Keppel T&T

Driving Connectivity & Capacity

Report to Shareholders 2016

Contents

Driving Connectivity & Capacity

Keppel is a multi-business company committed to providing robust solutions for sustainable urbanisation. At Keppel T&T, we are driving connectivity and capacity to meet the demands of the new digital economy by sharpening our competitive edge and developing new platforms for growth.

Vision

To be a leading service provider, building reliable connections and solutions for the benefit of all our stakeholders.

Mission

Guided by the Group's operating principles and core values, we will execute our businesses in Logistics, Infocomm Technology and Investments profitably, safely and responsibly.

Keppel Group's Operating Principles

1. Best value propositions to customers.
2. Tapping and developing best talents from our global workforce.
3. Cultivating a spirit of innovation and enterprise.
4. Executing our projects well.
5. Being financially disciplined to earn best risk-adjusted returns.
6. Clarity of focus and operating within our core competence.
7. Being prepared for the future.

View our report online:
www.keppeltt.com.sg

Key Figures for 2016

Revenue	$194.6m	Revenue decreased by 3%.
Return On Equity	13.8%	Return On Equity increased from 12.8% to 13.8%.
Economic Value Added	$62.1m	Economic Value Added increased from $13.3 million to $62.1 million.
Net Asset Value Per Share	$1.43	Net Asset Value grew from $1.30 to $1.43 per share.
Net Profit	$105.1m	Net profit attributable to shareholders increased by 15%.
Earnings Per Share	18.9cts	Earnings Per Share increased by 15% to 18.9 cents.
Shareholders' Funds	$796.7m	Shareholders' funds increased by 10%.
Net Gearing Ratio	0.53x	Net gearing ratio increased from 0.40 times to 0.53 times.

Group Financial Highlights

	2016 $'000	2015 $'000	Change %
For the year			
Revenue	**194,622**	200,566	(3)
Operating profit	**80,173**	54,198	48
Profit before taxation	**130,283**	129,609	1
Net profit	**105,080**	91,481	15
Economic value added	**62,147**	13,308	367
At year-end			
Shareholders' funds	**796,664**	722,509	10
Non-controlling interests	**111,363**	102,013	9
Total equity	**908,027**	824,522	10
Net borrowings	**482,249**	326,886	48
Per share			
Earnings (cents):			
Profit before taxation	**21.5**	20.0	8
Net profit	**18.9**	16.5	15
Net asset value ($)	**1.43**	1.30	10
Net tangible assets ($)	**1.43**	1.27	13
Financial ratios			
Return on shareholders' funds (%):			
Profit before taxation	**15.8**	15.5	3
Net profit	**13.8**	12.8	8
Net gearing (times)	**0.53**	0.40	33
Personnel			
Number of employees	**1,463**	1,514	(3)
Total wages, salaries and related benefits	**61,932**	60,191	3

Group Quarterly Results ($'000)

	2016					2015				
	1Q	**2Q**	**3Q**	**4Q**	**Total**	1Q	2Q	3Q	4Q	Total
Revenue	**48,268**	**50,178**	**46,496**	**49,680**	**194,622**	47,930	49,128	50,914	52,594	200,566
Operating profit	**6,695**	**8,313**	**63,897**	**1,268**	**80,173**	6,293	4,637	7,444	35,824	54,198
Profit before taxation	**19,698**	**25,205**	**77,060**	**8,320**	**130,283**	21,801	20,968	22,338	64,502	129,609
Net profit	**13,313**	**18,808**	**69,878**	**3,081**	**105,080**	15,782	15,877	15,308	44,514	91,481

Chairman's Statement

Despite the challenging global economic environment, Keppel T&T delivered a creditable financial performance in 2016.

Loh Chin Hua
Chairman

Dear Shareholders,

2016 saw Keppel Telecommunications and Transportation (Keppel T&T) navigate its way through a subdued global economy, rising interest rates, as well as political and market uncertainties. The rapid rise of digital technology and disruptive business models such as crowdsourcing and "uberisation" are augmenting the ability of companies to scale up rapidly with lower asset investment. The exponential growth in data traffic, cloud computing and big data contributed to a growing demand for data centres. Our businesses in the Logistics and Data Centre Divisions will continue to focus on their core capabilities to be the preferred solutions provider in this fast-changing digital economy.

Key Developments in 2016

Keppel Data Centres divested 50% of its interest in Keppel DC REIT Management to Keppel Capital Holdings.

The Data Centre Division collaborated with Alpha Investment Partners to launch the US$500 million Alpha Data Centre Fund (ADCF).

Tianjin Eco-City Distribution Centre commenced operations.

The Logistics Division acquired a majority stake in Courex Pte. Ltd. in October, a Singapore-based third-party logistics company specialising in last-mile delivery and e-commerce fulfilment.

The Data Centre Division, together with the ADCF expanded into Germany with the acquisition of Keppel DC Frankfurt 1, a Tier III-equivalent data centre with a gross floor area of approximately 215,000 sq ft.

Resilient Businesses

Against this backdrop, I am pleased to report that Keppel T&T delivered a creditable financial performance in 2016.

Group revenue was $194.6 million, 3% lower than that of 2015. This was due mainly to lower revenue from the Logistics Division, partly offset by higher revenue from the Data Centre Division. However, Keppel T&T's net profit rose by 15% year-on-year to $105.1 million due to higher contribution from the Data Centre Division, including a one-off gain from the divestment of 50% of its interest in Keppel DC REIT Management to Keppel Capital Holdings.

Earnings Per Share increased by 15% to 18.9 cents. Net Asset Value per ordinary share grew by 10% to $1.43. Return On Equity climbed from 13% to 14% while Economic Value Added increased from $13.3 million to $62.1 million. Net gearing increased from 0.40 times to 0.53 times as at 31 December 2016 to fund the continued expansion of the Group's businesses.

Besides delivering a creditable financial performance, Keppel T&T was recognised for its commitment to corporate governance and transparency. In 2016, Keppel T&T was conferred the Best Investor Relations (Gold), Best Annual Report (Gold), and Best Managed Board (Silver) awards at the Singapore Corporate Awards, as well as the Merit Award in the Singapore Corporate Governance Award (Big Cap) and Runner-Up in the Most Transparent Company Award (Industrials) at the Securities Investors Association (Singapore) Investors' Choice Awards.

In addition, Keppel Logistics was named Singapore Domestic Logistics Service Provider of the Year at the 2016 Frost and Sullivan Asia Pacific Best Practices Awards.

The Board is pleased to recommend a final dividend of 4.5 cents per share.

Urban Logistics Solutions

Online channels are becoming an integral part of retail strategy due to changing consumer behaviour. As a leading logistics service provider, we see opportunities in this expanding space and are currently developing our capabilities to offer urban logistics solutions. In October 2016, the Logistics Division acquired a majority stake in Courex Pte. Ltd. (Courex), a Singapore-based third-party logistics company specialising in last-mile delivery and e-commerce fulfilment, using a crowdsourcing model to tap on a large network of delivery personnel.

Building on its core strengths, the Division also expanded its warehousing capacity in Vietnam for a key client in the electronics sector. In China, the Tianjin Eco-City Distribution Centre commenced operations in September, providing integrated cold chain logistics services to customers in the food processing and trading businesses.

During the year, the Division embarked on streamlining of its operations in Southeast Asia and China. This will help the Division to stay agile and harness synergies in its various operations to remain competitive.

Expanding Data Centre Footprint

The Data Centre Division continues to expand its footprint beyond its current geographies and together with its associated company Keppel DC REIT, has a total of 17 facilities spanning nine countries with 1.4 million sq ft of net lettable area.

In collaboration with PCCW Global, the Division is developing an international carrier exchange in Hong Kong to offer connectivity-related managed services. Slated for completion in the first half of 2017, the facility comprises 12,900 sq ft of Tier III-equivalent telecommunications centre space. Construction of its fourth data centre in Singapore, Keppel DC Singapore 4 (formerly known as Keppel Datahub 3), is well underway and Phase 1 is expected to be completed in 1H 2017. These are testaments to our strong pipeline of high-quality data centre assets to meet the local demand.

To further accelerate its expansion, the Division collaborated with Alpha Investment Partners to launch the US$500 million Alpha Data Centre Fund (ADCF). This will enable the Division to better seize opportunities without depending solely on its own balance sheet. Together with the ADCF, the Division has expanded into Germany with the acquisition of Keppel DC Frankfurt 1, a Tier III-equivalent data centre with a gross floor area of approximately 215,000 sq ft.

On 1 July 2016, Keppel Data Centres completed the divestment of 50% of its interest in Keppel DC REIT Management to

Data Centre Division

$48.7m

Revenue increased by 8% to $48.7 million from growth and business expansion.

Logistics Division

$145.9m

Revenue decreased by 6% to $145.9 million due to challenging market conditions.

Chairman's Statement

The sale of Keppel T&T's interests in Keppel DC Singapore 3 and Keppel DC REIT Management unlocked capital for the Data Centre Division to pursue its future expansion plans.

Keppel Capital Holdings, under the Keppel Group's initiative to improve the performance of the REIT Manager through capturing of synergies from operational efficiencies and sharing of best practices. The divestment of 90% of its interest in Keppel DC Singapore 3 (formerly Keppel Datahub 2) to Keppel DC REIT was recently completed in January 2017. Both divestments unlocked capital for the Division to pursue its future expansion plans.

Maintaining High Quality Investments

Keppel T&T continued to maintain its portfolio of investments, of which M1 remained a major contributor. In 2016, M1 recorded service revenue of $805.5 million. Although its total customer base expanded by 6.0% from 2.06 million to 2.18 million, net profit decreased by 16.0% to $149.9 million due to a highly competitive market. M1's overall market share increased slightly to 23.8% as at end 2016, compared to 23.4% a year earlier. Going forward, M1 will continue its transformative journey to become a Smart Communications Provider, building up a portfolio of Information and Communications Technology (ICT) and digital solutions enhanced with data analytics, to capitalise on new opportunities in the Internet of Things, Smart Nation and Data Analytics segments.

Outlook

Despite the challenging global economic outlook, the Group remains optimistic about the strong demand for high quality data centres and the growth potential of urban logistics. The Group will continue to streamline its businesses, pursue new acquisition and development of quality data centres, and grow its e-commerce and urban logistics capabilities. We will explore opportunities for divestments to monetise our assets and recycle capital to seek higher returns. The newly established ADCF will also bolster the Group's pursuit of quality data centres in its targeted markets.

Sustainability Reporting

Since 2011, Keppel T&T has been reporting on its sustainability performance, which is prepared in accordance to the internationally recognised Global Reporting Initiative (GRI) framework. The report illustrates how the Company is meeting the needs and expectations of its different

Keppel T&T was conferred the Best Investor Relations (Gold), Best Annual Report (Gold), and Best Managed Board (Silver) awards at the Singapore Corporate Awards 2016.

The Group will continue to streamline its businesses, pursue new acquisition and development of quality data centres, and grow its e-commerce and urban logistics capabilities.

stakeholders. We welcome the move by the Singapore Exchange (SGX) to mandate sustainability reporting for listed companies on a "comply or explain" basis by 2018. We have since further enhanced our sustainability reporting to be in line with the new SGX guidelines.

Appreciation
On behalf of the Group, I would like to thank our Shareholders for the continued support and confidence. I would also like to thank the Board of Directors for their dedication in guiding the Group's businesses.

In recognition of the uncertain economic outlook, the Directors of Keppel T&T are proposing to lower Directors' fees for 2016. The voluntary cuts by the Directors, together with the cut in monthly salary that the senior management team had undertaken in 2016, demonstrate our collective commitment to steer the Company through the challenging times ahead.

The Board and I would like to express our sincere appreciation to all our valued customers and business associates for their continued support and confidence in the Company, as well as to the management and staff for their valued contributions to Keppel T&T.

Yours sincerely,

Loh Chin Hua
Chairman
1 March 2017

Keppel T&T has acquired a 59.6% stake in Courex Pte. Ltd., a Singapore-based e-commerce fulfilment company.

Board of Directors

The following are the Board of Directors of the Company.

Loh Chin Hua age 55
Non-Independent Non-Executive Chairman

Date of first appointment as a director:
1 December 2013
Date of last re-election as a director:
15 April 2016
Length of service as a director (as at 31 December 2016):
3 years 1 month

Board Committee(s) served on:
Nominating Committee (Member); Remuneration Committee (Member)

Academic & Professional Qualification(s):
Bachelor in Property Administration, Auckland University; Presidential Key Executive MBA, Pepperdine University; CFA® charterholder

Present Directorships (as at 1 January 2017):
Listed companies
Keppel Corporation Limited

Other principal directorships
Keppel Offshore & Marine Ltd (Chairman); Keppel Land Limited (Chairman); Keppel Infrastructure Holdings Pte. Ltd. (Chairman); Keppel Capital Holdings Pte. Ltd. (Chairman); Keppel Care Foundation Limited

Principal Commitments (other than directorships):
Chief Executive Officer, Keppel Corporation Limited; Singapore Business Federation (Council Member); National University of Singapore (Member of Board of Trustees); Singapore Economic Development Board (Board Member)

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
KrisEnergy Ltd ; Keppel REIT Management Limited (Manager of Keppel REIT); Keppel Energy Pte. Ltd.; Keppel Land China Limited; Various fund companies under management of Alpha Investment Partners Limited

Others:
Nil

Thomas Pang Thieng Hwi age 52
Executive Director and Chief Executive Officer

Date of first appointment as a director:
1 July 2014
Date of last re-election as a director:
15 April 2016
Length of service as a director (as at 31 December 2016):
2 years 6 months

Board Committee(s) served on:
Board Safety Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Arts (Engineering); Master of Arts (Honorary Award), University of Cambridge (UK)

Present Directorships (as at 1 January 2017):
Listed companies
Keppel DC REIT Management Pte. Ltd. (Manager of Keppel DC REIT);
SVOA Public Company Ltd

Other principal directorships
Asia Airfreight Terminal Company Limited; Computer Generated Solutions, INC.; Indo-Trans Keppel Logistics Vietnam Co. Ltd.; Keppel Anhui Food Logistics Park Pte. Ltd.; Keppel Data Centres Pte. Ltd.; Keppel Capital Holdings Pte.Ltd.; Keppel Data Centres Holding Pte. Ltd.; Keppel DC Singapore 2 Pte. Ltd.; Keppel Jilin Food Logistics Park Pte. Limited; Keppel Logistics Pte. Ltd.; Radiance Communications Pte. Ltd.

Principal Commitments (other than directorships):
Nil

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
Keppel Seghers Newater Development Co Pte. Ltd.; Keppel Seghers Tuas Waste-To-Energy Plant Pte. Ltd.; Senoko Waste-To-Energy Pte. Ltd.; Caspian Rigbuilders Pte. Ltd.; Boxtel Investments Limited; Greenwich View Place Limited; iSeek Facilities Pty Ltd; KDCR 1 Limited; KDCR 2 Limited; KDCR Almere B.V.; KDCR Australia Pte. Ltd.; KDCR Australia No. 1 Pty Limited; KDCR Australia No. 2 Pty Limited; KDCR GVP Pte. Ltd.; KDCR Netherlands 1 Pte. Ltd.; KDCR Netherlands 2 Pte. Ltd.; KDCR Netherlands 3 Pte. Ltd.; KDCR Netherlands B.V.; Keppel DC REIT Fin. Company Pte. Ltd.; Keppel Data Centre Facility Management Pte. Ltd.; Keppel Digihub Ltd; Keppel Logistics (Tianjin Eco-city) Ltd; PT Keppel Puninar Logistics;Trans-ware Logistics (Pvt) Ltd

Others:
Nil

Neo Boon Siong age 59
Independent Director

Date of first appointment as a director:
2 May 2012
Date of last re-election as a director:
15 April 2015
Length of service as a director
(as at 31 December 2016):
4 years 8 months

Board Committee(s) served on:
Audit Committee (Chairman);
Board Risk Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Accountancy (Honours), National University of Singapore; MBA, University of Pittsburgh, USA; PhD, University of Pittsburgh, USA; Certified Public Accountant (Singapore)

Present Directorships (as at 1 January 2017):
Listed companies
k1 Ventures Limited (Chairman); OUE Hospitality REIT Management Pte. Ltd. (Manager of OUE Hospitality Real Estate Investment Trust); OUE Hospitality Trust Management Pte. Ltd. (the Trustee-Manager of OUE Hospitality Business Trust)

Other principal directorships
J. Lauritzen Singapore Pte. Ltd

Principal Commitments (other than directorships):
Dean and Canon Professor of Business at the Nanyang Business School, Nanyang Technological University

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
Oversea-Chinese Banking Corporation Limited; The Great Eastern Life Assurance Company Limited; The Overseas Assurance Corporation Limited; Keppel Offshore & Marine Ltd; Great Eastern Holdings Limited

Others:
Fellow of the Civil Service College; Fellow of the Centre for Liveable Cities; Founder Director of the Information Management Research Centre (IMARC) in Nanyang Technological University; Founder Director of the Asia Competitiveness Institute in National University of Singapore; Dean, Nanyang Business School, Nanyang Technological University (2001 to 2005); Professor, Lee Kuan Yew School of Public Policy (2006 to 2010)

Karmjit Singh age 69
Independent Director

Date of first appointment as a director:
1 October 2010
Date of last re-election as a director:
15 April 2015
Length of service as a director
(as at 31 December 2016):
6 years 3 months

Board Committee(s) served on:
Nominating Committee (Chairman);
Audit Committee (Member);
Board Safety Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Arts in Geography (Honours-Gold Medallist), National University of Singapore

Present Directorships (as at 1 January 2017):
Listed companies
Nil

Other principal directorships
JCS-Echigo Pte. Ltd.

Principal Commitments (other than directorships):
Chairman of the Chartered Institute of Logistics and Transport, Singapore; Member of the Public Transport Council; Chairman Advisory Council for E Commerce, SingPost

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
Nil

Others:
Former Chief Operating Officer of SATS Ltd (2004 to 2009, when he retired); Former consultant to the President and Chief Executive Officer of SATS Ltd (after his retirement in 2009 until September 2010); Former Chief Executive of SATS Airport Services Pte. Ltd. (1998 to 2004); Former Chairman of Asia Airfreight Terminal Co Ltd.; Advisor to CEO/SVP NIIT Technologies; Served on the Working Group for Logistics as part of the Government's Economic Review Committee; Former Board Member of T-LIAP— The Logistics Institute Asia Pacific; Advisor to Group CEO, Celebi Aviation Holdings

Board of Directors

Lim Chin Leong age 62
Independent Director

Date of first appointment as a director:
1 September 2014
Date of last re-election as a director:
15 April 2015
Length of service as a director
(as at 31 December 2016):
2 years 4 months

Board Committee(s) served on:
Board Safety Committee (Chairman);
Nominating Committee (Member);
Remuneration Committee (Member);
Board Risk Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Electrical Engineering,
University of Singapore

Present Directorships (as at 1 January 2017):
Listed companies
Nil

Other principal directorships
Keppel Offshore & Marine Ltd;
iRock Technology Limited

Principal Commitments (other than directorships):
Advisor, iRock Technology Limited

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
Cadenze Agriculture Environmental Resources Pte. Ltd; Imagi International Holdings Limited

Others:
Nil

Khor Poh Hwa age 66
Independent Director

Date of first appointment as a director:
1 July 2014
Date of last re-election as a director:
15 April 2015
Length of service as a director
(as at 31 December 2016):
2 years 6 months

Board Committee(s) served on:
Remuneration Committee (Chairman);
Audit Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Engineering (Civil),
University of Singapore;
Master of Science (Civil Engineering),
National University of Singapore

Present Directorships (as at 1 January 2017):
Listed companies
Hock Lian Seng Holdings Limited

Other principal directorships
Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd.; Singapore-Tianjin Eco-City Investment Holdings Pte. Ltd; Keppel Group Eco-City Investment Pte. Ltd.; Substantial Enterprises Limited

Principal Commitments (other than directorships):
Nil

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
Keppel Infrastructure Fund Management Pte. Ltd. (the Trustee-Manager of Keppel Infrastructure Trust); Keppel Land Limited; Keppel Land China Limited

Others:
Nil

Lee Ai Ming age 62
Independent Director

Date of first appointment as a director:
1 August 2015
Date of last re-election as a director:
15 April 2016
Length of service as a director
(as at 31 December 2016):
1 year 5 months

Board Committee(s) served on:
Board Risk Committee (Chairman);
Audit Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Laws (Honours), University of Singapore

Present Directorships (as at 1 January 2017):
Listed companies
Nil

Other principal directorships
Agri-Veterinary Authority of Singapore;
Addvision Pte. Ltd.; Visodand Pte. Ltd.

Principal Commitments (other than directorships):
Sr. Consultant, Rodyk & Davidson LLP

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
Keppel Land Limited; Keppel REIT Management Limited (Manager of Keppel REIT); Keppel Land China Limited; HTL International Holdings Ltd

Others:
Justice of the Peace
Advocate & Solicitor of the Supreme Court of Singapore

Chan Hon Chew age 51
Non-Independent Non-Executive Director

Date of first appointment as a director:
1 June 2014
Date of last re-election as a director:
15 April 2015
Length of service as a director
(as at 31 December 2016):
2 years 7 months

Board Committee(s) served on:
Audit Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Accountancy (Honours);
CFA® charterholder, Member of the Institute of Chartered Accountants Australia and Institute of the Singapore Chartered Accountants

Present Directorships (as at 1 January 2017):
Listed companies
KrisEnergy Ltd;
Keppel DC REIT Management Pte. Ltd. (Manager of Keppel DC REIT) (Chairman)

Other principal directorships
Keppel Land Limited; Keppel Infrastructure Holdings Pte. Ltd.; Keppel Offshore & Marine Ltd; Singapore Tianjin Eco-City Investment Holdings Pte. Ltd.; Keppel Capital Holdings Pte. Ltd.

Principal Commitments (other than directorships):
Chief Financial Officer,
Keppel Corporation Limited

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
Tiger Airways Holdings Limited; Virgin Atlantic Limited (Alternate Director); Virgin Atlantic Airways Limited (Alternate Director); Virgin Travel Group Limited (Alternative Director); Singapore Aviation & General Insurance Company (Pte) Ltd; RCMS Properties Private Limited

Others:
Nil

Senior Management & Key Executives

The following are the Senior Management of the Company and its principal subsidiaries:

Corporate Office

Thomas Pang Thieng Hwi age 52
Chief Executive Officer

Bachelor of Arts (Engineering), University of Cambridge (UK); Master of Arts (Honorary Award), University of Cambridge (UK)

Mr Thomas Pang is an Executive Director and the Chief Executive Officer (CEO) of Keppel T&T, a position he has held since July 2014. From June 2010 to June 2014, he was the CEO of Keppel Infrastructure Fund Management Pte. Ltd. (KIFM), the Trustee-Manager of Keppel Infrastructure Trust (KIT).

He joined Keppel Offshore & Marine Ltd in 2002 as a Senior Manager (Merger Integration Office) to assist in the merger integration of Keppel FELS Limited and Keppel Shipyard Limited. He was promoted to General Manager (Corporate Development) in 2007 and oversaw the investments, mergers and acquisitions and strategic planning of Keppel Offshore & Marine Ltd.

Prior to that, he was an Investment Manager with Vertex Management (United Kingdom) from 1998 to 2001. Mr Thomas Pang was also the Vice President (Central USA) of the Singapore Tourism Board from 1995 to 1998, as well as Assistant Head (Services Group, Enterprise Development Division) at the Economic Development Board of Singapore from 1988 to 1995, where he was responsible for local enterprise development.

Past principal directorships in the last five years (from 1 January 2012 to 31 December 2016)
Keppel Seghers Newater Development Co Pte. Ltd.; Keppel Seghers Tuas Waste-To-Energy Plant Pte. Ltd.; Senoko Waste-To-Energy Pte. Ltd.; Caspian Rigbuilders Pte. Ltd.; Boxtel Investments Limited; Greenwich View Place Limited; iSeek Facilities Pty Ltd; KDCR 1 Limited; KDCR 2 Limited; KDCR Almere B.V.; KDCR Australia Pte. Ltd.; KDCR Australia No. 1 Pty Limited; KDCR Australia No. 2 Pty Limited; KDCR GVP Pte. Ltd.; KDCR Netherlands 1 Pte. Ltd.; KDCR Netherlands 2 Pte. Ltd.; KDCR Netherlands 3 Pte. Ltd.; KDCR Netherlands B.V.; Keppel DC REIT Fin. Company Pte. Ltd; Keppel Data Centre Facility Management Pte. Ltd.; Keppel Digihub Ltd; Keppel Logistics (Tianjin Eco-city) Ltd; PT Keppel Puninar Logistics;Trans-ware Logistics (Pvt) Ltd.

Tan Eng Hwa (Ms) age 57
Chief Financial Officer

Bachelor of Social Sciences (Economics and Statistics), National University of Singapore

Ms Tan Eng Hwa is the Chief Financial Officer of Keppel T&T. She was previously the General Manager of Group Internal Audit at Keppel Corporation. Prior to joining Keppel in 2007, she was the Global Retail Financial Operations Advisor at ExxonMobil. Her career at ExxonMobil spanned over 23 years covering different markets in various leadership roles supervising IT system implementation, business analysis, marketing distribution and planning, financial reporting and audit functions.

Past principal directorships in the last five years (from 1 January 2012 to 31 December 2016)
Nil

Vincent Ko Woon Chun age 64
Director (Special Projects)

Bachelor of Commerce (Accounting), Nanyang University; Fellow of the Institute of Certified Public Accountants of Singapore; Diploma in Management Studies, the University of Chicago Graduate School of Business

Mr Vincent Ko is the Director, Special Projects at Keppel T&T. He started his career when he joined the Keppel Group in March 1980 as an Accountant with Keppel Shipyard Limited. During his career with the Keppel Group, he has held various management appointments in Singapore, China and Hong Kong with Keppel Land International Ltd, Straits Steamship Company Ltd (now known as Keppel Land Limited) and Keppel Corporation Limited. He was appointed as the Company's Divisional Director, China Business Unit in January 1998 and in February 2004 assumed the position of Executive Director. He subsequently took up the role of Chief Executive Officer, Logistics China and was also Executive Chairman and Chief Executive Officer for Keppel Logistics (Foshan) Limited and Keppel Logistics (Hong Kong) Ltd.

Past principal directorships in the last five years (from 1 January 2012 to 31 December 2016)
Keppel Logistics Pte. Ltd.

Data Centre Division

Wong Wai Meng age 48
Chief Executive Officer

Bachelor of Engineering (Electrical and Electronic Engineering), Nanyang Technological University; Second Vice Chairman in the Executive Committee Council of Singapore IT Federation (SiTF); Committee Member in the Technology Strategy Committee of Mount Alvernia Hospital

Mr Wong Wai Meng is the CEO of Keppel Data Centres. He has more than 20 years of experience in the Information and Communications Technology (ICT) industry. Prior to joining Keppel T&T, he was Vice President of BT Advise BT Global Services across Asia Pacific, Middle East, Africa and Turkey (AMEA) where he managed the company's practices in business consulting, systems integration, software development, networking, mobility, collaboration and security. He was also CEO of the BT Frontline group of companies where he played a critical role in the integration of BT Frontline into BT Global Services.

Past principal directorships in the last five years (from 1 January 2012 to 31 December 2016)
E&E Technology Pte. Ltd. (Taiwan); Green House Group Pte. Ltd.; Frontline Solutions Pte. Ltd.; iASPire.Net Pte. Ltd.; BT Singapore Pte. Ltd.; BT Global Solutions Pte. Ltd.; BT Global Services Technologies Pte. Ltd.; Frontline Technologies Corporation Ltd.

Logistics Division

Desmond Gay Kah Meng age 56
Chief Executive Officer

Bachelor of Business Administration, Roosevelt University, Chicago, Illinois, USA; Master of Business Administration (with a major in Finance), Roosevelt University, Chicago, Illinois, USA

Mr Desmond Gay is the CEO of Keppel Logistics. Prior to his appointment, he was the CEO of JGL Group Ltd, an Asia-based third-party logistics provider of integrated forwarding and logistics solutions, spanning over nine countries. As an industry veteran with more than 22 years of experience in the logistics industry, he held increasingly senior management positions in companies including Air Express International, DHL Danzas Air and Ocean, DHL Exel Supply Chain within Deutsche Post AG, DTW Logistics Group (former joint venture partner of FEDEX China) and Jacobson Companies.

Past principal directorships in the last five years (from 1 January 2012 to 31 December 2016)
JGL Holding (S) Pte. Ltd.; Jacobson Global Logistics (S) Pte. Ltd.; JGL Group Limited; Jacobson Global Logistics (Hong Kong) Limited

Corporate Office

Henry Goh
Financial Controller

Jennifer Tan Nguek Ting
General Manager, Human Resources

Ngiam Share Ching
General Manager, Strategic Development, Risk & Compliance

Paul Lee Chia Hsiung
Head, Information Technology

Trevor Poh Soo Wee
Assistant General Manager, Corporate Development

Data Centre Division

Chng Hak Kiat
Chief Operating Officer (Asia Pacific)
Keppel Data Centres

Ong Kok Chye
Head (Investment) and Senior Vice President (Europe)
Keppel Data Centres

Karl Hennessy
Chief Operating Officer (Europe)
Keppel Data Centres

Stuart Kennedy
General Manager
iSeek-KDC Services Pty Ltd

Logistics Divison

Darren Lee Kian Peng
Head, Contract Logistics (Southeast Asia & Australia)
Keppel Logistics Pte. Ltd.

Desmond Boo Yong Kwee
General Manager, Business Development
Keppel Logistics Pte. Ltd.

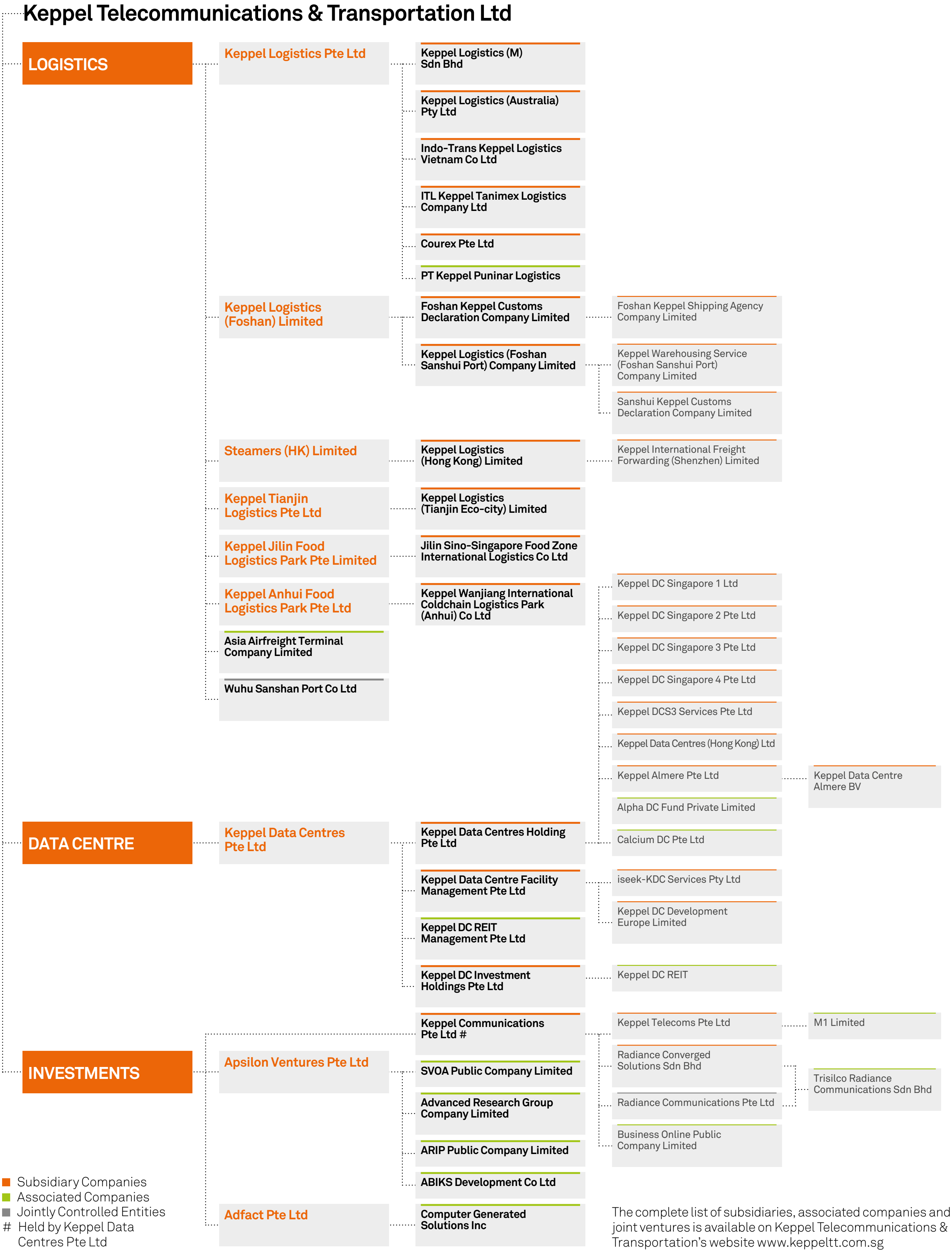
Oh Kheng Huat
General Manager, Strategic Business Unit
Keppel Logistics Pte. Ltd.

Alen Ng Say Kai
Senior General Manager, Port Logistics (Greater China)
Keppel Logistics Pte. Ltd.

Victor Pang Kok Min
General Manager, Contract Logistics (Greater China)
Keppel Logistics Pte. Ltd.

Joe Choa Soon Heng
Managing Director
Courex Pte. Ltd.

Corporate Structure



The complete list of subsidiaries, associated companies and joint ventures is available on Keppel Telecommunications & Transportation's website www.keppeltt.com.sg

Business Structure

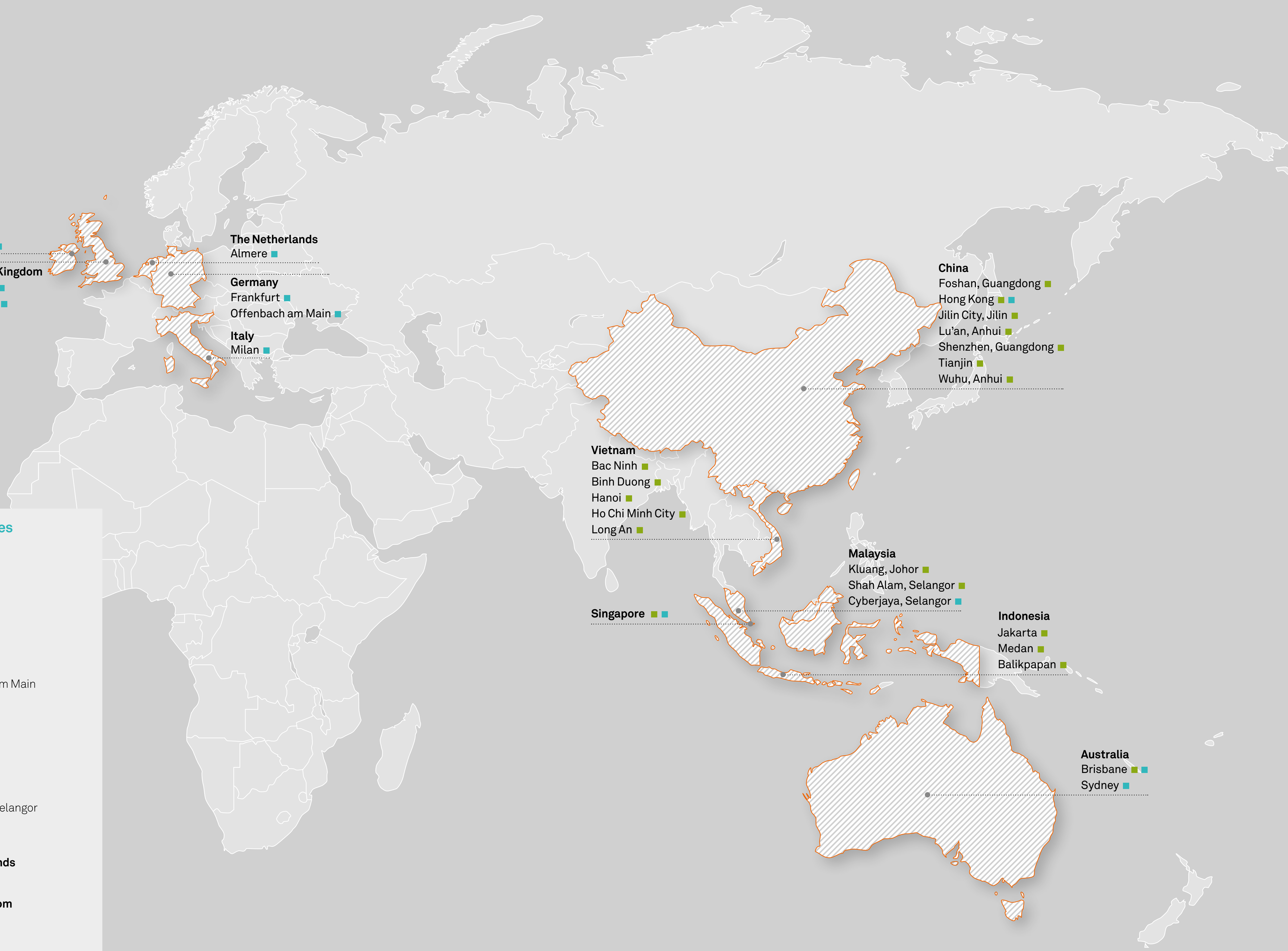
Keppel Telecommunications & Transportation Ltd

- **LOGISTICS**
  - Contract Logistics
  - Urban Logistics
  - Port Logistics
- **DATA CENTRE**
  - Design & Build
  - Own & Operate (Facility Management)
  - REIT, Fund Management
- **INVESTMENTS**

Keppel T&T Network

Located in

11 Countries



Logistics

Australia
- Brisbane

China
- Foshan, Guangdong
- Hong Kong
- Jilin City, Jilin
- Lu'an, Anhui
- Tianjin
- Shenzhen, Guangdong
- Wuhu, Anhui

Indonesia
- Jakarta
- Medan
- Balikpapan

Malaysia
- Kluang, Johor
- Shah Alam, Selangor

Singapore

Vietnam
- Bac Ninh
- Binh Duong
- Hanoi
- Ho Chi Minh City
- Long An

Data Centres

Australia
- Brisbane
- Sydney

China
- Hong Kong

Germany
- Frankfurt
- Offenbach am Main

Ireland
- Dublin

Italy
- Milan

Malaysia
- Cyberjaya, Selangor

Singapore

The Netherlands
- Almere

United Kingdom
- Cardiff
- London

■ Logistics ■ Data Centre

Business Review

Logistics

Warehouses

3.8m sq ft

Total owned and managed warehouse space in six countries across Asia Pacific.

Operational Excellence

9 Awards

Attained for operational excellence since 2007 from Frost & Sullivan.

The Division continues to transform itself to deliver customer-focused solutions in the new economy.

Market Review

Global economic conditions remain challenging with slowing growth in China, heightened economic risks in Europe following Brexit and the likelihood of US trade protectionism.

In China, growth moderated to 6.7% in 2016 as the economy continued to rebalance towards domestic-driven consumption and services. This transition is reflected more prominently in the manufacturing sector, which is shedding excess capacity while moving towards higher value-added activities. Growth across emerging markets in Southeast Asia has been broadly driven by domestic demand, intra-regional trade, fiscal stimulus and favourable investment policies.

Along with the uptrend in digitalisation, the logistics industry has seen increasing adoption of new technologies and business models. New technology applications and automation have enhanced supply connectivity and visibility, leading to significant improvements in efficiency. The growing e-commerce market has driven up demand for urban logistics solutions. New business models such as crowdsourced logistics offer avenues for companies to scale up their operations with low investment in assets.

During the year, the Logistics Division has restructured its business into Contract Logistics, Urban Logistics and Port Logistics. The business has intensified its focus on streamlining its processes and resources to improve margins, and integrating Southeast Asia and China operations to strengthen its core capabilities.

Earnings and Financial Review

The Logistics Division's revenue of $145.9 million decreased by $9.5 million compared to that of the previous year due to lower warehousing and port operations revenue. Operating loss of $17.4 million was due largely to the impairment loss on fixed assets. Excluding the impairment loss, operating profit was $9.6 million compared to $13.4 million in the previous year. The decrease was due mainly to the lower contribution from China operations, higher facility cost and lower gain on disposal of fixed assets. Consequently, profit before taxation was a loss at $19.8 million as compared to profit before taxation of $12.9 million in 2015.

Earnings Highlights ($'000)

	2016	2015	% Increase/ (Decrease)
Logistics			
Revenue	**145,872**	155,375	(6)
Operating (loss)/profit	**(17,361)**	13,429	nm
(Loss)/profit before taxation	**(19,802)**	12,857	nm
Net (loss)/profit	**(15,508)**	4,589	nm
Net assets	**294,557**	285,705	3

The difference of $32.7 million in profit before taxation was due to lower operating profit, lower share of results from associated companies and higher interest expense. After taking into account lower taxation and non-controlling interests, net loss attributable to shareholders was $15.5 million.

Business Review

Contract Logistics

The Division has maintained a healthy warehousing occupancy rate across its facilities, except for a slight drop in Singapore.

In China, operations commenced at the new integrated logistics distribution centre at the Sino-Singapore Tianjin Eco-City in September 2016. The modern cold chain facility, certified with the 2-Star Green Building Design Label, is serving customers in food processing and trading businesses. In Vietnam, Indo-Trans Keppel Logistics (ITKL) completed a 47,800 sq ft expansion of the Hiep Phuoc warehouse in Ho Chi Minh City, which has been fully taken up by a key customer.

As testament to our long standing operational and business excellence, Keppel Logistics was named Singapore Domestic Logistics Service Provider of the Year at the 2016 Frost & Sullivan Asia Pacific Best Practices Awards. This is the ninth award from Frost & Sullivan that Keppel Logistics has clinched since 2007.

Urban Logistics

As part of its strategy to participate in the fast growing e-commerce space, the Division acquired a 59.6% stake in Courex, a Singapore-based e-commerce fulfilment provider. Courex's key capabilities include crowdsourcing for last-mile delivery and a proprietary cloud-based inventory management platform. Business-to-Consumer (B2C) logistics capabilities from Courex would complement existing Business-to-Business (B2B) offerings, allowing Keppel Logistics to offer comprehensive urban logistics solutions.

Port Logistics

The Division's river port performance in China was commendable despite slower growth in trade and a slowing economy. Overall, 380,253 TEUs of containers were handled in 2016, marking a year-on-year increase of 7.8%.

In Foshan, Guangdong Province, Lanshi Port maintained its throughput at 175,108 TEUs despite stiff competition from neighbouring ports. At Foshan Sanshui Port, its varied cargo mix, location and operational efficiency continued to fuel throughput growth, reaching a peak of 203,099 TEUs, compared to 175,600 TEUs in 2015.

Significant Events

July

Keppel Logistics Foshan Sanshui Port installed two new Rail-Mounted Gantry Cranes which expanded the port's total yard capacity for laden containers by more than 30%.

August

Keppel Logistics received the 2016 Frost & Sullivan Singapore Domestic Logistics Service Provider of the Year Award.

September

Operations commenced at the new integrated logistics distribution centre in the Sino-Singapore Tianjin Eco-City.

October

Keppel Logistics acquired a 59.6% stake in Courex Pte. Ltd.

November

Indo-Trans Keppel Logistics completed the Hiep Phuoc warehouse phase 2 expansion in Ho Chi Minh City, Vietnam.

Keppel Logistics Foshan Sanshui Port has increased its yard capacity for laden containers by more than 30% with the installation of two Rail-Mounted Gantry Cranes.

Business Review

Logistics

As part of its strategy to grow in the e-commerce market, the Division acquired a 59.6% stake in Courex, a Singapore-based third-party logistics company specialising in last-mile delivery and e-commerce fulfilment.

Both Lanshi and Sanshui ports have adopted a selective pricing strategy in order to increase their market share and strengthen their client base.

Wuhu Sanshan Port, in Wuhu, Anhui Province achieved a throughput of 4.06 million tonnes in 2016. The volume of cargo handled at the port continued to be affected by the slowdown in manufacturing activities from its key clients. Faced with this challenge, the port will be increasing its marketing efforts to secure more customers and cargo volumes.

Developing Projects

Lu'an City, Anhui Province

Keppel Wanjiang International Coldchain Logistics Park is a 33-hectare cold chain logistics park located in Lu'an City, Anhui Province. The joint venture company is 60% owned by Keppel T&T, with minority stakes held by private investors and the Lu'an City Jin'an District Government. Construction progress was delayed in 2016 due to adverse weather conditions and additional regulatory requirements. Phase 1 of the project, consisting of more than 506,000 sq ft of shopfront space and 518,000 sq ft of coldroom and ambient warehouse space, is slated for completion in 2017.

Jilin City, Jilin Province

Located within the 1,450 km^2 Jilin Food Zone in Jilin City, Jilin Province, the Jilin Food Zone Logistics Park is a 70:30 collaboration between Keppel T&T and the Jilin City Government. Construction of the Logistics Park slowed down in tandem with the pace of the overall development of the Jilin Food Zone.

Outlook

Outlook for trade, consumption and investments in China and Southeast Asia remains cautious. Nevertheless, the increasing shift towards domestic consumption and intra-regional trade will continue to drive growth in the region with import-led logistics services.

The Division will continue to focus on delivering quality logistics services in these targeted markets and transform its business model to capture new growth in e-commerce and urban logistics. In tandem, the Division will improve cost efficiencies and explore opportunities for divestments to monetise and recycle capital.

Keppel Logistics was named Singapore Domestic Logistics Service Provider of the Year at the 2016 Frost & Sullivan Asia Pacific Best Practices Awards.

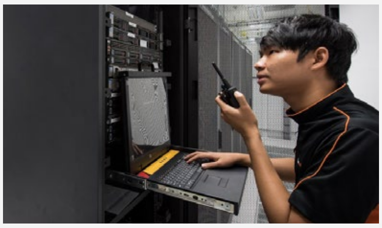
Logistics Facilities Owned

Location	Held by	Effective interest (%)	Warehouse area (sq ft)	Capacity of container yard (TEUs)	Tenure
27 Benoi Sector, Singapore	Keppel Logistics Pte Ltd	100	269,100	3,500	25-year leasehold (expiring in 2019)
7 Gul Circle, Singapore	Keppel Logistics Pte Ltd	100	645,800	–	43-year leasehold (expiring in 2040)
44 Benoi Road, Singapore	Keppel Logistics Pte Ltd	100	213,100	–	20-year leasehold (expiring in 2030)
9 Gul Circle, Singapore	Keppel Logistics Pte Ltd	100	425,200	3,000	30-year leasehold (expiring in 2033)
27 Greenwich Drive, Singapore	Keppel Logistics Pte Ltd	100	348,400	–	30-year leasehold (expiring in 2043)
Colombo, Sri Lanka	Trans-ware Logistics (Pvt) Ltd	25	40,000	3,000	Freehold
Bac Ninh, Vietnam	Indo-Trans Keppel Logistics Vietnam Co Ltd	51	84,800	–	40-year leasehold (expiring in 2049)
Ho Chi Minh City, Vietnam	Indo-Trans Keppel Logistics Vietnam Co Ltd	51	86,500	–	40-year leasehold (expiring in 2045)
Binh Duong, Vietnam	Indo-Trans Keppel Logistics Vietnam Co Ltd	51	109,800	–	41-year leasehold (expiring in 2048)
Foshan, Guangdong, People's Republic of China	Keppel Logistics (Foshan) Limited	70	434,900	7,100	50-year leasehold (expiring in 2044)
Nanhai, Guangdong, People's Republic of China	Keppel Logistics (Foshan) Limited	70	322,900	–	30-year leasehold (expiring in 2038)
Sanshui, Guangdong, People's Republic of China	Keppel Logistics (Foshan Sanshui Port) Company Limited	42	–	7,000	50-year leasehold (expiring in 2048)
Tianjin, People’s Republic of China	Keppel Logistics (Tianjin Eco-city) Limited	100	141,000	–	47-year leasehold (expiring in 2060)
Wuhu, Anhui, People’s Republic of China	Wuhu Sanshan Port Co Ltd	50	113,800	5,000	50-year leasehold (expiring in 2062)
Jilin City, Jilin, People’s Republic of China	Jilin Food Zone Logistics Park	70	construction slowdown*	–	50-year leasehold (expiring in 2062)
Lu’an, Anhui, People’s Republic of China	Keppel Wanjiang International Coldchain Logistics Park (Anhui) Co Ltd	60	1,503,400 (built-up commercial space, phase 1 to be completed by 2H 2017)	–	50-year leasehold (expiring in 2063)

* Construction slowed down in tandem with the pace of the overall development of the Jilin Food Zone.

Business Review

Data Centre



Net Profit Attributable to Shareholders

$100.0m

In 2016, net profit attributable to shareholders for the Division increased by 59% to $100.0m compared to that of the previous year.

Continued Expansion

1.4m sq ft

The Division's portfolio of 17 data centres spans more than 1.4m sq ft in lettable area, 47% larger than that of the previous year.

Cloud computing, big data analytics and digitalisation continue to fuel the demand for data centres.

Market Review

The proliferation of cloud computing, big data analytics and digitalisation has contributed to strong growth in the data centre market in 2016. Several trends continue to sustain demand for data centre space as organisations worldwide harness the power of networks, big data and information technologies to improve processes and generate new businesses.

One of these trends is the adoption of data centre colocation which has been on the rise as it offers enterprises the benefit of seamless expansion with minimal upfront costs. Furthermore, data sovereignty concerns have led to increased requirements for businesses to store data locally within the country. This underpins the business viability for colocation providers with a local presence.

Another trend driving data centre demand is the focus on energy efficiency to minimise the environmental footprint. Big cloud service providers have declared their plans for carbon-neutral and innovative energy-efficient features in the design and building of data centres. Providers with sustainable designs and are engery efficient will have a clear competitive advantage.

Earnings and Financial Review

The Data Centre Division's revenue of $48.7 million was $3.5 million higher compared to the previous year due largely to higher colocation service income from Keppel DC Singapore 3 (KDC SGP 3) and Keppel Almere, partly offset by lower management fees subsequent to disposal of a subsidiary. Operating profit of $110.4 million increased by $56.6 million, attributed to higher revenue, gain on disposal of a subsidiary and adjustment to gains from the two data centres disposed in December 2014, partly offset by lower fair value gain on investment properties.

Profit before taxation of $121.4 million increased by $39.1 million due to higher operating profit, partly offset by lower share of results of associated companies and higher interest expense. Net profit attributable to shareholders increased by $37.3 million to $100.0 million after taking into account higher taxation and non-controlling interests.

Business Review

Keppel Data Centres

Keppel Data Centres Holding's (KDCH) commitment to work closely with customers on their expansion needs has helped it to win additional contracts for its data centres. As a result, KDC SGP 3 has been fully committed since April 2016. Following the Division's capital recycling strategy, 90% of the shares in KDC SGP 3 have been divested to Keppel DC REIT. The divestment unlocked value for the Division to continue its rigorous expansion plan while obtaining recurring income as the Facility Manager of the asset.

In early 2016, the construction of Keppel DC Singapore 4 (KDC SGP 4) commenced. The data centre is strategically located in close proximity to Keppel DC Singapore 2 and 3, and is fitted out to Tier III-equivalent standards. Upon completion, KDC SGP 4 will feature 183,100 sq ft of Gross Floor Area (GFA), with some data centre space pre-committed.

In April 2016, the Division signed a collaboration agreement with PCCW Global to co-develop an international carrier exchange in Hong Kong, offering connectivity-related managed services. It will feature high quality Tier III-equivalent telecommunication centre space upon completion in the first half of 2017.

In July 2016, KDCH collaborated with Alpha Investment Partners to launch the US$500 million Alpha Data Centre Fund.

Earnings Highlights ($'000)

	2016	2015	% Increase/ (Decrease)
Data Centre			
Revenue	**48,750**	45,191	8
Operating profit	**110,418**	53,843	105
Profit before taxation	**121,390**	82,283	48
Net profit	**100,015**	62,709	59
Net assets	**369,199**	327,384	13

Complementing the Division's expansion plan, the Fund aims to secure a portfolio of quality assets across key data centre hubs in Asia Pacific and Europe.

Through this collaboration, KDCH has expanded its colocation footprint with the acquisition of a data centre in Frankfurt, Germany. Keppel DC Frankfurt 1 has a GFA of over 215,000 sq ft, fitted to Tier III-equivalent specifications. The facility is currently leased to a leading global financial institution, with room for expansion of power to meet the growing demand for quality data centre space in Germany.

As the Facility Manager of data centre assets in Singapore, KDCH upholds high operating standards of its facilities. During the year, KDCH entered into strategic partnerships to provide value-added services to its customers and generate new revenue streams. Such initiatives include a Memorandum of Understanding (MOU) with the National Supercomputing Centre to explore supercomputing and high performance computing as well as a partnership with Quann, a managed security service provider to provide end-to-end enterprise cyber security solutions.

An office has been set up in London to better support the Division's expansion plans in Europe.

Keppel DC REIT Management

Keppel DC REIT Management Pte Ltd (KDCRM) is the manager of Keppel DC REIT, the first pure-play data centre REIT listed in Asia on the Singapore Exchange. In July 2016, Keppel T&T divested 50% of the shares in KDCRM to Keppel Capital, following Keppel Corporation's proposal to consolidate its interests in its asset management businesses under Keppel Capital. As a member of Keppel Capital, KDCRM is able to leverage the larger asset management platform and wider geographical coverage. Following the divestment, Keppel T&T continues to hold a 50% stake in KDCRM and continues to hold a 30.1% unitholding in Keppel DC REIT as at 31 December 2016.

KDCRM's key objectives are to provide Unitholders with stable distributions and long-term growth. KDCRM remains committed to its pursuit of yield-accretive acquisitions that complement and strengthen the REIT's portfolio, with an initial focus on Asia Pacific and Europe. Three acquisitions were announced in 2016, including investments in two new markets, Milan in Italy and Cardiff in the United Kingdom, as well as the acquisition of a 90% interest in KDC SGP3.

