

Directors' Report

The Directors submit their report together with the audited accounts of the Company and of the Group for the year ended 31 December 1997.

1 Name of the Company

The name of the Company has been changed from Straits Steamship Land Limited to Keppel Land Limited. This was approved at an Extraordinary General Meeting of the Company held on 6 January 1997.

2 Principal Activities

The principal activities of 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.

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

There were no significant changes in the nature of these activities during the year under review.

3 Results

	<u>Group \$'000</u>	<u>Company \$'000</u>
Profit after taxation and minority interests attributable to shareholders transferred to revenue reserves	<u>104,663</u>	<u>39,768</u>
The following amounts have been credited/(debited) to:		
Share premium:		
Premium on shares issued on exercise of Keppel Land Warrants 2000 and share options	113,789	113,789
Capital reserves:		
Net deficit on revaluation of subsidiary and associated companies	–	(118,166)
Net deficit on revaluation of investment properties	(157,040)	(1,700)
Goodwill arising on consolidation	(17,466)	–
Adjustment arising from change in Group structure	(8,812)	–
Transfer from revenue reserves	3,026	–
Foreign currency translation account:		
Exchange differences arising on consolidation	(1,124)	–
Exchange differences on foreign currency borrowings	(49,074)	(49,074)
Revenue reserves:		
Adjustment arising from change in Group structure	(319)	–
Transfer to capital reserves	(3,026)	–

There were no material transfers to or from provisions during the year except for amounts set aside for such items as depreciation, provisions for doubtful debts and income tax as disclosed in the accounts.

4 Dividends

During the year, a final dividend of 8% less tax (or 4.0 cents per share), amounting to \$18,057,000, in respect of the previous year as proposed in the Directors' report for that year, and an additional amount of \$1,346,000 in respect of certain shares issued before books closure date under the Keppel Land Share Option Scheme and on exercise of Keppel Land Warrants 2000 were paid to shareholders.

The Directors propose that a final dividend of 8% (or 4.0 cents per share) less tax, amounting to \$19,404,000 on the existing issued share capital, be paid for the current financial year.

5 Share Issues

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 on exercise of options under the Keppel Land Share Option Scheme, comprising 23,626 shares at \$2.62 per share, 60,840 shares at \$3.35 per share and 30,490 shares at \$3.98 per share;
- (b) 45,384,136 shares of \$0.50 each fully paid on exercise of Keppel Land Warrants 2000.

Shares issued by subsidiary companies during the year were as follows:

Name of Company	Number of Shares Issued	Purpose of Share Issue
Bintan Bay Resort Pte Ltd	215 shares of \$1 each at par	To provide working capital
Double Peak Holdings Ltd	146,330 redeemable preference shares of \$1 each at the price of \$1,000 each	To provide working capital
Greenfield Development Pte Ltd	61,000 redeemable preference shares of \$1 each at the price of \$1,000 each	To provide working capital
Keppel Land International Ltd	30,000 redeemable preference shares of \$1 each at the price of \$1,000 each	To provide working capital
Keppel Land Construction Management Pte Ltd	100,000 shares of \$1 each at par	To provide working capital

Directors' Report (continued)

Name of Company	Number of Shares Issued	Purpose of Share Issue
Meadowsville Investment Pte Ltd	54,000 redeemable preference shares of \$1 each at the price of \$1,000 each	To provide working capital
Spring City Resort Pte Ltd	28,000 redeemable preference shares of \$1 each at the price of \$1,000 each	To provide working capital
Keppel Land (Mayfair) Pte Ltd	999,998 shares of \$1 each at par	To provide working capital
Keppel Land (Villa Verde) Pte Ltd	999,998 shares of \$1 each at par	To provide working capital
Keppel Land Properties Pte Ltd	1,000,000 redeemable preference shares of \$1 each at the price of \$100 each	To provide working capital
Straits Steamship Investment Pte Ltd	63,000 redeemable preference shares of \$1 each at the price of \$1,000 each	To provide working capital
Straits-CM Village Hotel Pte Ltd	19,999,150 shares of \$1 each at par	To provide working capital
Centre for International Transactions	2,324,000 shares of US\$1 each at par	To provide working capital
Keppel Land Agtex Limited	708,000 shares of US\$1 each at par	To provide working capital
PT Keppel Land	250,000 shares of US\$1 each at par	To provide working capital
PT Straits-CM Village	15,000,000 shares of Rp 2,403 each at the price of Rp 3,030 each	To provide working capital
PT Ria Bintan	25,000,000 shares of Rp 2,403 each at the price of Rp 4,000 each	To provide working capital
Quang Ba Royal Park JV Co Ltd	Increased by US\$31,218,000 share value	To provide working capital
Wiseland Investment Myanmar Ltd	567 shares of 1,000 kyats each at par	To provide working capital

