

Media Release

Keppel nets higher profit of S\$421m for 1H 2017, bolstered by multi-business strategy

Tax exempt one-tier interim dividend of 8.0 cents per share declared.

Singapore, 20 July 2017 – For the half year ended 30 June 2017, Keppel Corporation Limited (Keppel) reported a net profit of S\$421 million, slightly higher than the S\$416 million for 1H 2016. Group revenue of S\$2,802 million for 1H 2017 was S\$566 million, or 17% below that of the same period in 2016.

Performing stably year-on-year, the Property Division was the largest contributor to the Group's 1H 2017 net profit with a 47% share. The Investments and Infrastructure divisions, which contributed 39% and 14% to Group net profit respectively, both registered stronger results during the period. Despite the continuing downturn in the offshore business, the Offshore & Marine Division was able to breakeven on the back of contributions from associates and decisive rightsizing efforts undertaken since the start of 2015.

The Group achieved an annualised return on equity of 6.6% for 1H 2017. Net gearing remained stable at 0.58x as at end-June 2017. Free cash inflow of S\$237 million in 1H 2017 was an improvement over the outflow of S\$262 million in 1H 2016.

For 2Q 2017, Group net profit was S\$161 million, 21% lower than the S\$205 million for 2Q 2016, while Group revenue of S\$1,554 million was 4% lower than the \$1,625 million a year ago. Higher profit contributions from the Property and Investments divisions during the quarter were offset by lower contributions from the Offshore & Marine and Infrastructure divisions.

Mr Loh Chin Hua, CEO of Keppel Corporation, said, "Our Group has achieved creditable results in 1H 2017, despite much lower contributions from the Offshore & Marine Division. This demonstrates our resilience as a multi-business company delivering solutions for sustainable urbanisation.

"We remain focused on improving the overall quality of our earnings. Recurring income contributed S\$150 million or 36% of the Group's net profit for 1H 2017. We are also driving collaboration across our different verticals to capture higher value from all parts of Keppel."

The Directors of Keppel Corporation have declared a tax exempt one-tier interim dividend of 8.0 cents per share to be paid to shareholders on 8 August 2017.

Financial Highlights

| | 1H 2017 (S\$ m) | 1H 2016 (S\$ m) | Change (%) | 2Q 2017 (S\$ m) | 2Q 2016 (S\$ m) | Change (%) |
|---------------------------|----------------------------|----------------------------|-----------------------|----------------------------|----------------------------|-----------------------|
| Revenue | 2,802 | 3,368 | (17) | 1,554 | 1,625 | (4) |
| Operating Profit | 326 | 512 | (36) | 139 | 234 | (41) |
| Net Profit | 421 | 416 | 1 | 161 | 205 | (21) |
| Earnings per Share | 23.2 cents | 22.9 cents | 1 | 8.9 cents | 11.3 cents | (21) |

- Annualised ROE was 6.6%
- Net Gearing was 0.58x at end-June 2017
- Free cash inflow of S\$237m in 1H 2017 improved from an outflow of S\$262m in 1H 2016
- Interim cash dividend of 8.0 cents per share declared

- END -

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KEPPEL CORPORATION LIMITED

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

SECOND QUARTER 2017 FINANCIAL STATEMENTS & DIVIDEND ANNOUNCEMENT**TABLE OF CONTENTS**

| <u>Paragraph</u> | <u>Description</u> | <u>Page</u> |
|-------------------------|--|--------------------|
| 1 | GROUP PROFIT AND LOSS ACCOUNT | 1 |
| 2 | CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 4 |
| 3 | BALANCE SHEETS | 6 |
| 4 | STATEMENTS OF CHANGES IN EQUITY | 9 |
| 5 | CONSOLIDATED STATEMENT OF CASH FLOWS | 16 |
| 6 | AUDIT | 18 |
| 7 | AUDITORS' REPORT | 18 |
| 8 | ACCOUNTING POLICIES | 18 |
| 9 | CHANGES IN THE ACCOUNTING POLICIES | 19 |
| 10 | REVIEW OF GROUP PERFORMANCE | 19 |
| 11 | VARIANCE FROM FORECAST STATEMENT | 21 |
| 12 | PROSPECTS | 21 |
| 13 | DIVIDEND | 22 |
| 14 | SEGMENT ANALYSIS | 23 |
| 15 | REVIEW OF SEGMENT PERFORMANCE | 25 |
| 16 | INTERESTED PERSON TRANSACTIONS | 26 |
| 17 | CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1) | 26 |
| | CONFIRMATION BY THE BOARD | 27 |

KEPPEL CORPORATION LIMITED

Second Quarter 2017 Financial Statements and Dividend Announcement

UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2017

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the second quarter and half year ended 30 June 2017.

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

| | Note | Second Quarter | | | Half Year | | |
|--|-------|---------------------|---------------------|----------|---------------------|---------------------|----------|
| | | 30.6.2017 \$'000 | 30.6.2016 \$'000 | +/ -% | 30.6.2017 \$'000 | 30.6.2016 \$'000 | +/ -% |
| Revenue | | 1,554,252 | 1,625,483 | -4.4 | 2,802,274 | 3,368,440 | -16.8 |
| Materials & subcontract costs | (i) | (1,041,766) | (996,976) | +4.5 | (1,865,280) | (2,073,114) | -10.0 |
| Staff costs | (ii) | (256,581) | (301,252) | -14.8 | (515,120) | (585,431) | -12.0 |
| Depreciation & amortisation | | (57,119) | (57,686) | -1.0 | (112,963) | (114,275) | -1.1 |
| Other operating (expenses)/income | (iii) | (60,158) | (35,979) | +67.2 | 16,976 | (84,080) | NM |
| Operating profit | | 138,628 | 233,590 | -40.7 | 325,887 | 511,540 | -36.3 |
| Investment income | | 1,722 | 3,600 | -52.2 | 4,490 | 7,967 | -43.6 |
| Interest income | | 30,324 | 31,854 | -4.8 | 66,132 | 60,614 | +9.1 |
| Interest expenses | (iv) | (49,919) | (50,077) | -0.3 | (99,265) | (96,671) | +2.7 |
| Share of results of associated companies | (v) | 96,633 | 65,397 | +47.8 | 266,944 | 79,120 | +237.4 |
| Profit before tax | | 217,388 | 284,364 | -23.6 | 564,188 | 562,570 | +0.3 |
| Taxation | (1b) | (62,700) | (65,118) | -3.7 | (139,103) | (117,606) | +18.3 |
| Profit for the period | | 154,688 | 219,246 | -29.4 | 425,085 | 444,964 | -4.5 |
| Attributable to: | | | | | | | |
| Shareholders of the Company | | 160,280 | 205,780 | -22.1 | 420,644 | 416,338 | +1.0 |
| Non-controlling interests | | (5,592) | 13,466 | NM | 4,441 | 28,626 | -84.5 |
| | | 154,688 | 219,246 | -29.4 | 425,085 | 444,964 | -4.5 |
| Earnings per ordinary share | | | | | | | |
| - basic | | 8.9 cts | 11.3 cts | -21.2 | 23.2 cts | 22.9 cts | +1.3 |
| - diluted | | 8.8 cts | 11.2 cts | -21.4 | 23.0 cts | 22.8 cts | +0.9 |

NM – Not Meaningful

NOTES TO GROUP PROFIT AND LOSS ACCOUNT

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

| | Note | Second Quarter | | | Half Year | | |
|---|--------|---------------------|---------------------|----------|---------------------|---------------------|----------|
| | | 30.6.2017 \$'000 | 30.6.2016 \$'000 | +/- % | 30.6.2017 \$'000 | 30.6.2016 \$'000 | +/- % |
| Share-based payment expenses | | 11,271 | 9,616 | +17.2 | 11,612 | 14,968 | -22.4 |
| (Profit)/loss on sale of investments | (vi) | (14,847) | 49 | NM | (19,066) | 49 | NM |
| Profit on sale of fixed assets (Write-back)/provision | (vii) | (17,132) | (524) | NM | (17,504) | (1,437) | NM |
| - Stocks & work-in-progress | (viii) | (242) | (474) | -48.9 | 158 | (8,250) | NM |
| - Doubtful debts | (ix) | 2,376 | (837) | NM | 6,490 | (597) | NM |
| Fair value loss/(gain) | | | | | | | |
| - Investments | (x) | 35,274 | 3,991 | NM | 8,962 | 1,312 | NM |
| - Forward contracts | (xi) | 13,102 | (31) | NM | 21,243 | (17,070) | NM |
| - Financial derivatives | | 97 | (175) | NM | 467 | 1,787 | -73.9 |
| Foreign exchange (gain)/loss | (xii) | (28,179) | (3,783) | NM | (45,216) | 13,488 | NM |
| Write-back of impairment of investments | (xiii) | (298) | (284) | +4.9 | (46,596) | (568) | NM |
| Gain on disposal of subsidiaries | (xiv) | (3,000) | (12,811) | -76.6 | (34,902) | (8,372) | NM |
| Gain on disposal of associated companies | (xv) | - | - | - | (43,534) | - | NM |