Keppel DC REIT's portfolio as at 31 December 2016 is spread across Asia Pacific and Europe with a long Weighted Average Lease Expiry (WALE) of 9.6 years and portfolio occupancy of 94.4%. Including the acquisition of KDC SGP 3 which was completed in January 2017, the portfolio would comprise 12 data centres valued at approximately $1.40 billion. This excluded maincubes Data Centre, which is currently under development in Germany and slated for completion in 1H 2018.

Data Centre Facilities Owned

Facilities	Effective interest (%)	GFA (sq ft)	Tenure
Keppel DC Singapore 4 (Phase 1 under construction - to be completed in 1H 2017)	70	183,100	30-year lease (expiring in 2020) with option for another 30 years
Almere Data Centre 2	70	138,200	Freehold
Keppel DC Frankfurt 1	28	215,300	Freehold

Keppel Data Centres Holding and the Alpha Data Centre Fund have announced the acquisition of Keppel DC Frankfurt 1 in Germany, Europe's key internet exchange.

Significant Events

February

Construction commenced at KDC SGP 4, the Division's fourth data centre in Singapore.

April

Secured $84.5 million worth of colocation and data centre services contract, achieving full occupancy contractually at KDC SGP 3.

Keppel Data Centres Holding (KDCH) and PCCW Global signed a long-term collaboration agreement to co-develop and market an international carrier exchange sited in Hong Kong.

May

KDCH and Info-communications Media Development Authority jointly participated in a trial to develop the world's first Tropical Data Centre.

July

Keppel T&T divested its 50% interest in Keppel DC REIT Management to Keppel Capital.

Keppel T&T and Alpha Investment Partners jointly set up the US$500 million Alpha Data Centre Fund (ADCF).

KDC SGP 4 secured $59.5 million worth of contracts ahead of completion.

August

Keppel DC REIT announced the acquisition of a data centre in Milan, Italy, which was completed in October 2016.

October

Keppel DC REIT acquired a data centre in Cardiff, the capital city of Wales within the United Kingdom.

Keppel T&T announced the divestment of its 90% stake in KDC SGP 3 to Keppel DC REIT. The transaction was completed in January 2017.

December

KDCH and the ADCF acquired a data centre in Frankfurt, Germany.

Business Review

Data Centre

The Division will leverage Alpha Data Centre Fund and the REIT platform to expand beyond its existing geographies and provide value-added services to its customers.

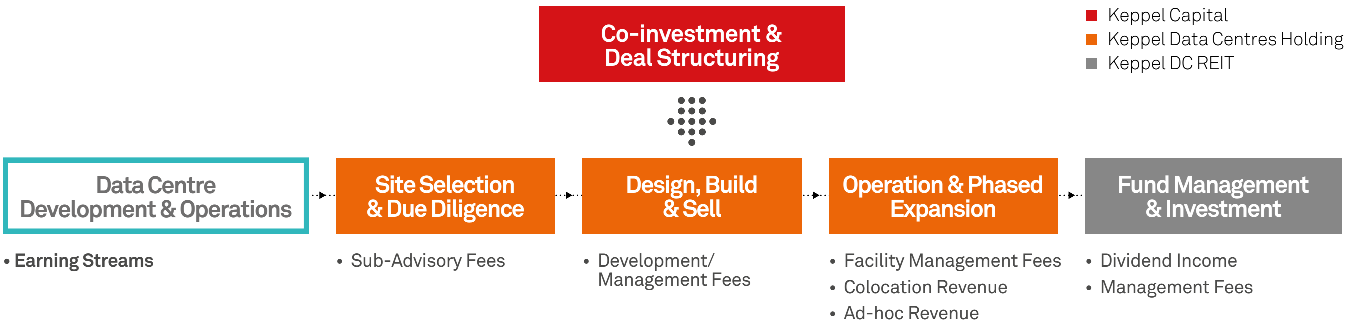
On the capital management front, KDCRM will continue to employ an optimal mix of debt and equity in financing acquisitions, and utilise appropriate hedging strategies to mitigate the effects of interest rate and foreign currency fluctuations.

Outlook

As the pace of digitalisation, cloud computing and big data analytics continues to increase, the outlook for data centre colocation remains positive. According to market studies by Research and Markets, data centre colocation is expected to grow at a Compound Annual Growth Rate of 12.8% from 2016 to 2022, driven by the increasing trend of data centre outsourcing.

As growth continues, there will be increased competition from new and established players, as well as consolidation in the market. The Division will continue to strengthen its value propositions and enhance its competitiveness.

Data Centre Revenue Stream



Keppel DC REIT's Portfolio
(as at 31 December 2016)

Asia Pacific

Property	Keppel DC Singapore 1	Keppel DC Singapore 2	Keppel DC Singapore 3 (acquired on 20 Jan 2017)
Address	25 Serangoon North Avenue 5, Singapore 554914	25 Tampines Street 92, Singapore 528877	27 Tampines Street 92, Singapore 528878
Land Title	Leasehold (Expiring 30 September 2025, with option to extend by 30 years)	Leasehold (Expiring 31 July 2021, with option to extend by 30 years)	Leasehold (Expiring 31 January 2022, with option to extend by 30 years)
Keppel DC REIT's Ownership Interest (%)	100	100	90
Land Area (sq ft)	78,928	53,820	53,815
Gross Floor Area (sq ft)	225,945	106,726	133,878
Lettable Area (sq ft)	109,711	37,098	54,925
Number of Clients[1]	20	4	2
Lease Type	Keppel lease/Colocation	Keppel lease/Colocation	Keppel lease/Colocation
Facility Manager	Keppel DC Singapore 1 Ltd[3]	Keppel DC Singapore 2 Pte Ltd[4]	Keppel DCS3 Services Pte Ltd[5]
Occupancy Rate (%)	84.7	100	100 (Committed)
Valuation (S$mil)[7]	279.0	176.0	207.0 (Cushman & Wakefield) and 208.0 (Savils)

(1) Clients shall refer to those contracted under service level agreements with Keppel DC REIT and / or its subsidiaries with the exceptions of Keppel DC Singapore 1 (KDC SGP 1), Keppel DC Singapore 2 (KDC SGP 2) and Keppel DC Singapore 3 (KDC SGP 3) where clients refer to those who contracted with Keppel DC Singapore 1 Ltd, Keppel DC Singapore 2 Pte Ltd and Keppel DCS3 Services Pte Ltd respectively.
(2) For GV7 Data Centre, neither the lease nor the registered title of the Property refers, nor are they required to refer, to the land area of the Property.
(3) Keppel DC REIT outsources facilities management of KDC SGP 1 to Keppel DC Singapore 1 Pte Ltd, a wholly-owned subsidiary of Keppel Data Centres Holding (KDCH).
(4) Keppel DC REIT outsources facilities management of KDC SGP 2 to Keppel DC Singapore 2 Pte Ltd, a wholly-owned subsidiary of KDCH.
(5) Keppel DC REIT outsources facilities management of KDC SGP 3 to Keppel DCS3 Services Pte Ltd, a wholly-owned subsidiary of KDCH.
(6) Keppel DC REIT outsources facilities management to iseek-KDC Services Pty Limited in respect of the colocation space in Gore Hill Data Centre. iseek-KDC Services Pty Limited is 60% owned by Keppel Telecommunications & Transportation Ltd and 40% owned by iseek Pty Ltd.
(7) Based on respective ownership interests and independent valuations as at 31 December 2016, except for KDC SGP 3 (two valuations dated 30 September 2016 and 1 October 2016) and Cardiff Data Centre (15 September 2016), at the exchange rates of S$1.00 = A$0.961, S$1.00 = £0.563, S$1.00 = RM3.149 and S$1.00 = €0.650 as at 31 December 2016.

Keppel DC REIT's Portfolio
(as at 31 December 2016)

Asia Pacific

Property	Basis Bay Data Centre	Gore Hill Data Centre	Intellicentre 2 Data Centre	iseek Data Centre
Address	No. 4710, Jalan Cyber Point 5, Zone Flagship Cyberjaya 63000 Cyberjaya, Selangor Darul Ehsan, Malaysia	5 Broadcast Way (South Gate) Artarmon, New South Wales 2064, Australia	17 - 23 Talavera Road, Macquarie Park, New South Wales 2113, Australia	2 Cycas Lane, Brisbane Airport, Queensland 4009, Australia
Land Title	Freehold	Freehold	Freehold	Leasehold (Expiring 29 June 2040, with an option to extend by 7 years)
Keppel DC REIT's Ownership Interest	99%	100%	100%	100%
Land Area (sq ft)	64,809	72,032	215,612	41,559
Gross Floor Area (sq ft)	88,600	127,283	–	28,955
Lettable Area (sq ft)	48,680	90,955	87,930	12,389
Number of Clients[1]	1	3	1	1
Lease Type	Double-net lease (Fully fitted)	Triple-net lease (Shell & core)/Colocation	Triple-net lease (Shell & core)	Double-net lease (Fully fitted)
Facility Manager	–	iseek-KDC Services Pty Limited[6]	–	–
Occupancy Rate (%)	100	100	100	100
Valuation (S$mil)[7]	34.6	219.7	49.2	34.7

Europe

Property	GV7 Data Centre	Cardiff Data Centre	Almere Data Centre
Address	7 Greenwich View Place, Millharbour Road, London E14 9NN, United Kingdom	Ty Cynnal, Dunleavy Drive, Celtic Gateway, Cardiff CF110SW, United Kingdom	Rondebeltweg 62 'Sallandsekant' Business Park, Almere, the Netherlands
Land Title	Leasehold (Expiring 28 September 2183)	Freehold	Freehold
Keppel DC REIT's Ownership Interest	100%	100%	100%
Land Area (sq ft)	N.A.[2]	279,864	85,358
Gross Floor Area (sq ft)	34,848	–	–
Lettable Area (sq ft)	24,972	79,439	118,403
Number of Clients[1]	1	1	1
Lease Type	Triple-net lease (Fully fitted)	Triple-net lease (Shell & core)	Double-net lease (Fully fitted)
Facility Manager	–	–	–
Occupancy Rate (%)	100	100	100
Valuation (S$mil)[7]	67.5	60.4	137.7

Property	Keppel DC Dublin 1	Milan Data Centre	maincubes Data Centre (under development)
Address	Unit 4031 - 4033 Citywest Business Park Co, Dublin, Ireland	Via Bisceglie 71, 73 and 75, Milan, Italy	Goethering 29, Offenbach am Main, Germany
Land Title	Leasehold (Expiring 11 April 2041)	Freehold	Freehold
Keppel DC REIT's Ownership Interest	100%	100%	100%
Land Area (sq ft)	218,236	128,791	60,235
Gross Floor Area (sq ft)	125,044	–	–
Lettable Area (sq ft)	68,118	165,389	126,800
Number of Clients[1]	12	1	1
Lease Type	Colocation	Double-net lease (Shell & core)	Triple-net lease (Fully fitted)
Facility Manager	–	–	–
Occupancy Rate (%)	55.8	100	100
Valuation (S$mil)[7]	81.1	57.4	129.2

Business Review

Investments

M1's customer base

2.18m

Total customer base grew by 6% in 2016 to 2.18m.

M1 continued to focus on customer service, innovation and value.

Earnings and Financial Review

The Investments Division's profit before taxation decreased by $5.8 million to $28.7 million compared to that of the previous year due mainly to lower contribution from associated companies, distribution from other investments and dilution gain on investment in associated companies, partly offset by the absence of impairment loss on investments. Consequently, net profit attributable to shareholders was lower at $20.6 million.

Operations Overview

M1 remains the major contributor in the Investments Division. M1 recorded service revenue of $805.5 million in 2016, 2.0% less than the previous year due to competition from over-the-top services. Total comprehensive income declined 16.0% to $149.9 million.

As at end 2016, M1's total customer base grew to 2.18 million, of which mobile customers increased 4.7% to 2.02 million and fibre customers increased 25.3% to 160,000 from 2015. Overall mobile market share increased to 23.8% as at end November 2016, compared to 23.4% as at end 2015.

With a strong focus on customer service, innovation and value, M1 introduced a number of new offerings in 2016. To cater to customers' increasing data needs, upsized data bundles were launched to give customers even more flexibility in their data options, while a new entertainment data plan offers unlimited data for music and video streaming apps such as Netflix and Deezer. M1 also expanded its unique M1 Data Passport service for customers to use their local data bundles to 48 overseas destinations, from 29 destinations a year ago. For example, to help athletes, officials and supporters visiting Brazil for the 2016 Olympics and 2016 Summer Paralympics games stay connected with their loved ones and fans at home, M1 made available a new Brazil Data Passport at a promotional rate during the period.

Earnings Highlights ($'000)

	2016	2015	% Increase/ (Decrease)
Investments			
Profit before taxation	**28,695**	34,469	(17)
Net profit	**20,573**	24,183	(15)
Net assets	**244,271**	211,433	16

For the corporate segment, M1 partnered Ascendas-Singbridge in Singapore's biggest fibre upgrading project to install and enhance fibre infrastructure at 70 Ascendas-Singbridge commercial buildings, allowing tenants to enjoy expedient access to fibre broadband services. M1 also launched a selection of new corporate managed services, such as the M1 Cyber Security Solutions Suite, Hosted Unified Communications solution and SOHO fibre plan bundled with business solutions to further enhance its connectivity solutions.

Connectivity is an integral building block in Singapore's journey to become a Smart Nation. Through the year, M1 continued to invest to test and deploy new technologies. These include a 4G trial that demonstrated download speeds of more than 1Gbps, as well as the deployment of Singapore's first WiFi-On-The-Go service on public buses as part of the national heterogeneous network (HetNet) trials.

To further augment the service experience and cater to the existing and future needs of its customers, M1 commenced the deployment of Singapore's first HetNet and narrowband Internet of Things (NB-IOT) networks in 2016.

Moving forward, M1 will continue its transformative journey to become a Smart Communications Provider. It will build a portfolio of Information and Communications Technology and digital solutions enhanced with data analytics to capitalise on new opportunities in the Internet of Things, Smart Nation and Data Analytics segments.

M1 will continue its transformative journey to become a Smart Communications Provider to capitalise on new opportunities in the Internet of Things, Smart Nation and Data Analytics segments.

With a strong focus on customer service, innovation and value, M1 introduced a number of new offerings in 2016.

Financial Review

Group's Net Profit

$105.1m

The Group's net profit attributable to shareholders was $13.6 million higher at $105.1 million.

Final Dividend

4.5 cents

For the financial year 2016, the Group is proposing a final dividend of 4.5 cents per share.

The Group will continue to focus on improving cost efficiencies and seek opportunities for strategic investments and growth.

Overview

The Group's revenue of $194.6 million decreased by 3% due mainly to lower warehousing and port operations revenue from the Logistics Division, partly offset by higher colocation service income from the Data Centre Division.

The Group's operating profit of $80.2 million increased by 48% due largely to gain on disposal of a subsidiary and adjustment to gains from the two data centres disposed in December 2014, partly offset by higher impairment losses and lower contribution from the Logistics Division, fair value gain on investment properties, distribution from other investments and dilution gain on investment in associated companies.

The Group's profit before taxation of $130.3 million was $0.7 million higher due mainly to higher operating profit, partly offset by lower share of profits from associated companies.

After taking into account taxation expense and non-controlling interests, the Group's net profit attributable to shareholders was $13.6 million higher at $105.1 million.

Earnings Per Share (EPS) and Return On Equity (ROE) were higher at 18.9 cents and 13.8% respectively.

The Group generated a net operating cash flow of $28.8 million in 2016, compared to $25.7 million in 2015. Free cash flow excluding expansionary acquisitions, capital expenditure, major investments and divestments was $42.6 million as compared to $76.0 million in the previous year due mainly to lower net cash flow from investing activities.

For the financial year 2016, the Group is proposing a final dividend of 4.5 cents per share.

The Group will be actively seeking to grow its data centre assets and is committed to expand beyond its current geographies and services by drawing synergies from strategic alliances with Alpha DC Fund and Keppel DC REIT. The Group will continue to focus on improving cost efficiencies, seek opportunities for strategic investments in value accretive assets and at the same time, explore opportunities for divestments to monetise assets and recycle capital.

Information on the Group's five-year performance is set out on pages 35 to 39.

Revenue

The Group's revenue of $194.6 million was $5.9 million or 3% lower than that of 2015.

Revenue from the Logistics Division decreased by 6% to $145.9 million due to lower warehousing and port operations revenue. The Data Centre Division's revenue of $48.7 million was $3.6 million or 8% higher compared to $45.2 million in 2015. This was due to higher colocation service income from Keppel DC Singapore 3 and Keppel Almere, partly offset by lower management fee revenue subsequent to disposal of a subsidiary.

Overview

	2016 $'000	2015 $'000	Change %
Revenue	**194,622**	200,566	(3)
Operating profit	**80,173**	54,198	48
Profit before taxation	**130,283**	129,609	1
Net profit	**105,080**	91,481	15
Operating cash flow	**28,759**	25,730	12
Free cash flow*	**42,561**	75,960	(44)
Earnings Per Share (EPS)	**18.9cts**	16.5cts	15
Return On Equity (ROE)	**13.8%**	12.8%	8
Total distribution to shareholders (per share)	**4.5cts**	3.5cts	29

* Free cash flow has been adjusted to exclude expansionary acquisitions, capital expenditure, major investments and divestments.

Net Profit

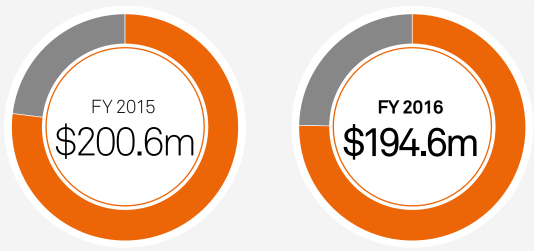
The Group's net profit attributable to shareholders of $105.1 million was $13.6 million or 15% higher than 2015. This was due largely to higher profits from Data Centre, partly offset by weaker contribution from logistics operations and share of profits from associated companies, higher impairment loss in logistics assets, lower fair value gain on investment properties and distribution from other investments.

The Logistics Division's net loss at $15.5 million decreased by $20.1 million due largely to impairment losses in fixed assets. Excluding impairment loss, the decline in net profit was also caused by weaker contributions from China operations and share of profits from associated companies, higher facility costs and lower gain on disposal of fixed assets.

The Data Centre Division's net profit increased by $37.3 million to $100.0 million due largely to higher colocation service income, gain on disposal of a subsidiary and adjustment to gains from the two data centres disposed of in December 2014, partly offset by lower share of profits from an associated company and fair value gain on investment properties, and higher interest expense.

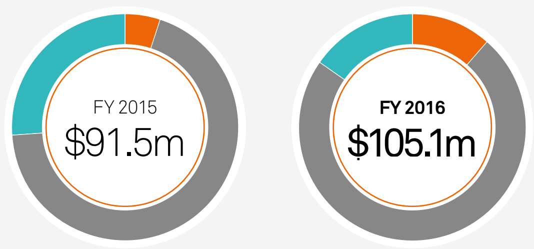
The Investments Division's net profit of $20.6 million decreased by $3.6 million or 15% compared to 2015 due to lower contributions from associated companies,

Revenue



	2015		2016		
	$'000	%	**$'000**	**%**	Change %
Logistics	155,375	77	**145,872**	**75**	(6)
Data Centre	45,191	23	**48,750**	**25**	8
Total	200,566	100	**194,622**	**100**	(3)

Net Profit

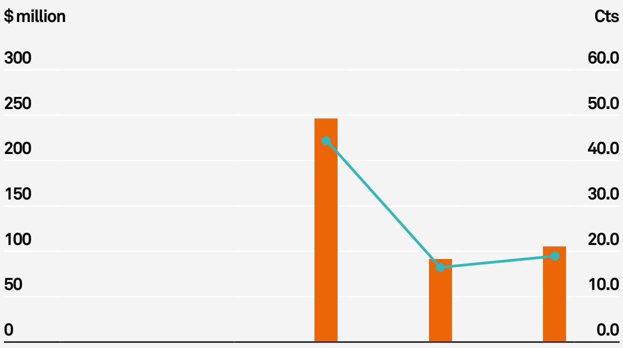


	2015		2016		
	$'000	%	**$'000**	**%**	Change %
Logistics	4,589	5	**(15,508)**	**(15)**	nm
Data Centre	62,709	69	**100,015**	**95**	59
Investments	24,183	26	**20,573**	**20**	(15)
Total	91,481	100	**105,080**	**100**	15

The Logistics Division continues to fine-tune its strategy to deliver customer-focused solutions for the new economy.

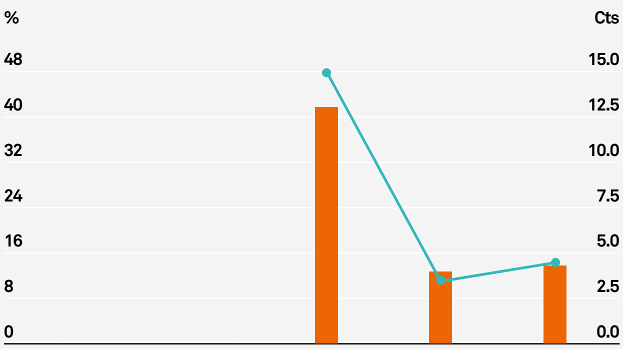
Financial Review

Net Profit & EPS



	2014	2015	**2016**
Net Profit ($'000)	246,578	91,481	**105,080**
EPS (Cts)	44.4	16.5	**18.9**

ROE & Dividend Per Share



	2014	2015	**2016**
ROE (%)	41.9	12.8	**13.8**
Dividend Per Share (Cts)	15.0	3.5	**4.5**

distribution from other investments, and dilution gain in associated companies, partly offset by absence of impairment loss on investments. M1 remained the major profit contributor to the Investment Division of the Group at $28.5 million. At year-end, the Group held a 19.2% equity stake in M1.

ROE & Dividend Per Share
ROE improved from 12.8% to 13.8% due to higher net profit. The Group paid a final dividend of 3.5 cents per share for financial year 2015. Proposed final dividend of 4.5 cents per share has been recommended for financial year 2016 to be paid in 2017.

Cash Flow
To better reflect its free cash flow for operational activities, the Group had redefined its free cash flow by excluding expansionary acquisitions and capital expenditure which are meant for long-term growth, major investments and divestments.

Net cash from operating activities was $28.8 million in 2016 compared to $25.7 million in 2015 due mainly to proceeds from tax losses transferred under group relief system and lower taxes paid, partly offset by lower operating cash flows before working capital changes.

Net cash from investing activities for the year was $13.8 million largely from dividends received from associated companies, and proceeds from disposal of fixed assets, partly offset by

The Data Centre Division saw an 8% increase in revenue to $48.7 million from higher colocation service income.

Cash Flow

	2016 $'000	2015 $'000	Change $'000
Cash flows from operating activities			
Operating profit	**80,173**	54,198	25,975
Depreciation, amortisation and other non-cash items	**(39,782)**	(11,793)	(27,989)
Operating cash flows before changes in working capital	**40,391**	42,405	(2,014)
Working capital changes	**8,544**	7,583	961
Net interest and taxes paid	**(22,183)**	(25,335)	3,152
Proceeds from tax losses transferred under group relief system	**2,007**	1,077	930
Net cash from operating activities	**28,759**	25,730	3,029
Cash flows from investing activities			
Proceeds from disposal of fixed assets	**903**	1,510	(607)
Investments and capital expenditure	**(7,507)**	(3,855)	(3,652)
Distributions received from other investments	**405**	4,375	(3,970)
Dividend income	**47,708**	48,200	(492)
Shareholders loan to an associated company	**(27,707)**	-	(27,707)
Net cash from investing activities*	**13,802**	50,230	(36,428)
Free cash flow*	**42,561**	75,960	(33,399)
Dividend paid to shareholders of the Company and subsidiaries	**(20,812)**	(84,253)	63,441

* Adjusted to exclude expansionary acquisitions, capital expenditure, major investments, and divestments.

operational capital expenditure and loan to an associated company.

Free cash flow was $42.6 million compared to $76.0 million in the previous year.

Total distribution to shareholders of the Company and non-controlling shareholders of subsidiaries for the year amounted to $20.8 million.

Financial Position

Total assets of the Group increased from $1,499.6 million to $1,722.9 million in 2016. Fixed assets of $367.7 million increased by $11.6 million due mainly to construction of warehouses in the Logistics Division and purchase of fittings and equipment in the Data Centre Division, partly offset by impairment losses and depreciation charges. Investment properties of $183.9 million decreased by $104.7 million due to the reclassification of a data centre to assets classified as held for sale, partly offset by construction and fit-out of a data centre in Singapore.

Investments increased by $119.7 million from $567.2 million in 2015 to $686.9 million in 2016 due mainly to additional investment in Keppel DC REIT and recognition of 50% retained interest in Keppel DC REIT Management Pte Ltd as an associated company, partly offset by dividends received, reclassification of an associated company to assets classified as held for sale and fair value loss in other investments.

Bank balances and cash decreased by $85.6 million to $103.0 million due largely to capital expenditure, investment in associated companies, repayment of borrowings, dividends paid to shareholders of the Company and reclassification to assets classified as held for sale, partly offset by cash generated from operations, proceeds received from disposal of a subsidiary and dividends received from associated companies.

Other assets increased by $282.3 million due largely to assets classified as held for sale since the disposal transactions for the Company's shareholding in a subsidiary and associated company have not been completed as at 31 December 2016, partly offset by decrease in intangibles due to disposal of a subsidiary and lower debtors due mainly to capitalisation of advance payment for land.

Total assets of the Group increased from $1,499.6 million to $1,722.9 million in 2016.

Financial Review

The Group's net borrowings of $425.8 million in 2016 was higher than $326.9 million in 2015 due mainly to drawdown of loans for capital expenditure and lower fixed deposits and bank balances. The gross borrowings of $528.8 million as at 31 December 2016 were financed by the Medium Term Note (MTN) Programme, external banks and related companies.

Capital Structure & Financial Resources
The Group maintains a strong balance sheet and an efficient capital structure to maximise returns for shareholders. Every new investment will have to satisfy stringent criteria for return on investment, cash flow generation and risk management. New investments will be structured with an appropriate mix of equity and debt after careful evaluation and management of risks.

Capital Structure

Group shareholders' funds increased from $722.5 million in 2015 to $796.7 million in 2016. The increase was due mainly to net profit for the year, partly offset by payment of final dividends of 3.5 cents for the financial year 2015.

Non-controlling interests of the Group increased by $9.4 million to $111.4 million in 2016 due mainly to retained profits generated by non-wholly-owned subsidiaries and additional shares acquired, partly offset by dividends paid.

The net gearing of the Group increased from 0.40 times in 2015 to 0.53 times in 2016. Net debt increased due to higher loans drawdown and lower fixed deposits and bank balances.

Interest coverage was lower at 11.3 times in 2016 compared to 11.6 times in 2015 due to higher interest expense as a result of higher borrowings.

At the last Annual General Meeting in 2016, shareholders gave their approval for mandates to issue and buy back shares. The Company did not exercise these mandates during the year.

Borrowings

The Group's borrowings are in the form of short-term and long-term loans. The Group utilises mainly facilities from local and foreign banks as well as through MTN Programme for its working capital, investments and capital expenditure. MTN Programme of $500 million was established in June 2012 of which $120 million was drawn down in August 2012. Gross borrowings[1] at the end of 2016 were $608.8 million (2015: $515.4 million).

Financial Resources

The Group maintains sufficient cash and cash equivalents and an adequate amount of standby credit facilities to fund its working capital requirements and capital expenditure.

Loans are estimated to be repayable as follows:

	2016 $'000	2015 $'000
Within one year[1]	**152,762**	59,855
Between one and two years	**301,000**	166,248
Between two to five years	**145,507**	289,290
After five years	**9,496**	–
Total borrowings	**608,765**	515,393

The Group's borrowings consists of unsecured loans of $543.2million (2015: $446.9 million) and secured loans of $65.5 million in 2016 (2015: $68.5 million).

[1] Inclusive of borrowings of $80.0 million directly associated with assets classified as held for sale.

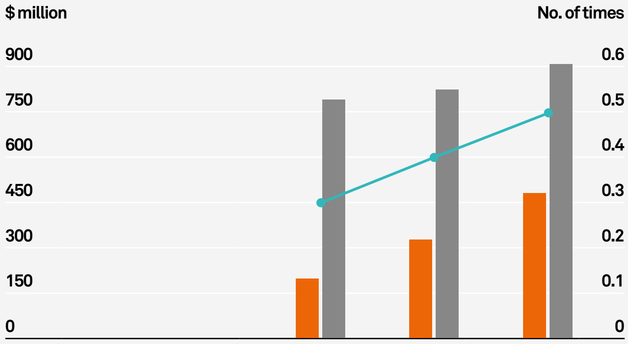
M1 will continue its transformative journey to become a Smart Communications Provider.

At the end of 2016, credit facilities in the form of loans, letters of credit, bank overdrafts and other banking facilities provided by banks and capital market programme to the Group amounted to $1,258.5 million (2015: $1,107.7 million) of which $492.8 million (2015: $351.8 million) was utilised.

Financial Risk Management
The Group's principal financial instruments comprise loans, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from its operations. The Group has entered into an interest rate swap agreement to hedge the interest rate risk exposure arising from one of its SGD floating rate term loans as a cash flow hedge. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

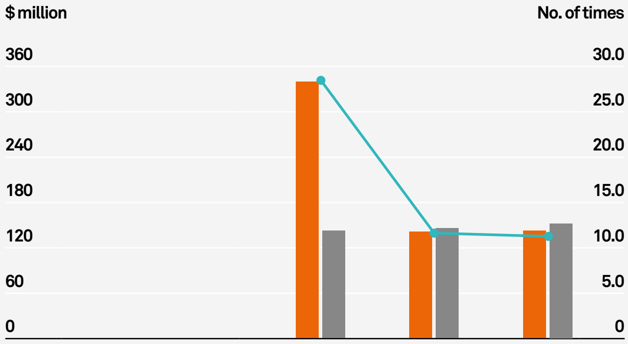
The Group's financial risk management is covered in greater detail in the notes to the financial statements on pages 128 to 131.

Net Gearing

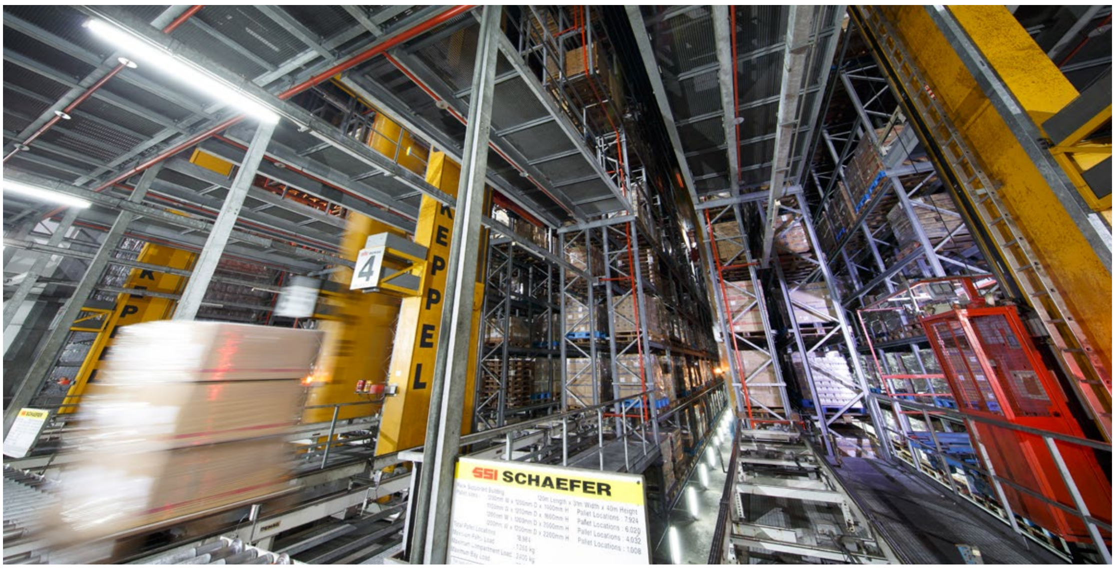


	2014	2015	**2016**
Net Debt	198.3	326.9	**482.2**
Total Equity	792.6	824.5	**908.0**
Net Gearing	0.3	0.4	**0.5**

Interest Coverage



	2014	2015	**2016**
EBIT	340.5	141.8	**143.0**
Interest Expense	11.9	12.2	**12.7**
Interest Coverage	28.6	11.6	**11.3**



The Logistics Division is transforming itself to meet the rising demand for urban logistics solutions.

Financial Review

Critical Accounting Policies
The significant accounting policies of the Group are disclosed in the notes to the financial statements. In order to prepare the financial statements to conform with the Singapore Financial Reporting Standards, management has made certain estimates and assumptions.

The matters stated below are considered to be most critical in understanding the judgments that are involved in the preparation of the financial statements.

Impairment of Non-Financial Assets
In determining whether the carrying value of a non-current asset is impaired requires an estimation of the value in use of the cash-generating units. This requires the Group to estimate future cash flows expected from the cash generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The estimated recoverable amount is most sensitive to expected future cash inflows, discount rate and growth rate used for extrapolation purposes. The carrying amounts of fixed assets, investment properties and intangibles are as disclosed in the balance sheet.

Impairment of Loans and Receivables
The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

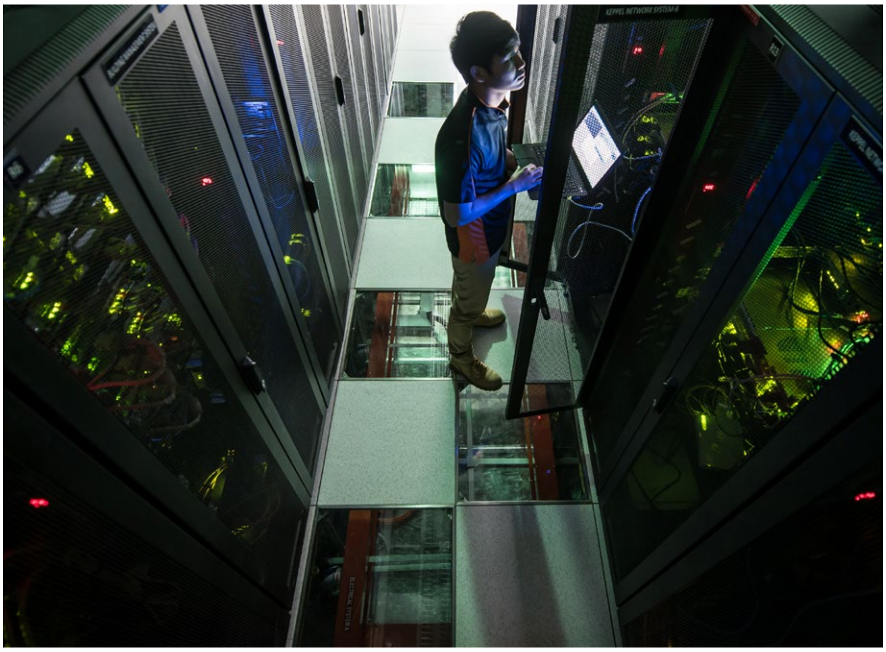
When there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of loans and receivables at the balance sheet date are disclosed in Notes 21, 23, 24, 25 and 26 to the financial statements.

Fair Value Measurement and Impairment of Available-For-Sale Financial Assets
The Group classifies its long-term equity instruments as available-for-sale financial assets. These securities are not traded in any active market and their fair values are determined using net asset value and valuation techniques including discounted cash flow model. The inputs used in valuation are derived from observable market data where possible and a degree of judgment is required in establishing fair value. Judgments include considerations of liquidity, future financial performance and discount rate used.

Significant judgment is required in determining the fair value of unquoted investment funds due to external restrictions placed on the years in which they can realise certain investments in their portfolio. The fair value measurement of available-for-sale financial assets is described in Note 19 to the financial statements.

Fair Value Measurement of Investment Properties
The Group carries its investment properties at fair value determined using valuation techniques. The determination of the fair value of investment properties requires the use of estimates based on market conditions existing as at the balance sheet date. Further details on fair value measurement of investment properties are disclosed in Notes 15 and 37 to the financial statements.

Income Taxes
The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved for certain transactions in which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities on expected tax issues based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The carrying amounts of taxation and deferred taxation are as disclosed in the balance sheet.



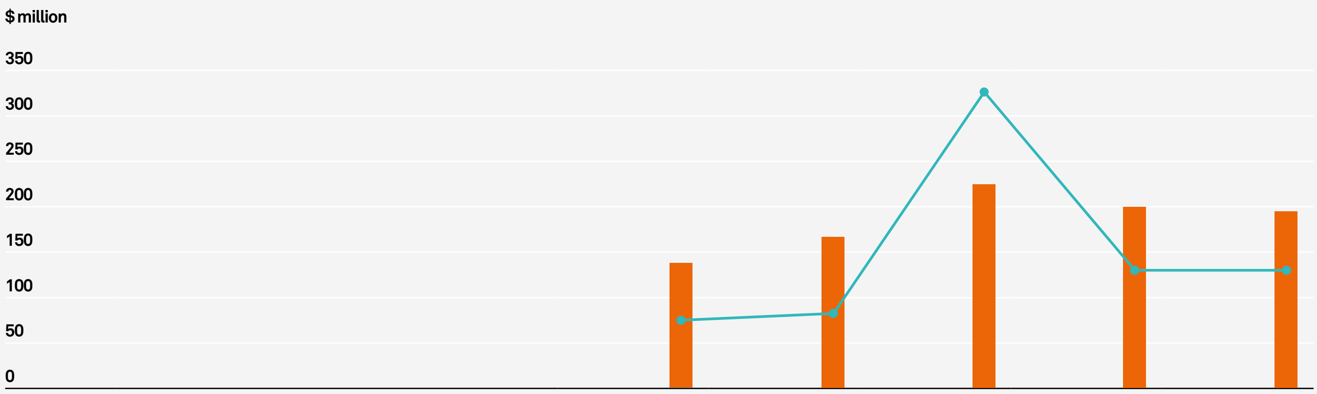
The Group's Data Centre Division continues to expand its footprint beyond its current geographies and services.

Five-Year Group Operating Results

The results of the Group for the five years ended 31 December 2016 were as follows:

	2012 $'000	2013 $'000	2014 $'000	2015 $'000	**2016 $'000**
Revenue	137,493	166,863	224,563	200,566	**194,622**
Operating profit	25,268	33,288	278,903	54,198	**80,173**
Interest income	734	614	424	1,811	**1,726**
Interest expense	(5,435)	(7,505)	(11,868)	(12,232)	**(12,696)**
Share of results of associated companies and joint ventures	54,614	56,650	61,148	85,832	**61,080**
Profit before taxation	75,181	83,047	328,607	129,609	**130,283**
Taxation	(13,788)	(13,367)	(20,418)	(23,623)	**(16,960)**
Profit for the year	61,393	69,680	308,189	105,986	**113,323**
Attributable to:					
Shareholders of the Company	55,452	63,186	246,578	91,481	**105,080**
Non-controlling interests	5,941	6,494	61,611	14,505	**8,243**
	61,393	69,680	308,189	105,986	**113,323**

Revenue & Profit Before Taxation



	2012	2013	2014	2015	**2016**
Revenue	137.5	166.9	224.6	200.6	**194.6**
Profit Before Taxation	75.2	83.0	328.6	129.6	**130.3**

Significant influence in M1 Limited and Asia Airfreight Terminal

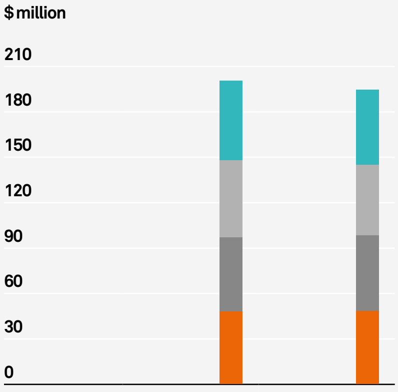
The Group has less than 20% gross ownership interest respectively in M1 Limited (M1) and Asia Airfreight Terminal Company Limited (AAT) as at 31 December 2016 and 31 December 2015. In determining whether the Group has significant influence in M1 and AAT, management has considered the Group's involvement in these entities, including their decision making processes, shareholders' rights and composition of the board of directors. Management has determined that it continues to have significant influence in M1 and AAT in view of the fact that the Group has active participation and representation in the board of directors of AAT and M1.

Fair value measurement of retained interest in Keppel DC REIT Management Pte Ltd

During the financial year ended 31 December 2016, the Group disposed 50% of its shareholdings in Keppel DC REIT Management Pte Ltd (KDCRM). Management assessed that the Group no longer has control of KDCRM and recognised the remaining 50% retained interest in KDCRM as an associated company. On initial recognition, the retained interest in KDCRM was recognised at fair value based on valuation using the discounted cash flow method. Details on the assets and liabilities disposed and resulting gain on disposal of KDCRM are disclosed in Note B of the consolidated statement of cash flows. Details on fair value measurement of the retained interest in KDCRM are disclosed in Note 37 to the financial statements.

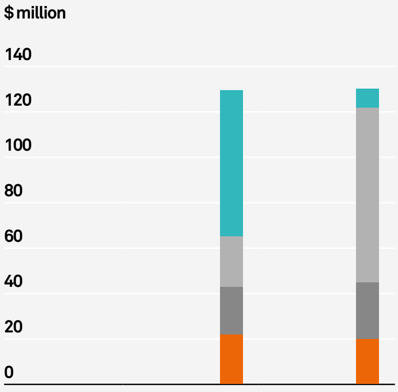
Quarterly Results

Quarterly Revenue



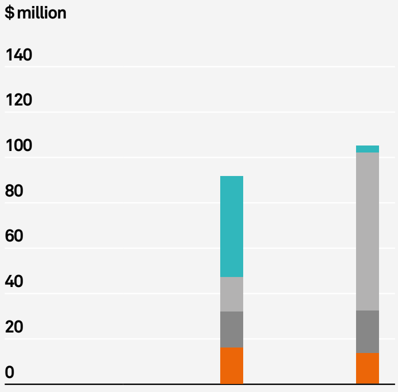
	2015	**2016**
Q4	52.6	**49.7**
Q3	50.9	**46.5**
Q2	49.1	**50.2**
Q1	48.0	**48.2**
Total	200.6	**194.6**

Quarterly Profit Before Taxation



	2015	**2016**
Q4	64.5	**8.3**
Q3	22.3	**77.1**
Q2	21.0	**25.2**
Q1	21.8	**19.7**
Total	129.6	**130.3**

Quarterly Net Profit



	2015	**2016**
Q4	44.5	**3.1**
Q3	15.3	**69.9**
Q2	15.9	**18.8**
Q1	15.8	**13.3**
Total	91.5	**105.1**

	1st Qtr $'000	2nd Qtr $'000	3rd Qtr $'000	4th Qtr $'000	Total $'000
Revenue					
2015	47,930	49,128	50,914	52,594	200,566
2016	**48,268**	**50,178**	**46,496**	**49,680**	**194,622**
Operating profit					
2015	6,293	4,637	7,444	35,824	54,198
2016	**6,695**	**8,313**	**63,897**	**1,268**	**80,173**
Profit before taxation					
2015	21,801	20,968	22,338	64,502	129,609
2016	**19,698**	**25,205**	**77,060**	**8,320**	**130,283**
Net profit					
2015	15,782	15,877	15,308	44,514	91,481
2016	**13,313**	**18,808**	**69,878**	**3,081**	**105,080**

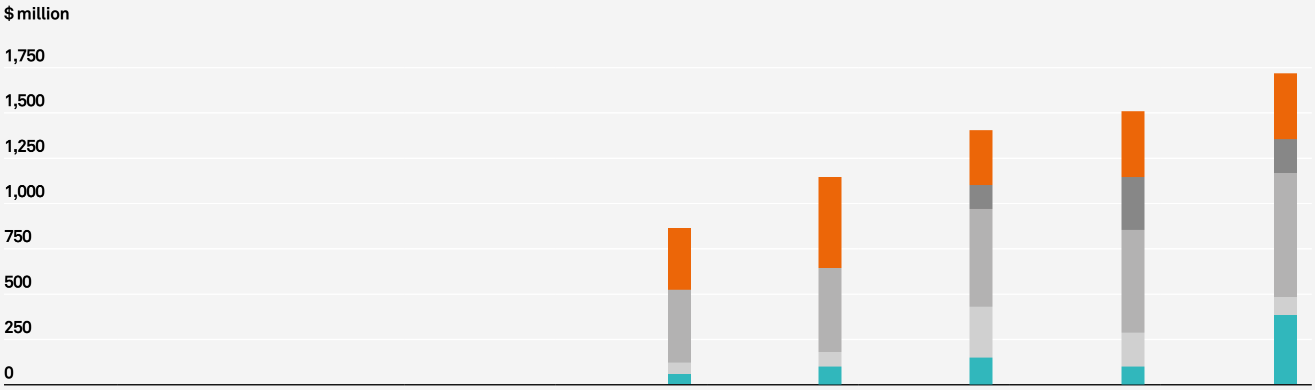
Five-Year Group Financial Profile

	2012	2013	2014	2015	**2016**
Balance Sheet ($'000)					
Fixed assets	339,153	507,446	304,880	356,152	**367,731**
Investment properties	–	–	127,067	288,643	**183,902**
Investments	403,990	463,012	542,529	567,223	**686,909**
Intangibles	–	–	18,229	16,757	**2,209**
Bank balances and cash	63,729	80,178	280,664	188,507	**102,950**
Other assets	55,824	97,869	129,595	82,285	**90,400**
Assets classified as held for sale	–	–	–	–	**288,765**
Total assets	862,696	1,148,505	1,402,964	1,499,567	**1,722,866**
Borrowings	(340,696)	(499,683)	(478,980)	(515,393)	**(528,765)**
Deferred taxation	(10,907)	(16,090)	(1,052)	(9,798)	**(9,980)**
Other liabilities	(50,740)	(87,844)	(130,371)	(149,854)	**(161,092)**
Liabilities directly associated with assets classified as held for sale	–	–	–	–	**(115,002)**
Net assets	460,353	544,888	792,561	824,522	**908,027**
Share capital & reserves	427,091	470,458	706,558	722,509	**796,664**
Non-controlling interests	33,262	74,430	86,003	102,013	**111,363**
Total equity	460,353	544,888	792,561	824,522	**908,027**
Per Share					
Earnings (cents)[1]:					
Profit before taxation	12.3	13.5	47.9	20.0	**21.5**
Net profit	10.0	11.4	44.4	16.5	**18.9**
Gross dividends (cents)	3.5	3.5	15.0	3.5	**4.5**
Net asset value ($)	0.77	0.85	1.27	1.30	**1.43**
Net tangible assets ($)	0.77	0.85	1.24	1.27	**1.43**
Financial Ratios					
Return on shareholders' funds (%)[2]:					
Profit before taxation	16.5	16.7	45.2	15.5	**15.8**
Net profit	13.5	14.1	41.9	12.8	**13.8**
Net gearing (times)	0.60	0.77	0.25	0.40	**0.53**

1 Earnings per share are calculated based on the Group's profit by reference to the weighted average number of shares in issue during the year.
2 In calculating return on shareholders' funds, the average basis has been used.

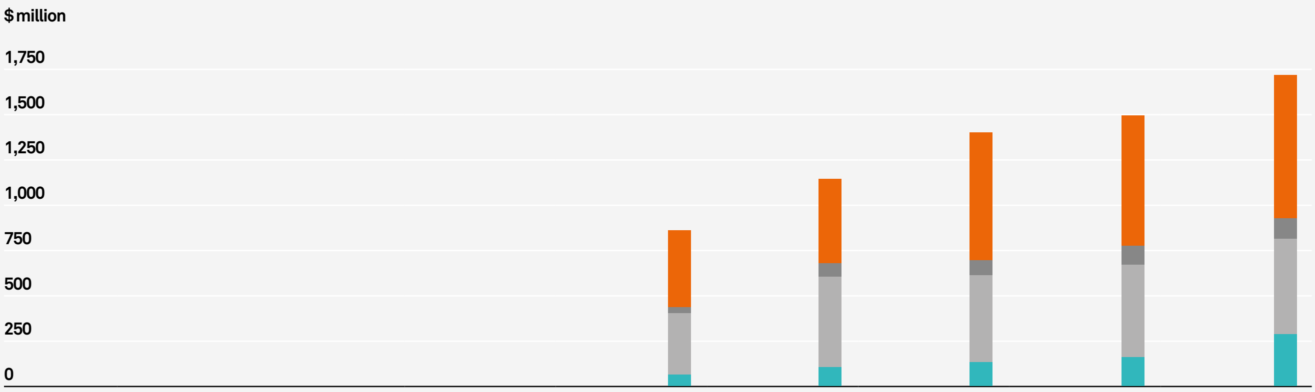
Group Financial Position

Total Assets Owned



	2012	2013	2014	2015	**2016**
Fixed Assets	339.2	507.4	304.9	356.2	**367.7**
Investment Properties	–	–	127.1	288.6	**183.9**
Investments	404.0	463.0	542.5	567.2	**686.9**
Bank Balances and Cash	63.7	80.2	280.7	188.5	**103.0**
Other Assets	55.8	97.9	147.8	99.1	**381.4**
Total	862.7	1,148.5	1,403.0	1,499.6	**1,722.9**

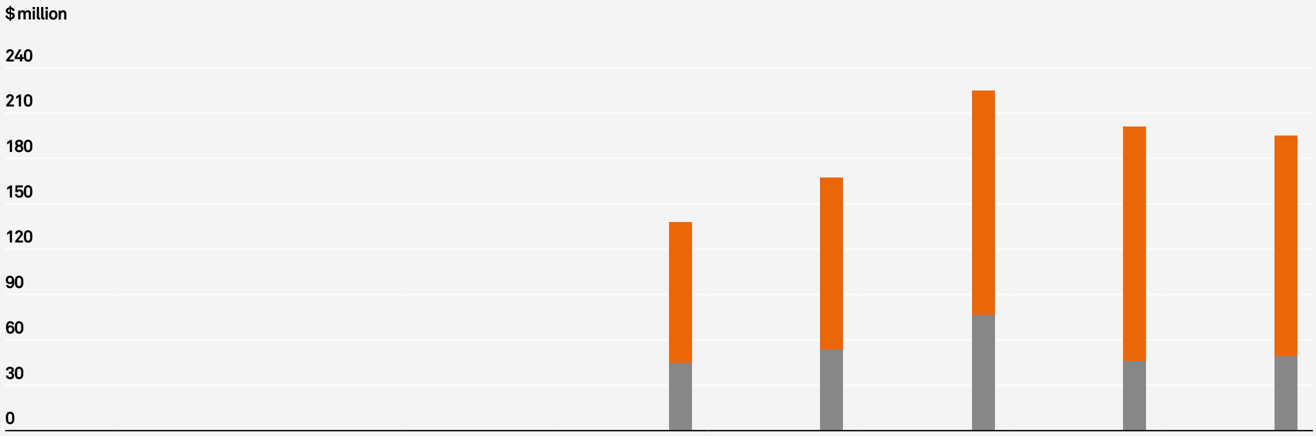
Total Liabilities Owed and Capital Invested



	2012	2013	2014	2015	**2016**
Shareholders' Funds	427.1	470.5	706.6	722.5	**796.7**
Non-controlling Interests	33.3	74.4	86.0	102.0	**111.3**
Borrowings	340.7	499.7	479.0	515.4	**528.8**
Other Liabilities	61.6	103.9	131.4	159.7	**286.1**
Total	862.7	1,148.5	1,403.0	1,499.6	**1,722.9**

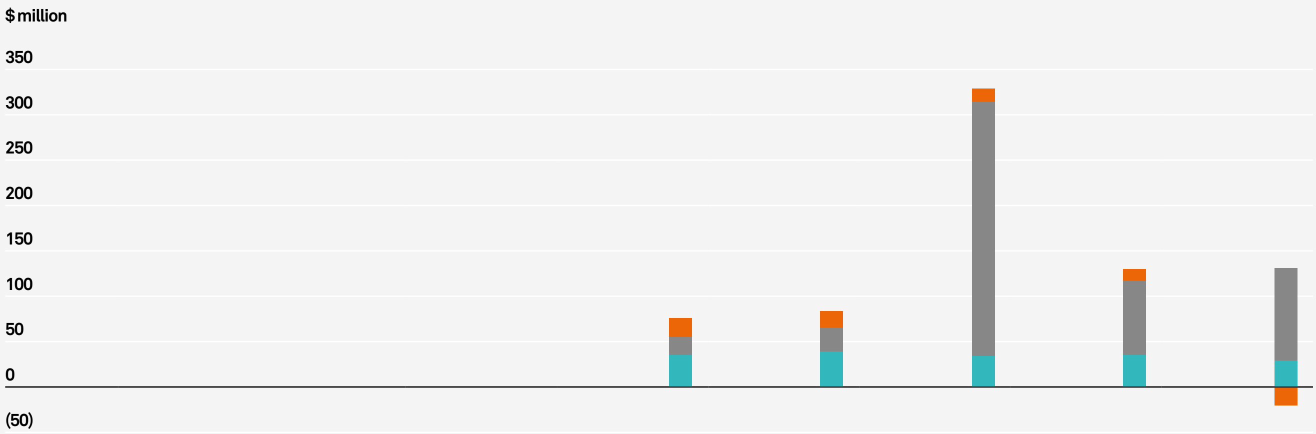
Five-Year Group Analysis by Industry

Revenue



	2012	2013	2014	2015	**2016**
Logistics	93.2	113.7	148.7	155.4	**145.9**
Data Centre	44.3	53.1	75.9	45.2	**48.7**
Total	137.5	166.9	224.6	200.6	**194.6**

Profit Before Taxation



	2012	2013	2014	2015	**2016**
Logistics	20.8	18.2	14.6	12.9	**(19.8)**
Data Centre	19.8	26.1	280.7	82.3	**121.4**
Investments	34.6	38.7	33.3	34.4	**28.7**
Total	75.2	83.0	328.6	129.6	**130.3**

Value Added Statement

	Group	
	2016 $'000	2015 $'000
Value added from:		
Revenue	**194,622**	200,566
Less: purchases of materials and services	**(94,274)**	(101,571)
Gross value added from operation	**100,348**	98,995
In addition:		
Interest income	**1,726**	1,811
Share of results of associated companies and joint ventures	**50,798**	74,748
Other income	**64,726**	32,217
Total Group value added	**217,598**	207,771
Distribution of Group's value added:		
To employees in wages, salaries and benefits	**61,932**	60,191
To government in income and other taxes	**11,150**	12,938
To providers of capital on:		
Interest paid on borrowings	**12,696**	12,232
Dividends to shareholders	**19,495**	83,397
Dividends to non-controlling shareholders in subsidiaries	**1,365**	1,732
	33,556	97,361
Total distribution	**106,638**	170,490
Balance retained in the business:		
Depreciation	**18,497**	16,424
Non-controlling interests	**6,878**	12,773
Surplus for the year	**85,585**	8,084
	110,960	37,281
	217,598	207,771
Number of employees (average)	**1,470**	1,530
Productivity analysis:		
Gross value added per employee ($'000)	**68**	65
Gross value added per dollar employment cost ($)	**1.62**	1.64
Gross value added per dollar sales ($)	**0.52**	0.49

Risk Management

Strengthening Enterprise Risk Management Programme
Keppel T&T operates across many countries and faces diverse risks relating to its logistics and data centre businesses.

