

NOTES TO THE ACCOUNTS

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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 \$89,684,000 (1997: \$108,289,000) and revenue from the sale of trading properties of \$187,306,000 (1997: \$495,548,000).

2. Operating Profit/(Loss)

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
The following amounts have been charged/ (credited) in arriving at the operating profit/ (loss):				
Depreciation of fixed assets:				
Freehold buildings	5	6	5	6
Machinery, equipment and vehicles	<u>9,160</u>	<u>9,351</u>	<u>-</u>	<u>-</u>
	<u>9,165</u>	<u>9,357</u>	<u>5</u>	<u>6</u>
Amortisation of deferred expenditure	5,134	4,593	2,832	2,830
Auditors' remuneration:				
Auditors of the Company	285	273	93	90
Other auditors	47	48	-	-
Other fees paid to Auditors of the Company	-	230	-	-
Directors' remuneration:				
Directors of the Company				
Fees	156	151	156	151
Other emoluments	1,819	1,917	-	-
Loss on sale of fixed assets	114	132	-	-
Provisions for properties held for development	<u>438,233</u>	<u>-</u>	<u>-</u>	<u>-</u>

3. Investment and Interest Income

	Group		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Gross dividends from:				
Unquoted subsidiary companies	-	-	40,021	44,204
Quoted associated companies	-	-	2,084	1,659
Unquoted associated companies	-	-	1,245	2,117
Other investments	147	188	-	24
Interest from deposits and short-term loans with:				
Banks	3,917	45	-	-
Holding and related companies (See note below)	73,817	57,627	90,623	63,751
Associated companies	4,816	1,904	440	120
Other companies	793	621	2,057	237
	<u>83,490</u>	<u>60,385</u>	<u>136,470</u>	<u>112,112</u>

Included in interest income of the Group is \$68,669,000 (1997: \$47,212,000) 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 0.31% to 6.88% (1997: 1.25% and 6.5%) per annum.

4. Interest Expense

	Group		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
On Bonds 1996, Bonds 2000 and Bonds 2001	16,841	16,781	16,841	16,781
On fixed term loans from banks	18,234	11,696	10,613	5,767
On other term loans and overdrafts from:				
Related companies	51,590	32,606	37,910	19,667
Banks	5,680	2,603	4	2
Other companies	2,250	780	-	-
On Floating Rate Notes	16,441	13,886	16,441	13,886
Provision for unrealised exchange loss on foreign currency borrowings	2,831	2,830	2,831	2,830
	<u>113,867</u>	<u>81,182</u>	<u>84,640</u>	<u>58,933</u>

Interest is charged by related companies at rates ranging from 2% to 26.13% (1997: 2.63% to 15.25%) per annum.

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5. Exceptional Item

Exceptional item of \$31,670,000 relates to the sale of the Group's office building in Sydney, Australia.

In 1997, 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.

6. Taxation

	Group		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Provision for current taxation based on profit for the year:				
Singapore	19,795	59,373	12,882	13,502
Other	-	-	-	-
Provision on share of profits of associated companies	<u>4,660</u>	<u>5,559</u>	<u>-</u>	<u>-</u>
	<u>24,455</u>	<u>64,932</u>	<u>12,882</u>	<u>13,502</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 Group recorded a loss before taxation in 1998. The taxation charge was due to profits of certain subsidiaries which 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 \$8,086,000 [1997: \$3,051,000]).

7. Extraordinary Item

Extraordinary item of \$14,420,000 (1997: Nil) for the Company relates to the provision for diminution in the value of investment in an associated company.

8. Dividend

	Group		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Proposed dividend: 6% less tax (1997: 8% less tax)	14,553	19,404	14,553	19,404
Under-provision in respect of shares issued under the Keppel Land Share Option Scheme and on the exercise of Keppel Land Warrants 2000	-	1,346	-	1,346
	<u>14,553</u>	<u>20,750</u>	<u>14,553</u>	<u>20,750</u>

9. Profit / (Loss) per Share

	Group	
	1998 \$'000	1997 \$'000
The calculation of profit / (loss) per share is based on the following profits / (losses):		
Before tax but after minority interests	(330,380)	155,051
After tax and minority interests	(350,564)	104,663

Profit / (Loss) per share for the year has been calculated by reference to the weighted average number of 655,533,987 (1997: 626,419,091) shares in issue during the year.

