

Notes to the Accounts

1. Principal Activities and Sales

The principal activity of the Company is that of a holding, management and investment company.

The principal activities of the Company and its subsidiary companies (“the Group”) consist of property investment, development and management, and property-related services.

In addition, the Group, through its associated companies, is engaged in telecommunication and transportation services, travel and leisure-related businesses, engineering, financial services and investment holding.

Sales represent the invoiced value of goods and services supplied. In respect of the Group, inter-company transactions and the sales of associated companies have been excluded.

Included in sales is rental income from investment properties amounting to \$108,289,000 (1996: \$85,958,000).

2. Operating Profit/(Loss)

	Group		Company	
	1997	1996	1997	1996
	\$'000	\$'000	\$'000	\$'000
The following amounts have been charged/ (credited) in arriving at the operating profit/ (loss):				
Depreciation of fixed assets:				
Freehold buildings	6	5	6	5
Long leasehold buildings	–	1,209	–	–
Machinery, equipment and vehicles	9,351	4,909	–	927
	<u>9,357</u>	<u>6,123</u>	<u>6</u>	<u>932</u>
Auditors' remuneration:				
Auditors of the Company	273	249	90	90
Other auditors	48	28	–	–
Other fees paid to Auditors of the Company	230	–	–	–
Directors' remuneration:				
Directors of the Company				
Fees	151	156	151	156
Other emoluments	1,917	1,261	–	1,261
Loss on sale of fixed assets	132	90	–	–
Profit on sale of investment	–	(528)	–	(528)

3. Investment and Interest Income

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Gross dividends from:				
Unquoted subsidiary companies	–	–	44,204	6,904
Quoted associated companies	–	–	1,659	1,666
Unquoted associated companies	–	–	2,117	601
Other investments	188	151	24	–
Interest from deposits and short-term loans with:				
Banks	45	59	–	–
Holding and related companies (See note below)	57,627	43,705	63,751	50,304
Associated companies	1,904	1,876	120	83
Other companies	621	416	237	285
	<u>60,385</u>	<u>46,207</u>	<u>112,112</u>	<u>59,843</u>

Included in interest income of the Group is \$47,212,000 (1996: \$31,425,000) of interest earned from loans to certain subsidiary companies which capitalised the interest as property development cost. Interest on deposits with related companies is earned at rates ranging between 1.25% and 6.5% (1996: 1% and 5.87%) per annum.

4. Interest Expense

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
On Bonds 1996, Bonds 2000 and Bonds 2001	16,781	7,845	16,781	7,845
On fixed term loans from banks	11,696	6,628	5,767	–
On other term loans and overdrafts from:				
Related companies	32,606	22,424	19,667	11,494
Bank	2,603	48	2	270
Other companies	780	708	–	–
On Floating Rate Notes	13,886	4,938	13,886	4,938
Provision for unrealised exchange loss on foreign currency borrowings	2,830	–	2,830	–
	<u>81,182</u>	<u>42,591</u>	<u>58,933</u>	<u>24,547</u>

Interest is charged by related companies at rates ranging from 2.63% to 15.25% (1996: 2.87% to 6%) per annum.

5. Exceptional Item

The exceptional item relates to the profit on sale of 30% shareholding in Capital Square Pte Ltd (formerly SSL (Tower E) Pte Ltd), the property subsidiary which owns the 16-storey office development with 19 shophouses at China Square.

Notes to the Accounts

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6. Taxation

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Provision for current taxation based on profit for the year:				
Singapore	59,373	57,583	13,502	5,424
Other	-	-	-	-
Provision on share of profits of associated companies	5,559	5,721	-	-
Over provision in respect of prior years	-	(968)	-	-
	<u>64,932</u>	<u>62,336</u>	<u>13,502</u>	<u>5,424</u>

The Company's tax rate is lower than the standard rate due to tax-exempt dividend and certain off-shore income which are not subject to Singapore income tax.

The taxation charge for the Group is higher than the standard rate as profits of certain subsidiaries could not be offset against losses incurred by other Group companies, partly reduced by (a) tax-exempt dividend and certain offshore income which are not subject to Singapore income tax; and (b) tax losses and capital allowances relating to previous years of certain subsidiary and associated companies which were utilised against taxable profit during the current year (and which had the effect of reducing the Group's overall taxation charge by approximately \$3,051,000 [1996: \$1,845,000]).