The Group's Enterprise Risk Management (ERM) framework, a component of Keppel's System of Management Control, provides a holistic approach towards assessing, monitoring and mitigating risks, enabling the Group to remain agile in capturing opportunities.

The Board, assisted by the Board Risk Committee (BRC), is responsible for governing risks and ensuring that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests. Terms of reference of the BRC are disclosed on page 155 of this Report.

The Board has established three risk tolerance guiding principles which determine the nature and extent of the risks. The three principles are:

(1) Risk taken should be carefully evaluated, commensurate with rewards and in line with the Group's core strengths and strategic objectives.

(2) No risk arising from a single area of operation, investment or undertaking should be so huge as to endanger the entire Group.

(3) The Group does not condone safety breaches or lapses, non-compliance with laws and regulation, as well as acts such as fraud, bribery and corruption.

The ERM framework is reviewed regularly, ensuring relevance in a dynamic operating environment. It takes reference to management practices set out in:

(1) ISO31000 for Risk Management;
(2) ISO22313 for Business Continuity Management (BCM);
(3) The Code of Corporate Governance 2012; and
(4) 2014 Guidebook for Audit Committee.

The Management surfaces key risk issues for discussion and confers with the BRC regularly. The Group's risk governance is set out in page 150-151 under Principle 11 (Risk Management and Internal Controls).

The risk management assessment has been established to facilitate the Management and the BRC in determining the adequacy and effectiveness of the risk management system. For 2016, based on the review of the governing framework, system, policies and processes in addressing the key risk areas, the Board assessed that Keppel T&T's risk management system remains adequate and effective.

Strategic
Risk considerations form an integral part of the Group's strategic and investment decisions, including budget reviews and policy formulations. The strategic direction is reviewed with the Board to ensure that the Group is resilient in dealing with adversities and agile in pursuing opportunities.

Investment decisions are guided by Group-wide investment parameters to ensure that they are in line with the Group's strategic business focus, consider the underlying risk factors, and meet the risk-adjusted rate of return.

Financial
To manage credit, liquidity, currency, interest rate and market price risks, the Group's policies and financial authority limits are reviewed regularly by the Management and the BRC to ensure their continued relevance in relation to the operating and control environment. Emphasis is placed on improving financial discipline and deploying its capital to earn the best risk-adjusted returns. The Group's financial risk management is covered in greater detail in pages 128 -131.

Operational
Key operational risk indicators for risk management are integrated into business operations and project management. Formalised guidelines, procedures, internal training and tools are used to assess, mitigate and monitor risks. Efforts are placed on streamlining business processes, as well as improving efficiency and productivity. ISO standards and certification were adopted to achieve standardisation in processes across the logistics and data centre businesses.

Continuous efforts are placed in monitoring new building projects to ensure projects are completed within budget and on schedule while meeting safety and quality standards. Significant issues and impediments are highlighted and discussed with mitigation steps taken proactively.

Lessons Learned Workshops are conducted to share best practices and experiences distilled for the benefit of future projects.

Compliance
In 2016, the Regulatory Compliance Committees were set up to direct and support the implementation of the Regulatory Compliance Framework which covers the structure, people, policies and activities required to identify, assess, monitor and manage compliance risks. Following the framework, due diligence was exercised on third-party associates of the Group. Policies such as the whistle-blower protection policy, suppliers' code of conduct and gifts & hospitality policy were reviewed and enhanced to strengthen compliance.

A comprehensive training programme was also rolled out to a select group of directors, officers and employees. Part of the programme was a Group-wide e-training and policy declaration exercise that was introduced to strengthen compliance and reinforce key compliance principles such as the Code of Conduct, Competition Law, Anti-Bribery, Conflict of Interest and Insider Trading. In addition, individuals were selected to participate in train-the-trainer programmes to further promote knowledge flow.

Strengthening Risk-Centric Culture
Keppel is committed to fostering a strong risk-centric culture in the Group. Workshops are conducted to strengthen risk awareness and reinforce discipline. Risk management is incorporated as part of the performance appraisal process to raise risk accountability and ownership.

The Group continues to instill the culture of risk awareness through the application of ERM framework in new operations, facility visits and trainings.

Fortifying Business Continuity Management
Business Continuity Management (BCM) is in place to address and manage potential threats, as well as minimise the negative impact on people, operations and assets. Crisis management and emergency procedures are regularly reviewed to allow the Group to respond in an orderly and coordinated manner and to efficiently expedite recovery.

Led by BCM committees across the Group, business units conduct regular Business Continuity Planning exercises to enhance operational preparedness in the event of a crisis.

Proactive Risk Management
The Group will work closely with its stakeholders to continuously review and refine its risk management methodology, systems and processes, to ensure that the Group will continue to leverage opportunities and take calculated risks.

Sustainability Report

Keppel T&T is committed to delivering value through sustaining growth in our business, empowering the lives of our people and nurturing communities wherever we operate.

Sustainability Framework

Sustaining Growth

Our commitment to business excellence is underpinned by an unwavering focus on strong corporate governance and prudent financial management.

Resource efficiency is our responsibility and makes good business sense.

Innovation and delivering quality products and services sharpen our competitive edge.

For more information, go to:
pages 50–59

Empowering Lives

People are the cornerstone of our businesses.

As an employer of choice, we are committed to grow and nurture our talent pool through continuous training and development to help our people reach their full potential.

We want to instil a culture of safety so that everyone who comes to work goes home safe.

For more information, go to:
pages 60–66

Nurturing Communities

As a global citizen, we believe that as communities thrive, we thrive.

We engage and nurture communities wherever we are, with the aim of achieving a sustainable future together.

As leaders in our businesses, we support industry initiatives and encourage open dialogue to promote growth.

For more information, go to:
page 67

Letter to Our Stakeholders

Dear Valued Shareholders,

2016 was another year of continued focus on climate action by governments around the world, with incoming impetus on corporations to take on greater environmental stewardship. As governments work towards mitigating climate change, Keppel T&T is also contributing to the sustainability agenda. Our environmental sustainability efforts support the Singapore government's commitment to reduce carbon emissions and intensity, and the UN Sustainable Development Goal to combat climate change and its impact.

In line with the growing emphasis on corporate sustainability, the Singapore Exchange has mandated sustainability reporting for listed companies on a "comply or explain" basis with effect from the financial year ending on or after 31 December 2017. With that in mind, I am pleased to present the sixth report in our long tradition of sustainability reporting. This 2016 report is prepared in accordance with the internationally recognised Global Reporting Initiative (GRI) framework and sets out to illustrate how Keppel T&T creates long-term shareholder value.

Sustainability Performance in 2016

Keppel T&T continued to reaffirm our commitment to environmental sustainability through energy conservation and resource optimisation efforts. In China, the Tianjin Eco-City Distribution Centre became the first logistics facility in China to be awarded the 2-star Green Building Design Label for its energy-efficient features. Since 2015, all of the data centre facilities owned or managed by Keppel Data Centres in Singapore have been certified with the Singapore Standard for Green Data Centres – Energy and Environmental Management System (SS564). Keppel Data Centres is also a test bed for the world's first Tropical Data Centre in an initiative led by the Info-Communications Media Development Authority (IMDA) of Singapore, which explores the possibility of reducing up to 40% of data centres' energy consumption.

Over the years, we maintain our focus on people development as a core pillar for our future growth. In 2016, the average number of training hours per employee increased to 32 hours, with more professional and soft skills training provided. A new Mentoring Framework was introduced to help young talents navigate organisational culture, and to enable cross-functional knowledge sharing. We continue to improve employee engagement through regular dialogue sessions, focus groups and engagement surveys. Ongoing programmes to promote work-life balance and staff wellness were also integrated in all our operations.

Notwithstanding our strong safety culture and mechanisms, we regret that there was a fatality at Keppel Logistics Foshan in 2016. We have since carried out a thorough investigation and implemented corrective actions to prevent recurrences.

Keppel T&T continued to reaffirm our commitment to environmental sustainability through energy conservation and resource optimisation efforts.

The Path Ahead

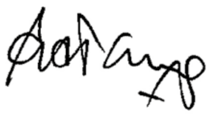
Our Logistics and Data Centre Divisions are well-positioned to capture opportunities arising from the increasing demand from cloud computing and e-commerce industries.

As we expand our data centre portfolio, we will continue to focus on energy efficiency, security and reliability. Together with Keppel DC REIT and Alpha Data Centre Fund, we strive as *OneKeppel*, to develop, acquire and operate green data centres with high energy efficiency.

In the Logistics Division, we will continue to use innovative technology in delivering sustainable urban logistics solutions. Resource optimisation and better route planning to reduce redundancies in distribution are examples of how we can minimise negative environmental impact while reducing costs.

I hope this Report will provide more insight for our stakeholders on Keppel T&T's sustainability efforts and strategy. We value and look forward to your feedback.

Yours sincerely,



Thomas Pang
1 March 2017

About this Report

This is Keppel T&T's sixth report that follows the internationally recognised GRI framework.

The annual Sustainability Report is prepared in accordance to the Global Reporting Initiative (GRI) G4 reporting guidelines, for the Core Option. Corresponding to G4's emphasis on materiality, this Report covers the areas of sustainability that are deemed material to Keppel T&T, in terms of economic, environmental, social and governance aspects.

The General Standard Disclosures G4-17 to G4-27 from the GRI G4 Sustainability Reporting Guidelines have been externally verified to confirm that they are correctly located both in the Content Index and in the text of the final report.

Standard units of measurements used in this Report and conversion factors, where applicable, are explained in their respective sections.

The sustainability performance of Keppel T&T is a part of Keppel Corporation's externally assured Sustainability Report. We will review the need to engage a separate external assurer for our future Reports.

This Report covers material issues for Keppel T&T's operating subsidiaries in the Logistics and Data Centre Divisions, as shown on page 132 - 134, as well as for the data centre facilities (Keppel DC Singapore 1, 2 and 3) where the Group is the facility manager. Entities which Keppel T&T does not have majority control over, or have yet to start full-scale operations by 1 July 2016 are excluded from the scope of reporting[1]. Where possible, we aim to positively influence the sustainability performance of joint ventures and associated companies.

The disclosure period for this Sustainability Report is aligned with the 2016 financial reporting period of January to December, as with the previous Report. However, the performance data stated in this Report was annualised based on 10-month actual data, as full year data was not available at the time of publication of this Report. If the actual data shows a variance of more than 5% from our estimations, we will restate the data and provide an explanation in the Sustainability Report produced in the following year.

1 The following have been excluded from the reporting scope: Keppel Tianjin Logistics, Keppel Jilin Food Logistics Park, Keppel Anhui Food Logistics Park, Keppel DC Singapore 4, Keppel DC Almere and Calcium DC.

Keppel T&T was honoured with the Most Transparent Company Award, Industrials Category (Runner Up) and Singapore Corporate Governance Merit Award (Big Cap) at the Securities Investors Association (Singapore) Investors' Choice Awards 2016.

There are three instances of significant variance (of more than 5%) between our annualised data reported in the Sustainability Report 2015 and the actual data. The three instances are:

- Liquefied Petroleum Gas (LPG) consumption is restated to 710GJ, lower than the annualised data of 753GJ due to changes in business requirements in the last two months of 2015.
- Paper consumption is restated to 50,464kg, lower than the annualised data of 55,760kg due to fluctuations in purchase volume.
- Scope 3 Emissions is restated to 1,054tCO_2, lower than the annualised data of 1,132 tCO_2 due to less paper consumption and less electricity used for cooling system in the last two months of 2015.

The waste data for 2012 – 2015 is restated to include only waste generation from Singapore logistics operations, due to unavailability of data from other sites. Otherwise, the reporting scope in 2016 remains the same as that in the Sustainability Report in 2015.

For further queries, please contact: keppeltt@keppeltt.com.sg.

Performance Data

	2012	2013	2014	2015	2016	Page
Environment						
Indirect Energy (GJ)	171,507	195,403	216,624	259,908	**291,793**	54-55
Direct Energy (GJ)	44,290	43,183	69,842	64,345	**60,934**	55-56
Paper (tonnes)	40.3	28.5	41.9	50.5	**42.0**	58-59
Stretch Wrap (tonnes)	131.6	130.3	150	153.5	**131.8**	58-59
Water (m^3)	324,066	363,142	406,305	480,419	**522,414**	57-58
Incinerated Waste in Singapore (tonnes)	423	406	424	455	**493**	58-59
Waste Recycled in Singapore (tonnes)	69	58	65	96	**83**	58-59
Recycling Rate in Singapore (%)	14	13	13	17	**14**	58-59
Direct Carbon Emissions (tCO_2)	3,325	3,235	5,182	4,815	**4,564**	56-57
Indirect Carbon Emissions (tCO_2)[2]	25,575	27,930	28,410	32,873	**36,729**	56-57
Indirect Emissions (tCO_2) per $1 million Revenue	186	167	127	79	**92**	56-57
Incremental Energy Saved[3] (GJ)	6,861	183	2,520	19,830	**5,693**	54-55
Labour						
Training Hours per Employee	22	39	28	30	**32**	64-65
Monthly Employee Turnover (%)	1.7	1.1	1.7	2.2	**1.8**	64
Accident Frequency Rate (reportable accidents per million man-hours)	1.4	0.4	0.2	0	**0.3**	64-66
Accident Severity Rate (man-days lost per million man-hours)	16.4	1.7	1.1	0	**855.7**	64-66
Community						
Donation and Sponsorship ($)	59,817	128,930	115,989	92,762	**66,917**	67
Volunteer Hours	612	908	1,111	1,444	**1,657**	67

[2] Excluding emissions from data centres sold to KDC REIT.
[3] Incremental energy saved from initiatives undertaken during the year.

About this Report

Accolades in 2016

Service Excellence

Keppel Logistics received the Singapore Domestic Logistics Service Provider of the Year award by Frost & Sullivan. This is the ninth time we have won awards from Frost & Sullivan within 10 years.

Community

Keppel Logistics received the SHARE Bronze Award presented by Community Chest Singapore.

Corporate Governance

Keppel T&T was presented the Gold Award for Best Investor Relations, Gold Award for Best Annual Report and Silver Award for Best Managed Board in Mid Cap category at the Singapore Corporate Awards.

Keppel T&T also won the Most Transparent Company Award, Industrials Category (Runner Up) and Singapore Corporate Governance Merit Award (Big Cap) at the Securities Investors Association (Singapore) Investors' Choice Awards.

People

Keppel Logistics won the SPARKS Award at the National Trades Union Congress (NTUC) U SAFE Awards 2016, which recognises organisations for efforts and commitment towards promoting workplace safety and health.

Keppel Logistics received the Singapore Road Safety Award (Heavy Goods Vehicle Fleet category, Merit) at the Singapore Road Safety Award Ceremony 2016.

Environment

Keppel Data Centres and Alpha DC Fund acquired Keppel DC Frankfurt 1, a LEED Platinum accredited data centre in Frankfurt, Germany.

Strategic Memberships in Associations

Keppel T&T is currently a member, partner with or active in: Singapore Logistics Association; Republic Polytechnic; Singapore infocomm Technology Federation; Uptime Institute Asia Pacific Network; Singapore Business Federation; Management Development Institute of Singapore; Singapore Institute of Management, Nanyang Technological University; National University of Singapore; Supply Chain and Logistics Academy; Institute of Technical Education; Association of Aerospace Industries (Singapore); Singapore Industrial and Services Employees' Union; Singapore National Employers Federation; Tripartite Alliance for Fair & Progressive Employment Practices; Foshan Association of Enterprises with Foreign Investment – standing director (1995); Foshan Logistics Industry Association – governing unit (2005); Guangdong International Freight Forwarders Association - standing director (2004); Guangdong Port & Harbours Association – standing director (since 2001); Singapore Chamber of Commerce and Industry in China – member (since 2002); Guangdong Guangzhou Customs Brokers Association – member (2009); Singapore-Guangdong Collaboration Council – director (since 2009); Singapore Business Group in Vietnam.

Managing Sustainability

Leadership and Management Involvement

Board of Directors

Senior Management

CSR Committee

- Data Centre
- Logistics
- Human Resources
- Safety
- Strategic Development, Risk and Compliance

Board Statement

Keppel T&T's Board of Directors oversees Keppel T&T's sustainability performance, practices and initiatives and its compliance with SGX guidelines on corporate governance and sustainability reporting. The key material environmental, social and governance (ESG) issues for Keppel T&T have been identified and are regularly reviewed by its Board and Management.

As a listed company, Keppel T&T is committed to the Code of Corporate Governance of Singapore. The Code provides the framework for controls, checks and accountabilities and requires the Board of Directors to consider sustainability issues in its business decisions.

On a quarterly basis, the Group's sustainability performance in environmental, social and governance areas are reviewed by the Board. Sustainability risks are part of our new project assessments for project managers to consider and incorporate into their mitigation plans.

The Corporate Social Responsibility (CSR) Committee is a multi-disciplinary team comprising senior members across various corporate departments and business units. The Committee conducts annual review and analysis of the material aspect as well as monitors the performance of these aspects in Keppel T&T's sustainability strategy.

Materiality and Stakeholder Engagement

Keppel T&T adopts a four-step process to define the material aspects in our operations:

Identification

Cross-disciplinary CSR team shortlists a variety of issues based on feedback from stakeholders.

Prioritisation

Material issues are grouped according to related topics.

Through discussion and analysis, the topics are ranked in relation to the significance of their economic, environmental, social and governance impact.

Validation

The list of ranked material topics is circulated to Senior Management and stakeholders for feedback.

Review

The CSR committee re-examines the material topics in relation to the feedback obtained after report publication to prepare for the next reporting cycle.

Stakeholders are defined as groups of people or entities that are directly or indirectly influenced by our business operations and outcomes, or that can significantly influence our businesses.

Feedback from our key stakeholder groups forms a crucial part of our strategic and business planning, and is viewed as a valuable insight for the Group to continuously improve our sustainability performance.

Through internal discussion and review with external consultants, key stakeholder groups are identified across the entire value chain and each stage of our business life cycle. Engagements with key stakeholder groups are planned annually.

Managing Sustainability

Engagements with Key Stakeholder Groups in 2016

Employees

A pulse survey was conducted to measure the level of employee engagement.

An annual town hall meeting was conducted to communicate the Company's strategy and policy changes.

Breakfast and lunch talks with Senior Management were organised to orientate new employees and familiarise them with the Company's management team.

Half-yearly newsletters were circulated to keep employees abreast of the Company's new developments.

Customers

Annual Customer Surveys and engagement activities were conducted to measure customer satisfaction and collect feedback.

Keppel Logistics involved a long-standing Fast-Moving Consumer Goods (FMCG) customer to implement the Electronic Proof of Delivery and a healthcare customer to implement mobile stock-take.

Keppel Logistics Foshan held workshops with customers to discuss the economic climate.

Suppliers

Safety briefings were regularly conducted for staff and contractors working on site.

Annual review of suppliers is conducted to evaluate suppliers' performance and raise feedback or concerns.

Industry*

Under the Keppel-NUS Corporate Lab initiative, we worked closely with NUS to explore logistics & data centre technologies. Keppel's industry insights contributed to the development of practical technologies and initiatives.

Local Communities

Regular dialogue is held with our endorsed charity organisations, which shapes our community outreach initiatives, to ensure the relevance of the activities.

Shareholders

Shareholders are kept abreast of the Company's key developments through press releases and Annual Reports.

Annual General Meetings and investor meetings are conducted to engage our shareholders and investors in two-way communications.

* We have created a separate section for Industry in this year's Report to better highlight our collaboration with research institutes and business federations.

Unless otherwise stated, all engagements mentioned in this Report take place at least once a year.

In 2016, a CSR survey was conducted with Keppel Logistics' customers in Singapore to review our material aspects and reporting priorities. To illustrate the degree of importance to internal and external stakeholders, the material aspects have been plotted on a materiality matrix (facing page). The top three material aspects identified through the survey are occupational health & safety, ethical sourcing & purchasing policies and green operational practices. The results of the survey are incorporated in our Annual Materiality Review.

The Materiality Review in 2016 confirmed the significant economic, environmental, social and governance impacts on the organisation and areas where these impacts occur (aspect boundaries).

Keppel Logistics works closely with key stakeholders to update them on new capabilities to jointly improve efficiencies.

Materiality Matrix

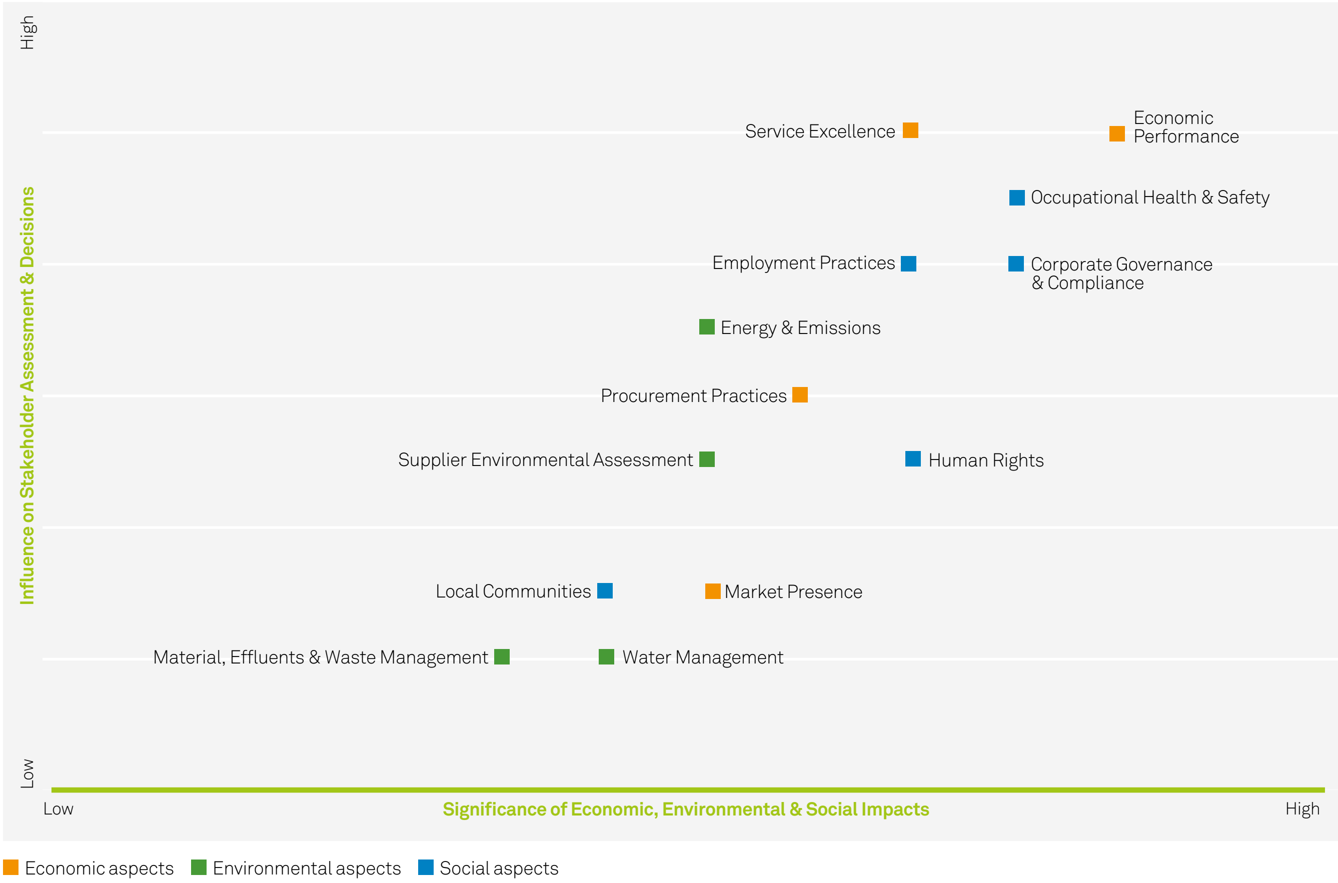


Table of Analysis

Economic

Material aspects

Economic Performance
Service Excellence
Procurement Practices
Market Presence

Aspect Boundary and Impact

Our goal is to deliver sustainable returns to our shareholders, create meaningful work for our employees and contribute to the economic development of communities where we operate.

Service excellence defines our position in the market and is critical to our customers.

These aspects apply to all of the Group's operations. Outside of the Group, service excellence and procurement practices are material to all our contractors.

Environment

Material aspects

Energy & Emissions
Water Management
Supplier Environmental Assessment
Material, Effluents & Waste Management

Aspect Boundary and Impact

As a responsible corporate citizen, we aim to minimise negative impacts on the environment.

These aspects apply to all of the Group's operations. Energy & Emissions is of particular importance to the entire Data Centre Division, where significant amounts of energy are consumed. Fuel consumption is also a material aspect for all transport contractors in the Logistics Division.

Social

Material aspects

Corporate Governance & Compliance
Occupational Health & Safety
Employment Practices
Human Rights
Local Communities

Aspect Boundary and Impact

Corporate governance and compliance are essential to the sustainability of the Company's business and performance.

Safety for our staff and contractors working onsite is of utmost importance. Employment practices & human rights are critical in ensuring that we have an engaged and productive workforce.

Our community development programmes contribute positively to the communities where we operate.

These aspects apply to all our operations.

Note: The geographical locations of our operating network are listed in the "Keppel T&T Network" section of the Annual Report.

Service Excellence

Service Excellence

Performance in 2016	Targets for 2017
Over 85% in overall customer satisfaction at Keppel Logistics Singapore, Foshan and Foshan Sanshui Port.	Maintain at least 85% in overall customer satisfaction in the Logistics Division.
Keppel DC Singapore 2 & 3 attained ISO 50001:2011 Energy Management Systems.	To continue our due diligence on third-party associates for compliance with the Keppel Code of Conduct.
Keppel Logistics Singapore attained the Good Distribution Practice (GDP) and Manufacturer license for Therapeutic Products (Secondary Assembly).	
Thorough review of third-party engagements was conducted across the Group to ensure strict adherence to our compliance requirements.	

Logistics Division

Keppel Logistics is committed to provide quality services to its customers by leveraging innovative solutions and technologies. Our Third-party Logistics facilities are equipped with leading industry technologies such as Warehouse Management System (WMS), Transport Management System (TMS), Electronic Data Interchange (EDI) and Global Positioning System (GPS) to optimise work processes, as well as enhance data accuracy and goods security.

In 2016, Keppel Logistics introduced a mobile application portal to streamline the inventory management process at customers' stores. Inventory and order data approved by the respective stores-in-charge are sent to the WMS via the mobile application portal to generate replenishment orders. This has improved the efficiency of work processes and data accuracy. In addition, our carbon footprint is reduced as conventional paperwork is replaced by technology. The Electronic Proof of Delivery (ePOD) system was launched to enable our customer service team and customers to view real-time status updates on the delivery of goods. The portal facilitated faster turnaround time of information delivery, minimised the need for communication among delivery teams, customer service teams and customers as well as shortened the turnaround time for submission of delivery documents. To improve accuracy and efficiency in stock-taking, the Division launched Radio Frequency scanning in its operating units in 2016. The Division also embarked on a major upgrade of the WMS and the financial system, with a new procurement system to streamline the finance and procurement processes.

In 2016, Keppel Logistics obtained the re-certification of ISO 9001, ISO 14001 and OHSAS 18001 for all sites in Singapore. Keppel Logistics also obtained the Good Distribution Practice (GDP) certification and with the expanding pharmaceutical customer base, the Manufacturer Licence for Therapeutic Products (Secondary Assembly). In recognition of its effort, Keppel Logistics received the Singapore Domestic Logistics Service Provider of the Year award from Frost & Sullivan.

In the Port Logistics business, Foshan Sanshui Port continued to leverage automation in the pursuit of production efficiency and customer satisfaction. Container yard productivity and capacity were boosted with the deployment of its new Rail Mounted Gantry crane in July 2016. In addition, one automatic container spreader was installed for the quay crane to speed up operations. The port also implemented an intelligent gate system which enhanced security, safety and smoother traffic flow. Since 2015, Foshan Sanshui Port has been conferred the "Grade A Cargo Area of Customs Supervision" title in recognition of its high level of compliance and effective management of operations.

To minimise impact of natural disasters on business operations, Keppel Logistics Foshan launched its Storm Emergency Response Plan to improve disaster response and preparedness.

The Company also worked closely with its customers and business partners to promote business resilience and strategic agility. Freight forwarding enterprises were invited to a business workshop in April 2016 to discuss the economic climate and strategies to react to the possible opportunities and threats in 2016.

Data Centre Division

Keppel Data Centres has a diverse portfolio of Tier III or equivalent data centres across Asia Pacific and Europe. These data centres are equipped with highly secure and energy-efficient systems as well as fully redundant system designs to meet the rigorous demands from enterprise customers.

Keppel Data Centres continues to build on its strong track record in operational excellence through the operation of high availability data centres. As testament to high service standards, a colocation customer renewal rate of over 90% and zero security breaches were achieved in 2016.

During the year, Keppel Data Centres collaborated with Epsilon, a privately-owned global communications service provider, to provide local access networks, IP Transit services and global connectivity in the Singapore data centres. Similarly, Keppel Data Centres partnered with Quann, a Managed Security Service Provider under Certis Cisco, to provide end-to-end enterprise cyber security solutions.

In 2016, Keppel DC Singapore 2 and Keppel DC Singapore 3 (KDC SGP 3)attained ISO 50001:2011 Energy Management System certification, while KDC SGP 3 obtained the ISO/IEC 27001:2013 Information Security Management System certification. All operational data centres in Singapore have now achieved a consistent set of standards certified by international organisations.

Service Satisfaction Surveys

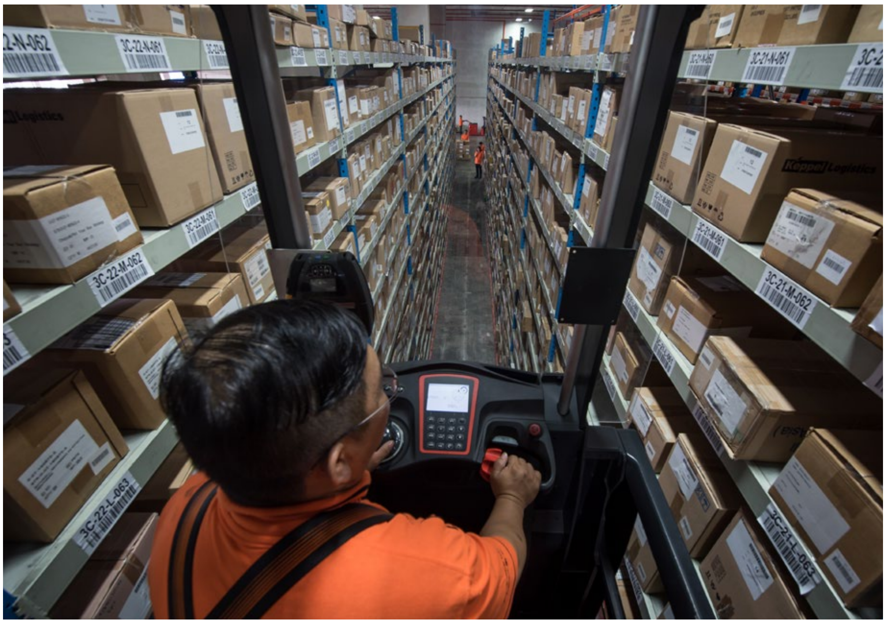
As an ISO-certified Company since 1993, customer satisfaction and feedback form an integral part of Keppel Logistics' customer relationship management. The results and feedback from customers are critical to continuous improvements in productivity and service quality.

Continual engagement with key customers is maintained through account management and regular service meetings. Keppel Logistics Singapore measures customer satisfaction through the Annual Customer Survey. This year, our customer satisfaction index improved with 94% of respondents rating our services as "good" or better. Through the feedback gathered, areas for improvements were identified in our maintenance support and distribution service. In response to the feedback, manpower was reorganised to better serve our customers' needs.

In China, Keppel Logistics Foshan (KLF) rolled out Annual Customer Satisfaction Surveys in Foshan, Sanshui, Shenzhen and Hong Kong. The survey results were positive with a consistently high satisfaction score of above 90% since 2015. In general, customers were satisfied with KLF's integrated logistics services and appreciated its high customer service standards. In Foshan Sanshui Port, customer feedback was gathered on areas comprising safety, integrity and service offerings. A score of 92 out of 100 was achieved.

Keppel Data Centres maintained a high score at above four out of five in its Annual Customer Survey. Quarterly business reviews were conducted for key customers to gather their feedback and review performance.

The Keppel Supplier's Code of Conduct aims to integrate Keppel's sustainability principles across our supply chain and positively influence the environmental, social and governance performance of our suppliers.



Committed to operation efficiency and customer satisfaction, Keppel Logistics continues to leverage technology to streamline inventory management processes.

Service Excellence

Management Systems

Certification	Year
Keppel Logistics	
ISO 9001 – Quality Management System (QMS)	Since 1993
ISO 14001 – Environmental Management System	Since 2002
OHSAS 18001 – Occupational Health and Safety Management System	Since 2002
Workplace Safety and Health Council – bizSAFE Star	Since 2009
Workplace Safety and Health Council – bizSAFE Partner	Since 2010 to 2012, 2016
ISO 13485 – Quality Management System for Medical Devices	Since 2009
GDPMDS – Good Distribution Practice for Medical Devices in Singapore	Since 2009
Secure Trade Partnership for robust security measures in trading operations (STP)	Since 2008
Trade Facilitation & Integrated Risk-based System (TradeFIRST) – Enhanced Band	Since 2011
SS 590: HACCP–based Food Safety Management System	Since 2011
Health Sciences Authority – Good Distribution Practice Certificate (GDP)	Since 2016
Health Sciences Authority – Manufacturer Licence for Therapeutic Products (Secondary Assembly)	Since 2016
Keppel Data Centres	
SS 564 Part -1:2013 – Green Data Centres – Energy and Environmental Management System (Keppel DC Singapore 1,2,3)	Since 2011/2014/2015
TIA 942 – Tier III Telecommunication Infrastructure Standard (Keppel DC Singapore 1,2,3)	Since 2010/2013/2015
SS 507:2008 – Business Continuity/Disaster Recovery – Information and Communications Technology Disaster Recovery Services (Keppel DC Singapore 1,2,3)	Since 2009/2011/2015
Monetary Authority of Singapore – Threat and Vulnerability Risk Assessment (TVRA) (Keppel DC Singapore 1)	Since 2012
SS 577:2012 Water Efficiency Management System (WEMS) (Keppel DC Singapore 1,2)	Since 2015/2016
ISO 9001:2008 – Quality Management System (QMS) (Keppel DC Singapore 1,2,3)	Since 2015
ISO/IEC 27001:2013 – Information Security Management System (ISMS) (Keppel DC Singapore 1,2,3)	Since 2015/2016
Workplace Safety and Health Council – bizSAFE level 3 (Keppel DC Singapore 1,2,3)	Since 2013/2014
ISO 50001:2011 Energy Management System (Keppel DC Singapore 1,2,3)	Since 2015/2016
Association of Banks in Singapore - Outsourced Service Provider's Audit Report (OSPAR) (Keppel DC Singapore 1,2)	Since 2016
Keppel Logistics Foshan	
ISO 9001– Quality Management System (QMS)	Since 2000
Guangzhou Customs – "A Class River Port" certification (Foshan Sanshui Port)	Since 2015
Keppel Logistics Hong Kong	
ISO 9001 – Quality Management System (QMS)	Since 2000
ITKL Vietnam	
Food Safety Conditions (VSIP 1 DC/Ha Binh Phuong)	Since 2015/2014
SMETA (Sedex Members Ethical Trade Audit) 4-Pillars Certification	Since 2014

Supplier Management
As a third-party logistics provider, Keppel Logistics engages contractors for transportation services and warehouse operations. Keppel Data Centres engages external facility technicians for equipment maintenance regularly.

The majority of suppliers and contractors engaged are local companies. In the process of sourcing, suppliers are screened based on a stringent set of criteria, including track record, reputation, service quality as well as other environmental and safety requirements. Contractors' performance is re-evaluated annually and we take necessary action to ensure satisfactory service quality and safety standards.

A contractor at Keppel DC Singapore 4 construction site was issued a Stop Work Order by the Ministry of Manpower following a site inspection in 2016. The order was lifted shortly after, when the contractor took additional measures to enhance workplace safety. Apart from this, no significant case of non-compliance with law and regulations arose from our contractors in 2016.

During the year, we conducted a thorough review of our third-party engagements to ensure that suppliers or contractors meet our regulatory compliance requirements. The Keppel Supplier Code of Conduct was introduced in end-2016. It aims to integrate Keppel's sustainability principles across our supply chain, and positively influence the environmental, social and governance performance of our suppliers. Suppliers of the Keppel Group companies are expected to comply with the Code, which covers requirements on business conduct, labour practices, safety & health, and environmental management. Moving forward, we plan to strengthen all working relationships between Keppel T&T and its contractors.

Regulatory Compliance and Fair Operating Practices
We comply with the laws and regulations of the countries where we operate. Non-compliance, if any, is tracked regularly under the Risk Management Framework. In 2016, the Group did not identify any significant incidents of non-compliance with laws, regulations, and voluntary codes pertaining to the provision, use and safety of our products and services.

The Keppel Group Code of Conduct details the rules for Employee Conduct and Business Conduct. The Employee Code of Conduct addresses standards of acceptable and unacceptable behaviour and personal decorum, as well as Keppel's workplace harassment policies. The Business Code of Conduct addresses standards of ethical business behaviour including anti-corruption, offering and receiving of gifts, hospitality and promotional expenditures, dealings with Third Party Associates as well as conflicts of interest. All employees are briefed on the Keppel Code of Conduct and policies during their orientation, and are required to declare existing conflicts of interests on an annual basis.

During the year, emphasis has been placed on raising regulatory compliance awareness through a comprehensive training programme for our staff.

During the year, emphasis has been placed on raising regulatory compliance awareness through a comprehensive training programme for our staff. An e-module training on Keppel's Code of Conduct, comprising Whistle-Blower Protection, Anti-Bribery, Conflicts of Interest and Insider Trading policies was conducted. All executives and Senior Management took part in the training.

All our operational data centres in Singapore have achieved a consistent set of standards certified by international organisations.

Environmental Performance

Paper Consumption

17%

Reduction of paper consumption in 2016.

Energy Saved

5,693GJ

Energy saved from initiatives in 2016.

New Green Building Certification

2

Number of new green building certifications in 2016.

Environmental Sustainability Framework

Keppel T&T believes that good environmental stewardship is aligned with our stakeholders' interests. Our environmental management is guided by the Environment Sustainability Framework which provides a holistic approach to environmental conservation.

Energy Consumption and Emissions

Indirect Energy Consumption

Grid-supplied electricity is the main source of indirect energy used in our operations.

In 2016, the Group's total electricity consumption was 291,793GJ, 12% higher than that of 2015. This was due mainly to the ramp-up in operations for Keppel DC Singapore 3.

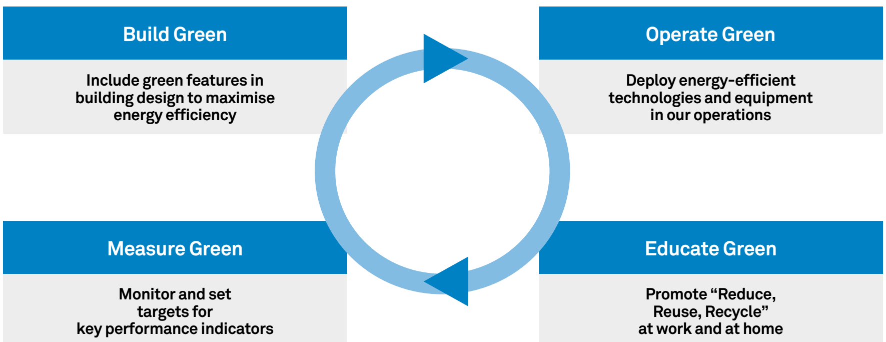
Managing energy efficiency in our data centres is important as they account for up to 75% of the Group's total electricity consumption. Data centre operations have energy intensive processes, such as maintaining the cooling environment for servers. We strive to ensure all the facilities owned or managed by us fulfill both our internal control requirements and our clients' requirements. Research initiatives were rolled out to improve energy efficiency while ensuring performance excellence. In 2016, Keppel Data Centres, together with the Info-communications Media Development Authority of Singapore (IMDA), are jointly working to develop and deploy the world's first Tropical Data Centre. The proof-of-concept tested the viability of operating data centres at ambient temperatures of up to 38°C and humidity up to or exceeding 90%. Its successful deployment is expected to reduce energy consumption of data centres by up to 40%.

To reduce our energy consumption, our Data Centres make use of Diesel Rotary Uninterruptible Power Supply (DRUPS) to guarantee the quality and continuity of power supply. DRUPS are significantly more compact and energy efficient compared to the conventional static Uninterruptible Power Supply (UPS). T5 fluorescent lamps and motion sensors were also installed to provide efficient lighting, together with chilled water cooling systems for air conditioning. In 2016, these energy saving initiatives helped reduce energy consumption by 5,633GJ.

Service Excellence

Performance in 2016	Targets for 2017
Acquisition of KDC Frankfurt 1, a LEED certification data centre.	Achieve 16% reduction of indirect carbon emission intensity by 2020 compared to 2011.
Switched to LED lighting for better energy efficiency at Keppel Logistics Singapore.	Attain BCA Green Mark for 100% of new buildings in Singapore.
Deployed more DRUPS and chilled water cooling systems at the data centres owned/managed in Singapore.	

Framework on Environmental Sustainability



In line with our energy conservation efforts, all data centres owned or managed by the Group have been certified with SS 564:2013 Green Data Centres – Energy and Environmental Management System, as well as the ISO 50001:2011 Energy Management System.

Energy efficiency is also important for Keppel Logistics. In Singapore, we continued to replace the Metal Halide lamps with the more efficient T5 fluorescent lamps. Together with the conversion to LED lights within the Singapore offices, we expect energy consumption to be reduced by up to 59GJ. Likewise in Malaysia, we are replacing the existing lighting with LED lighting as part of our energy efficiency efforts.

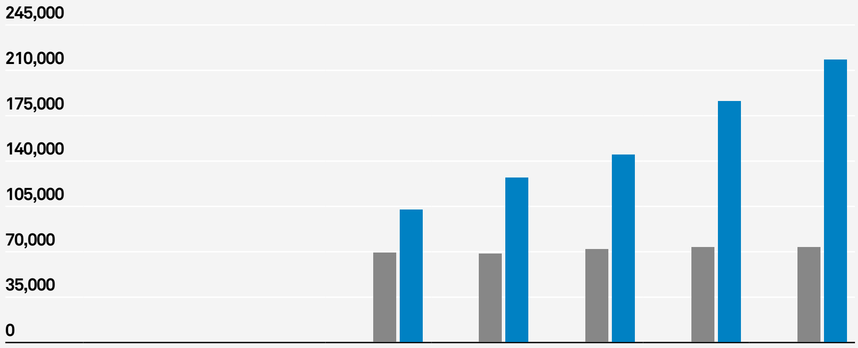
Direct Energy Consumption (GJ)

The Group tracks its diesel and Liquefied Petroleum Gas (LPG) usage to measure its direct energy consumption. In the Logistics Division, diesel fuels the equipment and transportation fleet. In the Data Centre Division, diesel is used for load bank testing. LPG is used to power forklifts in our Malaysia logistics unit.

In 2016, the Group's total direct energy consumption was 60,934GJ, 5% lower than that of 2015. This was largely attributed to the reduction in fleet size and drop in transportation volume at Keppel Logistics Singapore and Indo-Trans Keppel Logistics Vietnam, leading to reduction in diesel consumption. In the Data Centre Division, there was an increase in diesel consumption due to operational requirements at Keppel DC Singapore 3.

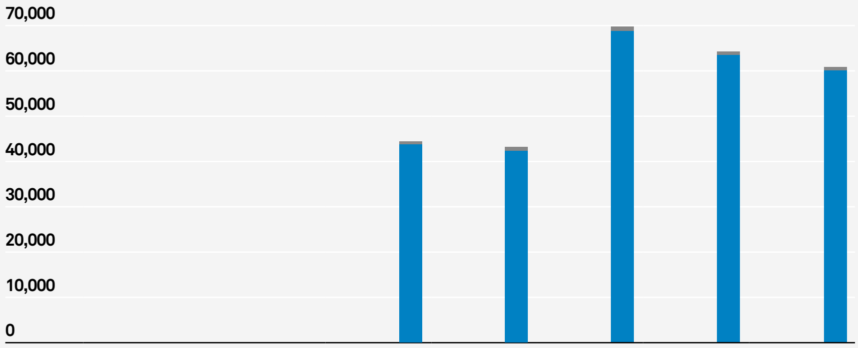
Keppel T&T recognises the importance of controlling direct energy consumption in minimising our environmental impacts. Keppel Logistics Singapore conducts regular checks and maintenance on vehicles to ensure they comply with environmental regulations, and monitors the consumption of diesel closely. The vehicles are equipped

Electricity Consumption (GJ)



	2012	2013	2014	2015	**2016**
Logistics	69,294	68,155	71,745	73,592	**73,450**
Data Centre	102,213	127,248	144,880	186,316	**218,344**
Total	171,507	195,403	216,624	259,908	**291,793**

Direct Energy Consumption (GJ)



	2012	2013	2014	2015	**2016**
LPG	529	814	967	710	**806**
Diesel	43,761	42,369	68,876	63,635	**60,128**

All data centres owned or managed by the Group have been certified with SS 564:2013 Green Data Centres – Energy and Environmental Management System, as well as the ISO 50001:2011 Energy Management System.

Environmental Performance

Direct emissions from the consumption of diesel, LPG and chiller leakage in our business operations have decreased by 5%.

with the Transport Management System (TMS) software to optimise routes and reduce fuel wastage. Measures such as planning routes with our TMS software were taken to align the vehicles' practices with our internal standards. Under the new Supplier Code of Conduct, suppliers are expected to comply with all applicable national laws and regulations, as well as requirements for environmental licenses and permits. Suppliers shall have, or work towards having, an effective environmental management system in place, through which they are able to manage and monitor: energy and water efficiency; responsible waste management and recycling; mitigation of greenhouse gas emissions; and pollution prevention.

In 2016, no environmental incident was reported by our contractors. Direct energy consumption data for outsourced transportation was excluded from this Report due to difficulties in data monitoring and collection.

Greenhouse Gases (GHG) Emission

GHG emission is a key environmental concern for our business, given the considerable energy requirement for both logistics and data centre businesses. Our emissions figures are computed based on internationally accepted conversion factors[4] and classified using the GHG Protocol[5].

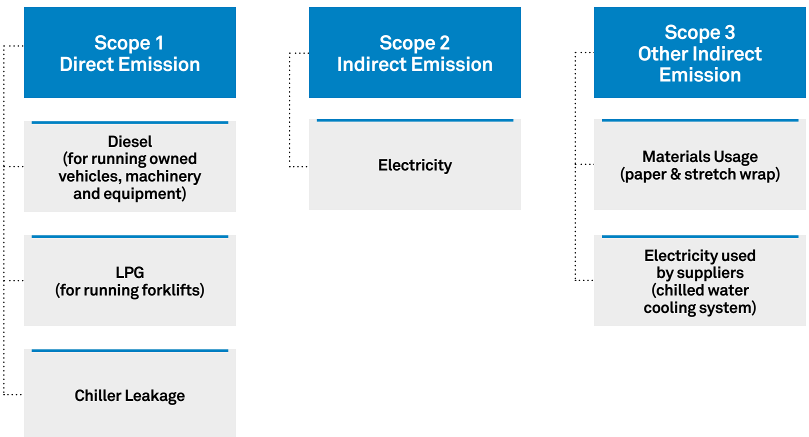
Scope 1 emissions, comprising direct emissions from the consumption of diesel, LPG and chiller leakage in our business operations, have decreased by 5%, mainly due to the reduction in fleet size and transportation volume in the Logistics Division. Leakage of ozone-depleting substances is estimated at 103.5tCO_2 assuming that 3% of the total refrigerant holding capacity escapes into the atmosphere, based on DEFRA standards. Our chiller equipment comprises 29 chillers located in Singapore: 24 units use HCFC-123, three units use HFC-134a, and the remaining two units use HCFC-22 (R22), all of which are approved for use until 2030 under the Montreal Protocol.

Scope 2 emissions, which are indirect emissions from electricity consumption, increased by 12% largely due to the ramp-up in occupancy for Keppel DC Singapore 3. Our efforts to reduce Scope 2 emissions have been elaborated in the earlier section on indirect energy consumption.

Scope 3 emissions decreased by 10% to 947tCO_2, owing to a drop in chilled water cooling system usage. Paper and stretch wrap usage also dropped following reduced printing and wrapping requirements from customers, as well as the improvement of operation processes to reduce paper usage.

Other than the absolute emission figures, to better monitor the carbon footprint as our businesses expand, carbon emission intensity is tracked in terms of indirect

Classification of GHG emissions from our operations:



4 Sources for conversion factors: Energy Market Authority (EMA) 2015 for Singapore, DEFRA 2015 for China, International Energy Agency (IEA) 2015 for other countries.

5 The GHG emission scopes 1, 2 and 3 are defined by the GHG Protocol. Scope 1 refers to emission from company owned and operated facilities, machines, vehicles, etc. Scope 2 refers to emission from sources external to the company, but provides the company with a service such as power plants and other utilities. Scope 3 refers to emission from daily activity that performs a supporting role to the company such as employee commuting, business travel and the purchase of office supplies.

carbon emission per $1 million revenue. Direct carbon emissions (or Scope 1 emissions) were excluded in our carbon intensity calculations as they were dependent on the level of transport outsourcing and therefore do not reflect our emission control efforts. The revenue and emissions from Keppel DC Singapore 1 and 2 were excluded as they have been divested to Keppel DC REIT in 2015. The Group's overall carbon emission intensity increased from 79.3tCO_2 to 92.0tCO_2 in 2016 due to the ramp-up in occupancy of Keppel DC Singapore 3. However, it is 47% lower when compared to our baseline in 2011 – well within our target of 16% reduction.

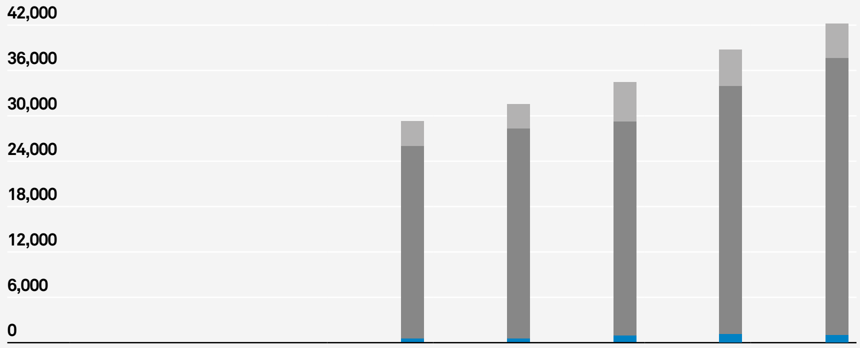
Keppel T&T continuously monitors and explores ways to minimise our carbon emission. The performance data each year is analysed in the Annual Carbon Management Plan.

Water Consumption

Water usage is regularly monitored in Keppel T&T. Besides washing and other operational needs, water is also used in both data centre and logistics operations to run the chilled water cooling systems. These systems provide superior energy efficiency relative to traditional chiller systems, helping to keep our electricity usage low. For Keppel Logistics, the water consumption for the chilled water cooling system is tracked regularly and charged to the system provider.

