VENTURES

Report to Shareholders 2007

deliver value

k1 Ventures aims to increase the value of its businesses and investments to maximise returns for shareholders.

Contents

The Group continued to review and rationalise its businesses and investments to achieve healthy returns on capital.

Group financial highlights

	2007	2006	% change
For the year ($ million)			
Revenue	**473.6**	433.1	9
Profit			
EBITDA	**143.2**	142.7	–
Operating	**93.8**	85.4	10
Before tax	**49.0**	44.5	10
Attributable	**26.2**	23.2	13
Continuing and discontinued operations**	**26.2**	175.6	(85)
Total operating cashflow**	**56.9**	122.8	(54)
Per share (cents)			
Basic earnings			
Before tax	**2.18**	2.02	8
Attributable	**1.31**	1.23	7
Continuing and discontinued operations**	**1.31**	9.29	(86)
Net assets	**31.9**	39.8	(20)
Net tangible assets	**20.8**	26.7	(22)
At year-end ($ million)			
Shareholders' funds	**679.3**	756.1	(10)
Capital employed	**727.7**	802.7	(9)
Net borrowings (cash)	**149.7**	127.6	17
Gearing (times)	**0.21**	0.16	31
Return on shareholders' funds* (%)			
Profit			
Before tax	**6.1**	5.5	11
Continuing and discontinued operations**	**3.7**	25.5	(85)

Revenue
$ million

Profit before tax
$ million

Earnings per share
cents

	1Q	2Q	3Q	4Q	2007 Total	1Q	2Q	3Q	4Q	2006 Total
Group quarterly results ($ million)										
Revenue	**121.5**	**101.1**	**131.8**	**119.2**	**473.6**	94.0	100.3	95.5	143.3	433.1
EBITDA	**42.9**	**27.1**	**33.0**	**40.2**	**143.2**	28.2	31.5	31.8	51.2	142.7
Operating profit	**27.7**	**21.8**	**19.1**	**25.2**	**93.8**	13.0	18.3	19.0	35.1	85.4
Profit										
Before tax	**19.1**	**2.0**	**10.2**	**17.7**	**49.0**	4.2	6.1	6.8	27.4	44.5
Continuing and discontinued operations**	**12.9**	**(2.2)**	**5.0**	**10.5**	**26.2**	6.6	8.6	9.1	151.3	175.6
Earnings per share (cents)**	**0.68**	**(0.11)**	**0.25**	**0.49**	**1.31**	0.35	0.46	0.48	8.0	9.29

* Based on average shareholders' funds. Average shareholders' funds means the average of shareholders' funds at the beginning and end of the financial year.
** Including discontinued operations in 2006. Discontinued operations represented the Group's activities in The Gas Company, LLC, the gas distribution business in Hawaii which was divested on 7 June 2006.

Chairman's statement

We are committed to maintain our focus on our existing investments in an effort to increase operating results and value.

Dear Shareholders,

The past year was one of focus on the operating companies in a year of challenging economic trends and commodity price volatility.

I am pleased to report that k1 Ventures (k1) was able to navigate the year with both Long Haul Holding Corporation (Helm) and Mid Pac Petroleum (Mid Pac) either meeting or exceeding our plans.

I am also pleased that the Board has once again recommended a significant capital distribution of six cents per share.

Our results were negatively impacted by currency losses resulting from the decline in the US dollar against the Singapore dollar which is our reporting currency. However, profit before tax from continuing operations was $49.0 million, an increase of 10% over the prior year. Excluding the currency loss, the Group's pre-tax profit from continuing operations increased by 30% and profit attributable to shareholders increased 52% over the prior year, reflecting the improvement in operating results during the current year.

Helm's EBITDA was slightly below prior year. We invested capital into the existing fleet to ensure that the fleet is in excellent condition, thus reducing the number of days that equipment was off lease for repairs.

Due to Helm's operating results and condition of its rail fleet, we were able to restructure our debt during the year, resulting in a significant finance cost reduction.

In this respect, we were able to repay the subordinated debt in the amount of $107 million (US$70 million) through the expansion of the senior loan from $365.9 million (US$231.2 million) to $455.5 million (US$297.6 million), thus reducing our annual interest by approximately $4.3 million (US$2.8 million).

Mid Pac had an excellent year, notwithstanding the significant increase in commodity prices. EBITDA and profit before tax were up 71% and 435% respectively over the prior year.

The improvement in Mid Pac's operating results contributed greatly to our ability to enter into an Agreement to sell Mid Pac on 16 August 2007 for a cash consideration of $67.3 million (US$44 million), plus adjustments amounting to approximately $15.3 million (US$10 million). The sale was completed on 31 August 2007.

Our investment in Knowledge Universe Holdings (KUH) group of education companies is doing well. We are optimistic about the initiatives that are underway both in the US and overseas which are focused on the expansion of the preschool and child care business.

During the year, our convertible preferred stock in McMoRan Exploration Co. (MMR), a US publicly traded company on the NY Stock Exchange, was called by MMR and converted into 2,079,000 common shares.

We continue to hold a major position in MMR which includes 2,309,000 common shares and 2,500,000 warrants. During the past year, MMR received governmental approval to proceed with the development of an underwater liquefied natural gas facility.

In addition, MMR recently announced the acquisition of a billion dollar portfolio of oil and gas properties in the Gulf of Mexico, along with land subject to leases which will provide further opportunity for oil and gas exploration.

There are challenges ahead that will need our continued focus.

Chairman's statement

The Board will determine the most appropriate manner of distributing the Company's cash reserves, as well as excess cash arising from the disposal of investments.

Recent downturns in the home building and automotive industries in the US have had an impact on rail shipments which in turn have affected the demand for locomotives and railcars. Most industry analysts predict that the downturn will be short in duration, but we have and are taking action to mitigate the impact on Helm.

In this respect, we are carefully assessing our rail equipment capital improvement plans, as well as looking for opportunities to strategically rebalance our rail-related inventories.

The worldwide environment for private equity is one of intense competition, which is being fueled by private equity funds with enormous access to capital, worldwide and US specific economic and monetary conditions, in addition to social and political events.

After much deliberation, it has been determined that maximisation of shareholder value is best obtained through the management of the current investments and the distribution of excess cash. In this respect, we are committed to maintain our focus on our existing investments in an effort to increase operating results and value. The Board will determine the most appropriate manner of distributing the Company's cash reserves, as well as excess cash arising from the disposal of investments.

I would like to express my appreciation to Mr Ang Kong Hua for his astute leadership of our Audit Committee and his invaluable contribution to k1 during his term of office.

Once again, I would like to thank the Board of Directors, shareholders and the management of k1 for their valued efforts and continued support.

Yours sincerely,

Steven Jay Green
Chairman and Chief Executive Officer

28 September 2007

Senior management
The broad experience, network and relationships of senior management drive the value of investments.

The experienced team at k1 comes from diverse backgrounds, combining strengths to surface and assess investments, provide sound advice on transaction structuring, craft effective solutions for capital needs and help entrepreneurs and managers build successful companies and enhance shareholder value.

Steven Jay Green
Chairman and Chief Executive Officer

Jeffrey A. Safchik
Chief Financial Officer and Chief Operating Officer

Cary Meadow
External Consultant, Mergers and Acquisitions

k1 Ventures' expertise and experience enable it to deliver value for shareholders.

Through its extensive capital markets experience and networks, k1 identifies and seizes value creation opportunities by identifying companies with strong fundamentals and potential for growth.

k1's management leverages its vast business background and expertise to assist the management of the investee company to achieve its goals.

The focus of k1 is to create consistent and recurring earnings and cashflow as well as to identify opportunities which k1 is able to drive the increase in the value of the investee company.

By maintaining a balanced and efficient capital structure, k1 maximises returns for shareholders.

k1's expertise and experience allow it to…

identify and seize opportunities within industries or markets that meet k1's strong fundamental investment criteria

add value and support the investee companies' growth to maximise returns for shareholders

k1 Ventures at a glance

k1 Ventures will continue to be committed to managing its existing investments and opportunistic in its divestment decisions, with a sustained focus on enhancing shareholder value.

6.0cts

Capital distribution

The Board recommended a capital distribution of six cents per share to shareholders.

$473.6m

Revenue

Revenue from continuing operations improved 9% from FY2006's $433 million. The increase was due mainly to better contribution from operating company, Mid Pac.

$49.0m

Profit before tax

Profit before tax from continuing operations was boosted by 10% from FY2006's $44.5 million due to increased contribution from Mid Pac, gains from disposal of investments and fixed assets as well as higher interest income from fixed deposits.

$27.5m

Helm's contribution

Helm contributed $27.5 million in profit before tax to the Group in FY2007. This accounted for 56% of the overall Group profit before tax. In FY2006, the transportation leasing firm contributed $31.3 million in profit before tax to k1 Ventures.