6 Acquisition and Disposal of Shares in Subsidiaries

Shares in the following subsidiaries were acquired or disposed during the year:

Name of Company	% Ownership before Acquisition/ Disposal	% Acquired/ (Disposal)	Consideration \$'000	Attributable Net Tangible Assets on Date of Acquisition/Disposal \$'000
Island Cruises Pte Ltd	50	50	71	15
Health Services Management of Singapore Pte Ltd	45	55	–	(170)
Xinming Investment Pte Ltd	50	50	–	–
First Pacific Land (Vietnam) Ltd	0	100	17,821	-
Suzhou Industrial Park Healthcare Medical Centre Co Ltd	100	(100)	120	(319)

7 Directors

The Directors in office at the date of this report are:

Lim Chee Onn, Chairman and Managing Director
Kevin Wong Kingcheung, Executive Director
Alan F C Choe
Loh Wing Siew
Choo Chiau Beng
Teo Soon Hoe
Kwa Soon Bee
Lim Leong Geok (Appointed on 11 February 1997)
Thai Chee Ken (Appointed on 1 June 1997)

Tan Swan Beng was a Director up to 2 January 1998.

Directors' Report (continued)

The Directors holding office at the end of the financial year and their interests in the share capital of the Company and related companies as recorded in the register of Directors' shareholdings were as follows:

	At 1.1.97 or Date of Appointment	At 31.12.97	At 21.1.98
Interest in the Company (Shares of 50 cents each):			
Kevin Wong Kingcheung	157,400	157,400	157,400
Lim Leong Geok	6,000	–	–
Interest in share options in the Company:			
Kevin Wong Kingcheung	210,000	325,000	325,000
Interest in Warrants 2000 to subscribe for shares in the Company:			
Kevin Wong Kingcheung	39,925	39,925	39,925
Lim Leong Geok	1,500	1,500	1,500
Interest in Keppel Corporation Ltd (“KCL”) (Shares of \$1 each):			
Lim Chee Onn	244,100	462,083	462,083
Loh Wing Siew	264,100	516,458	516,458
Choo Chiau Beng	97,100	279,583	279,583
Teo Soon Hoe	359,100	629,166	629,166
Kwa Soon Bee	10,000	20,000	20,000
Kwa Soon Bee (Deemed interest)	-	3,500	3,500
Lim Leong Geok	16,000	20,000	20,000
Interest in share options in KCL:			
Lim Chee Onn	450,900	573,750	573,750
Loh Wing Siew	450,900	573,750	573,750
Choo Chiau Beng	450,900	573,750	573,750
Teo Soon Hoe	450,900	573,750	573,750
Interest in KCL Unsecured Convertible Loan Stock 1997:			
Lim Chee Onn	\$34,000	–	–
Loh Wing Siew	\$55,000	–	–
Choo Chiau Beng	\$34,000	–	–
Teo Soon Hoe	\$50,000	–	–
Interest in Warrants 1997 to subscribe for shares in KCL:			
Lim Chee Onn	29,000	–	–
Loh Wing Siew	49,000	–	–
Choo Chiau Beng	30,000	–	–
Teo Soon Hoe	45,000	–	–

