principal Activities
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
INFRASTRUCTURE							
Power Generation							
Subsidiaries							
Keppel Energy Pte Ltd	100	100	100	330,914	280,914	Singapore	Investment holding
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
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	171,574	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
Brixworth Group Ltd(5)	100	100	100	#	#	BVI	Trading in industrial goods
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

	Gross Interest 2008 %	Effective Equity Interest 2008 %	2007 %	Cost of Investment 2008 $'000	2007 $'000	Country of Incorporation /Operation	Principal Activities
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
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
Tianjin Eco-City Energy Investment & Construction Co Ltd(n)	20	20	-	#	-	Singapore	Investment and implementation of energy and utilities related infrastructure
Network & Logistics							
Subsidiaries							
Keppel Telecommunications & Transportation Ltd(2)	80	80	80	397,647	397,647	Singapore	Investment, management and holding company
DataOne Asia Pte Ltd(2)	100	80	80	#	#	Singapore	Investment holding
ECHO Broadband Gmbh(2a)	100	80	80	#	#	Germany	Broadband network services
Keppel Communications Pte Ltd(2)	100	80	80	#	#	Singapore	Trading and provision of communications systems and accessories
Keppel Logistics (Foshan) Ltd(4)	70	56	56	#	#	China	Shipping operations, warehousing and distribution
Keppel Logistics Pte Ltd(2)	100	80	80	#	#	Singapore	Warehousing and distribution
Keppel Telecoms Pte Ltd(2)	100	80	80	#	#	Singapore	Telecommunications services and investment holding
Transware Distribution Services Pte Ltd(2)	50	40	40	#	#	Singapore	Warehousing and distribution
Trisilco Folec Sdn Bhd(2a)	55	44	44	#	#	Malaysia	Trading and provision of communications systems and accessories

	Gross Interest 2008 %	Effective Equity Interest 2008 %	2007 %	Cost of Investment 2008 $'000	2007 $'000	Country of Incorporation /Operation	Principal Activities
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
Citadel 100 Datacenters Ltd (formerly Premier Data Centres Ltd)(4)	50	40	40	#	#	Ireland	Provision of internet service exchange
Computer Generated Solutions Inc(4)	21	17	17	#	#	USA	IT consulting and outsourcing provider
Radiance Communications Pte Ltd(2)	50	40	40	#	#	Singapore	Distribution and maintenance of communications equipment and systems
SVOA Public Company Ltd(2a)	32	26	26	#	#	Thailand	Distribution of IT products and telecommunications services
Trisilco Radiance Communications 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)	54+	54+	53+	-	-	Philippines	Investment holding
China Canton Investments Ltd	75	75	56	#	#	Singapore	Investment holding
k1 eBiz Holdings Pte Ltd	-	-	100	-	1,814	Singapore	Strike-off
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 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
Travelmore Pte Ltd	100	100	100	265	265	Singapore	Travel agency
The Vietnam Investment Fund (Singapore) Ltd	56	56	51	#	#	Singapore	Venture fund investment

	Gross Interest 2008 %	Effective Equity Interest 2008 %	2007 %	Cost of Investment 2008 $'000	2007 $'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	36	#	#	Singapore	Investment holding
MobileOne Ltd(2)	20	16	16	#	#	Singapore	Telecommunications services
Total							
Subsidiaries				3,135,903	3,079,697		
Associated Companies				3,074	3,074		

Notes:

(i) All the companies are audited by Deloitte & Touche LLP, Singapore except for the following:
- (1a) Audited by overseas practice of Deloitte & Touche LLP;
- (2) Audited by Ernst & Young LLP, Singapore;
- (2a) Audited by overseas practice of Ernst & Young LLP;
- (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)	United Arab Emirates (UAE)
Hong Kong (HK)	United States of America (USA)

Statement by Directors

For the financial year ended 31 December 2008

We, CHOO CHIAU BENG 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 2008, and of the results, changes in equity and cash flows 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

Choo Chiau Beng
Chief Executive Officer

Teo Soon Hoe
Group Finance Director

Singapore, 2 March 2009

Independent Auditors' Report

to the Members of Keppel Corporation Limited

For the financial year ended 31 December 2008

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 2008, the profit and loss account, statement of changes in equity and cash flow 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.

Management's Responsibility

Management is 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: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; 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 management, 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 2008 and of the results, changes in equity and cash flows 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 LLP

DELOITTE & TOUCHE LLP

Public Accountants and Certified Public Accountants

Singapore

Chaly Mah Chee Kheong

Partner

Appointed on 28 April 2006

2 March 2009

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)	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Transaction for the Sale of Goods and Services				
Keppel Corporation Limited Directors and their associates	**-**	17,447	**-**	-
Gas Supply Pte Ltd	**-**	-	**61,550**	13,140
PSA Corporation Group	**-**	-	**4,379**	5,150
Mount Faber Leisure Group	**-**	-	**145**	144
SembCorp Industries Group	**-**	-	**110**	-
SembCorp Marine Group	**-**	-	**1,073**	2,273
Singapore Airlines Group	**-**	-	**15,900**	17,350
Singapore Power/PowerSeraya/Senoko Power/Tuas Power Group	**-**	-	**25,462**	28,410
Singapore Telecommunications Group	**-**	-	**-**	4,633
Transaction for the Purchase of Goods and Services				
CapitaLand Group	**-**	-	**4,532**	-
Gas Supply Pte Ltd	**-**	-	**90,000**	380,000
Mapletree Investments Pte Ltd	**-**	-	**2,478**	407
Total Interested Person Transactions	**-**	17,447	**205,629**	451,507

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, 64
Non-Executive Chairman [1]
Bachelor of Science (First Class Honours) in Naval Architecture, Glasgow University; Masters in Public Administration, Edward S. Mason Fellow, Kennedy School, Harvard University; Doctor in Engineering (Honorary), Glasgow University.