$6.8m

Investments

The Group invested approximately $6.8 million (US$4.5 million) in China Auto during the financial year. The investment in China Auto enables k1 to participate in demand growth of passenger cars in the Chinese market.

$7.2m

Profit from investing activities

The Group made a total profit of $7.2 million from its portfolio investment activities. The profit comprised redemption of its investments, returns from ChrysCapital as well as a gain from the sale of Good Technology.

Investment objectives

Leveraging the management's depth and breadth of experience in capital markets, k1 Ventures aims to deliver value.

Investment objectives	Objectives	Strategy in action
Maximise performance of existing investments	• Maintain strong cashflow and generate recurring earnings • Identify exit strategies, including divestments and public listings to maximise returns to shareholders	• Actively participate with the management of its investee companies in implementing value-added growth strategies to achieve company goals. These goals may be financial or industry-specific initiatives, or targeting for growth through globalisation or acquisition • Review and rationalise investee companies' operations and finances to generate healthy returns on capital
Identify add-on investment opportunities	• Grow existing investment platform	• Leverage management's depth and breadth of capital markets experience and relationships to identify possible add-on opportunities to existing investments for value creation
Capital efficiency and risk management	• Optimise capital and debt structure • Maintain a diversified and balanced investment portfolio	• Maintain diversity within the investment platform and across the portfolio to balance risk • Guided by strict financial discipline, investments are made in companies with the potential for generating the desired returns • Capital allocation is backed by strong risk management processes to manage impact on balance sheet

Board of directors

The Board comprises members with broad experience and significant expertise to support k1 Ventures in its strategic goal of increasing value for shareholders.

Steven Jay Green
Chairman & CEO

Kamal Bahamdan
Non-Executive Director
Member, Audit Committee

Choo Chiau Beng
Non-Executive Director
Member, Nominating Committee

Lee Suan Yew
Independent Director
Chairman, Nominating Committee

Lim Chee Onn
Non-Executive Director
Member, Compensation and Share Option Committee

Tan Teck Meng
Independent Director
Chairman, Audit Committee
Chairman, Compensation and Share Option Committee
Member, Nominating Committee

Teo Soon Hoe
Non-Executive Director
Member, Audit Committee

Yong Pung How
Independent Director
Member, Compensation and Share Option Committee

Information on board of directors and key executive

The Directors contribute strategic insights and guidance to k1 Ventures as investments are managed for greater value.

Directors

Steven Jay Green
US Ambassador to Singapore from November 1997 to March 2001. Mr Green spearheaded a number of strategic programmes that greatly enhanced US-Singapore relations in economic development, intellectual property, immigration and national security. He is currently a Special Advisor to the Singapore Government, and is also a director of Vistage International, Inc., Knowledge Schools Inc., Cardean Learning Group, Greenstreet Capital Management, Inc. and Long Haul, Inc and is a Trustee of the University of Miami.

Mr Green is the founder of merchant bank Greenstreet Partners, and a founding partner of Greenstreet Real Estate Partners, a real estate investment company with holdings throughout the US. Mr Green has had 25 years of experience as an international industrialist leading major corporate restructurings and expansions in a host of manufacturing, housing, consumer products, retail and real estate enterprises. He served as Chairman and CEO of Samsonite Corporation from 1988 to 1996 where he oversaw the recapitalisation and subsequent turnaround of the company to a highly profitable business.

In addition to his corporate responsibilities, Mr Green is also active in national civic affairs. He serves as a contributing trustee for a number of community and national charities, including the Children's Health Fund and the University of Miami Advisory Board. He is also the Chairman of the Green Family Foundation.

Kamal Bahamdan
Bachelor of Science in Manufacturing Engineering, Boston University.

Mr Bahamdan is the Chief Executive Officer of the Bahamdan Group, a diversified investment holding company, founder and Managing Partner of The BV Group, Managing Partner of ARC Capital Partners, Vice-Chairman of Sara Holdings, Chairman of Advanced Telecommunications Company, and Chairman of Tas'helat Marketing Company. He also serves on the Board of Directors and Advisory Boards of several private companies and investment platforms in the US, Europe and Asia.

Mr Bahamdan is an equestrian Olympian and has competed in the 1996 Atlanta, 2000 Sydney and 2004 Athens Olympics.

Choo Chiau Beng

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.

Mr Choo is Senior Executive Director of Keppel Corporation Limited and the Chairman and Chief Executive Officer of Keppel Offshore & Marine Ltd. He is also Chairman of Singapore Petroleum Company Limited, Singapore Refining Company Pte Ltd and SMRT Corporation Ltd. Mr Choo sits on the Board of Directors of Keppel Land Limited, EDB Investment Pte Ltd and is a Board Member of Singapore Maritime Foundation and Maritime and Port Authority of Singapore. He is a member of the Nanyang MBA Advisory Committee. He is Chairman of the Nanyang Business School's International Advisory Board.

He is also Chairman of Det Norske Veritas South East Asia Committee and Council Member of the American Bureau of Shipping and member of the American Bureau of Shipping's Southeast Asia Regional Committee and Special Committee on Mobile Offshore Drilling Units.

He is Singapore's Non-Resident Ambassador to Brazil.

Mr Choo was conferred the Public Service Star Award (BBM) in August 2004.

Lee Suan Yew

MBBS from Cambridge University, Fellow of the Royal College of Physicians, Glasgow.

Dr Lee is a Director of Haw Par Corporation Ltd. He was previously a Director of the Board of Singapore General Hospital, Hotel Properties Ltd and was once a past President of the Singapore Medical Council. He has recently been appointed Chairman of the National Medical Ethics Committee.

Dr Lee was appointed a Justice of Peace in 1998 and was conferred the Public Service Star in 1991 and the Public Service Star (Bar) in 2002.

Lim Chee Onn

Bachelor of Science (First Class Honours) in Naval Architecture, Glasgow University; Masters in Public Administration, Edward S. Mason Fellow, Kennedy School, Harvard University; Member of the Wharton Society of Fellows, University of Pennsylvania; Doctor in Engineering (Honorary), Glasgow University.

Executive Chairman, Keppel Corporation Limited. He is also Chairman of Keppel Land Limited, MobileOne Ltd and Singapore-Suzhou Township Development Pte Ltd, and a Board Member of the Monetary Authority of Singapore and Keppel Energy Pte Ltd. Mr Lim is also the Honorary Chairman of the National Heritage Board and Deputy Chairman/Advisory Board, Harvard Singapore Foundation.

Mr Lim started his career in the Civil Service. He was Deputy Secretary, Ministry of Communications until elected as Member of Parliament in July 1977. He served as Political Secretary, Ministry of Science and Technology from August 1978 to September 1980. Mr Lim was Secretary-General, National Trades Union Congress from May 1979 to June 1983 and concurrently Minister without Portfolio, Prime Minister's Office from September 1980 to July 1983, and remained as Member of Parliament until December 1992.

In addition, Mr Lim is Co-Chairman, Philippines-Singapore Business Council and Deputy Chairman of the Seoul International Business Advisory Council. He is Economic Advisor to Jiangsu Provincial Government, PRC and Consultant to the People's Government of Yunnan Province, PRC. He is a Member of the Singapore-US Business Council and a Member of the INSEAD Singapore International Council. Mr Lim sits on the Board of Trustees, The Conference Board and Counsellor, The Conference Board's Global Advisory Council on Economic Issues. He is also a Member of the Board of Trustees, Asia Business Council.

Tan Teck Meng

Bachelor of Accountancy (BAcc) University of Singapore (1970); Master of Commerce (Mcom)(Honours), University of New South Wales (1982); Honorary PhD, Liaoning University (China) (1996). Holds Fellowships in the Institute of Certified Public Accountants of Singapore (FCPA), Australian Society of CPAs (FCPA), the Institute of Chartered Secretaries and Administrators (FCIS), and the Chartered Management Institute, UK (FCMI) and also garnered the Wilford L. White Award in 1997. Attended the Senior Executive Program at the Massachusetts Institute of Technology, Boston (1992).

Prof Tan is the Professor of Accounting, Singapore Management University, where he was the Deputy President from 1998 to 2001. He was Dean of Accountancy and Business at the Nanyang Technological University from 1990 to 1998. He is Chairman of the KK Women's & Children Hospital's Medifund Committee, the Singapore National Committee for Pacific Economic Co-operation and Meridian Junior College Advisory Committee, and is a Director of the Singapore Reinsurance Corporation Limited, Kim Eng Holdings Limited, Singapore Shipping Corporation Limited, Raffles Education Corporation Limited, Oriental Century Limited and Hyflux Ltd.

Teo Soon Hoe

Bachelor of Business Administration, University of Singapore; Member of the Wharton Society of Fellows, University of Pennsylvania.

Mr Teo is a Senior Executive Director and the Group Finance Director of Keppel Corporation Limited. He is the Chairman of Keppel Telecommunications & Transportation Ltd and Keppel Philippines Holding Inc. In addition, he is a Director of several companies within the Keppel Group, including Keppel Land Limited, Keppel Offshore & Marine Ltd, Keppel Energy Pte Ltd and Singapore Petroleum Company Limited. He is also a Director of MobileOne Ltd.