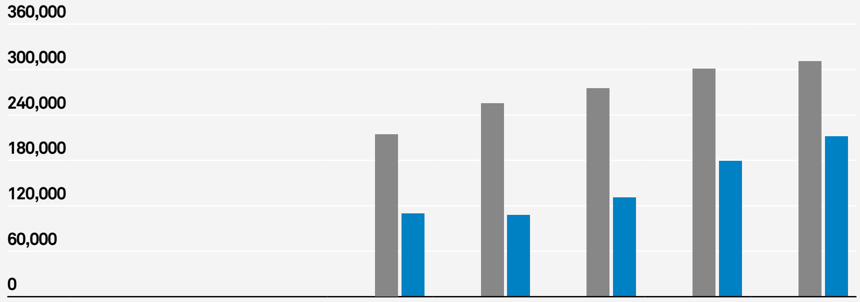
Total water consumption of the Group increased by 9% to 522,414m^3 compared

Carbon Emission (tCO_2)

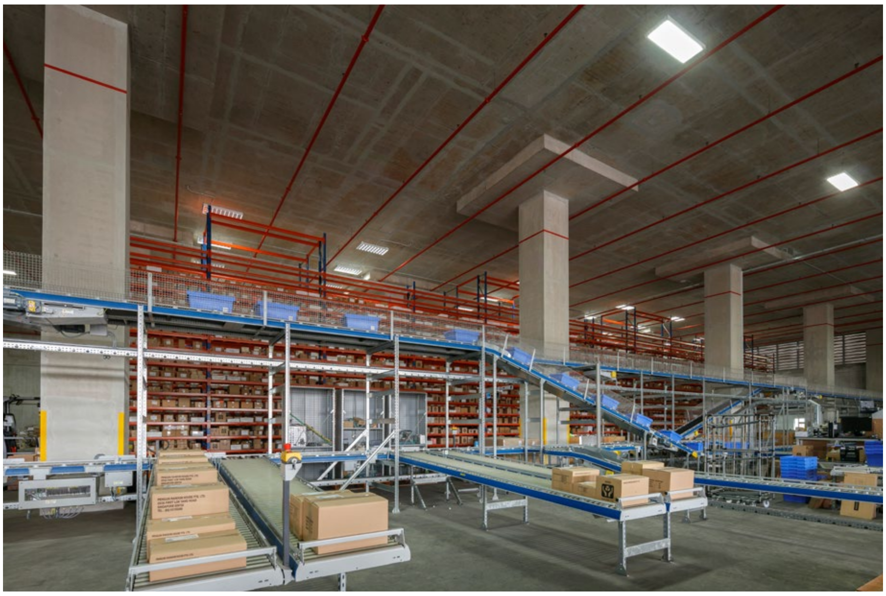


	2012	2013	2014	2015	**2016**
Scope 1	3,325	3,235	5,182	4,815	**4,564**
Scope 2	25,575	27,930	28,410	32,873	**36,729**
Scope 3	425	405	870	1,054	**947**

Water Consumption by Division (m^3)



	2012	2013	2014	2015	**2016**
Logistics	214,628	255,787	275,064	301,417	**310,904**
Data Centre	109,437	107,355	131,241	179,002	**211,510**
Total	324,066	363,142	406,305	480,419	**522,414**



At Keppel Logistics, Metal Halide lamps have been replaced with the more efficient T5 fluorescent lamps as part of our energy efficiency efforts.

Environmental Performance

to 2015. This was due to the ramp up of operations in KDC SGP 3 and a water leakage problem in our logistics facilities due to damaged underground water pipes. The leakage problem was rectified.

At Keppel Logistics Foshan, 30,235m^3 of river water was used at the ports to clean barges and wash containers. For Keppel Data Centres, over 90% of total water consumption at KDC SGP 3 comes from NEWater, which is reclaimed from used water sources. In recognition of our efforts, Keppel DC Singapore 1 and 2 were awarded the Water Efficient Building award from PUB in 2011 and 2013 respectively. The two data centres were certified SS577: Water Efficiency Management System in 2015 and 2016 respectively with the implementation of a Water Efficiency Policy and procedures to manage water usage.

Green Building

Recognising that building design plays a significant part in driving energy and water use efficiency, Keppel T&T strives to ensure that our facilities are environmentally friendly from the onset.

In China, the Tianjin Eco-City Distribution Centre became the first facility in China to receive the 2-Star Green Building Design Label for its energy-efficient features. The facility was designed with green features such as energy-efficient lighting, skylight for the Very Narrow Aisle (VNA) warehouse and solar water heating in its toilets. Our newest data centre facility in Singapore, Keppel DC Singapore 4, is being designed and built with a target of attaining the BCA Green Mark Platinum certification.

Energy efficiency is also an important consideration when making brownfield acquisitions. In November 2016, Keppel Data Centres and Alpha DC Fund acquired Keppel DC Frankfurt 1, a LEED Platinum accredited data centre in Germany. The building was equipped with a green wall across the site and a rainwater reclamation system to ensure energy efficiency and sustainability. As the data centre continues to fill up in capacity, we will continually seek methods to boost energy efficiency in the fit-out of the remaining data halls.

Material and Waste

The key types of waste generated in our operations are paper and stretch wrap. Paper is used for office and labeling purposes, while stretch wrap is used to protect cargo in our logistics operations.

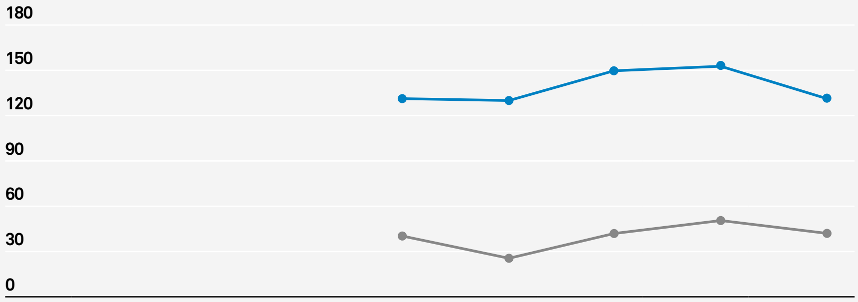
In 2016, the paper and stretch wrap consumption decreased by 17% and 14% respectively, largely due to a reduction in printing, labeling and wrapping requests from customers as well as the streamlining of operational processes to reduce paper usage. For instance, Keppel Logistics is shifting from paper pick lists to mobile Radio Frequency (RF) terminals.

Keppel T&T does not generate or handle hazardous waste in any of our operations. However, we are committed to ensure that waste is properly disposed of according to local regulations. In Singapore, the waste is weighed by our authorised waste collectors before being sent to incineration plants for energy recovery. Waste disposal in China, Malaysia and Vietnam are likewise conducted by authorised waste collectors and sent to landfills in accordance with local regulations. However, owing to a lack of accurate data for these entities, overseas waste disposal figures were excluded from this Report. The waste data has been restated to exclude Keppel Data Centres due to the waste collection being outsourced to a third party provider and accurate data being unavailable. Waste generated by the data centres comes mainly from office operations and the volume is not significant.

In 2016, the total waste sent for incineration was 492.7 tonnes and the recycling rate dropped to 14%. Going forward, Keppel T&T will continue to explore new recycling initiatives.

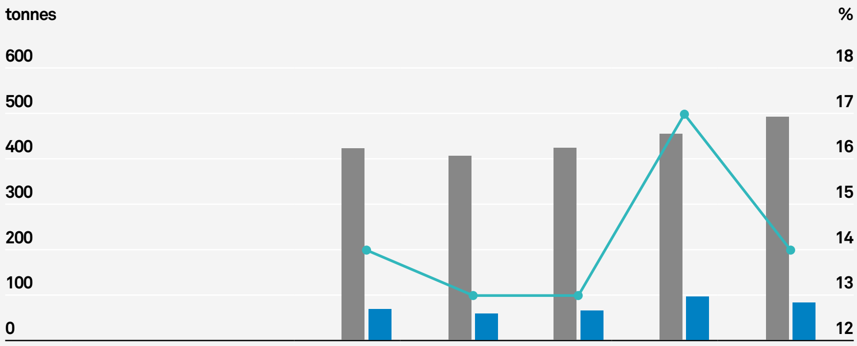
Our newest data centre facility, Keppel DC Singapore 4, was designed and built with a target of attaining the BCA Green Mark Platinum certification.

Material Consumption (tonnes)

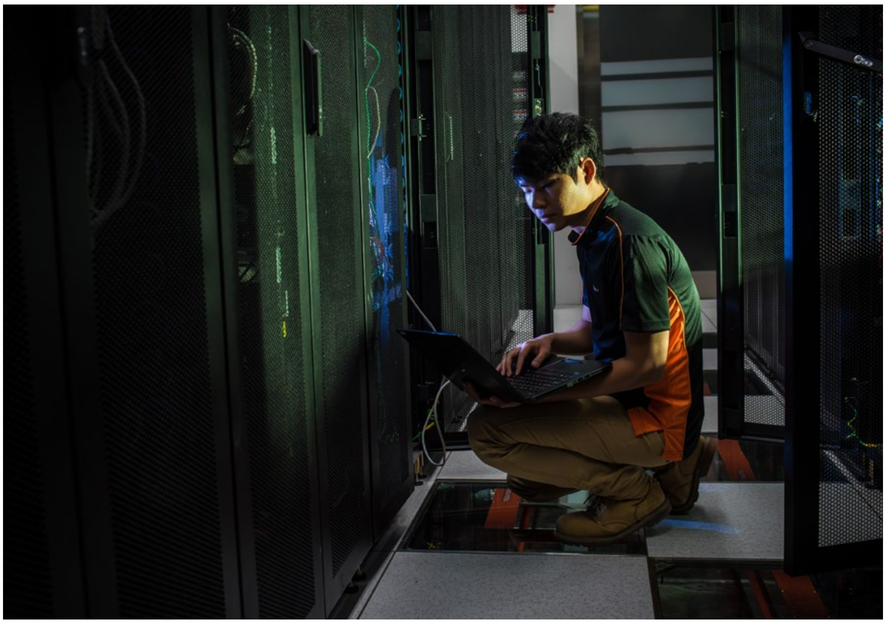


	2012	2013	2014	2015	**2016**
Paper (tonnes)	40.3	28.5	41.9	50.5	**42.0**
Stretch Wrap (tonnes)	131.6	130.3	150.0	153.5	**131.8**

Waste Incinerated and Recycled in Singapore (tonnes)



	2012	2013	2014	2015	**2016**
Incinerated Waste	423	406	424	455	**493**
Waste Recycled	69	58	65	96	**83**
Recycling Rate	14%	13%	13%	17%	**14%**



During the year, Keppel Data Centres, together with the Info-communications Media Development Authority of Singapore participated in a proof-of-concept trial to reduce energy consumption in data centres.

Labour Practices and Human Rights

Local Hires

61%

Proportion of key management hired from local communities.

Training

32hrs

Average training hours per employee across the Group.

Employee Engagement

79%

Score obtained from the Employee Engagement Survey.

Commitments in 2016	Actions in 2016	Targets for 2017
Nurture, develop and empower our human capital	Enhanced our talent management programmes with the introduction of a new Mentoring Framework	Continue to nurture, develop and empower our human capital
Foster a cohesive identity within the Group and provide open feedback channels	Conducted Focus Group sessions for direct feedback and rolled out an Employee Engagement Pulse Survey	Continue to strengthen employee communication
Enhance our staff's overall wellness	Organised programmes to promote work-life balance and improve staff wellness	Achieve a higher score in Engagement Surveys

Our People

The Group maintains its philosophy of 'Empowering Lives' by continuing to invest in our people, focusing on nurturing and harnessing their fullest potential. We believe in an open and inclusive environment. To achieve this, we place strong emphasis on engaging our workforce across the Group and providing a conducive environment to enhance their overall well-being.

Employee Profile

Keppel T&T embraces diversity and fosters an inclusive culture for all gender, age and ethnicity. Our diverse workforce of 1,441 employees comprises 12 nationalities with the majority based in Singapore (38%), China (39%) and Vietnam (20%). 46% of the staff employed are permanent staff with the remaining being contract staff. Female employees make up 30% of the total workforce and 38% of employees are of executive level and above.

In Singapore, 57% of the workforce is aged between 31 and 50 years old, with 34% and 23% in the 31-40 and 41-50 years age groups respectively. 68% of our overseas employees are aged 40 years and below. 47% of the employees have a service length of below three years while 39% have served between 3 to 10 years. 46% of our employees hold tertiary qualifications and above (Diploma, Bachelor's or Master's degree), representing an increase of 1% from 2015. 22% of employees hold technical or trade certificates, GCE O- or A-Levels.

The Group practises workforce localisation to leverage local expertise in all our countries of operation. While a majority of our staff are local, key management teams often consist of both local and expatriates sent from headquarters. In 2016, 61% of our key management, defined as the top three decision-makers in our business units, were locals.

During the year, the Group's average monthly recruitment rate was 1.9% while the turnover rate was 1.8%.

Re-Engagement of Older Workers

Keppel T&T proactively engages employees who have reached the statutory retirement age of 62 to discuss terms of re-employment, at least six months prior to their retirement. Staff with satisfactory work performance and certified medically fit are offered re-employment based on term contracts. When re-employing employees, we align our practice with the Tripartite Guidelines on Re-employment of Older Employees.

Policies and Practices

Keppel T&T continued to align its employment practices with the fair employment practices recommended by Singapore's Tripartite Alliance for Fair and Progressive Employment Practices.

All new hires are given orientation to the Group's businesses and briefed on the following key policies upon joining the Company:

1. Code of Conduct
2. Anti-Bribery and Corruption
3. Insider Trading
4. Competition Law Compliance
5. End User Computing
6. Safeguarding Information
7. Public Affairs/Communications/Brand
8. Whistle-Blower Protection
9. Personal Data Protection
10. Telemarketing

Singapore's Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) – Key Principles

Recruit and select employees on the basis of merit (such as skills, experience or ability to perform the job), regardless of age, race, gender, religion, marital status and family responsibilities, or disability.

Treat employees fairly and with respect and put in place progressive human resource management systems.

Provide employees with equal opportunities to be considered for training and development based on their strengths and needs, to help them achieve their full potential.

Reward employees fairly based on their ability, performance, contribution and experience.

Comply with the labour laws and abide by the Tripartite Guidelines on Fair Employment Practices.

As part of the Group's ongoing efforts to strengthen regulatory compliance, the Group's Annual Training and Declaration policies were rolled out to executive staff. The exercise comprised of an e-module training covering our key policies, followed by an online assessment.

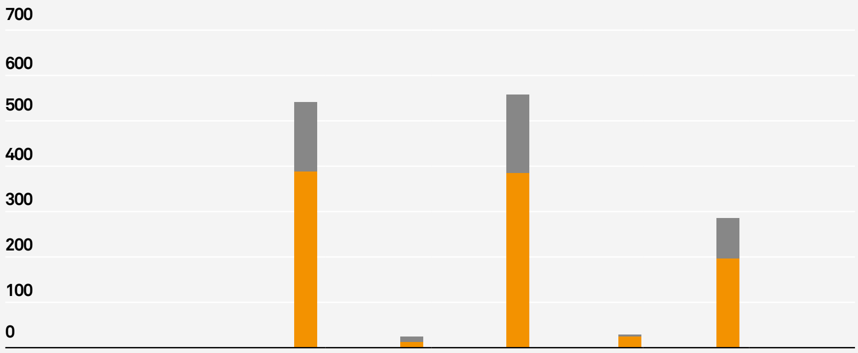
Provision of Benefits

The Group complies with all the statutory regulations relating to employment terms and benefits to offer employees competitive and sustainable compensation. Benefits for employees vary slightly across different geographies.

All employees across the Group are provided with:

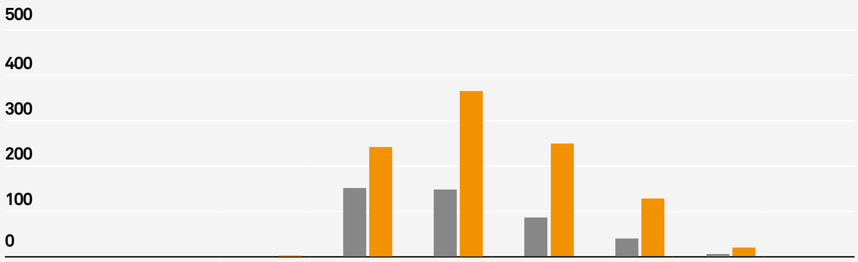
- Group personal accident and group term life insurance
- Outpatient and inpatient hospital and surgical healthcare coverage
- Contribution to local pension funds (Central Provident Fund in Singapore, Employees Provident Fund in Malaysia, Social Security in China, Social Insurance Fund in Vietnam and Superannuation Fund in Australia)

Employee Profile by Region and Gender



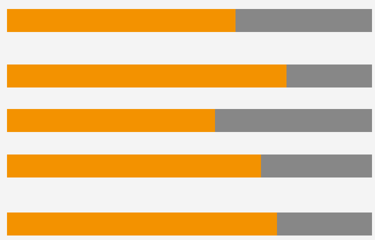
	Singapore	Malaysia	China	Australia	Vietnam	**Total**
Female	154	12	174	5	89	**434**
Male	389	12	385	24	197	**1,007**
Total	543	24	559	29	286	**1,441**

Age and Gender Profile



	<20	20-29	30-39	40-49	50-59	60 & Above	**Total**
Female	0	152	149	86	40	7	**434**
Male	1	243	367	250	127	19	**1,007**
Total	1	395	516	336	167	26	**1,441**

Gender Diversity by Seniority Profile



	Male	Female
Senior Management	5 | 62.5%	3 | 37.5%
Middle Management	85 | 76.5%	26 | 23.5%
Executive	179 | 57.0%	133 | 43.0%
Supervisory & Confidential	179 | 69.5%	78 | 30.5%
Non-Executive, Non-Supervisory	559 | 74.0%	194 | 26.0%

Labour Practices and Human Rights

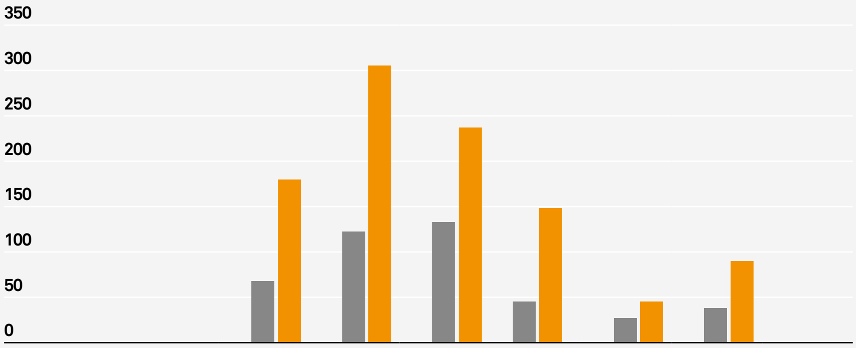
In Singapore, the Group has concluded the harmonisation of its flexible benefits scheme with the Keppel Group for local employees (excluding employees under Collective Agreement). The new benefits scheme aims to:

(a) Harmonise benefits across the Keppel Group
(b) Provide employees with flexible benefits to better meet their changing and diverse needs
(c) Let employees take ownership of their own choices and
(d) Focus on preventive care and provide incentives for employees to stay healthy

In line with the Government's direction for portable medical coverage, this programme provides a feature which encourages our employees to take up integrated shield plans with corresponding upgrades according to each individual's needs and budget. This new scheme will be implemented from 2017 onwards.

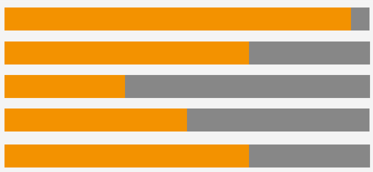
Employees are provided with other benefits including childcare leave, maternity leave, paternity leave, marriage leave and compassionate leave. In 2016, a total of 66 employees took parental leave, of which 48% were male and 52% were female. The return rate for staff who took parental leave was 100%, and the retention rate 12 months after taking parental leave was 92%.

Service Length Profile



	<1 Yr	1-2 Yrs	3-5 Yrs	6-10 Yrs	11-15 Yrs	16 Yrs & Above	**Total**
Female	68	123	133	45	27	38	**434**
Male	180	306	238	148	45	90	**1,007**
Total	248	429	371	193	72	128	**1,441**

Key Management Distribution by Country
Local Hires & Foreigners

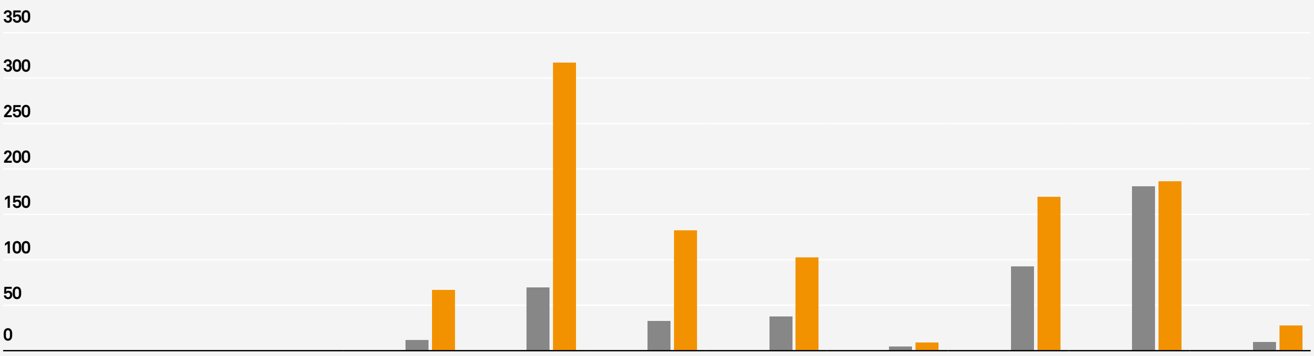


	Local	Foreigner
Singapore	17 | 95%	1 | 5%
Malaysia	2 | 67%	1 | 33%
China	7 | 33%	14 | 67%
Australia	3 | 50%	3 | 50%
Vietnam	2 | 67%	1 | 33%

Labour Management Relations

Keppel T&T is guided by the Singapore's Industrial Relations Act which allows representation of bargainable staff by trade unions under collective bargaining. We work closely with the Singapore Industrial and Services Employee's Union (SISEU) and respect employees' rights to be members of the union. About 44% of Keppel T&T's bargainable employees in Singapore are union members. Under the collective bargaining agreement signed with SISEU, the notice period for negotiations for a new collective agreement may commence not earlier than three months prior to the expiry of the agreement.

Education Profile



	Primary	Secondary	Technical/ Trade Certificate	GCE 'N'/ 'O' Level	GCE 'A' Level	Diploma	Bachelor's Degree	Master's Degree
Female	11	69	32	37	4	92	181	8
Male	66	317	132	102	8	169	186	27

New Hires in 2016

	Singapore	Malaysia	China	Australia	Vietnam
New hires	51	8	103	5	164
As a % of total employees					
Total new hires	9%	33%	18%	17%	57%
New hires who are women	3%	4%	5%	7%	15%
New hires who are below 30 years old	4%	17%	8%	4%	31%
New hires who are between 30 to 50 years old	4%	16%	9%	10%	25%
New hires who are over 50 years old	1%	0%	1%	3%	1%

To foster a harmonious relationship between the union and management, we maintain a quarterly dialogue session to exchange constructive ideas and solicit feedback. The management constantly keeps the Union informed of the Company's performance and business outlook. Union representatives are granted union leave when they attend conferences, meetings and other events organised by the Union.

Employees are able to voice any grievances to their supervisors or the Human Resources Department by following the Group's set guidelines and procedures. The Whistle-blower Protection policy protects employees when reporting any inappropriate conduct, ensuring confidentiality and fairness. In 2016, no incident of discrimination or grievances relating to human rights or labour practices was reported.

Attracting and Nurturing Talent

Attracting New Talent

The Group attracts new talent through various avenues and programmes. Our Management Trainee Programme is a 24-month programme aimed at developing and building the career foundations of talents. It includes corporate and operations attachments as well as overseas attachments.The Group actively participates in career fairs organised by various organisations and education institutes where we are able to share the job opportunities in our Logistics and Data Centre Divisions.

Fair Remuneration and Performance Management

All our employees are employed under clear terms and conditions detailed in an employment contract agreed between and signed off by both parties. Our employees' compensation packages are benchmarked against market data annually in order to remain competitive in attracting and retaining the right talent.

As Keppel T&T advocates a performance-based culture based on meritocracy and individual potential, every employee undergoes a structured annual performance review where the immediate supervisor will discuss with the employee the performance targets for the year. At the executive and managerial level, we established balanced scorecards or work targets set for the year focusing on four key areas: Financial, Process, Customers/ Stakeholders and People. In 2016, a new set of targets on "Group Collaboration & Synergies" was added to the scorecard. For non-executive employees, an additional round of half-yearly performance review was designed to help them progressively meet their expected targets by the end of the year. This enables the Group to identify underperforming employees and put in place further coaching or supervision.

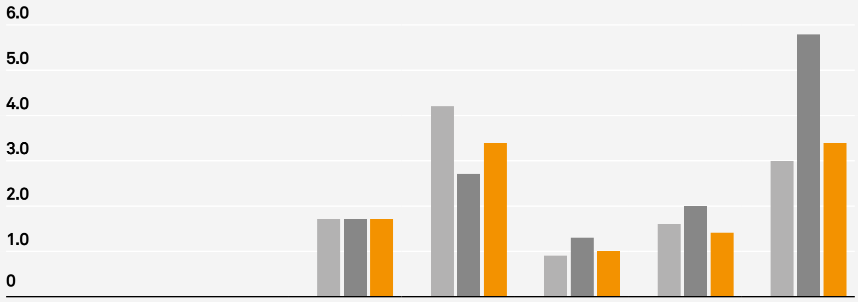
Successsion Planning and Talent Management

Keppel T&T seeks to attract and retain talent. With a strong focus on identifying, developing and retaining talent, Succession Planning and Talent Management are therefore critical to the Group in building a strong talent pipeline for future leadership. Talent review meetings are held twice a year each by the top management and the Board Nominating Committee to review the succession pipeline and identify high potential employees to groom for leadership.

The Keppel Young Leaders' Dialogue provides talent from across the Group with valuable insights and learning opportunities.

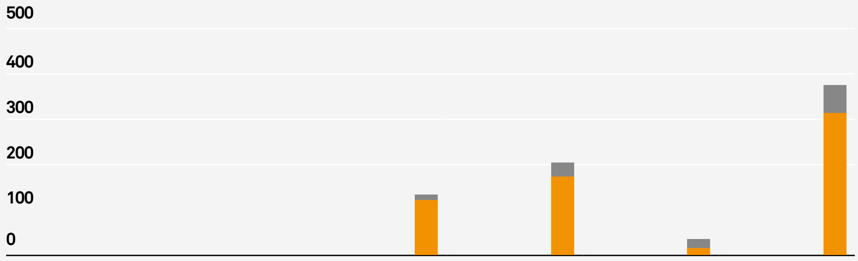
Labour Practices and Human Rights

Average Monthly Employee Turnover Rate by Country (%)



	Singapore	Malaysia	China	Australia	Vietnam
2014	1.7	4.2	0.9	1.6	3.0
2015	1.7	2.7	1.3	2.0	5.8
2016	**1.7**	**3.4**	**1.0**	**1.4**	**3.4**

Employee Turnover by Age



	Below 30 years old	Between 30 to 50 years old	Over 50 years old	**Total Turnover**
Involuntary	12	31	19	**62**
Voluntary	123	176	17	**316**

High potential employees and young talents are assessed through the Group's Leadership Potential Assessment Tool to identify potential successors for top, senior and middle management positions. The assessments are calibrated by different levels of management over several meetings to ensure a robust assessment is made of each succession incumbent. Young talents are put on the radar of our senior and top management to ensure accelerated development to prepare them for senior management positions.

A development plan is mapped out for every succession incumbent which takes into account the individual's strengths and achievements, development areas and interventions.

Mentoring Framework

A new Mentoring Framework was formalised this year to help young talents navigate organisational culture in their careers as well as enable cross-functional knowledge sharing. Mentors and mentees were carefully paired based on competencies, personal leadership qualities as well as common interests. Quarterly meet-ups are encouraged for mentors to keep track of the progress of mentees and provide guidance.

Learning & Development

Keppel T&T is committed to develop our people to be competent and relevant in their jobs. The Group provides opportunities to our employees to continuously upgrade themselves through internal and external courses and seminars. In 2016, $460,656 was invested into training and 7,463 training places were provided for employees, accumulating a total of 45,873 training hours.

The Group believes in lifelong learning by encouraging employees to pursue higher qualifications. Up to seven days of examination leave per year are available to employees under the Training Support Schemes as well as those taking private courses related to their field of work.

Employee Welfare

Health and Safety

Safety is one of Keppel's core values. We strive to achieve accident-free operations through a continuous and comprehensive safety management approach and strong safety culture.

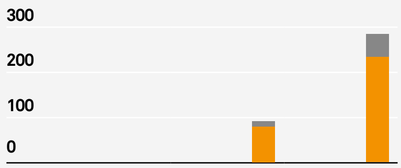
Safety Management

The Board Safety Committee at Keppel T&T maintains oversight of safety issues while an Environment, Health and Safety Committee in each of our business units ensures effective implementation of our safety policies and practices, raises health and safety awareness and keeps track of regulatory updates.

We closely track cases of occupational disease, lost time due to injuries, Accident Severity Rate (ASR), Accident Frequency Rate (AFR), near-misses and workplace hazards for all directly employed staff and contractors working on site. Everyone in our premises is encouraged to report hazards to promote a greater sense of safety awareness. The Board and Management of Keppel T&T are updated on the Group's safety performance on a monthly basis.

Audits are regularly conducted across all our facilities including local construction sites to identify risk areas and take pre-emptive action. Meetings are conducted with staff and contractors to keep all parties informed of safety related matters.

Employee Turnover by Gender



	Female	Male
Involuntary	11	51
Voluntary	81	235

Safety Education

Keppel T&T believes in regular refreshers and reminders to maintain top-of-mind awareness within our organisation. Health and safety matters are displayed prominently on notice boards and discussed during the morning briefings before commencement of work. Courses attended by staff include safety orientation, Material Handling Equipment (MHE) training, working at height, risk assessment, racking safety and stack loader training. Furthermore, regular drills and training are conducted to ensure employee readiness in the event of an emergency. These include CERT training, fire evacuation drills, firefighting training, CPR+AED courses, pandemic flu exercises and typhoon emergency drills.

We also believe in engaging our vendors and partners in our safety programmes. Contractors working on site are required to comply with our safety requirements before they can commence any high-risk work. In addition, to promote safe driving and racking practices, we have implemented the Keppel T&T Road Safety Standard and Keppel T&T Racking Safety Standard in our Logistics Division.

To reinforce the safety culture within the Company, Keppel Logistics organises its annual Environment, Health and Safety (EHS) month in July. During the month, various activities such as exhibitions, talks, quizzes and games are organised to involve all staff to raise awareness on EHS matters.

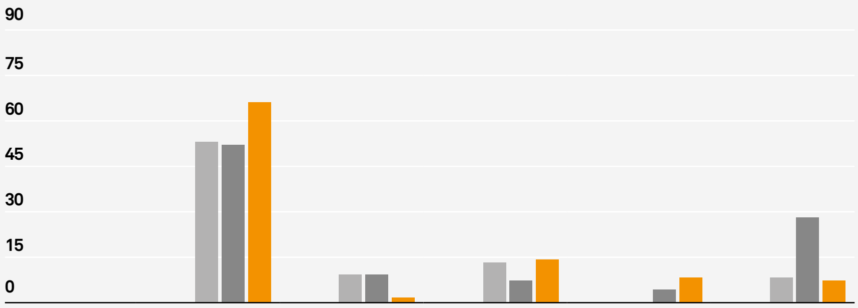
Safety Performance

Both the ASR and AFR rose in 2016 owing to the occurrence of one reportable accident and one fatal accident during the year, both related to vehicle operations. For the fatal accident, a special investigation team was formed together with Keppel Group's representatives to understand its root cause. The related work procedures have been reviewed and corrective action has been communicated to all staff to prevent a recurrence.

In recognition of its commitment to Workplace Safety and Health and its strong safety culture, Keppel Logistics was presented the SPARKS Award at the National Trades Union Congress (NTUC) U SAFE Awards, and the Singapore Road Safety Award under the Heavy Goods Vehicle Fleet category from Singapore Road Safety Council in 2016.

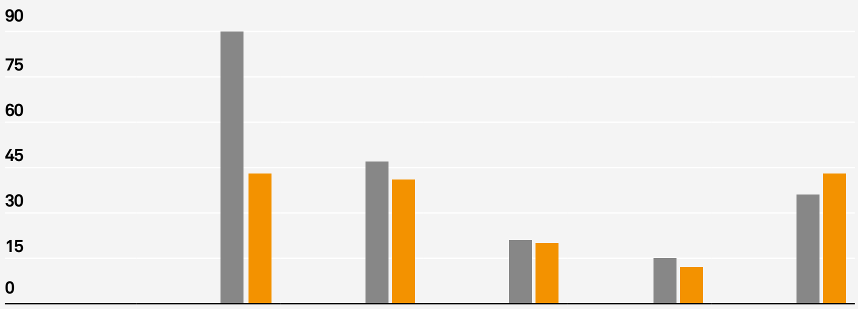
Additionally, Keppel Logistics has also achieved the bizSAFE Partner status by the Workplace Safety and Health Council, in recognition of its efforts in promoting the bizSAFE programme with the industry and its networks of contractors and suppliers. In the annual Keppel Group Safety Convention, Keppel T&T won one

Average Training Hours per Employee by Country



	Singapore	Malaysia	China	Australia	Vietnam
2014	53	9	13	0	8
2015	52	9	7	4	28
2016	**66**	**1**	**14**	**8**	**7**

Average Training Hours by Gender and Seniority



	Senior Management	Middle Management	Executive	Supervisory and Confidential	Non-Executive, Non-Supervisory
Female	90	47	21	15	36
Male	43	41	20	12	43

Gold Award, one Silver Award and three Bronze Awards for its innovation projects.

Employee Health & Wellness

At Keppel T&T, we believe that our employees's health is directly linked to their overall well being and productivity. Throughout the year, the Group organised and encouraged our employees to engage in activities aimed at improving physical and mental health. This included lunch time talks on health topics, the distribution of healthy snacks, fitness classes and periodical health screening provided to employees in Singapore. This year, as part of the workplace health promotion programme, Keppel T&T participated in the National Steps Challenge™ Season 2 (Corporate Challenge). The challenge involved 120 of our employees participating and competing against organisations nation-wide to achieve the highest average step count.

Work-Life Harmony

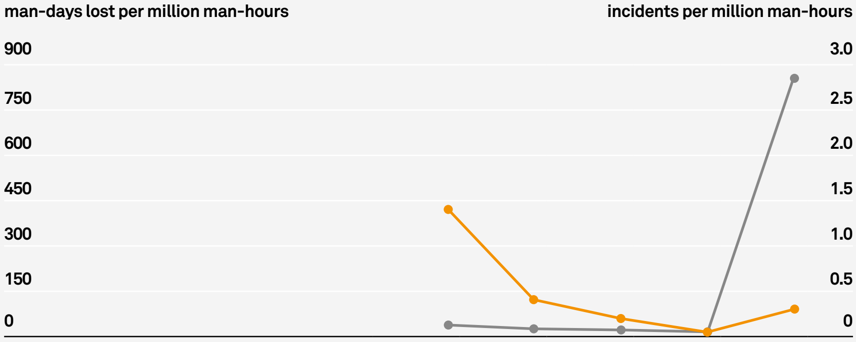
The Group values work-life harmony and believes that a work-life friendly place is beneficial for both the Group and the employees. On a case-by-case basis, the Company is able to grant flexible working arrangements to eligible employees. In addition, the Group has a Work-Life Harmony programme, which includes activities that promote family bonding, such as Family Day and Eat with Your Family Day. The Group provides complimentary access to popular leisure destinations such as the Singapore Zoo, River Safari and Sentosa for employees and their families to enjoy together.

Labour Practices and Human Rights

Team Building

In Keppel T&T, we believe in the power of collective strength. Throughout the year, the Group organised many events that aimed to strengthen the bonds among its employees. This included quarterly team-building sessions for staff from different departments and business units. The activities were specially planned and designed to cultivate camaraderie and promote team bonding. Other activities included the Keppel T&T Annual Dinner and Dance and the Racial Harmony Day.

Safety Performance



	2012	2013	2014	2015	**2016**
Accident Severity Rate (ASR)	16.4	1.7	1.1	0	**855.7**
Accident Frequency Rate (AFR)	1.4	0.4	0.2	0	**0.3**

Employee Engagement

Communication

The Group practices an open door policy where all employees are encouraged to give feedback and share any concerns relating to the work environment.

Throughout the year, the communication platforms were strengthened through various events organised for employees to encourage two-way communication. The events include the Townhall Meeting, staff dialogue session, CEO breakfast and networking sessions, as well as communication sessions to inform all employees of Group-wide changes.

Employee Engagement Pulse Survey

As a follow up to last year's Employee Engagement Survey (EES), the Group conducted the Keppel Global Employee Engagement Pulse Survey in Singapore, Malaysia, Vietnam and China. The survey measures employee's satisfaction and their engagement in working for the organisation.

Participation rate for the pulse survey improved from 97% to 99% this year. The Group maintained its overall engagement score at 79%, and 84% of employees surveyed were motivated to contribute to the Group's success.

Rewards & Recognition

In 2016, 55 staff received the Keppel T&T Long Service Award in recognition of their loyal contributions to the Group.

To motivate, reward and recognise overseas employees with outstanding performance, Keppel Logistics extended the Best Employee/Department of the Month award to its entities in Malaysia, Vietnam and Australia.

The Group recognised the contribution and loyalty of 55 staff with Long Service Award in 2016.

Nurturing Community

Volunteerism

1,657hrs

Contributed by volunteers across all business units.

Donations

$66,917

Donated to charitable causes through Keppel Care Foundation.

Supporting Education
Through partnerships with educational institutions, the Group continued to offer students industrial attachment and internship opportunities in 2016. Students under the Group's internship programme were given practical work experience and operational exposure. They were also guided by assigned mentors, paving the way for potential job opportunities after graduation.

In China, Keppel Logistics Foshan has been actively supporting needy students from the Foshan University of Science and Technology through the Company's bursary scheme since 2013. This year, eight students benefited from the bursaries totalling $19,200.

Keppel Logistics was a pioneer participant of SkillsFuture Earn and Learn, a work-study programme designed to provide fresh graduates from polytechnics and the Institute of Technical Education a head start in careers related to their fields of study. The programme allows them to acquire work experience under a structured on-the-job training under a mentor while furthering their studies. In 2016, Keppel Logistics sponsored one student under this scheme.

Reaching Out to the Needy
Keppel T&T recognises the need to do our part to give back to the communities where we operate.

This year, the Group organised a series of activities aimed at reaching out to underprivileged youth and senior citizens. These included charity bazaars, food donations and volunteer work at care centres. During Chinese New Year, staff volunteers partnered with Fei Yue Family Service Centre and Keat Hong Zone 7 RC to distribute groceries to 41 needy families registered under ComCare, a social assistance for low-income individuals and families. Volunteers from the Group also celebrated the Mid-Autumn Festival with 30 beneficiaries from Fei Yue Senior Activity Centre.

In Tianjin, China, Keppel Logistics, in partnership with Keppel Land and Keppel Seghers, organised a charity bazaar in the Sino-Singapore Tianjin Eco-City to raise donations for the Xiangyu Autism Aid Association. A total of RMB13,074 was raised.

Promoting Volunteerism
Keppel T&T is a strong advocate of volunteerism. Employees are given two days of volunteerism leave to participate in volunteer events organised by the Group or Keppel Volunteers, a Keppel Group-wide initiative.

The Group's employees were also encouraged to participate in external charity events such as the SGX's Bull Charge run and the Frost & Sullivan's Frost the Trail Run which raised money for their respective charitable organisations. In Singapore, employees actively took part in national engagements such as the National Day Parade Marching contingent and the Singapore Armed Forces Rededication Day Ceremony.

In 2016, employees across the Group contributed a total of 1,657 hours in volunteer service.

Donation & Fund Raising
Besides volunteering activities, the Group donated to charities and participated in fundraising events for the underprivileged through Keppel Care Foundation. The Group has been a long-standing supporter of the SHARE programme by Community Chest Singapore, with our employees contributing a total of $13,504 through monthly workplace donations. In total, the Group donated a total of $66,917 in 2016. Keppel Logistics Singapore was awarded the SHARE Bronze award for its contributions and support of the Community Chest in 2016.

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Legend ● Fully reported ◑ Partially reported

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G4-DMA	Generic Disclosures on Management Approach	●	60-61
G4-HR3	Total number of incidents of discrimination and corrective actions taken	●	63
	Human Rights Grievance Mechanisms		
G4-DMA	Generic Disclosures on Management Approach	●	62-63
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	●	63
	Society		
	Local Communities		
G4-DMA	Generic Disclosures on Management Approach	●	67
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	◑	67

Legend ● Fully reported ◑ Partially reported

		Disclosure	Reference page
	Anti-corruption		
G4-DMA	Generic Disclosures on Management Approach	●	53
G4-SO4	Communication and training on anti-corruption policies and procedures	◑	53
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G4-DMA	Generic Disclosures on Management Approach	●	53
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	Product Responsibility		
	Product and Service Labelling		
G4-DMA	Generic Disclosures on Management Approach	●	50-51
G4-PR5	Results of surveys measuring customer satisfaction	●	50-51
	Customer Privacy		
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G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●	50- 51
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G4-DMA	Generic Disclosures on Management Approach	●	53
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	●	53

Legend ● Fully reported ◑ Partially reported

VERIFICATION STATEMENT ON GRI CONTENT INDEX (Materiality Disclosures)

Ere-S

This statement only confirms the level of disclosure of some indicators and **does not represent external assurance** on the accuracy and quality of the Report's data (quantitative and qualitative), including statements, claims, performance information, underlying management processes and data collection, calculation and consolidation. Ere-S did not seek supporting evidence or interview data owners.

To the Management and Stakeholders of Keppel Telecommunications & Transportation Ltd

This is the second year that Keppel Telecommunications & Transportation Ltd (Keppel T&T) has commissioned Ere-S Pte Ltd (Ere-S) to provide independent verification on the GRI Content Index of its annual Sustainability Report (the Report). The verification was carried out between January and February 2017 on the Sustainability Report found in Keppel T&T Report to Shareholders 2016.

Scope

The verification engagement focused on the information found in the GRI Content Index of the Report and was limited to the following indicators:

- General Standard Disclosures **G4-17 to G4-23** on **Identified Material Aspects and Boundaries**
- General Standard Disclosures **G4-24 to G4-27** on **Stakeholder Engagement**

Ere-S assessed whether the GRI Content Index and the verified indicators are presented in accordance with the following aspects of the GRI G4 Sustainability Reporting Guidelines:

1. Format and structure of the Content Index
2. Inclusion and clarity of references to the locations of the verified indicators
3. Existence of the verified indicators' data in the referenced locations

Ere-S also assessed whether each verified indicator presents the information specifically required in the reporting instructions (what to report) of the GRI G4 guidelines.

Methodology

Prior to the publication of the Report, Ere-S examined the clarity and inclusion of location references for the indicators listed in the GRI Content Index and assessed the information in the referenced pages of the Report and other sources. Where indicators did not present all information required in the reporting instructions of the GRI G4 guidelines, Ere-S suggested appropriate amendments to Keppel T&T. The final version of the Report was checked by Ere-S to ensure that all agreed changes had been effectively made.

Findings

On the basis of the above methodology, the GRI indicators G4-17 to G4-27 are found to be adequately presented in adherence to GRI G4 reporting instructions, with references to the disclosures correctly located in the Report. Compared to the previous Report, we observed more complete descriptions of the material aspects and boundaries, such as the materiality matrix and the table on material aspects. On the other hand, the Report would benefit from the disclosure of additional examples of actions taken by the company in direct response to concerns from diverse stakeholder groups.

Details of the findings and recommendations for further improvement have been presented to Keppel T&T in a separate verification report.

Ere-S Pte Ltd
Singapore, 28 February 2017

Jean-Pierre Dalla Palma, Lead Assessor

Ere-S Pte Ltd is a consulting company specialising in business sustainability and provides services in the domains of sustainability reporting, sustainability report assurance, stakeholder engagement and CSR training. Keppel T&T is responsible for the details provided in the Report and the GRI Content Index. Ere-S was not involved in the development and writing of the Report; neither has Ere-S been engaged by Keppel T&T for other projects. Ere-S' activities are independent of Keppel T&T and contain no financial interest in Keppel T&T's business operations.

www.ere-s.com

Statutory Reports & Financial Statements

Contents

Directors' Statement

For the financial year ended 31 December 2016

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Keppel Telecommunications & Transportation Ltd (the "Company") and its subsidiaries (collectively, the "Group"), and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

1. Opinion of the Directors

In the opinion of the Directors,

(i) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows together with the notes thereto set out on pages 80 to 135 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are:

Loh Chin Hua (Chairman)
Pang Thieng Hwi, Thomas
Neo Boon Siong
Karmjit Singh
Khor Poh Hwa
Lim Chin Leong
Lee Ai Ming
Chan Hon Chew

3. Audit Committee

The Audit Committee carried out its function in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. In relation to the financial statements of the Group and the Company for the financial year ended 31 December 2016, the Committee reviewed the audit plans and the scope of examination of the external auditors of the Company, and the scope and results of internal audit procedures of companies within the Group. It further reviewed the financial statements of the Group and the Company for the financial year ended 31 December 2016 and the report of the external auditors thereon. The functions performed are detailed in the report on Corporate Governance.

As at the date of this statement, the Audit Committee comprises five non-executive Directors of which four are independent, as follows:

Neo Boon Siong (Chairman) (Independent Director)
Karmjit Singh (Independent Director)
Khor Poh Hwa (Independent Director)
Lee Ai Ming (Independent Director)
Chan Hon Chew

The Audit Committee has recommended to the Board of Directors the re-appointment of Messrs PricewaterhouseCoopers LLP, as external auditors of the Company at the forthcoming Annual General Meeting.

4. Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors to acquire benefits through the acquisition of shares in or debentures of the Company or any other body corporate, other than the Keppel T&T Share Option Scheme 1993, the KT&T Restricted Share Plan and the KT&T Performance Share Plan.

5. Directors' Interests in Shares and Debentures

The Directors holding office at the end of the financial year and their interests in shares and share options of the Company and related companies as recorded in the Register of Directors' Shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, were as follows:

	At 1.1.16 or date of appointment, if later	At 31.12.16	At 21.1.17
Keppel Corporation Limited			
(Ordinary shares)			
Loh Chin Hua	332,824	534,557	534,557
Loh Chin Hua (deemed interest)	38,500	38,500	38,500
Pang Thieng Hwi, Thomas	166,034	179,637	179,637
Lim Chin Leong	13,200	13,200	13,200
Lee Ai Ming	10,000	10,000	10,000
Chan Hon Chew	17,200	50,600	50,600
Chan Hon Chew (deemed interest)	7,770	7,770	7,770
(Share options)			
Pang Thieng Hwi, Thomas	313,500	313,500	313,500
(Unvested restricted shares to be delivered after 2013)			
Loh Chin Hua	29,333	-	-
Pang Thieng Hwi, Thomas	6,903	-	-
(Unvested restricted shares to be delivered after 2014)			
Loh Chin Hua	100,000	50,000	50,000
Pang Thieng Hwi, Thomas	13,300	6,600	6,600
Chan Hon Chew	23,300	11,600	11,600
(Unvested restricted shares to be delivered after 2015)			
Loh Chin Hua	150,000	100,000	100,000
Chan Hon Chew	65,000	43,300	43,300
(Contingent award of restricted shares to be delivered after 2016) [1]			
Loh Chin Hua	-	180,000	180,000
Chan Hon Chew	-	85,000	85,000
(Contingent award of performance shares issued in 2013 to be delivered after 2015) [2]			
Loh Chin Hua	93,171	-	-
(Contingent award of performance shares issued in 2014 to be delivered after 2016) [2]			
Loh Chin Hua	180,000	180,000	180,000
Chan Hon Chew	30,000	30,000	30,000
(Contingent award of performance shares issued in 2015 to be delivered after 2017) [2]			
Loh Chin Hua	220,000	220,000	220,000
Chan Hon Chew	80,000	80,000	80,000
(Contingent award of performance shares issued in 2016 to be delivered after 2018) [2]			
Loh Chin Hua	-	300,000	300,000
Chan Hon Chew	-	100,000	100,000
(Contingent award of performance shares – Transformation Incentive Plan issued in 2016 to be delivered after 2020) [2]			
Loh Chin Hua	-	750,000	750,000
Pang Thieng Hwi, Thomas	-	175,000	175,000
Chan Hon Chew	-	350,000	350,000

Directors' Statement

	At 1.1.16 or date of appointment, if later	At 31.12.16	At 21.1.17
Keppel Telecommunications & Transportation Ltd			
(Ordinary shares)			
Pang Thieng Hwi, Thomas	-	23,300	23,300
(Unvested restricted shares to be delivered after 2015)			
Pang Thieng Hwi, Thomas	70,000	46,700	46,700
(Contingent award of restricted shares to be delivered after 2016) [1]			
Pang Thieng Hwi, Thomas	-	70,000	70,000
(Contingent award of performance shares issued in 2015 to be delivered after 2017) [2]			
Pang Thieng Hwi, Thomas	100,000	100,000	100,000
(Contingent award of performance shares issued in 2016 to be delivered after 2018) [2]			
Pang Thieng Hwi, Thomas	-	100,000	100,000
Keppel REIT			
(Units)			
Loh Chin Hua	7,000	7,000	7,000
Loh Chin Hua (deemed interest)	556,160	556,160	556,160
Pang Thieng Hwi, Thomas	75,322	75,322	75,322
Karmjit Singh	2,200	2,200	2,200
Lim Chin Leong	3,752	3,752	3,752
Lee Ai Ming	851,000	851,000	851,000
Lee Ai Ming (deemed interest)	100,000	100,000	100,000
Chan Hon Chew	1,100	1,100	1,100
Chan Hon Chew (deemed interest)	1,875	1,875	1,875
Keppel DC REIT			
(Units)			
Pang Thieng Hwi, Thomas	50,000	63,700	63,700

[1] Depending on the achievement of pre-determined performance targets, the actual number of shares to be released could be zero or the number stated.
[2] Depending on the achievement of pre-determined performance targets, the actual number of shares to be released could range from zero to 150% of the number stated.

6. Employee Share Options and Share Plans

(a) Share Options

The Keppel T&T Share Option Scheme 1993 ("KT&T Share Option Scheme") which has been approved by the shareholders of the Company is administered by the Remuneration Committee, whose members as at the date of this statement are as follows:

Khor Poh Hwa (Chairman)
Loh Chin Hua
Lim Chin Leong

Under the KT&T Share Option Scheme, an option may, except in certain special circumstances, be exercised at any time after two years but no later than the expiry date. 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 price is based on the average last business done price for the shares of the Company on the Singapore Exchange Securities Trading Limited for the three market days preceding the date of offer. The Remuneration Committee may at its discretion fix the subscription price at a discount not exceeding 20 percent to the above price. The 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 KT&T Share Option Scheme was terminated on 2 July 2010 upon the adoption of the KT&T Restricted Share Plan ("KT&T RSP") and the KT&T Performance Share Plan ("KT&T PSP"). Options granted and outstanding prior to the termination will continue to be valid and subject to the terms and conditions of the KT&T Share Option Scheme.

There were 25,000 shares issued by virtue of exercise of options and no option shares were cancelled during the financial year.

At 31 December 2016, the following options to take up 570,000 unissued shares in the Company were outstanding:

	Number of Share Options				
Date of grant	**At 1.1.16**	**Exercised**	**At 31.12.16**	**Exercise price ($)**	**Expiry date**
6.2.07	85,000	-	85,000	1.70	5.2.17
7.8.07	170,000	-	170,000	3.75	6.8.17
11.2.08	170,000	-	170,000	4.97	10.2.18
11.8.08	145,000	-	145,000	5.25	10.8.18
3.8.09	10,000	(10,000)	-	1.49	2.8.19
3.2.10	15,000	(15,000)	-	1.38	2.2.20
	595,000	(25,000)	570,000		

No options have been granted to Directors and controlling shareholders of the Company or their associates and no employee received 5 percent or more of the total number of options available under the KT&T Share Option Scheme.

During the financial year, no options to take up unissued shares of any subsidiary were granted and there were no shares of any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

(b) Share Plans

The KT&T RSP and KT&T PSP were approved at the Extraordinary General Meeting of the Company held on 21 April 2010.

Details of share plans awarded are disclosed in Note 11 to the financial statements.