NM – Not Meaningful

Note:

- (i) Materials & subcontract costs decreased for the half year ended 30 June 2017 mainly as a result of lower revenue from the Offshore & Marine Division and Property Division, partly offset by higher revenue in the Infrastructure Division.
- (ii) Staff costs decreased for the half year ended 30 June 2017 due mainly to lower manpower cost in the Offshore & Marine Division and Property Division.
- (iii) Other operating income for the half year ended 30 June 2017 was due mainly to the write-back of impairment of investments (Note xiii), foreign exchange gain (Note xii), gain on disposal of associated companies (Note xv), gain on disposal of subsidiaries (Note xiv) and profit on sale of fixed assets (Note vii). These were partially offset by hedging differential on forward exchange contracts (Note xi), fair value loss on investments (Note x), and provision for doubtful debts (Note ix).
- (iv) Higher interest expense for the half year ended 30 June 2017 was mainly attributable to higher average borrowings.
- (v) Share of profits of associated companies for the half year ended 30 June 2017 was higher due mainly to higher contribution from associated companies in the Investments Division and Property Division.
- (vi) The profit from sale of investments was due mainly to the disposal of listed equities and equity funds.
- (vii) Profit on sale of fixed assets in the current period was largely attributable to disposal of assets in the Offshore & Marine Division and Property Division.
- (viii) The write-back in the prior period was in relation to write-back of provision in the Property Division.
- (ix) Provision for doubtful debts arose mainly from the Offshore & Marine Division.
- (x) Fair value loss (mark-to-market) on investment portfolio was due to decrease in stock prices.

- (xi) Hedging differential on forward exchange contracts was due to elapse of time and fluctuations in interest rates.
 - (xii) Foreign exchange gain mainly arose from the revaluation of liabilities denominated in United States dollar, which depreciated against Singapore Dollar.
 - (xiii) The write-back in the current period was in relation to write-back of impairment of investments in the Investments Division and the Infrastructure Division.
 - (xiv) Gain on disposal of subsidiaries arose mainly from the sale of 80% interest in PT Sentral Tunjungan Perkasa and sale of Keppel Verolme. In the prior period, gain on disposal of subsidiaries arose from sale of 70% interest in Quang Ba Royal Park Joint Venture Co Ltd, sale of 45% interest in Keppel Thai Properties Public Company Ltd and sale of 95% interest in Jiangyin Yangtze International Country Club, partly offset by the loss on the sale of 60% interest in Keppel CT Developments Pte Ltd.
 - (xv) Gain on disposal of associated companies arose from the sale of interest in GE Keppel Energy Services Pte Ltd and Cityone Development (Wuxi) Co., Ltd.
- 1b. Taxation expenses were higher because of higher taxable profits in the Investments Division and absence of write-back of provision as compared to the prior period.

1c. Earnings per ordinary share

| | Second Quarter | | | Half Year | | |
|---|------------------|-----------|-------|------------------|-----------|------|
| | 30.6.2017 | 30.6.2016 | +/-% | 30.6.2017 | 30.6.2016 | +/-% |
| Earnings per ordinary share of the Group based on net profit attributable to shareholders:- | | | | | | |
| (i) Based on weighted average number of shares | 8.9 cts | 11.3 cts | -21.2 | 23.2 cts | 22.9 cts | +1.3 |
| - Weighted average number of shares (excluding treasury shares) ('000) | 1,816,921 | 1,814,758 | +0.1 | 1,816,921 | 1,814,758 | +0.1 |
| (ii) On a fully diluted basis | 8.8 cts | 11.2 cts | -21.4 | 23.0 cts | 22.8 cts | +0.9 |
| - Adjusted weighted average number of shares (excluding treasury shares) ('000) | 1,829,015 | 1,825,920 | +0.2 | 1,829,015 | 1,825,920 | +0.2 |

**2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the second quarter and half year ended 30 June**

| | Second Quarter | | | Half Year | | |
|---|----------------------|---------------------|----------|---------------------|---------------------|----------|
| | 30.6.2017 \$'000 | 30.6.2016 \$'000 | +/- % | 30.6.2017 \$'000 | 30.6.2016 \$'000 | +/- % |
| Profit for the period | 154,688 | 219,246 | -29.4 | 425,085 | 444,964 | -4.5 |
| Items that may be reclassified subsequently to profit & loss account: | | | | | | |
| Available-for-sale assets | | | | | | |
| - Fair value changes arising during the period | (i) (14,370) | 10,538 | NM | (25,080) | (10,887) | +130.4 |
| - Realised and transferred to profit & loss account | (ii) (12,573) | 2,716 | NM | (16,023) | 2,716 | NM |
| Cash flow hedges | | | | | | |
| - Fair value changes arising during the period, net of tax | (iii) 111,935 | 129,639 | -13.7 | 94,863 | 264,389 | -64.1 |
| - Realised and transferred to profit & loss account | (iv) (34,630) | 44,317 | NM | (23,470) | 103,556 | NM |
| Foreign exchange translation | | | | | | |
| - Exchange differences arising during the period | (v) (91,151) | (130,067) | -29.9 | (166,005) | (297,985) | -44.3 |
| - Realised and transferred to profit & loss account | 661 | (3,394) | NM | (3,554) | (3,776) | -5.9 |
| Share of other comprehensive income of associated companies | | | | | | |
| - Available-for-sale assets | 401 | 551 | -27.2 | 457 | 573 | -20.2 |
| - Cash flow hedges | (17,871) | (12,533) | +42.6 | (20,116) | (27,692) | -27.4 |
| - Foreign exchange translation | (42,163) | (62,630) | -32.7 | (63,157) | (103,549) | -39.0 |
| Other comprehensive income for the period, net of tax | (99,761) | (20,863) | NM | (222,085) | (72,655) | +205.7 |
| Total comprehensive income for the period | 54,927 | 198,383 | -72.3 | 203,000 | 372,309 | -45.5 |
| Attributable to: | | | | | | |
| Shareholders of the Company | 63,708 | 200,227 | -68.2 | 215,211 | 387,122 | -44.4 |
| Non-controlling interests | (8,781) | (1,844) | NM | (12,211) | (14,813) | -17.6 |
| | 54,927 | 198,383 | -72.3 | 203,000 | 372,309 | -45.5 |

NM – Not Meaningful

Note:

- (i) Fair value changes were attributable to movements in quoted prices of available-for-sale assets.
- (ii) These represented fair value changes on available-for-sale assets, which were transferred to profit & loss account upon realisation.
- (iii) Fair value differences were due mainly to the hedging differential on forward exchange contracts and fuel oil forward contracts.
- (iv) These represented cash flow hedges, which were transferred to profit & loss account upon realisation.

- (v) These exchange differences arose from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as from the translation of foreign currency loans that form part of the Group's net investment in foreign operations. The translation losses for the current period and prior period arose largely from weakening of foreign currencies, such as United States dollar and Renminbi against Singapore dollar.

