Solutions for
Sustainable Urbanisation

Report to Shareholders 2017

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.

Solutions for Sustainable Urbanisation

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.

Contents

Key Figures for 2017

Revenue

$177.0m

Revenue decreased by 9%

Revenue decreased due mainly to lower warehousing revenue and absence of revenue due to disposal of subsidiaries in the Data Centre Division.

Share of Results of Associated Companies and Joint Ventures

$65.5m

Share of results from associated companies and joint ventures increased by 7% to $65.5 million

Net Profit

$51.8m

Net profit attributable to shareholders decreased by 51%

Net profit attributable to shareholders decreased due largely to one-off gains in 2016 pertaining mainly to the disposal of a subsidiary.

Economic Value Added

$16.7m

Economic Value Added decreased from $62.1 million to $16.7 million

Shareholders' Funds

$834.7m

Shareholders' funds increased by 5% to $834.7 million

Earnings Per Share

9.3cts

Earnings Per Share decreased by 51% to 9.3 cents

Net Asset Value Per Share

$1.50

Net Asset Value grew from $1.43 to $1.50 per share

Return On Equity

6.4%

Return on Equity decreased from 13.8% to 6.4%

Net Gearing Ratio

0.38x

Net gearing ratio decreased from 0.53 times to 0.38 times

Group Financial Highlights

	2017 $'000	2016 $'000	Change %
For the year			
Revenue	**176,988**	194,622	(9)
Operating profit	**16,748**	80,173	(79)
Share of results of associated companies and joint ventures	**65,470**	61,080	7
Profit before taxation	**71,845**	130,283	(45)
Net profit	**51,784**	105,080	(51)
Economic value added	**16,692**	62,147	(73)
At year-end			
Shareholders' funds	**834,706**	796,664	5
Non-controlling interests	**113,499**	111,363	2
Total equity	**948,205**	908,027	4
Net borrowings	**361,359**	482,249	(25)
Per share			
Earnings (cents):			
Profit before taxation	**11.8**	21.5	(45)
Net profit	**9.3**	18.9	(51)
Net asset value ($)	**1.50**	1.43	5
Net tangible assets ($)	**1.49**	1.43	4
Financial ratios			
Return on shareholders' funds (%):			
Profit before taxation	**8.1**	15.8	(49)
Net profit	**6.4**	13.8	(54)
Net gearing (times)	**0.38**	0.53	(28)
Personnel			
Number of employees	**1,514**	1,463	3
Total wages, salaries and related benefits	**60,419**	61,932	(2)

Group Quarterly Results
($'000)

	2017					2016				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Revenue	**40,716**	**47,622**	**44,966**	**43,684**	**176,988**	48,268	50,178	46,496	49,680	194,622
Operating (loss)/profit	**(1,673)**	**2,397**	**3,195**	**12,829**	**16,748**	6,695	8,313	63,897	1,268	80,173
Profit before taxation	**15,268**	**16,327**	**18,928**	**21,322**	**71,845**	19,698	25,205	77,060	8,320	130,283
Net profit	**11,572**	**10,284**	**12,786**	**17,142**	**51,784**	13,313	18,808	69,878	3,081	105,080

Chairman's Statement

Loh Chin Hua
Chairman

Keppel T&T is evolving and building on its core capabilities to be a preferred solutions provider for its customers.

Key Performance 2017

Divested Keppel DC Singapore 3 to Keppel DC REIT.

Completed the development of Keppel DC Singapore 4.

Launched UrbanFox to provide omnichannel logistics and channel management solutions.

Secured funds of up to $1 billion with Alpha Data Centre Fund.

Dear Stakeholders,

2017 saw Keppel Telecommunications and Transportation (Keppel T&T) embarking on a transformational journey in logistics, while actively seeking to expand our data centre businesses in Asia and Europe.

Against the backdrop of continuing urbanisation in the markets that we operate in, the fast-changing digital economy and the growing demand for e-commerce and urban logistics, Keppel T&T is also evolving and building on its core capabilities to be a preferred solutions provider to its customers.

Financial Highlights

Group revenue was $177.0 million, 9% lower than that of 2016 due to lower contributions from both the Data Centre and Logistics Divisions. Following the partial divestment of Keppel T&T's interests in Keppel DC REIT Management and Keppel DC Singapore 3 in July 2016 and January 2017 respectively, the two companies have been reclassified as associates in the Data Centre Division. As a result, Keppel T&T saw its share of profit before taxation from associated companies and joint ventures increase by 7% to $65.5 million for 2017.

Keppel Logistics continued to experience lower volumes and declining margins amidst intense market competition and excess supply of warehouses in Singapore. There were also startup costs relating to UrbanFox, previously known as Courex, a newly launched integrated omnichannel solutions brand. In addition, there were also higher expenses and manpower costs incurred to support the growth in the data centre business.

Group net profit was lower at $51.8 million, compared to $105.1 million for 2016, largely due to the absence of one-off gains of $56.7 million in 2016 pertaining mainly to the partial disposal of Keppel DC REIT Management.

Earnings Per Share was 9.3 cents for 2017. Net Asset Value per Ordinary Share grew to $1.50 per share as at 31 December 2017, compared to $1.43 per share as at 31 December 2016. The Group recorded a Return on Equity of 6.4% and an Economic Value Added of $16.7 million. Net gearing was lower at 0.38x as at 31 December 2017, compared to 0.53x as at 31 December 2016.

The Board is pleased to recommend a final dividend of 3.5 cents per share.

Transforming Logistics Business

We are witnessing rapid urbanisation in Asia and, with it, burgeoning online shoppers that is fuelling an unprecedented level of e-commerce activities. Against this backdrop, in 2017, our Logistics Division expanded its omnichannel capabilities following the strategic acquisition of a majority stake in Courex in 2016.

By expanding its scope of services, the Logistics Division can position itself more comprehensively as an end-to-end logistics solutions provider, so as to tap into the fast-growing e-commerce and urban logistics sectors.

Building on the momentum, Courex was rebranded as UrbanFox in October 2017 to reflect the transformation of our Logistics business and a future-ready blend of expertise. UrbanFox draws on the track record, experience, capabilities and scale of Keppel Logistics as well as the innovative technology and business models of Courex to provide comprehensive omnichannel logistics and channel management services. UrbanFox has since won several new channel management contracts with key customers in the Fast Moving Consumer Goods (FMCG) sector.

To compete more keenly in the 3PL segment, the Logistics Division rightsized its operations and took firm steps to improve cost efficiency. In addition, during the year, Keppel T&T entered into an agreement to sell its entire stake in Asia Airfreight Terminal, and launched a strategic review of its China Logistics portfolio.

Expanding Data Centre Business

The Data Centre Division completed the development of its fourth data centre, Keppel DC Singapore 4, in 2017, adding another quality asset to its portfolio. Featuring approximately 182,000 sq ft of gross floor area across five stories, the carrier-neutral facility is being fitted-out over four phases in tandem with customer demand to Tier 3 concurrent maintainability standards.

Having incorporated environmentally-friendly features into its design and construction, the facility was awarded the BCA-IMDA Green Mark Award (Platinum) for New Data Centres and the BCA Green Mark Award (Platinum) for Non-residential New Buildings. This is testament to Keppel T&T's commitment to sustainability and to also ensure that our services and products meet our customers' requirements and expectations.

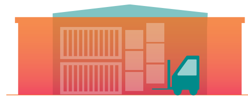
Beyond Singapore, the Division launched PCCW Global-Keppel International Carrier Exchange (ICX) in Hong Kong, which features more than 7,800 sq ft of dedicated network facility management space with redundant power configuration. The Division also took over the operation of Keppel DC Frankfurt 1, which was acquired in 2016, and expanded its operational capabilities in Europe.

The Division is constantly looking at better and more efficient ways of deploying data centre resources for our customers, such as the development of innovative and sustainable data centre technology that has potential for broader commercial application.

In line with that strategy, Keppel Data Centres invested in a data centre startup, Nautilus Data Technologies Inc's (Nautilus) Series C preferred stock funding.

Based in California, Nautilus employs patented water-cooling technology in pre-fabricated facilities, which are more cost-efficient and environmentally sustainable than traditional structures and can be rapidly deployed across the globe.

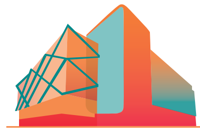
The Data Centre Division also collaborated with Huawei International, JTC Corporation and Info-Communications Media Development Authority of Singapore to explore innovative data centre management systems, technologies and designs.



Logistics Division

$141.0m

Revenue decreased by $4.9 million compared to the preceding year due to lower warehousing revenue in Singapore.



Data Centre Division

$36.0m

Revenue decreased by $12.8 million compared to the preceding year due largely to divestments of subsidiaries.

Chairman's Statement

The Group will continue to evolve in tandem with technological breakthroughs and fast-changing consumer needs to deliver better solutions to our customers.

As part of the Keppel Group, Keppel T&T benefits from being able to draw synergies from Keppel Group's multi-business strategy to create value for investors. Through Keppel Data Centres Holding Pte Ltd (KDCH), Keppel T&T is an investor in the Alpha Data Centre Fund (ADCF), which successfully closed at US$1 billion, double the initial target size in the past year. Collaborating with the ADCF would allow Keppel T&T to scale up and seize more opportunities in the development and management of data centre assets.

In 2017, KDCH entered into a share purchase agreement with Thorium DC Pte. Ltd., a 70-30 joint venture company between the ADCF and KDCH, for the transfer of the entire issued share capital of Keppel DC Singapore 4 (KDC SGP 4) for a consideration of approximately $170 million.

Making Strategic Investments and Divestments

In 2017, M1 recorded a service revenue of $828 million. Net profit after tax decreased by 11.5% to $133 million due to a highly competitive market and price pressures from the impending entry of the fourth telecommunications player in the market.

Together with other majority shareholders of M1, in 2017, the Group conducted a strategic review of its shareholdings in M1 and subsequently, decided not to proceed further. The majority shareholders took into consideration the proposals from interested parties, which despite a favourable level of interest, did not meet the minimum criteria and parameters as determined by the majority shareholders.

Committed to Sustainability

As we grow and transform our businesses in Logistics and Data Centres, we continue to emphasise Environmental, Social, Governance (ESG) stewardship in our operations. We integrate ESG considerations holistically in our strategy as we believe it supports our efforts to achieve long-term returns for our stakeholders.

Keppel T&T continued to uphold high corporate governance and operational excellence standards and was conferred the prestigious Gold Award for Best Managed Board (Mid Cap category) at the Singapore Corporate Governance Awards 2017. Keppel T&T was also Runner-up at Singapore Corporate Governance (Mid Cap category) in the Securities Investors Association (Singapore) Investor Choice Awards.

In addition, its subsidiaries, Keppel Logistics Pte Ltd, was recognised as the Singapore Domestic Logistics Service Provider of the Year and UrbanFox Pte Ltd (formerly known as Courex Pte Ltd) was awarded the Singapore Emerging Logistics Service Provider of the Year from Frost and Sullivan.

Looking Forward

Keppel T&T is well placed to ride on the digitalisation wave that both the logistics and data centre industries are experiencing. As the business models of our customers evolve, either with new technological breakthroughs or in response to fast-changing end-consumer expectations, Keppel T&T will also transform itself to stay ahead of the latest market trends to better serve its customers. We will continue to focus our efforts and resources to innovate, as well as sharpen our operating units' capabilities to deliver better solutions to our customers.

At the same time, we will spare no effort to streamline resources and enhance cost efficiencies to ensure a lean and optimal business structure. The Group will also seek opportunities in strategic acquisitions of accretive assets, and divestments to unlock value and recycle capital.

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 and guidance.

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
3 March 2018

1.
Recognised for its environmentally-friendly features, KDC SGP 4 was awarded the BCA-IMDA Green Mark Award (Platinum) for New Data Centres and the BCA Green Mark Award (Platinum) for Non-residential New Buildings at the BCA Awards 2017.