The effect of dilution on the profit / (loss) 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.

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10. Share Capital

	Group and Company	
	1998	1997
	\$'000	\$'000
Authorised: 1,000,000,000 shares of 50 cents each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid: 655,533,987 (1997: 655,533,987) shares of \$0.50 each	<u>327,767</u>	<u>327,767</u>
Issued and fully paid:		
At 1 January	327,767	305,017
Shares issued upon exercise of Keppel Land Warrants 2000	-	22,692
Shares issued under the Keppel Land Share Option Scheme	-	58
At 31 December	<u>327,767</u>	<u>327,767</u>

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

As at 31 December 1998, there were 104,208,866 (1997: 104,208,866) 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 1998, there were options granted to certain employees to take up 6,784,810 unissued shares in the Company. Except under certain circumstances, an option may be exercised after two years from the date of the 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 subscription prices are \$3.35 per share for 45,630 shares, \$3.98 per share for 197,730 shares, \$4.40 per share for 324,480 shares, \$3.99 per share for 359,970 shares, \$4.53 per share for 435,000 shares, \$4.67 per share for 460,000 shares, \$4.16 per share for 923,000 shares, \$3.86 per share for 945,000 shares, \$1.58 per share for 1,311,000 shares and \$0.56 per share for 1,783,000 shares.

11. Share Premium

	Group and Company	
	1998	1997
	\$'000	\$'000
At 1 January	678,945	565,156
Premium on shares issued:		
On exercise of warrants by holders of Keppel Land Warrants 2000	-	113,460
Under Keppel Land Share Option Scheme	-	329
At 31 December	678,945	678,945

12. Capital Reserves

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
At 1 January	1,369,620	1,549,912	1,709,499	1,829,365
Net deficit on revaluation of fixed assets and investment properties	(532,809)	(157,040)	(16,840)	(1,700)
Goodwill arising on consolidation	(3,728)	(17,466)	-	-
Net deficit on revaluation of subsidiary and associated companies	-	-	(998,653)	(118,166)
Realised asset revaluation surplus transferred to profit and loss account	(18,202)	-	1	-
Adjustment arising from change in Group structure	(2,345)	(8,812)	-	-
Transfer from revenue reserves	4,548	3,026	-	-
Transfer to foreign currency translation account	(1,546)	-	-	-
At 31 December	815,538	1,369,620	694,007	1,709,499
Representing:				
Statutory reserves	8,858	7,009	-	-
Bond premium	4,057	4,057	4,057	4,057
Goodwill arising on consolidation	(48,260)	(44,532)	-	-
Asset revaluation and other reserves	850,883	1,403,086	689,950	1,705,442
	815,538	1,369,620	694,007	1,709,499

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

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13. Foreign Currency Translation Account

	Group		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
At 1 January	(50,198)	-	(49,074)	-
Exchange differences arising on consolidation	(87,808)	(1,124)	-	-
Exchange differences on foreign currency borrowings	9,989	(49,074)	9,989	(49,074)
Transfer from capital reserves	1,546	-	-	-
Transfer from profit and loss account	3,315	-	-	-
Adjustment arising from change in Group structure	(19)	-	-	-
At 31 December	<u>(123,175)</u>	<u>(50,198)</u>	<u>(39,085)</u>	<u>(49,074)</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.

14. 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 \$54,272,000 (1997: \$39,390,000) are available for distribution as dividends without incurring additional tax liability.

15. 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 of \$45,179,000 and capital allowances of \$76,976,000 at 31 December 1998 for which related tax benefits totalling \$34,034,000 (1997: \$41,524,000) have not been included in the accounts.

16. Long-term Borrowings

	Group		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
\$ Bonds 2000, unsecured	250,000	250,000	250,000	250,000
US\$ Bonds 2000, unsecured	331,800	335,000	331,800	335,000
	<u>581,800</u>	<u>585,000</u>	<u>581,800</u>	<u>585,000</u>
Bonds 4 15/16 % due 2001, unsecured	200,000	200,000	200,000	200,000
Floating Rate Notes, unsecured:				
Due 2001	193,750	270,250	193,750	270,250
Due 2002	37,750	40,500	37,750	40,500
	<u>231,500</u>	<u>310,750</u>	<u>231,500</u>	<u>310,750</u>
Bank borrowings:				
Secured	271,102	279,681	-	-
Unsecured	361,985	220,075	295,992	147,400
	<u>633,087</u>	<u>499,756</u>	<u>295,992</u>	<u>147,400</u>
Loans from related companies	345,758	-	309,541	-
	<u>1,992,145</u>	<u>1,595,506</u>	<u>1,618,833</u>	<u>1,243,150</u>

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 % 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 1998, related companies held the following bonds :

\$ Bonds 2000	\$54,500,000	(1997: \$54,000,000)
Bonds 4 15/16 % due 2001	\$75,000,000	(1997: \$75,000,000)

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 1998, 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 2.5% to 8.9% (1997: 3.2% to 7.9%).

