
DIRECTORS' REPORT

Statutory Report and Accounts *SB*

The Directors submit their report together with the audited accounts of the Company and of the Group for the year ended 31 December 1998.

1 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.

2 Results

	Group \$'000	Company \$'000
Profit / (Loss) after taxation and minority interests	(350,564)	38,350
Extraordinary item	-	(14,420)
Profit / (Loss) attributable to shareholders	<u>(350,564)</u>	<u>(14,420)</u>
transferred to revenue reserves	(350,564)	23,930

The following amounts have been credited/(debited) to:

Capital reserves:

Net deficit on revaluation of subsidiary and associated companies	-	(998,653)
Net deficit on revaluation of investment properties	(532,809)	(16,840)
Goodwill arising on consolidation	(3,728)	-
Realised asset revaluation surplus transferred to profit and loss account	(18,202)	1
Adjustment arising from change in Group structure	(2,345)	-
Transfer from revenue reserves	4,548	-
Transfer to foreign currency translation account	(1,546)	-

Foreign currency translation account:

Exchange differences arising on consolidation	(87,808)	-
Exchange differences on foreign currency borrowings	9,989	9,989
Transfer from capital reserves	1,546	-
Transfer from profit and loss account	3,315	-
Adjustment arising from change in Group structure	(19)	-

	Group	Company
	\$'000	\$'000
Revenue reserves:		
Adjustment arising from change in Group structure	598	-
Transfer to capital reserves	(4,548)	-

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, provisions for write-down in values of properties held for development and income tax as disclosed in the accounts.

3 Dividends

During the year, a final dividend of 8% less tax (or 4.0 cents per share) amounting to \$19,404,000, in respect of the previous year as proposed in the Directors' report for that year was paid to shareholders.

The Directors propose that a final dividend of 6% (or 3.0 cents per share) less tax, amounting to \$14,553,000 on the existing issued share capital, be paid for the current financial year.

4 Share Issues

During the year, no new shares were issued by the Company.

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


Name of Company	Number of Shares Issued	Purpose of Share Issue
Wiseland Investment Pte Ltd	99,998 shares of \$1 each at par	To provide working capital
Straits Greenfield Ltd	1,180,000 shares of US\$1 each at par	To provide working capital
Keppel Land Agtex Ltd	Increased by US\$135,000 share value	To provide working capital
Quang Ba Royal Park JV Co.	Increased by US\$274,000 share value	To provide working capital

5 Acquisition and Disposal of Shares in Subsidiaries

There were no acquisition or disposal of subsidiaries during the year.

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6 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

Thai Chee Ken

Khor Poh Hwa (Appointed on 1 April 1998)

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 1.1.98 or Date of Appointment	At 31.12.98	At 21.1.99
Interest in the Company (Shares of 50 cents each):			
Kevin Wong Kingcheung	157,400	157,400	157,400
Khor Poh Hwa	10,000	10,000	10,000
Interest in share options in the Company:			
Kevin Wong Kingcheung	325,000	490,000	490,000
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 Limited ("KCL") (Shares of \$1 each):			
Lim Chee Onn	462,083	462,083	462,083
Loh Wing Siew	516,458	316,458	316,458
Loh Wing Siew (Deemed interest)	-	200,000	200,000
Choo Chiau Beng	279,583	239,583	239,583
Teo Soon Hoe	629,166	629,166	629,166
Kwa Soon Bee	20,000	20,000	20,000
Kwa Soon Bee (Deemed interest)	3,500	3,500	3,500
Lim Leong Geok	20,000	20,000	20,000