3. BALANCE SHEETS as at 30 June

| | Group | | Company | |
|--|---------------------|----------------------|---------------------|----------------------|
| | 30.6.2017 \$'000 | 31.12.2016 \$'000 | 30.6.2017 \$'000 | 31.12.2016 \$'000 |
| Share capital | 1,288,394 | 1,288,394 | 1,288,394 | 1,288,394 |
| Treasury shares | (1,676) | (15,523) | (1,676) | (15,523) |
| Reserves | 10,354,797 | 10,386,078 | 6,536,123 | 5,346,838 |
| Share capital & reserves | 11,641,515 | 11,658,949 | 7,822,841 | 6,619,709 |
| Non-controlling interests | 613,276 | 674,691 | – | – |
| Total equity | 12,254,791 | 12,333,640 | 7,822,841 | 6,619,709 |
| Represented by: | | | | |
| Fixed assets | 2,582,614 | 2,645,456 | 570 | 852 |
| Investment properties | 3,418,851 | 3,550,290 | – | – |
| Subsidiaries | – | – | 8,154,201 | 8,154,201 |
| Associated companies | 5,464,583 | 5,315,078 | – | – |
| Investments | 409,928 | 377,704 | 14,340 | 14,340 |
| Long term assets | 708,880 | 814,438 | 31,459 | 97,557 |
| Intangibles | 136,637 | 140,669 | – | – |
| | 12,721,493 | 12,843,635 | 8,200,570 | 8,266,950 |
| Current assets | | | | |
| Stocks & work-in-progress in excess of related billings | 9,587,730 | 10,025,805 | – | – |
| Amounts due from: | | | | |
| - subsidiaries | – | – | 4,383,569 | 3,982,362 |
| - associated companies | 612,473 | 530,883 | 603 | 688 |
| Debtors | 3,308,549 | 3,373,841 | 14,303 | 2,965 |
| Derivative assets | 83,179 | 98,984 | 66,126 | 42,923 |
| Short term investments | 192,816 | 273,928 | – | – |
| Bank balances, deposits & cash | 1,743,246 | 2,087,078 | 245 | 542 |
| | 15,527,993 | 16,390,519 | 4,464,846 | 4,029,480 |
| Current liabilities | | | | |
| Creditors | 4,537,271 | 4,753,492 | 83,938 | 112,471 |
| Derivative liabilities | 126,632 | 379,910 | 67,235 | 345,313 |
| Billings on work-in-progress in excess of related costs | 1,641,604 | 1,669,466 | – | – |
| Provisions | 71,560 | 81,679 | – | – |
| Amounts due to: | | | | |
| - subsidiaries | – | – | 346,304 | 1,062,722 |
| - associated companies | 137,969 | 111,543 | – | – |
| Term loans | 1,894,061 | 1,835,321 | 874,562 | 692,311 |
| Taxation | 216,490 | 339,108 | 17,481 | 17,263 |
| | 8,625,587 | 9,170,519 | 1,389,520 | 2,230,080 |
| Net current assets | 6,902,406 | 7,220,000 | 3,075,326 | 1,799,400 |
| Non-current liabilities | | | | |
| Term loans | 6,903,480 | 7,217,721 | 3,351,000 | 3,325,600 |
| Deferred taxation | 321,665 | 331,175 | – | – |
| Other non-current liabilities | 143,963 | 181,099 | 102,055 | 121,041 |
| | 7,369,108 | 7,729,995 | 3,453,055 | 3,446,641 |
| Net assets | 12,254,791 | 12,333,640 | 7,822,841 | 6,619,709 |
| <i>Group net debt</i> | 7,054,295 | 6,965,964 | <i>n.a.</i> | <i>n.a.</i> |
| <i>Group net gearing ratio</i> | 0.58x | 0.56x | <i>n.a.</i> | <i>n.a.</i> |

NOTES TO BALANCE SHEETS

3a. Group's borrowings and debt securities

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

| As at 30.6.2017 | | As at 31.12.2016 | |
|-------------------|---------------------|-------------------|---------------------|
| Secured \$'000 | Unsecured \$'000 | Secured \$'000 | Unsecured \$'000 |
| 399,848 | 1,494,213 | 391,046 | 1,444,275 |

(ii) Amount repayable after one year

| As at 30.6.2017 | | As at 31.12.2016 | |
|-------------------|---------------------|-------------------|---------------------|
| Secured \$'000 | Unsecured \$'000 | Secured \$'000 | Unsecured \$'000 |
| 504,090 | 6,399,390 | 744,449 | 6,473,272 |

(iii) Details of any collateral

Certain subsidiaries of the Company pledged their assets in order to obtain loans from financial institutions. The Group has mortgaged certain properties and assets of up to an aggregate amount of \$2,042,646,000 (31 December 2016: \$2,810,528,000) to banks for loan facilities.

3b. Net asset value

| | Group | | | Company | | |
|---|-----------|------------|------|-----------|------------|-------|
| | 30.6.2017 | 31.12.2016 | +/-% | 30.6.2017 | 31.12.2016 | +/-% |
| Net asset value per ordinary share * | \$6.40 | \$6.42 | -0.3 | \$4.30 | \$3.65 | +17.8 |
| Net tangible asset per ordinary share * | \$6.33 | \$6.34 | -0.2 | \$4.30 | \$3.65 | +17.8 |

* Based on share capital of 1,817,666,434 ordinary shares (excluding treasury shares) as at the end of the financial period (31 December 2016: 1,815,677,670 ordinary shares (excluding treasury shares)).

3c. Balance sheet analysis

Group shareholder's funds decreased by \$0.02 billion to \$11.64 billion at 30 June 2017. The decrease was mainly attributable to the payment of final dividend of 12.0 cents per share in respect of financial year 2016 and the exchange differences during the period, partly offset by retained profits for the period and the increase in fair value on cash flow hedges.

Group total assets were \$28.25 billion at 30 June 2017, \$0.98 billion lower than the previous year end. Decrease in current assets was due mainly to decrease in bank balances, deposits & cash, largely due to net cash outflow from financing activities partly offset by net cash inflow from operating and investing activities during the period. Non-current assets decreased due mainly to the decrease in investment properties following the sale of 90% interest in Keppel DC Singapore 3, partly offset by the increase in associated companies due mainly to the share of associated companies' profits.

Group total liabilities of \$15.99 billion at 30 June 2017 were \$0.91 billion lower than the previous year end. This was largely attributable to the net repayment of term loans, reduction in creditors and derivative liabilities.

Group net debt increased by \$0.09 billion to \$7.05 billion at 30 June 2017.

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

4a. Statement of changes in equity of the Group

| | Attributable to owners of the Company | | | | | | | |
|--|---------------------------------------|-----------------|-----------------|-------------------|------------------|-------------------|-----------------|-------------------|
| | Share | Treasury | Capital | Revenue | Foreign | Share | Non- | Total |
| | <u>Capital</u> | <u>Shares</u> | <u>Reserves</u> | <u>Reserves</u> | Exchange | Capital & | controlling | Equity |
| \$'000 | \$'000 | \$'000 | \$'000 | Account | Reserves | Interests | \$'000 | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2017 | | | | | | | | |
| As at 1 January | 1,288,394 | (15,523) | 11,486 | 10,655,379 | (280,787) | 11,658,949 | 674,691 | 12,333,640 |
| Total comprehensive income for first quarter | | | | | | | | |
| Profit for first quarter | - | - | - | 260,364 | - | 260,364 | 10,033 | 270,397 |
| Other comprehensive income * | - | - | (22,344) | - | (86,517) | (108,861) | (13,463) | (122,324) |
| Total comprehensive income for first quarter | - | - | (22,344) | 260,364 | (86,517) | 151,503 | (3,430) | 148,073 |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| <u>Contributions by and distributions to owners</u> | | | | | | | | |
| Share-based payment | - | - | 708 | - | - | 708 | 98 | 806 |
| Dividend paid to non-controlling shareholders | - | - | - | - | - | - | (6,581) | (6,581) |
| Purchase of treasury shares | - | (19,428) | - | - | - | (19,428) | - | (19,428) |
| Treasury shares reissued pursuant to share plans and share option scheme | - | 32,492 | (32,458) | - | - | 34 | - | 34 |
| Cash subscribed by non-controlling shareholders | - | - | - | - | - | - | 661 | 661 |
| Contributions to defined benefits plans | - | - | 77 | - | - | 77 | - | 77 |
| Total contributions by and distributions to owners | - | 13,064 | (31,673) | - | - | (18,609) | (5,822) | (24,431) |
| <u>Changes in ownership interests in subsidiaries</u> | | | | | | | | |
| Acquisition of additional interest in subsidiaries | - | - | (7,767) | - | - | (7,767) | (22,835) | (30,602) |
| Disposal of interest in subsidiaries | - | - | - | - | - | - | (5,877) | (5,877) |
| Total change in ownership interests in subsidiaries | - | - | (7,767) | - | - | (7,767) | (28,712) | (36,479) |
| Total transactions with owners | - | 13,064 | (39,440) | - | - | (26,376) | (34,534) | (60,910) |
| As at 31 March | 1,288,394 | (2,459) | (50,298) | 10,915,743 | (367,304) | 11,784,076 | 636,727 | 12,420,803 |