During the financial year, the number of contingent shares granted was 1,163,500 for KT&T RSP and 270,000 for KT&T PSP. The number of shares released was 1,001,781 under KT&T RSP and 126,300 under KT&T PSP during the financial year. 890,881 shares under KT&T RSP and 126,300 shares under KT&T PSP were vested during the financial year. 100,800 shares under KT&T RSP were cancelled during the financial year. At the end of the financial year, there were 1,142,500 contingent shares and 872,515 unvested shares under the KT&T RSP and 635,000 contingent shares under the KT&T PSP as follows:

Contingent awards:

	Number of Shares					
Date of grant	**At 1.1.16**	**Contingent shares granted**	**Adjustment upon release**	**Released**	**Cancelled**	**At 31.12.16**
KT&T RSP						
10.4.15	1,001,781	-	-	(1,001,781)	-	-
29.4.16	-	1,163,500	-	-	(21,000)	1,142,500
	1,001,781	1,163,500	-	(1,001,781)	(21,000)	1,142,500
KT&T PSP						
3.4.13	125,000	-	1,300	(126,300)	-	-
7.4.14	125,000	-	-	-	-	125,000
10.4.15	240,000	-	-	-	-	240,000
29.4.16	-	270,000	-	-	-	270,000
	490,000	270,000	1,300	(126,300)	-	635,000

Directors' Statement

Awards released but not vested:

Date of grant	Number of Shares At 1.1.16	Released	Vested	Cancelled	At 31.12.16
KT&T RSP					
3.4.13	252,400	-	(252,400)	-	-
7.4.14	589,015	-	(297,800)	(28,800)	262,415
10.4.15	-	1,001,781	(340,681)	(51,000)	610,100
	841,415	1,001,781	(890,881)	(79,800)	872,515
KT&T PSP					
3.4.13	-	126,300	(126,300)	-	-
	-	126,300	(126,300)	-	-

The information on Director of the Company participating in the KT&T RSP and KT&T PSP is as follows:

Contingent awards:

Name of participant	Contingent shares granted during the financial year	Aggregate shares granted since commencement of the share plans to the end of financial year	Aggregate shares released since commencement of the share plans to the end of financial year	Aggregate shares cancelled as at the end of financial year	Aggregate shares not released as at the end of financial year
KT&T RSP					
Pang Thieng Hwi, Thomas	70,000	140,000	(70,000)	-	70,000
KT&T PSP					
Pang Thieng Hwi, Thomas	100,000	200,000	-	-	200,000

Employees who were granted 5 percent or more of the total number of contingent awards of shares during the financial year and aggregated to date are as follows:

Contingent awards:

Name of participant	Contingent shares granted during the financial year	Aggregate shares granted since commencement of the share plans to the end of financial year	Aggregate shares adjusted upon release since commencement of the share plans to the end of financial year	Aggregate shares released since commencement of the share plans to the end of financial year	Aggregate shares cancelled as at the end of financial year	Aggregate shares not released as at the end of financial year
KT&T RSP						
Pang Thieng Hwi, Thomas	70,000	140,000	-	(70,000)	-	70,000
Wong Wai Meng	60,000	60,000	-	-	-	60,000
Gay Kah Meng, Desmond	50,000	50,000	-	-	-	50,000
KT&T PSP						
Pang Thieng Hwi, Thomas	100,000	200,000	-	-	-	200,000
Wong Wai Meng	70,000	70,000	-	-	-	70,000
Gay Kah Meng, Desmond	60,000	60,000	-	-	-	60,000

Awards released but not vested:

Name of participant	Aggregate shares released since commencement of the share plans to the end of financial year	Aggregate shares vested since commencement of the share plans to the end of financial year	Aggregate shares cancelled as at the end of financial year	Aggregate shares released but not vested as at the end of financial year
KT&T RSP				
Pang Thieng Hwi, Thomas	70,000	(23,300)	-	46,700

Name of participant	Contingent shares granted during the financial year %	Aggregate contingent shares granted to date %
Pang Thieng Hwi, Thomas	12	4
Wong Wai Meng	9	2
Gay Kah Meng, Desmond	8	1

On behalf of the Board

LOH CHIN HUA
Chairman

NEO BOON SIONG
Director

Singapore, 17 February 2017

Consolidated Profit and Loss Account

For the financial year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Revenue	3	**194,622**	200,566
Operating expenses	4	**(179,175)**	(180,751)
Other income	5	**64,726**	34,383
Operating profit	6	**80,173**	54,198
Interest income	7	**1,726**	1,811
Interest expense	8	**(12,696)**	(12,232)
Share of results of associated companies and joint ventures		**61,080**	85,832
Profit before taxation		**130,283**	129,609
Taxation	9	**(16,960)**	(23,623)
Profit for the year		**113,323**	105,986
Attributable to:			
Shareholders of the Company		**105,080**	91,481
Non-controlling interests	13	**8,243**	14,505
		113,323	105,986
Earnings per share (cents)			
- basic	10	**18.9**	16.5
- diluted	10	**18.8**	16.4

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2016

	2016 $'000	2015 $'000
Profit for the year	**113,323**	105,986
Items that may be reclassified subsequently to profit and loss account:		
Available-for-sale financial assets		
- Fair value changes	**(5,314)**	9,772
Cash flow hedge		
- Fair value changes	**(1,132)**	(101)
- Realised and transferred to profit and loss account	**530**	59
Foreign currency translation		
- Exchange differences arising on consolidation	**(7,181)**	4,380
Share of other comprehensive income of associated companies and joint ventures		
- Cash flow hedge	**(945)**	942
- Foreign currency translation	**(1,826)**	(8,367)
Other comprehensive income for the year, net of taxation	**(15,868)**	6,685
Total comprehensive income for the year	**97,455**	112,671
Attributable to:		
Shareholders of the Company	**91,610**	97,233
Non-controlling interests	**5,845**	15,438
	97,455	112,671

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

As at 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Share capital	11	**79,867**	78,246	**79,867**	78,246
Reserves	12	**716,797**	644,263	**155,576**	101,610
Share capital and reserves		**796,664**	722,509	**235,443**	179,856
Non-controlling interests	13	**111,363**	102,013	**-**	-
Total equity		**908,027**	824,522	**235,443**	179,856
Represented by:					
Non-current assets					
Fixed assets	14	**367,731**	356,152	**-**	-
Investment properties	15	**183,902**	288,643	**-**	-
Investments					
Subsidiaries	16	**-**	-	**138,141**	98,141
Associated companies and joint ventures	17	**682,248**	557,372	**27,951**	34,572
Others	19	**4,661**	9,851	**-**	-
Intangibles	20	**2,209**	16,757	**-**	-
Long-term receivables	21	**-**	-	**51,723**	156,860
		1,240,751	1,228,775	**217,815**	289,573
Current assets					
Stocks	22	**669**	631	**-**	-
Debtors	23	**60,090**	77,122	**80**	194
Amounts owing by holding and related companies	24	**324**	1,665	**115,835**	14,284
Amounts owing by associated companies	25	**29,317**	2,867	**-**	-
Fixed deposits	26	**54,028**	144,136	**28,247**	10,513
Bank balances and cash	26	**48,922**	44,371	**226**	181
		193,350	270,792	**144,388**	25,172
Assets classified as held for sale	31	**288,765**	-	**6,621**	-
		482,115	270,792	**151,009**	25,172
Current liabilities					
Creditors	27	**138,388**	96,147	**3,707**	3,961
Amounts owing to holding and related companies	24	**836**	1,274	**9,630**	10,928
Amounts owing to associated companies	25	**5,407**	28,755	**-**	-
Short-term borrowings	28	**72,762**	59,855	**-**	-
Taxation		**4,896**	16,272	**42**	-
		222,289	202,303	**13,379**	14,889
Liabilities directly associated with assets classified as held for sale	31	**115,002**	-	**-**	-
		337,291	202,303	**13,379**	14,889
Net current assets		**144,824**	68,489	**137,630**	10,283
Non-current liabilities					
Long-term borrowings	29	**456,003**	455,538	**120,000**	120,000
Deferred taxation	9	**9,980**	9,798	**2**	-
Other non-current liabilities	30	**11,565**	7,406	**-**	-
		477,548	472,742	**120,002**	120,000
Net assets		**908,027**	824,522	**235,443**	179,856

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2016

	Attributable to owners of the Company						
	Share Capital $'000	Capital Reserves $'000	Revenue Reserve $'000	Foreign Currency Translation Account $'000	Share Capital and Reserves $'000	Non-controlling Interests $'000	Total Equity $'000
Group							
Balance at 1 January 2016	78,246	42,215	614,880	(12,832)	722,509	102,013	824,522
Total comprehensive income for the year							
Profit for the year	-	-	105,080	-	105,080	8,243	113,323
Other comprehensive income for the year *	-	(6,861)	-	(6,609)	(13,470)	(2,398)	(15,868)
Total comprehensive income for the year	-	(6,861)	105,080	(6,609)	91,610	5,845	97,455
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Issue of shares	1,621	(1,585)	-	-	36	-	36
Cost of share-based payment	-	1,688	-	-	1,688	-	1,688
Transfer from revenue reserve to capital reserves	-	226	(226)	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	(1,365)	(1,365)
Dividend paid for 2015 (Note 41)	-	-	(19,495)	-	(19,495)	-	(19,495)
Total contributions by and distributions to owners	1,621	329	(19,721)	-	(17,771)	(1,365)	(19,136)
Changes in ownership interests in subsidiaries							
Capital reduction in a subsidiary	-	-	-	-	-	514	514
Cash contributed by non-controlling shareholders	-	-	-	-	-	4,356	4,356
Total changes in ownership interests in subsidiaries	-	-	-	-	-	4,870	4,870
Total transactions with owners	1,621	329	(19,721)	-	(17,771)	3,505	(14,266)
Share of reserves of associated companies	-	332	(16)	-	316	-	316
Balance at 31 December 2016	79,867	36,015	700,223	(19,441)	796,664	111,363	908,027

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

	Attributable to owners of the Company						
	Share Capital $'000	Capital Reserves $'000	Revenue Reserve $'000	Foreign Currency Translation Account $'000	Share Capital and Reserves $'000	Non-controlling Interests $'000	Total Equity $'000
Group							
Balance at 1 January 2015	76,741	30,646	607,083	(7,912)	706,558	86,003	792,561
Total comprehensive income for the year							
Profit for the year	-	-	91,481	-	91,481	14,505	105,986
Other comprehensive income for the year *	-	10,672	-	(4,920)	5,752	933	6,685
Total comprehensive income for the year	-	10,672	91,481	(4,920)	97,233	15,438	112,671
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Issue of shares	1,505	(1,196)	-	-	309	-	309
Cost of share-based payment	-	1,686	-	-	1,686	-	1,686
Transfer from revenue reserve to capital reserves	-	209	(209)	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	(1,732)	(1,732)
Dividend paid for 2014 (Note 41)	-	-	(83,397)	-	(83,397)	-	(83,397)
Total contributions by and distributions to owners	1,505	699	(83,606)	-	(81,402)	(1,732)	(83,134)
Changes in ownership interests in subsidiaries							
Capital reduction in a subsidiary	-	-	-	-	-	(39)	(39)
Cash contributed by non-controlling shareholders	-	-	-	-	-	2,343	2,343
Total changes in ownership interests in subsidiaries	-	-	-	-	-	2,304	2,304
Total transactions with owners	1,505	699	(83,606)	-	(81,402)	572	(80,830)
Share of reserves of associated companies	-	198	(78)	-	120	-	120
Balance at 31 December 2015	78,246	42,215	614,880	(12,832)	722,509	102,013	824,522

* Details of other comprehensive income have been included in the consolidated statement of comprehensive income.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Share Capital $'000	Capital Reserves $'000	Revenue Reserve $'000	Total Equity $'000
Company				
Balance at 1 January 2016	**78,246**	**6,374**	**95,236**	**179,856**
Profit for the year, representing total comprehensive income for the year	**-**	**-**	**73,358**	**73,358**
Transactions with owners, recognised directly in equity				
Issue of shares	**1,621**	**(1,585)**	**-**	**36**
Cost of share-based payment	**-**	**1,688**	**-**	**1,688**
Dividend paid for 2015 (Note 41)	**-**	**-**	**(19,495)**	**(19,495)**
Total transactions with owners	**1,621**	**103**	**(19,495)**	**(17,771)**
Balance at 31 December 2016	**79,867**	**6,477**	**149,099**	**235,443**
Balance at 1 January 2015	76,741	5,884	91,661	174,286
Profit for the year, representing total comprehensive income for the year	-	-	86,972	86,972
Transactions with owners, recognised directly in equity				
Issue of shares	1,505	(1,196)	-	309
Cost of share-based payment	-	1,686	-	1,686
Dividend paid for 2014 (Note 41)	-	-	(83,397)	(83,397)
Total transactions with owners	1,505	490	(83,397)	(81,402)
Balance at 31 December 2015	78,246	6,374	95,236	179,856

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2016

	2016 $'000	2015 $'000
Cash flows from operating activities		
Operating profit	80,173	54,198
Adjustments:		
Depreciation of fixed assets	18,497	16,424
Amortisation of intangible assets	201	-
Share-based payment expenses	2,046	1,851
Gain on disposal of fixed assets	(247)	(1,530)
Gain on disposal of a subsidiary	(55,805)	-
Adjustment to gain on disposal of data centres	(26,963)	-
Distributions received from other investments	(405)	(4,375)
Gain on dilution of interest in associated companies	(33)	(2,464)
Impairment loss on fixed assets	26,972	-
Impairment loss on investments	-	8,962
Goodwill written off	-	1,472
Fair value gain on investment properties	(4,045)	(32,133)
Operating cash flows before changes in working capital	40,391	42,405
Working capital changes:		
Stocks	(38)	106
Debtors	(11,937)	1,028
Creditors	24,075	1,466
Amount due to associated companies	(3,556)	4,983
Cash flows from operations	48,935	49,988
Interest received	1,575	1,712
Interest paid	(13,745)	(13,612)
Income taxes paid	(10,013)	(13,435)
Proceeds from tax losses transferred under group relief system	2,007	1,077
Net cash from operating activities	28,759	25,730
Cash flows from investing activities		
Acquisition of a subsidiary (Note A)	(728)	-
Adjustment to gain on disposal of data centres	5,938	-
Investment in associated companies	(111,083)	-
Addition to fixed assets	(51,647)	(58,952)
Addition to investment properties	(64,846)	(71,343)
Proceeds from disposal of a subsidiary (Note B)	35,031	-
Proceeds from disposal of fixed assets	903	1,510
Shareholders loan to an associated company	(27,707)	-
Distributions received from other investments	405	4,375
Dividends received from associated companies	47,708	48,200
Net cash used in investing activities	(166,026)	(76,210)
Cash flows from financing activities		
Proceeds from share issues	36	309
Proceeds from short-term loans	165,137	15,522
Repayment of short-term loans	(29,503)	(8,657)
Proceeds from long-term loans	34,003	35,202
Repayment of long-term loans	(75,836)	(3,912)
Repayment of lease liabilities	(216)	(324)
Contribution from non-controlling shareholders of subsidiaries	4,356	2,343
Dividends paid to shareholders of the Company	(19,495)	(83,397)
Dividends paid to non-controlling shareholders of subsidiaries	(1,317)	(856)
Net cash from/(used in) financing activities	77,165	(43,770)
Net decrease in cash and cash equivalents	(60,102)	(94,250)
Cash and cash equivalents as at 1 January	188,507	280,664
Effect of exchange rate changes on cash and cash equivalents	(1,889)	2,093
Cash and cash equivalents as at 31 December (Note C)	126,516	188,507

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to Consolidated Statement of Cash Flows

A. Acquisition of a subsidiary

The fair values of assets and liabilities of a subsidiary acquired were as follows:

	2016 $'000	2015 $'000
Fixed assets	72	-
Intangibles	2,410	-
Trade debtors	240	-
Other debtors	103	-
Bank balances and cash	30	-
Creditors	(1,348)	-
Bank borrowings	(235)	-
Total net identifiable assets at fair value	1,272	-
Non-controlling interests measured at non-controlling interests' proportionate share of net identifiable assets	(514)	-
Purchase consideration	758	-
Less: Bank balances and cash acquired	(30)	-
Cash outflow on acquisition	728	-

B. Disposal of a subsidiary

The assets and liabilities of a subsidiary disposed were as follows:

	2016 $'000	2015 $'000
Fixed assets	40	-
Associated companies and joint ventures	133	-
Intangibles	16,757	-
Debtors	171	-
Amounts owing by an associated company	3,034	-
Bank balances and cash	2,821	-
Creditors	(1,706)	-
Taxation	(797)	-
	20,453	-
Amount accounted for as amount owing from associated company	(406)	-
Net assets disposed	20,047	-
Net assets attributable to retained interest	(10,024)	-
Net assets attributable to interest disposed	10,023	-
Net gain on disposal	55,805	-
Fair value gain on retained interest	(27,976)	-
Transaction costs	148	-
Sale proceeds	38,000	-
Less: Bank balances and cash disposed	(2,821)	-
Less: Transaction costs	(148)	-
Cash inflow on disposal	35,031	-

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

C. Cash and cash equivalents

Cash and cash equivalents consist of fixed deposits, bank balances and cash. Cash and cash equivalents in the consolidated statement of cash flows comprise the following:

	2016 $'000	2015 $'000
Fixed deposits (Note 26)	**54,028**	144,136
Bank balances and cash (Note 26)	**48,922**	44,371
	102,950	188,507
Fixed deposits classified as held for sale (Note 26)	**21,623**	-
Bank balances and cash classified as held for sale (Note 26)	**1,943**	-
	126,516	188,507

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

1. Corporate Information

The Company is a public listed company domiciled and incorporated in Singapore, and its holding company is Keppel Corporation Limited, a company incorporated in Singapore. The registered office of the Company is located at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632. The principal place of business of the Company is located at 7 Gul Circle, Singapore 629563.

The principal activity of the Company is that of an investment holding and management company. The principal activities of major subsidiaries, associated companies and joint ventures are shown in Note 40.

2. Significant Accounting Policies

2.1 Basis of Preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD") and all values are rounded to the nearest thousand ($'000), except where otherwise indicated.

2.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2016, the Group has adopted all the new and revised standards that are relevant and effective for annual financial periods beginning on or after 1 January 2016.

The adoption of the new and revised standards did not result in any substantial change to the Group's accounting policies nor any significant impact on the financial performance or position of the Group and the Company.

2.3 Standards Issued but not yet Effective

The Group has not adopted the following standards relevant to the Group that have been issued but not yet effective:

Reference	Description	Effective for annual periods beginning on or after
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 110 and FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 116	Leases	1 January 2019
FRS 102	Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 40	Amendments to FRS 40: Transfers of Investment Property	1 January 2018
Improvements to FRSs (December 2016)	a) Amendments to FRS 101 First-time Adoption of Financial Reporting Standards b) Amendments to FRS 112 Disclosure of Interests in Other Entities c) Amendments to FRS 28 Investments in Associates and Joint Ventures	1 January 2018 1 January 2017 1 January 2018

Except for FRS 109, FRS 115 and FRS 116, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of FRS 109, FRS 115 and FRS 116 is described below.

FRS 109 Financial Instruments

In December 2014, the ASC issued the final version of FRS 109 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory in the year of adoption. The Group is currently assessing the impact of FRS 109 and plans to adopt the new standard on the required effective date.

Notes to the Financial Statements

FRS 115 Revenue from Contracts with Customers
FRS 115 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 116 Leases
FRS 116 requires lessees to recognise almost all leases in the balance sheet to reflect the rights to use leased assets and associated obligations for lease payments. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The exceptions provided in the standard are short-term and low-value leases. The accounting for lessors will not change significantly. The new standard is effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will affect the Group's profit and loss account, balance sheet and classification of cash flows.

2.4 Significant Accounting Estimates and Judgments

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Impairment of non-financial assets
Determining whether the carrying value of a non-current asset is impaired requires an estimation of the value in use of the cash generating units. This requires the Group to estimate future cash flows expected from the cash generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The estimated recoverable amount is most sensitive to expected future cash inflows, discount rate and growth rate used for extrapolation purposes. The carrying amounts of fixed assets, investment properties and intangibles are as disclosed in the balance sheet.

(b) Impairment of loans and receivables
The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. When there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of loans and receivables as at the balance sheet date are disclosed in Notes 21, 23, 24, 25 and 26 to the financial statements.

(c) Fair value measurement and impairment of available-for-sale financial assets
The Group classifies its long-term equity instruments as available-for-sale financial assets. These securities are not traded in any active market and their fair values are determined using net asset value and valuation techniques including discounted cash flow model. The inputs used in valuation are derived from observable market data where possible and a degree of judgment is required in establishing fair value. Judgments include considerations of liquidity, future financial performance and discount rate used.

Significant judgment is required in determining the fair value of unquoted investment funds due to external restrictions placed on the years in which they can realise certain investments in their portfolio. An increase/decrease of 10% in the net asset value of these funds on the dates the restrictions end, upon which the funds can realise their investments and distribute the proceeds, will result in higher/lower fair value change of $977,000 in other comprehensive income. Details of valuation techniques and inputs used in the valuation of available-for-sale financial assets are disclosed in Note 37.

Management exercises judgment based on the observable data relating to the possible events that may have caused the decline in value. A decline in value below cost determined to be significant or prolonged is an impairment that should be recognised in profit or loss. The fair value of available-for-sale financial assets is disclosed in Note 19 to the financial statements.

(d) Fair value measurement of investment properties
The Group carries its investment properties at fair value determined using valuation techniques. The determination of the fair value of investment properties requires the use of estimates based on market conditions existing as at the balance sheet date. Further details on fair value measurement of investment properties are disclosed in Notes 15 and 37 to the financial statements.

(e) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved for certain transactions in which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities on expected tax issues based on estimates. Where the final tax outcome of these matters is different from the amounts initially recognised, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The carrying amounts of taxation and deferred taxation are as disclosed in the balance sheet.

(f) Significant influence in M1 Limited and Asia Airfreight Terminal

The Group has less than 20% gross ownership interest respectively in M1 Limited ("M1") and Asia Airfreight Terminal Company Limited ("AAT") as at 31 December 2016 and 31 December 2015. In determining whether the Group has significant influence in M1 and AAT, management has considered the Group's involvement in these entities, including their decision making processes, shareholders' rights and composition of the board of directors. Management has determined that it continues to have significant influence in M1 and AAT in view of the fact that the Group has active participation and representation in the board of directors of AAT and M1.

(g) Fair value measurement of retained interest in Keppel DC REIT Management Pte Ltd

During the financial year ended 31 December 2016, the Group disposed 50% of its shareholdings in Keppel DC REIT Management Pte Ltd ("KDCRM"). Management assessed that the Group no longer has control of KDCRM and recognised the remaining 50% retained interest in KDCRM as an associated company. On initial recognition, the retained interest in KDCRM was recognised at fair value based on valuation using the discounted cash flow method. Details on the assets and liabilities disposed and resulting gain on disposal of KDCRM are disclosed in Note B of the consolidated statement of cash flows. Details on fair value measurement of the retained interest in KDCRM are disclosed in Note 37 to the financial statements.

2.5 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.6 Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Singapore Dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates approximating those ruling as at the balance sheet date. Exchange differences arising from the settlement of monetary items or on translating monetary items as at the balance sheet date are recognised in the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

(c) Consolidated financial statements

For consolidation purpose, the trading results of subsidiaries and associated companies whose financial statements are denominated in functional currencies other than Singapore Dollars are translated into Singapore Dollars at the average exchange rates for the year. All assets and liabilities of these subsidiaries are translated into Singapore Dollars at the exchange rates ruling as at the balance sheet date. Exchange differences due to such currency translations are recognised in other comprehensive income.

On disposal of a foreign operation, cumulative exchange differences recognised in other comprehensive income relating to that foreign operation is recognised in profit or loss.

Notes to the Financial Statements

2.7 Subsidiaries, Basis of Consolidation and Business Combinations

(a) Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group has control in an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and is able to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(b) Basis of consolidation and business combinations

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investments retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are initially recognised at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent considerations to be transferred by the acquirer are recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be a financial instrument will be measured at fair value, with any resulting gain or loss recognised in accordance with FRS 39 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree, if any, that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their fair value at the acquisition date, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business consideration, the amount of non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the identifiable assets and liabilities, is recognised as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Where a business combination involves entities under common control, it is accounted for using the pooling of interest method which involves the following:

- the assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company;
- no adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities;
- no additional goodwill is recognised as a result of the combination;
- any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve; and
- the statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

The Group has adopted the "no restatement" approach for which comparatives will not be re-presented. Any pre-acquisition reserves transferred over will not be recorded as "retained earnings" as the intention was not to restate prior period financial information. FRS 27 requires the Group to only include the profit or loss from acquisition date.

(c) Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions and the carrying amounts of the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.8 Joint Arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of parties sharing control. A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture and is accounted for using the equity method set out in Note 2.9.

2.9 Associated Companies and Joint Ventures

An associated company is an entity over which the Group has the power to participate in the operating and financial policy decisions of the investee but does not have control or joint control of those policies.

The Group's investments in associated companies and joint ventures are accounted for using the equity method from the date on which it becomes an associate or joint venture.

The equity method involves recording investments in associated companies and joint ventures initially at cost and recognising the Group's share of post-acquisition results and movements in reserves against the carrying amount of the investments. The associated companies and joint ventures are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the investments.

Notes to the Financial Statements

On acquisition of the investment, any excess of the cost of investment over the Group's share of the fair value of the investee's net identifiable assets and liabilities is accounted for as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the fair value of the investee's net identifiable assets and liabilities over the cost of investment is included as income in the profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associated company or joint venture equals or exceeds its interest in the investment, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associated company or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in associated companies or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associated company or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company or joint venture and its carrying value and recognises the amount in profit or loss.

The most recent available audited financial statements of the associated companies and joint ventures are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminus with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the financial year. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associated companies and joint ventures are stated at cost less accumulated impairment losses.

2.10 Fixed Assets

All items of fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the fixed assets after taking the estimated residual values into account. No depreciation is provided for capital work-in-progress as these assets are not yet available for use.

The estimated useful lives of fixed assets are as follows:

Leasehold land and buildings	-	over period of lease (ranging from 20 to 50 years)
Plant and equipment		
Data centre equipment	-	10 to 20 years
Office furniture and fittings	-	5 years
Other equipment	-	1 to 10 years
Motor vehicles		
Prime movers and trailers	-	4 to 10 years
Motor cars	-	4 to 5 years

The residual values, useful life and depreciation method are reviewed at the end of each financial year and adjusted prospectively, if appropriate.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal and the gain or loss arising from the de-recognition is included in profit or loss.

2.11 Investment Properties

Investment properties comprise properties held to earn rental or for capital appreciation, or both. Investment properties include properties under construction or development for future use as investment properties.

Investment properties are initially recognised at cost, including transaction costs, and subsequently measured at fair value. Gains or losses arising from changes in the fair value are recognised in profit or loss.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss.

Transfer is made to or from investment properties only when there is a change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy set out in Note 2.10 up to the date of change in use.

2.12 Intangibles

Intangible assets acquired separately are measured initially at cost and subsequently accounted for at cost less accumulated amortisation and impairment loss, if any. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful life and amortisation method are reviewed at least at the end of each financial year and adjusted prospectively, if appropriate. The estimated useful life of computer software is 3 years.

Intangible assets with indefinite useful lives are not amortised and are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or loss arising from de-recognition of an intangible asset is recognised in profit or loss.

(a) Goodwill on acquisitions

Goodwill arising from acquisition of a subsidiary represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any impairment losses.

(b) Management rights

Management rights is initially recognised at cost and subsequently measured at cost less accumulated impairment losses. The useful life of management rights is estimated to be indefinite because management believes there is no foreseeable limit to the period over which the management rights is expected to generate net cash inflows to the Group.

2.13 Financial Assets

A financial asset is recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. When a financial asset is recognised initially, it is measured at fair value, plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On de-recognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

(a) Financial assets at fair value through profit or loss

Financial assets held for trading are classified as financial assets at fair value through profit or loss if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as fair value through profit or loss unless they are designated as effective hedging instruments. After initial recognition, financial assets at fair value through profit or loss are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in profit or loss.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables include debtors, amounts owing by holding and related companies, amounts owing by associated companies, fixed deposits, bank balances and cash in the balance sheet. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss through the amortisation process and when the loans and receivables are derecognised or impaired.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

The fair values of instruments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using methods including net asset value per share as reported by the managers of unlisted investment funds and valuation techniques such as discounted cash flow analysis. Investments whose fair value cannot be reliably measured are measured at cost less impairment losses.

Notes to the Financial Statements

2.14 Impairment

(a) Impairment of goodwill
Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. Goodwill included in the carrying amount of an associated company or joint venture is tested for impairment as part of the investment.

Cash-generating units to which goodwill have been allocated are tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired.

An impairment loss is recognised in profit or loss when the carrying amount of the cash-generating unit, including goodwill, exceeds the recoverable amount of the cash-generating unit. The impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis. The recoverable amount of a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Impairment losses recognised for goodwill are not reversed in subsequent periods.

(b) Impairment of other non-financial assets
The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists or when an annual impairment assessment for an asset is required, the recoverable amount of that asset is estimated and an impairment loss is recognised in profit or loss whenever the carrying amount exceeds the recoverable amount. Where it is not possible to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

Impairment losses recognised in prior years is reversed only if there has been a change in the estimates used to determine an asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount up to the extent that the revised carrying amount does not exceed that which would have been determined, net of depreciation or amortisation, had no impairment loss been recognised on the asset. A reversal of impairment loss is recognised in profit or loss.

(c) Impairment of financial assets
The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(i) Financial assets measured at amortised cost
For financial assets measured at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for significant financial assets or collectively for financial assets not individually significant. When the Group determined that no objective evidence of impairment exists for an individually assessed asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed to be impaired and for which impairment loss is recognised are not included in the collective assessment of impairment.

If there is objective evidence that a financial asset measured at amortised cost is impaired, the amount of impairment loss is measured as the difference between carrying amount of the asset and present value of estimated future cash flows discounted at the asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The reversal of impairment loss is recognised in profit or loss.

(ii) Available-for-sale financial assets
For equity instruments classified as available-for-sale, if any evidence of a significant or prolonged decline in the fair value of the investment below its cost exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from the fair value reserve within equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity investments are not reversed through profit or loss, until the equity instruments are disposed of.

2.15 Stocks

Stocks are measured at the lower of weighted average cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The write-down and reversal of write-down of inventories to net realisable value is recognised in the profit or loss.

2.16 Cash and Cash Equivalents

Cash and cash equivalents comprise fixed deposits, bank balances and cash which are readily convertible to known amount of cash and subjected to an insignificant risk of changes in value.

2.17 Financial Liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities not carried at fair value through profit or loss include creditors, borrowings and other payables, which are initially stated at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivative financial instruments are classified as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss.

For cash flow hedges, the effective portion of the gains or losses on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in the profit and loss account. Amounts taken to other comprehensive income are reclassified to the profit and loss account when the hedged transaction affects the profit and loss account.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.20 Deferred Revenue

Deferred revenue relates to invoices raised to customers for colocation services and are amortised on a straight-line basis over the contract term.

2.21 Government Grants

Grants from government are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants relating to expenses are recognised in profit or loss as other income over the periods necessary to match them with the related costs which they are intended to compensate.

Government grants relating to assets are set up as deferred income and amortised to profit or loss on a straight-line basis over the estimated useful life of the relevant assets when the assets are available for use. The carrying amount of deferred income as at the balance sheet date relates to development grants received for the construction of logistics facilities and is disclosed in Note 30 to the financial statements.

Notes to the Financial Statements

2.22 Leases

(a) As lessee
A lease which transfers to the Group substantially all the risks and rewards incidental to ownership of the leased item is classified as a finance lease. The leased asset and corresponding liability are recognised in the balance sheet upon the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount initially recognised. Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

A lease where the lessor effectively retains substantially all the risks and benefits of the ownership of the leased item is classified as an operating lease. Operating lease payments, net of incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(b) As lessor
Leases where the Group retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.23 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, sales taxes, value-added taxes and duties.

Revenue from services rendered is recognised in the period in which the services are rendered. It represents income from integrated logistics port operations, third-party logistics services, supply chain solutions, warehousing, distribution, container storage and repairs, freight forwarding services, real estate investment trust (“REIT”) management services and data centre facilities services including colocation, business continuity, disaster recovery and facility management.

Rental income from warehousing and colocation includes operating lease income which is recognised in profit or loss on a straight-line basis over the lease term.

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customers, usually on delivery of goods.

Interest income is recognised using the effective interest method and dividend income is recognised when the Group’s right to receive payment is established.

2.24 Employee Benefits

(a) Defined contribution plan
The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, companies in the Group operating in Singapore make contributions to the Central Provident Fund scheme of Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement
Employees’ entitlements to annual leave are recognised when they are accrued to the employees. A provision is made for the estimated liability of unconsumed leave as a result of services rendered by employees up to the balance sheet date.

(c) Termination benefits
The Group recognises termination benefits when it is demonstrably committed to terminate the employment of current employees according to a plan of action.

(d) Employee share option scheme and share plans

The Group operates equity-settled and cash-settled share-based compensation plans.

For equity-settled share-based compensation plans, the fair value of the employee services received in exchange for the grant of options, restricted shares and performance shares is recognised as an expense in profit or loss with a corresponding increase in the share option and share plan reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair values of the options, restricted shares and performance shares granted at the respective dates of grant. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable and share plan awards that are expected to vest on the vesting dates, and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option and share plan reserve over the remaining vesting period.

For cash-settled share-based compensation plans, the fair value of the employee services received in exchange for the grant of options is recognised as an expense with the recognition of a corresponding liability over the vesting period. Until the liability is settled, it is remeasured at each balance sheet date with changes in fair value recognised in the profit and loss account.

No expense is recognised for options or share plan awards that do not ultimately vest, except for options or share plan awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The proceeds received from the exercise of options are credited to share capital when the options are exercised. When share plan awards are released, the share plan reserve is transferred to share capital if new shares are issued.

2.25 Borrowing Costs

Borrowing costs are interest and other costs that are incurred in connection with the borrowing of funds.

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. To the extent that general borrowings are used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset which are financed by the general borrowings.

Other borrowing costs are recognised as expenses in the period in which they are incurred.

2.26 Income Taxes

(a) Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the balance sheet date.

(b) Deferred taxation

Deferred tax is recognised for all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the balance sheet.

Deferred tax is measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted as at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associated companies and joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that they can be utilised against future taxable profit, except:

- where the deferred tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associated companies and interest in joint ventures, deferred income tax assets are recognised only to the extent it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.27 Contingent Assets and Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the Group, or is a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.28 Assets and Liabilities Classified as Held for Sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets which are classified as held for sale are available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale is highly probable.

Where the sale involves loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale.

Non-current asset which are classified as held for sale are measured at the lower of its carrying amount and fair value less cost to sell. Where the carrying amount is higher than fair value less cost to sell, an impairment loss is recognised to write-down the asset to fair value less cost to sell.

3. Revenue

Group revenue excludes inter-company transactions. Revenue of the Group is analysed as follows:

	Group	
	2016 $'000	2015 $'000
Rental income from warehousing	**54,334**	54,761
Rental income from investment properties:		
Co-location services income	**20,877**	16,470
Other rental income	**3,512**	151
Revenue from services rendered	**115,899**	129,184
	194,622	200,566

4. Operating Expenses

	Group 2016 $'000	2015 $'000
Purchase of goods and services	**50,991**	58,124
Staff costs	**55,525**	54,062
Employer's contribution to defined contribution plans	**4,361**	4,278
Share-based payment expenses	**2,046**	1,851
Depreciation of fixed assets	**18,497**	16,424
Equipment rental and facilities expenses	**35,064**	33,839
Other operating expenses	**12,691**	12,173
	179,175	180,751

5. Other Income

	Group 2016 $'000	2015 $'000
Fair value gain on investment properties (Note 15)	**4,045**	32,133
Gain on disposal of fixed assets	**247**	1,530
Gain on disposal of a subsidiary	**55,805**	-
Gain on dilution of interest in associated companies	**33**	2,464
Distributions received from other investments	**405**	4,375
Adjustment to gain on disposal of data centres	**26,963**	-
Impairment loss on fixed assets (Note 14)	**(26,972)**	-
Impairment loss on investment in an associated company (Note 17)	**-**	(8,962)
Goodwill written off (Note 20)	**-**	(1,472)
(Provision for)/write-back of doubtful debts, net	**(198)**	1
Others	**4,398**	4,314
	64,726	34,383

6. Operating Profit

	Group 2016 $'000	2015 $'000
Operating profit is arrived at after charging/(crediting):		
Direct operating expenses arising from:		
Investment properties that generate rental income	**1,324**	8,164
Investment properties that do not generate rental income	**186**	196
Auditors' remuneration:		
Auditors of the Company	**369**	385
Other auditors of subsidiaries	**90**	117
Other professional fees paid to:		
Other auditors of subsidiaries	**-**	2
Fees to Directors of the Company	**548**	760
Key management emoluments (Note 32.2)	**4,317**	2,792
Stocks written off	**-**	32
Foreign exchange loss	**54**	334
Operating lease expense	**7,921**	11,977

7. Interest Income

	Group 2016 $'000	2015 $'000
Interest from deposits with banks	**365**	729
Interest from short-term placements with a related company	**928**	1,082
Interest from other receivables	**433**	-
	1,726	1,811

Notes to the Financial Statements

8. Interest Expense

	Group 2016 $'000	Group 2015 $'000
Interest on bank borrowings	**5,981**	5,791
Interest on loans with related companies	**3,506**	3,211
Interest on Medium Term Note	**3,159**	3,150
Finance charges on obligation under finance lease	**50**	80
	12,696	12,232

9. Taxation

	Group 2016 $'000	Group 2015 $'000
Taxation comprises:		
Current tax	**3,305**	4,261
(Over)/under provision in respect of prior years	**(1,026)**	622
	2,279	4,883
Deferred taxation		
- Movements in temporary differences	**6,406**	8,733
- Benefits from transfer of tax losses under group relief	**(2,007)**	(1,077)
	4,399	7,656
	6,678	12,539
Share of taxation of associated companies and joint ventures	**10,282**	11,084
	16,960	23,623

A reconciliation between tax expense and the product of profit before taxation multiplied by the Singapore statutory tax rate for the years ended 31 December is as follows:

	Group 2016 $'000	Group 2015 $'000
Profit before taxation	**130,283**	129,609
Less: Share of results of associated companies and joint ventures	**(61,080)**	(85,832)
	69,203	43,777
Tax calculated at the Singapore statutory tax rate of 17%	**11,765**	7,442
Effects of:		
Income not subject to taxation	**(12,770)**	(6,729)
Expenses not deductible for tax purposes	**5,622**	11,788
(Over)/under provision in respect of prior years	**(1,026)**	622
Deferred tax benefits not recognised	**184**	20
Utilisation of previously unrecognised tax benefits	**(20)**	(1,295)
Benefits from transfer of tax losses under group relief	**(2,007)**	(1,077)
Effect of different tax rates in other countries	**4,930**	1,768
	6,678	12,539
Share of taxation of associated companies and joint ventures	**10,282**	11,084
	16,960	23,623

Unutilised losses and unabsorbed donations for which no deferred tax benefits were recognised due to uncertainty on recoverability amounted to approximately $3,031,000 (2015: $1,951,000) and Nil (2015: $352,000) respectively.

The use of these losses and donations is subject to agreement by the tax authority and compliance with certain provisions of the tax legislation in Singapore and China.

A loss-transfer system of group relief (known as "group relief system") for companies was introduced in Singapore with effect from Year of Assessment 2003. Under this system, corporate groups may set off the current year unutilised capital allowances, trade losses and donations ("loss items") of one Singapore company against the profits of another Singapore company within the same group, subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore.

The Group recognised tax credit of $2,007,000 (2015: $1,077,000) on the transfer of unabsorbed donations of $39,000 (2015: $58,000) and capital allowances of $11,764,205 (2015: $6,280,000) to certain related companies under the group relief system.

The Group has deferred tax liabilities of $2,327,000 (2015: $1,129,000) not recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries and associated companies as these earnings would not be distributed in the foreseeable future.

Movements in deferred tax liabilities and assets are as follows:

	At 1 January $'000	Exchange differences $'000	Charged/ (credited) to profit or loss $'000	Reclassified to liabilities directly associated with assets classified as held for sale $'000	At 31 December $'000
Group					
2016					
Deferred tax liabilities					
Accelerated tax depreciation	**8,147**	**(159)**	**4,494**	**(6,052)**	**6,430**
Investment properties valuation	**2,166**	**(13)**	**614**	**-**	**2,767**
Others	**1,408**	**-**	**798**	**-**	**2,206**
Total	**11,721**	**(172)**	**5,906**	**(6,052)**	**11,403**
Deferred tax assets					
Unutilised tax losses	**(1,506)**	**-**	**1,221**	**-**	**(285)**
Other provisions	**(417)**	**-**	**(721)**	**-**	**(1,138)**
Total	**(1,923)**	**-**	**500**	**-**	**(1,423)**
Net deferred tax liabilities	**9,798**	**(172)**	**6,406**	**(6,052)**	**9,980**
2015					
Deferred tax liabilities					
Accelerated tax depreciation	1,631	13	6,503	-	8,147
Investment properties valuation	-	-	2,166	-	2,166
Others	198	-	1,210	-	1,408
Total	1,829	13	9,879	-	11,721
Deferred tax assets					
Unutilised tax losses	(227)	-	(1,279)	-	(1,506)
Other provisions	(550)	-	133	-	(417)
Total	(777)	-	(1,146)	-	(1,923)
Net deferred tax liabilities	1,052	13	8,733	-	9,798

Notes to the Financial Statements

10. Earnings Per Share

Basic earnings per share represents the Group's profit attributable to shareholders of the Company, divided by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share represents the Group's profit attributable to shareholders of the Company, divided by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of all potential dilutive ordinary shares.

Details of the computation are set out below:

	Group			
	2016 $'000		2015 $'000	
	Basic	Diluted	Basic	Diluted
Profit attributable to shareholders	**105,080**	**105,080**	91,481	91,481
	Number of shares '000		Number of shares '000	
	Basic	Diluted	Basic	Diluted
Weighted average number of shares	**556,922**	**556,922**	555,867	555,867
Adjustment for potential dilutive ordinary shares	**-**	**2,729**	-	2,297
Weighted average number of shares used to compute earnings per share	**556,922**	**559,651**	555,867	558,164
Earnings per share (cents)	**18.9**	**18.8**	16.5	16.4

570,000 (2015: 570,000) share options granted to employees under the existing employee share option scheme have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous financial years presented.

11. Share Capital

	Group and Company			
	Number of Issued and Fully Paid Ordinary Shares		Amount	
	2016	2015	2016 $'000	2015 $'000
At 1 January	**555,982,987**	554,911,837	**78,246**	76,741
Issuance under Keppel T&T Share Option Scheme 1993	**25,000**	205,000	**36**	309
Issuance under Keppel T&T Share Plans	**1,017,181**	866,150	**1,585**	1,196
At 31 December	**557,025,168**	555,982,987	**79,867**	78,246

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

Keppel T&T Share Option Scheme 1993

Share options are granted to employees under the Keppel T&T Share Option Scheme 1993 ("KT&T Share Option Scheme"), which became operative on 5 May 1993.

The exercise price of the share options is equal to the average last business done price for the shares of the Company on the Singapore Exchange Securities Trading Limited for the three market days preceding the date of offer. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20 percent of the above price.

The vesting of granted options is conditional on the employee completing another 24 months of service. Once the options are vested, they are exercisable for a contractual option term of 10 years from the date of grant. The options may be exercised in full or in part in respect of 100 shares or a multiple thereof, by payment of the exercise price. The persons, to whom the options have been issued, have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements in, share options during the financial year.

	Group and Company			
	2016		2015	
	Number of Options '000	WAEP ($)	Number of Options '000	WAEP ($)
At 1 January	**595**	**4.07**	800	3.42
Exercised	**(25)**	**1.42**	(205)	1.51
At 31 December	**570**	**4.19**	595	4.07
Exercisable at 31 December	**570**	**4.19**	595	4.07

The weighted average share price at the date of exercise for the options exercised in 2016 was $1.79 (2015: $1.86). The options outstanding at the end of the financial year had a weighted average exercise price of $4.19 (2015: $4.07) and a weighted average remaining contractual life of 0.9 years (2015: 2.0 years).

Details of outstanding share options to subscribe to the Company's shares granted under the Keppel T&T Share Option Scheme 1993 are set out in paragraph 6 of the Directors' Statement.

Keppel T&T Share Plans
At the Extraordinary General Meeting of the Company held on 21 April 2010, the Company's shareholders approved the adoption of two share plans, namely, the KT&T RSP and the KT&T PSP with effect from the date of termination of the KT&T Share Option Scheme. The KT&T Share Option Scheme was terminated on 2 July 2010. Options granted and outstanding prior to the termination will continue to be valid and subject to the terms and conditions of the KT&T Share Option Scheme. The two share plans are administered by the Remuneration Committee.

Details of the KT&T RSP and KT&T PSP are as follows:

	KT&T RSP	**KT&T PSP**
Plan Description	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets at the end of a one-year performance period	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets over a three-year performance period
Performance Conditions	Return on Equity ("ROE")	a) Absolute Economic Value Added ("EVA") b) Absolute Total Shareholder's Return ("TSR") c) Relative Total Shareholder's Return to FTSE Straits Times Mid Cap Index ("FSTM")
Final Award	0% - 100% of the contingent award granted, depending on achievement of pre-determined targets	0% - 150% of the contingent award granted, depending on achievement of pre-determined targets
Vesting Condition and Schedule	If pre-determined targets are achieved, awards will vest equally over three years subject to fulfilment of service requirements	If pre-determined targets are achieved, awards will vest at the end of the three year performance subject to fulfilment of service requirements

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Movements in the number of shares under KT&T RSP and KT&T PSP are as follows:

	Group and Company			
	2016		2015	
	KT&T RSP	KT&T PSP	KT&T RSP	KT&T PSP
At 1 January	**1,001,781**	**490,000**	1,015,000	325,000
Granted	**1,163,500**	**270,000**	1,077,281	240,000
Adjustment upon release	**-**	**1,300**	-	23,250
Released	**(1,001,781)**	**(126,300)**	(993,215)	(98,250)
Cancelled	**(21,000)**	**-**	(97,285)	-
At 31 December	**1,142,500**	**635,000**	1,001,781	490,000

Number of shares released but not vested under KT&T RSP and KT&T PSP are as follows:

	Group and Company			
	2016		2015	
	KT&T RSP	KT&T PSP	KT&T RSP	KT&T PSP
At 1 January	**841,415**	**-**	747,600	-
Released	**1,001,781**	**126,300**	993,215	98,250
Vested	**(890,881)**	**(126,300)**	(767,900)	(98,250)
Cancelled	**(79,800)**	**-**	(131,500)	-
At 31 December	**872,515**	**-**	841,415	-

Senior management who are eligible for KT&T PSP are required to hold a portion of the shares released to them under a share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

As at the balance sheet date, the number of contingent shares granted but not released were 1,142,500 (2015: 1,001,781) under KT&T RSP and 635,000 (2015: 490,000) under the KT&T PSP. Depending on the achievement of pre-determined performance targets, the actual number of shares to be released could range from zero to a maximum of 1,142,500 under KT&T RSP and range from zero to a maximum of 952,500 under KT&T PSP.

During the financial year, the number of KT&T RSP shares released was 1,001,781 (2015: 993,215). 890,881 (2015: 767,900) and 79,800 (2015: 131,500) of KT&T RSP shares were vested and cancelled respectively during the financial year. As at the balance sheet date, the number of KT&T RSP shares released but not vested was 872,515 (2015: 841,415).

During the financial year, the number of KT&T PSP shares released was 126,300 (2015: 98,250), all of which were vested accordingly.

The fair values of the contingent award of shares under the KT&T RSP and KT&T PSP are determined at the grant date using Monte Carlo simulation method which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility.

On 29 April 2016, the Company granted contingent awards of 1,163,500 (2015: 1,077,281) shares under the KT&T RSP and 270,000 (2015: 240,000) shares under the KT&T PSP. The significant inputs into the model are as follows:

	Group and Company			
	2016		2015	
	KT&T RSP	KT&T PSP	KT&T RSP	KT&T PSP
Date of grant	**29.4.16**	**29.4.16**	10. 4.15	10. 4.15
Prevailing share price at date of grant	**$1.355**	**$1.355**	$1.875	$1.875
Expected volatility:				
Company	**24.32%**	**24.32%**	23.70%	23.70%
FTSE Straits Times Mid Cap Index ("FSTM")	**#**	**12.22%**	#	10.23%
Correlation with FSTM	**#**	**23.10%**	#	10.00%
Expected term	**0.83 years to 2.83 years**	**2.83 years**	0.92 years to 2.92 years	2.92 years
Risk free rate	**0.81% to 1.15%**	**1.15%**	0.84% to 1.20%	1.20%
Expected dividend yield	**2.58%**	**2.58%**	1.87%	1.87%

This input is not required for the valuation of shares granted under the KT&T RSP

The expected volatilities are based on the historical volatilities of the Company's share price and the FSTM price over the previous 36 months immediately preceding the grant date. The expected term used in the model is based on the grant date and the end of the performance period.

12. Reserves

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Capital reserves				
Share option and share plan reserve	**7,543**	7,209	**6,477**	6,374
Fair value reserve	**4,458**	9,772	**-**	-
Hedging reserve	**(615)**	932	**-**	-
Statutory reserve	**6,627**	6,312	**-**	-
Merger reserve	**17,990**	17,990	**-**	-
Other reserves	**12**	-	**-**	-
	36,015	42,215	**6,477**	6,374
Revenue reserve	**700,223**	614,880	**149,099**	95,236
Foreign currency translation reserve	**(19,441)**	(12,832)	**-**	-
	716,797	644,263	**155,576**	101,610

Share option and share plan reserve represents the equity-settled share options granted to employees under the Keppel T&T Share Option Scheme and contingent award of shares granted to employees under the KT&T RSP and the KT&T PSP, and share of associated company's share option reserve.

Fair value reserve represents the cumulative fair value changes on available-for-sale financial assets recognised in other comprehensive income.

Hedging reserve represents the portion of the fair value changes on derivative financial instruments designated as hedge instruments in cash flow hedges that is determined to be an effective hedge.

Statutory reserve represents the fund set aside on the appropriation of net profit by subsidiaries and associated companies in People's Republic of China and Thailand, in accordance with regulations governed in the respective countries.

Merger reserve represents pre-acquisition retained earnings of a subsidiary acquired under common control following the application of the pooling of interest method.

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Other reserves represent the Group's share of other capital reserves of certain associated companies.

Movements in the Group's and the Company's reserves are set out in the Statements of Changes in Equity.

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13. Non-controlling Interests

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	NCI's percentage of ownership interest and voting interest		Carrying amount of NCI		Profit after tax allocated to NCI	
	2016 %	2015 %	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Keppel Logistics (Foshan Sanshui Port) Company Limited	**40%**	40%	**26,236**	25,272	**1,741**	1,479
Keppel Logistics (Foshan) Limited	**30%**	30%	**19,860**	20,702	**(174)**	748
Keppel Data Centres Holding Pte Ltd	**30%**	30%	**38,114**	25,021	**12,995**	12,005
			84,210	70,995	**14,562**	14,232
Other individually immaterial subsidiaries			**27,153**	31,018	**(6,319)**	273
			111,363	102,013	**8,243**	14,505

The summarised financial information before inter-group elimination of the Group's subsidiaries that have material non-controlling interests are as follows:

	Keppel Logistics (Foshan Sanshui Port) Company Limited		Keppel Logistics (Foshan) Limited		Keppel Data Centres Holding Pte Ltd [(1)]	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Summarised balance sheet						
Non-current assets	**67,503**	69,267	**66,106**	76,014	**442,772**	288,887
Current assets	**7,278**	8,569	**14,483**	19,217	**92,760**	100,443
Current liabilities	**(7,008)**	(7,801)	**(16,947)**	(16,049)	**(259,351)**	(130,561)
Non-current liabilities	**(2,193)**	(6,893)	**(1,094)**	(12,346)	**(159,593)**	(183,651)
Net assets	**65,580**	63,142	**62,548**	66,836	**116,588**	75,118
Summarised statement of comprehensive income						
Revenue	**18,320**	18,212	**29,400**	32,864	**41,682**	32,419
Profit for the year	**4,338**	3,684	**(2,617)**	240	**41,148**	40,015
Other comprehensive income	**(861)**	505	**(1,667)**	1,121	**322**	(1,035)
Total comprehensive income	**3,477**	4,189	**(4,284)**	1,361	**41,470**	38,980
Other summarised information						
Net cash flow from operations	**8,608**	7,792	**5,641**	5,133	**31,474**	26,208
Dividends paid to NCI	**416**	-	**-**	-	**-**	-

Notes:

(1) The financial information for Keppel Data Centres Holding Pte Ltd has been aggregated based on the consolidated financial statements of Keppel Data Centres Holding Pte Ltd and its subsidiaries.

14. Fixed Assets

	Leasehold Land and Buildings $'000	Plant, Equipment and Vehicles $'000	Capital Work-in-Progress $'000	Total $'000
Group				
2016				
Cost				
At 1 January	**387,801**	**76,771**	**68,635**	**533,207**
Additions	**22,082**	**2,195**	**43,613**	**67,890**
Subsidiary acquired	**-**	**72**	**-**	**72**
Disposals	**(2,534)**	**(1,308)**	**(220)**	**(4,062)**
Subsidiary disposed	**-**	**(91)**	**-**	**(91)**
Reclassification				
- Fixed assets	**45,419**	**7,791**	**(53,210)**	**-**
- Assets classified as held for sale	**-**	**(451)**	**-**	**(451)**
Exchange differences	**(4,391)**	**(1,744)**	**(3,590)**	**(9,725)**
At 31 December	**448,377**	**83,235**	**55,228**	**586,840**
Accumulated depreciation and impairment				
At 1 January	**132,659**	**44,396**	**-**	**177,055**
Depreciation for the year	**10,885**	**7,612**	**-**	**18,497**
Impairment loss	**26,972**	**-**	**-**	**26,972**
Disposals	**(18)**	**(1,204)**	**-**	**(1,222)**
Subsidiary disposed	**-**	**(50)**	**-**	**(50)**
Reclassification				
- Assets classified as held for sale	**-**	**(321)**	**-**	**(321)**
Exchange differences	**(816)**	**(1,006)**	**-**	**(1,822)**
At 31 December	**169,682**	**49,427**	**-**	**219,109**
Net book value	**278,695**	**33,808**	**55,228**	**367,731**
2015				
Cost				
At 1 January	307,841	59,547	101,827	469,215
Additions	11,677	7,677	44,136	63,490
Disposals	(335)	(2,257)	-	(2,592)
Reclassification				
- Fixed assets	68,080	10,866	(78,946)	-
Exchange differences	538	938	1,618	3,094
At 31 December	387,801	76,771	68,635	533,207
Accumulated depreciation and impairment				
At 1 January	125,716	38,619	-	164,335
Depreciation for the year	9,905	6,519	-	16,424
Disposals	(122)	(1,965)	-	(2,087)
Exchange differences	(2,840)	1,223	-	(1,617)
At 31 December	132,659	44,396	-	177,055
Net book value	255,142	32,375	68,635	356,152

Notes to the Financial Statements

The Group's capital work-in-progress of $55,228,000 (2015: $68,635,000) relates mainly to expenditure for logistics facilities under construction.

The carrying amount of fixed assets held under finance lease is $2,333,000 (2015: $2,520,000).

Certain leasehold land and buildings with carrying amount of $125,571,000 (2015: $129,832,000) are mortgaged to banks for loan facilities (Notes 28 and 29).

Interest expense capitalised as cost of fixed assets during the financial year amounted to $1,233,000 (2015: $1,239,000).

Impairment loss of $26,972,000 was provided on certain buildings in China due to lower recoverable amounts subsequent to sustained losses generated from these assets, as a result of weaker economic outlook which adversely affected fair values and expected returns of these assets. The recoverable amounts of these fixed assets are assessed to be fair value less costs of disposal and details on fair value measurement of these fixed assets are disclosed in Note 37 to the financial statements.