	At 1.1.98 or Date of Appointment	At 31.12.98	At 21.1.99
Interest in share options in KCL:			
Lim Chee Onn	573,750	599,250	599,250
Loh Wing Siew	573,750	599,250	599,250
Choo Chiau Beng	573,750	599,250	599,250
Teo Soon Hoe	573,750	599,250	599,250
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	23,000	23,000	23,000
Alan F.C. Choe	7,500	7,500	7,500
Choo Chiau Beng	26,000	26,000	26,000
Teo Soon Hoe	28,000	28,000	28,000
Interest in Warrants 2002 to subscribe for shares in Keppel T & T			
Lim Chee Onn	4,500	4,500	4,500
Alan F.C. Choe	1,250	1,250	1,250
Choo Chiau Beng	4,000	4,000	4,000
Teo Soon Hoe	5,000	5,000	5,000
Interest in Keppel T & T Unsecured Convertible Loan Stock 1999:			
Alan F.C. Choe	\$1,000	\$1,000	\$1,000
Interest in Keppel Integrated Engineering Limited (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

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	At 1.1.98 or Date of Appointment	At 31.12.98	At 21.1.99
Interest in Keppel TatLee Bank Limited ("KTLB") (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
Choo Chiau Beng (Deemed interest)	-	6,125	6,125
Teo Soon Hoe	45,000	45,000	45,000
Kwa Soon Bee	-	10,500	10,500
Lim Leong Geok	6,000	6,000	6,000
Interest in Warrants 2000 to subscribe for shares in KTLB:			
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 Limited ("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	4,592	4,592	4,592
Choo Chiau Beng	2,000	2,000	2,000
Teo Soon Hoe	2,000	2,000	2,000
Interest in Keppel Philippines Properties Inc (Shares of 1 peso each):			
Lim Chee Onn	52,047	-	-
Loh Wing Siew	104,100	20,001	20,001
Choo Chiau Beng	52,047	-	-
Teo Soon Hoe	52,047	2,916	2,916
Interest in Keppel Philippines Marine Inc (Common stock of 1 peso each):			
Lim Chee Onn	33,067	232,507	232,507
Loh Wing Siew	127,371	467,143	467,143
Choo Chiau Beng	63,685	267,558	267,558
Teo Soon Hoe	88,179	285,689	285,689

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.

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

Kevin Wong Kingcheung
Loh Wing Siew
Choo Chiau Beng

7 Audit Committee

In relation to the accounts of the Company and the Group for the year ended 31 December 1998, 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 1998, 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

8 Options and Warrants

During the financial year, no new shares were issued by virtue of the exercise of options, and options to take up 1,241,285 shares were cancelled.

At 31 December 1998, the following options to take up 6,784,810 unissued shares of \$0.50 each in the Company were outstanding:

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Date of Grant	Number of Share Options				Subscription Price (\$)	Expiry Date
	At 1.1.98 or Date of Grant	Exercised	Cancelled	At 31.12.98		
6.4.93	5,881	-	(5,881)	-	2.26	5.4.98
26.8.93	11,764	-	(11,764)	-	2.62	24.8.98
21.3.94	45,630	-	-	45,630	3.35	20.3.99
17.8.94	233,220	-	(35,490)	197,730	3.98	16.8.99
23.3.95	436,020	-	(111,540)	324,480	4.40	22.3.00
21.8.95	476,580	-	(116,610)	359,970	3.99	20.8.00
21.3.96	565,000	-	(130,000)	435,000	4.53	20.3.01
19.8.96	590,000	-	(130,000)	460,000	4.67	18.8.01
21.4.97	1,162,000	-	(239,000)	923,000	4.16	20.4.02
5.9.97	1,154,000	-	(209,000)	945,000	3.86	4.9.02
	<u>4,680,095</u>	-	<u>(989,285)</u>	<u>3,690,810</u>		
12.3.98	1,548,000	-	(237,000)	1,311,000	1.58	11.3.03
7.9.98	1,798,000	-	(15,000)	1,783,000	0.56	6.9.03
	<u>8,026,095</u>	-	<u>(1,241,285)</u>	<u>6,784,810</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 1998, 104,208,866 Warrants 2000 were outstanding.

9 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.

10 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.

11 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 extraordinary item disclosed in the Company's profit and loss account and the items shown as direct movements in capital and revenue reserves.

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.

12 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, 12 March 1999