Executive Chairman of Keppel Corporation Limited from January 2000 to 31 December 2008 (Director since 1983; date of last re-election: 25 April 2008) and Chairman of the Executive Committee. He is also Chairman of Keppel Land Limited, Singapore-Suzhou Township Development Pte Ltd and Singapore Tianjin Eco-city Investment Holdings Pte Ltd; and a board member of the Monetary Authority of Singapore and Business China. Mr Lim is also the Honorary Chairman of the National Heritage Board, Chairman of the Advisory Board, Harvard Singapore Foundation and Alternate Member, 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 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 INSEAD Singapore International Council, member, Board of Trustees, Asia Business Council, member of the Board of Trustees, The Conference Board; and Counsellor, The Conference Board's Global Advisory Council on Economic Issues. Mr Lim is also Chairman, Advisory Board, SKB Institute of Financial Economics, Singapore Management University, and a member of the Governing Board, Lee Kuan Yew School of Public Policy, National University of Singapore.

Conferred Distinguished Service Order by HE President, Republic of Singapore and Commander, Order of the Crown, by HM King Albert II, Kingdom of Belgium.

Choo Chiau Beng, 61
Chief Executive Officer [2]
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 as Chief Executive Officer on 1 January 2009 (Director since 1983; date of last re-election: 28 April 2006). Member of the Executive and Board Safety Committees.

Mr Choo is the Chairman of Keppel Offshore & Marine Limited and is also the Chairman of Singapore Petroleum Company Limited, Singapore Refining Company Pte Ltd and SMRT Corporation Ltd. Mr Choo sits on the boards of Keppel Land Limited and k1 Ventures Limited.

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 a member of the Board of Energy Studies Institute and Nanyang Business School Advisory Board. He is also Chairman of Det Norske Veritas South East Asia Committee, board 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.

1 On 22 December 2008, the Company announced that Mr Lim Chee Onn would relinquish his role as Chief Executives Officer with effect from 1 January 2009, but would continue to serve as Chairman of the Company.
2 On 22 December 2008, the Company announced that Mr Choo Chiau Beng would assume the role of Chief Executive Officer of the Company with effect from 1 January 2009.

Tony Chew Leong-Chee, 62
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: 25 April 2008). An independent and non-executive Director, he is the Company's Lead Independent Director and member of the Audit Committee and Executive Committee.

He is Executive Chairman of Asia Resource Corporation and Chairman of KFC Vietnam. He also serves on the boards of Macondray Corporation, Orangestar Investment Holdings Pte Ltd, SBF Holdings Pte Ltd and SBF-PICO Events 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 Chairman of Singapore Business Federation as well as Governing Board of Duke-NUS Graduate Medical School Singapore. He is also Governing Board member of the Economic Research Institutue for ASEAN & East Asia, the Chinese Development Assistance Council Board of Trustees, and Advisor to the Singapore Institute of International Affairs. He is a Public Service Award recipient.

Lim Hock San, 62
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 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 Venture Ltd, the National Council on Problem Gambling and Ascendas Pte Ltd, and a board member of 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, 73
Independent Director
Master of Science, Swiss Federal Institute of Technology (ETH), Zurich.

Appointed to the Board in 2000 (date of last re-election: 25 April 2008). 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 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.

Mr Ullring is the Chairman of the Board of The Fridtjof Nansen Institute, Oslo, Norway, Chairman of the Maritime and Port Authority of Singapore's Third Maritime and Research and Development Advisory Panel and Chairman of the Board of Transparency International (Norway).

Tsao Yuan Mrs Lee Soo Ann, 53
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 Coach and Coach Practice Leader 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 the Oversea-Chinese Banking Corporation Ltd and the Singapore Land Authority.

Oon Kum Loon (Mrs), 58
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, she is the Chairperson of the Board Risk Committee and member of the Audit, Executive, Nominating and Remuneration 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 and China Resources Microelctronics Limited. She is also a member of the Board Risk Management Committee of Singapore Power Ltd.

Tow Heng Tan, 53
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 (Private) Limited (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, amongst others.

Yeo Wee Kiong, 53
Independent Director
LLB Honours University of London, MBA National University of Singapore, First Class Honours (Mechanical Engineering) University of Singapore. Professional Engineers Board Gold Medal award winner 1980.

Appointed to the Board in 2005 (date of last re-election: 28 April 2006). An independent and non-executive Director, he is the Chairman of the Board Safety Committee, and member of the Board Risk Committee.

Mr Yeo Wee Kiong is currently 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 in 1996. He was also previously a senior partner in Rajah & Tann, a leading law firm in Singapore. He rejoined Drew & Napier in 2007.

Between 1999 and 2002, Mr Yeo was a member of the board of directors on the National Science & Technology Board (NSTB) a Singapore government agency responsible for promotion of R&D and technology entrepreneurship. Between 2002 and 2007, Mr Yeo was a member of the board of directors of TIF Ventures Pte Ltd, an EDB subsidiary responsible for managing US$1.3 billion in government funds investing into venture capital funds and companies in Singapore and globally. Between 2005 and 2007, Mr Yeo was a member of the audit committee of the EDBI group of funds.

Mr Yeo is an independent director of Bonvests Holdings Limited, a Singapore listed group in hotels, real estate and food & beverage operations. He is also a non-executive director and audit committee chairman of Ascendas Pte Ltd, a Singapore government owned group in industrial and business property development, property holdings and real estate investment trusts management.

Mr Yeo is a member of the Accounting Standards Council, a council member of the Singapore Institute of Directors and the Vice President of the EDB Society.

Teo Soon Hoe, 59
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: 25 April 2008). A Senior Executive Director and the Group Finance Director and member of the Executive Committee.

Mr Teo is the Chairman of Keppel Telecommunications & Transportation Ltd, MobileOne 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 Limited, k1 Ventures Limited and Singapore Petroleum Company Limited.

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 Chief Executive Officer (Mr Choo Chiau Beng) and the Senior Executive Director (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, 62
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 appointed Chief Executive Officer of Keppel Offshore & Marine (Keppel O&M) on 1 January 2009. Prior to that, he was the Managing Director/Chief Operating Officer of Keppel O&M 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 Limited, Keppel FELS Limited, Keppel Shipyard Limited, Keppel Integrated Engineering Ltd and Chairman of Keppel AmFELS Inc.