15. Investment Properties

	Group	
	2016 $'000	2015 $'000
At 1 January	**288,643**	127,067
Additions	**114,840**	129,648
Fair value gain (Note 5)	**4,045**	32,133
Reclassification		
- Assets classified as held for sale	**(225,000)**	-
Exchange differences	**1,374**	(205)
At 31 December	**183,902**	288,643

The Group's investment properties (including integral plant and machinery) are stated at fair value determined based on valuations performed by independent firms of professional valuers as at 31 December 2016 as follows:

- Colliers International Consultancy & Valuation (Singapore) Pte Ltd for properties in Singapore; and
- CBRE Limited for a property in the Netherlands.

Based on valuations performed by the independent valuers, management has analysed the appropriateness of the fair value changes. Details of valuation techniques and inputs used are disclosed in Note 37.

During the financial year, interest expense capitalised as cost of investment properties amounted to $15,000 (2015: $270,000).

16. Subsidiaries

	Company	
	2016 $'000	2015 $'000
Unquoted shares, at cost	**244,079**	204,079
Impairment losses	**(105,938)**	(105,938)
	138,141	98,141

Movements in impairment losses on subsidiaries are as follows:

	Company	
	2016 $'000	2015 $'000
At 1 January	**105,938**	111,897
Write-back	**-**	(5,959)
At 31 December	**105,938**	105,938

In 2016, the Company increased its investment in Keppel Logistics Pte Ltd by $40,000,000 by subscription of ordinary shares in Keppel Logistics Pte Ltd. In 2015, impairment losses amounting to $5,959,000 was written-back as a result of increase in a subsidiary's recoverable amount attributable to gains recognised by the subsidiary from other investments.

Information relating to significant subsidiaries consolidated in the financial statements is given in Note 40.

17. Associated Companies and Joint Ventures

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Unquoted shares, at cost	**146,541**	115,007	**27,951**	34,572
Quoted shares, at cost	**457,317**	373,211	**-**	-
Market value: $782,763,000 (2015: $774,333,000)				
Impairment losses	**(13,055)**	(13,055)	**-**	-
	590,803	475,163	**27,951**	34,572
Share of post-acquisition reserves	**64,468**	82,209	**-**	-
	655,271	557,372	**27,951**	34,572
Advances to an associated company	**26,977**	-	**-**	-
	682,248	557,372	**27,951**	34,572

Movements in impairment losses on associated companies and joint ventures are as follows:

	Group 2016 $'000	Group 2015 $'000
At 1 January	**13,055**	4,093
Impairment loss (Note 5)	**-**	8,962
At 31 December	**13,055**	13,055

Advances to an associated company are unsecured, interest-free and are not repayable within the next 12 months.

In 2015, an impairment loss of $8,962,000 was recognised on the Investments segment's investment in SVOA Public Company Limited ("SVOA") due to lower recoverable amount as a result of weaker economic outlook. The recoverable amount is assessed to be fair value less costs of disposal. Details on fair value measurement of the investment in SVOA are disclosed in Note 37 to the financial statements.

The share of profit after taxation of associated companies and joint ventures is as follows:

	Group 2016 $'000	Group 2015 $'000
Share of profit before taxation	**61,080**	85,832
Share of taxation (Note 9)	**(10,282)**	(11,084)
Share of profit after taxation	**50,798**	74,748

Included in unquoted shares are costs of investment attributable to the joint ventures of $30,951,000 (2015: $30,951,000). Current year profit or loss and cumulative share of post-acquisition reserves attributable to the joint ventures are loss of $1,517,000 (2015: loss of $1,128,000) and $2,844,000 (2015: $6,480,000) respectively.

Information relating to significant associated companies and joint ventures equity accounted in the financial statements is given in Note 40.

<u>Associated companies which are material to the Group</u>
Associated companies which are material and strategic to the Group's activities are as follows:

	Group 2016 $'000	Group 2015 $'000
Keppel DC REIT ("KDC REIT")	**338,907**	259,373
M1 Limited	**182,593**	180,963
Keppel DC REIT Management Pte Ltd	**39,426**	-
	560,926	440,336
Other individually immaterial associated companies and joint ventures	**121,322**	117,036
	682,248	557,372

Notes to the Financial Statements

The summarised financial information of associated companies which are material to the Group and a reconciliation with the carrying amount of these investments in the Group's balance sheet are as follows:

	Keppel DC REIT		M1 Limited		Keppel DC REIT Management Pte Ltd	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Summarised balance sheet						
Non-current assets	**1,244,687**	1,119,941	**919,200**	825,400	**16,775**	-
Current assets	**338,312**	91,230	**227,400**	260,500	**9,405**	-
Current liabilities	**(35,144)**	(51,567)	**(375,200)**	(561,800)	**(3,280)**	-
Non-current liabilities	**(473,987)**	(346,116)	**(368,000)**	(110,900)	**-**	-
Net assets	**1,073,868**	813,488	**403,400**	413,200	**22,900**	-
Less: Non-controlling interests	**(343)**	(374)	**-**	-	**-**	-
	1,073,525	813,114	**403,400**	413,200	**22,900**	-
Proportion of the Group's ownership	**30.09%**	30.10%	**19.23%**	19.09%	**50.00%**	-%
Group's share of net assets	**323,024**	244,747	**77,574**	78,880	**11,450**	-
Goodwill	**14,626**	14,626	**102,083**	102,083	**-**	-
Other adjustments	**1,257**	-	**2,936**	-	**27,976**	-
Carrying amount of the investment	**338,907**	259,373	**182,593**	180,963	**39,426**	-
Summarised statement of comprehensive income						
Revenue	**99,139**	103,494	**1,060,900**	1,157,200	**5,650**	-
Profit for the year	**50,943**	104,937	**149,700**	178,500	**2,853**	-
Other comprehensive income	**(7,656)**	(32,241)	**200**	-	**-**	-
Total comprehensive income	**43,287**	72,696	**149,900**	178,500	**2,853**	-
Other summarised information						
Fair value of ownership interest at 31 December (if listed)	**401,218**	269,796	**350,573**	486,510	**-**	-
Dividends received	**17,595**	9,461	**27,366**	33,805	**-**	-

The fair values of ownership interests are determined based on Level 1 of the fair value hierarchy.

Other individually immaterial associated companies and joint ventures

Aggregate information about the Group's investments in associated companies and joint ventures that are not individually material are as follows:

	Group	
	2016 $'000	2015 $'000
Associated companies		
Share of profit before taxation	**8,632**	12,139
Share of taxation	**(1,651)**	(1,989)
Share of other comprehensive income	**1,453**	1,579
Share of total comprehensive income	**8,434**	11,729
Joint ventures		
Share of profit before taxation	**(1,329)**	(1,053)
Share of taxation	**(188)**	(75)
Share of other comprehensive income	**(1,744)**	701
Share of total comprehensive income	**(3,261)**	(427)

18. Joint Operation

The Group has a joint operation through Keppel Data Centres (Hong Kong) Limited, in which the joint operators will co-develop and market colocation services in Hong Kong. The Group owns certain fixed assets used in the joint operation which are held for leasing purposes. A proportionate share of revenue earned in the joint operation is attributed to the Group based on the proportion of total operating expenses in the joint operation which is incurred by the Group.

19. Other Investments

	Group	
	2016 $'000	2015 $'000
Available-for-sale financial assets:		
Equity instruments (unquoted)	**4,661**	9,851

The Group recorded fair value loss of $5,314,000 (2015: fair value gain of $9,772,000) in other comprehensive income during the financial year on certain unquoted equity instruments based on expected future cash flows.

Details of valuation techniques and inputs used in the valuation of available-for-sale financial assets are disclosed in Note 37.

20. Intangibles

	Goodwill $'000	Management Rights $'000	Computer Software $'000	Total $'000
Group				
2016				
Cost				
At 1 January	**-**	**16,757**	**-**	**16,757**
Subsidiary acquired	**-**	**-**	**2,410**	**2,410**
Subsidiary disposed	**-**	**(16,757)**	**-**	**(16,757)**
At 31 December	**-**	**-**	**2,410**	**2,410**
Accumulated amortisation				
At 1 January	**-**	**-**	**-**	**-**
Amortisation for the year	**-**	**-**	**201**	**201**
At 31 December	**-**	**-**	**201**	**201**
Net book value	**-**	**-**	**2,209**	**2,209**
2015				
Cost				
At 1 January	1,472	16,757	-	18,229
Goodwill written off (Note 5)	(1,472)	-	-	(1,472)
At 31 December	-	16,757	-	16,757
Accumulated amortisation				
At 1 January	-	-	-	-
Amortisation for the year	-	-	-	-
At 31 December	-	-	-	-
Net book value	-	16,757	-	16,757

In 2015, an impairment loss of $1,472,000 is recognised to write-off the carrying amount of goodwill, attributable to weaker economic outlook in Vietnam and South-east Asia.

Notes to the Financial Statements

21. Long-term Receivables

	Company 2016 $'000	Company 2015 $'000
Loans to subsidiaries	-	94,850
Advances to subsidiaries	51,723	62,010
	51,723	156,860

Advances to subsidiaries are interest-free, have no fixed repayment dates and are not expected to be settled within the next 12 months. These amounts are to be settled in cash.

The fair value of long-term receivables for the Company is $48,944,000 (2015: $153,105,000). The fair value, under Level 3 of the fair value hierarchy, is computed on the discounted cash flow method using discount rates based upon the lending rates which the Company expects would be available as at the balance sheet date.

22. Stocks

	Group 2016 $'000	Group 2015 $'000
Spare parts and consumable stocks	669	631

23. Debtors

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade debtors	41,262	44,232	-	-
Allowance for impairment	(607)	(400)	-	-
	40,655	43,832	-	-
Sundry debtors	10,383	4,831	2	1
Prepayments	2,658	2,428	71	192
Sundry deposits	1,470	1,364	7	1
Advance land payments	-	20,559	-	-
Interest receivable	240	19	-	-
Tax receivable	4,684	4,089	-	-
	19,435	33,290	80	194
Total debtors	60,090	77,122	80	194

Trade debtors

Trade debtors are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Debtors that are neither past due nor impaired are credit-worthy debtors with good payment records.

Debtors that are past due but not impaired

The age analysis of debtors that are past due as at the balance sheet date but not impaired is as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Past due by:				
Lesser than 3 months	4,519	7,258	-	-
3 to 6 months	2,347	1,570	-	-
Over 6 months	491	646	-	-
	7,357	9,474	-	-

These debtors are not secured by any collateral or credit enhancements.

Debtors that are impaired

Debtors that are impaired as at the balance sheet date and the movement in allowance for impairment are as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Gross amount	**607**	400	**-**	-
Less: Allowance for impairment	**(607)**	(400)	**-**	-
	-	-	**-**	-
Movement in allowance for impairment				
At 1 January	**400**	395	**-**	-
Exchange differences	**9**	6	**-**	-
Allowance made	**234**	8	**-**	-
Allowance written-back	**(36)**	(9)	**-**	-
At 31 December	**607**	400	**-**	-

Debtors that are individually determined to be impaired as at the balance sheet date relate to debtors that are in significant difficulties and have defaulted on payments. These debtors are not secured by any collateral or credit enhancements.

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Amounts owing by:				
Related companies				
Trade accounts	**145**	1,300	**-**	-
	145	1,300	**-**	-
Related companies				
Non-trade accounts	**179**	365	**715**	3,564
Loan accounts	**-**	-	**122,786**	18,980
Less: Allowance for impairment	**-**	-	**(7,666)**	(8,260)
	324	1,665	**115,835**	14,284
Amounts owing to:				
Related companies				
Trade accounts	**-**	(212)	**-**	-
	-	(212)	**-**	-
Holding company				
Non-trade accounts	**(213)**	(208)	**-**	-
Related companies				
Non-trade accounts	**(623)**	(854)	**(9,630)**	(10,928)
	(836)	(1,274)	**(9,630)**	(10,928)

Trade accounts are non-interest bearing and are generally on 30 to 60 days' terms. Non-trade and loan accounts are unsecured, interest-free, repayable on demand and are to be settled in cash. Related companies of the Group refer to subsidiaries of Keppel Corporation Limited.

Amounts owing by related companies that are past due but not impaired

The age analysis of amounts owing by related companies that are past due as at the balance sheet date but not impaired is as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Past due by:				
Lesser than 3 months	**-**	511	**-**	-
3 to 6 months	**-**	93	**-**	-
	-	604	**-**	-

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Amounts owing by related companies that are impaired

Amounts owing by related companies that are impaired as at the balance sheet date and the movement in allowance for impairment are as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Gross amount	-	-	7,666	8,260
Less: Allowance for impairment	-	-	(7,666)	(8,260)
	-	-	-	-
Movement in allowance for impairment				
At 1 January	-	-	8,260	9,346
Allowance written-back	-	-	(594)	(1,086)
At 31 December	-	-	7,666	8,260

For the Company, allowance for impairment amounting to $594,000 (2015: $1,086,000) was written-back during the financial year due to payments received from a subsidiary.

25. Amounts Owing by/(to) Associated Companies

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Amounts owing by associated companies:				
Trade accounts	580	2,505	-	-
Non-trade accounts	1,030	362	-	-
Advances	27,707	46	-	-
Less: Allowance for impairment	-	(46)	-	-
	29,317	2,867	-	-
Amounts owing to associated companies:				
Trade accounts	(5,393)	(7,452)	-	-
Non-trade accounts	(14)	(21,303)	-	-
	(5,407)	(28,755)	-	-

Trade accounts are non-interest bearing and are generally on 30 to 60 days' terms. Non-trade accounts and advances owing by associated companies are interest-free, unsecured and repayable on demand.

Amounts owing by associated companies that are past due but not impaired

The age analysis of amounts owing by associated companies that are past due as at the balance sheet date but not impaired is as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Past due by:				
Lesser than 3 months	166	151	-	-
3 to 6 months	88	9	-	-
	254	160	-	-

Amounts owing by associated companies that are impaired

Amounts owing by associated companies that are impaired as at the balance sheet date are as follows:

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Gross amount	**-**	46	**-**	-
Less: Allowance for impairment	**-**	(46)	**-**	-
	-	-	**-**	-

26. Fixed Deposits, Bank Balances and Cash

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Fixed deposits with banks	**13,085**	15,697	**-**	-
Short-term placements with a related company	**40,943**	128,439	**28,247**	10,513
	54,028	144,136	**28,247**	10,513
Bank balances and cash	**48,922**	44,371	**226**	181
	102,950	188,507	**28,473**	10,694

Short-term placements with a related company are made for varying periods of between 13 and 52 days (2015: 11 and 66 days) and earn interest at rates ranging from 0.44% to 0.80% (2015: 0.43% to 0.95%) per annum.

Deposits placed with banks are made for varying periods of between 3 months and 12 months (2015: 1 month and 12 months) depending on the immediate cash requirements of the Group. These deposits earn interest at rates ranging from 0.88% to 5.50% (2015: 0.66% to 5.00%) per annum.

27. Creditors

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Trade creditors	**17,353**	13,929	**-**	-
Advances from non-controlling interest of a subsidiary	**149**	-	**-**	-
Deposits from customers	**3,593**	3,948	**-**	-
Retention monies	**5,575**	8,894	**196**	161
Interest payables	**2,230**	2,149	**1,217**	1,217
Sundry creditors	**76,794**	31,750	**1,413**	1,603
Accrued expenses	**29,175**	28,886	**881**	980
Derivative financial instruments	**644**	42	**-**	-
Finance lease liabilities (Note 34.3)	**214**	214	**-**	-
Deferred revenue	**2,661**	6,335	**-**	-
Total creditors	**138,388**	96,147	**3,707**	3,961

Amounts due to trade creditors are non-interest bearing and are generally on 30 to 90 days' terms.

Details of valuation techniques and inputs used in the valuation of derivative financial instruments are disclosed in Note 37.

Notes to the Financial Statements

28. Short-term Borrowings

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Bank and other borrowings, unsecured	**63,004**	9,537	**-**	-
Bank borrowings, secured	**9,758**	2,664	**-**	-
Loan from a related company, unsecured	**-**	47,654	**-**	-
	72,762	59,855	**-**	-

Unsecured bank and other borrowings are repayable within 1 year and bear interest at rates ranging from 0.57% to 6.30% (2015: 4.60% to 6.85%) per annum.

Secured bank borrowings are repayable within 1 year and bear interest at rates ranging from 1.21% to 7.20% (2015: 6.15% to 10.60%) per annum. The bank borrowings are secured by mortgage over certain fixed assets of the Group (Note 14).

Unsecured loan from a related company of Nil (2015: $47,654,000) bears interest at rates ranging from Nil to Nil (2015: 0.55% to 0.95%) per annum.

29. Long-term Borrowings

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Loans from related companies, unsecured	**118,608**	128,900	**-**	-
Bank borrowings, secured	**55,770**	65,787	**-**	-
Bank borrowings, unsecured	**161,625**	140,851	**-**	-
Medium Term Note	**120,000**	120,000	**120,000**	120,000
	456,003	455,538	**120,000**	120,000

Unsecured loans from related companies include:

(a) $40,000,000 (2015: $74,900,000) that is repayable in December 2018 (2015: July 2018) and bears interest at floating rate of 2.51% (2015: 2.04% to 3.57%) per annum;

(b) $21,000,000 (2015: $21,000,000) that is repayable in June 2018 (2015: June 2018) and bears interest at fixed rate of 2.70% (2015: 2.70%) per annum;

(c) $48,608,000 (2015: Nil) that is repayable in December 2018 (2015: Nil) and bears interest at floating rate of 1.20% (2015: Nil) per annum;

(d) $9,000,000 (2015: $9,000,000) that is repayable in June 2018 (2015: June 2018) and bears interest at fixed rate of 2.84% (2015: 2.84%) per annum; and

(e) Nil (2015: $24,000,000) which bears interest at fixed rate of Nil (2015: 3.49%) per annum.

The interest rates of the floating rate loans are repriced at intervals of 3 months.

Secured bank borrowings include:

(a) $47,121,000 (2015: $53,121,000) that is repayable by December 2018 (2015: December 2018) and bears interest at floating rate ranging from 1.21% to 2.62% (2015: 1.19% to 1.71%) per annum;

(b) $1,498,000 (2015: $6,424,000) that is repayable by August 2018 (2015: May 2019) and bears interest at floating rate of 4.75% (2015: 6.15% to 6.55%) per annum; and

(c) $7,151,000 (2015: $6,242,000) that is repayable by October 2019 (2015: October 2019) and bears interest at floating rate ranging from 3.08% to 7.20% (2015: 2.97% to 7.50%) per annum.

The bank borrowings are secured by mortgage over certain fixed assets of the Group (Note 14).

The interest rates of the floating rate loans are repriced at intervals of 1 month to 3 months.

Unsecured bank borrowings include:

(a) $49,000,000 (2015: $49,000,000) that is repayable in June 2018 (2015: June 2018) and bears interest at fixed rate of 2.70% (2015: 2.70%) per annum;

(b) $62,900,000 (2015: $62,900,000) that is repayable in November 2018 (2015: November 2018) and bears interest at fixed rate of 2.90% (2015: 2.90%) per annum;

(c) $14,477,000 (2015: $12,951,000) that is repayable by December 2018 (2015: December 2018) and bears interest at floating rate ranging from 5.06% to 6.15% (2015: 5.15% to 7.20%) per annum;

(d) $4,368,000 (2015: Nil) that is repayable in November 2018 (2015: Nil) and bears interest at fixed rate of 4.75% (2015: Nil) per annum;

(e) $16,320,000 (2015: Nil) that is repayable by March 2021 (2015: Nil) and bears interest at floating rate ranging from 5.40% to 5.57% (2015: Nil) per annum;

(f) $14,560,000 (2015: Nil) that is repayable by September 2028 (2015: Nil) and bears interest at fixed rate of 1.20% (2015: Nil) per annum;

(g) Nil (2015: $9,900,000) which bears interest at floating rate ranging from Nil to Nil (2015: 5.78% to 6.46%) per annum; and

(h) Nil (2015: $6,100,000) which bears interest at floating rate ranging from Nil to Nil (2015: 1.64% to 2.79%) per annum.

The interest rates of the floating rate loans are repriced at intervals of 3 months to 6 months.

The $500,000,000 Medium Term Note ("MTN") Programme was established on 29 June 2012 and $120,000,000 was drawn down on 13 August 2012, which is repayable on 13 August 2019 with option to repay after August 2017. The notes are unsecured and bear interest at fixed rates of 2.625% per annum from August 2012 to August 2017 and 3.825% per annum from August 2017 to August 2019 per annum. The MTN includes a financial covenant which requires the Group to maintain the ratio of net borrowings to capital employed not exceeding 2.75 times.

The fair values of long-term borrowings for the Group and Company are $454,785,000 (2015: $452,485,000) and $121,801,000 (2015: $118,797,000) respectively. These fair values, under Level 3 of the fair value hierarchy, are computed on the discounted cash flow method using discount rates based upon the borrowing rates which the Group expects would be available as at the balance sheet date.

30. Other Non-current Liabilities

	Group	
	2016 $'000	2015 $'000
Accrued operating expenses	**860**	667
Finance lease liabilities (Note 34.3)	**2,176**	2,342
Deferred income	**8,529**	4,397
	11,565	7,406

Notes to the Financial Statements

31. Assets and Liabilities Classified as Held for Sale

On 17 October 2016, Keppel Data Centres Holding Pte Ltd ("KDCH"), a subsidiary of the Company, entered into a conditional sale and purchase agreement for the sale of 90% of KDCH's shareholdings in a wholly-owned subsidiary, Keppel DC Singapore 3 Pte Ltd ("KDCS3") (formerly known as Keppel Datahub 2 Pte Ltd), to Keppel DC REIT. As at 31 December 2016, the sale transaction has not been completed. The Group's carrying amount in the assets and liabilities of KDCS3 have been presented separately as "assets classified as held for sale" and "liabilities directly associated with assets classified as held for sale" in the Group's consolidated balance sheet, as follows:

	Group	
	2016 $'000	2015 $'000
Assets classified as held for sale		
Fixed assets	**130**	-
Investment properties	**225,000**	-
Debtors	**15,917**	-
Amounts owing by holding and related companies	**11**	-
Fixed deposits	**21,623**	-
Bank balances and cash	**1,943**	-
	264,624	-
Liabilities directly associated with assets classified as held for sale		
Creditors	**26,122**	-
Short-term borrowings	**80,000**	-
Taxation	**2,828**	-
Deferred taxation	**6,052**	-
	115,002	-

Details of valuation techniques and inputs used in the valuation of investment properties are disclosed in Note 15 and Note 37.

During the year, the Company has entered into negotiations with potential buyers for the sale of the Company's shareholdings in an associated company of the Company. As at 31 December 2016, the Company is in progress of finalising the sale and purchase agreement with a buyer. The Group's carrying amount in the associated company has been presented separately as "assets classified as held for sale" in the Group's consolidated balance sheet, as follows:

	Group	
	2016 $'000	2015 $'000
Assets classified as held for sale		
Associated companies and joint ventures	**24,141**	-
	24,141	-

32. Related Party Disclosures

32.1 Sale and Purchase of Goods and Services

During the financial year, the Group entered into transactions with related parties on commercial terms, as shown below:

	Group							
	Sale of goods and rendering of services		Purchase of goods and receiving of services		Management fees paid		Rental of premises	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Holding company	**-**	-	**(1,469)**	-	**(972)**	(986)	**2**	3
Related companies	**84**	2,094	**(2,297)**	(848)	**-**	-	**2,595**	4,842
Associated companies and joint ventures	**22,100**	26,610	**(30)**	(19)	**-**	-	**-**	-

Other transactions entered by the Group with related parties are disclosed in Notes 7, 8, 34 and 40.

32.2 Compensation of Key Management Personnel

	Group	
	2016 $'000	2015 $'000
Short-term employee benefits	**3,557**	2,253
Central Provident Fund contributions	**70**	46
Share options and share plans granted	**690**	493
	4,317	2,792

33. Capital Commitments

Capital expenditure not provided for in the financial statements in respect of contracts placed for:

	Group	
	2016 $'000	2015 $'000
Development of investment properties	**81,706**	16,875
Purchase and construction of fixed assets	**25,565**	41,287
Purchases of shares in other companies	**143,300**	-
	250,571	58,162

34. Lease Commitments

34.1 Operating Lease Commitments as Lessor

The Group leases out property space under non-cancellable operating lease agreements. These leases have remaining lease terms of between 1 month and 15 years.

Future minimum lease receipts under non-cancellable leases are as follows:

	Group	
	2016 $'000	2015 $'000
Not later than one year	**33,466**	114,181
Later than one year not later than five years	**84,688**	96,777
Later than five years	**28,699**	35,568
	146,853	246,526

34.2 Operating Lease Commitments as Lessee

The Group leases properties under non-cancellable operating lease agreements. These leases have remaining lease terms of between 1 month and 34 years.

Future minimum lease payments under non-cancellable leases are as follows:

	Group	
	2016 $'000	2015 $'000
Not later than one year	**7,904**	7,463
Later than one year not later than five years	**19,500**	23,292
Later than five years	**58,848**	71,766
	86,252	102,521

Notes to the Financial Statements

34.3 Finance Lease Commitments as Lessee

The Group entered into a finance lease for certain plant and equipment with a related company. This lease has no renewal clause but provides the Group with the option to purchase the leased asset at nominal value at the end of the lease term. Under the finance lease, future minimum lease payments and present value of lease liabilities are as follows:

	Group			
	2016		2015	
	Minimum lease payments $'000	Present value of lease liabilities $'000	Minimum lease payments $'000	Present value of lease liabilities $'000
Not later than one year	**216**	**214**	216	214
Later than one year not later than five years	**864**	**814**	864	814
Later than five years	**1,620**	**1,362**	1,836	1,528
	2,700	**2,390**	2,916	2,556
Less: Future finance charges	**(310)**	**-**	(360)	-
Present value of finance lease liabilities	**2,390**	**2,390**	2,556	2,556

35. Contingent Liabilities

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries. These bank borrowings amount to $206,812,000 (2015: $199,965,000).

36. Segment Analysis

The Group is organised into three main business segments namely Logistics, Data Centre and Investments.

The Logistics segment provides integrated logistics port operations, third-party logistics services, supply chain solutions, warehousing, distribution, container storage and repairs, and freight forwarding services operating in Singapore, China, Malaysia, Vietnam and Indonesia.

The Data Centre segment provides data centre colocation services, business continuity, disaster recovery, facility management and REIT management services operating in Singapore, Ireland, the Netherlands, Australia, the United Kingdom, Germany and Malaysia.

The Investments segment is the investment holding arm for various entities not within the Logistics and Data Centre segments.

The Group's analysis of geographical segments is based on the location in which the Group's activities are carried out.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured in the same manner as the operating profit in the consolidated financial statements.

2016
By business segments

	Logistics $'000	Data Centre $'000	Investments $'000	Eliminations $'000	Consolidated Total $'000
Revenue					
External sales	145,872	48,750	-	-	194,622
Inter-segment sales	99	-	-	(99)	-
Total	145,971	48,750	-	(99)	194,622
Segment results					
Operating (loss)/profit	(17,361)	110,418	(12,884)	-	80,173
Interest income	600	965	3,103	(2,942)	1,726
Interest expense	(3,236)	(7,631)	(4,771)	2,942	(12,696)
Share of results of associated companies and joint ventures	195	17,638	43,247	-	61,080
(Loss)/profit before taxation	(19,802)	121,390	28,695	-	130,283
Taxation	(1,013)	(8,005)	(7,942)	-	(16,960)
(Loss)/profit for the year	(20,815)	113,385	20,753	-	113,323
Attributable to:					
Shareholders of the Company	(15,508)	100,015	20,573	-	105,080
Non-controlling interests	(5,307)	13,370	180	-	8,243
	(20,815)	113,385	20,753	-	113,323
Other information					
Segment assets	579,566	965,506	485,760	(307,966)	1,722,866
Segment liabilities	(285,009)	(596,307)	(241,489)	307,966	(814,839)
Net assets	294,557	369,199	244,271	-	908,027
Investment in associated companies and joint ventures	27,981	404,336	249,931	-	682,248
Additions to non-current assets	62,056	272,470	114	-	334,640
Depreciation and amortisation	18,422	222	54	-	18,698
Impairment loss on fixed assets	26,972	-	-	-	26,972
Fair value gain on investment properties	-	4,045	-	-	4,045

By geographical information

	Singapore $'000	China $'000	ASEAN other than Singapore $'000	Others $'000	Consolidated Total $'000
External sales	109,957	55,791	16,791	12,083	194,622
Non-current assets	855,556	233,359	45,647	106,189	1,240,751

Information about major customers
For the financial year ended 31 December 2016, revenue of $22,972,000 was derived from an external customer in the Data Centre segment for the provision of data centre colocation and other services.

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2015
By business segments

	Logistics $'000	Data Centre $'000	Investments $'000	Eliminations $'000	Consolidated Total $'000
Revenue					
External sales	155,375	45,191	-	-	200,566
Inter-segment sales	99	-	-	(99)	-
Total	155,474	45,191	-	(99)	200,566
Segment results					
Operating profit/(loss)	13,429	53,843	(13,074)	-	54,198
Interest income	694	1,153	2,762	(2,798)	1,811
Interest expense	(3,040)	(6,747)	(5,243)	2,798	(12,232)
Share of results of associated companies and joint ventures	1,774	34,034	50,024	-	85,832
Profit before taxation	12,857	82,283	34,469	-	129,609
Taxation	(6,249)	(7,199)	(10,175)	-	(23,623)
Profit for the year	6,608	75,084	24,294	-	105,986
Attributable to:					
Shareholders of the Company	4,589	62,709	24,183	-	91,481
Non-controlling interests	2,019	12,375	111	-	14,505
	6,608	75,084	24,294	-	105,986
Other information					
Segment assets	532,397	722,388	434,802	(190,020)	1,499,567
Segment liabilities	(246,692)	(395,004)	(223,369)	190,020	(675,045)
Net assets	285,705	327,384	211,433	-	824,522
Investment in associated companies and joint ventures	55,114	260,157	242,101	-	557,372
Additions to non-current assets	63,189	129,842	107	-	193,138
Depreciation	16,156	198	70	-	16,424
Impairment loss on investments	-	-	8,962	-	8,962
Goodwill written off	1,472	-	-	-	1,472
Fair value gain on investment properties	-	32,133	-	-	32,133

By geographical information

	Singapore $'000	China $'000	ASEAN other than Singapore $'000	Others $'000	Consolidated Total $'000
External sales	113,622	59,559	15,594	11,791	200,566
Non-current assets	833,294	250,369	42,450	102,662	1,228,775

Information about major customers
No single external customer accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2015.

37. Fair Values

Fair value hierarchy
The Group categorises fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assets and liabilities measured at fair value
The following table shows an analysis of the Group's assets and liabilities measured at fair value as at the balance sheet date:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2016				
Recurring fair value measurements				
Financial assets:				
Available-for-sale financial assets (Note 19)				
Equity instruments (unquoted)	**-**	**-**	**4,661**	**4,661**
Non-financial assets:				
Investment properties (Note 15 and Note 31)				
Commercial	**-**	**-**	**408,902**	**408,902**
Financial liabilities:				
Derivative financial instruments (Note 27)				
Interest rate swaps	**-**	**(644)**	**-**	**(644)**
2015				
Recurring fair value measurements				
Financial assets:				
Available-for-sale financial assets (Note 19)				
Equity instruments (unquoted)	-	-	9,851	9,851
Non-financial assets:				
Investment properties (Note 15)				
Commercial	-	-	288,643	288,643
Financial liabilities:				
Derivative financial instruments (Note 27)				
Interest rate swaps	-	(42)	-	(42)
Non-recurring fair value measurements				
Non-financial assets:				
Associated companies				
Investment in SVOA Public Company Limited	3,591	13,799	-	17,390

There is no transfer between Level 1, Level 2 and Level 3 of the fair value hierarchy during the financial year for assets and liabilities held at the end of the reporting period.

Notes to the Financial Statements

Non-recurring fair value measurements
During the financial year ended 31 December 2016, the Group's carrying amount in certain leasehold land and buildings in China were impaired to its recoverable amount determined to be fair value less cost of disposal. Details on the impairment are disclosed in Note 14 to the financial statements.

During the financial year ended 31 December 2016, upon initial recognition as an associated company, the Group accounted for the retained interest in Keppel DC REIT Management Pte Ltd at fair value.

During the financial year ended 31 December 2015, the Group's investment in SVOA Public Company Limited, which comprises quoted ordinary shares and unquoted preference shares, was impaired to its recoverable amount determined to be fair value less cost of disposal.

Level 2 fair value measurements
The fair value of interest rate swaps are based on banker's valuation using forward pricing and swap models with market observable inputs including interest rate curves.

In 2015, the fair value of unquoted preference shares of SVOA Public Company Limited is determined using the price per share of SVOA Public Company Limited's ordinary shares quoted on the Stock Exchange of Thailand as at 31 December 2015.

Level 3 fair value measurements
Information about fair value measurements using significant unobservable inputs (Level 3) are as follows:

Description	Fair value $'000	Valuation techniques	Unobservable inputs	Range
Group				
2016				
Available-for-sale financial assets				
Equity instruments (unquoted)	4,661	Discounted cash flow method and/or net asset value	Net asset value	Not applicable
			Cash flow forecast	Not applicable
			Discount rate (%)	11%
Investment properties				
Commercial	408,902	Income capitalisation method, discounted cash flow method and/or cost replacement method	Capitalisation rate (%)	8.25%
			Vacancy rate (%)	5%
			Discount rate (%)	7.5% to 13.5%
			Terminal yield (%)	7.25%
			Terminal growth rate (%)	2%
			Total development cost	Not applicable
			Cost to complete	Not applicable
Fixed assets				
Commercial	48,355	Direct comparison method, cost replacement method and/or residual method	Price of comparable land plots (psm)	$33 to $175
			Gross development value	Not applicable
			Total development cost	Not applicable
Associated companies				
Investment in Keppel DC REIT Management Pte Ltd	38,000	Discounted cash flow method	Discount rate (%)	12% to 14%
			Terminal growth rate (%)	1% to 3%
			Cash flow forecast	Not applicable
2015				
Available-for-sale financial assets				
Equity instruments (unquoted)	9,851	Discounted cash flow method and/or net asset value	Net asset value	Not applicable
			Cash flow forecast	Not applicable
			Discount rate (%)	11%
Investment properties				
Commercial	288,643	Income capitalisation method and/or discounted cash flow method	Capitalisation rate (%)	6% to 8.5%
			Vacancy rate (%)	5%
			Discount rate (%)	7.5% to 13.5%
			Terminal yield	7.25%
			Terminal growth rate	2%

Unquoted equity instruments are valued using discounted cash flow method based on net asset value of these funds' portfolio, after taking into account recoverability and marketability of investments in their portfolio. Discounted cash flow method is used, in addition to net asset value, in the valuation to better reflect the timing of realisation of certain investments. Net asset value is based on the net asset value per share as reported by the managers of these funds, less impairment. Inputs from managers of these funds, including cost of disposal, operating expense and capital gain tax exposure, are taken into account in projecting future cash flows. The valuation of unquoted equity instruments is generally sensitive to changes in the unobservable inputs tabled above. A 3% (2015: 3%) higher/lower discount rate will result in approximately $132,000 lower/$143,000 higher (2015: $540,000 lower/$591,000 higher) fair value gain in other comprehensive income.

The valuation of investment properties is generally sensitive to changes in the unobservable inputs tabled above. A significant movement in each of these inputs would result in significant change in the fair value of the investment properties. Reconciliation for investment properties measured at fair value under Level 3 of the fair value hierarchy is disclosed in Note 15 to the financial statements. For investment properties, the cost replacement method is used in addition to the income capitalisation method and discounted cash flow method as the cost approach is determined to be appropriate for properties which are under development with specialised use and design for which limited market transaction data is available.

The valuation of certain fixed assets, for the purpose of impairment assessment as disclosed in Note 14, is generally sensitive to changes in the unobservable inputs tabled above. A significant movement in each of these inputs would result in significant change in the fair value of these fixed assets.

The investment in Keppel DC REIT Management Pte Ltd ("KDCRM"), for the purpose of initial recognition as an associated company, is valued using discounted cash flow method based on five-year profit forecast. The cash flow is determined based on inputs from the management of KDCRM and takes into account potential acquisitions and projections for assets under management by KDCRM. The valuation of the investment in KDCRM is generally sensitive to changes in the unobservable inputs tabled above.

The following table presents the reconciliation for all financial instruments measured at fair value under Level 3 of the fair value hierarchy:

	Group	
	2016 $'000	2015 $'000
At 1 January	**9,851**	79
Gains/(losses) in other comprehensive income		
- Fair value changes	**(5,314)**	9,772
- Exchange differences arising on consolidation	**124**	-
At 31 December	**4,661**	9,851

Fair value of financial instruments not measured at fair value

Other than long-term borrowings and long-term receivables, management has determined that the carrying amount of the Group's and the Company's financial assets and liabilities that are not measured at fair value reasonably approximate their fair values.

Notes to the Financial Statements

Assets and liabilities not measured at fair value but for which fair value is disclosed

The following table shows an analysis of the assets and liabilities of the Group and the Company which are not measured at fair value at the end of the reporting period but for which fair values are disclosed:

	Fair Value			Carrying
	Level 1 $'000	Level 3 $'000	Total $'000	Amount $'000
Group				
2016				
Assets:				
Associated companies and joint ventures	**782,763**	**-**	**782,763**	**544,783**
Liabilities:				
Long-term borrowings	**-**	**(454,785)**	**(454,785)**	**(456,003)**
2015				
Assets:				
Associated companies and joint ventures	774,333	-	774,333	462,750
Liabilities:				
Long-term borrowings	-	(452,485)	(452,485)	(455,538)
Company				
2016				
Assets:				
Long-term receivables	**-**	**48,944**	**48,944**	**51,723**
Liabilities:				
Long-term borrowings	**-**	**(121,801)**	**(121,801)**	**(120,000)**
2015				
Assets:				
Long-term receivables	-	153,105	153,105	156,860
Liabilities:				
Long-term borrowings	-	(118,797)	(118,797)	(120,000)

38. Financial Risk Management

The Group's principal financial instruments comprise loans, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. The details regarding the Group's exposure to these risks and the objectives, policies and processes for the management of these risks are summarised below.

38.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from fixed deposits, short-term placements and debt obligations. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals not exceeding 12 months (2015: not exceeding 12 months) from the balance sheet date.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. The Group manages interest cost by borrowing from related companies which charges interest at prevailing market rates (Notes 28 and 29).

The Group has entered into an interest rate swap agreement to hedge the interest rate risk exposure arising from one of its SGD floating rate term loans as a cash flow hedge. As at the balance sheet date, the notional amount of the interest rate swap is $43,121,000 (2015: $43,121,000) whereby the Group receives variable rates equal to the Association of Banks in Singapore's Swap Offer Rate and pays at the fixed rate of 1.94% on the notional amount. As at the balance sheet date, the fair value of the interest rate swap is negative at $644,000 (2015: negative at $42,000), comprising liabilities of $644,000 (2015: $42,000) recognised in creditors (Note 27).

Sensitivity analysis for interest rate risk

As at the balance sheet date, if interest rates had been 75 (2015: 75) basis points lower/higher with all other variables held constant, the Group's profit after taxation would have been $670,000 higher/lower (2015: $235,000 higher/lower), arising mainly from lower/higher interest expense on floating rate loans from bank and related companies and lower/higher interest income on fixed deposits with banks and short-term placements with a related company. The Company's profit after taxation would have been $176,000 lower/higher (2015: $66,000 lower/higher) arising mainly from lower/higher interest income on short-term placements with a related company.

38.2 Foreign Currency Risk

The Group has transactional currency exposures arising from transactions denominated in currencies other than the respective functional currencies of the Group's entities, primarily Chinese Yuan Renminbi ("CNY"), Hong Kong Dollar ("HKD"), United States Dollar ("USD") and Euro ("EUR").

When a natural hedge is not available, it is the Group's policy to hedge these risks using appropriate financial instruments with the objective of limiting the effect of changes in foreign currency fluctuations.

The Group is exposed to currency translation risk arising from its investments in foreign operations, including the People's Republic of China, Australia, the Netherlands, Vietnam and Malaysia. The Group's net investments in these foreign operations are not hedged as the currency positions are considered to be long-term in nature.

The carrying amounts of significant financial assets and liabilities denominated in currencies other than the functional currencies of the respective entities are as follows:

	CNY $'000	HKD $'000	USD $'000	EUR $'000
Group				
2016				
Financial assets:				
Available-for-sale financial assets	**-**	**-**	**1,012**	**-**
Debtors	**286**	**797**	**1,273**	**-**
Fixed deposits, bank balances and cash	**-**	**39**	**1,050**	**-**
Financial liabilities:				
Creditors	**-**	**(286)**	**(372)**	**-**
Borrowings	**-**	**-**	**(7,881)**	**(50,066)**
2015				
Financial assets:				
Available-for-sale financial assets	-	-	2,159	-
Debtors	113	1,007	627	-
Fixed deposits, bank balances and cash	-	121	869	-
Financial liabilities:				
Creditors	-	(480)	(69)	-
Borrowings	-	-	(5,852)	(47,654)

The Company has no significant foreign currency exposure as at 31 December 2016 and 2015.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change by 5% (2015: 5%) in the CNY, HKD, USD and EUR exchange rates (against SGD), with all other variables held constant, the effects on the Group's profit after tax and equity will be as follows:

	Group			
	2016		2015	
	Profit after tax $'000	**Equity $'000**	Profit after tax $'000	Equity $'000
CNY				
- strengthened	**16**	**(1,471)**	5	(907)
- weakened	**(16)**	**1,471**	(5)	907
HKD				
- strengthened	**23**	**271**	27	416
- weakened	**(23)**	**(271)**	(27)	(416)
USD				
- strengthened	**(315)**	**(487)**	(232)	256
- weakened	**315**	**487**	232	(256)
EUR				
- strengthened	**(1,354)**	**(1,380)**	(2,383)	(2,433)
- weakened	**1,354**	**1,380**	2,383	2,433

Notes to the Financial Statements

38.3 Liquidity Risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain sufficient cash and continuity of funding through the use of an adequate amount of committed credit facilities. The Group's funding is obtained from bank loans and borrowings from a related company.

As at the balance sheet date, approximately 25% and Nil (2015: 12% and Nil) of the Group's and the Company's borrowings (Notes 28, 29 and 31) will mature in less than one year based on the carrying amount reflected in the financial statements.

The maturity profile of the Group's and the Company's financial assets and liabilities as at the balance sheet date based on contractual undiscounted repayment obligations is as follows:

	2016			2015		
	1 year or less $'000	**1 to 5 years $'000**	**More than 5 years $'000**	1 year or less $'000	1 to 5 years $'000	More than 5 years $'000
Group						
Financial assets:						
Debtors	**52,748**	**-**	**-**	50,046	-	-
Other receivables	**29,641**	**-**	**-**	4,532	-	-
Fixed deposits, bank balances and cash	**126,516**	**-**	**-**	188,507	-	-
Total undiscounted financial assets	**208,905**	**-**	**-**	243,085	-	-
Financial liabilities:						
Creditors	**(134,698)**	**(860)**	**-**	(88,672)	(667)	-
Borrowings	**(165,648)**	**(472,859)**	**-**	(74,354)	(473,729)	-
Finance lease liabilities	**(216)**	**(864)**	**(1,620)**	(216)	(864)	(1,836)
Other liabilities	**(6,243)**	**-**	**-**	(30,029)	-	-
Total undiscounted financial liabilities	**(306,805)**	**(474,583)**	**(1,620)**	(193,271)	(475,260)	(1,836)
Total net undiscounted financial assets/(liabilities)	**(97,900)**	**(474,583)**	**(1,620)**	49,814	(475,260)	(1,836)
Company						
Financial assets:						
Debtors	**9**	**-**	**-**	2	-	-
Other receivables	**117,355**	**51,723**	**-**	17,266	158,687	-
Fixed deposits, bank balances and cash	**28,473**	**-**	**-**	10,694	-	-
Total undiscounted financial assets	**145,837**	**51,723**	**-**	27,962	158,687	-
Financial liabilities:						
Creditors	**(2,297)**	**-**	**-**	(2,360)	-	-
Borrowings	**(3,702)**	**(127,419)**	**-**	(3,159)	(121,942)	-
Other liabilities	**(9,630)**	**-**	**-**	(10,928)	-	-
Total undiscounted financial liabilities	**(15,629)**	**(127,419)**	**-**	(16,447)	(121,942)	-
Total net undiscounted financial assets/(liabilities)	**130,208**	**(75,696)**	**-**	11,515	36,745	-

38.4 Credit Risk

Credit risk is the risk of loss that may arise from outstanding financial instruments should counterparties default on their obligations. The Group's exposure to credit risk arises primarily from debtors and other receivables. For other financial assets, the Group minimises credit risk by dealing exclusively with high credit rating counterparties. As at the balance sheet date, the Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet, and is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. It is the Group's policy to enter into financial instruments with a diversity of credit-worthy counterparties. The Group does not expect to incur material credit losses on its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry or geographical factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified along industry, product and geographic lines, and transactions are entered into with diverse credit-worthy counterparties, thereby mitigating any significant concentration of credit risk.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its debtors and other receivables on an ongoing basis. The credit risk concentration profile of the Group's debtors and other receivables as at the balance sheet date is as follows:

	Group			
	2016		2015	
	$'000	**% of total**	$'000	% of total
By country				
Singapore	**60,685**	**74%**	35,051	64%
People's Republic of China	**12,718**	**15%**	11,332	21%
Vietnam	**5,575**	**7%**	3,772	7%
Malaysia	**1,899**	**2%**	1,137	2%
Other countries	**1,512**	**2%**	3,286	6%
	82,389	**100%**	54,578	100%
By industry sectors				
Logistics	**45,441**	**56%**	36,178	66%
Data Centre	**35,789**	**43%**	18,059	33%
Investments	**1,159**	**1%**	341	1%
	82,389	**100%**	54,578	100%

38.5 Financial Instruments by Category

The carrying amount of financial instruments and their categories is as follows:

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Loans and receivables	**224,304**	243,085	**196,040**	181,840
Available-for-sale financial assets	**4,661**	9,851	**-**	-
Financial liabilities at amortised cost	**(769,060)**	(637,317)	**(131,927)**	(133,288)

Notes to the Financial Statements

39. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. To maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders, issue new shares, buy-back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Group's and the Company's strategies towards maintaining an optimal capital structure is through constant monitoring of its gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less fixed deposits, bank balances and cash. Total capital refers to total equity.

	Group	
	2016 $'000	2015 $'000
Net debt	**482,249**	326,886
Total capital	**908,027**	824,522
Gearing ratio	**53%**	40%

Externally imposed capital requirements of the Group are mainly debt covenants included in certain borrowings which require the Group to maintain a gearing ratio not exceeding 275%.

The Group is in compliance with all imposed capital requirements for the financial years ended 31 December 2016 and 2015.

40. Subsidiaries, Associated Companies and Joint Ventures

Information relating to the major subsidiaries, associated companies and joint ventures whose results are included in the financial statements are shown below:

	Effective Equity Interest		Cost of Investment		Country of Incorporation and Operation	Principal Activities
	2016 %	2015 %	**2016 $'000**	2015 $'000		
Subsidiaries						
Logistics						
Keppel Logistics Pte Ltd	**100**	100	**82,534**	42,534	Singapore	Integrated logistics services and supply chain solutions
Keppel Logistics (Foshan) Limited [1(b)]	**70**	70	**15,645**	15,645	China	Integrated logistics port operations, warehousing and distribution
Keppel Logistics (Foshan Sanshui Port) Company Limited [1(b)]	**42**	42	**#**	#	China	Integrated logistics port operations and warehousing
Keppel Logistics (Hong Kong) Limited [1(e)]	**70**	70	**#**	#	Hong Kong	Freight forwarding and shipping agencies
Steamers (HK) Limited [1(a)]	**100**	100	*****	*	Hong Kong	Investment holding
Keppel Tianjin Logistics Pte Ltd	**100**	100	*****	*	Singapore	Investment holding
Keppel Logistics (Tianjin Eco-city) Limited [1(a)]	**100**	100	**#**	#	China	Integrated logistics services, warehousing and distribution
Keppel Jilin Food Logistics Park Pte Limited	**100**	100	*****	*	Singapore	Investment holding
Jilin Sino-Singapore Food Zone International Logistics Co Ltd [1(e)]	**70**	70	**#**	#	China	Integrated logistics services, warehousing and distribution
Keppel Anhui Food Logistics Park Pte Ltd	**100**	100	*****	*	Singapore	Investment holding
Keppel Wanjiang International Coldchain Logistics Park (Anhui) Co Ltd [1(b)]	**60**	60	**#**	#	China	Integrated logistics services, food trading hub, warehousing and distribution
Indo-Trans Keppel Logistics Vietnam Co Ltd [1(a)]	**51**	51	**#**	#	Vietnam	Warehousing and distribution
Keppel Logistics (Australia) Pty Ltd [1(f)]	**100**	100	**#**	#	Australia	Warehousing and distribution
Courex Pte Ltd [1(e), 2]	**60**	-	**#**	-	Singapore	Warehousing and distribution

	Effective Equity Interest 2016 %	2015 %	Cost of Investment 2016 $'000	2015 $'000	Country of Incorporation and Operation	Principal Activities
Data Centre						
Keppel Data Centres Pte Ltd	**100**	100	**26,500**	26,500	Singapore	Investment holding
Keppel Data Centres Holding Pte Ltd	**70**	70	**#**	#	Singapore	Investment holding
Keppel DC Singapore 1 Ltd (formerly known as Keppel Digihub Ltd)	**70**	70	**#**	#	Singapore	Data centre facilities management
Keppel DC Singapore 2 Pte Ltd (formerly known as Keppel Datahub Pte Ltd)	**70**	70	**#**	#	Singapore	Data centre facilities management
Keppel DC Singapore 3 Pte Ltd (formerly known as Keppel Datahub 2 Pte Ltd)	**70**	70	**#**	#	Singapore	Data centre facilities and colocation services
Keppel DC Singapore 4 Pte Ltd (formerly known as Keppel Datahub 3 Pte Ltd)	**70**	70	**#**	#	Singapore	Data centre facilities and colocation services
Keppel Almere Pte Ltd	**70**	70	**#**	#	Singapore	Investment holding
Keppel Data Centre Netherlands BV [1(f)]	**70**	70	**#**	#	Netherlands	Develop and trade in industrial property rights; render services to third parties
Keppel Data Centre Almere BV [1(f)]	**70**	70	**#**	#	Netherlands	Investment holding
Keppel Data Centres (Hong Kong) Limited [1(a), 3]	**70**	-	**#**	-	Hong Kong	Data centre facilities and colocation services
Keppel DCS3 Services Pte Ltd [3]	**70**	-	**#**	-	Singapore	Data centre facilities management
Keppel DC REIT Management Pte Ltd [5]	**-**	100	**-**	#	Singapore	Investment holding and fund management
Keppel Data Centre Facility Management Pte Ltd	**100**	100	**#**	#	Singapore	Data centre facilities management
iseek-KDC Services Pty Ltd [1(e)]	**60**	60	**#**	#	Australia	Data centre facilities management
Keppel DC Investment Holdings Pte Ltd	**100**	100	**#**	#	Singapore	Investment holding
Keppel DC Development Europe Limited [1(e), 3]	**100**	-	**#**	-	United Kingdom	Provision of management services, investment holding and advisory
Investments						
Adfact Pte Ltd	**100**	100	**17,435**	17,435	Singapore	Investment holding
Apsilon Ventures Pte Ltd	**100**	100	**75,101**	75,101	Singapore	Investment holding
Keppel Telecoms Pte Ltd	**100**	100	**#**	#	Singapore	Investment holding
Keppel Communications Pte Ltd	**100**	100	**#**	#	Singapore	Trading and provision of communications system and accessories
Associated Companies						
Logistics						
Asia Airfreight Terminal Company Limited [1(c), 4]	**10**	10	**6,621**	6,621	Hong Kong	Operation of an air cargo handling terminal
PT Keppel Puninar Logistics [1(e)]	**49**	49	**#**	#	Indonesia	Distribution and transportation services
Data Centre						
Keppel DC REIT [1(c)]	**30**	30	**#**	#	Singapore	Data centre facilities and colocation services

Notes to the Financial Statements

	Effective Equity Interest 2016 %	2015 %	Cost of Investment 2016 $'000	2015 $'000	Country of Incorporation and Operation	Principal Activities
Keppel DC REIT Management Pte Ltd [5]	**50**	-	**#**	-	Singapore	Investment holding and fund management
Alpha DC Fund Private Limited [1(e), 6]	**53**	-	**#**	-	Singapore	Investment holding and fund management
Calcium DC Pte Ltd [1(e), 3, 7]	**28**	-	**#**	-	Singapore	Investment holding
Investments						
Advanced Research Group Co Ltd [1(e)]	**45**	45	**#**	#	Thailand	IT publication and business information
Business Online Public Company Limited [1(d)]	**21**	21	**#**	#	Thailand	Online information service provider
Computer Generated Solutions Inc [1(e)]	**21**	21	**#**	#	USA	IT consulting and outsourcing provider
M1 Limited [1(d), 4]	**19**	19	**#**	#	Singapore	Telecommunications services
ARIP Public Company Ltd [1(e)]	**20**	20	**#**	#	Thailand	Publication of IT and business information, exhibition organiser and online information service provider
ABIKS Development Co Ltd [1(e)]	**20**	20	**#**	#	Thailand	Provision and management of office buildings
SVOA Public Company Limited [1(d)]	**32**	32	**#**	#	Thailand	Distribution of IT products and telecommunications services
Trisilco Radiance Communications Sdn Bhd [1(a)]	**52**	52	**#**	#	Malaysia	Sales, installation and maintenance of telecommunications systems, equipment and accessories
Joint Ventures						
Logistics						
Wuhu Sanshan Port Co Ltd [1(e)]	**50**	50	**27,951**	27,951	China	Integrated logistics services and port operations
Investments						
Radiance Communications Pte Ltd	**50**	50	**#**	#	Singapore	Distribution and maintenance of communications equipment and systems

Notes
These companies are indirectly held by Keppel Telecommunications & Transportation Ltd
* Amount below $1,000
1. All companies are audited by PricewaterhouseCoopers LLP, Singapore except for the following:
   (a) Audited by member firms of PricewaterhouseCoopers in the respective countries.
   (b) Audited by Ruihua Certified Public Accountants, China.
   (c) Audited by member firms of KPMG International in the respective countries.
   (d) Audited by member firms of Ernst & Young LLP in the respective countries.
   (e) Audited by other firms of Certified Public Accountants.
   (f) Not required to be audited by law in country of incorporation.
   In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries, significant associated companies and joint ventures would not compromise the standard and effectiveness of the audit of the Company.
2. On 31 October 2016, Keppel Logistics Pte Ltd acquired 59.6% of the issued and paid up capital of Courex Pte Ltd ("Courex"). The acquisition of Courex, with its capability in last mile delivery and e-fulfilment, is part of the Division's plan to establish its foothold in the growing e-commerce sector. From 1 November 2016 to 31 December 2016, Courex contributed revenue of $762,000 and loss after taxation of $138,000 to the Group. If the acquisition had occurred on 1 January 2016, consolidated revenue and profit after taxation of the Group would have been $195,804,000 and $112,377,000 respectively.
3. Incorporated during the financial year ended 31 December 2016.
4. Although the Group holds less than 20 percent of the voting power in Asia Airfreight Terminal Company Limited ("AAT") and M1 Limited ("M1") respectively, these entities are equity accounted in view of the fact that the Group has representation in the board of directors of AAT and M1.
5. On 1 July 2016, the Group disposed 50% of its shareholdings in Keppel DC REIT Management Pte Ltd ("KDCRM") for cash consideration of $38,000,000 to a related company. Management assessed that the Group no longer has control of KDCRM and recognised the remaining 50% retained interest in KDCRM as an associated company.
6. During the financial year ended 31 December 2016, Keppel Data Centres Holding Pte Ltd ("KDCH") entered into a share subscription agreement to subscribe for up to US$100,000,000 in the share capital of Alpha DC Fund Private Limited ("Alpha DC Fund"). Upon capital call notice given by Alpha DC Fund, the Group will subscribe for shares in Alpha DC Fund on a proportionate basis with other investors of Alpha DC Fund, generally based on the share subscription commitment undertaken by the Group as a proportion of the total share subscription commitments received by Alpha DC Fund from its investors. As at 31 December 2016, the share subscription commitment given by the Group to Alpha DC Fund represents 76% of the total share subscription commitments received by Alpha DC Fund from its investors. No capital call notice had been made by Alpha DC Fund during the financial year ended 31 December 2016.
7. During the financial year ended 31 December 2016, KDCH subscribed for 40% of the issued share capital in the incorporation of Calcium DC Pte Ltd.