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

| | Attributable to owners of the Company | | | | | | | |
|--|---------------------------------------|------------------------------|-------------------------------|-------------------------------|--|--|--|---------------------------|
| | Share Capital \$'000 | Treasury Shares \$'000 | Capital Reserves \$'000 | Revenue Reserves \$'000 | Foreign Exchange Transla- tion Account \$'000 | Share Capital & Reserves \$'000 | Non- controlling Interests \$'000 | Total Equity \$'000 |
| 2017 | | | | | | | | |
| Total comprehensive income for second quarter | | | | | | | | |
| Profit for second quarter | - | - | - | 160,280 | - | 160,280 | (5,592) | 154,688 |
| Other comprehensive income * | - | - | 33,120 | - | (129,692) | (96,572) | (3,189) | (99,761) |
| Total comprehensive income for second quarter | - | - | 33,120 | 160,280 | (129,692) | 63,708 | (8,781) | 54,927 |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| <u>Contributions by and distributions to owners</u> | | | | | | | | |
| Dividend paid | - | - | - | (218,117) | - | (218,117) | - | (218,117) |
| Share-based payment | - | - | 10,937 | - | - | 10,937 | 86 | 11,023 |
| Dividend paid to non-controlling shareholders | - | - | - | - | - | - | (11,217) | (11,217) |
| Treasury shares reissued pursuant to share plans and share option scheme | - | 783 | (770) | - | - | 13 | - | 13 |
| Transfer of statutory, capital and other reserves from revenue reserves | - | - | 119 | (119) | - | - | - | - |
| Return of capital to non-controlling shareholders | - | - | - | - | - | - | (584) | (584) |
| Total contributions by and distributions to owners | - | 783 | 10,286 | (218,236) | - | (207,167) | (11,715) | (218,882) |
| <u>Changes in ownership interests in subsidiaries</u> | | | | | | | | |
| Acquisition of additional interest in subsidiaries | - | - | 898 | - | - | 898 | (2,955) | (2,057) |
| Total change in ownership interests in subsidiaries | - | - | 898 | - | - | 898 | (2,955) | (2,057) |
| Total transactions with owners | - | 783 | 11,184 | (218,236) | - | (206,269) | (14,670) | (220,939) |
| As at 30 June | 1,288,394 | (1,676) | (5,994) | 10,857,787 | (496,996) | 11,641,515 | 613,276 | 12,254,791 |

* Details of other comprehensive income have been included in the consolidated statement of comprehensive income.

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

| | Attributable to owners of the Company | | | | | | | |
|---|---------------------------------------|------------------------------|-------------------------------|-------------------------------|--|--|--|---------------------------|
| | Share Capital \$'000 | Treasury Shares \$'000 | Capital Reserves \$'000 | Revenue Reserves \$'000 | Foreign Exchange Transla- tion Account \$'000 | Share Capital & Reserves \$'000 | Non- controlling Interests \$'000 | Total Equity \$'000 |
| 2016 | | | | | | | | |
| As at 1 January | 1,288,394 | (49,011) | (383,540) | 10,379,320 | (139,502) | 11,095,661 | 830,198 | 11,925,859 |
| Total comprehensive income for first quarter | | | | | | | | |
| Profit for first quarter | – | – | – | 210,558 | – | 210,558 | 15,160 | 225,718 |
| Other comprehensive income * | – | – | 158,821 | – | (182,484) | (23,663) | (28,129) | (51,792) |
| Total comprehensive income for first quarter | – | – | 158,821 | 210,558 | (182,484) | 186,895 | (12,969) | 173,926 |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| <u>Contributions by and distributions to owners</u> | | | | | | | | |
| Share-based payment | – | – | 4,560 | – | – | 4,560 | 124 | 4,684 |
| Dividend paid to non-controlling shareholders | – | – | – | – | – | – | (10,246) | (10,246) |
| Purchase of treasury shares | – | (3,069) | – | – | – | (3,069) | – | (3,069) |
| Treasury shares reissued pursuant to share plans | – | 33,451 | (33,451) | – | – | – | – | – |
| Transfer of statutory, capital and other reserves from revenue reserves | – | – | 30 | (30) | – | – | – | – |
| Cash subscribed by non-controlling shareholders | – | – | – | – | – | – | 4,356 | 4,356 |
| Contributions to defined benefits plans | – | – | 168 | – | – | 168 | – | 168 |
| Total contributions by and distributions to owners | – | 30,382 | (28,693) | (30) | – | 1,659 | (5,766) | (4,107) |
| <u>Changes in ownership interests in subsidiaries</u> | | | | | | | | |
| Disposal of interest in subsidiaries | – | – | – | – | – | – | 1,316 | 1,316 |
| Total change in ownership interests in subsidiaries | – | – | – | – | – | – | 1,316 | 1,316 |
| Total transactions with owners | – | 30,382 | (28,693) | (30) | – | 1,659 | (4,450) | (2,791) |
| As at 31 March | 1,288,394 | (18,629) | (253,412) | 10,589,848 | (321,986) | 11,284,215 | 812,779 | 12,096,994 |

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

| | Attributable to owners of the Company | | | | | | | |
|--|---------------------------------------|------------------------------|-------------------------------|-------------------------------|--|--|--|---------------------------|
| | Share Capital \$'000 | Treasury Shares \$'000 | Capital Reserves \$'000 | Revenue Reserves \$'000 | Foreign Exchange Transla- tion Account \$'000 | Share Capital & Reserves \$'000 | Non- controlling Interests \$'000 | Total Equity \$'000 |
| 2016 | | | | | | | | |
| Total comprehensive income for second quarter | | | | | | | | |
| Profit for second quarter | - | - | - | 205,780 | - | 205,780 | 13,466 | 219,246 |
| Other comprehensive income * | - | - | 175,253 | - | (180,806) | (5,553) | (15,310) | (20,863) |
| Total comprehensive income for second quarter | - | - | 175,253 | 205,780 | (180,806) | 200,227 | (1,844) | 198,383 |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| <u>Contributions by and distributions to owners</u> | | | | | | | | |
| Dividend paid | - | - | - | (399,411) | - | (399,411) | - | (399,411) |
| Share-based payment | - | - | 8,744 | - | - | 8,744 | 120 | 8,864 |
| Dividend paid to non-controlling shareholders | - | - | - | - | - | - | (9,625) | (9,625) |
| Treasury shares reissued pursuant to share plans and share option scheme | - | 1,899 | (1,123) | - | - | 776 | - | 776 |
| Transfer of statutory, capital and other reserves from revenue reserves | - | - | 6,227 | (6,227) | - | - | - | - |
| Cash subscribed by non-controlling shareholders | - | - | - | - | - | - | 547 | 547 |
| Contributions to defined benefits plans | - | - | (129) | - | - | (129) | - | (129) |
| Total contributions by and distributions to owners | - | 1,899 | 13,719 | (405,638) | - | (390,020) | (8,958) | (398,978) |
| <u>Changes in ownership interests in subsidiaries</u> | | | | | | | | |
| Acquisition of additional interest in subsidiaries | - | - | - | 11,925 | - | 11,925 | (59,481) | (47,556) |
| Disposal of interest in subsidiaries | - | - | - | - | - | - | (17,737) | (17,737) |
| Total change in ownership interests in subsidiaries | - | - | - | 11,925 | - | 11,925 | (77,218) | (65,293) |
| Total transactions with owners | - | 1,899 | 13,719 | (393,713) | - | (378,095) | (86,176) | (464,271) |
| As at 30 June | 1,288,394 | (16,730) | (64,440) | 10,401,915 | (502,792) | 11,106,347 | 724,759 | 11,831,106 |

* Details of other comprehensive income have been included in the consolidated statement of comprehensive income.

4b. Statement of changes in equity of the Company

| | Share Capital \$'000 | Treasury Shares \$'000 | Capital Reserves \$'000 | Revenue Reserves \$'000 | Total \$'000 |
|--|----------------------------|------------------------------|-------------------------------|-------------------------------|-----------------|
| 2017 | | | | | |
| As at 1 January | 1,288,394 | (15,523) | 213,116 | 5,133,722 | 6,619,709 |
| Profit / Total comprehensive income for first quarter | - | - | - | 1,590 | 1,590 |
| Transactions with owners, recognised directly in equity | | | | | |
| Share-based payment | - | - | 313 | - | 313 |
| Purchase of treasury shares | - | (19,428) | - | - | (19,428) |
| Treasury shares reissued pursuant to share plans and share option scheme | - | 32,492 | (32,458) | - | 34 |
| Total transactions with owners | - | 13,064 | (32,145) | - | (19,081) |
| As at 31 March | 1,288,394 | (2,459) | 180,971 | 5,135,312 | 6,602,218 |
| Profit / Total comprehensive income for second quarter | - | - | - | 1,428,141 | 1,428,141 |
| Transactions with owners, recognised directly in equity | | | | | |
| Dividend paid | - | - | - | (218,117) | (218,117) |
| Share-based payment | - | - | 10,586 | - | 10,586 |
| Treasury shares reissued pursuant to share plans and share option scheme | - | 783 | (770) | - | 13 |
| Total transactions with owners | - | 783 | 9,816 | (218,117) | (207,518) |
| As at 30 June | 1,288,394 | (1,676) | 190,787 | 6,345,336 | 7,822,841 |
| 2016 | | | | | |
| As at 1 January | 1,288,394 | (49,011) | 199,713 | 5,408,710 | 6,847,806 |
| Profit / Total comprehensive income for first quarter | - | - | - | 25,595 | 25,595 |
| Transactions with owners, recognised directly in equity | | | | | |
| Share-based payment | - | - | 4,061 | - | 4,061 |
| Purchase of treasury shares | - | (3,069) | - | - | (3,069) |
| Treasury shares reissued pursuant to share plans | - | 33,451 | (33,451) | - | - |
| Total transactions with owners | - | 30,382 | (29,390) | - | 992 |
| As at 31 March | 1,288,394 | (18,629) | 170,323 | 5,434,305 | 6,874,393 |
| Profit / Total comprehensive income for second quarter | - | - | - | (324,248) | (324,248) |
| Transactions with owners, recognised directly in equity | | | | | |
| Dividend paid | - | - | - | (399,411) | (399,411) |
| Share-based payment | - | - | 8,256 | - | 8,256 |
| Treasury shares reissued pursuant to share plans and share option scheme | - | 1,899 | (1,123) | - | 776 |
| Total transactions with owners | - | 1,899 | 7,133 | (399,411) | (390,379) |
| As at 30 June | 1,288,394 | (16,730) | 177,456 | 4,710,646 | 6,159,766 |