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The Group's secured bank borrowings bear interest at rates ranging from 4.69% to 7.3% (1997: 4.69% to 7.05%) 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 5.3% to 12.04% (1997: 5.2% to 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 1998 would have been as follows:

	Group and Company	
	1998	1997
	\$'000	\$'000
Profit and loss account:		
Reduction in profit before taxation representing bond discount amortised	<u>21,859</u>	<u>20,601</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>(62,462)</u>	<u>(40,603)</u>
Increase in reserves	<u>47,222</u>	<u>69,081</u>
Bonds 2000		
Present value on initial recognition	423,316	423,316
Cumulative bond discount amortised	<u>62,462</u>	<u>40,603</u>
Present value at year-end	<u>485,778</u>	<u>463,919</u>

17. Fixed Assets

	Land and Buildings		Machinery, Equipment & Vehicles	Total
	Freehold	Long Lease	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000
GROUP				
Cost or Valuation				
At 1 January 1998				
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>
Additions	-	7,963	15,397	23,360
Disposals	-	-	(1,735)	(1,735)
Revaluation deficit	(926)	-	-	(926)
Exchange differences arising on consolidation	(1,699)	(43,356)	(7,790)	(52,845)
Reclassification from investment properties	(562)	1,610	-	1,048
At 31 December 1998	<u>10,747</u>	<u>150,816</u>	<u>77,431</u>	<u>238,994</u>
Representing:				
Valuation 1998	10,591	-	-	10,591
Cost	156	150,816	77,431	228,403
	<u>10,747</u>	<u>150,816</u>	<u>77,431</u>	<u>238,994</u>

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	Land and Buildings		Machinery	Total
	Freehold	Long	Equipment	
	\$'000	Lease	& Vehicles	
	\$'000	\$'000	\$'000	\$'000
Depreciation				
At 1 January 1998	47	-	29,114	29,161
Depreciation for the year	5	-	9,160	9,165
Disposals	-	-	(1,619)	(1,619)
Exchange differences arising on consolidation	-	-	(2,771)	(2,771)
At 31 December 1998	52	-	33,884	33,936
Depreciation for 1997	6	-	9,351	9,357
Net Book Value				
At 31 December 1998	10,695	150,816	43,547	205,058
At 1 January 1998	13,887	184,599	42,445	240,931

The freehold property stated at Directors' valuation is based on the valuation (open market value basis) by Herron Todd White, an independent firm of professional valuers as at 31 December 1998. The valuation deficit has been taken direct to capital reserves.

	Freehold Land and Buildings \$'000
COMPANY	
Cost	
At 1 January 1998 and at 31 December 1998	156
Depreciation	
At 1 January 1998	47
Depreciation for the year	5
At 31 December 1998	52
Depreciation for 1997	6
Net Book Value	
At 31 December 1998	104
At 1 January 1998	109

18. Investment Properties

	Group			Company
	Land and Buildings	Long	Total	Freehold
	Freehold	Lease		Land and
	\$'000	\$'000	\$'000	Building
				\$'000
At valuation				
At 1 January 1998	915,395	1,409,204	2,324,599	52,000
Additions	88	419	507	-
Disposals	(120,395)	-	(120,395)	-
Transfer from development properties	-	825,202	825,202	-
Transfer from completed properties held for sale	55,282	84,175	139,457	-
Revaluation deficit	(220,000)	(294,011)	(514,011)	(16,840)
Exchange differences arising on consolidation	-	(1,676)	(1,676)	-
Reclassification to fixed assets	-	(1,048)	(1,048)	-
At 31 December 1998	<u>630,370</u>	<u>2,022,265</u>	<u>2,652,635</u>	<u>35,160</u>

The Group's investment properties (including integral plant and machinery) are stated at Directors' valuation based on the following valuations (open market value basis) by independent firms of professional valuers as at 31 December 1998:

- (a) Knight Frank Pte Ltd for properties in Singapore;
- (b) First Pacific Davies (Singapore) Pte Ltd for properties in Vietnam.