2.
Following the strategic acquisition of a majority stake in Courex in 2016, Keppel Logistics officially launched UrbanFox, an omnichannel logistics and channel management solutions brand.

Board of Directors

Board Committees

N Nominating Committee

A Audit Committee

R Remuneration Committee

B Board Risk Committee

B Board Safety Committee

Loh Chin Hua | age 56

Non-Independent and Non-Executive Chairman N R

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 2017):
4 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 2018):
Listed companies
Keppel Corporation Limited (Executive Director and Chief Executive Officer)

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

Major Appointments (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 2013 to 31 December 2017):
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 53

Executive Director and Chief Executive Officer B

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 2017):
3 years 6 months

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

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

Present Directorships (as at 1 January 2018):
Listed companies
Keppel DC REIT Management Pte. Ltd. (Manager of Keppel DC REIT); SVOA Public Company Ltd

Other principal directorships
Alpha DC Fund Private Limited; Asia Airfreight Terminal Company Limited; Computer Generated Solutions, INC.; Indo-Trans Keppel Logistics Vietnam Co. Ltd.; Keppel Anhui Food Logistics Park Pte. Ltd.; Keppel Capital Holdings Pte. Ltd.; Keppel Data Centres 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; Keppel Technology & Innovation Pte Ltd; Radiance Communications Pte Ltd

Major Appointments (other than directorships):
Nil

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
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 DC Singapore 3 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 60

Independent Director

A B

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 2017):
5 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 2018):
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
Nil

Major Appointments (other than directorships):
Canon Endowed Chair Professor of Business and Director of the Asian Business Case Centre at Nanyang Business School (NBS), Nanyang Technological University, Singapore

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
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; J. Lauritzen Singapore Pte. Ltd

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 (1998 to 2004); Professor, Lee Kuan Yew School of Public Policy (2006 to 2010); Dean and Canon Professor of Business at the Nanyang Business School, Nanyang Technological University (2016 to 2017)

Karmjit Singh

age 70

Independent Director

N A B

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 2017):
7 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 2018):
Listed companies
Nil

Other principal directorships
Nil

Major Appointments (other than directorships):
Chairman of the Chartered Institute of Logistics and Transport, Singapore; Member of the Public Transport Council

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
Nil

Others:
Former Chief Operating Office 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 63

Independent Director
B N R B

Date of first appointment as a director:
1 September 2014

Date of last re-election as a director:
19 April 2017

Length of service as a director (as at 31 December 2017):
3 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 2018):
Listed companies
Nil

Other principal directorships
Keppel Offshore & Marine Ltd

Major Appointments (other than directorships):
Nil

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
Cadenze Agriculture Environmental Resources Pte. Ltd.; Imagi International Holdings Limited; iRock Technology Limited

Others:
Nil

Khor Poh Hwa
age 67

Independent Director
R A

Date of first appointment as a director:
1 July 2014

Date of last re-election as a director:
19 April 2017

Length of service as a director (as at 31 December 2017):
3 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 2018):
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

Major Appointments (other than directorships):
Nil

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
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 63

Independent Director

B A

Date of first appointment as a director:
1 August 2015

Date of last re-election as director:
15 April 2016

Length of service as a director (as at 31 December 2017):
2 years 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 2018):
Listed companies
Nil

Other principal directorships
Agri-Veterinary Authority of Singapore

Major Appointments (other than directorships):
Sr. Consultant, Dentons Rodyk & Davidson LLP

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
Keppel Land Limited; Keppel REIT Management Limited (Manager of Keppel REIT); Keppel Land China Limited; HTL International Holdings Ltd; Addvision Pte. Ltd.; Visodand Pte. Ltd.

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

Chan Hon Chew
age 52

Non-Independent and Non-Executive Director

A

Date of first appointment as a director:
1 June 2014

Date of last re-election as a director:
19 April 2017

Length of service as a director (as at 31 December 2017):
3 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; Fellow Member of the Institute of the Singapore Chartered Accountants

Present Directorships (as at 1 January 2018):
Listed companies
Keppel DC REIT Management Pte. Ltd. (Manager of Keppel DC REIT) (Chairman); KrisEnergy Ltd

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

Major Appointments (other than directorships):
Chief Financial Officer,
Keppel Corporation Limited

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
Tiger Airways Holdings Limited; Virgin Atlantic Limited (Alternate Director); Virgin Atlantic Airways Limited (Alternate Director); Virgin Travel Group Limited (Alternate Director); Singapore Aviation & General Insurance Company (Pte) Ltd; RCMS Properties Private Limited

Others:
Member of the Singapore Accounting Standards Council; Member of ISS Management Board, Institute of Systems Science, National University of Singapore

Senior Management & Key Executives

Corporate Office

Thomas Pang Thieng Hwi | age 53

Chief Executive Officer

Bachelor of Arts (Engineering), 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 investment, 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 2013 to 31 December 2017)
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 DC Singapore 3 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 | age 58

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 2013 to 31 December 2017)
Nil

Data Centre Division

Wong Wai Meng | age 49

Chief Executive Officer

Bachelor of Engineering (Electrical and Electronic Engineering), Nanyang Technological University; First Vice Chairman in the Executive Committee Council of SGTECH (formerly known as SiTF); Council Member in Information Technology Standards Committee (ITSC); Chairman of Green IT Technical Committee (GITTC); Committee Member in the Technology Strategy Committee of Mount Alvernia Hospital

Mr Wong Wai Meng is the Chief Executive Officer 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 2013 to 31 December 2017)
Frontline Solutions 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 57

Chief Executive Officer

Bachelor of Business Administration and Master of Business Administration (Finance), Roosevelt University, Chicago, Illinois, USA

Mr Desmond Gay is the Chief Executive Officer 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 2013 to 31 December 2017)
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, Strategy & Investment
Keppel Data Centres

Kenny Khow Wee Kuan
Head, Commercial
Keppel Data Centres

Stuart Kennedy
General Manager
iSeek-KDC Services Pty Ltd

Logistics Division

Darren Lee Kian Peng
General Manager,
Contract Logistics (Southeast Asia & Australia)
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
Urban Logistics
UrbanFox Pte. Ltd.

Corporate Structure

Keppel Telecommunications & Transportation Ltd

- **LOGISTICS**
  - Keppel Logistics Pte Ltd
    - Keppel Logistics (M) Sdn Bhd
    - Keppel Logistics (Australia) Pty Ltd
    - Indo-Trans Keppel Logistics Vietnam Co Ltd
    - UrbanFox Pte Ltd (f.k.a. Courex Pte Ltd)
    - PT Keppel Puninar Logistics
  - Keppel Logistics (Foshan) Limited
    - Foshan Keppel Customs Declaration Company Limited
      - Foshan Keppel Shipping Agency Company Limited
      - Sanshui Keppel Customs Declaration Company Limited
    - Keppel Logistics (Foshan Sanshui Port) Company Limited
      - Keppel Warehousing Service (Foshan Sanshui Port) Company Limited
  - Steamers (HK) Limited
    - Keppel Logistics (Hong Kong) Limited
      - Keppel International Freight Forwarding (Shenzhen) Limited
  - Keppel Tianjin Logistics Pte Ltd
    - Keppel Logistics (Tianjin Eco-city) Limited
  - Keppel Jilin Food Logistics Park Pte Limited
    - Jilin Sino-Singapore Food Zone International Logistics Co Ltd
  - Keppel Anhui Food Logistics Park Pte Ltd
    - Keppel Wanjiang International Coldchain Logistics Park (Anhui) Co Ltd
  - Wuhu Sanshan Port Co Ltd
- **DATA CENTRE**
  - Keppel Data Centres Pte Ltd
    - Keppel Data Centres Holding Pte Ltd
      - Keppel DC Singapore 1 Ltd
      - Keppel DC Singapore 2 Pte Ltd
      - Keppel Almere Pte Ltd
        - Keppel Data Centre Almere BV
      - Keppel DCS3 Services Pte Ltd
      - Keppel Data Centres (Hong Kong) Limited
      - Keppel Data Centre Holdings Europe Limited
        - Keppel Data Centre Holdings Germany GmbH
      - Keppel DC Singapore 3 LLP&
      - Alpha DC Fund Private Limited
      - Calcium DC Pte Ltd^
      - Thorium DC Pte Ltd^
    - Keppel Data Centre Facility Management Pte Ltd
      - iseek-KDC Services Pty Ltd
      - Keppel DC Development Europe Limited
    - Keppel DC Investment Holdings Pte Ltd
      - Keppel DC REIT
    - Keppel DC REIT Management Pte Ltd
    - Nautilus Data Technologies Inc
- **INVESTMENTS**
  - Keppel Communications Pte Ltd #
    - Keppel Telecoms Pte Ltd
      - M1 Limited
      - Keppel Networks Pte Ltd
    - Radiance Converged Solutions Sdn Bhd
    - Radiance Communications Pte Ltd
      - Trisilco Radiance Communications Sdn Bhd
    - Business Online Public Company Limited
  - Apsilon Ventures Pte Ltd
    - SVOA Public Company Limited
    - Advanced Research Group Company Limited
    - ARIP Public Company Limited
    - ABIKS Development Co Ltd
  - Adfact Pte Ltd
    - Computer Generated Solutions Inc

Subsidiary Companies
Associated Companies
Jointly Controlled Entities
\# Held by Keppel Data Centres Pte Ltd
^ Held by Keppel Data Centres Holding Pte Ltd and Alpha DC Fund Private Limited
& Held by Keppel Data Centres Holding Pte Ltd and Keppel DC REIT

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

Business Structure

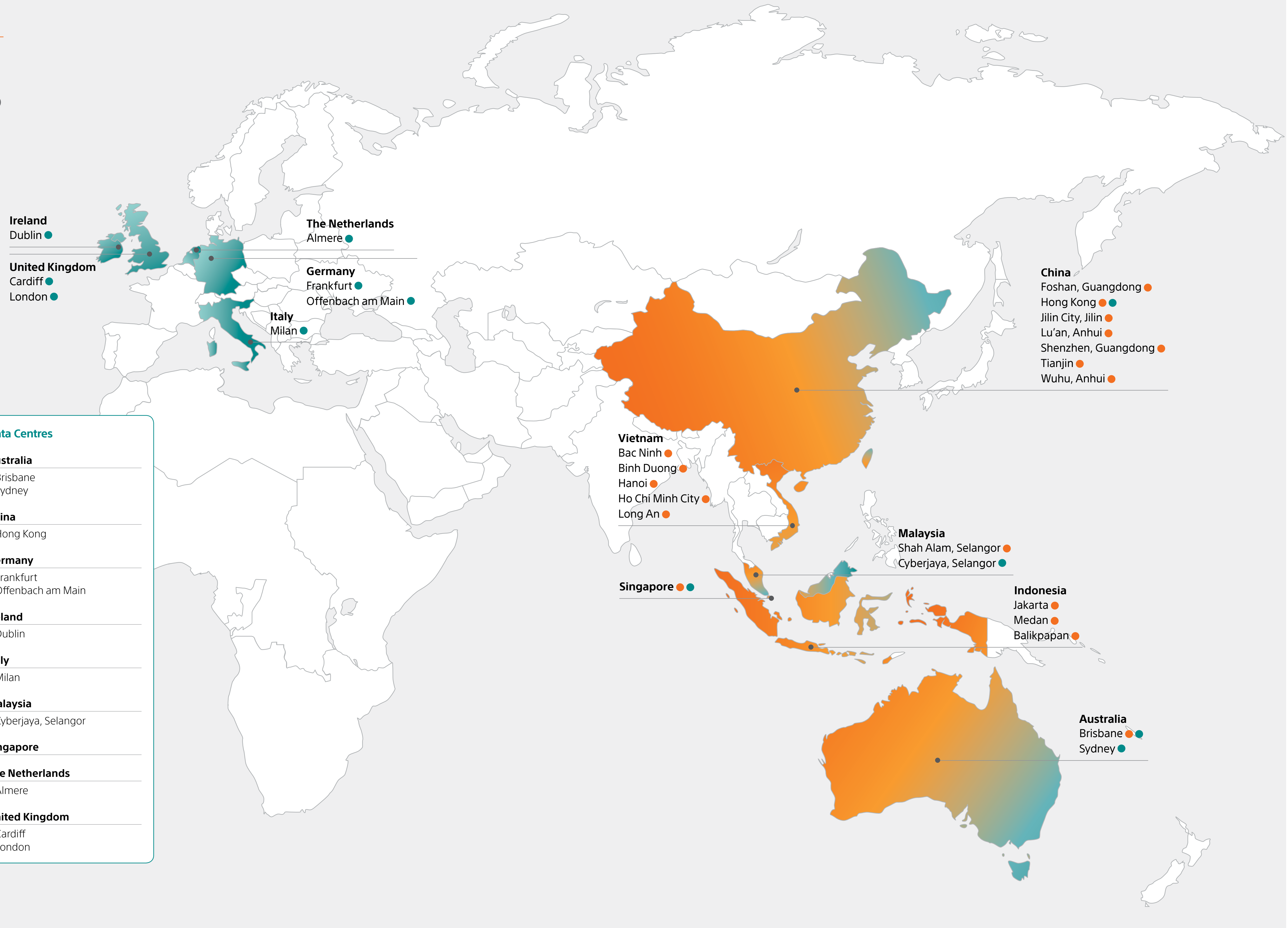
Keppel Telecommunications & Transportation Ltd