4c. Share capital

Issued share capital and treasury shares

| | Number of ordinary shares | |
|---|----------------------------------|----------------------------|
| | <u>Issued Share Capital</u> | <u>Treasury Shares</u> |
| As at 1 January 2017 | 1,817,910,180 | 2,232,510 |
| Treasury shares transferred pursuant to share option scheme | – | (11,000) |
| Treasury shares transferred pursuant to restricted share plan | – | (4,713,916) |
| Treasury shares purchased | – | 2,850,000 |
| As at 31 March 2017 | 1,817,910,180 | 357,594 |
| Treasury shares transferred pursuant to share option scheme | – | (4,400) |
| Treasury shares transferred pursuant to restricted share plan | – | (109,448) |
| As at 30 June 2017 | 1,817,910,180 | 243,746 |

Treasury shares

During the six months ended 30 June 2017, the Company transferred 4,838,764 (30 June 2016: 4,946,853) treasury shares to employees upon vesting of shares released under the KCL Share Plans and Share Option Scheme. The Company also purchased 2,850,000 treasury shares (30 June 2016: 590,000) during the period. As at 30 June 2017, the number of treasury shares held by the Company represented 0.01% (30 June 2016: 0.13%) of the total number of issued shares (excluding treasury shares). Except for the transfer, there was no other sale, disposal, cancellation and/or other use of treasury shares during the six months ended 30 June 2017.

Share options

As at 30 June 2017, there were unexercised options for 12,079,474 of unissued ordinary shares (30 June 2016: 14,741,474 ordinary shares) under the KCL Share Options Scheme. 15,400 options (30 June 2016: 253,000) were exercised during the period. Unexercised options for 1,931,100 of unissued ordinary shares were cancelled during the six months ended 30 June 2017 (30 June 2016: 2,827,000).

KCL Performance Share Plan (“KCL PSP”)

As at 30 June 2017, the number of contingent shares granted but not released were 2,707,130 (30 June 2016: 2,682,400) for KCL PSP. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 4,060,695 under KCL PSP.

KCL Performance Share Plan – Transformation Incentive Plan (“KCL PSP-TIP”)

As at 30 June 2017, the number of contingent shares granted but not released were 7,065,000 (30 June 2016: 5,625,000) for KCL PSP-TIP. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 10,597,500 under KCL PSP-TIP.

KCL Restricted Share Plan (“KCL RSP”)

As at 30 June 2017, the number of contingent shares granted but not released was nil (30 June 2016: 5,800,645).

As at 30 June 2017, the number of awards released but not vested was 5,270,257 (30 June 2016: 4,980,159) for KCL RSP.

The movements in the number of shares under KCL RSP and PSP are as follows:

Contingent awards:

| Date of Grant | Number of shares | | | | | |
|--------------------|------------------|---------------------------|-------------------------|--------------------|------------------|------------------|
| | At 1.1.17 | Contingent awards granted | Adjustment upon release | Released | Cancelled | At 30.6.17 |
| KCL PSP | | | | | | |
| 31.3.2014 | 565,082 | – | (565,082) | – | – | – |
| 31.3.2015 | 662,705 | – | – | – | (160,000) | 502,705 |
| 30.7.2015 | 220,000 | – | – | – | (50,000) | 170,000 |
| 29.4.2016 | 1,114,425 | – | – | – | (200,000) | 914,425 |
| 28.4.2017 | – | 1,120,000 | – | – | – | 1,120,000 |
| | 2,562,212 | 1,120,000 | (565,082) | – | (410,000) | 2,707,130 |
| KCL PSP-TIP | | | | | | |
| 29.4.2016 | 5,625,000 | – | – | – | (600,000) | 5,025,000 |
| 28.4.2017 | – | 2,040,000 | – | – | – | 2,040,000 |
| | 5,625,000 | 2,040,000 | – | – | (600,000) | 7,065,000 |
| KCL RSP | | | | | | |
| 29.4.2016 | 5,726,426 | – | – | (5,676,157) | (50,269) | – |
| | 5,726,426 | – | – | (5,676,157) | (50,269) | – |

Awards released but not vested:

| Date of Grant | Number of shares | | | | | |
|----------------|------------------|------------------|--------------------|------------------|-------------------|------------------|
| | At 1.1.17 | Released | Vested | Cancelled | Other adjustments | At 30.6.17 |
| KCL RSP | | | | | | |
| 31.3.2014 | 1,375,006 | – | (1,265,847) | (83,296) | – | 25,863 |
| 31.3.2015 | 2,989,935 | – | (1,447,200) | (139,215) | – | 1,403,520 |
| 30.7.2015 | 489,957 | – | (243,900) | (13,332) | – | 232,725 |
| 29.4.2016 | – | 5,676,157 | (1,866,417) | (201,591) | – | 3,608,149 |
| | 4,854,898 | 5,676,157 | (4,823,364) | (437,434) | – | 5,270,257 |

4d. Capital reserves

| | Group | | Company | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 30.6.2017 \$'000 | 30.6.2016 \$'000 | 30.6.2017 \$'000 | 30.6.2016 \$'000 |
| Share option and share plan reserve | 182,822 | 184,959 | 159,530 | 162,966 |
| Fair value reserve | 85,494 | 66,361 | – | – |
| Hedging reserve | (359,501) | (449,994) | – | – |
| Bonus issue by subsidiaries | 40,000 | 40,000 | – | – |
| Others | 45,191 | 94,234 | 31,257 | 14,490 |
| | (5,994) | (64,440) | 190,787 | 177,456 |

5. CONSOLIDATED STATEMENT OF CASH FLOWS
for the second quarter and half year ended 30 June

| | Note | Second Quarter | | Half Year | |
|---|------|---------------------|---------------------|---------------------|---------------------|
| | | 30.6.2017 \$'000 | 30.6.2016 \$'000 | 30.6.2017 \$'000 | 30.6.2016 \$'000 |
| OPERATING ACTIVITIES | | | | | |
| Operating profit | | 138,628 | 233,590 | 325,887 | 511,540 |
| Adjustments: | | | | | |
| Depreciation and amortisation | | 57,119 | 57,686 | 112,963 | 114,275 |
| Share-based payment expenses | | 11,271 | 9,616 | 11,612 | 14,968 |
| (Profit)/loss on sale of investments | | (14,847) | 49 | (19,066) | 49 |
| Profit on sale of fixed assets | | (17,132) | (524) | (17,504) | (1,437) |
| Write-back of impairment of investments | | (298) | (284) | (46,596) | (568) |
| Gain on disposal of subsidiaries | | (3,000) | (12,811) | (34,902) | (8,372) |
| Gain on disposal of associated companies | | – | – | (43,534) | – |
| Operational cash flow before changes in working capital | | 171,741 | 287,322 | 288,860 | 630,455 |
| Working capital changes: | | | | | |
| Stocks & work-in-progress | | 502,339 | 39,579 | 455,471 | 30,208 |
| Debtors | | (91,114) | (121,471) | 163,130 | (208,020) |
| Creditors | | (236,656) | (72,323) | (421,319) | (586,438) |
| Investments | | 57,893 | 9,375 | (16,745) | (7,114) |
| Amount due to/from associated companies | | (15,402) | 4,240 | (24,126) | (5,732) |
| Interest received | | 388,801 | 146,722 | 445,271 | (146,641) |
| Interest paid | | 30,324 | 31,854 | 66,132 | 60,614 |
| Income taxes paid, net of refunds received | | (49,919) | (50,077) | (99,265) | (96,671) |
| | | (147,040) | (118,629) | (199,350) | (142,696) |
| Net cash from/(used in) operating activities | | 222,166 | 9,870 | 212,788 | (325,394) |
| INVESTING ACTIVITIES | | | | | |
| Acquisition of subsidiaries | 5a | – | (135,500) | – | (135,500) |
| Acquisition and further investment in associated companies | | (9,006) | (41,149) | (110,712) | (116,635) |
| Acquisition of fixed assets and investment properties | | (101,899) | (62,663) | (230,548) | (112,999) |
| Disposal of subsidiaries | 5b | 36,425 | 41,840 | 223,102 | 46,748 |
| Proceeds from disposal of fixed assets | | 21,839 | 291 | 24,208 | 2,325 |
| Proceeds from disposal of associated companies and return of capital | | 12,763 | 8 | 39,612 | 75 |
| Advances to/from associated companies | | 51,317 | (17,072) | (32,373) | (36,094) |
| Dividends received from investments and associated companies | | 63,555 | 71,320 | 107,225 | 155,907 |
| Net cash from/(used in) investing activities | | 74,994 | (142,925) | 20,514 | (196,173) |
| FINANCING ACTIVITIES | | | | | |
| Acquisition of additional interest in subsidiaries | | (2,057) | (47,556) | (32,659) | (47,556) |
| Proceeds from share options exercised with issue of treasury shares | | 13 | 776 | 47 | 776 |
| Purchase of treasury shares | | – | – | (19,428) | (3,069) |
| (Return of capital to)/proceeds from non-controlling shareholders of subsidiaries | | (584) | 547 | 77 | 4,903 |
| Proceeds from term loans | | 95,281 | 891,560 | 304,541 | 1,139,713 |
| Repayment of term loans | | (238,673) | (162,610) | (494,705) | (238,456) |
| Dividend paid to shareholders of the Company | | (218,117) | (399,411) | (218,117) | (399,411) |
| Dividend paid to non-controlling shareholders of subsidiaries | | (11,217) | (9,625) | (17,798) | (19,871) |
| Net cash (used in)/from financing activities | | (375,354) | 273,681 | (478,042) | 437,029 |
| Net (decrease)/increase in cash and cash equivalents | | (78,194) | 140,626 | (244,740) | (84,538) |
| Cash and cash equivalents as at beginning of period | | 1,839,804 | 1,608,832 | 2,018,772 | 1,859,118 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (25,312) | (14,299) | (37,734) | (39,421) |
| Cash and cash equivalents as at end of period | 5c | 1,736,298 | 1,735,159 | 1,736,298 | 1,735,159 |