7. Dividend

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Proposed dividend: 8% less tax (1996: 8% less tax)	19,404	18,057	19,404	18,057
Under-provision in respect of shares issued under the Keppel Land Share Option Scheme and on the exercise of Keppel Land Warrants 1996 and Warrants 2000	1,346	395	1,346	395
	<u>20,750</u>	<u>18,452</u>	<u>20,750</u>	<u>18,452</u>

8. Profit Per Share

	Group	
	1997 \$'000	1996 \$'000
The calculation of profit per share is based on the following profits:		
Before tax but after minority interests	155,051	138,926
After tax and minority interests	104,663	101,599

Profits per share for the year have been calculated by reference to the weighted average number of 626,419,091 (1996: 603,925,906) shares in issue during the year.

The effect of dilution on the profit per share arising from future conversion of Keppel Land Warrants 2000 and the exercise of options under the Keppel Land Share Options Scheme is not material.

9. Share Capital

	Group and Company	
	1997	1996
	\$'000	\$'000
Authorised: 1,000,000,000 shares of 50 cents each	500,000	500,000
Issued and fully paid: 655,533,987 (1996: 610,034,895) shares of \$0.50 each	327,767	305,017
Issued and fully paid:		
At 1 January	305,017	297,523
Shares issued upon exercise of Keppel Land Warrants 1996 and Warrants 2000	22,692	7,272
Shares issued under the Keppel Land Share Option Scheme	58	222
At 31 December	327,767	305,017

At an Extraordinary General Meeting of the Company held on 6 January 1997, it was resolved that the stock units of \$0.50 each in the issued share capital of the Company be converted into shares of \$0.50 each.

During the year, the Company issued the following shares:

- (a) 114,956 shares of \$0.50 each fully paid, for cash on exercise of options under the Keppel Land Share Option Scheme; and
- (b) 45,384,136 shares of \$0.50 each fully paid, for cash to holders of Keppel Land Warrants 2000 on exercise of the warrants under the terms of the issue.

As at 31 December 1997, there were 104,208,866 (1996: 149,593,002) outstanding warrants, expiring on 12 December 2000, entitling warrant holders to subscribe for 104,208,866 new shares of \$0.50 each at \$3.00 per share.

At 31 December 1997, there were options granted to certain employees to take up 4,680,095 unissued shares in the Company. Except under certain circumstances, an option may be exercised after two years from the date of grant but not later than five years from the date of the grant. The shares under option may be exercised in full or in respect of 100 shares or a multiple thereof on the payment of the subscription price.

The subscription prices are \$2.26 per share for 5,881 shares, \$2.62 per share for 11,764 shares, \$3.35 per share for 45,630 shares, \$3.98 per share for 233,220 shares, \$4.40 per share for 436,020 shares, \$3.99 per share for 476,580 shares, \$4.53 per share for 565,000 shares, \$4.67 per share for 590,000 shares, \$4.16 per share for 1,162,000 shares and \$3.86 per share for 1,154,000 shares.

Notes to the Accounts

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10. Share Premium

	Group and Company	
	1997	1996
	\$'000	\$'000
At 1 January	565,156	536,512
Premium on shares issued:		
On exercise of warrants by holders of Keppel Land Warrants 1996 and Warrants 2000	113,460	27,363
Under Keppel Land Share Option Scheme	329	1,281
At 31 December	<u>678,945</u>	<u>565,156</u>

11. Capital Reserves

	Group		Company	
	1997	1996	1997	1996
	\$'000	\$'000	\$'000	\$'000
At 1 January	1,549,912	1,566,268	1,829,365	1,772,497
Net deficit on revaluation of investment properties	(157,040)	(14,331)	(1,700)	–
Goodwill arising on consolidation	(17,466)	(5,094)	–	–
Net surplus on revaluation of subsidiary and associated companies	–	–	(118,166)	56,837
Realised asset revaluation deficit transferred to profit and loss account	–	–	–	31
Adjustment arising from change in Group structure	(8,812)	2,097	–	–
Transfer from revenue reserves	3,026	972	–	–
At 31 December	<u>1,369,620</u>	<u>1,549,912</u>	<u>1,709,499</u>	<u>1,829,365</u>
Representing:				
Statutory reserves	7,009	3,983	–	–
Bond premium	4,057	4,057	4,057	4,057
Goodwill arising on consolidation	(44,532)	(27,066)	–	–
Asset revaluation and other reserves	1,403,086	1,568,938	1,705,442	1,825,308
	<u>1,369,620</u>	<u>1,549,912</u>	<u>1,709,499</u>	<u>1,829,365</u>

None of the above capital reserves is free for distribution as dividends.