The Group's share of net deficit over their book value, amounting to \$445,754,000 (1997: \$122,884,000), has been taken direct to capital reserves.

The Company's properties were stated at Directors' valuation based on the valuation by Knight Frank Pte Ltd as at 31 December 1998.

Properties amounting to \$621,021,000 (1997: Nil) in value and included in the above balances are jointly mortgaged to banks as securities for borrowings referred to in Note 16.

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19. Properties Held for Development

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Properties held for development comprise:				
Land cost	1,172,548	1,898,386	-	-
Development cost incurred to-date	236,498	528,202	-	-
Related overhead expenditure	145,757	112,985	-	-
Cost transferred to fixed assets and cost of goods sold transferred to profit and loss account	-	(312,618)	-	-
Progress billings received	(209,159)	-	-	-
Provisions	(438,233)	-	-	-
	907,411	2,226,955	-	-

Interest capitalised during the year was \$98,611,000 (1997: \$63,752,000).

Properties amounting to \$28,497,000 (1997: \$524,037,000) in value and included in the above balances are jointly mortgaged to banks as securities for borrowings referred to in Note 16.

20. Subsidiary Companies

	Company	
	1998	1997
	\$'000	\$'000
Unquoted shares, at Directors' valuation	1,538,628	2,443,021
Advances to subsidiary companies (Non-trade)	1,510,429	1,627,960
	3,049,057	4,070,981
Less: Advances from subsidiary companies (Non-trade)	(91,120)	(143,193)
	2,957,937	3,927,788

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 5.5% to 7.5% (1997: 1.5% to 6.5%) 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 \$883,485,000 (1997: \$78,783,000) is taken direct to capital reserves.

21. Associated Companies

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
At Directors' valuation	-	-	353,372	471,828
At cost	354,293	321,447	-	-
Share of post-acquisition retained revenue reserves (Distributable)	32,649	36,533	-	-
Capital and other reserves (Non-distributable)	40,514	167,294	-	-
Investment in associated companies (See note below)	427,456	525,274	353,372	471,828
Advances to associated companies (Non-trade)	238,923	187,358	90,628	68,165
Advances from associated companies (Non-trade)	(3,213)	(456)	(2,253)	-
	663,166	712,176	441,747	539,993
Investment in associated companies is represented by:				
Quoted shares (Market value \$150,671,000; 1997: \$148,930,000)	142,263	147,309	142,263	147,309
Unquoted shares	285,193	377,965	211,109	324,519
	427,456	525,274	353,372	471,828

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 2.79% to 13.63% (1997: 4.65% to 13% 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 \$115,168,000 (1997: \$39,383,000) is taken direct to capital reserves.

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

	Group	
	1998	1997
	\$'000	\$'000
Sales	<u>211,063</u>	181,625
Profit / (Loss) before taxation	(5,761)	11,361
Taxation	<u>(4,660)</u>	(5,559)
Profit / (Loss) after taxation	<u>(10,421)</u>	<u>5,802</u>
Retained revenue reserves:		
At 1 January	36,533	43,504
Profit / (Loss) for the year	(10,421)	5,802
Foreign currency translation	11,455	(11,091)
Dividends	(2,727)	(2,999)
Adjustment arising from change in Group structure	436	1,317
Transfer to capital reserves	(1,127)	-
Issue of bonus shares	<u>(1,500)</u>	-
At 31 December	<u>32,649</u>	<u>36,533</u>

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

	Group's Share of		Group's Share	
	Profit / (loss) before Taxation		of Net Assets	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Property	(5,798)	2,205	242,079	330,181
Non-property	<u>37</u>	<u>9,156</u>	<u>185,377</u>	<u>195,093</u>
	<u>(5,761)</u>	<u>11,361</u>	<u>427,456</u>	<u>525,274</u>

22. Other Investments

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Quoted shares in corporations, at cost	2,692	2,692	-	-
Unquoted shares in corporations, at cost	93,983	82,970	7,288	7,288
Convertible loan stock	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
	<u>98,675</u>	<u>87,662</u>	<u>9,288</u>	<u>9,288</u>
Market value of quoted investments	<u>5,450</u>	<u>4,200</u>	-	-

23. Stocks

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Work-in-progress	1,365	4,198	-	-
Spare parts and consumable stores	2,668	2,231	-	-
	4,033	6,429	-	-

Work-in-progress is stated after deducting progress claims of \$83,965,000 (1997: \$79,828,000). There was no provision for stock obsolescence as at 31 December 1998 (1997: Nil).