He is the Honorary Consul (Designate) of Trinidad & Tobago in Singapore.

Michael Chia Hock Chye, 56
Bachelor in Science (First Class Honours), University of Newcastle-Upon-Tyne; Masters in Business Administration, National University of Singapore; Graduate Certificate in International Arbitration, National University of Singapore.

Mr Chia is the Executive Director of Keppel FELS Limited since 2002 with overall responsibility of the business management of the company. Mr Chia has more than 15 years of management experience in corporate development, engineering, operations and commercial. He was elected as the President of the Association of Singapore Marines Industries since 2005, a non-profit association formed in 1968 to promote the interests of the marine industry in Singapore.

Mr Chia is also a board member of the Singapore Maritime Foundation, Chairman of the Marine & Offshore Technology Advisory Committee in Ngee Ann Polytechnic, Deputy Chairman, Workplace Safety and Health Shipbuilding and Shiprepairing Advisory Sub-Committee, Ministry Of Manpower, Singapore and member of the Ngee Ann Polytechnic Council, Spring Singapore's Enterprise Development Advisory Council (EDAC), Society of Naval Architects and Marine Engineers Singapore, and American Bureau of Shipping and Society of Petroleum Engineers. He is a Fellow with the Singapore Institute of Arbitrators.

His directorships include FELS Crane, Asian Lift Pte Ltd, Keppel FELS Brasil SA (Brazil), Keppel AmFELS Inc (USA), Brightway Property Pte Ltd, Keppel FELS Limited, Tradeone Asia Pte Ltd, Deepwater Technology Group Pte Ltd, Willalpha Ltd, Prismatic Services Ltd, Regency Steel Japan Ltd (Japan), Joy Venture Investments Ltd (BVI), Bintan Offshore Fabricators Pte Ltd, Durward International (BVI), Keppel FELS Engineering Shenzhen Co Ltd, Offshore Technology Development Pte Ltd, Floatec LLC, Offshore Innovative Solutions LLC, Keppel Shipyard Limited and Keppel Offshore & Marine USA (Holdings) LLC.

Directors and Key Executives

Nelson Yeo Chien Sheng, 52
Bachelor of Science in Mechanical Engineering (First Class Honours), University of Birmingham; Master of Engineering in Energy Technology, Asian Institute of Technology, Thailand; Programme for Management Development, Graduate School of Business Administration, Harvard University.

Mr Yeo is the Executive Director of Keppel Shipyard Limited. He is the Chairman of Keppel Philippines Marine Inc, Subic Shipyard and Engineering, Inc, Keppel Smit Towage Pte Ltd and Maju Maritime Pte Ltd. He is also a director of Keppel FELS Limited, Arab Heavy Industries P.J.S.C., KS Investments Pte Ltd, KSI Production Pte Ltd, Keppel Marine Agencies, Inc., and DPS Bristol (Holdings) Ltd.

Mr Yeo serves as a member of the Workplace Safety and Health (Marine Industries) Committee, Ministry of Manpower; AIDS Business Alliance, Ministry of Health; and is also a member of American Bureau of Shipping; South East Asia Advisory/Technical Committee of Lloyd's Register and the Singapore Technical Committee in Nippon Kaiji Kyokai. He has 27 years of working experience in the shipyard industry.

Kevin Wong Kingcheung, 53
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, 54
Bachelor of Business Administration, National University of Singapore.

Mr Lam was appointed the Chief Financial Officer of Keppel Telecommunications & Transportation Ltd (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 is also a director in Global Voice Group Limited. Mr Lam 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, 50
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..

Koh Ban Heng, 60
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 since his appointment as CEO. 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.

Chua Chee Wui, 42
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 CEO of Keppel Integrated Engineering Ltd (KIE) in July 2006. KIE is the environmental and engineering division of Keppel Corporation Limited.

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, Keppel Seghers Technology Group NV, Keppel Seghers Newater Development Co Pte Ltd, Keppel Seghers Tuas Waste-To-Energy Plant Pte Ltd, Keppel FMO Pte Ltd and Keppel Prince Engineering Pty Ltd.

Past Principal Directorships In The Last Five Years

Directors

Lim Chee Onn
Parksville Development Pte Ltd; Keppel Energy Pte Ltd; MobileOne Ltd; k1 Ventures Limited.

Choo Chiau Beng
EDB Investments Pte Ltd; FELS Property Holdings Pte Ltd; FELS Realty Texas Inc; FELS (USA) Inc; Keppel Asia Limited; Keppel Infrastructure Pte Ltd; Keppel Marine Agencies Inc; Keppel Norway AS; Keppel Regional Infrastructure Pte Ltd; Kepventure Pte Ltd; WIIG Global Ventures Pte Ltd; Maritime and Port Authority of Singapore; Singapore Maritime Foundation Limited.

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; United Test and Assembly Center Ltd.

Sven Bang Ullring
Chairman of the Supervisory Boards of NORSK HYDRO ASA, Oslo and STOREBRAND ASA, 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 (Mrs)
Schmidt Electronics Group Ltd; Gas Supply Pte Ltd; Intraco Limited.

Tow Heng Tan
IE Singapore; Shangri-la Asia Limited.

Yeo Wee Kiong
PCA Technology Ltd; OM Holdings Ltd; China Sun Bio-Chem Technology Group Company Ltd; Ezyhealth Asia Pacific Ltd; City Axis Holdings Ltd (ISG Asia Limited); ASJ Limited; Pacific Internet Ltd; Territory Iron Ltd; AEM-Evertech Holdings Ltd.

Teo Soon Hoe
Keppel Bank Philippines Inc; Centurion Bank Limited; Southern Bank Bhd; Keppel Shipyard Limited.

Key Executives

Tong Chong Heong
Nil.

Michael Chia Hock Chye
Nil.

Nelson Yeo Chien Sheng
Keppel Singmarine Pte Ltd; Alpine Engineering Services Pte Ltd; Blastech Abrasives Pte Ltd; Keppel Tuas Pte Ltd.