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

5a. Acquisition of subsidiaries

There were no acquisition of subsidiaries during the current period. During the prior financial period, the fair values of the net assets of subsidiaries acquired were as follows:

| | Second Quarter | | Half Year | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 30.6.2017 \$'000 | 30.6.2016 \$'000 | 30.6.2017 \$'000 | 30.6.2016 \$'000 |
| Fixed assets | – | 14,849 | – | 14,849 |
| Intangible assets | – | 34,371 | – | 34,371 |
| Stocks and work-in-progress | – | 60,873 | – | 60,873 |
| Debtors and other assets | – | 21,904 | – | 21,904 |
| Creditors and other liabilities | – | (11,349) | – | (11,349) |
| Total net identifiable assets at fair value | – | 120,648 | – | 120,648 |
| Goodwill arising from acquisition | – | 14,852 | – | 14,852 |
| Total purchase consideration | – | 135,500 | – | 135,500 |
| Cash flow on acquisition | – | 135,500 | – | 135,500 |

During the six months of the prior year, the significant acquisition of subsidiaries mainly relates to the acquisition of the Cameron International Corporation's (Cameron) offshore product division, which comprises the LeTourneau™ jackup rig designs, rig kit business, as well as its aftersales and aftermarket service.

5b. Disposal of subsidiaries

During the financial period, the book values of net assets of subsidiaries disposed were as follows:

| | Second Quarter | | Half Year | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 30.6.2017 \$'000 | 30.6.2016 \$'000 | 30.6.2017 \$'000 | 30.6.2016 \$'000 |
| Fixed assets and investment properties | (11,767) | (73,026) | (236,786) | (73,148) |
| Long term investments | – | (54) | – | (54) |
| Stocks and work-in-progress | – | (33,197) | (29,798) | (47,430) |
| Debtors and other assets | (34,356) | (30,044) | (46,146) | (30,525) |
| Bank balances and cash | – | (17,095) | (11,164) | (17,361) |
| Creditors and other liabilities | 10,399 | 37,207 | 19,627 | 43,693 |
| Borrowings | – | 45,176 | 80,000 | 45,176 |
| Current and deferred taxation | – | 3,985 | 8,880 | 3,987 |
| Non-controlling interest deconsolidated | – | 17,737 | 5,877 | 16,421 |
| | (35,724) | (49,311) | (209,510) | (59,241) |
| Amount accounted for as associated company | – | – | 4,962 | – |
| Net assets disposed of | (35,724) | (49,311) | (204,548) | (59,241) |
| Net profit on disposal | (3,000) | (12,811) | (34,902) | (8,372) |
| Realisation of foreign currency translation reserve and capital reserve | 2,299 | 3,187 | 5,184 | 3,504 |
| Sale proceeds | (36,425) | (58,935) | (234,266) | (64,109) |
| Less: Bank balances and cash disposed | – | 17,095 | 11,164 | 17,361 |
| Cash flow on disposal | (36,425) | (41,840) | (223,102) | (46,748) |

During the six months, significant disposal of subsidiaries mainly relates to the sale of 80% interest in PT Sentral Tunjungan Perkasa, sale of 90% interest in Keppel DC Singapore 3 and the sale of Keppel Verolme.

Significant disposal during the prior period relates to the sale of 60% interest in Keppel CT Developments Pte Ltd, sale of 70% interest in Quang Ba Royal Park Joint Venture Co Ltd, sale of 45% interest in Keppel Thai Properties Public Company Ltd and sale of 95% interest in Jiangyin Yangtze International Country Club.

5c. Cash and cash equivalents

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

| | Second Quarter | | Half Year | |
|---|-----------------------|-----------|------------------|-----------|
| | 30.6.2017 | 30.6.2016 | 30.6.2017 | 30.6.2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Bank balances, deposits and cash | 1,743,246 | 1,796,795 | 1,743,246 | 1,796,795 |
| Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost and liabilities | (6,948) | (61,636) | (6,948) | (61,636) |
| | 1,736,298 | 1,735,159 | 1,736,298 | 1,735,159 |

5d. Cash flow analysis

(i) Second Quarter

Net cash from operating activities for the quarter was \$222 million compared to \$10 million for the corresponding quarter last year. This was due mainly to cash inflow from working capital changes as compared to outflow in the prior period during the quarter.

Net cash from investing activities for the quarter was \$75 million. The Group spent \$111 million on acquisitions and capital expenditure. This comprised principally the capital expenditure on data centre. Divestments and dividend income amounted to \$135 million.

Net cash used in financing activities was \$375 million. This was mainly attributable to the net repayment of term loans and the dividend of \$229 million that was paid to both shareholders of the Company and non-controlling shareholders of subsidiaries during the quarter.

(ii) Half Year

Net cash from operating activities was \$213 million compared to net cash used in operating activities of \$325 million in the prior period. This was due mainly to cash inflow from working capital changes as compared to outflow in the prior period.

Net cash from investing activities was \$21 million. This comprised principally the acquisition of investment properties, further investment in associated companies, partly offset by the proceeds from the disposal of subsidiaries. Dividend income amounted to \$107 million.

Net cash used in financing activities was \$478 million compared to net cash from financing activities of \$437 million in the previous period. This was mainly attributable to net repayment of term loans and the dividend of \$236 million that was paid to both shareholders of the Company and non-controlling shareholders of subsidiaries during the period.

6. AUDIT

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

7. AUDITORS' REPORT

Not applicable.

8. ACCOUNTING POLICIES

Except as disclosed in paragraph 9 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2016.

9. CHANGES IN THE ACCOUNTING POLICIES

The Group adopted the new/revised FRS that are effective for annual periods beginning on or after 1 January 2017. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

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

- Improvements to Financial Reporting Standards (December 2016)
- Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

The adoption of the above amended FRS did not have any significant impact on the financial statements of the Group.

10. REVIEW OF GROUP PERFORMANCE

(i) Second Quarter

Group revenue for 2Q2017 of \$1,554 million was \$71 million or 4% below that of 2Q2016. Revenue from the Offshore & Marine Division declined \$271 million to \$449 million because of lower volume of work. Revenue from the Property Division improved by \$73 million to \$542 million mainly from higher revenue from Singapore, partly offset by lower revenue from China. The Infrastructure Division's revenue grew by \$117 million to \$521 million as a result of increased sales in the power and gas businesses.