	At 1.1.97 or Date of Appointment	At 31.12.97	At 21.1.98
Interest in Keppel FELS Limited (Shares of 50 cents each):			
Choo Chiau Beng	24,500	24,500	24,500
Interest in Keppel Marine Industries Limited (Shares of 50 cents each):			
Loh Wing Siew	16,500	16,500	16,500
Loh Wing Siew (Deemed interest)	8,000	8,000	8,000
Choo Chiau Beng	812	812	812
Teo Soon Hoe	14,500	14,500	14,500
Interest in Keppel Telecommunications & Transportation Limited (“Keppel T&T”) (Shares of 20 cents each):			
Lim Chee Onn	14,000	23,000	23,000
Alan F C Choe	5,000	7,500	7,500
Choo Chiau Beng	15,000	26,000	26,000
Teo Soon Hoe	15,000	28,000	28,000
Interest in Warrants 2002 to subscribe for shares in Keppel T&T:			
Lim Chee Onn	–	4,500	4,500
Alan F C Choe	–	1,250	1,250
Choo Chiau Beng	–	4,000	4,000
Teo Soon Hoe	–	5,000	5,000
Interest in Keppel T&T Unsecured Convertible Loan Stock 1999:			
Alan F C Choe	\$1,000	\$1,000	\$1,000
Choo Chiau Beng	\$3,000	–	–
Teo Soon Hoe	\$3,000	–	–
Interest in Keppel Integrated Engineering Ltd (Shares of 50 cents each):			
Lim Chee Onn	21,000	21,000	21,000
Loh Wing Siew	130,000	130,000	130,000
Choo Chiau Beng	21,000	21,000	21,000
Teo Soon Hoe	21,000	21,000	21,000
Interest in Keppel Bank of Singapore Ltd (“KBS”) (Shares of \$1 each):			
Lim Chee Onn	30,000	30,000	30,000
Loh Wing Siew	40,000	40,000	40,000
Choo Chiau Beng	40,000	40,000	40,000
Teo Soon Hoe	45,000	45,000	45,000
Lim Leong Geok	6,000	6,000	6,000

Directors' Report (continued)

	At 1.1.97 or Date of Appointment	At 31.12.97	At 21.1.98
Interest in Warrants 2000 to subscribe for shares in KBS:			
Lim Chee Onn	7,500	7,500	7,500
Loh Wing Siew	10,000	10,000	10,000
Choo Chiau Beng	10,000	10,000	10,000
Teo Soon Hoe	11,500	11,500	11,500
Lim Leong Geok	1,500	1,500	1,500
Interest in Keppel Finance Ltd ("KFL") (Shares of 50 cents each):			
Loh Wing Siew	31,808	31,808	31,808
Interest in Warrants 2001 to subscribe for shares in KFL:			
Loh Wing Siew	8,000	8,000	8,000
Interest in Keppel Philippines Holdings Inc (Common Class B 1 peso capital stock):			
Lim Chee Onn	2,000	2,000	2,000
Loh Wing Siew	2,500	4,592	4,592
Choo Chiau Beng	2,000	2,000	2,000
Teo Soon Hoe	2,000	2,000	2,000
Interest in Cebu Shipyard & Engineering Works, Inc (Class B shares of 1 peso each):			
Lim Chee Onn	45,259	52,047	52,047
Loh Wing Siew	90,521	104,100	104,100
Choo Chiau Beng	45,259	52,047	52,047
Teo Soon Hoe	45,259	52,047	52,047
Interest in Kepphil Shipyard Inc (Common stock of 1 peso each):			
Lim Chee Onn	30,618	33,067	33,067
Loh Wing Siew	117,936	127,371	127,371
Choo Chiau Beng	58,968	63,685	63,685
Teo Soon Hoe	81,648	88,179	88,179

Since the end of the previous financial year, no Director has received or become entitled to receive benefits under contracts required to be disclosed by Section 201(8) of the Companies Act, Cap 50.

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangements, to which the Company or any of its subsidiary companies is a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate other than the Keppel Land Share Option Scheme approved by shareholders at an Extraordinary General Meeting held on 19 May 1977.