Kevin Wong Kingcheung
HDB Corporation Pte Ltd; Singapore Hotel Association; subsidiaries and associates of Keppel Land Limited.

Lam Kwok Chong
Folec Holdings (M) Sdn Bhd; Steamers Telecommunications Pte Ltd; Computer Generated Solutions (Asia) Pte Ltd; Keppel Securities Philippines Inc; Indotel Limited; SEM Thong Nhuat Hotel Metropole; Societe de Development du Metropole (SDM) B.V; Folec Communications (B) Sdn Bhd; Blue Cherries Inc; Business Online Public Company Limited; DataOne Corporation Pte Ltd; Heritage (Vietnam) Investments Pte Ltd.

Ong Tiong Guan
Nil.

Koh Bang Heng
SPC Cambodia Ltd.

Chua Chee Wui
Nil.

Major Properties

Held By	Effective Group Interest	Location	Description and Approximate Land Area	Tenure	Usage
Completed properties					
K-Reit Asia	55%	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 22,991 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 124,080 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 23,161 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 21,129 sqm
Keppel Bay Pte Ltd	86%	Caribbean at Keppel Bay Singapore	-	99 years leasehold	168 units of waterfront condominium (retained interest)
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 36,035 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

Held By	Effective Group Interest	Location	Description and Approximate Land Area	Tenure	Usage
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
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 78,587 sqm* (2011)
BFC Development Pte Ltd	17%	Marina Bay Financial Centre (Phase 1)/Marina Bay Residences Marina Boulevard/ Central Boulevard, 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 (Phase 2)/Marina Bay Suites Marina Boulevard/ Central Boulevard, 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* (2009)
Ocean & Capital Properties Pte Ltd	53%	The Sixth Avenue Residences Sixth Avenue, Singapore	Land area: 16,056 sqm	Freehold	A 175-unit condominium development* (2009)
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 *(2013)
		Keppel Bay Plot 3 and 6, Singapore	Land area: 82,619 sqm	99 years leasehold	Waterfront condominium development

Major Properties

Held By	Effective Group Interest	Location	Description and Approximate Land Area	Tenure	Usage
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) *(2012/2013)
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 2,753-unit residential development with integrated facilities* (2015)
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 Ltd (owned by Keppel Land China Holdings Pte Ltd)	26%	Central Park City Wuxi, China	Land area: 352,534 sqm	70 years lease (residential) 40 years lease (commercial)	A 5,000-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 *(2011 Phase 1) *(2013 Phase 2)
Dong Nai Waterfront City LLC (owned by Portsville Pte Ltd)	24%	Dong Nai Waterfront City Dong Nai Province, Vietnam	Land area: 3,667,127 sqm	50 years lease	A 10,434-unit residential township *(2013 Phase 1)
Industrial properties					
Keppel FELS Ltd	100%	Jurong, Pioneer, Cresent and Tuas South Yard, Singapore	Land area: 737,525 sqm buildings, workshops, building berths and wharves	24 - 30 years leasehold	Oil rigs, offshore and marine construction, repair, fabrication, assembly and storage
Keppel Shipyard Ltd	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

	2004	2005	2006	2007	**2008**
Selected Profit & Loss Account Data ($ million)					
Revenue	3,963	5,688	7,601	10,431	**11,805**
Operating profit	409	467	804	1,051	**1,238**
Profit before tax & exceptional items	645	826	1,139	1,556	**1,597**
Attributable profit					
Before exceptional items	465	564	751	1,026	**1,097**
After exceptional items	464	564	751	1,131	**1,098**
Selected Balance Sheet Data ($ million)					
Fixed assets & properties	3,482	3,907	4,187	4,831	**5,078**
Investments	1,839	2,664	3,113	4,024	**3,633**
Stocks, debtors & cash	5,059	5,874	6,466	6,874	**7,958**
Intangibles	125	145	135	68	**78**
Total assets	10,505	12,590	13,901	15,797	**16,747**
Less:					
Creditors	2,402	3,750	5,188	6,139	**7,647**
Borrowings	3,699	3,731	2,957	2,234	**1,970**
Other liabilities	148	174	158	389	**381**
Net assets	4,256	4,935	5,598	7,035	**6,749**
Share capital & reserves	3,090	3,646	4,205	5,205	**4,596**
Minority interests	1,166	1,289	1,393	1,830	**2,153**
Capital employed	4,256	4,935	5,598	7,035	**6,749**
Per Share					
Earnings (cents) (Note 1):					
Before tax & exceptional items	35.2	43.9	61.5	81.4	**84.2**
Attributable before exceptional items	29.9	36.1	47.7	64.9	**69.0**
Attributable after exceptional items	29.9	36.1	47.7	71.5	**69.0**
Gross dividend (cents)	10.0	11.5	14.0	64.0	**35.0**
Capital distribution (net) (cents)	10.0	11.5	14.0	-	**-**
Total distribution (cents)	20.0	23.0	28.0	64.0	**35.0**
Net assets ($)	1.98	2.33	2.67	3.28	**2.89**
Net tangible assets ($)	1.90	2.23	2.58	3.24	**2.84**
Financial Ratios					
Return on shareholders' funds (%) (Note 2):					
Profit before tax and exceptional items	18.3	20.0	24.7	27.4	**27.3**
Attributable profit before exceptional items	15.5	16.4	19.1	21.8	**22.4**
Dividend cover (times)	3.7	3.9	4.2	1.0	**2.0**
Net cash/(gearing) (times)	(0.64)	(0.47)	(0.24)	(0.09)	**0.04**
Employees					
Number	22,186	23,625	29,185	31,914	**35,621**
Wages & salaries ($ million)	695	803	931	1,132	**1,329**

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.