Group pre-tax profit for 2Q2017 decreased by \$67 million or 24% to \$218 million. Pre-tax profit of the Offshore & Marine Division dropped by \$80 million to \$8 million as a result of lower operating results arising from lower revenue, higher net interest expense and lower share of associated companies' profits. Pre-tax profit of the Property Division of \$123 million was comparable to that of 2Q2016. Higher contribution from Singapore property trading was offset by lower contribution from China property trading and lower share of associated companies' profits. Pre-tax profit of the Infrastructure Division dropped by \$3 million to \$34 million due mainly to lower share of associated companies' profits and the lower contribution from the data centre business, arising mainly from the absence of contribution from Keppel DC Singapore 3, which was injected into Keppel DC REIT in January 2017. These were partly offset by higher contribution from Energy Infrastructure. Pre-tax profit of the Investments Division increased by \$17 million to \$53 million due mainly to higher share of associated companies' profits and profit on sale of investments. These were partly offset by recognition of fair value loss on KrisEnergy warrants.

Tax expenses decreased by \$3 million because of lower taxable profits. Non-controlling interests were \$20 million lower than those of 2Q2016. After taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders for 2Q2017 was \$161 million, 21% below the same quarter in the previous year.

(ii) Half Year

Group net profit for the half year ended 30 June 2017 of \$421 million was slightly higher than the \$416 million for the same period in 2016. Earnings per share were 23.2 cents. Annualised return on equity was 6.6% and Economic Value Added was negative \$25 million due to lower net operating profit after tax.

Group revenue of \$2,802 million for the six months to-date was \$566 million or 17% below that of the corresponding period in 2016. Revenue from the Offshore & Marine Division declined by \$606 million to \$932 million due to lower volume of work. Major jobs completed and delivered in the half year include a semi and an FPSO topsides installation/ integration project. Revenue from the Property Division decreased by \$168 million to \$804 million due mainly to lower revenue from China, partly offset by higher revenue from Singapore. Revenue from the Infrastructure Division grew by \$194 million to \$988 million as a result of increased sales in the power and gas businesses.

At the pre-tax level, Group profit of \$564 million is comparable to that of the corresponding period in 2016. The Offshore & Marine Division reported a drop in pre-tax profit of \$201 million to \$9 million due mainly to lower operating results arising from lower revenue, lower share of associated companies' profits and higher net interest expense. Pre-tax profit from the Property Division of \$250 million was \$16 million or 6% lower than the corresponding period in 2016. This is due mainly to lower contribution from China property trading, partly offset by higher share of associated companies' profits. Pre-tax profit of the Infrastructure Division increased by \$16 million to \$71 million due mainly to higher contributions from Energy Infrastructure and Infrastructure Services as well as the gain on divestment of its interest in GE Keppel Energy Services Pte Ltd. These were partly offset by lower contribution from the data centre business, due mainly to the absence of contribution from Keppel DC Singapore 3 which was injected into Keppel DC REIT in January 2017. Pre-tax profit of the Investments Division increased by \$202 million to \$234 million due mainly to the share of profit from Sino-Singapore Tianjin Eco-City, write-back of provision for impairment of investments and profit on sale of investments. These were partly offset by share of loss in KrisEnergy and recognition of fair value loss on KrisEnergy warrants.

Taxation expenses increased by \$21 million or 18% due mainly to higher taxable profits and the absence of write-back of prior years' provisions. Non-controlling interests were \$25 million lower than those of the corresponding period in 2016. Taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders was \$421 million, up \$5 million from \$416 million last year. The Property Division was the largest contributor to the Group's net profit with 47% share, followed by the Investments Division's 39% and Infrastructure Division's 14%.

11. VARIANCE FROM FORECAST STATEMENT

No forecast was previously provided.

12. PROSPECTS

The Offshore & Marine Division's net order book, excluding the Sete rigs, stands at \$3.4 billion. Faced with the global sector downturn, the Division has been rightsizing its operations for what is expected to be an extended slowdown. The Division will continue to focus on delivering its projects well, exploring new markets and opportunities, investing prudently in R&D and building new capabilities to position itself for the upturn. The Division is also actively capturing opportunities in production assets, specialised vessels and the growing gas market and exploring ways to re-purpose its technology in the offshore industry for other uses.

The Property Division sold about 2,470 homes in the first half of 2017, comprising about 1,810 in China, 390 in Vietnam, 220 in Singapore and 50 in Indonesia. This is about 15% higher than the 2,140 homes sold in the same period last year. Home sales improved in Singapore, Vietnam and Indonesia, but were slightly lower in China. Keppel REIT's office buildings in Singapore and Australia continue to maintain high portfolio committed occupancy of 99.8% as at end-June 2017. The Division will remain focused on strengthening its presence in its core and growth markets, while seeking opportunities to unlock value and recycle capital.

In the Infrastructure Division, Keppel Infrastructure will continue to build on its core competencies in energy and environment-related infrastructure as well as infrastructure services businesses to pursue promising growth areas. Keppel Telecommunications & Transportation will continue to develop its data centre business locally and overseas. Besides building complementary capabilities in the growing e-commerce business, it plans to transform the logistics business from an asset-heavy business to a high performing asset-light service provider in urban logistics.

In the Investments Division, Keppel Capital will continue to allow the Group to more effectively recycle capital and expand its capital base with co-investments, giving the Group greater capacity to seize opportunities for growth without putting a strain on its balance sheet. Keppel Capital will also create value for investors and grow the Group's asset management business.

The Group will continue to execute its multi-business strategy, capturing value by harnessing its core strengths and growing collaboration across divisions to unleash potential synergies, while being agile and investing in the future.

13. DIVIDEND

13a. Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes

| | |
|--------------------|------------|
| Name of Dividend | Interim |
| Dividend type | Cash |
| Dividend per share | 8.0 cents |
| Tax rate | Tax exempt |

The Directors are pleased to declare a tax exempt one-tier interim cash dividend of 8.0 cents per share (2016: interim cash dividend of 8.0 cents per share tax exempt one-tier). The dividend will be paid to shareholders on 8 August 2017.

13b. Corresponding Period of the Immediately Preceding Financial Year

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

| | |
|--------------------|------------|
| Name of Dividend | Interim |
| Dividend type | Cash |
| Dividend per share | 8.0 cents |
| Tax rate | Tax exempt |

13c. Date Payable

8 August 2017.

13d. Books Closure Date

Notice is hereby given that, the Share Transfer Books and Register of Members of the Company will be closed on 28 July 2017 at 5.00 p.m. for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares in the capital of the Company ("Shares") received by the Company's Registrar, B.A.C.S. Private Limited, at 8 Robinson Road #03-00, ASO Building, Singapore 048544 up to 5.00 p.m. on 28 July 2017 will be registered to determine shareholders' entitlement to the interim dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited (CDP) are credited with Shares at 5.00 p.m. on 28 July 2017 will be entitled to the interim dividend.

14. SEGMENT ANALYSIS

Half year ended 30 June 2017

| | Offshore & Marine \$'000 | Property \$'000 | Infra- structure \$'000 | Invest- ments \$'000 | Elimination \$'000 | Total \$'000 | |
|---|--------------------------------|--------------------|-------------------------------|---|------------------------------|-----------------------|-----------------|
| Revenue | | | | | | | |
| External sales | 931,582 | 804,234 | 987,972 | 78,486 | – | 2,802,274 | |
| Inter-segment sales | 350 | 3,168 | 9,679 | 31,081 | (44,278) | – | |
| Total | 931,932 | 807,402 | 997,651 | 109,567 | (44,278) | 2,802,274 | |
| Segment Results | | | | | | | |
| Operating profit | 36,079 | 170,439 | 49,555 | 70,041 | (227) | 325,887 | |
| Investment income | 294 | 2,361 | – | 1,835 | – | 4,490 | |
| Interest income | 22,921 | 20,537 | 22,959 | 140,099 | (140,384) | 66,132 | |
| Interest expenses | (77,110) | (35,035) | (8,264) | (119,467) | 140,611 | (99,265) | |
| Share of results of associated companies | 26,913 | 91,346 | 6,768 | 141,917 | – | 266,944 | |
| Profit before tax | 9,097 | 249,648 | 71,018 | 234,425 | – | 564,188 | |
| Taxation | (18,785) | (55,004) | (10,692) | (54,622) | – | (139,103) | |
| Profit for the period | (9,688) | 194,644 | 60,326 | 179,803 | – | 425,085 | |
| Attributable to: | | | | | | | |
| Shareholders of Company | 1,388 | 199,381 | 56,739 | 163,136 | – | 420,644 | |
| Non-controlling interests | (11,076) | (4,737) | 3,587 | 16,667 | – | 4,441 | |
| | (9,688) | 194,644 | 60,326 | 179,803 | – | 425,085 | |
| Other Information | | | | | | | |
| Segment assets | 9,906,090 | 14,865,952 | 3,126,825 | 11,520,288 | (11,169,669) | 28,249,486 | |
| Segment liabilities | 7,910,701 | 6,849,000 | 1,683,569 | 10,721,094 | (11,169,669) | 15,994,695 | |
| Net assets | 1,995,389 | 8,016,952 | 1,443,256 | 799,194 | – | 12,254,791 | |
| Investment in associated companies | | | | | | | |
| | 600,324 | 3,103,098 | 979,375 | 781,786 | – | 5,464,583 | |
| Additions to non-current assets | | | | | | | |
| | 52,573 | 108,624 | 117,384 | 62,679 | – | 341,260 | |
| Depreciation and amortisation | | | | | | | |
| | 70,059 | 20,044 | 21,872 | 988 | – | 112,963 | |
| Impairment loss/(write- back of impairment loss) | | | | | | | |
| | 152 | – | (590) | (46,000) | – | (46,438) | |
| Geographical Information | | | | | | | |
| | Singapore \$'000 | China \$'000 | Brazil \$'000 | Far East & Other ASEAN Countries \$'000 | Other Countries \$'000 | Elimination \$'000 | Total \$'000 |
| External sales | 1,851,766 | 412,710 | 263,241 | 143,129 | 131,428 | – | 2,802,274 |
| Non-current assets | 5,974,725 | 3,175,147 | 312,692 | 1,386,783 | 753,338 | – | 11,602,685 |