- 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
- Shenzhen, Guangdong
- Tianjin
- Wuhu, Anhui

Indonesia
- Jakarta
- Medan
- Balikpapan

Malaysia
- 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

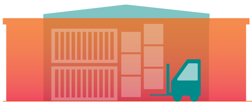
Logistics
Data Centre

Business Review
Logistics

Overview

Revenue
$141.0m

Net Profit
$13.3m



Warehouses
3.5m sq ft
Total owned and managed warehouse space in six countries across Asia Pacific.

Market Review
In 2017, Southeast Asia continued to achieve stable GDP growth of 5%[1], propelled by a pick-up in external demand, as well as continued resilience in domestic consumption and investment.

Apart from being a global production and export hub, Southeast Asia is urbanising rapidly and has one of the highest economic growth rates with a relatively young population. Coupled with the ubiquity of the internet and mobile technology, these factors have given rise to the region's accelerated e-commerce growth. A recent study[2] found that e-commerce sales in Southeast Asia have grown at a Compound Annual Growth Rate (CAGR) of 41% between 2015 and 2017.

In China, economic growth was slightly higher at 6.9% in 2017 compared to the previous year. Growth is increasingly driven by services and consumption as China undergoes reforms to become a more domestic-driven economy.

These trends offer opportunities for logistics service providers who can adapt to the changes with the right supply chain solutions.

Earnings and Financial Review
In 2017, Logistics Division's revenue of $141.0 million decreased by $4.9 million compared to 2016 due to lower warehousing revenue from Singapore operations. Operating profit of $20.3 million in 2017 included fair value gain on other

[1] Source: The ICAEW Economic Insight: South East Asia
[2] Source: e-Conomy SEA Spotlight 2017 by Google and Temasek Holdings

Earnings Highlights ($'000)

	2017	2016	% Increase/ (Decrease)
Logistics			
Revenue	**141,003**	145,872	(3)
Operating profit/(loss)	**20,297**	(17,361)	nm
Profit/(loss) before tax	**16,776**	(19,802)	nm
Net profit/(loss)	**13,297**	(15,508)	nm
Assets employed	**263,637**	294,557	(10)

nm – not meaningful

investments. In 2016, operating loss was $17.4 million due mainly to impairment loss on fixed assets. Excluding one-off adjustments in both years, operating profits were $3.4 million and $9.6 million in 2017 and 2016 respectively. The decline in operating profit compared to 2016 was due mainly to lower revenue and higher depreciation and costs incurred to set up the new omnichannel distribution business. Loss before taxation excluding the one-off items was $0.1 million as compared to the $7.2 million profit before taxation in 2016 due to lower operating profit, decrease in share of results of associated companies and higher interest expense. After taking into account taxation and non-controlling interests, net profit attributable to shareholders was $13.3 million.

Business Review

Urban Logistics

On the back of the acquisition of Courex in 2016, Keppel Logistics integrated its Business-to-Business (B2B) operations with Courex's Business-to-Consumer (B2C) logistics and digital capabilities, to offer omnichannel logistics and channel management solutions to its customers.

In October 2017, Courex was rebranded and launched as UrbanFox to drive growth in the e-commerce space and urban logistics. UrbanFox's solutions help companies establish and grow their online retail presence through leading online marketplaces or their own online webstores, while maintaining a centralised platform to manage content, inventory and transactions across all channels. Leveraging Keppel Logistics' core strengths in third-party logistics (3PL) solutions, UrbanFox will be able to offer companies a range of storage options, including temperature-controlled warehouses. In addition, UrbanFox uses smart algorithms for last-mile deliveries and optimises delivery routes by time and area, making the delivery easy and convenient for retailers, customers, and delivery workers.

As at end-2017, the Logistics Division has won five channel management contracts and continued to see strong interest from both existing and potential customers for its integrated omnichannel logistics solutions. In recognition of its growing capabilities, UrbanFox was awarded the Singapore Emerging Logistics Service Provider of the Year by Frost and Sullivan. The Division will continue to strengthen its new capabilities and expand its omnichannel solutions business in Southeast Asia.

Contract Logistics

In Singapore, the Logistics sector was faced with intense market competition, as oversupply of warehousing space and disruptive business models continued to challenge profit margins.

To enhance its value propositions to customers, the Division is expanding its scope of services to include end-to-end omnichannel logistics solutions. Leveraging its strengths in providing B2B solutions, and combining UrbanFox's B2C capabilities, the Division is well positioned to benefit from the fast growing e-commerce and urban logistics markets.

In Vietnam, Indo Trans Keppel Logistics (ITKL) has secured new contracts in e-commerce logistics, including the provision of

Significant Events

March
Keppel T&T entered into a conditional Sales and Purchase Agreement to sell its entire 10% interest in Asia Airfreight Terminal Company Limited.

August
Keppel Logistics received the 2017 Frost & Sullivan Singapore Domestic Logistics Service Provider of the Year Award, while UrbanFox received the Emerging Logistics Service Provider of the Year Award.

Keppel Wanjiang International Coldchain Logistics Park (Anhui) Co., Ltd commenced trial operations.

October
Keppel Logistics launched UrbanFox, an omnichannel logistics solutions brand with end-to-end capabilities.

November
Keppel Logistics divested its entire 25% interest in Transware Logistics (Sri Lanka) for a total consideration of approximately $1.3 million.

Keppel T&T announced a strategic review of its China logistics portfolio.

1.
Testament to its unwavering commitment to service excellence, Keppel Logistics was named winner of the Singapore Domestic Logistics Provider of the Year Award at the Frost & Sullivan Best Practices Awards on 4 October 2017.

Business Review
Logistics

warehousing, inventory management and value-added services in the key urban hubs of Hanoi and Ho Chi Minh City. In Indonesia, Keppel Puninar Logistics (KPL), the Division's joint venture, expanded both its warehousing capacity and transportation fleet to support new and existing customers. All of its five warehouses in Jakarta (Java), Medan (Sumatra) and Balikpapan (Kalimantan) achieved close to full occupancy. The company also won a leading Indonesian e-commerce marketplace provider as its new customer.

In China, the Division's distribution centre in the Sino-Singapore Tianjin Eco-City achieved an average occupancy rate of 65% in 2017. Besides cold room, ambient warehousing and inventory management, the Tianjin Eco-City Distribution Centre has commenced freight forwarding and transportation services to provide end-to-end logistics solutions to its customers.

In recognition of its operational and business excellence, Keppel Logistics received the Singapore Domestic Logistics Service Provider of the Year Award from Frost and Sullivan for the sixth time since 2009.

Port Logistics
The Division's river ports in China put up a better performance compared to 2016, handling 380,578 TEUs of containers despite stiffer market competition.

Lanshi Port performed creditably amidst challenging conditions due to traffic restrictions on heavy truck usage and relocation of ceramic factories from Nanzhuang Hefeng Industrial Zone to other locations such as Xiqiao and Sanshui. To offset the fall in ceramic export cargoes, the port has actively pursued alternative sources of cargo. Foshan Sanshui Port started upgrading its port equipment system in 2017 to improve its productivity. Throughput at Sanshui Port achieved a year-on-year 3% growth to 209,578 TEUs. In Anhui, the Division's joint venture, Wuhu Sanshan Port, achieved a 13% year-on-year growth for throughput to reach 4.6 million tonnes, following the expansion of its customer base.

The Division will continue to pursue new customers and increase cargo throughput, to bolster its port logistics performance.

Projects Under Development
At Keppel Wanjiang International Coldchain Logistics Park (Anhui) Co., Ltd (KWICC), construction is close to completion. Trial operations have commenced since August 2017. Efforts are ongoing to secure customers for the logistics park once it commences operations after obtaining the Occupancy Permit in 2018.

Due to the slowdown in the development of the Sino-Singapore Jilin Food Zone, the Division has put on hold the construction of the Sino-Singapore Jilin Food Zone International Logistics Park. The Division will closely monitor the overall development.

1st

Operational Excellence

6 times

Keppel Logistics was conferred for the sixth time since 2009, the Singapore Domestic Logistics Provider of the Year Award from Frost & Sullivan.

1

1.
Courex was rebranded and launched as UrbanFox in October 2017 to provide omnichannel logistics & channel management solutions.

Outlook

Looking ahead, ASEAN's economic integration and the proliferation of e-commerce are key drivers that will transform the logistics industry. Research[3] shows that the region's internet economy might potentially hit US$200 billion by 2025, a four-fold increase from 2017. Logistics players will continue to see new growth opportunities in omnichannel logistics, multi-modal transportation, cold chain logistics and intelligent transportation systems, apart from the conventional 3PL verticals.

The Division will continue to strengthen its capabilities to deliver new solutions in its target markets. Concurrently, the Division will implement measures to boost its productivity and explore divestment opportunities to optimise its capital resources.