Group Five-Year Performance

2008
Group revenue of $11,805 million was $1,374 million or 13% higher than that of the previous year. Revenue from Offshore & Marine Division of $8,569 million was $1,311 million or 18% higher and accounted for 72% of Group revenue. The Division completed and delivered 3 semisubmersibles and 13 jackups on schedule for its customers. Revenue from shiprepairs, conversions and shipbuilding were also higher. Revenue from Property Division of $950 million was $885 million or 48% lower. The decrease was due to lower sales of residential properties in the current year. Rental income from investment properties increased due to higher rental rates and occupancy. Revenue from Infrastructure Division increased by 75% to $2,232 million. Revenue generated from the cogen power plant in Singapore and environmental engineering contracts contributed to the significant increase in revenue.

Group pre-tax profit of $1,597 million was 3% more than the previous year. Higher contribution from Offshore & Marine and Infrastructure were partially offset by lower profits from Property and Investments. Earnings from Offshore & Marine Division of $943 million were 35% above the previous year. Property Division posted profit of $365 million, $106 million or 23% lower than the previous year. The decrease was due to the lower sales and share of profit from associated companies. Infrastructure Division continued to make encouraging progress, contributing $70 million to Group pre-tax profit. Profit from Investments was lower because of lower profit from SPC.

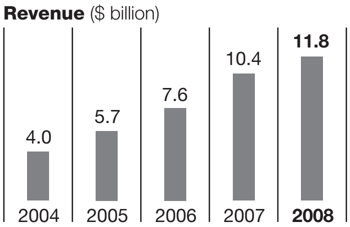
The income tax expenses of the Group included a write-back of $15 million for tax provision in respect of prior years. After minority share of profit, the attributable profit before exceptional items was $1,097 million.

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.

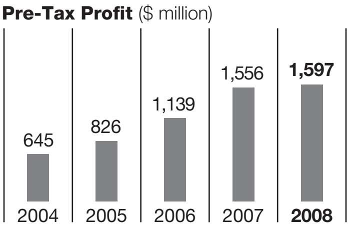
Group profit before tax was $1,556 million or 37% more than the previous year's. Earnings from Offshore & Marine Division at $700 million were 12% above the previous year. Production activities continued to increase at the shipyards, however operating margins were lower because of lower margins from 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.

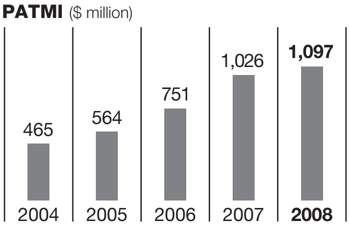
Revenue ($ billion)



Pre-Tax Profit ($ million)



PATMI ($ 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.

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.

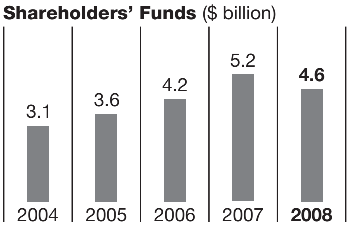
Taking into consideration taxation and minority share of profits, the resultant profit attributable to shareholders of $564 million was 21% higher than the previous year. Offshore & Marine remains the largest contributor to attributable earnings with 42%, followed by SPC with 33%, Property with 21% and 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.

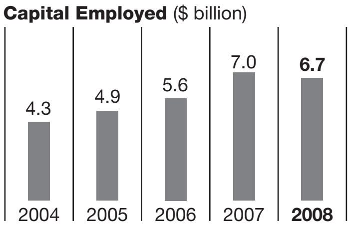
Group pre-tax profit of $645 million and attributable profit of $465 million were 16% and 18% above those of 2003 respectively.

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.

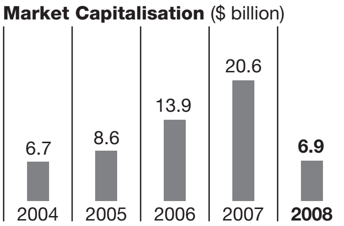
Shareholders' Funds ($ billion)



Capital Employed ($ billion)

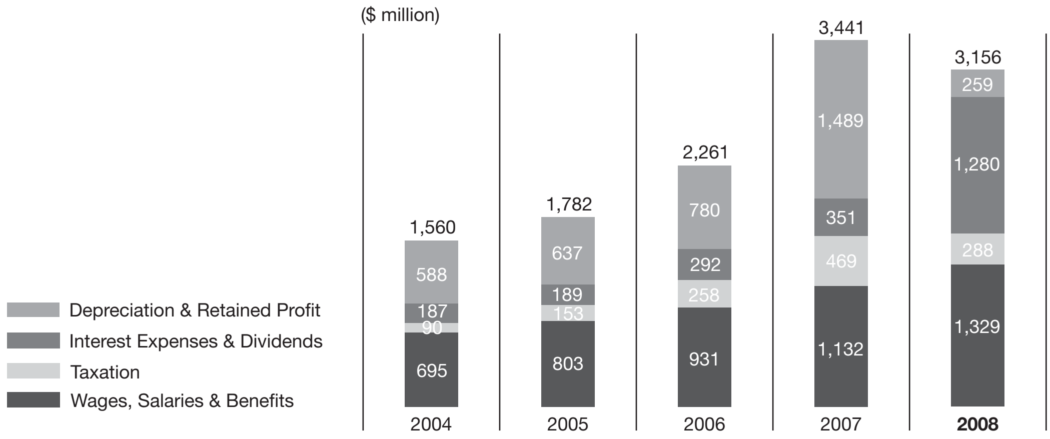


Market Capitalisation ($ billion)