Mr Teo began his career with 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.

Yong Pung How

BA, Ll B and MA of Cambridge University; Ll D (Honorary) of National University of Singapore; Ph D (Honorary) of La Salle University of the Philippines; Ll D (Honorary) of Singapore Management University; AMP of the Harvard Business School; Barrister at Law of the Inner Temple and Honorary Bencher; Advocate and Solicitor, Malaysia and Singapore; and Fellow of the Malaysian Institute of Management.

Mr Yong was Singapore's Chief Justice from 1990 to 2006, during which time he was also the President of the Legal Service Commission, the Chairman of the Presidential Council for Minority Rights, and President of the Singapore Academy of Law. Since 1991, Mr Yong has been appointed thrice by the Cabinet as acting President of the Republic of Singapore.

He started his legal career as a partner with Shook Lin & Bok in 1952, serving until his retirement from legal practice as a senior partner in 1970. Whilst in legal practice, he also held a variety of public appointments such as Chairman of the Malayan Public Services Arbitration Tribunal from 1955 to 1960, the Malaysian Industrial Court from 1961 to 1967, and Malayan Airways (later renamed Malaysia-Singapore Airlines) from 1964 to 1969. He was also Deputy Chairman of the largest Malayan bank, Malayan Banking Berhad between 1966 and 1971.

In 1971, Mr Yong founded the Singapore International Merchant Bankers Ltd (SIMBL) and Malaysian International Merchant Bankers Berhad (MIMB), and served as Chairman and Managing Director of both companies. In 1976, he retired from SIMBL and MIMB, and was appointed Vice-Chairman of OCBC Bank. In 1981, Mr Yong was seconded by OCBC Bank to the Singapore Government to form and head the Government of Singapore Investment Corporation (GIC). In 1982, he was appointed concurrently the Managing Director of the Monetary Authority of Singapore (MAS), Deputy Chairman of the Currency Commissioners, and Alternate Governor for Singapore of the International Monetary Fund. He returned to OCBC Bank as its Chairman and CEO from 1983 to 1989.

Before returning to the law in 1989 when he was appointed a judge of the Supreme Court of Singapore, Mr Yong also served as a member of the Singapore Securities Industry Council from 1972 to 1981, as a member of the Provisional Mass Rapid Transit Authority, which planned the MRT, and later as a Director of the MRT Corporation which built the MRT between 1981 and 1985. He was Chairman of the Singapore Broadcasting Corporation from 1985 to 1989, and in 1987 he became the first Chairman of the Institute of Policy Studies, as well as a Director of the Singapore Symphony Orchestra.

Mr Yong was conferred the Distinguished Service Order in 1989 and the Order of Temasek (First Class) in 1999. The citation on Singapore's highest award stated that "as Chief Justice since 28 September 1990, Justice Yong Pung How has made the Singapore Judiciary world class".

Key executive

Jeffrey Safchik
Chief Financial Officer/Chief Operating Officer

Mr Safchik received a Certified Public Accountant licence and graduated with a degree in Bachelor of Business Administration (majoring in Accountancy) from Pace University, New York and obtained a Master's degree in Taxation from St. John's University, New York. During the course of his career, he attended advanced finance and real estate courses at the Massachusetts Institute of Technology and New York University.

Mr Safchik is also the Managing Director and Chief Financial Officer of Greenstreet Partners. He is also a founder of Greenstreet Real Estate Partners, a company engaged in the business of real estate investment, and is the Chairman of their Investment and Advisory Committees. He is an active member of a number of civic and charitable institutions in Miami, Florida, and is the Chairman of the University of Miami Department of Pediatrics Children's Council, as well as a trustee of the Green Family Foundation. He is also a Board Member of Knowledge Schools, Inc., Cardean Learning Group and Long Haul, Inc, and is the Chairman of the Cardean Learning Group audit committee as well as a member of the Knowledge Learning Corp audit committee and KSI Executive Committee.

Corporate governance
k1 Ventures is committed to strong governance as a guiding principle to the sustainability of its businesses.

The Board and Management of k1 Ventures Limited (the "Company") is committed to maintain a high standard of corporate governance, and firmly believe that a genuine commitment to good corporate governance is essential to the sustainability of the Company's business and performance. Accordingly, the Company is committed to make sure that effective self-regulatory corporate practices are in place to protect the interest of its shareholders and maximise long-term shareholder value. In addition, the Company ensures that the corporate practices it adopts are driven by principles rather than form, and takes into account the nature of the Company's existing businesses and operations.

The following describes the Company's corporate governance practices that were in place or implemented during the financial year ended 30 June 2007 with specific reference to the principles set out in the Code of Corporate Governance 2005 (the "Code of Corporate Governance")[1].

Board matters

Principle 1: Effective board to lead and control the company

The principal functions of the Board of Directors are to:

- approve and review appropriate strategic plans, key operational and financial matters, major investments and divestments and funding decisions;
- oversee the business and affairs of the Company, including monitoring 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.

The Board is scheduled to meet every quarter. In addition, ad hoc non-scheduled Board Meetings are convened when necessary to deliberate on urgent substantive matters, and telephonic attendance and conferences via audio-visual communication at Board meetings are allowed under Article 112A of the Company's Articles of Association. To assist the Board in the discharge of its oversight function, various Board Committees; namely, the Audit Committee, the Nominating Committee and the Compensation and Share Option Committee, were constituted with clear written terms of reference. The Board and Board Committees also

The number of Board and Board Committee meetings held during the financial year, as well as the attendance of each Board member, are disclosed as follows:

		Board Committee Membership			
Director	**Board Meetings**	**Audit**	**Executive[2]**	**Nominating**	**Compensation & Share Option**
Steven Jay Green	4	–	–	–	–
Wong Yip Yan	2[3]	–	–	–	–
Ang Kong Hua	4[4]	4	–	–	–
Kamal Bahamdan	2	–	–	–	–
Choo Chiau Beng	3	–	–	2[5]	–
Lee Suan Yew	4	–	–	3	–
Lim Chee Onn	3	–	–	–	–
Tan Teck Meng	4	4	–	3	–
Teo Soon Hoe	4	4	–	–	–
Yong Pung How	2[6]	–	–	–	–
No. of meetings held	**4**	**4**	**0**	**3**	**0**

2 The Executive Committee (ExCo) has been dissolved with effect from 1 July 2007.
3 Resigned as Director and Member of the Executive Committee and Compensation and Share Option Committee on 22 December 2006.
4 Resigned as Director and Chairman of the Audit Committee and Compensation and Share Option Committee on 30 June 2007.
5 Appointed as a Member of the Nominating Committee on 23 August 2006.
6 Appointed as a Director on 25 September 2006 and as a Member of the Compensation and Share Option Committee on 22 February 2007.

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

rely on circular resolutions and discussions conducted via telephonic and other forms of correspondences in the discharge of their duties.

The Board has adopted internal guidelines setting forth matters that require Board approval. Prior to 1 July 2007, any new investments exceeding 20% of the net tangible assets of the Group required the approval of the Board. From 1 July 2007, all new investments require the approval of the Board. All divestments, commitment to loans and lines of credit from banks and financial institutions continue to require the approval of the Board.

The Directors will, where necessary, receive appropriate training on directors' duties and responsibilities to assist them in carrying out their expected roles and responsibilities. The Directors are provided with a Director's tool kit containing information on directors' duties, relevant Companies Act and Singapore Exchange Securities Trading Limited ("SGX") Listing Manual requirements, and the Company's governance policies and practices. They will also, where necessary, receive appropriate training from time to time on other matters which would help them in the discharge of their duties as a Director of the Board or as a member of a Board Committee.

Board composition and balance

Principle 2: Strong and independent element on the board

The Company fully appreciates that fundamental to good corporate governance is an effective and robust board whose members engage in open and constructive debate. For this to happen, the Board, in particular the non-executive Directors, must be kept well informed of the Company's businesses, investments and affairs. Towards this end, the Company has adopted initiatives to ensure that the non-executive Directors are well supported by accurate, complete and timely information, and have unrestricted access to Management. These initiatives include the circulation of relevant information on prospective deals and potential developments at an early stage whenever possible before formal board approval is sought, as well as business initiatives, industry developments and analyst and press commentaries on matters in relation to the Company and/or the industries in which it operates. The non-executive Directors do not normally meet without the presence of Management, but does from time to time communicate via telephonic conferences to discuss issues relating to board processes, corporate governance initiatives and other matters to be discussed during Board meetings.