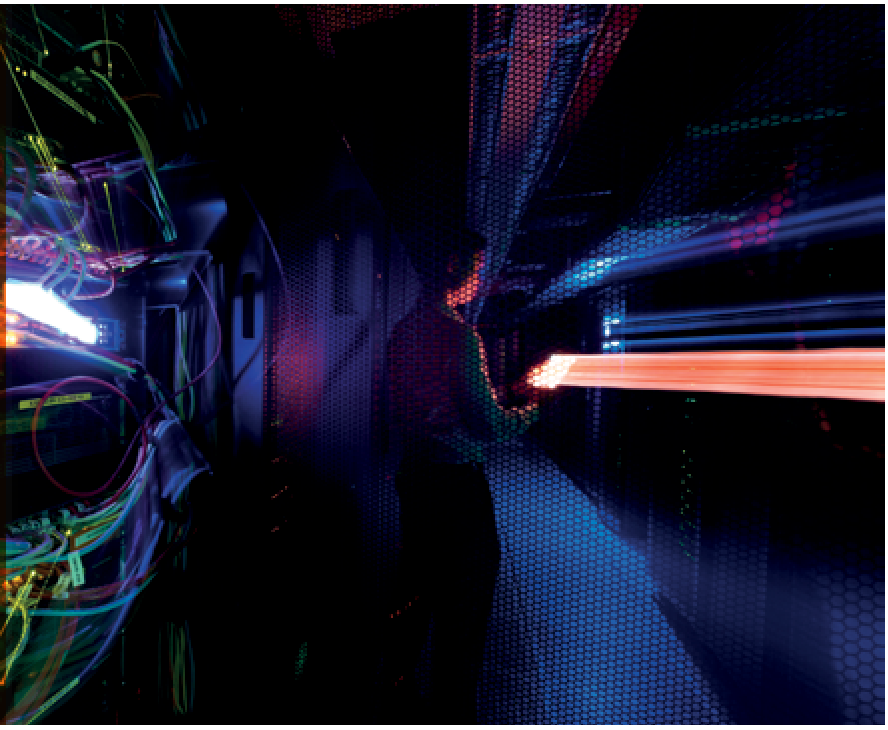
[3] Source: e-Conomy SEA Spotlight 2017 by Google and Temasek Holdings

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	348,800	–	30-year leasehold (expiring in 2043)
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	6,200	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 (under construction)	Jilin Sino-Singapore Food Zone International Logistics Co Ltd	70	Construction slowdown*	–	50-year leasehold (expiring in 2062)
Lu'an City, Anhui Province, People's Republic of China (under construction)	Keppel Wanjiang International Coldchain Logistics Park (Anhui) Co Ltd	60	1,503,400 (built-up areas for commercial purposes, under construction)	–	50-year leasehold (expiring in 2063)

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

Business Review
Data Centre

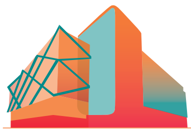


Overview

Developing new assets and innovating data centre design and systems to sharpen competitiveness.

Revenue
$36.0m

Net Profit
$20.2m



Continued Expansion

195,000 sq ft

The Division added over 195,000 sq ft of GFA to its portfolio with the completion of Keppel DC Singapore 4 and the PCCW Global-Keppel International Carrier Exchange.

Market Review

The proliferation of rich media, digital solutions and increased connectivity globally has led to a surge in data consumption, which in turn drives the demand for data centre space.

Following the rising adoption of public cloud, demand for data centre colocation has increasingly shifted from the traditional sectors of financial services, international enterprise and telecommunications to cloud service providers and digital content providers.

In Europe, growing demand for data centre colocation services was not only restricted to the core hubs of Frankfurt, London, Amsterdam and Paris, but also expanded to other locations such as Milan and Dublin. These new areas of growth were spurred by the connection of subsea cables into new regions which led to new data centre hubs. In Asia Pacific, growth in data centre colocation remained strong with the surge in data consumption, rising trends for data centre outsourcing and regional hosting strategy by global content providers. Singapore continues to be the preferred choice of major information technology services, infrastructure and outsourcing providers with its robust network infrastructure and connectivity, registering an estimated $1.3 billion in colocation revenue in 2017[1].

On the other hand, the strong demand for data centre space has led to an increase in merger and acquisition activities, which grant interested players fast access into the sector and target markets. This has in turn created more pressure for colocation providers to enhance their capabilities and networks, in order to stay competitive in the long run.

[1] Structure Research, December 2017

Earnings Highlights ($'000)

	2017	2016	% Increase/ (Decrease)
Data Centre			
Revenue	**35,985**	48,750	(26)
Operating profit	**8,563**	110,418	(92)
Profit before tax	**28,220**	121,390	(77)
Net Profit	**20,200**	100,015	(80)
Assets employed	**369,114**	369,199	*

* Denotes increase/(decrease) less than 1%

Earnings and Financial Review

Data Centre Division's revenue in 2017 was $36.0 million, $12.8 million lower compared to 2016 due largely to divestment of subsidiaries, Keppel DC REIT Management Pte Ltd (KDCRM) and Keppel DC Singapore 3 Pte Ltd. After the divestments, both companies were equity accounted as associated companies.

Operating profit was $8.6 million compared to $110.4 million in 2016. Excluding the one-off gains of $3.5 million and $82.8 million in 2017 and 2016 respectively, operating profit decreased by $22.5 million in 2017 due to the absence of contribution from subsidiaries disposed, higher overheads and manpower cost to support development and growth in the business.

Share of results of associated companies increased by $9.0 million compared to 2016 due mainly to equity accounting for new and existing associated companies. After taking into account taxation and non-controlling interests, net profit attributable to shareholders was $20.2 million, $79.8 million lower than that of 2016.

Business Review

Keppel Data Centres

Upon the acquisition of Keppel DC Frankfurt 1 at end-2016, the Division has successfully taken over the operations of the data centre. Keppel Data Centre Holdings Europe Limited, the Division's wholly-owned subsidiary, was established in February 2017 to expand its operational capacity to Europe.

Keppel DC Singapore 4 (KDC SGP 4), the Division's fourth data centre in Singapore, was completed in mid-2017. The Tier-3 facility features approximately 182,000 sq ft of gross floor area over five floors, and was certified with both BCA-IMDA Green Mark Award (Platinum) for New Data Centres and the BCA Green Mark Award (Platinum) for Non-Residential New Buildings. Similar to the Division's other projects, the data centre will be fitted out in phases and in tandem with customer demand. Phase 2 fit-out work has commenced at end-2017, and had registered strong interest from customers.

In April 2017, Keppel Data Centres Holding (KDCH) and PCCW Global launched the PCCW Global-Keppel International Carrier Exchange (ICX) in Hong Kong, to provide faster interconnects for businesses. Leveraging Keppel Data Centres' technical expertise and operational track record as well as PCCW Global's extensive global network connectivity, the ICX aims to address the demand for access performance and network security arising from cloud services, big data, and rich media in business critical applications.

During 2017, KDCH entered into several strategic partnerships to explore innovations in data centre design, space and systems. The first was the signing of an MOU between KDCH and Huawei to collaborate on data centre efficiency and sustainability in the areas of Green Technology, High Performance Computing, Scientific Software Application, Networking Solutions, amongst others.

A second MOU, inked between KDCH and JTC, was to explore the feasibility of deploying underground data centres. A third partnership was a Letter of Intent (LOI) for KDCH, Info-communications Media Development Authority and Huawei to collaborate in the exploration of deploying a high-rise green data centre that features energy-efficient technologies. The exploration of innovative use of space will open up new possibilities for the land-scarce Singapore.

As a testament to its steadfast commitment to green data centre solutions, KDCH invested US$10 million in Nautilus Data Technologies, Inc (Nautilus), a start-up that has successfully launched a waterborne data centre prototype with its patented water-cooling technology in a pre-fabricated facility. Nautilus is currently building its commercial floating data centre which is slated for deployment in 2018.

To enhance its connectivity solutions, KDCH partnered with the Singapore Internet Exchange Ltd (SGIX) to set up its point of presence within Keppel DC Singapore 1 to enhance Internet Peering connectivity in Singapore. Customers of Keppel Data Centres with network connection to SGIX will enjoy reduced latency and lower operating costs from the streamlining of Internet connections. They will also benefit from high-speed extensive global interconnectivity afforded

Data Centre Facilities Owned

Facilities	Effective interest through KDCH (%)[2]	Effective interest through ADCF (%)	GFA (sq ft)	Tenure
Keppel DC Singapore 4	**21**	**32**	182,100	30-year lease (expiring in 2020) with option for another 30 years
Keppel DC Frankfurt 1	**28**	**27.4**	215,300	Freehold
Almere Data Centre 2	**70**	**–**	138,200	Freehold

[2] Owned through KDCH

Significant Events

January
Keppel DC REIT completed its acquisition of 90% interest in Keppel DC Singapore 3.

April
KDCH and PCCW Global launched the PCCW Global-Keppel International Carrier Exchange (ICX) in Hong Kong to provide faster interconnects for businesses.

May
Huawei and KDCH announced the launch of Huawei's Cognitive Data Centre reference site located at Keppel DC Singapore 4.

July
KDCH injected its interests in Keppel DC Singapore 4 into the Alpha Data Centre Fund (ADCF).

KDCH and JTC Corporation (JTC) signed a Memorandum of Understanding (MOU) to explore the feasibility of deploying data centres underground to provide highly resilient and secure data centre services.

KDCH signed a Memorandum of Intent (MOI) with Info-communications Media Development Authority and Huawei to explore the feasibility of deploying a high-rise green data centre that features energy-efficient technologies.

September
Keppel T&T, through KDCH, invested US$10 million in data centre start-up Nautilus Data Technologies Inc's (Nautilus) Series C financing.

Keppel DC REIT acquired its second colocation data centre in Dublin, Ireland-Keppel DC Dublin 2.

October
ADCF secured additional investment from the Canada Pension Plan Investment Board (CPPIB), bringing the total fund size to US$1 billion.

November
KDCH partnered with the Singapore Internet Exchange Ltd. (SGIX) to enhance network connectivity in Singapore.

Business Review
Data Centre

by the international and regional services providers that are currently peered with SGIX.

The Division continued to unlock value in its assets through its capital recycling strategy. During the year, it divested Keppel DC Singapore 3 to Keppel DC REIT, and injected its interest in Keppel DC Singapore 4 into the Alpha Data Centre Fund (ADCF). Amidst the strong interest from institutional investors for quality assets, ADCF has secured more commitment and investment interest, with the fund size increasing to US$1 billion. When fully leveraged and invested, the Fund will potentially have assets under management of approximately US$2.3 billion.

Keppel DC REIT Management

As at end-2017, Keppel DC REIT has assets under management (AUM) of approximately $1.51 billion, comprising 13 data centres across Asia Pacific and Europe. The REIT has been steadily growing its portfolio since its IPO in 2014, and has announced six acquisitions to date, two of which were completed in 2017 – Keppel DC Singapore 3 and Keppel DC Dublin 2, formerly known as B10 Data Centre.

Keppel DC REIT's AUM as at 31 December 2017 excluded maincubes Data Centre, which is being developed in Offenbach am Main, Germany. Upon the facility's legal completion expected in 2Q 2018, AUM will increase to $1.65 billion and the facility's 15-year master lease will also start contributing income to Keppel DC REIT.

As at 31 December 2017, portfolio occupancy rate was at 92.6%, while portfolio WALE remained long at 9.1 years. Apart from seeking inorganic growth, KDCRM will continue to execute its proactive asset management strategy to enhance portfolio returns.

Leveraging its global client base and established track record, KDCRM will continue to capitalise opportunities available across Asia Pacific and Europe.

Outlook

The growth in big data, Internet of Things and cloud computing is expected to boost and sustain the demand for data centre space. The global data centre colocation market is projected to grow at a Compound Annual Growth Rate (CAGR) of 14.6% from 2017 to 2020, to reach US$62.3 billion[3]. In Singapore, despite the recent influx of new data centre capacity, the colocation market is expected to register a healthy growth of 13% year-over-year in 2018[4].

Challenges remain with the increasing competition from market consolidation and new market entrants, as well as pressure to reduce energy costs and improve efficiency. Rapid growth in the data creation and the energy-intensive nature of the data centre industry have given rise to the increasing needs for more energy-efficient green data centre technologies and solutions.

With the partnerships with ADCF and Keppel DC REIT, the Data Centre Division will continue to proactively pursue new development and acquisition opportunities in Asia Pacific and Europe. The Division will also advance its efforts to sharpen its value propositions, especially in the areas of green data centre design and technologies to build sustainable value for its portfolio.