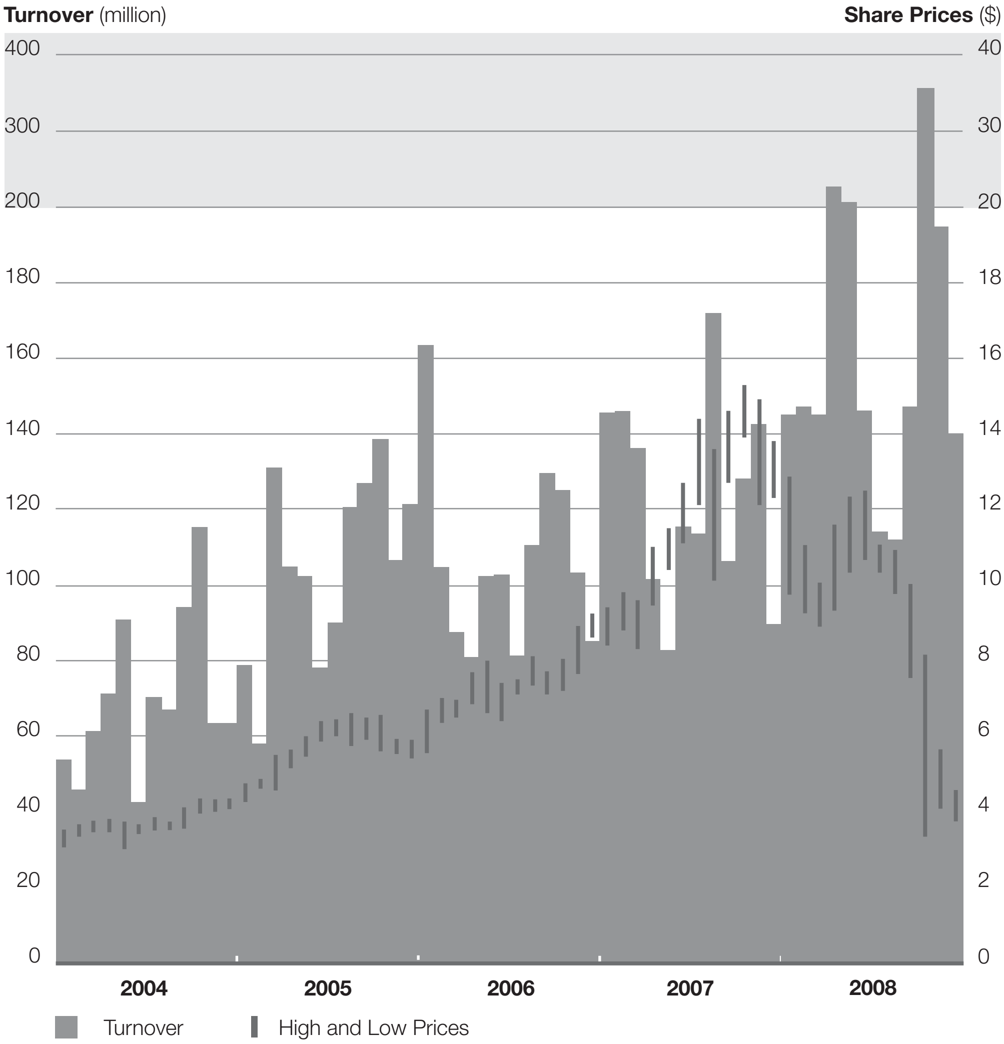


Group Value-Added Statements

($ million)	2004	2005	2006	2007	**2008**
Value added from:					
Revenue earned	3,963	5,688	7,601	10,431	**11,805**
Less: purchases of materials and services	(2,679)	(4,287)	(5,738)	(8,123)	**(9,099)**
Gross value added from operation	1,284	1,401	1,863	2,308	**2,706**
In addition:					
Interest and investment income	23	60	83	91	**83**
Share of associated companies' profits	253	321	315	477	**354**
Exceptional items	-	-	-	565	**13**
	1,560	1,782	2,261	3,441	**3,156**
Distribution of Group's value added:					
To employees in wages, salaries and benefits	695	803	931	1,132	**1,329**
To government in taxation	90	153	258	469	**288**
To providers of capital on:					
Interest on borrowings	41	22	62	63	**79**
Dividends to our partners in subsidiaries	22	36	73	46	**103**
Dividends to our shareholders	124	131	157	242	**1,098**
	187	189	292	351	**1,280**
Total Distribution	972	1,145	1,481	1,952	**2,897**
Balance retained in the business:					
Depreciation & amortisation	180	132	127	126	**139**
Minority share of profits in subsidiaries	68	73	60	474	**120**
Retained profit for the year	340	432	593	889	**-**
	588	637	780	1,489	**259**
	1,560	1,782	2,261	3,441	**3,156**
Number of employees	22,186	23,625	29,185	31,914	**35,621**
Productivity data:					
Gross value added per employee ($'000)	58	59	64	72	**76**
Gross value added per dollar employment cost ($)	1.85	1.74	2.00	2.04	**2.04**
Gross value added per dollar sales ($)	0.32	0.25	0.25	0.22	**0.23**



Share Performance



	2004	2005	2006	2007	**2008**
Share Price ($)					
Last transacted (Note 3)	4.30	5.50	8.80	13.00	**4.33**
High	4.38	6.60	9.25	15.30	**12.84**
Low	3.00	4.25	5.55	8.30	**3.35**
Volume weighted average (Note 2)	3.74	5.69	7.22	11.56	**8.59**
Per Share					
Earnings (cents) (Note 1)	29.9	36.1	47.7	64.9	**69.0**
Gross dividend (cents)	10.0	11.5	14.0	64.0	**35.0**
Capital distribution (cents) (net)	10.0	11.5	14.0	-	**-**
Distribution yield (%) (Note 2)	5.4	4.1	3.9	5.5	**4.1**
Net price earnings ratio (Note 2)	12.5	15.8	15.1	17.8	**12.5**
At Year End					
Share price ($)	4.30	5.50	8.80	13.00	**4.33**
Distribution yield (%) (Note 3)	4.7	4.2	3.2	4.9	**8.1**
Net price earnings ratio (Note 3)	14.4	15.3	18.4	20.0	**6.3**
Net price to book ratio (Note 3)	2.3	2.5	3.4	4.0	**1.5**
Net assets backing ($)	1.90	2.23	2.58	3.24	**2.84**

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. Last transacted share price is used in calculating distribution yield, net price earnings ratio and net price to book ratio.
4. Comparative figures have been adjusted for sub-division of shares in 2007.