12. Foreign Currency Translation Account

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Exchange differences arising on consolidation	(1,124)	–	–	–
Exchange differences on foreign currency borrowings	(49,074)	–	(49,074)	–
At 31 December	<u>(50,198)</u>	<u>–</u>	<u>(49,074)</u>	<u>–</u>

Exchange differences on consolidation prior to 1 January 1997 are not separately disclosed but included in revenue reserves as the amount cannot be reasonably determined.

13. Revenue Reserves

Revenue reserves are retentions of distributable profits. However, based on estimated tax-exempt shipping profits and tax credits available in Singapore and Malaysia, and the prevailing tax rates applicable to dividends, reserves of the Company amounting to S\$39,390,000 (1996: \$19,629,000) are available for distribution as dividends without incurring additional tax liability.

14. Tax Losses and Capital Allowances Carried Forward

Subject to Sections 23 and 37 of the Income Tax Act, Cap 134, the Group has certain unutilised tax losses and capital allowances at 31 December 1997 for which related tax benefits totalling \$41,524,000 (1996: S\$39,531,000) have not been included in the accounts.

15. Long-term Borrowings

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
\$ Bonds 2000, unsecured	250,000	250,000	250,000	250,000
US\$ Bonds 2000, unsecured	335,000	279,820	335,000	279,820
Net unrealised exchange gain on bonds denominated in US\$	–	2,804	–	2,804
	<u>585,000</u>	<u>532,624</u>	<u>585,000</u>	<u>532,624</u>
Bonds 4 15/16 per cent due 2001, unsecured	200,000	200,000	200,000	200,000
Floating Rate Notes, unsecured:				
Due 2001	270,250	300,000	270,250	300,000
Due 2002	40,500	20,000	40,500	20,000
	<u>310,750</u>	<u>320,000</u>	<u>310,750</u>	<u>320,000</u>
Bank borrowings:				
Secured	279,681	250,000	–	–
Unsecured	220,075	115,615	147,400	41,973
	<u>499,756</u>	<u>365,615</u>	<u>147,400</u>	<u>41,973</u>
	<u>1,595,506</u>	<u>1,418,239</u>	<u>1,243,150</u>	<u>1,094,597</u>

Notes to the Accounts

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In December 1995, the Company issued \$250 million and US\$200 million principal amounts of unsecured bonds (together referred to as "Bonds 2000") in conjunction with 149,675,796 detachable warrants ("Warrants 2000") to subscribe for 149,675,796 new shares of \$0.50 each in the Company at an exercise price of \$3.00 per share. Interest on the \$ Bonds is 1% per annum and interest on the US\$ Bonds is 1.25% per annum. The Bonds 2000 are redeemable at their principal amounts on 22 December 2000.

On 26 November 1996, the Company issued \$200,000,000 unsecured 4 15/16 per cent Bonds due 2001. The Bonds are redeemable at their principal amounts on 26 November 2001 unless previously purchased by the Company and cancelled.

As at 31 December 1997, related companies held the following bonds :

\$ Bonds 2000	\$54,000,000	(1996: \$54,000,000)
Bonds 4 15/16 per cent due 2001	\$75,000,000	(1996: \$96,000,000)

In 1996, the Company entered into two series of agreements relating to \$300,000,000 Floating Rate Notes due 2001 and \$200,000,000 Floating Rate Notes Due 2002 ("Notes"). The Notes are unsecured and issued in tranches, and will mature five years from the respective dates of issue. As at 31 December 1997, the \$300,000,000 Notes due 2001 were fully issued while \$89,000,000 of the \$200,000,000 Notes due 2002 were issued. Interest payable is based on money market rates ranging from 3.2% to 7.9% (1996: 3.1% to 4%).