[3] Source: Data Centre Colocation Market by Markets and Markets
[4] Source: Structure Research

Keppel DC REIT's Portfolio (as at 31 December 2017)

Asia Pacific

Property	Keppel DC Singapore 1	Keppel DC Singapore 2	Keppel DC Singapore 3
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	53,821	53,815
Gross Floor Area (sq ft)	225,945	106,726	133,878
Lettable Area (sq ft)	109,721	37,098	49,433[5]
Number of Clients[1]	17	4	2
Lease Type	Keppel lease/Colocation	Keppel lease / Colocation	Keppel lease / Colocation
Facility Manager	Keppel DC Singapore 1 Ltd.[2]	Keppel DC Singapore 2 Pte. Ltd.[4]	Keppel DCS3 Services Pte. Ltd.[6]
Occupancy Rate (%)	84.6%	100%	100%
Valuation ($mil)[3]	286.0	166.0	223.5

1 Certain clients have signed more than one colocation arrangement using multiple entities. Clients 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 Keppel DC REIT outsources facilities management of KDC SGP 1 to Keppel DC Singapore 1 Ltd. Keppel DC Singapore 1 Ltd is a wholly-owned subsidiary of Keppel Data Centres Holding Pte Ltd, a joint venture company held indirectly by Keppel Telecommunications and Transportation Ltd (Keppel T&T) and Keppel Land Limited (Keppel Land) in the proportion of 70% and 30% respectively.
3 Based on respective ownership interests and independent valuations as at 31 December 2017. Excludes maincubes Data Centre of which the purchase price is stated. Based on exchange rates of S$1.00 = A$0.980, S$1.00 = £0.549, S$1.00 = RM3.030, S$1.00 = €0.623 as at 31 December 2017.
4 Keppel DC REIT outsources facilities management of KDC SGP 2 to Keppel DC Singapore 2 Pte Ltd. Keppel DC Singapore 2 Pte. Ltd. is a wholly-owned subsidiary of Keppel Data Centres Holding Pte Ltd, a joint venture company held indirectly by Keppel T&T and Keppel Land in the proportion of 70% and 30% respectively.
5 Attributable lettable area of KDC SGP 3 and Basis Bay Data Centre are 90% and 99% of total building net lettable area respectively.
6 Keppel DC REIT outsources facilities management of KDC SGP 3 to Keppel DCS3 Services Pte. Ltd.. Keppel DCS3 Services Pte. Ltd. is a wholly-owned subsidiary of Keppel Data Centres Holding Pte Ltd, a joint venture company held indirectly by Keppel T&T and Keppel Land in the proportion of 70% and 30% respectively.
7 Keppel DC REIT outsources facilities management to iseek-KDC Services Pty Limited in respect of the colocation space at Gore Hill Data Centre which is used by two end-clients. iseek-KDC Services Pty Limited is 60% owned by Keppel T&T and 40% owned by iseek Pty Ltd.
8 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.

Keppel DC REIT's Portfolio (as at 31 December 2017)

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)	48,193[5]	90,955	87,930	12,389
Number of Clients[1]	1	3	1	1
Lease Type	Colocation	Triple-net lease (Shell and core)/Colocation	Triple-net lease (Shell and core)	Double-net lease (Fully fitted)
Facility Manager	Basis Bay Services MSC Sdn Bhd	iseek-KDC Services Pty Limited[7]	–	–
Occupancy Rate (%)	63.1%	100%	100%	100%
Valuation ($mil)[3]	31.0	204.0	51.3	34.2

Europe

Property	Cardiff Data Centre	GV7 Data Centre	Almere Data Centre
Address	Ty Cynnal, Dunleavy Drive, Celtic Gateway, Cardiff CF110SW, United Kingdom	7 Greenwich View Place, Millharbour Road, London, E14 9NN, United Kingdom	Rondebeltweg 62 'Sallandsekant' Business Park, Almere, the Netherlands
Land Title	Freehold	Leasehold (Expiring 28 September 2183)	Freehold
Keppel DC REIT's Ownership Interest (%)	100%	100%	100%
Land Area (sq ft)	279,864	N.A.[8]	85,358
Gross Floor Area (sq ft)	–	34,848	–
Lettable Area (sq ft)	79,439	24,972	118,403
Number of Clients[1]	1	1	1
Lease Type	Triple-net lease (Shell and core)	Triple-net lease (Fully fitted)	Double-net lease (Fully fitted)
Facility Manager	–	–	–
Occupancy Rate (%)	100%	100%	100%
Valuation ($mil)[3]	61.9	68.3	143.6

Property	Keppel DC Dublin 1	Keppel DC Dublin 2 (formerly BIO Data Centre)	Milan Data Centre	maincubes Data Centre (under development)
Address	Unit 4033 - 4035 Citywest Business Campus, Naas Road, Dublin 24, Ireland	Unit B10, Ballycoolin Business and Technology Park, Blanchardstown, Dublin 15, Ireland	Via Bisceglie 71, 73 and 75, Milan, Italy	Goethering 29, Offenbach am Main, Germany
Land Title	Leasehold (Expiring 11 April 2041)	Leasehold (Expiring 31 December 2997)	Freehold	Freehold
Keppel DC REIT's Ownership Interest (%)	100%	100%	100%	100%
Land Area (sq ft)	218,236	149,620	128,791	60,235
Gross Floor Area (sq ft)	125,044	76,747	–	–
Lettable Area (sq ft)	68,118	25,200	165,389	126,800
Number of Clients[1]	15	4	1	1
Lease Type	Colocation	Colocation	Double-net lease (Fully fitted)	Triple-net lease (Fully fitted)
Facility Manager	–	–	–	–
Occupancy Rate (%)	56.6%	87.3%	100%	100%
Valuation ($mil)[3]	77.2	108.9	58.5	134.7

Business Review
Investments

Overview

M1's service revenue increased 2.8% year-on-year.

Net Profit
$18.3m

Asset Employed
$316.8m

Earnings and Financial Review

In 2017, Investments Division's profit before taxation of $26.8 million decreased by $1.8 million compared to 2016 due mainly to lower contribution from associated companies, partly offset by lower net interest expense. Consequently, net profit attributable to shareholders was lower by $2.3 million at $18.3 million.

Operations Overview

M1 remains the major contributor in the Investments Division. M1's service revenue continued its quarterly growth trend to close the year at $828.1 million, 2.8% higher year-on-year. Fixed services revenue increased 24.5% to $129.7 million, and accounted for 15.7% of service revenue compared to 12.9% a year ago. EBITDA decreased 3.1% to $302.4 million due mainly to higher handset loss. Net profit after tax declined 11.5% to $132.5m as a result of increased depreciation and amortisation expenses and higher interest expense.

As at end 2017, M1's total customer base grew to 2.23 million, of which mobile customers increased by 19,000 to 2.04 million and fibre customers increased by 29,000 to 189,000 from 2016. Overall mobile market share increased to 24.0% as at end November 2017, compared to 23.8% as at end 2016.

With a strong focus on network quality, customer service, innovation and value, M1 introduced a host of new offerings and enhanced its existing products in 2017.

Earnings Highlights ($'000)

	2017	2016	% Increase/ (Decrease)
Investments			
Profit before tax	**26,849**	28,695	(6)
Net profit	**18,287**	20,573	(11)
Assets employed	**316,786**	244,271	30

M1 launched Southeast Asia's first commercial nationwide NB-IoT network to support Singapore's transformation into a Smart Nation.

In August 2017, M1 made available Singapore's first unlimited data 4G mobile plan, mySIM³ 98 at S$98 a month to cater to consumers' growing data needs for social networking, video and music streaming services on the move. This was followed by the launch of M1's big-data-bundled MySIMᵉ plans, with subsidised handsets. To provide customers more flexibility and value in using their local data bundles in overseas destinations, M1 launched two new regional Data Passports – one for nine ASEAN destinations and the other for 23 Asia destinations in February 2017.

M1 also stepped up its financial and cyber security service offerings in the year. In April 2017, M1 launched a new digital mobile remittance service, M1 Remit, to enable its mobile customers to access real-time exchange rates and remit funds to their designated recipients anytime, anywhere, through a mobile app or a browser on their smart device. In September 2017, Asia's first network-based mobile malware detection solution, M1 Mobile Guard, was launched to offer convenient, always-on protection.

The Corporate fixed services business is a growth segment. In addition to connectivity, M1 continued to strengthen its corporate product offerings and competencies during the year in areas such as ICT solutions.

In October 2017, M1 launched the world's first symmetrical 10Gbps PON (passive optical network) connectivity service, as well as next-generation unified operations monitoring centre for real-time monitoring of network services and IT infrastructure in both private and public cloud. It also expanded its state-of-the-art fibre to the building infrastructure with full redundancy capability to more than 55 shopping malls, offices and commercial buildings to better manage provision of service end-to-end.

In August 2017, M1 launched Southeast Asia's first commercial nationwide Narrowband Internet of Things (NB-IoT) network. The new network will catalyse smart solutions innovation and support Singapore's transformation into a Smart Nation. To date, M1 and its partners have available IoT solutions such as smart energy management for buildings, environmental monitoring, asset tracking and fleet management. The eco-system is evolving and mass adoption will take time.

It is expected that competition will increase in 2018 with the anticipated entry of new mobile service providers. M1 remains committed to improving its services and delivering superior customer experience to attract and retain customers.

1

1.
Due to its strong focus on customer service, innovation and value, M1's customer base grew to 2.23 million in 2017.

Financial Review

Overview

Share of results from associated companies and joint ventures increased by 7% in 2017.

Revenue
$177.0m

Net Profit
$51.8m

Final Dividend

3.5 cents

The Group is proposing a final dividend of 3.5 cents per share.

The Group's revenue of $177.0 million decreased by 9% due mainly to lower warehousing revenue from Logistics Division and absence of revenue due to disposal of subsidiaries, Keppel DC Singapore 3 Pte. Ltd. and Keppel DC REIT Management Pte. Ltd. in January 2017 and July 2016 respectively.

The Group's operating profit of $16.7 million decreased by 79% due mainly to absence of contribution from subsidiaries disposed in the Data Centre Division, lower contribution from the Logistics Division and higher costs to support new developments. In the corresponding year of 2016, one-off gains amounting to $55.8 million were recognised on the disposal of 50% interest in Keppel DC REIT Management Pte. Ltd. and adjustment for sale proceeds of data centres disposed, partly offset by impairment loss on fixed assets from the Logistics Division.

The Group's profit before tax decreased by 45% to $71.8 million due mainly to lower operating profit, partly offset by higher contribution from the associated companies. Share of results of associated companies and joint ventures increased by 7% in 2017 as compared to the preceding year.

After taking into account taxation and non-controlling interests, the Group's net profit attributable to shareholders was $51.8 million. Excluding the one-off gains,

Overview

	2017 $'000	2016 $'000	Change %
Revenue	**176,988**	194,622	(9)
Operating profit	**16,748**	80,173	(79)
Profit before tax	**71,845**	130,283	(45)
Net profit	**51,784**	105,080	(51)
Operating cash flow	**(5,387)**	28,759	nm
Free cash flow*	**1,206**	42,561	(97)
Earnings per share (EPS)	**9.3 cts**	18.9 cts	(51)
Return on equity (ROE)	**6.4%**	13.8%	(54)
Total distribution to shareholders (per share)	**3.5 cts**	4.5 cts	(22)

* Free cash flow excludes expansionary acquisitions, capital expenditure, major investments and divestments.

nm – not meaningful

net profit attributable to shareholders for the 2017 decreased by 33% to $32.4 million compared to the preceding year.

Earnings Per Share (EPS) and Return on Equity (ROE) were lower at 9.3 cents and 6.4% respectively.

The Group's net cash used in operating activities was $5.4 million compared to $28.8 million net cash generated from operating activities in 2016. This was due mainly to lower cash flow from operations after working capital changes, offset by interest and income taxes paid during the year. Free cash flow excluding expansionary acquisitions, capital expenditure, major investments and divestments was $1.2 million as compared to $42.6 million in the previous year due mainly to lower net cash flow from operating activities.

For the financial year 2017, the Group is proposing a final dividend of 3.5 cents per share.

The Group will continue to seek opportunities in strategic investments and divestments, while building up capabilities to enhance the resilience of its businesses.

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

Revenue

The Group's revenue of $177.0 million was 9% lower than 2016.