Shareholding Statistics
As at 27 February 2009

Total no. of issued shares : 1,593,134,180
Issued and Fully Paid-up Capital : $824,571,173.19
Class of Shares : Ordinary Shares with equal voting rights

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 999	460	1.48	205,700	0.01
1,000 - 10,000	27,406	88.09	84,444,583	5.30
10,001 - 1,000,000	3,219	10.35	111,826,441	7.02
1,000,001 & Above	27	0.08	1,396,657,456	87.67
TOTAL	31,112	100.00	1,593,134,180	100.00

Twenty Largest Shareholders	Number of Shares	%
DBS Nominees Pte Ltd	420,727,782	26.41
Temasek Holdings (Pte) Ltd	337,643,902	21.19
Citibank Nominees Singapore Pte Ltd	198,587,690	12.47
HSBC (Singapore) Nominees Pte Ltd	121,597,518	7.63
DBSN Services Pte Ltd	120,563,849	7.57
United Overseas Bank Nominees Pte Ltd	95,105,631	5.97
Raffles Nominees Pte Ltd	33,145,084	2.08
DB Nominees (S) Pte Ltd	8,664,466	0.54
Shanwood Development Pte Ltd	6,400,000	0.40
Oversea Chinese Bank Nominees Pte Ltd	5,524,250	0.35
Merrill Lynch (Singapore) Pte Ltd	5,247,812	0.33
TM Asia Life Singapore Ltd - PAR Fund	5,168,000	0.32
OCBC Nominees Singapore Pte Ltd	4,519,917	0.28
Lim Chee Onn	3,954,166[i]	0.25
Teo Soon Hoe	3,628,332[ii]	0.23
Royal Bank of Canada (Asia) Ltd	3,336,929	0.21
OCBC Securities Private Ltd	2,854,258	0.18
Morgan Stanley Asia (Singapore) Pte Ltd	2,598,918	0.16
ING Nominees (Singapore) Pte Ltd	2,568,160	0.16
Lee Seng Wee	2,414,000	0.15
Total	1,384,250,664	86.88

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 No. of Shares	%	Deemed Interest No. of Shares	%	Total Interest No. of Shares	%
Temasek Holdings (Pte) Ltd	337,643,902	21.19	8,393,799[i]	0.53	346,037,701	21.72

Note(i):
By operation of Section 7 of the Companies Act, Temasek Holdings (Pte) Ltd is deemed to be interested in an aggregate of 8,393,799 shares in which its subsidiaries and associated companies have an aggregate interest.

Public Shareholders
Based on the information available to the Company as at 27 February 2009, 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.

Treasury Shares
As at 27 February 2009, there are no treasury shares held.

Notice of Annual General Meeting and Closure of Books

Keppel Corporation

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

NOTICE IS HEREBY GIVEN that the 41st Annual General Meeting of the Company will be held at Four Seasons Hotel, Four Seasons Ballroom (Level 2), 190 Orchard Boulevard, Singapore 248646 on Friday, 24 April 2009 at 4.00 p.m. to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2008. **Resolution 1**

2. To declare a final tax-exempt (one-tier) dividend of 21 cents per share for the year ended 31 December 2008 (2007: final dividend of 10 cents per share tax exempt one-tier and special dividend of 45 cents per share tax exempt one-tier). **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) Mr Yeo Wee Kiong **Resolution 3**

   (ii) Mr Choo Chiau Beng **Resolution 4**

   Note: Tsao Yuan Mrs Lee Soo Ann, who will be retiring pursuant to Article 81B of the Company's Articles of Association, although eligible, has decided not to seek re-election.

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 5**

5. To approve the remuneration of the non-executive directors of the Company for the financial year ended 31 December 2008, comprising the following: **Resolution 6**

   (1) the payment of directors' fees of an aggregate amount of $570,000 in cash (2007: $600,625); and

   (2) (a) the award of an aggregate number of 14,000 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, Mrs Oon Kum Loon, Mr Tow Heng Tan and Mr Yeo Wee Kiong as payment in part of their respective remuneration for the financial year ended 31 December 2008 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) 2,000 Remuneration Shares to Mrs Oon Kum Loon;

(vi) 2,000 Remuneration Shares to Mr Tow Heng Tan; and

(vii) 2,000 Remuneration Shares to Mr Yeo Wee Kiong;

(b) the directors of the Company or any of them be and are hereby authorised to instruct a third party agency to purchase from the market 14,000 existing shares at such price as the directors of the Company may deem fit and deliver the Remuneration Shares to each non-executive director in the manner as set out in (2)(a) above; and

(c) any director of the Company or the Company 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 of the Company to fix their remuneration. **Resolution 7**

Special Business

To consider and, if thought fit, approve the following Ordinary Resolutions, with or without any modifications:

7. That: **Resolution 8**

(1) pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "Companies Act"), Rule 806 of the listing manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST"), 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 rights, 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"),

of not more than 50 per cent. of the total number of Shares (excluding treasury Shares), of which the aggregate number of Shares and Instruments issued other than on a *pro rata* basis to existing shareholders must be not more than 10 per cent. of the total number of Shares (excluding treasury Shares), at any time and upon such terms and conditions and for such purposes and to such persons as the directors of the Company 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 of the Company while the authority was in force;

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (excluding treasury Shares) that may be issued under sub-paragraph (1)(a) above, the percentage of issued Shares shall be calculated based on the total number of Shares (excluding treasury Shares) at the time of passing of this Resolution after adjusting for:

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting as at the date of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and

(c) any subsequent bonus issue, consolidation or sub-division of Shares;

(3) the 50 per cent. limit in sub-paragraph (1)(a) above may be increased to 100 per cent. for the Company to undertake *pro rata* renounceable rights issues;

(4) in exercising the authority granted under this Resolution, the Company shall comply with the provisions of the Companies Act, the Listing Manual 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

(5) (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).