The Group's secured bank borrowings bear interest at rates ranging from 4.69% to 7.05% (1996: 4.69%) per annum. The securities are mortgages of properties held by two subsidiary companies.

Interest on the Group's unsecured bank borrowings is payable at rates ranging from 5.2% to 10.39% (1996: 4.94% and 10.39%) per annum.

The above long-term borrowings are repayable between two to five years. Borrowings repayable within one year are shown under current liabilities.

Bonds 2000 - Alternative accounting treatment :

In Singapore, the generally accepted accounting treatment for an issue of bonds with warrants is to record the bonds at their principal value. However, under International Accounting Standard (“IAS”) 32, the proceeds of a bonds with warrants issue are allocated separately between the value of the bonds and the value of the warrants. The discount on the value of the bonds is amortised to maturity, and charged to the profit and loss account. If the Company had adopted the alternative accounting treatment under IAS 32, the effects in relation to the Bonds 2000 for the year ended 31 December 1997 would have been as follows:

	Group and Company	
	1997	1996
	\$'000	\$'000
Profit and loss account:		
Reduction in profit before taxation representing bond discount amortised	<u>20,601</u>	<u>19,417</u>
Balance sheet:		
Increase in capital reserves representing value of warrants, net of issue expenses	109,684	109,684
Reduction in retained earnings representing cumulative bond discount amortised	<u>(40,603)</u>	<u>(20,002)</u>
Increase in reserves	<u>69,081</u>	<u>89,682</u>
Bonds 2000		
Present value on initial recognition	423,316	423,316
Cumulative bond discount amortised	40,603	20,002
Present value at year-end	<u>463,919</u>	<u>443,318</u>

Notes to the Accounts

(continued)

16. Fixed Assets

	Land and Buildings		Equipment & Vehicles	Total
	Freehold	Long Lease		
	\$'000	\$'000	\$'000	\$'000
GROUP				
Cost or Valuation				
At 1 January 1997				
Valuation 1996	16,768	–	–	16,768
Cost	156	108,723	27,280	136,159
	<u>16,924</u>	<u>108,723</u>	<u>27,280</u>	<u>152,927</u>
Additions	619	–	13,625	14,244
Transfer from development properties	–	141,997	16,698	158,695
Disposals	–	–	(1,168)	(1,168)
Revaluation deficit	(3,143)	–	–	(3,143)
Exchange differences arising on consolidation	(466)	(50,206)	(686)	(51,358)
Reclassification	–	(15,915)	15,915	–
Assets of subsidiaries acquired	–	–	195	195
Assets of subsidiaries sold	–	–	(300)	(300)
At 31 December 1997	<u>13,934</u>	<u>184,599</u>	<u>71,559</u>	<u>270,092</u>
Representing:				
Valuation 1997	13,171	–	–	13,171
Cost	763	184,599	71,559	256,921
	<u>13,934</u>	<u>184,599</u>	<u>71,559</u>	<u>270,092</u>

	Land and Buildings		Equipment	
	Freehold	Long Lease	& Vehicles	Total
	\$'000	\$'000	\$'000	\$'000
Depreciation				
At 1 January 1997	41	1,195	18,963	20,199
Depreciation for the year	6	–	9,351	9,357
Disposals	–	–	(946)	(946)
Exchange differences arising on consolidation	–	191	326	517
Reclassification	–	(1,386)	1,386	–
Assets of subsidiaries acquired	–	–	76	76
Assets of subsidiaries sold	–	–	(42)	(42)
At 31 December 1997	<u>47</u>	<u>–</u>	<u>29,114</u>	<u>29,161</u>
Depreciation for 1996	<u>5</u>	<u>1,209</u>	<u>4,909</u>	<u>6,123</u>
Net Book Value				
At 31 December 1997	13,887	184,599	42,445	240,931
At 1 January 1997	<u>16,883</u>	<u>107,528</u>	<u>8,317</u>	<u>132,768</u>

The freehold property stated at Directors' valuation is based on the valuation by Herron Todd White, an independent firm of professional valuers. The valuation deficit has been taken direct to capital reserves.