The nature of the current Directors' appointments on the Board and details of their membership on Board Committees are set out as follows:

		Committee Membership		
Director	**Board Membership**	**Audit**	**Nominating**	**Compensation & Share Option**
Steven Jay Green	Chairman & CEO	–	–	–
Kamal Bahamdan	Non-Executive	Member	–	–
Choo Chiau Beng	Non-Executive	–	Member	–
Lee Suan Yew	Independent	–	Chairman	–
Lim Chee Onn	Non-Executive	–	–	Member
Tan Teck Meng	Independent	Chairman	Member	Chairman
Teo Soon Hoe	Non-Executive	Member	–	–
Yong Pung How	Independent	–	–	Member

The Directors believe that the Board is made up of independent Directors who can take a broader view of the Company's activities and bring independent judgement to bear on issues for the Board's consideration, particularly in view of the nature of the Company's business and the complex transactions in which it participates.

The Board currently consists of eight Directors, seven of whom are non-executive and out of whom three are considered independent[7] by the Nominating Committee. The Nominating Committee determines on an annual basis whether or not a Director is independent, bearing in mind the Code of Corporate Governance's definition of who constitutes an independent Director.

The Nominating Committee has reaffirmed their view that the current Board comprises persons who as a group is representative of the principal shareholders of the Company and who are able to provide the core competencies required for the Board to be effective and to meet the Company's objectives. The Nominating Committee is also of the view that, taking into account the nature and scope of the Company's activities, a Board size of eight to ten members is appropriate.

Chairman and Chief Executive Officer

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

Mr Steven Jay Green is both the Chairman and Chief Executive Officer ("CEO") of the Company. The Board confirms that this has not unduly concentrated power in the hands of one individual or compromised accountability and independent decision-making. The Board is also of the firm and unanimous view that it is in the best interest of the Company to continue to have an executive Chairman so that the Board, and in particular the non-executive Directors, can have the benefit of a Chairman who is knowledgeable about the businesses of the Company and is thereby better able to guide discussions and ensure that the Board is properly briefed in a timely manner on pertinent issues and developments, and at the same time the benefit of objective and independent views from the independent Directors. The Board believes that it is the person who fills the role that matters, rather than whether the roles are separate or combined per se. In this connection, the Board has considered that it is not necessary, for the time being, to appoint a lead independent director.

The executive Chairman, in consultation with Management and the Company Secretary, schedules meetings and prepares meeting agenda for the Board to perform its duties responsibly with regard to the Company's business activities.

The executive Chairman monitors compliance with the Company's corporate governance guidelines and the flow of information from Management to the Board to ensure that all material information are provided as promptly as possible for the Board to make informed decisions. In addition, he ensures that relevant information on industry developments and analyst and press commentaries on matters in relation to the Company, its investee companies or the industries in which they operate are circulated to the 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.

Access to information/accountability

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

Principle 10: The board is accountable to shareholders; management is accountable to the board

The Company recognises fully that the continual flow of relevant information on an accurate and timely basis is critical for the Board to be effective in the discharge of its duties. Board papers are circulated to the Directors as early as practicable so that members may better understand the matters prior to the board meeting and discussions may be focused on questions that the Board has about the board papers. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed.

Management provides the Board with management accounts on a monthly basis to keep the Board informed of, on a balanced and understandable basis, the Group's performance, position and prospects. Such management accounts consist of the consolidated profit and loss

[7] The Code of Corporate Governance defines an "independent" director as one who has no relationship with the company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company. A related company in relation to a company includes its subsidiaries, fellow subsidiaries, or parent company.

accounts, analysis of revenues, operating profit and attributable profit by major subsidiaries and associates compared against the budgets, together with explanations given for significant variances for the month and year-to-date. Board members are also provided with all relevant information on material events and transactions accurately and promptly as and when they arise, as well as the Company's funding position and investment updates prior to each Board meeting.

The Board is committed to being open and transparent in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. The Company started quarterly reporting of its financial results from the first quarter of its financial year ended 2003, and financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET to the Singapore Exchange Securities Trading Limited.

To enhance communication with investors, the Company has held several press and analysts' conferences since 2003 and will continue to do so from time to time as it deems appropriate. The Company's website was relaunched in early 2005, providing investors with weblinks and other information regarding the Company's businesses and investments. The website was revamped in December 2005 to enable investors to have better access to information regarding the Company, its businesses and investments.

The Board has separate and independent access to the Management and the Company Secretary at all times. Should the Directors, whether as a group or individually, require access to independent professional advice in the furtherance of their duties, the cost of such advice will be borne by the Company.

Board committees

Nominating Committee

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

The Nominating Committee ("NC") comprises three Directors, two of whom (including the Chairman) are independent Directors, namely, Lee Suan Yew (Chairman of the NC), Choo Chiau Beng and Tan Teck Meng. The NC had three meetings during the year, which was attended by all members.

The terms of reference of the NC are as follows:

(a) recommend the appointment and re-appointment of Directors;
(b) conduct an annual review of the composition of the Board;
(c) conduct an annual review of the independence of each Director, and ensure that the Board comprises at least one-third independent Directors;
(d) assess the effectiveness of the Board;
(e) review the ExCo's succession plan for Board and management's succession plan; and
(f) report to the Board on its plans, actions and outcomes with respect to its terms of reference.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 86 of the Company's Articles of Association, one-third of the Directors retire from office at the Company's Annual General Meeting. In addition, Article 93 of the Company's Articles of Association provides that a newly appointed Director must submit himself for re-election at the Annual General Meeting immediately following his appointment.

In 2006, the NC recommended, and the Board approved, a formal process for the selection of new directors to increase transparency of the nominating process in identifying and evaluating nominees for directors. The NC leads the process and makes recommendations to the Board as follows:

Process for appointment of new directors

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

Criteria for appointment of new directors
All new appointments are subject to the recommendation of the Nominating Committee based on the following objective criteria:
(1) Integrity
(2) Independent mindedness
(3) Diversity – possess core competencies that meet the current needs of the Company and complement the skills and competencies of the existing Directors on the Board
(4) Able to commit time and effort to carry out duties and responsibilities effectively – proposed director is on no more than six principal boards
(5) Track record of making good decisions
(6) Experience in high-performing organisations
(7) Business acumen

All new appointments, and all re-nominations, of Directors are subject to the recommendation of the NC.

The NC will consider the competing time commitments faced, if any, when Directors serve on multiple boards, on a case-by-case basis.

Board performance

Principle 5: Formal assessment of the effectiveness of the board as a whole and the performance of individual directors

The NC meets to assess the performance of the Board as a whole on a regular basis and schedules to meet at least once every six months, and provides feedback to the Chairman of the Board. The Chairman of the NC will then present the findings to the Board at the next Board meeting. The Board intends to continue focusing on collective Board performance and defer individual assessment to a later stage.

The Board has deemed that the current measure of the Board's performance, which focuses on the ability of the Board to lend support to Management and to steer the Group in the right direction, appropriate, especially in view of the nature of the Company's business. In addition, the Board, through the delegation of its authority to the NC, has used its best efforts to ensure that the Board comprises persons who represent the principal strategic shareholders of the Company as well as independent Directors who enhance governance in the interests of all shareholders and the Company.

The Board considers that financial performance criteria may not be entirely appropriate for tracking Board performance as it was felt that such criteria did not evaluate a crucial element of the Board's role, namely, supervision and oversight. The Board therefore felt that its performance should be judged on the basis of accountability as a whole, rather than strict definitive financial performance criteria.

Audit Committee

Principle 11: Establishment of audit committee with written terms of reference

The Audit Committee ("AC") comprises three Directors, with the Chairman being the only independent Director, namely, Tan Teck Meng (Chairman of the AC), Teo Soon Hoe and Kamal Bahamdan. The Chairman of the AC, Prof Tan Teck Meng, is a certified public accountant whilst Messrs Teo Soon Hoe and Kamal Bahamdan both have accounting and/or related financial management expertise and experience.

The year of initial appointment and last re-election of the Directors are set out as follows:

Name	Age	Position	Date of Initial Appointment	Date of Last Re-election
Steven Jay Green	62	Chairman & CEO	7 Sept 2001	31 Oct 2006
Kamal Bahamdan	37	Director	9 Jul 2004	21 Oct 2004
Choo Chiau Beng	60	Director	27 Jul 2000	31 Oct 2006
Lee Suan Yew	73	Director	8 Aug 2002	31 Oct 2006
Lim Chee Onn	63	Director	12 Sept 2001	21 Oct 2004
Tan Teck Meng	60	Director	8 Aug 2002	27 Oct 2005
Teo Soon Hoe	58	Director	25 Jan 1988	27 Oct 2005
Yong Pung How	81	Director	25 Sept 2006	31 Oct 2006

In view of Mr Kamal Bahamdan's credentials and conduct in showing independence and objectivity in the broader performance of his obligations as a director during board meetings, the Board considers the integrity of Mr Kamal Bahamdan to be beyond doubt. With the NC's recommendation, the Board considers that it is not necessary for the AC to comprise a majority of independent directors, and that due to Mr Bahamdan's financial expertise and experience in investment funds, he would be the most suitable candidate to be appointed as the third member of the AC.