8. That: **Resolution 9**

(1) for the purposes of the Companies Act, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(a) market purchase(s) (each a "Market Purchase") on the SGX-ST; and/or

(b) off-market purchase(s) (each an "Off-Market Purchase") in accordance with any equal access scheme(s) as may be determined or formulated by the directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(2) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate may be exercised by the directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(a) the date on which the next annual general meeting of the Company is held or is required by law to be held; or

(b) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(3) in this Resolution:

"Maximum Limit" means that number of issued Shares representing ten (10) per cent. of the total number of issued Shares as at the date of the last annual general meeting or at the date of the passing of this Resolution whichever is higher unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding any treasury Shares that may be held by the Company from time to time);

"Relevant Period" means the period commencing from the date on which the last annual general meeting was held and expiring on the date the next annual general meeting is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which is:

(a) in the case of a Market Purchase, 105 per cent. of the Average Closing Price; and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120 per cent. of the Average Closing Price, where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) Market Days (a "Market Day" being a day on which the SGX-ST is open for trading in securities), on which transactions in the Shares were recorded, in the case of Market Purchases, before the day on which the purchase or acquisition of Shares was made and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days, or in the case of Off-Market Purchases, before the date on which the Company makes an announcement of the offer; and

(4) the directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution (see Note 5).

9. That: **Resolution 10**

(1) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and target associated companies (as defined in Appendix 2 to this Notice of Annual General Meeting ("Appendix 2")), or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions described in Appendix 2, with any person who falls within the classes of Interested Persons described in Appendix 2, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for Interested Person Transactions as set out in Appendix 2 (the "IPT Mandate");

(2) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date that the next annual general meeting is held or is required by law to be held, whichever is the earlier;

(3) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and

(4) the directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution (see Note 6).

To transact such other business which can be transacted at the annual general meeting of the Company.

NOTICE IS ALSO HEREBY GIVEN THAT:

(a) the Transfer Books and the Register of Members of the Company will be closed on 1 May 2009, for the preparation of dividend warrants. Duly completed transfers received by the Company's registrar, B.A.C.S. Pte Ltd, 63 Cantonment Road, Singapore 089758 up to the close of business at 5.00 p.m. on 30 April 2009 will be registered to determine shareholders' entitlement to the proposed final dividend. The proposed final dividend if approved at this annual general meeting will be paid on 12 May 2009; and

(b) the electronic copy of the Company's Annual Report 2008 will be published on the Company's website on 9 April 2009. The Company's website address is http://www.kepcorp.com, and the electronic copy of the Annual Report 2008 can be viewed or downloaded from the "Annual Reports" section, which can be accessed from the main menu item "Investor Relations". To view the electronic copy of the Annual Report 2008, you will need the Adobe Reader installed on your computer, which can be downloaded free of charge at http://get.adobe.com/reader.

BY ORDER OF THE BOARD

Caroline Chang
Company Secretary

Singapore, 26 March 2009

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 Yeo Wee Kiong will upon re-election continue to serve as Chairman of the Board Safety Committee and member of the Board Risk Committee. Mr Choo Chiau Beng will upon re-election continue to serve as member of the Executive and Board Safety Committees. 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 Mr Choo Chiau Beng) 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 2008, and is in addition to the proposed directors' fees in cash referred to in Resolution 6. 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 will each, subject to Shareholders' approval, be awarded 2,000 Shares as part of their remuneration for the financial year ended 31 December 2008. The non-executive directors will abstain from voting, and will procure their respective associates to abstain from voting, in respect of this Resolution 6.

4. Resolution 8 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 50 per cent. of the total number of Shares (excluding treasury Shares) (with a sub-limit of 10 per cent. of the total number of Shares (excluding treasury Shares) in respect of Shares to be issued other than on a *pro rata* basis to shareholders). The 50 per cent. limit may be increased to 100 per cent. for the Company to undertake *pro rata* renounceable rights issues. The 10 per cent. sub-limit for non-*pro rata* issues 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 total number of Shares (excluding treasury Shares) that may be issued, the percentage of issued Shares shall be based on the total number of Shares (excluding treasury Shares) at the time that Resolution 8 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities, (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 8 is passed (provided that they were granted in compliance with Part VIII of Chapter 8 of the Listing Manual), and (c) any subsequent bonus issue, consolidation or sub-division of Shares.

5. Resolution 9 relates to the renewal of the Share Purchase Mandate which was originally approved by Shareholders on 18 February 2000 and was last renewed at the extraordinary general meeting of the Company on 25 April 2008. Please refer to Appendix 1 of this Notice of Annual General Meeting for details.

6. Resolution 10 relates to the renewal of a mandate given by Shareholders on 22 May 2003 allowing the Company, its subsidiaries and target associated companies to enter into transactions with interested persons as defined in Chapter 9 of the Listing Manual of the SGX-ST. Please refer to Appendix 2 of this Notice of Annual General Meeting for details.

Financial Calendar

FY 2008

Financial year-end	31 December 2008
Announcement of 2008 1Q results	24 April 2008
Announcement of 2008 2Q results	31 July 2008
Announcement of 2008 3Q results	23 October 2008
Announcement of 2008 full year results	22 January 2009
Despatch of Summary Financial Report to Shareholders	26 March 2009
Despatch of Annual Report to Shareholders	9 April 2009
Annual General Meeting	24 April 2009
2008 Proposed final dividend	
Books closure date	5.00 p.m., 30 April 2009
Payment date	12 May 2009

FY 2009

Financial year-end	31 December 2009
Announcement of 2009 1Q results	April 2009
Announcement of 2009 2Q results	July 2009
Announcement of 2009 3Q results	October 2009
Announcement of 2009 full year results	January 2010

Corporate Information

Board of Directors

Lim Chee Onn (Chairman)

Choo Chiau Beng

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

Teo Soon Hoe

Executive Committee

Lim Chee Onn (Chairman)

Choo Chiau Beng

Tony Chew Leong-Chee

Lim Hock San

Oon Kum Loon (Mrs)

Tow Heng Tan

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

Oon Kum Loon (Mrs)

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)

Choo Chiau Beng

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
Website: www.kepcorp.com

Share Registrar

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

Auditors

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants
Singapore
Audit Partner: Chaly Mah Chee Kheong
Year appointed: 2006

Notes

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