In accordance with the Company's Articles of Association, the following Directors retire, and being eligible, offer themselves for re-election:

Alan F C Choe
Teo Soon Hoe
Kwa Soon Bee

8 Audit Committee

In relation to the accounts of the Company and the Group for the year ended 31 December 1997, the Audit Committee reviewed the audit plans and scope of the audit examination of the external auditors of the Company. The external and internal auditors' findings on the internal controls of the companies within the Group, and management's response to these findings were also discussed with the auditors and management. The Committee's activities included a review of the accounts of the Company and the Group for the year ended 31 December 1997, and the report of the external auditors thereon.

The Committee has recommended to the Board of Directors the re-appointment of Ernst & Young, Certified Public Accountants as external auditors of the Company at the forthcoming Annual General Meeting.

The members of the Committee are:

Thai Chee Ken, Chairman
Lim Leong Geok
Kevin Wong Kingcheung

9 Options and Warrants

During the financial year, 114,956 shares were issued by virtue of the exercise of options, and options to take up 629,290 shares were cancelled.

At 31 December 1997, the following options to take up 4,680,095 unissued shares of \$0.50 each in the Company were outstanding:

Date of Grant	Number of Share Options				Subscription Price (\$)	Expiry Date
	At 1.1.97 or Date of Grant	Exercised	Cancelled	At 31.12.97		
6.4.93	5,881	—	—	5,881	2.26	5.4.98
26.8.93	35,390	(23,626)	—	11,764	2.62	25.8.98
21.3.94	121,680	(60,840)	(15,210)	45,630	3.35	20.3.99
17.8.94	299,200	(30,490)	(35,490)	233,220	3.98	16.8.99
23.3.95	527,280	—	(91,260)	436,020	4.40	22.3.00
21.8.95	572,910	—	(96,330)	476,580	3.99	20.8.00
21.3.96	670,000	—	(105,000)	565,000	4.53	20.3.01
19.8.96	710,000	—	(120,000)	590,000	4.67	18.8.01
	<u>2,942,341</u>	<u>(114,956)</u>	<u>(463,290)</u>	<u>2,364,095</u>		
21.4.97	1,311,000	—	(149,000)	1,162,000	4.16	20.4.02
31.8.97	1,171,000	—	(17,000)	1,154,000	3.86	30.8.02
	<u>5,424,341</u>	<u>(114,956)</u>	<u>(629,290)</u>	<u>4,680,095</u>		

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 full-time employees to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company.

The Company issued 149,675,796 Warrants 2000 in February 1996. Each Warrant 2000 entitles the holder (subject to adjustment in certain circumstances) to subscribe for one share of \$0.50 each in the Company at an exercise price of \$3.00 per share at any time up to 12 December 2000. As at 31 December 1997, 104,208,866 Warrants 2000 were outstanding.

10 Asset Values

Before the accounts of the Company and of the Group were prepared, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to writing off and providing for bad and doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which are unlikely to realise their book values in the ordinary course of business were written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances which would render:

- (a) the amount written off for bad debts or the amount of the provision for doubtful debts in the accounts of the Company and of the Group inadequate to any substantial extent; or
- (b) the values attributed to current assets in the accounts of the Company and of the Group misleading.

11 Contingent Liabilities

As at the date of this report:

- (a) there are no charges on the assets of the Company and of the Group which have arisen since the end of the financial year to secure the liabilities of any other person; and
- (b) there are no contingent liabilities which have arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

12 Accounts

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in the accounts of the Company and of the Group which would render any amount stated in the accounts misleading.

In the opinion of the Directors, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, other than the items shown as direct movements in capital and revenue reserves.

Between the financial year-end and 5 March 1998, the date of this Directors' report, the Indonesian rupiah has depreciated significantly against the Singapore dollar and US dollar. During the same period, the Singapore dollar has fluctuated up and down against the US dollar. Save as disclosed, in the opinion of the Directors, the results of the Company and of the Group for the financial year in which this report is made are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which has arisen in the interval between the end of the financial year and the date of this report.

13 Auditors

The auditors, Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment as auditors.

On Behalf of the Board



LIM CHEE ONN
CHAIRMAN AND
MANAGING DIRECTOR



KEVIN WONG KINGCHEUNG
EXECUTIVE DIRECTOR

Singapore, 5 March 1998