24. Trade Debtors

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Trade debtors are stated after providing for doubtful debts of	156	105	-	-
Analysis of provision for doubtful debts:				
At 1 January	105	1,464	-	-
Provision during the year	79	19	-	-
Utilised	-	(1,302)	-	-
Provision written back	(28)	(71)	-	-
Translation difference	-	(5)	-	-
At 31 December	156	105	-	-

Included in trade debtors is an amount of \$48,061,000 (1997: \$131,334,000) 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.

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25. Other Debtors

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Prepaid project costs and prepayments	1,314	1,701	432	648
Deposit paid	981	1,476	-	-
Staff loans	882	478	-	-
Advances to corporations in which the Group has investment interests	43,980	43,679	6,769	5,159
Advances to minority shareholders of subsidiary companies	82,421	54,884	-	-
Receivable from sale of shares in a subsidiary	28,565	28,565	-	-
Deferred expenditure*	21,924	24,423	5,658	8,489
Other recoverable amounts	3,142	11,185	1,942	1,481
	<u>183,209</u>	<u>166,391</u>	<u>14,801</u>	<u>15,777</u>
Less: Provision	(158)	(158)	-	-
	<u>183,051</u>	<u>166,233</u>	<u>14,801</u>	<u>15,777</u>

Advances to corporations are unsecured and have no fixed terms of repayment. Interest is charged at rates ranging from 5.97% to 6.94% (1997: 6.68% 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 may be analysed as follows:

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Pre-operating expenses	20,332	17,697	-	-
Less: accumulated amortisation	(4,066)	(1,763)	-	-
Exchange differences on unhedged foreign currency borrowings	11,319	11,319	11,319	11,319
Less: accumulated amortisation	(5,661)	(2,830)	(5,661)	(2,830)
	<u>21,924</u>	<u>24,423</u>	<u>5,658</u>	<u>8,489</u>

26. Fixed Deposits, Bank Balances and Cash

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Amounts held under Project Account Rules 1985, withdrawals from which are restricted to payment for expenditures incurred on projects	15,216	30,099	-	-

27. Other Creditors and Provisions

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Deposits received	24,251	43,849	75	75
Loans from minority shareholders of certain subsidiary companies	174,844	161,410	-	-
Interest payable	30,869	7,585	5,724	2,724
Retention monies	21,839	16,823	-	-
Provision for additional payment to associates	9,006	-	9,006	-
Accruals	107,098	173,136	1,760	1,960
	367,907	402,803	16,565	4,759

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 5.25% to 7.65% (1997: 4.25% to 6.75%).

28. Net Tax Provision

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Provision for taxation	65,445	128,030	2,856	2,888
Income tax refund receivable	(13,140)	(7,228)	-	-
	52,305	120,802	2,856	2,888

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29. Short-term Borrowings

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Bank borrowings, secured	49,563	6,940	-	-

These borrowings bear interest at rates ranging from 6.99% to 7.3% (1997: 6.99% to 7.05%), are repayable within one year and are secured by mortgages of properties held by two subsidiary companies.

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

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Current account (non-trade):				
Amount owing to				
holding company	45	113	-	68
Amount owing to				
related companies	2,106	518	1,954	1,035
	<u>2,151</u>	<u>631</u>	<u>1,954</u>	<u>1,103</u>
Deposits and short-term borrowings:				
Surplus cash deposited with related				
companies	(100,836)	(127,043)	(28,486)	(97,725)
Advances to holding company	(5,000)	(19,595)	-	-
Advances to related companies	(19,595)	-	-	-
Short-term borrowings from related				
companies, unsecured	202,154	778,403	-	543,027
	<u>76,723</u>	<u>631,765</u>	<u>(28,486)</u>	<u>445,302</u>
Total	<u>78,874</u>	<u>632,396</u>	<u>(26,532)</u>	<u>446,405</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	10,849	18,281	-	-

Borrowings from related companies are repayable within one year, and bear interest at rates ranging from 2% to 26.13% (1997: 2.63% to 15.25%) per annum.