41. Dividends

	Group and Company 2016 $'000	Group and Company 2015 $'000
Tax exempt (one-tier) dividends on ordinary shares declared and paid during the financial year:		
- Final dividend of 3.5 cents per share for 2015 (2015: 3.5 cents per share for 2014)	**19,495**	19,459
- No special dividend for 2015 (2015: 11.5 cents per share for 2014)	**-**	63,938
	19,495	83,397
Tax exempt (one-tier) dividends on ordinary shares in respect of the current financial year proposed for approval by shareholders at the next Annual General Meeting to be convened but not recognised as a liability as at 31 December:		
- Final dividend of 4.5 cents (2015: 3.5 cents) per share	**25,066**	19,459
	25,066	19,459

42. Event occurring after balance sheet date

On 20 January 2017, the Group completed the disposal of 90% of the Group's shareholdings in Keppel DC Singapore 3 Pte Ltd, the assets and liabilities of which was classified as held for sale as disclosed in Note 31, for a cash consideration of approximately $144,700,000.

43. Authorisation of Financial Statements

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 17 February 2017.

Independent Auditor's Report

Report on the Audit of the Consolidated Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of Keppel Telecommunications & Transportation Ltd ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated balance sheet of the Group as at 31 December 2016;
- the balance sheet of the Company as at 31 December 2016;
- the consolidated profit and loss account of the Group for the year then ended;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated statement of changes in equity of the Group and the statement of changes in equity of the Company for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of fixed assets The Group has fixed assets as of 31 December 2016, which primarily relate to logistics and warehousing facilities (Note 14). These assets are tested for impairment whenever there is any objective evidence or indication that they may be impaired. Following an assessment of the appropriateness of the carrying values of the Group's fixed assets, Management concluded that there was indication that certain buildings in China were impaired and estimated the recoverable amount of those assets as disclosed in Notes 14 and 37 to the financial statements. The impairment tests carried out were critically dependent on Management's assessment of value-in-use calculations and the determination of appropriate valuation techniques after they have considered the circumstances and the availability of relevant observable inputs in the market.	We performed the following procedures to evaluate Management's impairment assessment of fixed assets: - Obtained an understanding of Management's assessment of the indication of impairment in fixed assets and critically assessed whether the justification provided is consistent with the internal and external sources of information obtained during the course of the audit. - Reviewed the valuation reports supporting the calculation of recoverable amounts to assess whether the valuation techniques selected by Management is reasonable based on the characteristics of the assets. As part of this review, we also considered whether the inputs used in the calculations are reasonable by considering the other information available in the market.

Key Audit Matter	How our audit addressed the Key Audit Matter
We paid particular attention in this area as the valuation of those fixed assets for the purpose of impairment assessment involved the application of judgment by Management on the selection of appropriate inputs to the valuation techniques.	We found the estimates and assumptions used in the impairment assessment of fixed assets to be reasonable. We also found the disclosures in the financial statements in respect of the impairment to be adequate.
Fair value measurement of investment properties The Group has data centres that are classified as investment properties and asset held for sale in the consolidated balance sheet (Notes 15 and 31). Investment properties are carried at fair value at each balance sheet date, determined by independent professional valuers on the highest and best use basis. Changes in fair value are recognised in the profit and loss account. Due to the nature of the infrastructure of data centres, the development and fitting out processes of these assets would typically require a heavier capital investment and cover a longer span of time compared to other real estate properties. The valuation of the investment properties is a matter of significance due to the use of subjective assumptions in the valuation calculations. The fair value of these data centres are highly sensitive to unobservable inputs to valuation techniques such as capitalisation rate and vacancy rate (where income capitalisation valuation method is used), or terminal yield, terminal growth rate and discount rate (where discounted cash flow valuation method is used).	 We evaluated whether the external valuers engaged by the Group have the necessary competency, capability and objectivity to carry out the valuation of the investment properties. We also assessed the reasonableness of the methodologies and assumptions applied by management and the external valuers in their valuations by benchmarking the approach against valuations carried out on similar assets and considering other alternative valuation methods. We tested the consistency, completeness and reasonableness of the inputs of the projected cash flows used in the valuation to supporting agreements, and corroborated the capitalisation rate, terminal yield and discount rate data by comparing them against historical rates and other available industry data. We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions used in the estimates. This includes the relationships between the key unobservable inputs and fair values. The valuers are members of recognised professional bodies for external valuers. We found the valuation methodologies used to be in line with generally accepted market practices and the key assumptions used were within the range of market data. We also found the disclosures in the financial statements to be adequate.
Classification of investments in associated companies An associated company is an entity over which the Group has the power to participate in the operating and financial policy decisions of the investee but does not have control or joint control of those policies ("significant influence"). Under FRSs, if the Group holds less than 20 percent of the voting power of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated. As of 31 December 2016, the Group's equity interests in M1 Limited ("M1") and Asia Airfreight Terminal Company Limited ("AAT") were 19% and 10%, respectively. As disclosed in Note 2.4(f) to the financial statements, management has evaluated that the Group has significant influence over these investments as the Group has representation on the Board of Directors or relevant management committees. In addition, the Group disposed 50% of its shareholdings in Keppel DC REIT Management Pte Ltd ("KDCRM") on 1 July 2016 (Note 40). Management assessed that the Group no longer has control of KDCRM and recognised the remaining 50% retained interest in KDCRM as an associated company. We focused on Management's classification of these investments as the determination requires judgment on the extent of power the Group has to participate in the relevant policies of the investee companies. The policies to apply when accounting for the Group's interests in these investments are heavily dependent on their classification.	 We evaluated and challenged Management's conclusion that the Group has significant influence over AAT, M1 and KDCRM by reviewing information relating to the composition of the Board of Directors ("Board"), voting rights of the Board members of these companies and the participation of the Board members in the policy-making decisions of these companies, including decisions on strategic issues, dividends and other distributions. For KDCRM, we also examined the terms of both the sale and purchase and related shareholders' agreements to understand the relative rights of the shareholders of KDCRM. Further, we reviewed the disclosures relating to the Group's disposal of KDCRM and the Group's interests in subsidiaries, associated companies and joint ventures in Notes 17 and 40 to the financial statements. We found management's judgment in relation to the classification of its investments in the above-mentioned investee companies to be reasonable. We also found the disclosures in the financial statements to be adequate.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Carrying value of associated company - KDCRM During the financial year ended 31 December 2016, the Group disposed 50% of its shareholdings in KDCRM on 1 July 2016 for a cash consideration, and recognised the remaining 50% retained interest in KDCRM as an associated company (Note 40). Further, the retained interest in KDCRM was recognised at fair value based on valuation using the discounted cash flow method (Notes 2.4(g) and 37). Accordingly, the Group recorded a gain relating to the disposal of its 50% interests in KDCRM, and the details on the assets and liabilities disposed and resulting gain on the transaction is disclosed in Note B to the consolidated statement of cash flows. The carrying value of the Group's investment in KDCRM is impacted by the significant accounting estimates and judgments applied during the preparation of the financial statements of KDCRM for the financial year ended 31 December 2016. This included the assessment of useful life of the intangible asset relating to management rights that is held by KDCRM, and the impairment test that was carried out to determine whether the carrying amount of management rights was recoverable as at 31 December 2016. We focused on this area due to the magnitude of the value of the investment on initial recognition (Note 37) and the corresponding gain arising from the disposal of the Group's 50% interest in KDCRM (Note 5). In addition, the carrying amount of KDCRM is dependent on the evaluation made on the useful life and carrying value of management rights that is recorded on the balance sheet of KDCRM as of 31 December 2016 (Note 17).	The key procedures we performed to evaluate Management's assessment of the carrying amount of KDCRM as of 31 December 2016 are as follows: - Obtained and reviewed the valuation report relating to the determination of the carrying value of the Group's retained interest in KDCRM on initial recognition. - Assessed the likelihood that KDCRM may be removed as the manager of Keppel DC REIT to determine whether it can continue to exercise its management rights to generate future economic benefits in the foreseeable future. - Assessed developments in the regulatory and technological environment that could affect the data centre operations of the Group, and the ability of KDCRM to generate future cash flows as manager of the data centres. - Reviewed the impairment test carried out by the management of KDCRM and assessed the reasonableness of the revenue and profitability forecasts by comparing the forecasts against historic actual results. Further, the discount rates used in the discounted cash flow calculations are compared against observable market data. We found the estimates, assumptions and valuation methodology used to determine the carrying amount of KDCRM to be reasonable. We also found the disclosures in the financial statements to be adequate.

Other Information
Management is responsible for the other information. The other information comprises the Directors' Statement and other sections of the Keppel Telecommunications & Transportation Ltd Report to the Member 2016 ("Other Sections of the Annual Report"), but does not include the financial statements and our auditor's report thereon. We obtained the Directors' Statement prior to the date of this auditor's report. The Other Sections of the Annual Report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in respect of the work we have described above and performed on the Directors' Statement.

When we read the Other Sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Daniel Khoo.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 17 February 2017

Corporate Governance

The Company believes in having high standards of corporate governance, and is committed to making sure that effective self-regulatory corporate practices exist to protect the interests of its shareholders and maximise long term shareholder value.

As required by the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX"), the following report describes the Company's corporate governance practices with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2012 (the "Code").

Board's Conduct of Affairs

Principle 1: Effective Board to lead and control the Company

The Board's responsibility is to oversee the business, assets, affairs and performance of the Company in the best interest of its shareholders. The principal functions of the Board are to:

- decide on matters in relation to the Group's activities which are of a significant nature, including decisions on strategic directions and guidelines and the approval of periodic plans and major investments and divestments;
- oversee the business and affairs of the Company, establish, with management, the strategies (including corporate social responsibility) and financial objectives to be implemented by management, and monitor the performance of management;
- oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and safety; satisfy itself as to the adequacy of such processes to safeguard shareholders' interest and the Company's assets;
- assume responsibility for corporate governance; and
- consider sustainability issues such as environmental and social factors as part of its strategic formulation.

Independent Judgment: All directors are expected to exercise independent judgment in the best interests of the Company. This is one of the performance criteria for the peer and self-assessment of the effectiveness of the individual directors. Based on the results of the peer and self-assessment carried out by the directors for FY2016, all directors have discharged this duty consistently well.

Conflict of Interest: Every director is required to declare any conflict of interest in a transaction or proposed transaction with the Company as soon as practicable after the relevant facts have come to his knowledge. On an annual basis, each director is also required to submit details of his or her associates for the purpose of monitoring interested persons transactions.

Board Committees: To assist the Board in the discharge of its oversight function, various board committees, namely the Audit Committee, the Nominating Committee, the Remuneration Committee, the Board Risk Committee and the Board Safety Committee, have been constituted with clear written terms of reference. All the board committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. The key terms of reference of the respective board committees are disclosed in the Appendix to this report.

Meetings: The Board meets five times a year and as warranted by particular circumstances. Board meetings are scheduled and circulated to the directors prior to the start of the financial year to allow directors to plan ahead to attend such meetings, so as to maximise participation. The non-executive directors also set aside time at each scheduled quarterly meeting to meet without the presence of management to discuss matters such as board processes, performance of the CEO, succession planning and senior management appointments. Such meetings may also be scheduled on a need-be basis. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Company's constitution.

The number of board and board committee meetings held in FY2016 and the directors' attendance at these board and board committee meetings are disclosed below:

Directors	Board Meetings	Board Committee Meetings				
		Audit	Nominating	Remuneration	Board Risk	Board Safety
Loh Chin Hua	6	-	2	1	-	-
Thomas Pang Thieng Hwi	6	-	-	-	4	4
Wee Sin Tho [1]	1 of 2	-	-	-	1 of 2	-
Tan Boon Huat [1]	2 of 2	-	-	2	2 of 2	-
Karmjit Singh	6	4	2	-	-	3
Neo Boon Siong	5	5	-	-	4	-
Khor Poh Hwa [2]	6	3	-	2	-	-
Lim Chin Leong [3]	5	-	2	2	2 of 2	4
Lee Ai Ming [4]	5	1 of 2	-	-	2 of 2	-
Chan Hon Chew	6	4	-	-	-	-
No. of meetings held in 2016	**6**	**5**	**2**	**2**	**4**	**4**

Notes:
1. Mr Wee Sin Tho and Mr Tan Boon Huat retired from the Board at the conclusion of the annual general meeting held on 15 April 2016.
2. Mr Khor Poh Hwa was appointed as Chairman of the Remuneration Committee with effect from 15 April 2016.
3. Mr Lim Chin Leong was appointed Chairman of the Board Safety Committee and member of the Board Risk Committee with effect from 15 April 2016.
4. Mrs Lee Ai Ming was appointed as Chairman of the Board Risk Committee and member of the Audit Committee with effect from 15 April 2016.

If a director were unable to attend a board or board committee meeting, he or she would still receive all the papers and materials for discussion at that meeting. He or she would review them and advise the Chairman or the board committee chairman of his or her views and comments on the matters to be discussed so that they may be conveyed to other members at the meeting.

Internal Limits of Authority: The Company has adopted internal guidelines setting forth matters that require Board approval. Under these guidelines, investments, acquisitions and disposals by any Group company, and all commitments to term loans and lines of credit from banks and financial institutions by the Company, require the approval of the Board. Each Board member has equal responsibility to oversee the business and affairs of the Company. Management on the other hand is responsible for the day-to-day operation and administration of the Company in accordance with the policies and strategies set by the Board.

Director Orientation: A formal letter is sent to newly-appointed directors upon their appointment explaining their duties and obligations as a board director. All newly-appointed directors receive a director tool-kit and undergo an orientation programme which includes management presentations on the Group's businesses and strategic plans and objectives. If the newly-appointed director has no prior experience as a director of a listed company, training in relevant areas such as finance and legal, as well as industry-related areas will be provided.

Training: The directors are provided with continuing education in areas such as finance, economics, management and committees' duties and responsibilities so as to update and refresh them on matters that affect their performance as board or board committee members. Updates on relevant legal or regulatory developments may be provided to the Board by circulation or through seminars and presentations conducted or sponsored by the Company.

Board Composition and Succession Planning
Principle 2: Strong and independent element on the Board

Board Composition and Succession Planning: To discharge its oversight responsibilities, the Board must be an effective board which can lead and control the business of the Group. There is a process of refreshing the Board progressively over time so that the experience of longer serving directors can be drawn upon while tapping into the new external perspectives and insights which more recent appointees bring to the Board's deliberation.

Following the retirement of Mr Wee Sin Tho and Mr Tan Boon Huat at the conclusion of the annual general meeting held on 15 April 2016, Mr Khor Poh Hwa was appointed as Chairman of the Remuneration Committee, Mr Lim Chin Leong was appointed Chairman of the Board Safety Committee and member of the Board Risk Committee and Mrs Lee Ai Ming was appointed as Chairman of the Board Risk Committee and member of the Audit Committee.

Board Independence: With the exception of Mr Thomas Pang, who is the Chief Executive Officer ("CEO"), the other directors are all non-executive directors, five out of seven of whom are deemed independent. Please refer to page 143 of this report for the basis of the Nominating Committee's ("NC") determination as to whether a director should or should not be deemed independent.

Board Size: The Board, in concurrence with the NC, is of the view that taking into account the nature and scope of the operations of the Company, the requirements of the Company's businesses and the need to avoid undue disruptions from changes to the composition of the Board and board committees, the current size of the Board is appropriate for the time being for the Board to discharge its duties and responsibilities effectively.

Board Competency: The NC is satisfied that the Board and the board committees comprise directors who as a group provide appropriate balance and diversity of skills, experience, gender, and knowledge of the Group, and core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, required for the Board and the board committees to be effective. In this respect, the NC recognises the merits of gender diversity in relation to the composition of the Board and, in identifying candidates for new appointment to the Board, would consider suitable female candidates. Having said that, gender is but one aspect of diversity and new directors will continue to be selected based on objective criteria set as part of the process for appointment of new directors and Board succession planning. In FY2016, there was 1 female director out of a total of 8 directors on the Board.

The nature of the Directors' appointments on the Board and details of their membership on Board committees are set out in the Appendix hereto. The profiles of each of the Directors are set out on pages 8 to 11 of this Annual Report.

Corporate Governance

Board Information: The Board and management fully appreciate that fundamental to good corporate governance is an effective and robust board whose members engage in open and constructive debate and challenge management on its assumptions and proposals, and that for this to happen, the Board, in particular, the non-executive directors, must be kept well informed of the Company's businesses and affairs and be knowledgeable about the industry in which the businesses operate. The Company has therefore adopted initiatives to put in place processes to ensure that the non-executive directors are well supported by accurate, complete and timely information, have unrestricted access to management, and have sufficient time and resources to discharge their oversight function effectively. These initiatives include informal meetings for management to brief the directors on prospective deals, and providing the Board with regular updates on projects and initiatives at an early stage to keep the Board abreast of the business developments. An off-site board strategy meeting is organised annually for in-depth discussion on strategic issues and direction of the Group to give the non-executive directors a better understanding of the Group and its businesses and to provide an opportunity for the non-executive directors to familiarise themselves with the management team so as to facilitate the Board's review of the Group's succession planning and leadership development programme.

Chairman and Chief Executive Officer
Principle 3: Chairman and Chief Executive Officer should in principle be separate persons to ensure appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making

Mr Loh Chin Hua is the non-executive Chairman, and Mr Thomas Pang is the CEO, of the Company.

The Chairman takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the directors, Company Secretaries and management.

The Chairman, with the assistance of the Company Secretaries, schedules meetings and prepares meeting agenda in consultation with the CEO, to enable the Board to perform its duties responsibly having regard to the flow of the Company's businesses and operations. He monitors the flow of information from management to the Board to ensure that all material information are provided in a timely manner, and encourages constructive relations between Board members and between the Board and management. He further facilitates the discussion of agenda items, particularly strategic issues, at Board meetings, and encourages contributions from the non-executive directors.

At annual general meetings and other shareholders' meetings, the Chairman ensures constructive dialogue between Board, management and shareholders.

The CEO, assisted by the management team, makes strategic proposals to the Board and after robust and constructive board discussion, executes the agreed strategy, manages and develops the Group's businesses and directs the businesses of the Group in line with the Group's strategic directions and policies. The CEO keeps in regular communication with the Chairman and the Board to update them on corporate issues and business developments.

Taking into account that the Chairman and CEO are not immediate family members, the Board and board committees comprise majority independent directors, and each board committee is chaired by an independent director, the Board is of the view that it is not necessary, for the time being, to appoint a lead independent director.

Board Membership
Principle 4: Formal and transparent process for appointment and re-appointment of directors to the Board

Nominating Committee
The Company has established a Nominating Committee (NC) to, among other things, make recommendations to the Board on all Board appointments and re-appointments, and oversee the Board and senior management's succession and leadership development plans.

The NC comprises three directors, two of whom (including the Chairman) are independent, namely:

Mr Karmjit Singh	Chairman
Mr Lim Chin Leong	Member
Mr Loh Chin Hua	Member

The responsibilities of the NC are set out in the Appendix to this report.

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

(a) NC evaluates the diversity and balance of skills, gender, knowledge and experience on the Board and the size of the Board which would facilitate decision-making, and, in the light of such evaluation and in consultation with management, assesses if there is any inadequate representation in respect of any of those attributes and if so, determines the role and the desirable competencies for a particular appointment.
(b) External help (for example, Singapore Institute of Directors, search consultants, open advertisement) may be used to source for potential candidates, if need be. Directors and management may also make recommendations.
(c) NC meets with short-listed candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.
(d) NC makes recommendations to the Board for approval.

Criteria for appointment of new directors
All new appointments of directors are subject to the recommendation of the NC based on the following objective criteria:

(1) Integrity
(2) Independent mindedness
(3) Diversity – Possess core competencies that meet the current needs of the Company and complement the skills and competencies of the existing directors on the Board
(4) Ability to commit time and effort to carry out duties and responsibilities effectively – as a guide, the proposed director should not have more than six listed company board representations and other principal commitments
(5) Track record of making good decisions
(6) Experience in high-performing companies
(7) Financial literacy

Re-nomination of Directors
The NC is also charged with the responsibility of re-nomination of directors, having regard to the director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the individual director by his peers.

The directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to the Company's constitution, one-third of the directors retire from office at the Company's annual general meeting, and a newly appointed director must submit himself for re-election at the annual general meeting immediately following his appointment.

Review of Directors' Independence
The NC determines on an annual basis whether or not a director is independent, bearing in mind the Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a director not to be independent [1] . In this respect, the NC has carried out a review on the independence of each non-executive director based on the respective directors' self-declaration and their actual performance on the Board and board committees.

The NC (save for Mr Loh Chin Hua who abstained from deliberation in this matter) noted that Mr Loh Chin Hua and Mr Chan Hon Chew are respectively the CEO and CFO of Keppel Corporation Limited. Under the Code, a director who is directly associated with a 10% shareholder is deemed as non-independent. Accordingly, the NC has continued to deem both directors as non-independent and non-executive.

The NC further noted that there are no directors who have served on the Board for more than 9 years.

The Board, having reviewed the basis of NC's assessment on the independence of the non-executive directors, concurs with the recommendations set forth by NC and is of the view that Prof Neo Boon Siong, Mr Karmjit Singh, Mr Lim Chin Leong, Mr Khor Poh Hwa and Mrs Lee Ai Ming should be deemed independent.

[1] The Code defines an "independent" director as one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the company. A related corporation in relation to a company, is the company's holding company, subsidiary or fellow subsidiary. A 10% shareholder shall refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company. "Voting share" exclude treasury shares.

Corporate Governance

Annual Review of Directors' time commitments

The NC also determines annually whether a director with listed company board representations and other principal commitments is able to and has been adequately carrying out his duties as a director of the Company. The NC has adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple listed company boards. As a guide, directors should not have more than six listed company board representations and other principal commitments.

The NC took into account the results of the assessment of the effectiveness of the individual director, the level of commitment required of the director's other principal commitments, and the respective directors' actual conduct and participation on the Board and board committees, including availability and attendance at regular scheduled meetings and ad-hoc meetings, in making the determination, and is satisfied that all the directors have been able to and have adequately carried out their duties as director notwithstanding their multiple listed board representations and other principal commitments.

Key information regarding Directors

The following key information regarding Directors is set out in the following pages of this Annual Report:

Pages 8 to 11: Academic and professional qualifications, date of first appointment as director, date of last re-election as director, whether appointment is executive or non-executive, whether considered by the NC to be independent, board committees served on (as a member or Chairman), directorships and chairmanships both present and past held over the preceding five years in other listed companies, and other principal commitments; and

Pages 75 to 76: Shareholding in the Company and its related corporations.

Board Performance

Principle 5: Formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board

The Board has implemented formal processes for assessing the effectiveness of the Board as a whole, its board committees, the contribution by each individual director to the effectiveness of the Board, as well as the effectiveness of the Chairman of the Board.

To ensure that the assessments are done promptly and fairly, the Board has appointed an independent third party (the "Independent Co-ordinator") to assist in collating and analysing the returns of the Board members. Mr Chaly Mah, former CEO of Deloitte Southeast Asia, was appointed for this role. Mr Chaly Mah does not have any other connection with the Company or any of its directors which may affect his independent judgment.

The evaluation processes and performance criteria are set out in the Appendix to this report.

The board assessment exercise provides an opportunity to obtain constructive feedback from each director on whether the Board's procedures and processes allow him to discharge his duties effectively and the changes which should be made to enhance the effectiveness of the Board as a whole. The assessment exercise also helps the directors to focus on their key responsibilities. The individual director assessment exercise allows for peer review with a view to raising the quality of Board members. It also assists the NC in determining whether to re-nominate directors who were due for retirement at the next annual general meeting, and in determining whether directors with multiple listed board representations and other principal commitments were nevertheless able to and had adequately discharged their duties as directors of the Company.

Access to Information

Principle 6: Directors to have complete, adequate and timely information

The Company fully recognises that the continual flow of relevant information on an accurate and timely basis is critical for the Board to be effective in the discharge of its duties. Directors are entitled to request and management is therefore expected to provide the Board with accurate information in a timely manner concerning the Company's progress or shortcomings in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues facing the Company.

As a general rule, board papers are required to be sent to directors at least seven days before the board meeting so that the members may better understand the matters prior to the board meeting and discussion may be focused on questions that the directors has may have. Directors are provided with tablet devices to enable them to access and read the board papers. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Managers who can provide additional insight into the matters at hand would be present at the relevant time during the board meeting. In addition, management provides the Board with project briefs at an early stage to keep the Board abreast of the progress of the projects and potential business developments.

Management also provides the Board members with reports and accounts on a monthly basis. Such reports keep the Board informed, on a balanced and understandable basis, of the Group's performance, financial position and prospects.

Directors are also provided with the names and contact details of the Company's senior management and the Company Secretaries to facilitate direct access to senior management and the Company Secretaries.

The Company Secretaries administer, attend and prepare minutes of board proceedings. They assist the Chairman to ensure that board procedures (including but not limited to assisting the Chairman to ensure timely and good information flow to the Board and the board committees, and between management and the non-executive directors, and facilitating orientation and assisting in the professional development of the directors) are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's constitution and relevant rules and regulations, including requirements of the Companies Act, Securities & Futures Act and SGX Listing Manual, are complied with. They also assist the Chairman and the Board to implement and strengthen corporate governance practices and processes with a view to enhancing long-term shareholder value. They are also the primary channel of communication between the Company and SGX.

The appointment and removal of the Company Secretaries are subject to the approval of the Board.

Subject to the approval of the Chairman, the directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company.

Remuneration Matters
Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors
Principle 8: The level and structure of director fees are aligned with the long-term interest of the company and appropriate to attract, retain and motivate directors to provide good stewardship of the company. The level and structure of key management remuneration are aligned with the long-term interest and risk policies of the company and appropriate to attract, retain and motivate key management to successfully manage the company
Principle 9: Disclosure on remuneration policies, level and mix of remuneration, and procedure for setting remuneration

Remuneration Committee
The Remuneration Committee (RC) comprises three non-executive directors, two of whom (including the Chairman) are independent, namely:

Mr Khor Poh Hwa	Chairman
Mr Lim Chin Leong	Member
Mr Loh Chin Hua	Member

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for determining the remuneration packages of individual directors and senior management. The RC assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximise shareholder value. The RC recommends to the Board for endorsement a framework of remuneration (which covers all aspects of remuneration including directors' fees, salaries, allowances, bonuses, grant of shares and share options and benefits-in-kind) and the specific remuneration packages for each director and the key management personnel. The RC also reviews the remuneration of senior management and administers the Keppel T&T Share Option Scheme 1993 [2] ("KT&T Share Option Scheme"), the KT&T Restricted Share Plan ("KT&T RSP") and the KT&T Performance Share Plan ("KT&T PSP", and together with the KT&T RSP, the "KT&T Share Plans").

The RC has access to expert advice from external remuneration consultants where required. In FY2016, the RC sought views on market practice and trends from external remuneration consultants, Aon Hewitt. The RC undertook a review of the independence and objectivity of the external remuneration consultants through discussions with the external remuneration consultants, and has confirmed that the external remuneration consultants had no relationships with the Company which would affect their independence and objectivity.

The responsibilities of the RC are set out in the Appendix to this report.

Annual Remuneration Report
Policy in respect of non-executive directors' remuneration
The non-executive directors are paid directors' fees, the amount of which is dependent on their level of responsibilities. Each non-executive director is paid a basic fee. In addition, non-executive directors who perform additional services in Board committees are paid an additional fee for such services. The members of the Audit Committee are paid a higher fee than the members of the other Board committees because of the heavier responsibilities and more frequent meetings required of them. The Chairman of each Board committee is also paid a higher fee compared with the members of the respective committees in view of the greater responsibility carried by that office. The directors' fees payable to non-executive directors are subject to shareholders' approval at the Company's annual general meetings. The CEO, being an executive director, does not receive director's fees. No termination and retirement benefits will be granted to the directors.

[2] The KT&T Share Option Scheme was terminated with effect from 2 July 2010. No further share options shall be offered by the Company but the termination shall not affect share options which had been granted and accepted, whether such share options had been exercised (whether fully or partially) or not.

Corporate Governance

The directors' fee structure is set out in the following table.

		Annual Retainer
Non-executive Chairman		$52,000
Non-executive Director		$40,000
Audit Committee	Chairman	$27,000
	Member	$16,000
Other Board Committees	Chairman	$16,000
	Member	$10,000

Remuneration policy of the Chief Executive Officer and other Key Management Personnel
The Company advocates a performance-based remuneration system that is highly flexible and responsive to the market, the Company's, business unit's and individual employee's performance.

In designing the compensation structure, the RC seeks to ensure that the level and mix of remuneration is competitive, relevant and balanced. The total remuneration mix comprises three key components; that is, annual fixed cash, annual performance incentive and the KT&T Share Plans. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the Company's, business unit's and individual employee's performance, inclusive of a portion which is tied to EVA performance. The KT&T Share Plans are in the form of two share plans approved by shareholders, the KT&T RSP and the KT&T PSP. The EVA performance incentive plan and the KT&T Share Plans are both long term incentive plans.

The RC exercises broad discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Company. The mix of fixed and variable reward is considered appropriate for the Group and for each individual role.

The compensation structure is directly linked to corporate and individual performance, both in terms of financial, non-financial performance and the creation of shareholder wealth. This link is achieved in the following ways:

(1) by placing a significant portion of executives' remuneration at risk ("At Risk component") and in some cases, subject to a vesting schedule;
(2) by incorporating appropriate key performance indicators ("KPIs") for awarding of annual cash incentives:
    A. There are four scorecard areas that the Company has identified as key to measuring the performance of the Group: (i) Financial; (ii) Process; (iii) Stakeholders; and (iv) People. Some of the key sub-targets within each of the Scorecard areas include key financial indicators, safety KPI, enhancing risk management and controls measure, corporate social responsibilities activities, employee engagement level, talent development and succession plan;
    B. The four scorecards areas have been chosen because they support how the Group achieves its strategic objectives. The framework provides a link for staff in understanding how they contribute to each area of the scorecard, and therefore to the Company's overall strategic goals. This is designed to achieve a consistent approach and understanding across the Group.
(3) by selecting performance conditions such as ROE, Total Shareholder Return and EVA for equity awards that are aligned with shareholder interests;
(4) by requiring those KPIs or conditions to be met in order for the At Risk components of remuneration to be awarded or to vest; and
(5) forfeiture of the At Risk components of remuneration when those KPIs or conditions are not met at a satisfactory level.

The RC also recognised the need for a reasonable alignment between risk and remuneration to discourage excessive risk taking. Therefore, in determining the compensation structure, the RC had taken into account the risk policies and risk tolerance of the Group as well as the time horizons of risks, and incorporated risk-adjustments into the compensation structure through several initiatives, including but not limited to:

(a) prudent funding of annual cash incentives;
(b) bonus deferrals under the EVA performance incentive plans;
(c) vesting of contingent share awards under the KT&T Share Plans being subject to KPIs and/or performance conditions being met; and
(d) potential forfeiture of variable incentives in any year due to misconduct.

The RC is therefore of the view that the overall level of remuneration is not considered to be at a level which is likely to promote behaviours contrary to the Group's risk profile.

In determining the actual quantum of variable component of remuneration, the RC had taken into account of the extent to which the performance conditions, set forth above, have been met. The RC is of the view that remuneration is aligned to performance during FY2016.

The CEO and the key management personnel are remunerated on an earned basis and there are no termination, retirement and post-employment benefits that are granted over and above what has been disclosed.

Long Term Incentive Plans

EVA Incentive Plan
Each year, a portion of the executive's annual performance incentive is tied to EVA performance and a portion of his current year's EVA bonus is paid out and the other portion is deferred and credited into his EVA bank for payment in future years, subject to the continued performance of the Company.

The EVA bank concept is used to defer incentive compensation over a time horizon to ensure that the executive continues to generate sustainable shareholder value over the longer term. The EVA bank account is designated on a personal basis and represents the executive's contribution to the EVA performance of the Company. Monies credited into the EVA bank are at risk in that the amount in the bank can decrease should EVA performance be adversely affected in the future years.

KT&T Share Plans
The KT&T Share Plans are put in place to increase the Group's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance and to motivate them to continue to strive for the Group's long-term shareholder value. The KT&T Share Plans also aim to strengthen the Group's competitiveness in attracting and retaining talented key senior management and employees. The KT&T RSP applies to a broader base of employees while the KT&T PSP applies to a select group of key management personnel. Generally, it is envisaged that the range of performance targets to be set under the KT&T RSP and the KT&T PSP will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer-term growth.

The RC has the discretion not to award variable incentives in any year or to reclaim incentive components of remuneration if an executive is directly involved in a material misstatement of financial statements or of misconduct resulting in misstatement of financial statements or of misconduct resulting in financial loss to the Company. Outstanding EVA bank, KT&T RSP and KT&T PSP are also subject to RC's discretion before further payment or vesting can occur.

Details of the KT&T Share Plans are set out on pages 76 to 79 and 105 to 107 of the Annual Report.

Level and mix of remuneration of Directors and Key Management Personnel for the year ended 31 December 2016

In FY2016, the Keppel Group undertook several rightsizing measures to stay ahead in the tough operating environment. In light of the continued uncertainties, the Company's non-executive directors and senior management took a further step and collectively volunteered for a fee and base pay reduction respectively. Besides exemplifying solidarity across the Group, this also signalled the importance of maintaining a flexible cost structure.

All non-executive directors volunteered for a 5% reduction in their total fees for FY2016. The monthly base salaries of the CEO and key management personnel were also voluntarily adjusted down by up to 5% with effect from 1 October 2016.

The level and mix of each of the directors' remuneration are set out below:

	Base/Fixed Salary ($)	Performance Related Bonuses Earned [1] (including EVA and non-EVA Bonuses) ($)		Directors Fees [2] ($)	Benefits-in-Kind ($)	Contingent Award of Shares			Total Remuneration
		Paid	Deferred & at risk			PSP [3]	RSP [3]	TIP [4]	
Remuneration & Name of Director									
Thomas Pang Thieng Hwi	389,540	354,117	381,483	-	-	76,000	91,000	68,250	1,360,390
Loh Chin Hua	-	-	-	68,400	-	-	-	-	68,400
Chan Hon Chew	-	-	-	53,200	-	-	-	-	53,200
Wee Sin Tho [5]	-	-	-	19,810	-	-	-	-	19,810
Tan Boon Huat [6]	-	-	-	22,562	-	-	-	-	22,562
Karmjit Singh	-	-	-	77,900	-	-	-	-	77,900
Nee Boon Siong	-	-	-	73,150	-	-	-	-	73,150
Khor Poh Hwa [7]	-	-	-	66,749	-	-	-	-	66,749
Lim Chin Leong [8]	-	-	-	77,298	-	-	-	-	77,298
Lee Ai Ming [9]	-	-	-	59,595	-	-	-	-	59,595

Notes:

1 The RC is satisfied that the quantum of performance-related bonuses earned by the executive director was fair and appropriate taking into account the extent to which his KPIs for FY2016 were met.

2 Based on the non-executive directors' fee structure set out earlier, the total fees is $545,962. After applying the 5% voluntary fee reduction, the resulting total fees amount to $518,664. The directors' fees are subject to shareholders' approval at the Company's Annual General Meeting.

3 Shares awarded under the KT&T PSP and KT&T RSP are subject to pre-determined performance targets set over a three-year and a one-year performance period respectively. As at 29 April 2016 (being the grant date), the estimated value of each share granted in respect of the contingent awards under the KT&T PSP and KT&T RSP were $0.76 and $1.30 respectively. For the KT&T PSP, the figures are based on the value of the PSP shares at 100% of the awards and the figures may not be indicative of the actual value at vesting which can range from 0% to 150% of the awards.

Corporate Governance

[4] Refers to an one-off Transformation Incentive Plan ("TIP") awarded in the form of performance shares under Keppel Corporation Limited (KCL) Performance Share Plan ("KCL PSP"). This is a long term incentive plan with 5-year performance period. Participants will only benefit from the TIP if Keppel Group meets the stretched financial and non-financial targets linked to the Group 2020 Scorecard, and if the executives meet or exceed their individual performance targets. Subject to meeting the performance conditions set, the vesting date is in 2021. After taking into account the ambitious performance conditions, the Board of KCL had also allowed for a re-testing of the performance conditions at the end of 2021. As at 29 April 2016 (being the grant date), the estimated value of each share granted in respect of the contingent awards under the KCL PSP – TIP was $0.39.

[5] Mr Wee Sin Tho retired from the Board at the annual general meeting of the Company with effect from 15 April 2016 and although eligible, did not seek re-election. Concurrently, Mr Wee ceased to be Chairman of Board Risk Committee and member of Audit Committee. Fees are pro-rated.

[6] Mr Tan Boon Huat retired from the Board at the annual general meeting of the Company with effect from 15 April 2016 and although eligible, did not seek re-election. Concurrently, Mr Tan Boon Huat ceased to be the Chairman of the Remuneration Committee and Board Safety Committee, and member of the Board Risk Committee. Fees are pro-rated.

[7] Mr Khor Poh Hwa was appointed as Chairman of the Remuneration Committee with effect from 15 April 2016. Fees are pro-rated.

[8] Mr Lim Chin Leong was appointed as Chairman of the Board Safety Committee and member of the Board Risk Committee with effect from 15 April 2016. Fees are pro-rated.

[9] Mrs Lee Ai Ming was appointed as Chairman of the Board Risk Committee and member of the Audit Committee with effect from 15 April 2016. Fees are pro-rated.

The total remuneration paid to the key management personnel (who are not directors or the CEO) in FY2016 was $2,956,883. The level and mix of each of the key management personnel in bands of $250,000 are set out below:

	Base/Fixed Salary	Performance Related Bonuses Earned [10] (including EVA and non-EVA Bonuses)		Benefits-in-Kind	Contingent Award of Shares		
		Paid	Deferred & at risk		PSP	RSP	TIP [4]
Remuneration Band & Name of Key Management Personnel [11]							
Above $750,000 to $1,000,000							
Tan Eng Hwa [12]	41%	26%	18%	-	-	13% [13]	2%
Wong Wai Meng [14]	40%	27%	15%	-	6%	9%	3%
Above $500,000 to $750,000							
Desmond Gay Kah Meng	44%	27%	12%	-	6%	9%	2%
Above $250,000 to $500,000							
Vincent Ko Woon Chun	59%	26%	8%	-	7%	- [15]	-

Notes:

[10] The RC is satisfied that the quantum of performance-related bonuses earned by key management personnel was fair and appropriate taking into account the extent to which their KPIs for FY2016 were met.

[11] The Company has less than 5 key management personnel other than the CEO.

[12] Ms Tan Eng Hwa joined the Group as CFO of the Company on 1 January 2016. She is seconded from Keppel Corporation Limited.

[13] Awarded shares under the KCL Restricted Share Plan ("KCL RSP") which are subject to pre-determined performance targets set over a one-year performance period. As at 29 April 2016 (being the grant date), the estimated value of each share granted in respect of the contingent awards under the KCL RSP was $4.85.

[14] Mr Wong Wai Meng joined the Group as CEO of Keppel Data Centre on 18 January 2016. Remuneration paid is not for the full financial year ended 31 December 2016.

[15] Officers who are retired and re-employed on contract basis would not be eligible to participate in the KT&T RSP awards in accordance to the KT&T RSP policy.

Remuneration of employees who are immediate family members of a Director or the Chief Executive Officer

No employee of the Company and its subsidiaries was an immediate family member of a Director or the CEO and whose remuneration exceeded $50,000 during the financial year ended 31 December 2016. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

Details of the KT&T Share Option Scheme and the KT&T Share Plans

The KT&T Share Option Scheme and the KT&T Share Plans, which have been approved by shareholders of the Company, are administered by the RC. Please refer to pages 76 to 79 and 105 to 107 for details of the KT&T Share Option Scheme and the KT&T Share Plans.

Accountability and Audit

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects
Principle 12: Establishment of Audit Committee with written terms of reference

The Board is responsible for providing a balanced and understandable assessment of the Company's and Group's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required).

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET, press releases and the Company's website.

The Company's Annual Report in CD-ROM format is sent to all shareholders and accessible at the Company's website. A physical copy of the Annual Report is available on request.

Management provides the Board members with management accounts and information on a monthly basis and as the Board may require from time to time. Such reports keep the Board informed, on a balanced and understandable basis, to enable the Board to make an informed assessment of the Company's and Group's performance, position and prospects.

Audit Committee
The Audit Committee (AC) comprises five non-executive directors, four of whom (including the Chairman) are independent, namely:

Prof Neo Boon Siong	Chairman
Mr Karmjit Singh	Member
Mr Khor Poh Hwa	Member
Mrs Lee Ai Ming	Member
Mr Chan Hon Chew	Member

Prof Neo Boon Siong and Mr Chan Hon Chew have recent and relevant accounting and related financial management expertise and experience.

None of the members of the AC were partners or directors of the Company's existing external auditors within the last 12 months and none of the members of the AC hold any financial interest in the auditing firm.

The AC's main role is to assist the Board to ensure integrity of financial reporting and that there is in place sound internal control systems. The AC's responsibilities are set out in the Appendix to this report.

The AC has explicit authority to investigate any matters within its terms of reference, full access to and cooperation of the management, full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. Keppel Corporation Limited's Group Internal Audit ("Group Internal Audit"), together with the external auditors, report their findings and recommendations to the AC independently.

The AC met with the external auditors and with the internal auditors four times during the year, with at least one of the meetings conducted without the presence of management.

During the year, the AC performed independent review of the financial statements of the Company before the announcement of the Company's quarterly and full-year financial results. In the process, the AC reviewed the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a material impact on the financials.

The AC also reviewed and approved both Group Internal Audit's and the external auditor's plans to ensure that the plans covered sufficiently in terms of audit scope in reviewing the significant internal controls of the Company. Such significant controls comprise financial, operational, compliance and information technology controls. All audit findings and recommendations presented by Group Internal Audit and the external auditors were also reviewed during AC meetings, and significant issues were discussed.

The AC reviewed the independence and objectivity of the external auditors through discussions with the external auditors and confirmed that there were no circumstances which would affect the independence of the external auditors. It was noted that no non-audit services were performed by the external auditors and accordingly no non-audit fees were payable to them for FY2016. For details of fees payable to the auditors in respect of audit services, please refer to Note 6 of the Notes to the Financial Statements on page 101.

The Company has complied with Rule 712, and Rule 715 read with Rule 716 of the SGX Listing Manual in relation to its auditing firm.

The AC is satisfied that Group Internal Audit is adequately resourced to discharge its duties effectively, and has appropriate standing within the Company.

The Company has in place the "Keppel T&T: Whistle-Blower Protection Policy" ("Policy") which provides the mechanism by which employees and any persons who have dealings with the Group may, in confidence, raise concerns about possible improprieties in business conduct. The AC reviewed the Policy and is satisfied that arrangements are in place for independent investigation of such matters, including anonymous complaints, and for appropriate follow-up actions. To facilitate the management of incidences of alleged fraud or other misconduct, the AC is guided by a set of guidelines to ensure proper conduct of investigations and appropriate closure actions following completion of the investigations, including administrative, disciplinary, civil and/or criminal actions, and remediation of control weaknesses that perpetrated the fraud or misconduct so as to prevent a recurrence. In addition, the AC reviews the Policy regularly to ensure that it remains current.

On a quarterly basis, the AC reviews the interested person transactions ("IPTs") reported by management in accordance with the Company's shareholders' mandate for IPTs. The IPTs were reviewed by Group Internal Audit. All findings are reported during the AC meetings.

Corporate Governance

The AC members are kept updated whenever there are changes to the accounting standards or issues that may have an impact on the financial statements of the Company. In addition, the AC members are invited to the annual finance seminar organised by Keppel Corporation Limited where relevant changes to the accounting standards that will impact the Keppel Group companies are shared by, and discussed with accounting practitioners from one of the leading accounting firms.

Risk Management and Internal Controls
Principle 11: Sound system of risk management and internal controls

The Board Risk Committee (BRC) comprises three independent Directors (including the Chairman), namely:

Mrs Lee Ai Ming	Chairman
Prof Neo Boon Siong	Member
Mr Lim Chin Leong	Member

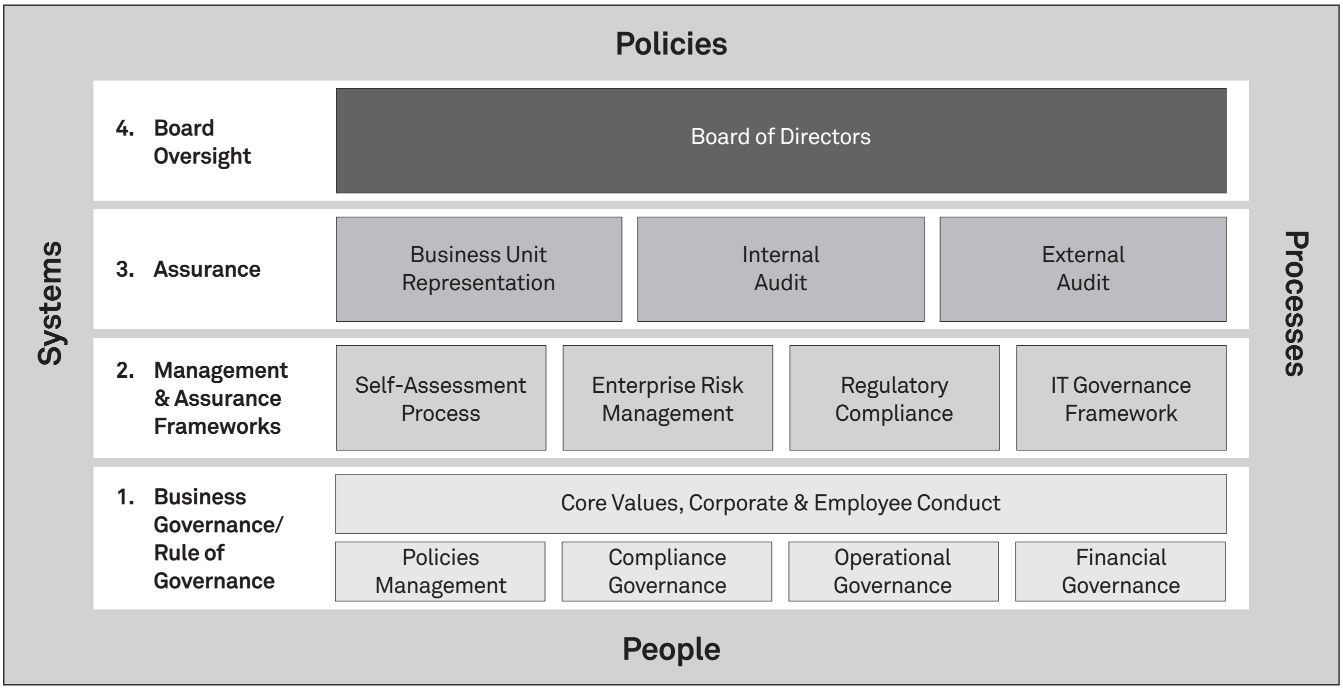
The BRC members have extensive financial and commercial experience. Please refer to the profile of each BRC member on pages 9 to 11 of this Annual Report.

The BRC reviews and guides management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks, to safeguard shareholders' interests and the Group's assets. The Committee reports to the Board on critical risk issues, material matters, findings and recommendations. The detailed responsibilities of this Committee are disclosed on page 155 herein.

The Group's approach to risk management is set out in the "Risk Management" section on page 41 of this Annual Report. The Group is guided by a set of Risk Tolerance Guiding Principles, as disclosed on page 41.

The Group also has in place a Risk Management Assessment Framework which was established to facilitate the Board's assessment on the adequacy and effectiveness of the Group's risk management system. The framework lays out the governing policies, processes and systems pertaining to each of the key risk areas of the Group and assessments are made on the adequacy and effectiveness of the Group's risk management system in managing each of these key risk areas.

The Company has in place a System of Management Controls Framework outlining the Company's internal control and risk management processes and procedures. The Framework comprises three Lines of Defence towards ensuring the adequacy and effectiveness of the Group's system of internal controls and risk management.



Under the first Line of Defence, management is required to ensure good corporate governance through the implementation and management of policies and procedures relevant to the Group's business scope and environment. Such policies and procedures govern financial, operational, information technology and regulatory compliance matters and are reviewed and updated periodically. Compliance governance is governed by the respective regulatory compliance management committees and working teams chaired by business owners. Employees are also guided by the Group's Core Values and expected to comply strictly with the Employee Code of Conduct.

Under the second Line of Defence, significant business units are required to conduct a self-assessment exercise on an annual basis. This exercise requires such business units to assess the status of their respective internal controls and risk management via self-assessment questionnaires. Action plans would then be drawn up to remedy identified control gaps. Under the Group's Enterprise Risk Management Framework, significant risks areas of the Group are also identified and assessed, with systems, policies and processes put in place to manage and mitigate the identified risks. Regulatory compliance supports and works alongside business management to ensure relevant policies, processes and controls are effectively designed, managed and implemented to ensure compliance risks and controls are effectively managed.

Under the third Line of Defence, to assist the Company to ascertain the adequacy and effectiveness of the Group's internal controls, business units are required to provide the Company with written assurances as to the adequacy and effectiveness of their system of internal controls and risk management. Such assurances are also sought from the Company's internal and external auditors based on their independent assessments.

The Board, supported by the AC and BRC, oversees the Group's system of internal controls and risk management.

Group Internal Audit and the external auditors also conduct an annual review of the effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls, and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by management on the recommendations made by Group Internal Audit and the external auditors in this respect.

The Board has received assurance from the CEO and CFO that, amongst others:

(a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances;
(b) the internal controls of the Group are adequate and effective to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment and that they are not aware of any material weakness in the Group's overall system of internal controls; and
(c) they are of the view that the Group's risk management system is adequate and effective.

Based on the review of the Group's governing framework, systems, policies and processes in addressing the key risks under the Group's Enterprise Risk Management Framework, the monitoring and review of the Group's overall performance and representation from the management, the Board, with the concurrence of the BRC, is of the view that as at 31 December 2016, the Group's risk management system is adequate and effective.

Based on the Group's framework of management control, the internal control policies and procedures established and maintained by the Group, and the regular audits, monitoring and reviews performed by the internal and external auditors, the Board, with the concurrence of the AC, is of the opinion that as at 31 December 2016, the Group's internal controls are adequate and effective to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

Corporate Governance

Internal Audit
Principle 13: Adequately resourced and independent internal audit function

The role of Group Internal Audit is to provide independent assurance to the AC to ensure that the Company maintains a sound system of internal controls by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas.

Staffed by suitably qualified and experienced executives, Group Internal Audit has unrestricted direct access to the AC and unfettered access to all the Company's documents, properties and personnel. The Head of Group Internal Audit's primary line of reporting is to the AC Chairman.

Group Internal Audit is guided by the International Standards for the Professional Practice of Internal Auditing ("International Standards") set by the Institute of Internal Auditors ("IIA"). These standards consist of attribute and performance standards. External quality assessment reviews are carried out at least once every five years by qualified professionals, with the last assessment conducted in 2011 and the results reaffirmed that the internal audit activity conforms to the International Standards. The Quality Assessment Review has commenced in December 2016.