The AC had four meetings during the year, which were attended by all members.

The terms of reference of the AC are as follows:

(a) review the audit plans of the Company's external auditors and their evaluation of the systems of internal controls arising from their audit examination;
(b) review external auditors' management letter and the response from the management;
(c) review the independence and objectivity of the external auditors annually;
(d) review the nature and extent of non-audit services performed by auditors;
(e) nominate external auditors for re-appointment;
(f) review the valuation of investments;
(g) review the accounts of the Company and the consolidated accounts of the Group before their submission to the Board of Directors;
(h) review the scope and results of internal audit procedures;
(i) meet with external auditors and internal auditors, without the presence of management, at least annually;
(j) review interested person transactions; and
(k) investigate any matters within the AC's terms of reference, whenever it deems necessary.

The AC has full access to and co-operation of Management and full discretion to invite any Director or executive officer to attend its meetings.

During the year, the AC performed independent reviews of the financial statements of the Company before the announcement of the financial results. The AC also met with the external auditors separately without the presence of management.

The AC undertook a review of the nature and extent of all non-audit services performed by the external auditors to establish whether their independence has in any way been compromised as a result, and has confirmed that such services would not affect the independence of the external auditors.

During the year, the Ethics Reporting 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, was launched. A set of guidelines, which was reviewed by the AC and approved by the Board, was also issued to assist the AC 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.

Internal audit

Principle 13: Independent internal audit function

The Board believes it is crucial to put in place a system of internal controls of the Group's procedures and processes to safeguard shareholders' interests and the Group's assets, and to manage risks.

The AC reviews, on an annual basis, the adequacy of the internal audit function. During its review in the financial year ended 30 June 2007, the AC again concluded that as all of the Group's business activities were conducted overseas, and that the Company's main activities in Singapore related to head office functions and has no operational risks, the appointment of an internal auditor for the Company in Singapore was not necessary. Instead, the Company has put in place certain review procedures to monitor the key controls and procedures and ensure their effectiveness. Such procedures will complement the AC's oversight and supervision of the Company's internal controls. As regards the Group's businesses overseas, all of the Company's major operating subsidiaries either had their own internal audit functions, or have outsourced their internal audit functions.

The AC is satisfied with the adequacy of the Company's internal audit function.

Internal controls and risk management

Principle 12: Sound system of internal controls

The Company's external auditors conduct an annual review in accordance with their audit plans, 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 AC. The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the external auditors in this respect.

The risk management process and system of internal controls in the Company are designed to manage, rather than eliminate, the risk of failure to achieve the Group's strategic objectives. It should be recognised that such systems can only provide reasonable but not absolute assurance against material misstatement or loss.

The AC has reviewed the effectiveness of the procedures described above and is satisfied that the Company's risk management processes and internal controls are adequate to meet the needs of the Company in its current business environment.

Compensation and Share Option Committee

The Compensation and Share Option Committee ("CSOC") comprises three Directors, two of whom (including the Chairman) are independent Directors, namely, Tan Teck Meng (Chairman of the CSOC), Lim Chee Onn and Yong Pung How. The CSOC has access to expert advice in the field of executive compensation where required. The CSOC did not hold any meeting during the year.

The terms of reference of the CSOC are as follows:

(a) recommend to the Board a framework of remuneration for the Board members and key executives;

(b) determine specific remuneration packages for each executive Director and the chief executive officer (if the chief executive officer is not an executive Director);

(c) decide the early termination compensation of the Directors;

(d) 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 schemes);

(e) review the terms, conditions and remuneration of the senior executives of the Company;

(f) administer the k1 Ventures Share Option Scheme 2000 in accordance with the rules of the Scheme;

(g) grant share options under the k1 Ventures Share Option Scheme 2000 as the CSOC may deem fit; and

(h) administer the Keppel Marine Share Option Scheme 1990 in accordance with the rules of the Scheme.

Annual remuneration report

Principle 7: Formal and transparent procedure for fixing remuneration packages of directors
Principle 8: Remuneration of directors should be adequate but not excessive
Principal 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration

The aim of the CSOC is to motivate and retain Directors and executives, and ensure that the Company is able to attract the best talent in the market in order to maximise shareholder value.

Remuneration policy of non-executive directors

The non-executive Directors are paid directors' fees in arrears, the amount of which is dependent on the level of responsibilities. Each Director is paid a basic fee. In addition, non-executive Directors who perform additional services through Board Committees are paid an additional fee for such services. The Chairman of each Board Committee is also paid a higher fee compared with members of that Committee in view of the higher responsibility carried by that office. The amount of Directors' fees payable is subject to shareholders' approval at the Company's Annual General Meetings.

At the forthcoming Annual General Meeting to be held on 31 October 2007 (the "AGM"), the Board, at the Compensation And Share Option Committee's recommendation, will be proposing that the remuneration of the non-executive Directors be made partly by way of directors' fees in cash and partly in a fixed number of shares (the "Remuneration Shares"). The Board believes that the incorporation of an equity component in the total remuneration of the non-executive Directors would 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. If approved by shareholders, the Company will be able to compensate the non-executive Directors in the form of shares in the Company in addition to directors' fees in cash. For the financial year ended 30 June 2007, the Company is proposing to procure the purchase from the market of 240,000 shares in the Company solely for the purpose of the delivery of 30,000 shares to each non-executive Director as part of Directors' remuneration. This proposal will also be subject to shareholders' approval at the AGM. The number of Remuneration Shares to be awarded may be reviewed from time to time for subsequent financial years but any change is not expected to be significant.

Remuneration policy of executive directors and other key executives

The remuneration of the Directors and other key executives is under the purview of the CSOC.

Pursuant to the Memorandum of Agreement ("MOA") entered into between the Company and PCG/Greenstreet Venture I, LP, an investment vehicle previously owned and controlled by Steven Jay Green, Gary Winnick and Wong Yip Yan ("PCGG"), the Company issued 230 million warrants to PCGG to subscribe for 230 million new ordinary shares of $0.10 each in the capital of the Company (the "Warrants 2002"), in return for PCGG providing management services and expertise to the Company. Each of Steven Jay Green, Gary Winnick and Wong Yip Yan had redeemed their interests in PCGG, which was liquidated, and the Warrants 2002 have been divided and transferred to them individually and held by their respective companies.

The framework for determining Directors' fees is as follows:

			Ratio to Retainer of $20,000
Chairman		$30,000 per annum	1.50
Director		$20,000 per annum	1.00
Executive Committee/Audit Committee	Chairman	$15,000 per annum	0.75
	Member	$10,000 per annum	0.5
Other Board Committees	Chairman	$7,500 per annum	0.375
	Member	$5,000 per annum	0.25

All of the Warrants 2002 have since been exercised. The MOA has also been terminated, and the rights and obligations contained therein are now reflected in a Management Agreement entered into between the Company and Greenstreet Partners, LP. ("Greenstreet"), an entity controlled by Steven Jay Green.

In May 2005, the Company issued 38 million warrants to Greenstreet to subscribe for 38 million new ordinary shares of $0.10 each in the capital of the Company (the "Warrants 2005"). This was in recognition of the contributions made by Greenstreet, of which Steven Jay Green has played a significant part, to the growth and expansion of the business and profile of the Company, and to compensate Greenstreet for providing management services and expertise to the Group. The Warrants 2005 are exercisable at $0.26. Pursuant to capital distribution of $0.06 per share approved by shareholders at the Annual General Meeting of the Company held on 31 October 2006, the exercise price of the Warrants 2005 was reduced by $0.06 for each Warrant 2005.

The compensation structure is designed such that the interests of the executive Directors are aligned with the interests of shareholders, and linked to the Company's performance.

Level of Remuneration of Directors for the year ended 30 June 2007
The annual remuneration report for Directors is set out below.

Level and mix of remuneration of key executives (who are not also directors) for the year ended 30 June 2007
Mr Jeffrey Safchik, the Company's Chief Financial Officer and Chief Operating Officer, is not an employee of the Company and was not paid any remuneration by the Company.

There are no other Key Executives of the Company.

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 30 June 2007. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

Details of the k1 Ventures Share Option Scheme 2000 and the Keppel Marine Share Option Scheme 1990
The particulars of share options of the Company granted pursuant to the k1 Ventures Share Option Scheme 2000 and the Keppel Marine Share Option Scheme 1990 are disclosed in the Directors' Report.