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	Freehold Land and Buildings \$'000	Equipment & Vehicles \$'000	Total \$'000
COMPANY			
Cost			
At 1 January 1997	156	4,842	4,998
Disposals	–	(4,842)	(4,842)
At 31 December 1997	<u>156</u>	<u>–</u>	<u>156</u>
 Depreciation			
At 1 January 1997	41	2,372	2,413
Depreciation for the year	6	–	6
Disposals	–	(2,372)	(2,372)
At 31 December 1997	<u>47</u>	<u>–</u>	<u>47</u>
 Depreciation for 1996	<u>5</u>	<u>927</u>	<u>932</u>
 Net Book Value			
At 31 December 1997	109	–	109
At 1 January 1997	<u>115</u>	<u>2,470</u>	<u>2,585</u>

17. Investment Properties

	Group			Company
	Land and Buildings	Long	Total	Freehold
	Freehold	Lease		Land and
	\$'000	\$'000	\$'000	Building
				\$'000
At valuation				
At 1 January 1997	957,969	1,406,628	2,364,597	53,700
Additions	313	546	859	–
Transfer from development properties	–	80,746	80,746	–
Revaluation deficit	(41,118)	(99,453)	(140,571)	(1,700)
Exchange differences arising on consolidation	(1,769)	20,737	18,968	–
At 31 December 1997	<u>915,395</u>	<u>1,409,204</u>	<u>2,324,599</u>	<u>52,000</u>

Except for one property, the Group's investment properties (including integral plant and machinery) are stated at Directors' valuation based on the following valuations by independent firms of professional valuers as at 31 December 1997:

- (a) Knight Frank Cheong Hock Chye & Baillieu (Property Consultants) Pte Ltd for properties in Singapore;
- (b) First Pacific Davies (Singapore) Pte Ltd for properties in Vietnam.

Directors' valuation of the exception property is based on the consideration for the said property sold in January 1998.

The Group's share of net deficit over their book value, amounting to \$122,884,000 (1996: surplus of \$2,167,000), has been taken direct to capital reserves.

The Company's properties were stated at Directors' valuation based on the valuation by Knight Frank Cheong Hock Chye & Baillieu (Property Consultants) Pte Ltd as at 31 December 1997.

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18. Properties Held for Development

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Properties held for development comprise:				
Land cost	1,898,386	1,472,196	–	–
Development cost incurred to-date	607,010	427,274	–	–
Related overhead expenditure	112,985	60,588	–	–
Cost transferred to fixed assets and cost of goods sold transferred to profit and loss account	(312,618)	(272,366)	–	–
Exchange differences arising on consolidation	(78,808)	–	–	–
	2,226,955	1,687,692	–	–

Interest capitalised during the year was \$63,752,000 (1996: \$ 37,797,000).

Properties amounting to \$524,037,000 (1996: \$432,748,000) in value and included in the above balances are jointly mortgaged to a bank and a related company.

19. Subsidiary Companies

	Company	
	1997 \$'000	1996 \$'000
Unquoted shares, at Directors' valuation	2,443,021	2,184,842
Advances to subsidiary companies (Non-trade)	1,627,960	1,142,983
	4,070,981	3,327,825
Less: Advances from subsidiary companies (Non-trade)	(143,193)	(47,929)
	3,927,788	3,279,896

The advances to and from subsidiary companies are unsecured and have no fixed terms of repayment. Interest-bearing advances to and from subsidiary companies are charged at rates ranging from 1.5% to 6.5% (1996: 1.5% to 6.25%) per annum.

The Company's investment in its subsidiary companies is stated at the attributable share of their combined net asset value. The revaluation deficit for the year amounting to \$78,783,000 (1996: revaluation surplus of \$37,706,000) is taken direct to capital reserves.

20. Associated Companies

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
At Directors' valuation	–	–	471,828	459,394
At cost	321,447	259,866	–	–
Share of post-acquisition retained revenue reserves (Distributable)	36,533	43,504	–	–
Capital reserves (Non-distributable)	167,294	206,146	–	–
Investment in associated companies (See note below)	525,274	509,516	471,828	459,394
Advances to associated companies (Non-trade)	187,358	157,603	68,165	59,033
Advances from associated companies (Non-trade)	(456)	(126)	–	–
Convertible loan stock	–	5,546	–	5,546
	712,176	672,539	539,993	523,973
Investment in associated companies is represented by:				
Quoted shares (Market value \$148,930,000; 1996: \$126,417,000)	147,309	95,274	147,309	95,274
Unquoted shares	377,965	414,242	324,519	364,120
	525,274	509,516	471,828	459,394

The advances to and from associated companies are unsecured, have no fixed terms of repayment and are not expected to be repaid over the next 12 months. Interest is charged at rates ranging from 4.65% to 13% (1996: 4.34% to 7.81%) per annum on interest-bearing advances to associated companies.