Half year ended 30 June 2016

| | Offshore & Marine \$'000 | Property \$'000 | Infra- structure \$'000 | Invest- ments \$'000 | Elimination \$'000 | Total \$'000 |
|---|--------------------------------|--------------------|-------------------------------|----------------------------|-----------------------|-------------------|
| Revenue | | | | | | |
| External sales | 1,538,147 | 971,692 | 794,026 | 64,575 | – | 3,368,440 |
| Inter-segment sales | 359 | 6,072 | 13,603 | 35,972 | (56,006) | – |
| Total | 1,538,506 | 977,764 | 807,629 | 100,547 | (56,006) | 3,368,440 |
| Segment Results | | | | | | |
| Operating profit | 202,701 | 210,008 | 38,803 | 53,675 | 6,353 | 511,540 |
| Investment income | 390 | 6,758 | (6) | 825 | – | 7,967 |
| Interest income | 29,219 | 12,753 | 22,747 | 118,726 | (122,831) | 60,614 |
| Interest expenses | (59,528) | (36,237) | (9,670) | (107,714) | 116,478 | (96,671) |
| Share of results of associated companies | 37,421 | 72,308 | 2,591 | (33,200) | – | 79,120 |
| Profit before tax | 210,203 | 265,590 | 54,465 | 32,312 | – | 562,570 |
| Taxation | (32,276) | (70,212) | (6,484) | (8,634) | – | (117,606) |
| Profit for the period | 177,927 | 195,378 | 47,981 | 23,678 | – | 444,964 |
| Attributable to: | | | | | | |
| Shareholders of Company | 156,378 | 197,793 | 41,638 | 20,529 | – | 416,338 |
| Non-controlling interests | 21,549 | (2,415) | 6,343 | 3,149 | – | 28,626 |
| | 177,927 | 195,378 | 47,981 | 23,678 | – | 444,964 |
| Other Information | | | | | | |
| Segment assets | 10,195,699 | 15,405,930 | 2,878,318 | 7,230,363 | (7,233,984) | 28,476,326 |
| Segment liabilities | 8,048,949 | 6,873,698 | 1,657,449 | 7,299,108 | (7,233,984) | 16,645,220 |
| Net assets | 2,146,750 | 8,532,232 | 1,220,869 | (68,745) | – | 11,831,106 |
| Investment in associated companies | 581,794 | 2,912,791 | 887,247 | 1,033,331 | – | 5,415,163 |
| Additions to non-current assets | 28,229 | 171,031 | 29,983 | 391 | – | 229,634 |
| Depreciation and amortisation | 79,459 | 14,318 | 19,875 | 623 | – | 114,275 |
| Impairment loss/(write- back of impairment loss) | 36 | (8,292) | (562) | – | – | (8,818) |

Geographical Information

| | Singapore \$'000 | China \$'000 | Brazil \$'000 | Far East & Other ASEAN Countries \$'000 | Other Countries \$'000 | Elimination \$'000 | Total \$'000 |
|-----------------------|---------------------|-----------------|------------------|---|------------------------------|-----------------------|-----------------|
| External sales | 2,172,089 | 577,695 | 139,668 | 302,762 | 176,226 | – | 3,368,440 |
| Non-current assets | 6,011,616 | 3,208,484 | 297,804 | 1,115,037 | 898,419 | – | 11,531,360 |

Note:

- The Group is organised into business units based on their products and services, and has four reportable operating segments: Offshore & Marine, Property, Infrastructure and Investments. Investments consist mainly of the Group's investments in fund management, M1 Limited, KrisEnergy Limited, k1 Ventures Limited, Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited and equities.
- Pricing of inter-segment goods and services is at fair market value.
- For the half year 2017 and 2016, other than Singapore and China, no single country accounted for 10% or more of the Group's revenue.
- No single external customer accounted for 10% or more of the Group's revenue for the half year 2017 and 2016.

15. REVIEW OF SEGMENT PERFORMANCE

15a. Revenue by Segments

Group revenue of \$2,802 million was \$566 million or 17% below that of corresponding period in 2016. Revenue from the Offshore & Marine Division decreased by \$606 million to \$932 million due to lower volume of work. The Property Division saw its revenue decrease by 17% to \$804 million due mainly to lower revenue from China, partly offset by higher revenue from Singapore. Revenue from the Infrastructure Division grew by \$194 million to \$988 million as a result of increased sales in the power and gas businesses.

15b. Net profit by Segments

Group net profit of \$421 million was \$5 million or 1% higher than that of corresponding period in 2016. Profit from the Offshore & Marine Division of \$1 million was \$155 million lower due mainly to lower operating results arising from lower revenue, lower share of associated companies' profits and higher net interest expense. Profit from the Property Division of \$200 million increased by \$2 million due largely to higher share of associated companies' profits and lower taxation, partly offset by lower contribution from China property trading. Profit from the Infrastructure Division of \$57 million increased by \$16 million due largely to higher contributions from Energy Infrastructure and Infrastructure Services as well as the gain on divestment of its interest in GE Keppel Energy Services Pte Ltd. Profit from the Investments Division of \$163 million increased by \$142 million due mainly to the share of profit from Sino-Singapore Tianjin Eco-City, write-back of provision for impairment of investments and profit on sale of investments. These were partly offset by share of loss in KrisEnergy and recognition of fair value loss on KrisEnergy warrants. The Property Division was the largest contributor to Group net profit with 47% share, followed by the Investments Division at 39% and Infrastructure Division at 14%.

15c. Revenue by Geographical Segments

Revenue from Singapore of \$1,852 million was \$320 million lower than that of corresponding period in 2016, due largely to lower revenue from the Offshore & Marine Division.

16. INTERESTED PERSON TRANSACTIONS

The Group has obtained a general mandate from shareholders of the Company for interested person transactions in the Annual General Meeting held on 21 April 2017. During the financial period, 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) | |
|---|---|----------------------------------|--|----------------------------------|
| | Half Year 30.6.2017 \$'000 | Half Year 30.6.2016 \$'000 | Half Year 30.6.2017 \$'000 | Half Year 30.6.2016 \$'000 |
| Transaction for the Sale of Goods and Services | | | | |
| CapitaLand Group | – | – | 165,000 | – |
| Neptune Orient Lines Group | – | – | – | 388 |
| PSA International Group | – | – | 5,003 | 1,409 |
| SATS Group | – | – | 24,400 | – |
| SembCorp Marine Group | – | – | 1,783 | 1,223 |
| Singapore Power Group | – | – | 900 | – |
| Singapore Technologies Engineering Group | – | – | 90 | 48 |
| Transaction for the Purchase of Goods and Services | | | | |
| CapitaMalls Asia Group | – | – | 254 | – |
| Certis CISCO Security Group | – | – | 289 | 265 |
| Mapletree Investments Group | – | – | 1,020 | – |
| Pavilion Gas Pte Ltd | – | – | 51,000 | 50,000 |
| PSA International Group | – | – | 69 | 82 |
| Singapore Power Group | – | – | 348 | – |
| Singapore Technologies Engineering Group | – | – | 4,048 | 3,594 |
| Singapore Telecommunications Group | – | – | 39 | 1,160 |
| Temasek Holdings Group | – | – | 406 | – |
| Total Interested Person Transactions | – | – | 254,649 | 58,169 |

17. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

CAROLINE CHANG/LEON NG
Company Secretaries

20 July 2017

CONFIRMATION BY THE BOARD

We, LEE BOON YANG and LOH CHIN HUA, being two directors of Keppel Corporation Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the second quarter 2017 financial statements to be false or misleading in any material respect.

On behalf of the board of directors


LEE BOON YANG
Chairman


LOH CHIN HUA
Chief Executive Officer

Singapore, 20 July 2017