The annual remuneration report for Directors is as follows:

	Below $250,000			
Name of Director	**Base/Fixed Salary**	**Variable Income/Bonuses**	**Directors' Fees ($)**	**Remuneration Shares**
Steven Jay Green[1]	–	–	–	–
Wong Yip Yan[2]	–	–	17,500	–
Ang Kong Hua[3]	–	–	42,500	30,000
Kamal Bahamdan	–	–	30,000	30,000
Choo Chiau Beng	–	–	24,167	30,000
Lee Suan Yew	–	–	27,500	30,000
Lim Chee Onn	–	–	35,000	30,000
Tan Teck Meng	–	–	45,000	30,000
Teo Soon Hoe	–	–	30,000	30,000
Yong Pung How[4]	–	–	16,667	30,000

1 Declined to accept any Directors' fees for the financial year ended 30 June 2007.
2 Resigned as Director and Member of the Executive Committee and Compensation and Share Option Committee on 22 December 2006.
3 Resigned as Director and Chairman of the Audit Committee and Compensation and Share Option Committee on 30 June 2007.
4 Appointed as a Director on 25 September 2006 and Member of the Compensation and Share Option Committee on 22 February 2007.

k1 Ventures is in full support of shareholder participation at Annual General Meetings. More than 200 shareholders attended its Annual General Meeting in October 2006, with many taking the opportunity to engage the Board of Directors in a series of discussion topics. These range from updates of k1's investment companies to outlook of the industries and markets in which its businesses operate.

Apart from the Annual General Meeting, k1 uses other channels to communicate to shareholders on its corporate developments and performance. These channels include the annual report, quarterly results, press releases, announcements made through the Singapore Exchange and corporate website. The corporate website at *www.k1ventures.com.sg* contains past and recent announcements, press releases and corporate information.

Communication with shareholders

Principle 14: Regular, effective and fair communication with shareholders
Principle 15: Greater shareholder participation at Annual General Meetings

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. The Company does not practise selective disclosure, price-sensitive information is publicly released, and results and annual reports are announced or issued within the mandatory periods. The Company has also engaged the Group Corporate Communications Department of Keppel Corporation Limited to improve communication with shareholders, and to receive and attend to their queries and concerns.

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 or she is allowed to appoint up to two proxies to vote on his or her behalf at the meeting through proxy forms sent in advance.

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

The Company will not be considering implementing absentia voting methods such as voting via mail, email or fax until security, integrity and other pertinent issues are satisfactorily resolved.

Securities transactions

The Company has issued a policy on dealings in the securities of the Company to its Directors and officers, setting out the implications of insider trading and guidance on such dealings. It has adopted the Best Practices Guide on Dealings in Securities issued by the SGX. In line with the 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 the quarterly results, as the case may be, and if they are in possession of unpublished material price-sensitive information.

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 17 and 20 to 23
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 17
Guideline 1.5 The type of material transactions that require board approval under internal guidelines	Page 18
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	Not Applicable
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 20
Guideline 4.5 Process for selection and appointment of new directors to the board	Page 20
Guideline 4.6 Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent	Pages 10 to 16 and 18
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	Page 21
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 24 to 25
Guideline 9.1 Composition of remuneration committee	Page 24
Guideline 9.2 Names and remuneration of each director. The disclosure of remuneration should be in bands of $250,000. There will be a breakdown (in percentage terms) of each director’s remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives	Page 25
Names and remuneration of at least the top five key executives (who are not also directors). The disclosure should be in bands of $250,000 and include a breakdown of remuneration	Page 25
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 in bands of $250,000 and include a breakdown of remuneration	Not Applicable
Guideline 9.4 Details of employee share schemes	Pages 45 to 46
Guideline 11.8 Composition of audit committee and details of the committee’s activities	Pages 21 to 22
Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems	Pages 22 to 23

Operating and financial review

k1 Ventures is a diversified investment company. It is invested in a wide range of companies across key diverse sectors of energy, transportation leasing and education, health and wellness to maximise returns for shareholders.

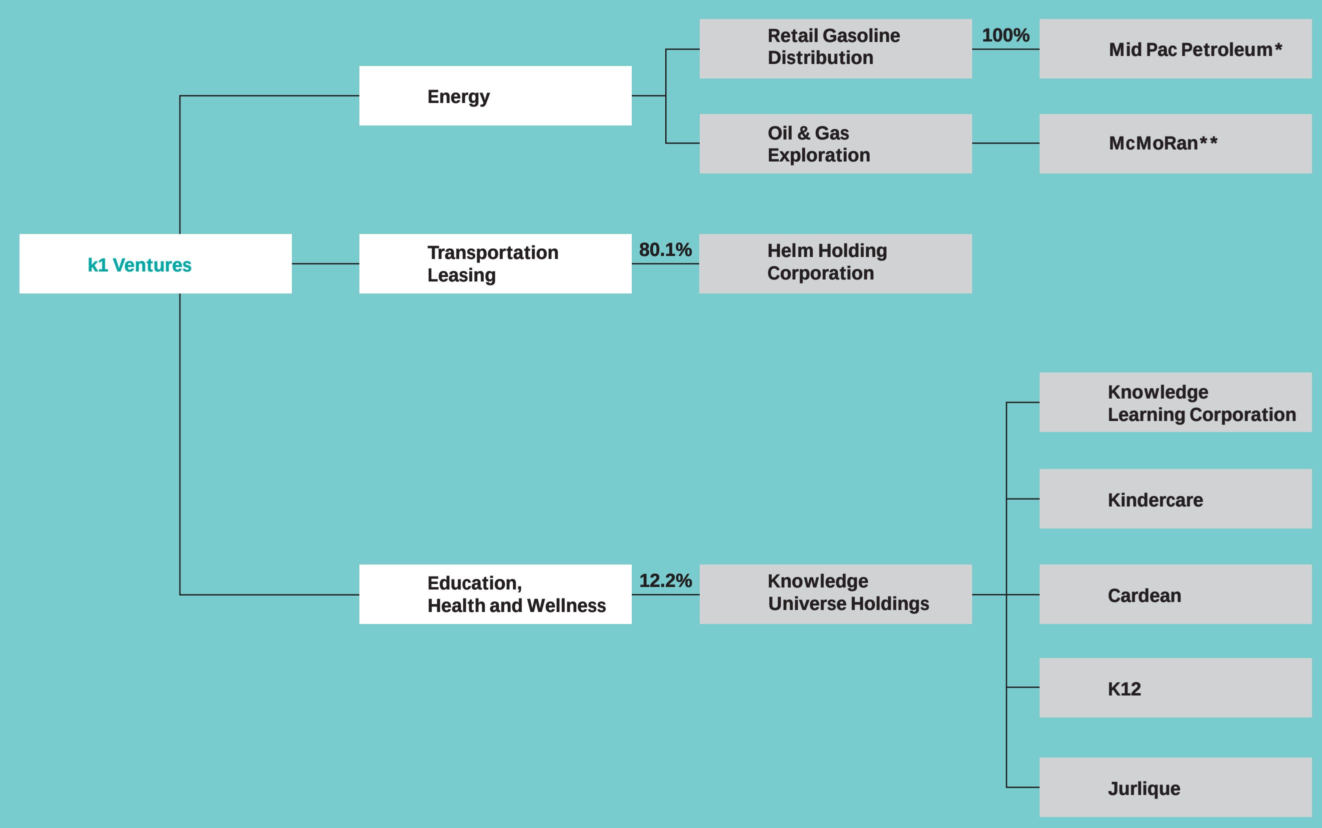
Some of the key factors influencing its businesses are economic conditions in the US, currency fluctuations, capital flows, interest rates, taxation and regulatory legislation. As the companies under k1 Ventures provide a range of products and services to a broad spectrum of customers in several geographic locations, no one factor, in the management's opinion, determines the Group's financial condition or the profitability of its operations.

In this chapter on the operating and financial review, we seek to provide a market and business overview of k1 Ventures' businesses and its financial performance.

This chapter also describes the key activities of its businesses and their impact on the company's performance.

This discussion and analysis are based on k1 Ventures' consolidated financial statements as at 30 June 2007.

Investment portfolio
As at 30 June 2007, k1 Ventures has three major investment platforms which are illustrated in the following chart:



* The divestment of Mid Pac, announced on 17 August 2007, was completed on 31 August 2007.
** Investment in warrants and common equity.

During the year, k1 Ventures invested a minority stake in China Auto I Co-Investors LLC, which in turn is invested in China Grand Automotive Group Limited. The latter was formed to expand an existing automobile dealership platform of the Guanghui Group, which is among the leading automobile retail businesses in six China provinces, namely Xinjiang, Guangxi, Henan, Anhui, Guangdong and Jiangsu.

Management discussion and analysis

We are focused on our existing investments in our efforts to improve operating performance and shareholder value.