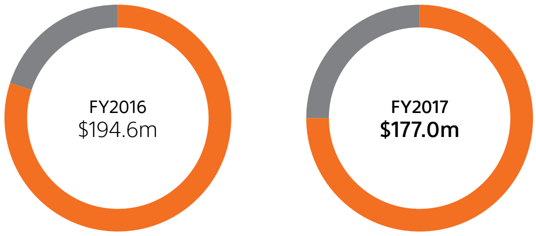
Logistics Division's revenue decreased by $4.9 million or 3% to $141.0 million due to lower warehousing revenue from Singapore operations. The Data Centre Division's revenue of $36.0 million was $12.8 million lower compared to the preceding year due largely to disposal of subsidiaries, Keppel DC REIT Management Pte. Ltd. and Keppel DC Singapore 3 Pte. Ltd.. After the disposal, both companies were equity accounted as associated companies.

Net Profit

The Group's net profit attributable to shareholders of $51.8 million was lower compared to $105.1 million in 2016, due largely to absence of contribution from subsidiaries disposed in the Data Centre Division, lower contribution from Logistics Division and higher costs to support new developments. In 2016, one-off gains amounting to $56.7 million were recognised on the disposal of 50% interest in Keppel DC REIT Management Pte. Ltd. and adjustment for sale proceeds of data centres disposed, partly offset by impairment loss on fixed assets from the Logistics Division.

The Logistics Division's net profit in 2017 increased by $28.8 million to $13.3 million

Revenue



	2016		**2017**		Change
	$'000	%	**$'000**	**%**	%
Logistics	145,872	75	**141,003**	**80**	(3)
Data Centre	48,750	25	**35,985**	**20**	(26)
Total	194,622	100	**176,988**	**100**	(9)

Net Profit

	2016		**2017**		Change
	$'000	%	**$'000**	**%**	%
Logistics	(15,508)	(15)	**13,297**	**26**	nm
Data Centre	100,015	95	**20,200**	**39**	(80)
Investments	20,573	20	**18,287**	**35**	(11)
Total	105,080	100	**51,784**	**100**	(51)

nm – not meaningful

1.
The Logistics Division's net profit increased by $28.8 million to $13.3 million in 2017 due largely to fair value gain on other investments.

Financial Review

due largely to fair value gain on other investments. In 2016, net loss was $15.5 million due mainly to impairment loss on fixed asset. Excluding the one-off adjustments in both years, net profit in 2017 was lower due mainly to lower revenue, higher depreciation and costs incurred to set up the new omnichannel distribution business.

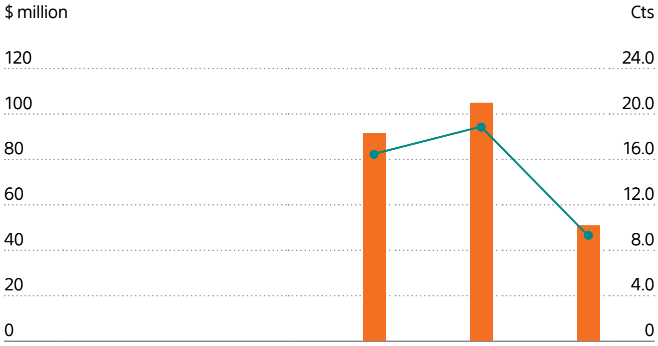
The Data Centre Division's net profit decreased by $79.8 million to $20.2 million due largely to absence of contribution from subsidiaries disposed, higher overheads and manpower cost to support development and growth in the business. Share of results of associated companies increased by $9.0 million compared to the preceding year due mainly to equity accounting for new and existing associated companies.

The Investments Division's net profit of $18.3 million decreased by $2.3 million or 11% compared to 2016 due to lower contributions from associated companies, partly offset by lower net interest expense. M1 remained the most significant profit contributor to the Group at $25.4 million. As at 31 December 2017, the Group held a 19.3% equity stake in M1.

ROE & Dividend Per Share
ROE of 6.4% was lower compared to 13.8% in 2016 due to decrease in net profit. The Group paid a final dividend of 4.5 cents per share for financial year 2016. Proposed final dividend of 3.5 cents per share has been recommended for financial year 2017, to be paid in 2018.

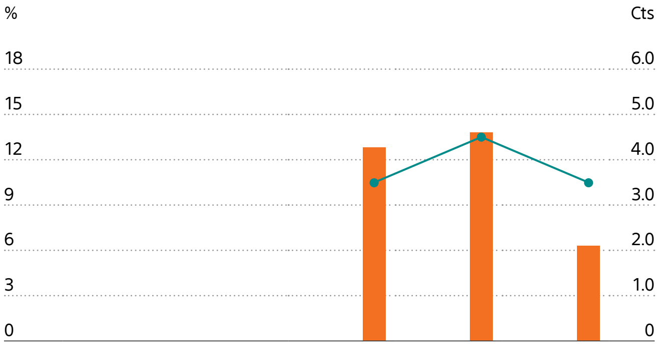
Cash Flow
To better reflect its free cash flow for operational activities, the Group had excluded expansionary acquisitions and capital expenditure which are meant for long-term growth, major investments and divestments.

Net Profit & EPS



	2015	2016	**2017**
Net Profit	91.5	105.1	**51.8**
EPS (Cts)	16.5	18.9	**9.3**

ROE & Dividend Per Share



	2015	2016	**2017**
ROE (%)	12.8	13.8	**6.3**
Dividend Per Share (Cts)	3.5	4.5	**3.5**

1.
Through the strategic investment in Nautilus Data Technologies Inc., an internationally recognised company that employs patented water-cooling technology in pre-fabricated facilities, Keppel Data Centres is actively exploring more environmentally sustainable and cost-efficient ways to deploy data centres.

Investments increased by $127.7 million from $686.9 million in 2016 to $814.6 million in 2017.

Net cash used in operating activities was $5.4 million in 2017 compared to $28.8 million net cash from operating activities in 2016. This was due mainly to lower cash flow from operations after working capital changes, offset by interest and income taxes paid during the year.

After excluding expansionary acquisitions, capital expenditure, major investments and divestments, net cash from investing activities in 2017 was $6.6 million largely from dividend income from associated companies and proceeds from disposal of fixed assets, partly offset by operational capital expenditure, advances and loan to associated companies.

Free cash flow was $1.2 million compared to $42.6 million in the previous year.

Total distribution to shareholders of the Company and non-controlling shareholders of subsidiaries for the year amounted to $26.3 million.

Financial Position

Total assets of the Group decreased from $1,722.9 million to $1,537.2 million in 2017.

Fixed assets increased by $5.6 million to $373.3 million in 2017 due mainly to construction of logistics facilities, partly offset by depreciation charges. Investment properties of $74.6 million decreased by $109.3 million compared to 2016 due mainly to the transfer of issued share capital of Keppel DC Singapore 4 Pte. Ltd. to Thorium DC Pte. Ltd., a joint venture company with Alpha DC Fund Private Limited.

Investments increased by $127.7 million from $686.9 million in 2016 to $814.6 million in 2017 due mainly to increase in investments in associated companies by $126.1 million as a result of equity accounting for the share of profits, recognition of an associated company for the 10% retained interest and a capital injection in Keppel DC Singapore 3 LLP, subscription of a 30% interest in Thorium DC Pte. Ltd., capital call by Alpha DC Fund Private Limited and subscription of shares in a start-up company, Nautilus Data Technologies Inc., partly offset by dividends received.

Bank balances and cash decreased by $7.0 million to $96.0 million due largely to capital expenditure, investment in associated companies, repayment of borrowings, dividends paid to shareholders of the Company, partly offset by proceeds received from disposal of subsidiaries and dividends received from associated companies.

Cash Flow

	2017 $'000	2016 $'000	Change $'000
Cash flows from operating activities			
Operating profit	**16,748**	80,173	(63,425)
Depreciation, amortisation and other non-cash items	**3,013**	(39,782)	42,795
Operating cash flows before changes in working capital	**19,761**	40,391	(20,630)
Working capital changes	**(10,025)**	8,544	(18,569)
Net interest and taxes paid	**(15,114)**	(22,183)	7,069
Refund of proceeds from tax losses transferred under group relief system	**(9)**	2,007	(2,016)
Net cash (used in)/from operating activities	**(5,387)**	28,759	(34,146)
Cash flows from investing activities			
Proceeds from disposal of fixed assets	**488**	903	(415)
Investments and capital expenditure	**(10,821)**	(7,507)	(3,314)
Capital reduction and distributions received from other investments	**819**	405	414
Shareholders loan and advances to associated companies	**(30,819)**	(27,707)	(3,112)
Dividend income	**46,926**	47,708	(782)
Net cash from investing activities	**6,593**	13,802	(7,209)
Free cash flow*	**1,206**	42,561	(41,355)
Dividend paid to shareholders of the Company and subsidiaries	**(26,332)**	(20,812)	(5,520)

* Free cash flow excludes expansionary acquisitions, capital expenditure, major investments and divestments.

Financial Review

Other assets decreased by $202.7 million to $178.7 million in 2017 due mainly to disposal of a subsidiary, Keppel DC Singapore 3 Pte. Ltd., which was classified as assets held for sale in 2016, partly offset by increase in debtors and amounts owing by associated companies. Amounts owing by associated companies increased by $32.7 million in 2017 due mainly to advance to an associate. Assets classified as held for sale of $43.3 million were related to other investments as at 31 December 2017.

The Group's net borrowings of $361.4 million in 2017 were lower than $425.8 million in 2016 due mainly to repayment of loans and lower fixed deposits and bank balances. The gross borrowings of $457.4 million as at 31 December 2017 were financed by a 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 by $38.0 million from $796.7 million in 2016 to $834.7 million in 2017. The increase was due mainly to net profit for the year, fair value gain on other investments and foreign currency translation gain, partly offset by payment of final dividends of 4.5 cents for the financial year 2016.

Non-controlling interests of the Group increased by $2.1 million to $113.5 million in 2017 due mainly to retained profits generated by non-wholly owned subsidiaries.

The net gearing ratio of the Group decreased from 0.53 times in 2016 to 0.38 times in 2017. Net debt decreased due largely to repayment of loans.

Interest coverage ratio is lower at 7.2 times in 2017 compared to 11.3 times in 2016 due mainly to lower earnings before interest expense and tax (EBIT).

At the last Annual General Meeting in 2017, shareholders gave their approval for mandates to issue and buy back shares. The Company did not exercise these mandates during the year.

Loans are estimated to be repayable as follows:

	2017 $'000	2016 $'000
Within one year[1]	**115,423**	152,762
Between one and two years	**116,755**	301,000
Between two to five years	**118,309**	145,507
After five years	**106,900**	9,496
Total borrowings	**457,387**	608,765

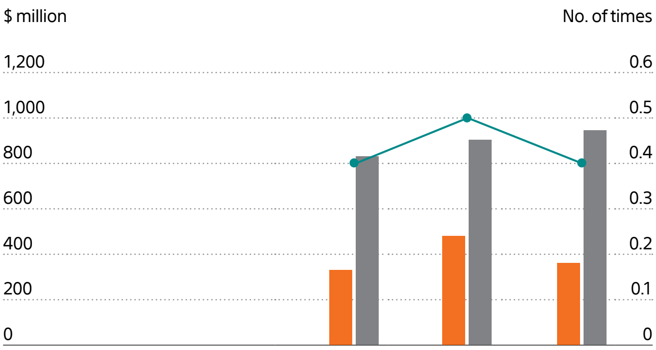
The Group's borrowings in 2017 consist of unsecured loans of $449.2 million (2016: $543.2 million) and secured loans of $8.2 million (2016: $65.5 million).

[1] Inclusive of borrowings of $80.0 million directly associated with assets classified as held for sale in 2016.