The Company's and the Group's investments in associated companies are stated at the attributable share of their combined net asset value. The revaluation deficit for the Company for the year of \$39,383,000 (1996: revaluation surplus of \$19,131,000) is taken direct to capital reserves.

Details of the Group's share of the sales, profit less losses, and retained revenue reserves of associated companies are as follows:

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	Group	
	1997 \$'000	1996 \$'000
Sales	181,625	194,607
Operating profit	19,117	12,119
Investment and interest income	3,501	2,808
Interest expense	(14,450)	(11,344)
Share of profit of associated companies	3,193	13,366
Profit before taxation	11,361	16,949
Taxation	(5,559)	(5,721)
Profit after taxation	5,802	11,228
Retained revenue reserves:		
At 1 January	43,504	34,071
Profit for the year	5,802	11,228
Exchange differences arising on consolidation	(11,091)	(1,142)
Dividends	(2,999)	(1,723)
Adjustment arising from change in Group structure	1,317	2,042
Transfer to capital reserves	-	(972)
At 31 December	36,533	43,504

By industry, the Group's share of associated companies' pre-tax profit and net assets is as follows:

	Group's Share of Profit before Taxation		Group's Share of Net Assets	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Property	2,205	7,909	330,181	368,467
Non-property	9,156	9,040	195,093	141,049
	11,361	16,949	525,274	509,516

21. Other Investments

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Quoted shares in corporations, at cost	2,692	2,692	-	-
Unquoted shares in corporations, at cost	82,970	58,962	7,288	7,288
Convertible loan stock	2,000	2,000	2,000	2,000
	87,662	63,654	9,288	9,288
Market value of quoted investments	4,200	5,350	-	-

22. Stocks

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Work-in-progress	4,198	7,196	-	-
Spare parts and consumable stores	2,231	702	-	-
	<u>6,429</u>	<u>7,898</u>	<u>-</u>	<u>-</u>

Work-in-progress is stated after deducting progress claims of \$79,828,000 (1996: \$60,743,000). There was no provision for stock obsolescence as at 31 December 1997 (1996: Nil).

23. Trade Debtors

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Trade debtors are stated after providing for doubtful debts of	105	1,464	-	-
Analysis of provision for doubtful debts:				
At 1 January	1,464	737	-	-
Provision during the year	19	713	-	-
Utilised	(1,302)	-	-	-
Provision written back	(71)	-	-	-
Translation difference	(5)	14	-	-
At 31 December	<u>105</u>	<u>1,464</u>	<u>-</u>	<u>-</u>

Included in trade debtors is an amount of \$131,334,000 (1996: \$46,933,000) being final instalments receivable in respect of development properties which have been completed and sold. They will be due upon issuance of the relevant certificates of statutory completion and titles sub-division.

24. Other Debtors

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Prepaid project costs and prepayments	1,701	10,293	648	864
Deposit paid	1,476	16,283	-	330
Staff loans	478	889	-	37
Advances to corporations in which the Group has investment interests	43,679	10,254	5,159	2,770
Advances to minority shareholders of subsidiary companies	54,884	35,383	1,481	-
Receivable from sale of shares in a subsidiary	28,565	-	-	-
Deferred expenditure	24,423	6,516	-	-
Other recoverable amounts	11,185	10,255	8,489	2,117
	<u>166,391</u>	<u>89,873</u>	<u>15,777</u>	<u>6,118</u>
Less: Provision	(158)	(176)	-	-
	<u>166,233</u>	<u>89,697</u>	<u>15,777</u>	<u>6,118</u>

Notes to the Accounts

(continued)

Advances to corporations are unsecured and have no fixed terms of repayment. Interest is charged at rates ranging from 6.68% to 6.87% (1996: 6.37% to 6.87%) per annum on interest-bearing advances.

Advances to minority shareholders are unsecured, have no fixed terms of repayment and are interest free.