Group operations

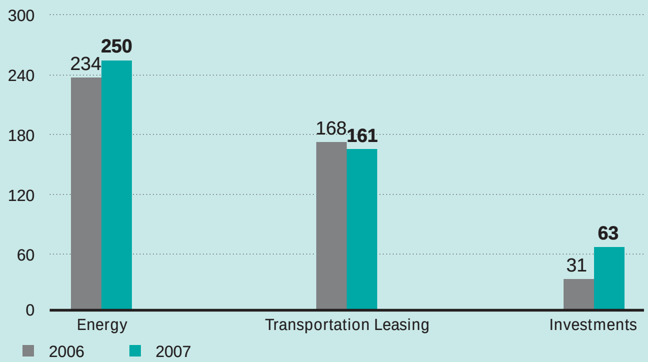
Group overview

	2007 $ million	2006 $ million	% Increase/ (Decrease)
Revenue	**473.6**	433.1	9
Raw materials and consumables used	**(225.6)**	(214.3)	5
Net carrying value of investments disposed	**(42.0)**	(15.4)	173
Staff costs	**(19.8)**	(18.8)	5
Depreciation and amortisation	**(51.5)**	(51.2)	1
Other operating expenses	**(40.9)**	(48.1)	(15)
Finance expenses	**(42.6)**	(47.0)	(9)
Profit before tax	**49.0**	44.5	10
EBITDA*	**143.2**	142.7	–
Profit after tax and minority interests (PATMI)^	**26.2**	175.6	(85)
Basic earnings per share (EPS) (cents)^	**1.31**	9.29	(86)
Return on equity (ROE)#^ (%)	**3.7**	25.5	(86)

* EBITDA is defined as profit before tax, exceptional items, interest, depreciation and amortisation.
^ Including discontinued operations in 2006.
\# ROE is based on profit after tax and minority interests divided by average shareholders' funds.

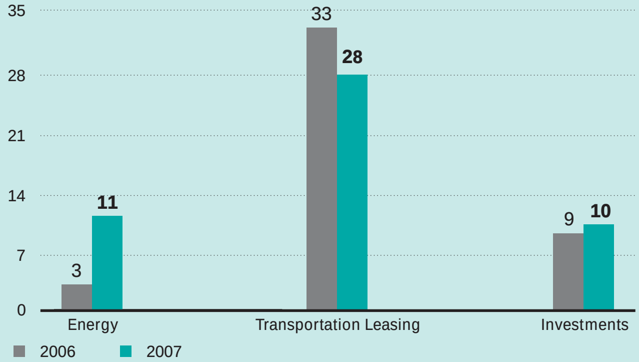
Revenue

$ million



Profit before tax

$ million



The Group recorded total revenue of $473.6 million for continuing operations for the year, representing an increase of 9% over the last year.

The Group's EBITDA of $143.2 million for the year was almost the same as prior year.

The Group's pre-tax profit was impacted by a foreign exchange loss associated with the remaining proceeds from the sale of GASCO of $9.5 million for the year. Nevertheless, the Group achieved a pre-tax profit of $49 million for the year, which represents a 10% increase over the prior year. Excluding the foreign exchange loss, the Group's pre-tax profit for the year increased by 30% over the prior year.

The improved revenue and profit from continuing operations were mainly attributable to increased contributions from Mid Pac Petroleum, LLC (Mid Pac), gains from disposal of investments and fixed assets as well as higher interest income earned from fixed deposits.

Finance expenses decreased by 9% over the prior year as a result of debt restructuring at Helm during the financial year.

Profit attributable to shareholders (PATMI) was $26.2 million for the year, representing a decrease of 85% over the prior year. However, the prior year results included the operating results of GASCO as well as the gain recognised on the sale of GASCO which was accounted for as discontinued operations.

Excluding the results from GASCO and the effect of foreign exchange loss, PATMI for continuing operations increased by 52% for the year, reflecting the improved operating results of the Group.

Earnings per share (EPS) for continuing operations increased by 6.5% over the prior year notwithstanding the increase in the number of shares issued during the financial year.

The Group's share of results of associated companies for the year represented earnings from Helm's joint ventures and associated company.

A capital distribution of 6 cents per share, without deduction of tax, out of the Company's share capital account was proposed.

Helm performed creditably amid challenging industry conditions for locomotives and railcars in the US.

Major developments in 2007

- Restructured debts to achieve interest savings
- Expanded fleet size to 692 locomotives and 8,691 railcars (including both owned and leased)

Earnings highlights

	2007 $ million	2006 $ million
Revenue	**161**	168
EBITDA	**119**	124
Operating profit	**63**	71
Share of results of associated company and joint ventures	**7**	7
Profit before tax (PBT)	**28**	31
Minority interest (MI)	**(6)**	(6)
PBT after MI	**22**	25

As a privately held railcar and locomotive leasing company headquartered in San Francisco, California, Helm has close to three decades of business track record in providing quality rail equipment and services to its customers.

The company began as a railcar brokerage operation and is now the largest privately held rail equipment firm in the US. It is also a leading player in the locomotive leasing business in the country.

With its proven track record in leasing, equipment management, maintenance, overhaul and brokerage expertise, Helm manages a diverse fleet of 692 locomotives and 8,691 railcars to meet customers' specific operating requirements.

Overview

The Group acquired 80.1% of issued shares in Helm Holding Corporation (Helm) at a cash consideration of US$110.5 million on 8 July 2005. The total transaction was valued at approximately US$471 million, consisting of approximately US$252 million as purchase consideration and US$219 million for the retirement of existing debt.

Approximately US$138 million was funded by equity, of which US$27.5 million was provided by the Helm management team and the remaining US$333 million by debt.

Established in 1980 and headquartered in San Francisco, Helm is the largest locomotive operating leasing company and the largest independent railcar leasing company in North America. Helm uses its nationwide network of professionals to purchase, refurbish and service rail equipment to customers in North America.

Helm and its subsidiaries are primarily engaged in the business of (i) leasing rail equipment to railroads and other end-users, (ii) leasing and brokering equipment for others, (iii) remarketing previously leased equipment and (iv) buying and selling rail equipment and parts in the resale market.

Helm is also the managing partner of two joint ventures, Helm-Pacific Leasing (HPL) and Helm Chesapeake (HCLP), with two of its largest customers, namely Union Pacific Corporation and CSX Corporation, respectively. The joint ventures acquire and lease rail equipment to railroads and other end-users.

Transportation leasing

Helm offers flexible operating leases and other creative equipment solutions for Class 1, regional, and short-line railroads, as well as industrial shippers. Its railcars for lease include open-top hoppers for aggregates, rapid discharge hoppers and rotary gondolas for coal service, boxcars for general merchandise and specialty applications, and covered hoppers for agricultural and mineral uses. Its range of locomotives includes six-axle power for heavy haul service or four-axle power for local and road-switching duty.

Sources of revenue

Helm's primary customers are large investment grade companies including Class I railroads, industrial shippers and regional railroads.

Helm has four primary sources of revenue:

- Lease revenue from its fleet of owned locomotives and railcars – Helm buys rail assets, refurbishes them to marketable condition, if necessary (via outside service providers) and then leases them into the market place.

- Sales of locomotives, railcars, rail equipment and related parts – Helm sells its refurbished rail assets when opportunistic and strategically profitable for the long-term strength of the company. In addition, Helm maintains and markets an extensive inventory of locomotive components and is also active in buying scrap locomotives and selling individual parts for profit.

- Equity in the earnings of joint ventures – Helm's joint ventures contributed $5.9 million of pre-tax profit after MI to the Group during the financial year. Helm manages the rail assets for both HPL and HCLP. In addition to its share of profits from the joint ventures, Helm also generates revenue through management and marketing fees.

- Management and marketing of third-party assets – Helm manages a diverse fleet of railcars owned by third parties, including its joint ventures. Management services include marketing, billing and collections, logistics management, repair management and cost negotiations, and end of lease inspections.

For the financial year ended 30 June 2007, Helm contributed revenue and EBITDA of $161 million and $119 million, respectively. As at 30 June 2007, Helm's total assets were $885.8 million.

The slowdown in homebuilding in the US impacted rail shipments which in turn affected the demand for railcars and locomotives. In mitigating the impact on Helm, k1 is assessing its rail equipment capital improvement plans, as well as looking for opportunities to strategically rebalance its rail-related inventories.

Helm's locomotive and railcar fleet

Helm's lease revenue is contractual, with the majority of its assets under operating leases with initial terms ranging from three to 84 months. Under its lease agreements, Helm retains legal ownership of the rail equipment.

As of 30 June 2007, Helm managed 692 locomotives and 8,691 railcars (including both owned and leased). Helm achieved an overall fleet utilisation of 83.4% (measured by book value) for railcars and 87.9% for locomotives.

Operating review

The Group's transportation leasing operations were affected by the slowdown in the US home building and a lower demand for coal transportation in the second half of the financial year. It has also been impacted by the weakened railcar and locomotive demand in the North American market in early 2007. We expect that its operations may continue to be affected by the slowdown in US homebuilding in the year ahead.

Revenue and EBITDA generated from Helm in US dollar terms were marginally higher than prior year notwithstanding the fact that there were fewer locomotives and railcars on rent than planned during the year. The slight decrease in both revenue and EBITDA by 4% was attributable to the weakening of the US dollar during the financial year.

Finance expenses decreased as a result of debt restructuring, as well as a slowdown of the rise of interest rates. Finance expenses also included a write-off of debt issue costs of approximately $1.7 million arising from the termination of a term loan. Helm will continue to achieve interest savings as a result of the termination of this term loan.