1.
The Logistics Division continues to transform itself to meet the changing demands for urban logistics solutions and services.

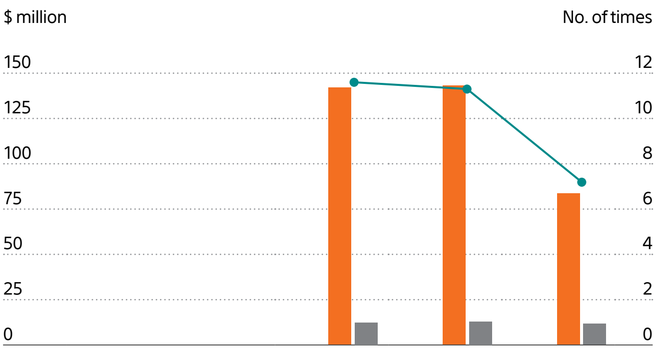
2.
Keppel Data Centres Pte Ltd partnered with IMDA and Huawei to explore the feasibility of deploying a high-rise green data centre that features energy-efficient technologies.

Net Gearing



	2015	2016	**2017**
Net Debt	326.9	482.2	**361.4**
Total Equity	824.5	908.0	**948.2**
Net Gearing Ratio	0.4	0.5	**0.4**

Interest Coverage



	2015	2016	**2017**
EBIT	141.8	143.0	**83.3**
Interest Expense	12.2	12.7	**11.5**
Interest Coverage Ratio	11.6	11.3	**7.2**

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 a MTN Programme for its working capital, investments and capital expenditures. A MTN Programme of $500 million was established in June 2012 of which $100 million was utilised as at 31 December 2017. Gross borrowings as at 31 December 2017 were $457.4 million (2016: $608.8 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.

At the end of 2017, 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 $978.4 million (2016: $1,258.5 million) of which $188.6 million (2016: $492.8 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.

Financial Review

1.
With a strong focus on network quality, customer service, innovation and value, M1 remains a service provider of choice to its growing customer base.

The Group's financial risk management is covered in greater detail in the notes to the financial statements on pages 124 to 127.

Significant Accounting Policies
The significant accounting policies of the Group is 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 judgements, estimates and assumptions.

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

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.

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 judgement is required in establishing fair value. Judgements include considerations of liquidity, future financial performance and discount rate used.

Significant judgement 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. Details of valuation techniques and inputs used in the valuation of available-for-sale financial assets are disclosed in Note 37.

Management exercises judgement 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.

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.

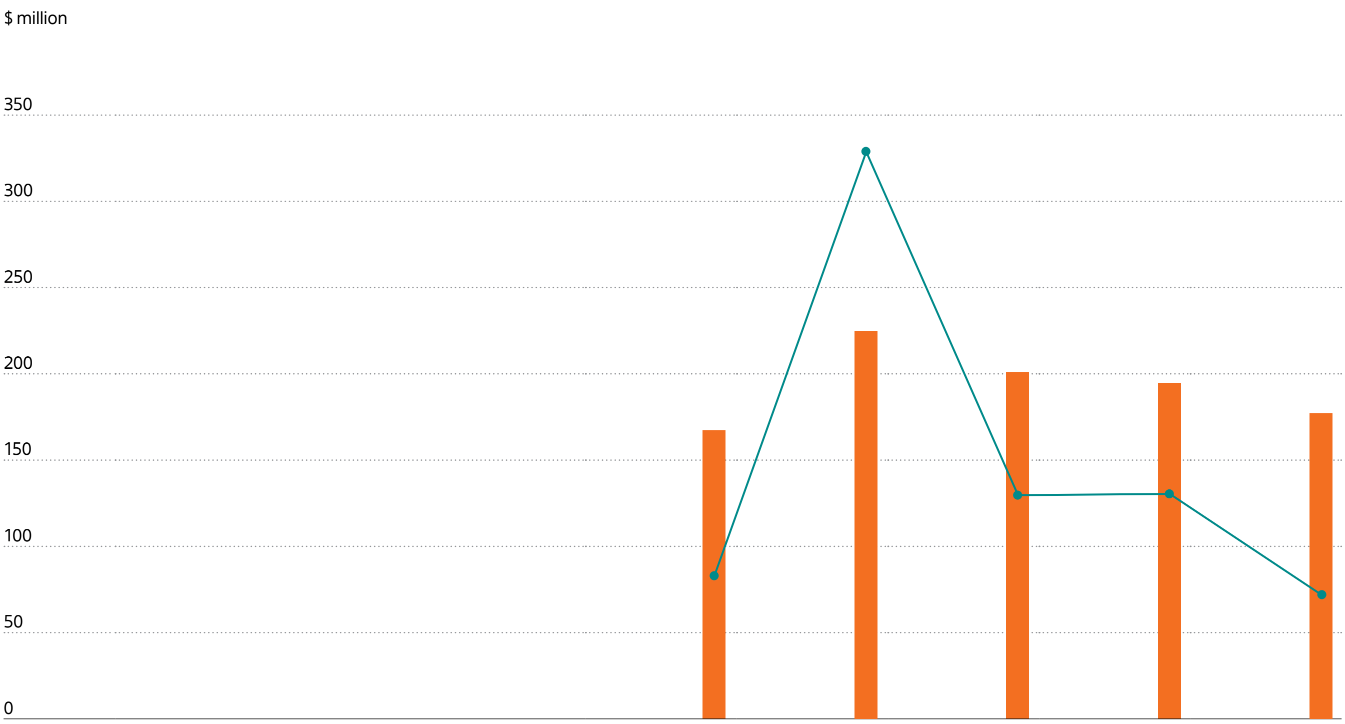
Taxation
The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved for certain transactions in which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities on expected tax issues based on estimates. 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.

Five-Year Group Operating Results

The results of Group for the five years ended 31 December 2017 were as follows:

	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000
Revenue	166,863	224,563	200,566	194,622	**176,988**
Operating profit	33,288	278,903	54,198	80,173	**16,748**
Interest income	614	424	1,811	1,726	**1,120**
Interest expense	(7,505)	(11,868)	(12,232)	(12,696)	**(11,493)**
Share of results of associated companies and joint ventures	56,650	61,148	85,832	61,080	**65,470**
Profit before taxation	83,047	328,607	129,609	130,283	**71,845**
Taxation	(13,367)	(20,418)	(23,623)	(16,960)	**(15,928)**
Profit for the year	69,680	308,189	105,986	113,323	**55,917**
Attributable to:					
Shareholders of the Company	63,186	246,578	91,481	105,080	**51,784**
Non-controlling interests	6,494	61,611	14,505	8,243	**4,133**
	69,680	308,189	105,986	113,323	**55,917**

Revenue & Profit Before Taxation

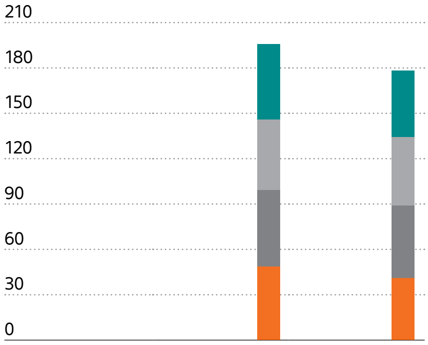


	2013	2014	2015	2016	**2017**
Revenue	166.9	224.6	200.6	194.6	**177.0**
Profit Before Taxation	83.0	328.6	129.6	130.3	**71.8**

Quarterly Results

Quarterly Revenue

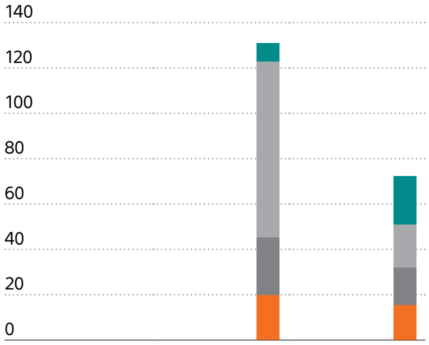
$ million



	2016	2017
Q4	49.7	**43.7**
Q3	46.5	**45.0**
Q2	50.2	**47.6**
Q1	48.2	**40.7**
Total	194.6	**177.0**

Quarterly Profit Before Taxation

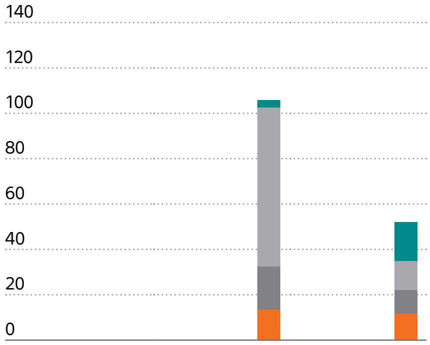
$ million



	2016	2017
Q4	8.3	**21.3**
Q3	77.1	**18.9**
Q2	25.2	**16.3**
Q1	19.7	**15.3**
Total	130.3	**71.8**

Quarterly Net Profit

$ million



	2016	2017
Q4	3.1	**17.1**
Q3	69.9	**12.8**
Q2	18.8	**10.3**
Q1	13.3	**11.6**
Total	105.1	**51.8**

	1st Qtr $'000	**2nd Qtr $'000**	**3rd Qtr $'000**	**4th Qtr $'000**	**Total $'000**
Revenue					
2016	48,268	50,178	46,496	49,680	194,622
2017	**40,716**	**47,622**	**44,966**	**43,684**	**176,988**
Operating (loss)/profit					
2016	6,695	8,313	63,897	1,268	80,173
2017	**(1,673)**	**2,397**	**3,195**	**12,829**	**16,748**
Profit before taxation					
2016	19,698	25,205	77,060	8,320	130,283
2017	**15,268**	**16,327**	**18,928**	**21,322**	**71,845**
Net profit					
2016	13,313	18,808	69,878	3,081	105,080
2017	**11,572**	**10,284**	**12,786**	**17,142**	**51,784**

Five-Year Group Financial Profile

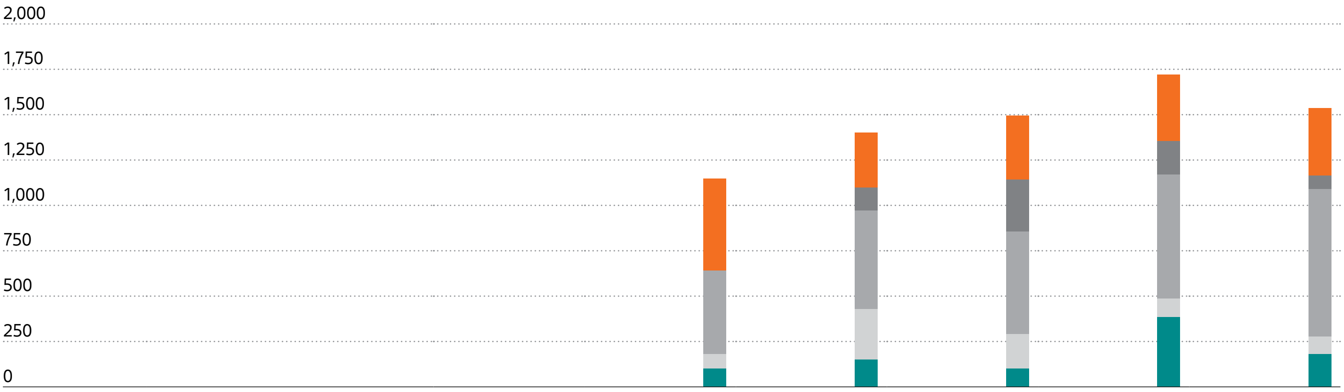
	2013	2014	2015	2016	2017
Balance Sheet ($'000)					
Fixed assets	507,446	304,880	356,152	367,731	**373,283**
Investment properties	–	127,067	288,643	183,902	**74,586**
Investments	463,012	542,529	567,223	686,909	**814,550**
Intangibles	–	18,229	16,757	2,209	**1,964**
Bank balances and cash	80,178	280,664	188,507	102,950	**96,028**
Other assets	97,869	129,595	82,285	90,400	**133,538**
Assets classified as held for sale	–	–	–	288,765	**43,250**
Total assets	1,148,505	1,402,964	1,499,567	1,722,866	**1,537,199**
Borrowings	(499,683)	(478,980)	(515,393)	(528,765)	**(457,387)**
Deferred taxation	(16,090)	(1,052)	(9,798)	(9,980)	**(11,642)**
Other liabilities	(87,844)	(130,371)	(149,854)	(161,092)	**(119,965)**
Liabilities directly associated with assets classified as held for sale	–	–	–	(115,002)	**–**
Net assets	544,888	792,561	824,522	908,027	**948,205**
Share capital & reserves	470,458	706,558	722,509	796,664	**834,706**
Non-controlling interests	74,430	86,003	102,013	111,363	**113,499**
Total equity	544,888	792,561	824,522	908,027	**948,205**
Per Share					
Earnings (cents)[1]:					
Profit before taxation	13.5	47.9	20.0	21.5	**11.8**
Net profit	11.4	44.4	16.5	18.9	**9.3**
Gross dividends (cents)	3.5	15.0	3.5	4.5	**3.5**
Net asset value ($)	0.85	1.27	1.30	1.43	**1.50**
Net tangible assets ($)	0.85	1.24	1.27	1.43	**1.49**
Financial Ratios					
Return on shareholders' funds (%)[2]:					
Profit before taxation	16.7	45.2	15.5	15.8	**8.1**
Net profit	14.1	41.9	12.8	13.8	**6.4**
Net gearing (times)	0.77	0.25	0.40	0.53	**0.38**