Deferred expenditure is stated after amortisation and comprises (a) pre-operating expenses totally \$15,934,000 (1996: \$6,516,000) and (b) exchange differences on unhedged foreign currency borrowings amounting to \$8,489,000 (1996: nil).

25. Fixed Deposits, Bank Balances and Cash

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Amounts held under Project Account Rules 1985 withdrawals from which are restricted to payment for expenditure incurred on projects	30,099	10,533	–	–

26. Other Creditors and Provisions

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Deposits received	43,849	29,012	75	75
Loans from minority shareholders of certain subsidiary companies	161,410	101,987	–	–
Accruals	197,544	69,198	4,684	5,737
	402,803	200,197	4,759	5,812

The loans from the minority shareholders of certain subsidiary companies are unsecured and have no fixed terms of repayment. Interest is payable at rates ranging from 4.25% to 6.75% (1996: 4.25% to 6%) per annum.

27. Net Tax Provision

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Provision for taxation	128,030	103,095	2,888	5,333
Income tax refund receivable	(7,228)	(5,776)	–	–
	120,802	97,319	2,888	5,333

28. Short-term Borrowings

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Bank borrowings, secured	<u>6,940</u>	<u>—</u>	<u>—</u>	<u>—</u>

These borrowings bear interest at rates ranging from 6.99% to 7.05% and is secured by mortgages of properties held by a subsidiary company.

29. Amounts Owing to / (by) Holding and Related Companies

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Current account (non-trade):				
Amount owing to / (by)				
holding company	113	35	68	(15)
Amount owing to / (by)				
related companies	518	(2,099)	1,035	(115)
	<u>631</u>	<u>(2,064)</u>	<u>1,103</u>	<u>(130)</u>
Deposits and short-term borrowings:				
Surplus cash deposited with				
related companies	(127,043)	(238,049)	(97,725)	(167,609)
Advances to holding company	(19,595)	(19,595)	—	—
Short-term borrowings from				
related companies, unsecured	778,403	319,374	543,027	87,134
	<u>631,765</u>	<u>61,730</u>	<u>445,302</u>	<u>(80,475)</u>
Total	<u>632,396</u>	<u>59,666</u>	<u>446,405</u>	<u>(80,605)</u>
Included in cash deposited with				
related companies are amounts held				
under Project Account Rules 1985,				
withdrawals from which are restricted				
to payment for expenditures incurred				
on projects	<u>18,281</u>	<u>12,036</u>	<u>—</u>	<u>—</u>

Borrowings from related companies are repayable within one year, and bear interest at rates ranging from 2.63% to 15.25% (1996: 2.87% to 6%) per annum.

The immediate and ultimate holding company is Keppel Corporation Limited, incorporated in Singapore

Related companies are subsidiary companies of Keppel Corporation Limited.

Notes to the Accounts

(continued)

30. Sales, Profits and Assets Employed by Segment

(a) By Industry - 1997

	Property	Non-Property	Adjustments/ Elimination	Consolidated Total
	\$'000	\$'000	\$'000	\$'000
Sales to third parties	621,160	–	–	621,160
Inter-segment sales	50,048	–	(50,048)	–
Consolidated sales	<u>671,208</u>	<u>–</u>	<u>(50,048)</u>	<u>621,160</u>
Operating profit	170,977	–	–	170,977
Assets employed	<u>4,915,826</u>	<u>–</u>	<u>–</u>	<u>4,915,826</u>

(b) By Geographical Location - 1997

	Singapore	Far East and ASEAN other than Singapore	Australia & Others	Consolidated Total
	\$'000	\$'000	\$'000	\$'000
Sales to third parties	576,003	23,118	22,039	621,160
Operating profit	172,691	(8,631)	6,917	170,977
Assets employed	<u>4,217,347</u>	<u>546,020</u>	<u>152,459</u>	<u>4,915,826</u>

(c) By Industry - 1996

	Property	Non-Property	Adjustments/ Elimination	Consolidated Total
	\$'000	\$'000	\$'000	\$'000
Sales to third parties	591,742	–	–	591,742
Inter-segment sales	39,371	–	(39,371)	–
Consolidated sales	<u>631,113</u>	<u>–</u>	<u>(39,371)</u>	<u>591,742</u>
Operating profit	213,265	–	–	213,265
Assets employed	<u>4,192,549</u>	<u>–</u>	<u>–</u>	<u>4,192,549</u>