Group Internal Audit performs a yearly declaration to confirm their independence and adherence to the Employee Code of Conduct as well as the Code of Ethics established by IIA, from which, the principles of objectivity, competence, confidentiality and integrity are based. The professional competence of Group Internal Audit is maintained through its continuing professional development programme for its staff which includes sending auditors to attend professional courses conducted by external accredited organizations to enhance their knowledge on auditing techniques, developments in the profession and relevant subject matter.

Group Internal Audit adopted a risk-based auditing approach to audit planning and execution that focuses on significant risks, including financial, operational, compliance and information technology risks. Group Internal Audit's reports are submitted to the AC for deliberation with copies of these reports extended to the relevant senior management. To ensure timely and adequate closure of the audit findings, the status of implementation of the actions agreed by management is tracked and discussed with the AC.

The AC reviewed, and was satisfied that Group Internal Audit was adequately resourced to perform its functions and had appropriate standing within the Group.

Shareholder Rights and Responsibilities, and Conduct of Shareholder Meetings
Principle 14: Recognition, protection and facilitation of the exercise of shareholders' rights
Principle 15: Regular, effective and fair communication with shareholders
Principle 16: Greater shareholder participation at general meetings of shareholders

In addition to the matters mentioned above in relation to "Accountability and Audit", the Group Corporate Communications Department of Keppel Corporation Limited (with assistance from the Group Finance and Group Legal Departments of Keppel Corporation Limited, when required) regularly communicates with shareholders and receives and attends to their queries and concerns.

The Company has in place an Investor Relations Policy, which sets out the principles and practices that the Company applies in order to provide shareholders and prospective investors with information necessary to make well-informed investment decisions and to ensure a level playing field. The Investor Relations Policy is published on the Company's website at www.keppeltt.com.sg.

The Company maintains open channels of communication through which shareholders can give feedback through email or telephone. Shareholders are invited to share feedback with the Board at general meetings of the Company. To better engage the investment community and ensure a level playing field, the senior management held 34 meetings and conference calls with institutional investors in 2016.

The senior management also kept equity research analysts apprised of corporate developments through quarterly results conference calls to facilitate research coverage.

In recognition of its efforts in improving communications with investors, the Company was conferred the Best Investor Relations Gold Award for mid-cap companies at the Singapore Corporate Awards, as well as Runner-Up for the Most Transparent Company Award (Industrials) by the Securities Investors Association (Singapore) in 2016.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNET and the press. All corporate announcements are also made available on the Company's website, which has been enhanced to facilitate investors' access to information via mobile devices. To ensure a level playing field and provide confidence to shareholders, unpublished price sensitive information is not selectively disclosed, and on the rare occasions when such information is inadvertently disclosed, it is immediately released to the public via SGXNET and the press. The Company's mobile-friendly website is also continually updated with the latest information concerning the Company, such as the latest updates on business and operations, quarterly financial statements, Group corporate structure, annual reports, and notices of general meetings. Contact details of the investor relations department are also set out on the website to facilitate any queries from investors.

The Company ensures that shareholders have the opportunity to participate effectively and vote at shareholders' meeting. In this regard, the shareholders' meeting are generally held in centrally located locations which are easily accessible by public transportation. Shareholders are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Shareholders are invited at such meetings to put forth any questions they may have on the motions to be debated and decided upon, and to vote on the resolutions at shareholders' meetings. Such resolutions include matters of significance to shareholders such as, where applicable, proposed amendments to the Company's constitution, the authorisation to issue additional shares, the transfer of significant assets, and the remuneration of non-executive directors. Shareholders are also informed of the voting procedures governing such meetings.

If any shareholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance. Specified intermediaries, such as banks and capital markets services licence holders which provide custodial services, may however appoint more than two proxies. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate in shareholders' meetings. Such indirect investors, where so appointed, will have the same rights as direct investors to vote at the shareholders' meetings.

Any payment of interim dividend or, upon receipt of shareholders' approval at annual general meetings, final dividend, will be paid to all shareholder in an equitable and timely manner.

At shareholders' meetings, each distinct issue is proposed as a separate resolution. To encourage transparency, the Company conducts electronic poll voting for shareholders/proxies present at the meeting for all the resolutions proposed at the general meeting. A scrutineer is also appointed to count and validate the votes cast at the meetings. Votes cast for and against and the respective percentages, on each resolution will be displayed 'live' to shareholders/proxies immediately after each poll is taken. The total number of votes cast for or against the resolutions and the respective percentages are also announced in a timely manner after the general meeting via SGXNET. Each share is entitled to one vote.

Where possible, all the directors will attend shareholders' meetings. The Chairman of each board committee is particularly required to be present at these meetings to address any queries raised. External auditors are also present at such meetings to assist the directors to address shareholders' queries, if necessary.

The Company is not implementing absentia voting methods such as by mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company Secretaries prepare minutes of shareholders' meeting, which incorporates the list of board members who attended the meeting, substantial and relevant comments or queries from shareholders and responses from the Board and management and the results of the shareholders' meeting. These minutes are available to shareholders upon request.

Securities Transactions
Insider Trading Policy and Guidance on Dealings in Securities

The Company has a formal policy on dealings in the securities of the Company, which sets out the implications of insider trading and guidance on dealings in the securities of the Company. The policy has been distributed to all directors and officers. In compliance with Rule 1207(9) of the Listing Manual on best practices on dealing in securities, the Company issues circulars to its directors and officers informing that the Company and its officers must not deal in listed securities of the Company a month before the release of the full-year results and two weeks before the release of the quarterly results, as the case may be, and if they are in possession of unpublished material price-sensitive information. The Company's officers are also informed that they should not deal in the Company's securities on short-term considerations. Directors and CEO are also required to report their dealings in the Company's securities within two business days.

Corporate Governance

APPENDIX

BOARD COMMITTEES – KEY TERMS OF REFERENCE

A. Audit Committee

(1) Review financial statements and formal announcements relating to financial performance, and review significant financial reporting issues and judgments contained in them, for better assurance of the integrity of such statements and announcements.
(2) Review and report to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties).
(3) Review audit plans and reports of the external auditors and internal auditors, and consider the effectiveness of actions or policies taken by management on the recommendations and observations.
(4) Review the independence and objectivity of the external auditors.
(5) Review the nature and extent of non-audit services performed by the auditors.
(6) Meet with external auditors and internal auditors, without the presence of management, at least annually.
(7) Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors.
(8) Review the adequacy and effectiveness of the Company's internal audit function, at least annually.
(9) Ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, at least annually.
(10) Approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting / auditing firm or corporation to which the internal audit function is outsourced.
(11) Review the policy and arrangements by which employees of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow up action to be taken.
(12) Review interested person transactions.
(13) Investigate any matters within the Audit Committee's purview, whenever it deems necessary.
(14) Report to the Board on material matters, findings and recommendations.
(15) Review the Audit Committee's terms of reference annually and recommend any proposed changes to the Board.
(16) Perform such other functions as the Board may determine.
(17) Sub-delegate any of its powers within its terms of reference as listed above from time to time as the Audit Committee may deem fit.

B. Nominating Committee

(1) Recommend to the Board the appointment/re-appointment of directors.
(2) Annual review of balance and diversity of skills, experience, gender and knowledge required by the Board, and the size of the Board which would facilitate decision-making.
(3) Annual review of independence of each director, and to ensure that the Board comprises at least one-third independent directors. In this connection, the Nominating Committee should conduct particularly rigorous review of the independence of any director who has served on the Board beyond 9 years from the date of his first appointment.
(4) Decide, where a director has other listed company board representation and/or other principal commitments, whether the director is able to and has been adequately carrying out his duties as director of the Company.
(5) Recommend to the Board the process for the evaluation of the performance of the Board, the board committees and individual directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each director.
(6) Annual assessment of the effectiveness of the Board as a whole and individual directors.
(7) Review the succession plans for the Board (in particular, the Chairman) and senior management (in particular, the CEO).
(8) Review talent development plans.
(9) Review the training and professional development programs for Board members.
(10) Review and, if deemed fit, approve recommendations for nomination of candidates as nominee director (whether as chairman or member) to the board of directors of investee companies which are:
    (i) listed on the Singapore Exchange or any other stock exchange;
    (ii) managers or trustee-managers of any collective investment schemes, business trusts, or any other trusts which are listed on the Singapore Exchange or any other stock exchange; and
    (iii) parent companies of the Company's core businesses which are unlisted.
(11) Report to the Board on material matters and recommendations.
(12) Review the Nominating Committee's terms of reference annually and recommend any proposed changes to the Board.
(13) Perform such other functions as the Board may determine.
(14) Sub-delegate any of its powers within its terms of reference as listed above, from time to time as this Committee may deem fit.

C. Remuneration Committee

(1) Review and recommend to the Board a framework of remuneration for Board members and key management personnel, and the specific remuneration packages for each director as well as for the key management personnel.
(2) Review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous.
(3) Consider whether directors should be eligible for benefits under long-term incentive schemes (including weighing the use of share schemes against the other types of long-term incentive scheme).
(4) Administer the Company's employee share option scheme (the "KT&T Share Option Scheme"), and the Company's Restricted Share Plan and Performance Share Plan (collectively, the "KT&T Share Plans"), in accordance with the rules of the KT&T Share Option Scheme and KT&T Share Plans.
(5) Report to the Board on material matters and recommendations.
(6) Review the Remuneration Committee's terms of reference annually and recommend any proposed changes to the Board.
(7) Perform such other functions as the Board may determine.
(8) Sub-delegate any of its powers within its terms of reference as listed above, from time to time as the Remuneration Committee may deem fit.

Save that a member of this Committee shall not be involved in the deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him.

D. Board Risk Committee

(1) Obtain recommendations on risk tolerance and strategy from Management, and where appropriate, report and recommend to the Board for its determination the nature and extent of significant risks which the Group overall may take in achieving its strategic objectives and the overall Group's level of risk tolerance and risk policies.
(2) Review and discuss, as and when appropriate, with Management the Group's risk governance structure and framework including risk policies, risk mitigation and monitoring processes and procedures.
(3) Receive and review quarterly reports from Management on major risk exposures and the steps taken to monitor, control and mitigate such risks.
(4) Review the Group's capability to identify and manage new risk types.
(5) Review and monitor Management's responsiveness to the risks and matters identified and recommendations of the Group Risk and Compliance department.
(6) Provide timely input to the Board on critical risk and regulatory compliance issues, material matters, findings and recommendations.
(7) Review the Committee's terms of reference annually and recommend any proposed changes to the Board.
(8) Review and report to the Board annually on the adequacy and effectiveness of the Group's risk management and internal controls systems, including financial, operational, compliance and information technology controls.
(9) Perform such other functions as the Board may determine.
(10) Sub-delegate any of its powers within its terms of reference as listed above from time to time as the Committee may deem fit.

E. Board Safety Committee

(1) Ensure there is a set of Group Health, Safety and Environment ("HSE") policies and standards to guide HSE operation and performance across the Group.
(2) Monitor HSE performance of the Group companies, analyse trends and accident root causes, and recommend or propose Group-wide initiatives for improvement where appropriate to ensure a robust HSE management system is maintained.
(3) Review serious accident and near miss incident investigation reports timely to understand underlying root causes and introduce Group-wide initiatives or remedial measures where appropriate.
(4) Follow up on key actions initiated by the Board Safety Committee.
(5) Ensure that each Group company complies with HSE legislation in the country in which it operates as a minimum.
(6) Keep abreast of developments in the HSE world, discuss such developments and best practices and consider the desirability of implementation in the Group.
(7) Ensure that the safety functions in Group companies are adequately resourced (in terms of number, qualification and budget) and have appropriate standing within the organization.
(8) Consider management's proposals on safety-related matters.
(9) Carry out such investigations into safety-related matters as the Committee deems fit.
(10) Report to the Board on material matters, findings and recommendations.
(11) Perform such other functions as the Board may determine.
(12) Sub-delegate any of its powers within its terms of reference as listed above from time to time as the Committee may deem fit.

Corporate Governance

Nature of current Directors' appointments and membership on Board committees

Directors	Board Membership	Board Committee Membership				
		Audit	Nominating	Remuneration	Board Risk	Board Safety
Loh Chin Hua	Non-Independent Non-Executive Chairman	-	Member	Member	-	-
Thomas Pang Thieng Hwi	Executive Director	-	-	-	-	Member
Karmjit Singh	Independent Director	Member	Chairman	-	-	Member
Neo Boon Siong	Independent Director	Chairman	-	-	Member	-
Khor Poh Hwa	Independent Director	Member	-	Chairman	-	-
Lim Chin Leong	Independent Director	-	Member	Member	Member	Chairman
Lee Ai Ming	Independent Director	Member	-	-	Chairman	-
Chan Hon Chew	Non-Independent Non-Executive Director	Member	-	-	-	-

Board Performance

Evaluation processes

Board and Committees
Each Board member is required to complete a Board Evaluation Questionnaire and send the Questionnaire directly to the Independent Co-ordinator within five working days. An "Explanatory Note" is attached to the Questionnaire to clarify the background, rationale and objectives of the various performance criteria used in the Board Evaluation Questionnaire with the aim of achieving consistency in the understanding and interpretation of the questions. Based on the returns from each of the directors, the Independent Co-ordinator prepares a consolidated report and briefs the Chairman of the Nominating Committee on the report. The Independent Co-ordinator will, together with the Chairman of the Nominating Committee, brief the Chairman of the Board on the report. Thereafter, the Independent Co-ordinator will present the report to the Board for discussion on the changes which should be made to help the Board discharge its duties more effectively.

Individual Directors
The Board differentiates the assessment of an executive director from that of a non-executive director.

In the assessment of the performance of the executive director, each non-executive director is required to complete the executive director's assessment form and send the form directly to the Independent Co-ordinator within five working days. It is emphasised that the purpose of the assessment is to assess the executive director on his performance on the Board (as opposed to his executive performance). The executive director is not required to perform a self-assessment.

In the assessment of the performance of the non-executive directors, each director (both non-executive and executive) is required to complete the non-executive directors' assessment form and send the form directly to the Independent Co-ordinator within five working days. Each non-executive director is also required to perform a self-assessment in addition to a peer assessment.

Based on the returns, the Independent Co-ordinator prepares a consolidated report and briefs the Chairman of the Nominating Committee. The Independent Co-ordinator will then, together with the Chairman of the Nominating Committee, brief the Chairman of the Board on the report. Thereafter, the Independent Co-ordinator will present the report for discussion at a board meeting.

Following the meeting, the Chairman of the Nominating Committee will meet with directors individually to provide the necessary feedback on their respective performance with a view to improving their board performance and shareholder value.

Chairman
The Chairman Evaluation Form is completed by each director (other than the Chairman) and sent directly to the Independent Co-ordinator within five working days. Based on the returns, the Independent Co-ordinator prepares a consolidated report and briefs the Chairman of the Nominating Committee on the report. The Independent Co-ordinator will then, together with the Chairman of the Nominating Committee, brief the Chairman of the Board on the report. Thereafter, the Independent Co-ordinator will present the report for discussion at a board meeting.

Performance Criteria
The performance criteria adopted for the evaluation process have been consistently applied from year to year, and updated from time to time to account for amendments to the listing rules and Code of Corporate Governance.

The performance criteria for the board evaluation are in respect of board size and composition, board independence, board processes, composition and effectiveness of board committees, board information and accountability, board performance in relation to discharging its principal functions, performance of Board and board committee in relation to discharging their responsibilities, and quality of financial reporting. Based on the responses received, the Board continues to perform and fulfill its duties and responsibilities duly in accordance with the established Board processes of the Company.

The individual director's performance criteria are categorised into five segments; namely, (1) interactive skills (under which factors as to whether the director works well with other directors, and participates actively are taken into account); (2) knowledge (under which factors as to the director's industry and business knowledge, functional expertise, whether he provides valuable inputs, his ability to analyse, communicate and contribute to the productivity of meetings, and his understanding of finance and accounts are taken into consideration); (3) director's duties (under which factors as to the director's board committee work contribution, whether the director takes his role of director seriously and works to further improve his own performance, whether he listens and discusses objectively and exercises independent judgment, and meeting preparation are taken into consideration); (4) availability (under which the director's attendance at board and board committee meetings, whether he is available when needed, and his informal contribution via e-mail, telephone, written notes etc are considered); and (5) overall contribution, bearing in mind that each director was appointed for his/her strength in certain areas which, taken together with the skill sets of the other directors, provides the Board with the required mix of skills and competencies.

The assessment of the Chairman of the Board is based on his ability to lead, whether he established proper procedures to ensure the effective functioning of the Board, whether he ensured that the time devoted to board meetings were appropriate (in terms of number of meetings held a year and duration of each board meeting) for effective discussion and decision making by the Board, whether he ensured that information provided to the Board was adequate (in terms of adequacy and timeliness) for the Board to make informed and considered decisions, whether he guides discussions effectively so that there is timely resolution of issues, whether he ensured that meetings are conducted in a manner that facilitates open communication and meaningful participation, and whether he ensured that Board committees are formed where appropriate, with clear terms of reference, to assist the Board in the discharge of its duties and responsibilities.

Keppel T&T: Whistle-Blower Protection Policy

Keppel T&T: Whistle-Blower Protection Policy (the "Policy") took effect on 1 September 2004 to encourage reporting in good faith of suspected Reportable Conduct (as defined below) by establishing clearly defined processes through which such reports may be made with confidence that employees and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal.

Reportable Conduct refers to any act or omission by an employee of the Group or contract worker appointed by a company within the Group, which occurred in the course of his or her work (whether or not the act is within the scope of his or her employment) which in the view of a Whistle-Blower acting in good faith, is:

(a) dishonest, including but not limited to theft or misuse of resources within the Group;
(b) fraudulent;
(c) corrupt;
(d) illegal;
(e) other serious improper conduct;
(f) an unsafe work practice; or
(g) any other conduct which may cause financial or non-financial loss to the Group or damage to the Group's reputation.

A person who files a report or provides evidence which he knows to be false, or without a reasonable belief in the truth and accuracy of such information, will not be protected by the Policy and may be subject to administrative and/or disciplinary action.

Similarly, a person may be subject to administrative and/or disciplinary action if he subjects (i) a person who has made or intends to make a report in accordance with the Policy, or (ii) a person who was called or may be called as a witness, to any form of reprisal which would not have occurred if he did not intend to, or had not made the report or be a witness.

The General Manager of Group Internal Audit is the Receiving Officer for the purposes of the Policy and is responsible for the administration, implementation and overseeing ongoing compliance with the Policy. She reports directly to the Audit Committee (AC) Chairman on all matters arising under the Policy.

Reporting Mechanism

The Policy emphasises that the role of the Whistle-Blower is as a reporting party, and that Whistle-Blowers are not to investigate, or determine the appropriate corrective or remedial actions that may be warranted. Employees are encouraged to report suspected Reportable Conduct to their respective supervisors who are responsible for promptly informing the Receiving Officer, who in turn is required to promptly report to the AC Chairman, of any such report. The supervisor must not start any investigation in any event. If any of the persons in the reporting line prefers not to disclose the matter to the supervisor and/or Receiving Officer (as the case may be), he may make the report directly to the Receiving Officer or the AC Chairman.

Other Whistle-Blowers may report a suspected Reportable Conduct to either the Receiving Officer or the AC Chairman.

All reports and related communications made will be documented by the person first receiving the report. The information disclosed should be as precise as possible so as to allow for proper assessment of the nature, extent and urgency of preliminary investigative procedures to be undertaken.

Corporate Governance

Investigation
The AC Chairman will review the information disclosed, interview the Whistle-Blower(s) when required and, either exercising his own discretion or in consultation with the other AC members, determine whether the circumstances warrant an investigation and if so, the appropriate investigative process to be employed and corrective actions (if any) to be taken. The AC Chairman will use his best endeavours to ensure that there is no conflict of interests on the part of any person involved in the investigations.

All employees have a duty to cooperate with investigations initiated under the Policy. An employee may be placed on administrative leave or investigatory leave when it is determined by the AC Chairman that it would be in the best interests of the employee, the Company or both. Such leave is not to be interpreted as an accusation or a conclusion of guilt or innocence of any employee, including the employee on leave. All participants in the investigation must also refrain from discussing or disclosing the investigation or their testimony with anyone not connected to the investigation. In no circumstance should such persons discuss matters relating to the investigation with the person(s) who is/are subject(s) of the investigation ("Investigation Subject(s)").

Identities of Whistle-Blower(s), participants of the investigations and the Investigation Subject(s) will be kept confidential to the extent possible.

No Reprisal
No person will be subject to any reprisal for having made a report in accordance with the Policy or having participated in the investigation. A reprisal means personal disadvantage by:

(a) dismissal;
(b) demotion;
(c) suspension;
(d) termination of employment/contract;
(e) any form of harassment or threatened harassment;
(f) discrimination; or
(g) current or future bias.

Any reprisal suffered may be reported to the Receiving Officer (who shall refer the matter to the AC Chairman) or directly to the AC Chairman. The AC Chairman shall review the matter and determine the appropriate actions to be taken. Any protection does not extend to situations where the Whistle-Blower or witness has committed or abetted the Reportable Conduct that is the subject of allegation. However, the AC Chairman will take into account the fact that he or she has cooperated as a Whistle-Blower or a witness in determining the suitable disciplinary measure to be taken against him or her.

Code of Corporate Governance 2012

Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	Yes.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	Not Applicable.
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Investments, acquisitions and disposals by any Group company, and all commitments to term loans and lines of credit from banks and financial institutions by the Company, require the approval of the Board.
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	The Nominating Committee (NC) evaluates the diversity and balance of skills, gender, knowledge and experience on the Board and the size of the Board which would facilitate decision-making, and, in the light of such evaluation and in consultation with management, assesses if there is any inadequate representation in respect of any of those attributes and if so, determines the role and the desirable competencies for a particular appointment.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	The NC is of the view that the Board and the board committees comprise directors who as a group provide appropriate balance and diversity of skills, experience, gender, and knowledge of the Group, and core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, required for the Board and the board committees to be effective.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	There is a process of refreshing the Board progressively. See Guideline 4.6 below on process for nomination of new directors and Board succession planning.

Corporate Governance

Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	**For new directors** There were no new directors appointed in the last financial year. However, on an annual basis, the NC will evaluate the diversity and balance of skills, gender, knowledge and experience on the Board and the size of the Board which would facilitate decision-making. In the light of such evaluation and in consultation with management, the NC will then assess if there is any inadequate representation in respect of any of those attributes and if so, determine the role and the desirable competencies for a particular appointment. NC will then meet with the short-listed candidates to assess suitability and to ensure that the candidates were aware of the expectations and the level of commitment required. NC will then make recommendations to the Board for approval. **For incumbent directors** Pursuant to the Company's constitution, one-third of the directors retire from office at the Company's annual general meeting, and a newly appointed director must submit himself for re-election at the annual general meeting immediately following his appointment. NC recommended the re-nomination of directors to the Board for approval, having regard to the director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the individual director by his peers.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	Yes, all new directors undergo a comprehensive orientation programme. If the newly-appointed director has no prior experience as a director of a listed company, training in relevant areas such as finance and legal, as well as industry-related areas will be provided.
	(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	All directors are provided with continuing education in areas such as finance, economics, management and committees' duties and responsibilities so as to update and refresh them on matters that affect their performance as board or board committee members. Updates on relevant legal or regulatory developments may be provided to the Board by circulation or through seminars and presentations conducted or sponsored by the Company.

Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	Directors should not have more than 6 listed company board representations and/or other principal commitments. This serves as a guide and the NC takes into account other factors in deciding on the capacity of director.
	(b) If a maximum number has not been determined, what are the reasons?	Not Applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	The NC takes into account the results of the annual assessment of the effectiveness of the individual director, the level of commitment required of the director's other principal commitments, and the respective directors' actual conduct and participation on the Board and board committees, including availability and attendance at regular scheduled meetings and ad-hoc meetings, in determining whether a director with other listed company board representations and/or other principal commitments is able to and has been adequately carrying out his duties as a director of the Company.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	An independent third party (the "Independent Co-ordinator") was appointed to assist in collating and analysing the returns of the board members for the annual assessment. Based on the returns from each of the directors, the Independent Co-ordinator prepared a consolidated report and briefed the NC Chairman and the Board Chairman on the report. Thereafter, the Independent Co-ordinator presented the report to the Board for discussion on the changes which should be made to help the Board discharge its duties more effectively. The detailed process for the conduct of the assessment is set out on page 156 of the Corporate Governance Report.
	(b) Has the Board met its performance objectives?	Yes.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.	No.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Not Applicable.

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Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	No.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes.
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes.
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	There are only four key management personnel (who are not directors or the CEO). Aggregate remuneration paid: S$2,956,883.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.	The total remuneration mix comprises three key components; that is, annual fixed cash, annual performance incentive and the KT&T Share Plans. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the Company's, business unit's and individual employee's performance, inclusive of a portion which is tied to EVA performance. The KT&T Share Plans are in the form of two share plans approved by shareholders, the KT&T RSP and the KT&T PSP. The EVA performance incentive plan and the KT&T Share Plans are both long term incentive plans. For FY2016, the executive director and selected key management personnel had also been granted performance shares under KCL PSP pursuant to an one-off Transformation Incentive Plan.

	(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?	The compensation structure is directly linked to corporate and individual performance, both in terms of financial, non-financial performance and the creation of shareholder wealth. The key performance indicators ("KPIs") for awarding of annual cash incentives are based on corporate performance and individual performance. The four scorecard areas that the Company has identified as key to measuring performance are – (i) Financial; (ii) Process; (iii) Stakeholders; and (iv) People. For the long-term incentive plans, performance conditions that are aligned with shareholder interests such as ROE, Total Shareholder Return and EVA are selected for equity awards.
	(c) Were all of these performance conditions met? If not, what were the reasons?	Yes, The RC is satisfied that the quantum of performance related bonuses and the value of shares vested under the KT&T PSP and RSP to the executive director and key management personnel was fair and appropriate taking into account the extent to which their KPIs and performance conditions for FY2016 were met. Please refer to pages 145 to 148 of the Corporate Governance Report for more details.

Risk Management and Internal Controls

Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	The Company has adopted initiatives to put in place processes to ensure that the non-executive directors are well supported by accurate, complete and timely information, and have unrestricted access to management. These initiatives include informal meetings for management to brief the directors on prospective deals, and providing the Board with regular updates on projects and initiatives at an early stage to keep the Board abreast of the business developments. An off-site board strategy meeting is also organised annually for in-depth discussion on strategic issues and direction of the Group to give the non-executive directors a better understanding of the Group and its businesses and to provide an opportunity for the non-executive directors to familiarise themselves with the management team so as to facilitate the Board's review of the Group's succession planning and leadership development programme. On a monthly basis, Management provides the Board members with KT&T monthly management report covering the division business progress and operations, financial accounts and developing projects progress as the Board may require from time to time. Such reports keep the Board informed, on a balanced and understandable basis, to enable the Board to make an informed assessment of the Group's performance, position and prospects.

Corporate Governance

Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes. The Company's internal audit functions are discharged by Keppel Corporation Limited's Group Internal Audit.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	The Board oversees the Group's system of internal controls and risk management with the support from Audit Committee and Board Risk Committee. Board's view on the adequacy and effectiveness of the Company's internal controls is based on the Group's framework of management control, the internal control policies and procedures established and maintained by the Group, and the regular audits, monitoring and reviews performed by the internal and external auditors. The Audit Committee has concurred with this view. Board's view on the adequacy and effectiveness of the Company's risk management system is based on the review of the Group's governing framework, systems, policies and processes in addressing the key risks under the Group's Enterprise Risk Management Framework, the monitoring and review of the Group's overall performance and representation from the management. The Board Risk Committee has concurred with this view.
	In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes. The Board has received assurance from the CEO and the CFO on points (i) and (ii). The Board has received assurance from internal auditor on the adequacy and effectiveness of the Company's internal control systems.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.	The Group's estimated audit fee for the current financial year payable to the external auditors of the Company and other auditors of subsidiaries is approximately S$459,000. There are no non-audit services for the financial year.
	(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	The AC reviewed the independence and objectivity of the external auditors through discussions with the external auditors and confirmed that there were no circumstances which would affect the independence of the external auditors. It was noted that no non-audit services were performed by the external auditors and accordingly no non-audit fees were payable to them for FY2016.

Communication with Shareholders

Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	Yes. The Company maintains open channels of communication through which shareholders can give feedback through email or telephone. Shareholders are invited to share feedback with the Board at general meetings of the Company. To better engage the investment community and ensure a level playing field, the senior management held 34 meetings and conference calls with institutional investors in 2016. The senior management also kept equity research analysts apprised of corporate developments through quarterly results conference calls.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	This role is performed by Group Corporate Communications Department.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Engagement with shareholders and other stakeholders take many forms including, email communications, publications and content on the Company's website. Senior management also meets with investors, analysts and the media, as well as participates in industry conferences to solicit and understand the views of the investment community. The Company's website has also been enhanced to facilitate investors' access to company information via mobile devices.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not Applicable.

Corporate Governance

Code of Corporate Governance 2012

Specific Principles and Guidelines for Disclosure

Relevant Guideline or Principle	Page Reference in this Report
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters.	Page 140
Guideline 1.4 The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings.	Page 140
Guideline 1.5 The type of material transactions that require board approval under guidelines.	Page 141
Guideline 1.6 The induction, orientation and training provided to new and existing directors.	Page 141
Guideline 2.3 The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed.	Page 143
Guideline 2.4 Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed.	Page 143
Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members.	Page 142
Guideline 4.1 Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.	Pages 142 and 154
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed.	Page 144
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process.	Page 143
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent.	Pages 8 to 11
Guideline 5.1 The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report.	Pages 144 and 156
Guideline 7.1 Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board.	Pages 145 and 155
Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company.	Page 145

Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration.	Pages 145 to 148
Guideline 9.1 Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO).	Pages 145 to 148
Guideline 9.2 Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.	Page 147
Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel.	Page 148
Guideline 9.4 Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S$50,000.	Page 148
Guideline 9.5 Details and important terms of employee share schemes.	Pages 76 to 79 and 105 to 107
Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.	Pages 145 to 148
Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems.	Page 151
Guideline 12.1 Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.	Pages 149 and 154
Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement.	Page 149
Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report.	Pages 157 to 158

Corporate Governance

Guideline 12.8 Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.	Pages 149 to 150
Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings	Pages 152 to 153
Guideline 15.5 Where dividends are not paid, companies should disclose their reasons	Not applicable.

Interested Person Transactions

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than $100,000)	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
General Transactions				
Keppel Corporation Limited Group	**697**	539	**1,312**	4,256
Singapore Telecommunications Limited Group	**-**	-	**1,595**	1,396
Singapore Technologies Engineering Ltd Group	**-**	-	**4,863**	-
Mediacorp Pte Ltd Group	**-**	-	**128**	-
Singapore Technologies Telemedia Pte Ltd Group	**-**	-	**-**	146
Singapore Power Limited	**-**	-	**5,045**	-
Starhub Limited Group	**-**	-	**126**	-
Treasury Transactions				
Keppel Corporation Limited Group				
- Deposits outstanding at period-end	**-**	-	**56,502**	107,560
- Interest income / interest expense and related charges / foreign exchange transactions	**-**	-	**17,323**	18,260
Management Services				
Keppel Corporation Limited Group	**-**	67,334	**1,255**	842
Investment Transactions				
Keppel Corporation Limited Group	**38,850**	-	**-**	-
Mapletree Investments Pte Ltd Group	**-**	14,000	**-**	-
Temasek Holdings Group	**158,309**	-	**-**	-
	197,856	81,873	**88,149**	132,460

Save for the interested person transactions disclosed above, there were no other material contracts entered into by the Company and its subsidiaries involving the interests of its chief executive officer, directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Shareholding Statistics

As at 3 March 2017

Total number of issued shares : 558,066,383
Issued and fully paid-up capital : $81,488,713.45
Class of Shares : Ordinary shares with equal voting rights

	No. of Shareholders	%	No. of Shares	%
Size of Shareholdings				
1-99	82	1.37	3,778	0.00
100-1,000	1,275	21.30	1,084,627	0.19
1,001-10,000	3,685	61.55	17,263,067	3.09
10,001-1,000,000	931	15.55	39,980,801	7.16
1,000,001 and above	14	0.23	499,734,110	89.56
Total	**5,987**	**100.00**	**558,066,383**	**100.00**
Location of Shareholders				
Singapore	5,588	93.33	551,498,340	98.82
Malaysia	323	5.40	1,637,655	0.30
Others	76	1.27	4,930,388	0.88
Total	**5,987**	**100.00**	**558,066,383**	**100.00**

	Twenty Largest Shareholders	No. of Shares	%
1.	Keppel Corporation Limited	442,935,526	79.37
2.	Citibank Nominees Singapore Pte Ltd	19,359,363	3.47
3.	DBS Nominees (Private) Limited	8,709,129	1.56
4.	Raffles Nominees (Pte) Limited	5,547,051	0.99
5.	United Overseas Bank Nominees (Private) Limited	4,897,208	0.88
6.	Morph Investments Ltd	4,339,800	0.78
7.	HSBC (Singapore) Nominees Pte Ltd	3,918,000	0.70
8.	BNP Paribas Securities Services Singapore Branch	2,648,216	0.47
9.	Lim Kim Hong	1,450,000	0.26
10.	UOB Kay Hian Private Limited	1,418,264	0.25
11.	OCBC Nominees Singapore Private Limited	1,201,028	0.22
12.	DBS Vickers Securities (Singapore) Pte Ltd	1,182,625	0.21
13.	Heng Siew Eng	1,067,500	0.19
14.	DBSN Services Pte. Ltd.	1,060,400	0.19
15.	Hong Leong Finance Nominees Pte Ltd	933,000	0.17
16.	OCBC Securities Private Limited	840,672	0.15
17.	Law Chin Pong	812,000	0.15
18.	Phillip Securities Pte Ltd	771,811	0.14
19.	Maybank Kim Eng Securities Pte. Ltd.	560,912	0.10
20.	Chan Sui Ha@Chan Shui Har	560,750	0.10
Total		**504,213,255**	**90.35**

Substantial Shareholders (as shown in the Register of Substantial Shareholders)

		Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%	Total Interest No. of Shares	%
1.	Keppel Corporation Limited	442,935,526	79.37	-	-	442,935,526	79.37
2.	Temasek Holdings (Private) Limited (1)	-	-	442,935,526	79.37	442,935,526	79.37
3.	Investoasia Pte. Ltd. (2)	-	-	33,545,000	6.01	33,545,000	6.01
4.	Agus Anwar (3)	4,328,000	0.78	29,217,000	5.23	33,545,000	6.01
5.	Tjia Marcel Han Liong (3)	-	-	33,545,000	6.01	33,545,000	6.01

Notes:

(1) The deemed interest of Temasek Holdings (Private) Limited arises from its shareholdings in Keppel Corporation Limited.

(2) Includes interests held by Kapital Asia Company Limited and Agus Anwar.

(3) The interests of Agus Anwar and Tjia Marcel Han Liong arise from their controlling interests in Investoasia Pte. Ltd. and Kapital Asia Company Limited.

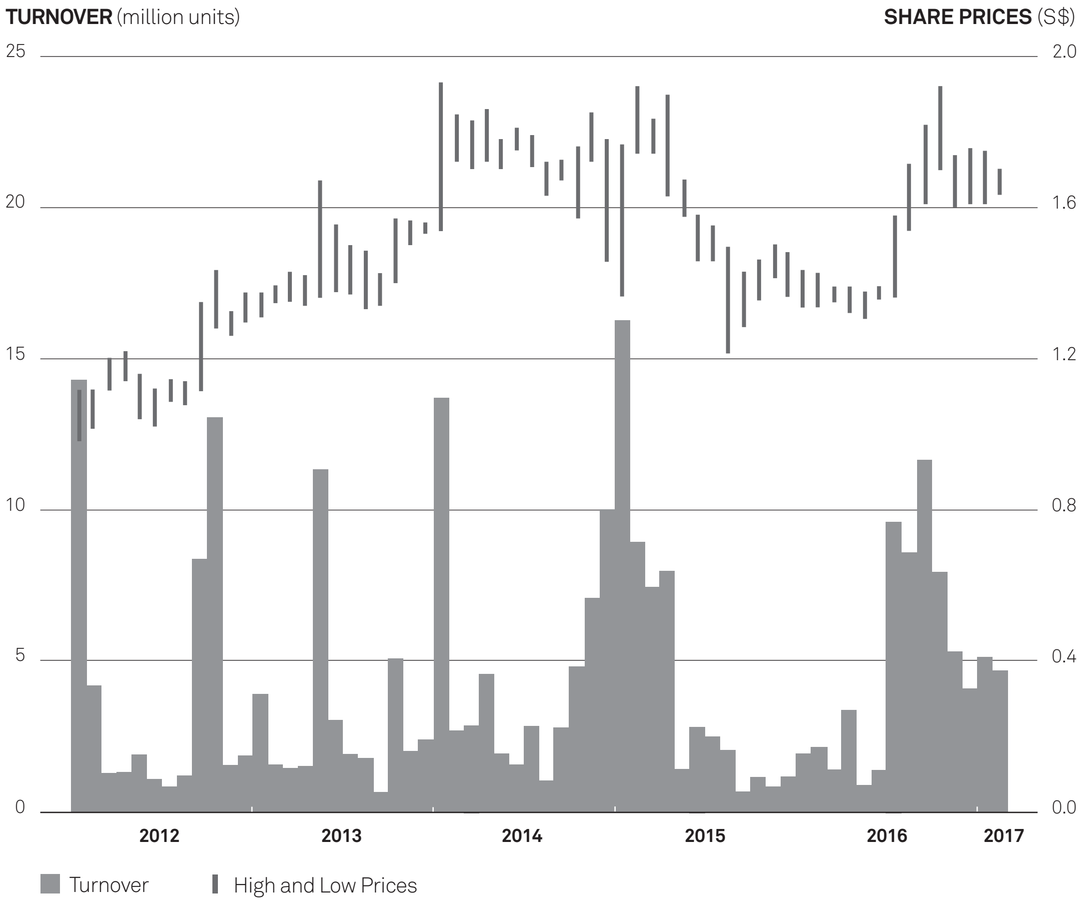
Public Shareholders

Based on the information available to the Company as at 3 March 2017, approximately 14.61% of the issued shares of the Company was held by the public and therefore, pursuant to Rules 1207 and 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited, it is confirmed that at least 10% of the ordinary shares of the Company is at all times held by the public.

Treasury Shares

As at 3 March 2017, there were no treasury shares held.

Share Prices and Turnover



	2012	2013	2014	2015	**2016**
Earnings per share (cents) (Note 1)	10.0	11.4	44.4	16.5	**18.9**
Dividends per share (cents)	3.5	3.5	15.0	3.5	**4.5**
Share price (cents)					
Highest	144	167	193	192	**190**
Lowest	98	131	146	121	**133**
Average	121	149	170	157	**162**
Dividend yield (%) (Note 2)	2.9	2.3	8.8	2.2	**2.8**
Net price earnings ratio (Note 2)	12.1	13.1	3.8	9.5	**8.6**
Net tangible assets ($)	0.77	0.85	1.24	1.27	**1.43**

Notes:
1. Earnings per share are calculated based on Group net profit by reference to the weighted average number of shares in issue during the year.
2. In calculating dividend yields and net price earnings ratios, the average share prices have been used.

Notice of Annual General Meeting/Closure of Books

Keppel Telecommunications & Transportation Ltd
Co Reg No.: 196500115G
(Incorporated in the Republic of Singapore)

ALL MEMBERS ARE CORDIALLY INVITED TO ATTEND the annual general meeting of Keppel Telecommunications & Transportation Ltd (the "Company") to be held at Suntec Singapore Convention and Exhibition Centre, Rooms 324-326, Level 3, 1 Raffles Boulevard Suntec City, Singapore 039593, on Wednesday, 19 April 2017 at 10.30 a.m. to transact the following business:

Ordinary Business

Resolution 1
To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2016.

Resolution 2
To declare a final dividend of 4.5 cents per share tax exempt one-tier for the year ended 31 December 2016 (2015: final dividend of 3.5 cents per share tax exempt one-tier).

Resolution 3
To re-elect Mr Lim Chin Leong who retires in accordance with Regulation 87 of the Constitution of the Company ("Constitution") and who, being eligible, offers himself for re-election (see Note 3).

Resolution 4
To re-elect Mr Chan Hon Chew who retires in accordance with Regulation 87 of the Constitution and who, being eligible, offers himself for re-election (see Note 3).

Resolution 5
To re-elect Mr Khor Poh Hwa who retires in accordance with Regulation 87 of the Constitution and who, being eligible, offers himself for re-election (see Note 3).

Resolution 6
To approve Directors' fees of $518,664 for the year ended 31 December 2016 (2015: $611,395) (see Note 4).

Resolution 7
To re-appoint PricewaterhouseCoopers LLP as the auditors of the Company, and authorise the Directors to fix their remuneration.

Special Business

To consider and, if thought fit, approve with or without modification, the following ordinary resolutions:

Resolution 8
That authority be and is hereby given to the Directors to:

(1) (a) issue shares in the capital of the Company ("Shares"), whether by way of rights, bonus or otherwise, and including any capitalisation of any sum for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution; and/or

(b) make or grant offers, agreements or options that might or would require Shares to be issued (including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares) (collectively "Instruments"),

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(2) (notwithstanding that the authority so conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while the authority was in force;

provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution and any adjustment effected under any relevant Instrument) shall not exceed 50 per cent. of the total number of issued Shares (excluding treasury Shares) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution and any adjustment effected under any relevant Instrument) shall not exceed 20 per cent. of the total number of issued Shares (excluding treasury Shares) (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of issued Shares shall be calculated based on the total number of issued Shares (excluding treasury Shares) at the time this Resolution is passed, after adjusting for:

  (a) new Shares arising from the conversion or exercise of convertible securities or share options or vesting of share awards which are outstanding or subsisting as at the time this Resolution is passed; and

  (b) any subsequent bonus issue, consolidation or sub-division of Shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Companies Act, Chapter 50 of Singapore ("Companies Act"), the listing manual of the SGX-ST ("Listing Manual") (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being in force; and

(iv) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier (see Note 5).

Resolution 9
That:

(1) for the purposes of the Companies Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

  (a) market purchase(s) (each a "Market Purchase") on the SGX-ST; and/or

  (b) off-market purchase(s) (each an "Off-Market Purchase") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

  and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(2) (unless varied or revoked by the members of the Company in a general meeting) the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period (the "Relevant Period") commencing from the date of the passing of this Resolution and expiring on the earlier of:

  (a) the date on which the next annual general meeting of the Company is held;

  (b) the date on which the next annual general meeting of the Company is required by law to be held; or

  (c) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

Notice of Annual General Meeting/Closure of Books

(3) in this Resolution:

"Maximum Limit" means that number of issued Shares representing 10 per cent. of the total number of issued Shares as at the date of the passing of this Resolution, unless a reduction of the share capital of the Company is effected in accordance with Section 78C or Section 78I of the Companies Act, at any time during the Relevant Period, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding treasury Shares); and

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which is:

(a) in the case of a Market Purchase, 5 per cent. above the Average Closing Price (as hereafter defined); and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 20 per cent. above the Average Closing Price,

where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) Market Days (a "Market Day" being a day on which the SGX-ST is open for trading in securities), on which transactions in the Shares were recorded, in the case of Market Purchases, before the day on which the purchase or acquisition of Shares was made and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days, or in the case of Off-Market Purchases, before the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(4) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution (see Note 6).

Resolution 10
That:

(1) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual, for the Company, its subsidiaries and target associated companies (as defined in Appendix 2 to this Notice of Annual General Meeting ("Appendix 2")), or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions described in Appendix 2 with any person who falls within the classes of Interested Persons described in Appendix 2, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for Interested Person Transactions as set out in Appendix 2 (the "Shareholders' Mandate");

(2) the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date that the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier;

(3) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time; and

(4) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing such documents as may be required) as they and/or he may consider expedient, necessary, incidental or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution (see Note 7).

To transact such other business which can be transacted at the annual general meeting of the Company.

NOTICE IS HEREBY GIVEN THAT:

(a) the Share Transfer Books and the Register of Members of the Company will be closed on 28 April 2017 at 5.00 p.m. for the preparation of dividend warrants. Duly completed transfers of Shares received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 28 April 2017 will be registered to determine shareholders' entitlement to the proposed final dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited are accredited with Shares at 5.00 p.m. on 28 April 2017 will be entitled to the proposed final dividend. The proposed final dividend, if approved at the annual general meeting of the Company, will be paid on 12 May 2017; and

(b) the electronic copy of the Company's Annual Report 2016 will be published on the Company's website on 28 March 2017. The Company's website address is http://www.keppeltt.com.sg, and the electronic copy of the Annual Report 2016 can be viewed or downloaded from the "Annual Reports" section, which can be accessed from the main menu item "Investor Relations".

BY ORDER OF THE BOARD

Tan Wah Nam/Kenny Lee
Company Secretaries

Singapore, 28 March 2017

Notice of Annual General Meeting/Closure of Books

Notes:

1. A member of the Company entitled to attend and vote at a meeting of the Company, and who is not a Relevant Intermediary, is entitled to appoint one proxy or two proxies to attend and vote in his place. A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote at a meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. A proxy need not be a member of the Company.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2. The instrument appointing a proxy must be deposited at the registered office of the Company at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632, not less than 72 hours before the time appointed for holding the annual general meeting. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the annual general meeting as certified by The Central Depository (Pte) Limited to the Company.

3. Detailed information on the Directors can be found in the "Board of Directors" section of the Company's Annual Report for the financial year ended 31 December 2016 ("Annual Report 2016").

   Mr Lim Chin Leong will, upon re-election continue to serve as the Chairman of the Board Safety Committee and a member of the Nominating Committee, Remuneration Committee and Board Risk Committee. Mr Chan Hon Chew will, upon re-election continue to serve as a member of the Audit Committee. Mr Khor Poh Hwa will, upon re-election continue to serve as the Chairman of the Remuneration Committee and a member of the Audit Committee. The list of all current directorships in other listed companies and details of other principal commitments of the above-mentioned Directors are set out in pages 10 and 11 of the Annual Report 2016.

   Mr Lim Chin Leong and Mr Khor Poh Hwa are considered by the Board to be independent Directors. Mr Chan Hon Chew is considered by the Board to be non-independent in view of his executive position in Keppel Corporation Limited. Please see page 143 of the Annual Report 2016.

4. Resolution 6 is to approve the payment of an aggregate sum of S$518,664 as Directors' fees for the non-executive Directors of the Company for FY2016. In light of the continued uncertainties in a tough operating environment, all non-executive directors volunteered for a 5% reduction in their total fees for FY2016. Please see page 147 of the Annual Report 2016 for details.

5. Resolution 8 is to empower the Directors to issue Shares and Instruments in the Company, up to a number not exceeding 50 per cent. of the total number of Shares (excluding treasury Shares) (with a sub-limit of 20 per cent. of the total number of Shares (excluding treasury Shares) in respect of Shares to be issued other than on a pro rata basis to shareholders) during the Relevant Period. For the purpose of determining the total number of Shares (excluding treasury Shares) that may be issued, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury Shares) at the time that Resolution 8 is passed, after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 8 is passed, and any subsequent bonus issue, consolidation or sub-division of Shares.

6. Resolution 9 relates to the renewal of the Share Purchase Mandate, which was originally approved by Shareholders on 21 May 2003 and amended on 23 April 2004. The Share Purchase Mandate was last renewed at the last annual general meeting of the Company held on 15 April 2016. Please refer to Appendix 1 to this Notice of Annual General Meeting for details.

7. Resolution 10 relates to the renewal of a mandate given by Shareholders on 30 October 2002 and amended on 21 May 2003, 26 April 2005 and 18 April 2012 allowing the Company, its subsidiaries and target associated companies to enter into transactions with interested persons as defined in Chapter 9 of the Listing Manual. Please refer to Appendix 2 to this Notice of Annual General Meeting for details.

Personal Data Privacy:

By submitting an instrument appointing proxy or proxies, and/or representative(s) to attend, speak and vote at the annual general meeting and/or any adjournment thereof, a member (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the annual general meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure of such individual's personal data for the Purposes.

Corporate Information

Board of Directors
Loh Chin Hua (Chairman)
Thomas Pang Thieng Hwi
Neo Boon Siong
Karmjit Singh
Khor Poh Hwa
Lim Chin Leong
Lee Ai Ming
Chan Hon Chew

Audit Committee
Neo Boon Siong (Chairman)
Karmjit Singh
Khor Poh Hwa
Lee Ai Ming
Chan Hon Chew

Nominating Committee
Karmjit Singh (Chairman)
Loh Chin Hua
Lim Chin Leong

Remuneration Committee
Khor Poh Hwa (Chairman)
Lim Chin Leong
Loh Chin Hua

Board Risk Committee
Lee Ai Ming (Chairman)
Neo Boon Siong
Lim Chin Leong

Board Safety Committee
Lim Chin Leong (Chairman)
Thomas Pang Thieng Hwi
Karmjit Singh

Registered Office
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632
Telephone: (65) 6270 6666
Facsimile: (65) 6413 6391

Head Office
7 Gul Circle
Singapore 629563
Telephone: (65) 6897 7372
Facsimile: (65) 6868 2820
Email: keppeltt@keppeltt.com.sg
Website: www.keppeltt.com.sg

Share Registrar
Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Telephone: (65) 6536 5355
Facsimile: (65) 6536 1360

Auditors
PricewaterhouseCoopers LLP
Public Accountants and
Chartered Accountants
Singapore
Audit Partner: Daniel Khoo
Year appointed: 2016

Company Secretaries
Tan Wah Nam
Kenny Lee

Financial Calendar

Financial year-end	31 December 2016
Announcement of 2016 results:	
First quarter	14 April 2016
Second quarter	20 July 2016
Third quarter	19 October 2016
Full year	25 January 2017
Despatch of Annual Report to Shareholders	28 March 2017
Annual General Meeting	19 April 2017
2016 proposed final dividends	
Books closure date	5.00 p.m., 28 April 2017
Payment date	12 May 2017

Financial year-end	31 December 2017
Announcement of 2017 results	
First quarter	April 2017
Second quarter	July 2017
Third quarter	October 2017
Full year	January 2018

Keppel T&T

Keppel Telecommunications & Transportation Ltd
Co Reg No.: 196500115G
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING

Proxy Form

IMPORTANT
1. Relevant Intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy ordinary shares in the capital of Keppel Telecommunications & Transportation Ltd ("Shares"), this report is forwarded to them at the request of their Agent Banks/SRS Operators and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. A CPF/SRS investor who wishes to attend the Annual General Meeting as proxy has to submit his request to his Agent Bank/SRS Operator so that his Agent Bank/SRS Operator may appoint him as its proxy within the specified timeframe. (Agent Banks/SRS Operators: Please refer to Notes 2(b) and 4 on the reverse side of this form on the required details.)

Personal Data Privacy
By submitting an instrument appointing proxy or proxies and/or representative(s), a member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 28 March 2017.

I/We ______________________________ (Name) ____________ (NRIC/Passport/UEN Number)

of ____ (Address)

being a member or members of Keppel Telecommunications & Transportation Ltd (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (Ordinary Shares)	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (Ordinary Shares)	
			No. of Shares	%

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, 19 April 2017 at Suntec Singapore Convention and Exhibition Centre, Rooms 324-326, Level 3, 1 Raffles Boulevard Suntec City, Singapore 039593, at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the meeting and at any adjournment thereof.

Resolutions	Number of Votes For **	Number of Votes Against **
Ordinary Business		
1. Adoption of Directors' Statement and Audited Financial Statements		
2. Declaration of Dividend		
3. Re-election of Mr Lim Chin Leong as Director		
4. Re-election of Mr Chan Hon Chew as Director		
5. Re-election of Mr Khor Poh Hwa as Director		
6. Approval of directors' fees to non-executive Directors		
7. Re-appointment of Auditors		
Special Business		
8. Authority to issue shares and convertible instruments		
9. Renewal of Share Purchase Mandate		
10. Renewal of Shareholders' Mandate for Interested Person Transactions		

** If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick ("✔") within the relevant box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant Resolution, please indicate the number of Shares in the boxes provided.

Dated this __________ day of ________________ 2017

Total Number of Shares held	

____
Signature(s) or Common Seal of Member(s)

IMPORTANT: Please read the notes overleaf before completing this Proxy Form.

Glue all sides firmly. Stapling and spot sealing are disallowed.

Glue all sides firmly. Stapling and spot sealing are disallowed.

Glue all sides firmly. Stapling and spot sealing are disallowed.

Notes:

1. Please insert the total number of Shares held by you. If you only have Shares entered against your name in the Depository Register (as defined in Part IIIAA of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you only have Shares registered in your name in the Register of Members, you should insert that number of Shares. However, if you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the proxy form shall be deemed to relate to all the Shares held by you (in both the Register of Members and the Depository Register).

2. (a) A member of the Company entitled to attend and vote at a meeting of the Company, and who is not a Relevant Intermediary, is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company. Where a member of a Company appoints two proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named proxy.

   (b) A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote at a meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where more than one proxy is appointed, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the proxy form. In relation to a Relevant Intermediary who wishes to appoint more than two proxies, it should annex to the proxy form the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of shareholding (number of shares, class of shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, Agent Bank/SRS Operator who intends to appoint CPF/SRS investors as its proxies shall comply with this Note.

   (c) "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore ("Companies Act").

Fold along this line (1)

Affix
Postage
Stamp

The Company Secretary
Keppel Telecommunications & Transportation Ltd
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

Fold along this line (2)

3. Completion and return of the proxy form shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies will be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the proxy form, to the meeting.

4. The proxy form must be deposited at the registered office of the Company at 1 HarbourFront Avenue #18-01 Keppel Bay Tower, Singapore 098632, not less than 72 hours before the time appointed for the Annual General Meeting.

5. The proxy form appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the proxy form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where a proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the proxy form, failing which the proxy form may be treated as invalid.

6. A corporation which is a member of the Company may authorise, by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act.

7. The Company shall be entitled to reject the proxy form if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company shall be entitled to reject any proxy form lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Keppel Telecommunications & Transportation Ltd
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Singapore 629563

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