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

Related companies are subsidiary companies of Keppel Corporation Limited.

31. Sales, Profits and Assets Employed by Segment
(a) By Industry - 1998

	Property \$'000	Non- Property \$'000	Adjustments/ Elimination \$'000	Consolidated Total \$'000
Sales to third parties	317,914	-	-	317,914
Inter-segment sales	35,304	-	(35,304)	-
Consolidated sales	<u>353,218</u>	<u>-</u>	<u>(35,304)</u>	<u>317,914</u>
Operating profit / (loss)	<u>(349,681)</u>	<u>-</u>	<u>-</u>	<u>(349,681)</u>
Assets employed	<u>3,780,370</u>	<u>-</u>	<u>-</u>	<u>3,780,370</u>

(b) By Geographical Location - 1998

	Singapore \$'000	Far East and ASEAN other than Singapore \$'000	Australia & Others \$'000	Consolidated Total \$'000
Sales to third parties	<u>268,528</u>	<u>42,195</u>	<u>7,191</u>	<u>317,914</u>
Operating profit	<u>(343,921)</u>	<u>(6,622)</u>	<u>862</u>	<u>(349,681)</u>
Assets employed	<u>3,424,134</u>	<u>301,956</u>	<u>54,280</u>	<u>3,780,370</u>

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(c) By Industry - 1997

	Property \$'000	Non- Property \$'000	Adjustments/ Elimination \$'000	Consolidated Total \$'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 / (loss)	<u>170,977</u>	<u>-</u>	<u>-</u>	<u>170,977</u>
Assets employed	<u>4,915,826</u>	<u>-</u>	<u>-</u>	<u>4,915,826</u>

(d) By Geographical Location - 1997

	Singapore \$'000	Far East and ASEAN other than Singapore \$'000	Australia & Others \$'000	Consolidated Total \$'000
Sales to third parties	576,003	23,118	22,039	621,160
Operating profit / loss	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>

Pricing of inter-segment sales is at fair market value. Assets employed represent share capital and reserves, minority interests and external borrowings after deducting investment in associated companies and interest-yielding bank deposits.

32. Capital Commitments

	Group		Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
(a) Estimated development costs for investment properties :				
(i) Contracted for	77,205	201,604	-	-
(ii) Not contracted for	8,781	64,798	-	-
 (b) Estimated development costs for properties for sale:				
(i) Contracted for	367,566	365,516	-	-
(ii) Not contracted for	110,090	584,313	-	-
	<u>563,642</u>	<u>1,216,231</u>	<u>-</u>	<u>-</u>
 Less Minority shareholders' share	<u>(48,302)</u>	<u>(81,018)</u>	<u>-</u>	<u>-</u>
	<u>515,340</u>	<u>1,135,213</u>	<u>-</u>	<u>-</u>
 (c) Capital subscription in associated companies	72,371	74,733	72,231	74,733
 (d) Capital subscription in other corporations	<u>6,084</u>	<u>8,133</u>	<u>6,084</u>	<u>8,133</u>

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33. Contingent Liabilities, Unsecured

	Group		Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Guarantees given to financial institutions in connection with:				
(a) Facilities given to subsidiary companies	-	-	50,328	55,338
(b) Facilities given to associated companies	43,769	45,958	29,992	29,824
(c) Facilities given to corporations in which the Group has long term investments	117,821	118,855	117,821	118,855
Performance guarantees given to third parties	518	518	-	-

No material losses under these unsecured guarantees are expected.

34. Significant Related Party Transactions

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

	1998		1997	
	Holding Company and Fellow Subsidiaries \$'000	Subsidiary Companies \$'000	Holding Company and Fellow Subsidiaries \$'000	Subsidiary Companies \$'000
Interest income	1,878	88,746	4,597	59,514
Interest expense	(37,910)	-	(19,667)	-

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

	1998	1997
	\$'000	\$'000
Interest income	5,148	7,491
Interest expense	(58,164)	(32,606)
Interest capitalised under development properties	(7,641)	(11,719)
Management fees paid	(1,391)	(1,028)
Purchase of property for development	-	14,000
Project management fees received	502	2,132
Rent income	9,707	8,228
Property management fees	65	-

35. Regional Investments

The Group's investments in the region particularly Indonesia have been further written down in 1998 vide year-end 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.

36. Comparative Figures

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

37. 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 nine pages.

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