(d) By Geographical Location - 1996

	Singapore	Far East and ASEAN other than Singapore	Australia & Others	Consolidated Total
	\$'000	\$'000	\$'000	\$'000
Sales to third parties	571,377	6,165	14,200	591,742
Operating profit	210,939	(1,787)	4,113	213,265
Assets employed	3,772,297	272,234	148,018	4,192,549

Pricing of inter-segment sales is at fair market value. Classified under "Non-Property" are the Group's engineering, shipping and leisure activities. Assets employed represent share capital and reserves, minority interests and external borrowings after deducting investment in associated companies and interest-yielding bank deposits.

31. Capital Commitments

	Group		Company	
	1997	1996	1997	1996
	\$'000	\$'000	\$'000	\$'000
(a) Estimated development costs for investment properties :				
(i) Contracted for	201,604	395,860	-	-
(ii) Not contracted for	64,798	283,254	-	-
(b) Estimated development costs for properties for sale:				
(i) Contracted for	365,516	256,841	-	-
(ii) Not contracted for	584,313	533,419	-	-
	<u>1,216,231</u>	<u>1,469,374</u>	<u>-</u>	<u>-</u>
Less Minority shareholders' share	(81,018)	(167,130)	-	-
	<u>1,135,213</u>	<u>1,302,244</u>	<u>-</u>	<u>-</u>
(c) Capital subscription in associated companies	74,733	146,249	74,733	146,249
(d) Purchase of shares in an associated company contracted for	-	32,102	-	32,102
(e) Capital subscription in other corporations	8,133	46,152	8,133	46,152

Notes to the Accounts

(continued)

32. Contingent Liabilities, Unsecured

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Guarantees given to financial institutions in connection with:				
(a) Facilities given to subsidiary companies	–	–	55,338	58,044
(b) Facilities given to associated companies	45,958	28,288	29,824	28,288
(c) Facilities given to corporations in which the Group has long term investments	118,855	91,069	118,855	91,069
Performance guarantees given to third parties	518	86	–	–

No material losses under these unsecured guarantees are expected.

33. Significant Related Party Transactions

(a) The following are the significant inter-company transactions entered into by the Company with:

	1997		1996	
	Holding Company and Fellow Subsidiaries \$'000	Subsidiary Companies \$'000	Holding Company and Fellow Subsidiaries \$'000	Subsidiary Companies \$'000
Management fees received	–	–	–	3,017
Management fees paid	–	–	(1,109)	–
Interest income	4,597	59,514	10,692	39,612
Interest expense	(19,667)	–	(11,494)	–
Rent of premises	–	–	–	(248)
Profit on disposal of shares in Keppel Telecoms Pte Ltd	–	–	528	–

(b) Significant inter-company transactions entered into by the Group with the holding company, fellow subsidiaries and related parties are as follows:

	1997 \$'000	1996 \$'000
Interest income	7,491	12,363
Interest expense	(32,606)	(22,424)
Interest capitalised under development properties	(11,719)	(6,004)
Management fees paid	(1,028)	(1,109)
Purchase of property for development	14,000	–
Project management fees received	2,132	–
Rent income	8,228	6,940

34. Subsequent Events

- (a) In January 1998, Starville Investment Pte Ltd, a 70% owned subsidiary company completed the sale of its office building located at 9 Castlereagh Street, Sydney, Australia for a consideration of A\$112,750,000.
- (b) In February 1998, the Group completed the purchase of a residential development site at Huntley Park, Sydney, Australia for a consideration of A\$25,400,000.
- (c) The Group's investments in Indonesia, Malaysia and Philippines have been written down at the year-end vide translation of foreign currencies. These countries are still experiencing economic uncertainties. The year-end valuations of the Group's assets are based on conditions prevailing and information available at the date of these financial statements.

35. Comparative Figures

Certain comparative figures have been reclassified to conform with this year's presentation.

36. Group companies

The Company is incorporated in Singapore.

Information relating to the subsidiary companies consolidated in these accounts and to the associated companies whose results are included in the accounts is given on the following 11 pages.

The accounts of the Company and the consolidated accounts of the Group are expressed in Singapore dollars.