The operating profit and profit before tax were negatively impacted by fewer locomotives and railcars on rent than prior year and such shortfalls in leasing revenues were in part offset by lower interest expense and gains from the sale of rail equipment. Helm contributed pre-tax profit after MI of $22 million to the Group for the financial year ended 30 June 2007.

Mid Pac contributed positively to the Group notwithstanding the significant increase in commodity prices.

Major developments in 2007

Retail gasoline distribution

- Opened 7-Eleven convenience stores at two retail gasoline sites with progress made for additional store permits for three other sites
- Sold one piece of freehold property site at a gain of $2.1 million
- Reached agreement in principle with ConocoPhilips for extension of the *76* licence agreement to 2019

Earnings highlights

	2007 $ million	2006 $ million
Revenue	**249**	233
EBITDA	**17**	10
Operating profit	**14**	6
Finance expenses	**(4)**	(4)
Profit before tax	**10**	2

Mid Pac had an excellent year despite the significant increase in commodity prices. The improvement in Mid Pac's operating results contributed greatly to k1's ability to divest Mid Pac for a cash consideration of $67.3 million, plus adjustments amounting to approximately $15.3 million.

MMR has acquired in August 2007 the Gulf of Mexico Shelf oil and gas properties of Newfield Exploration Company and certain exploration rights. According to MMR, the acquisition provides it with significant reserves and production together with expanded exploration opportunities in its focused area of operations.

Overview

Mid Pac Petroleum, LLC (Mid Pac) engages in the business of acquiring, distributing and marketing of petroleum products in Hawaii.

Mid Pac's revenue for the year ended 30 June 2007 was $249 million, principally resulting from the sale of 60.7 million gallons of gasoline product. As at 30 June 2007, Mid Pac's total assets were $82 million. For the year ended 30 June 2007, Mid Pac contributed $14 million to the Group's operating profit.

Since its acquisition of Mid Pac in 2004, k1 Ventures has benefited from Mid Pac's positive contribution to the Company's earnings and cashflow. On 17 August 2007, k1 Ventures announced that it entered into an agreement to sell Mid Pac for a cash consideration of $67.3 million (US$44 million), plus adjustments amounting to approximately $15.3 million (US$10 million). The sale was completed on 31 August 2007.

Oil and gas exploration

McMoRan Exploration Company

McMoRan Exploration Company (MMR) is a publicly traded company in the US. It is principally engaged in the exploration, development and production of oil and natural gas in the Gulf of Mexico and in the Gulf Coast area of the US.

MMR's licence application was approved for its Main Pass Energy Hub™ (MPEH) project located at the former sulphur facilities at Main Pass Block 299 in the Gulf of Mexico. This project includes the transformation of the sulphur facilities at Main Pass Block 299 into a facility for the receipt and processing of liquefied natural gas. The MPEH project also allows MMR the use of existing offshore structures, onsite natural gas cavern storage, and potential logistical savings associated with the offshore location and premium markets available from its eastern Gulf of Mexico location.

MMR reached an agreement with Newfield Exploration Company to purchase its Gulf of Mexico shelf oil and gas properties along with exploration rights for US$1.1 billion. MMR is also acquiring a 50% interest in Newfield's non-producing exploration leases on the shelf.

The acquisition expanded the size and scale of MMR's gas exploration operations. The acquisition had an effective date of 1 July 2007 with an expected closing in the third quarter 2007.

During the financial year, the Group converted 400,000 units of convertible preferred stock to 2,079,000 shares of common stock. As at 30 June 2007, the Group owns 2.5 million warrants to purchase common stock of MMR and 2,309,000 shares of common stock in MMR.

Our investment in the education platform will allow us to continue to participate in opportunities in the ever-growing education sector.

Kindercare has programmes for every age level including infants, toddlers, preschoolers, kindergartners, and school-agers.

Education, health and wellness

The Group owns an equity interest in Knowledge Universe Holdings, LLC ("KUH") which in turn owns the operating assets of the Group's education platform in the US and its health and wellness business in Australia.

The Group's ownership interest in KUH is approximately 12.2%. The investment in KUH is stated at a cost of $86.6 million (US$56.6 million) as at 30 June 2007.

Education

Knowledge Learning Corp. and Kindercare Learning Centers

Knowledge Learning Corp (KLC) acquired Kindercare Learning Centers, Inc. (Kindercare) on 7 January 2005. As a result of the acquisition, KLC became the largest for-profit provider of early childhood education programmes to children aged six weeks to 12 years. These services include infant and toddler care, preschool and kindergarten classes and before- and after-school programmes.

Kindercare provides education and child care programmes within two categories: early childhood education and school partnerships. In addition, Kindercare operates an accredited high school programme delivered in either online or correspondence format.

Early Childhood Education

Kindercare provides early childhood education services with approximately 2,000 centres in 38 states and the District of Columbia. More than 800 Kindercare centres are accredited by the National Association for Education of Young Children.

School Partnerships

KLC provides customised before- and after-school educational enrichment and recreational programmes for school age and preschool children in partnership with elementary schools. In addition, KLC provides supplemental education services on an individual student basis.

Cardean Learning Group

Cardean Learning Group (Cardean) develops and delivers online education. Cardean was created to bring online education courses to students worldwide and currently offers a broad selection of Bachelor's and Master's degree programmes.

K12, Inc.

K12, Inc. (K12) delivers curriculum and instructional tools to parents to assist their children with solid home-based supplemental education. K12's programme combines online technology with traditional content and the world's best teaching methods. K12 offers programmes in six core subjects (Language, Arts, Math, History, Science, Art and Music) for kindergarten through ninth grade.

K12's curriculum was developed by a team led by some of the most respected and experienced educators in the US, ranging from Nobel laureates to veteran public and private school teachers. K12 currently includes more than 150 scholars, writers, teachers, multi-media developers, instructional designers, and business professionals.

Health and Wellness

Jurlique International Pty Ltd

Jurlique International Pty Ltd (Jurlique) produces a wide range of skin care and other related beauty products. All of Jurlique's products are produced from plant-based ingredients and herbs grown organically and bio-dynamically in the Jurlique Herb Farms in South Australia. Their products contain natural and herbal antioxidants and are hypo-allergenic and ph balanced.

Portfolio investments

The investment in China Auto enables k1 to participate in demand growth of passenger cars in the Chinese market. Figures from China's National Bureau of Statistics revealed the country's passenger car market as having registered five years of strong double-digit growth from 2001 to 2006. China's car market looks set for further rapid growth over the next few years, thanks to the country's enormous consumer demand and rising affluence.

Other investments

Diversified

ChrysCapital LLC

ChrysCapital, LLC (ChrysCapital) is a private investment firm with approximately US$1 billion under management across four funds and aspires to build the leading investment firm focused on India. It invests equity in services and service-related companies with defensible market positions and strong underlying organic growth potential. ChrysCapital has developed a strong track record realising substantial returns for its investors and management.

China Auto I Co-Investors LLC

China Auto I Co-Investors LLC (China Auto), is an investment vehicle set up to expand an existing automobile dealership platform which is among the leading automobile retail businesses in six China provinces, namely Xinjiang, Guangxi, Henan, Anhui, Guangdong and Jiangsu.

k1 has invested approximately $6.8 million (US$4.5 million) in China Auto, a special purpose entity formed to co-invest through a subsidiary with Newbridge Asia Advisors IV, in China Grand Automotive Group Limited.

The Group achieved greater interest savings as a result of debt restructuring at its operating company.

Group shareholders' funds decreased by $76.8 million from $756.1 million as at 30 June 2006 to $679.3 million as at 30 June 2007. The decrease was primarily due to the capital distribution of $113.9 million made in December 2006 and decreases in the capital and translation reserves of $28.6 million attributable to the revaluation of McMoRan Exploration and currency fluctuations in the US dollar. The decrease was partially offset by the issuance of shares in the amount of $39.4 million resulting mostly from the exercise of the 2002 Warrants and net profit attributable to shareholders of $26.2 million for the year.

Group total assets of $1.5 billion at 30 June 2007 were $149.3 million lower than that at 30 June 2006. The decrease was primarily due to the above-mentioned capital distribution, the release of escrow funds to the minority shareholders of Helm, the payment of escrow funds from the sale of the Group's interests in The Gas Company, LLC, as well as the revaluation and sale of investments.

Group total liabilities decreased by $74.3 million from $797.7 million at 30 June 2006 to $723.4 million at 30 June 2007 primarily due to a reduction in term loans, the release of escrow funds and a decrease in amounts due to creditors.

Designed by
greymatter williams and phoa (asia)

k1 Ventures Limited
(Incorporated in the Republic of Singapore)

1 HarbourFront Avenue
#16-06 Keppel Bay Tower
Singapore 098632
Tel: (65) 6438 8898
Fax: (65) 6438 1811
Website: www.k1ventures.com.sg

Co Reg No: 197000535W