Notes:
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

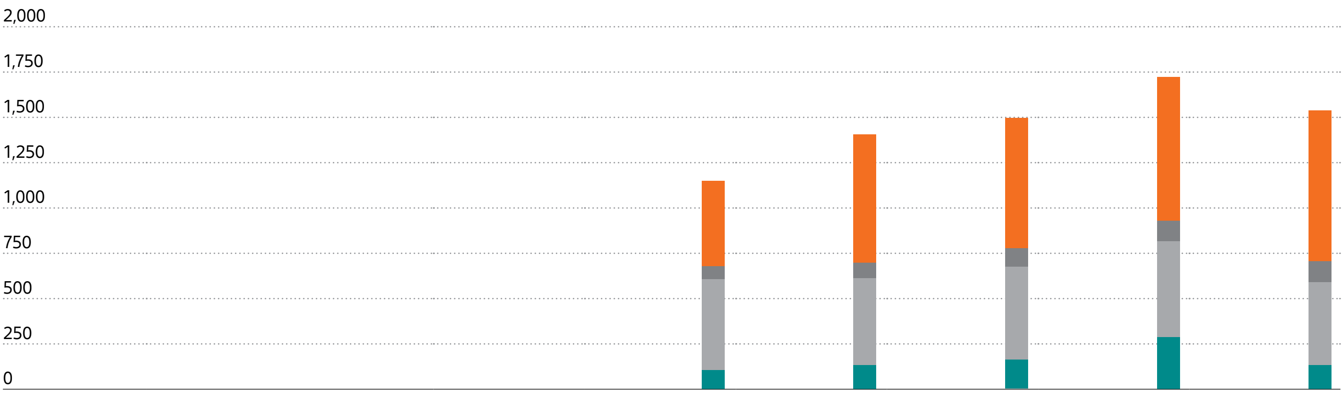
$ million



	2013	2014	2015	2016	**2017**
Fixed Assets	507.4	304.9	356.2	367.7	**373.3**
Investment Properties	–	127.1	288.6	183.9	**74.6**
Investments	463.0	542.5	567.2	686.9	**814.6**
Bank Balances and Cash	80.2	280.7	188.5	103.0	**96.0**
Other Assets	97.9	147.8	99.1	381.4	**178.7**
Total	1,148.5	1,403.0	1,499.6	1,722.9	**1,537.2**

Total Liabilities Owed and Capital Invested

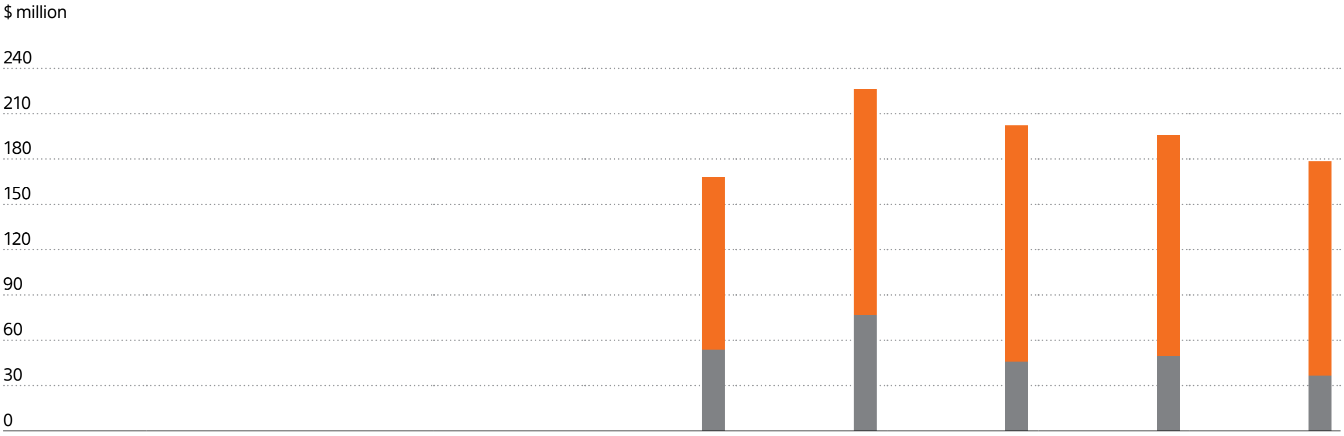
$ million



	2013	2014	2015	2016	**2017**
Shareholders' Funds	470.5	706.6	722.5	796.7	**834.7**
Non-controlling Interests	74.4	86.0	102.0	111.3	**113.5**
Borrowings	499.7	479.0	515.4	528.8	**457.4**
Other Liabilities	103.9	131.4	159.7	286.1	**131.6**
Total	1,148.5	1,403.0	1,499.6	1,722.9	**1,537.2**

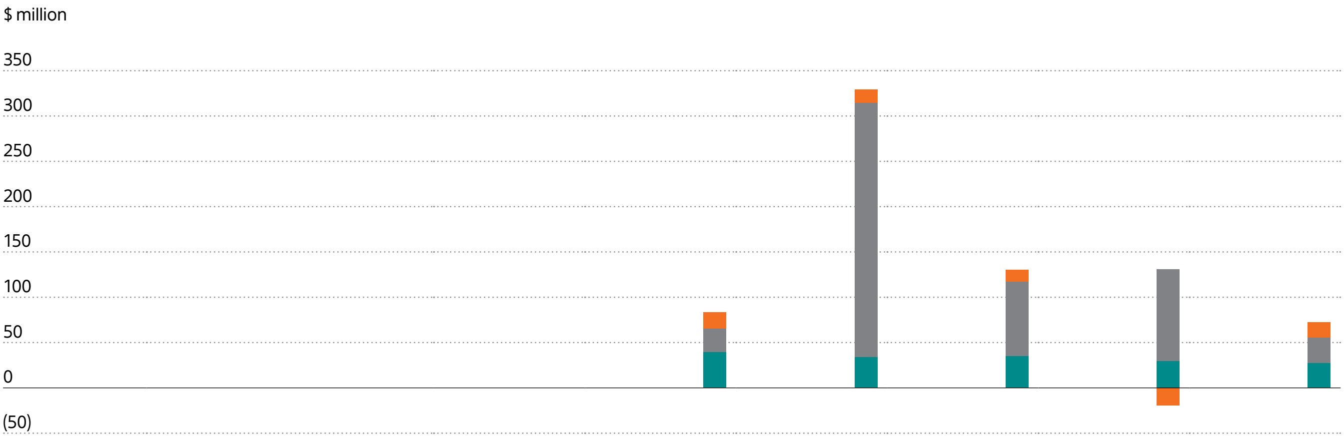
Five-Year Group Analysis by Industry

Revenue



	2013	2014	2015	2016	**2017**
Logistics	113.8	148.7	155.4	145.9	**141.0**
Data Centre	53.1	75.9	45.2	48.7	**36.0**
Total	166.9	224.6	200.6	194.6	**177.0**

Profit Before Taxation



	2013	2014	2015	2016	**2017**
Logistics	18.2	14.6	12.9	(19.8)	**16.8**
Data Centre	26.1	280.7	82.3	121.4	**28.2**
Investments	38.7	33.3	34.4	28.7	**26.8**
Total	83.0	328.6	129.6	130.3	**71.8**

Value Added Statement

	Group 2017 $'000	Group 2016 $'000
Value added from:		
Revenue	176,988	194,622
Less: purchases of materials and services	(98,703)	(94,274)
Gross value added from operation	78,285	100,348
In addition:		
Interest income	1,120	1,726
Share of results of associated companies and joint ventures	54,367	50,798
Other income	23,163	64,726
Total Group value added	156,935	217,598
Distribution of Group's value added:		
To employees in wages, salaries and benefits	60,419	61,932
To government in income and other taxes	8,367	11,150
To providers of capital on:		
Interest paid on borrowings	11,493	12,696
Dividends to shareholders	25,113	19,495
Dividends to non-controlling shareholders in subsidiaries	1,313	1,365
	37,919	33,556
Total distribution	106,705	106,638
Balance retained in the business:		
Depreciation	20,739	18,497
Non-controlling interests	2,820	6,878
Surplus for the year	26,671	85,585
	50,230	110,960
	156,935	217,598
Number of employees (average)	1,461	1,470
Productivity analysis:		
Gross value added per employee ($'000)	54	68
Gross value added per dollar employment cost ($)	1.30	1.62
Gross value added per dollar sales ($)	0.44	0.52

Risk Management

Strengthening Enterprise Risk Management Programme

Keppel T&T operates in eleven 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' interest. Terms of reference of the BRC are disclosed on page 152 of this Report.

The Board has established three risk tolerance guiding principles which determine the nature and boundaries of risk-taking. 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
(4) BRC Guidelines

The Management surfaces key risk issues for discussion and confers with the BRC regularly. The Group's risk governance is set out in pages 147 - 148 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 2017, 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 overall risk management system is adequate and effective.

Strategic

Risk considerations are 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 priorities, having considered the underlying risk factors, and to meet the risk-adjusted rate of return.

Commencing 2017, all investments are reviewed by the BRC prior to Board approval to evaluate and highlight key risks associated with the investments.

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 optimal risk-adjusted returns. The Group's financial risk management is covered in greater detail in pages 124 - 128.

Operational

Operational key 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.

ISO standards and certification are adopted to standardise the processes across the logistics and data centre businesses.

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

Compliance

In 2017, as part of the ongoing efforts to strengthen the Regulatory Compliance (RC) framework, the Regulatory Compliance Committees established formal review and work processes to direct and support the implementation. The enhanced RC framework is built on 6 pillars (i) culture, (ii) policies & procedures, (iii) trainings & communication, (iv) key compliance processes, (v) compliance risk assessment, review & monitoring, (vi) compliance resources.

Efforts have been enhanced in the identification and review of agents or third-party associates. All agents or third-party associates to be engaged are subjected to the due diligence assessment process prior to seeking approval from KTT's Risk and Compliance Management Committee (RCMC).

Policies including the whistle-blower protection policy, suppliers' code of conduct, gifts & hospitality were reviewed and enhanced to strengthen compliance. These policies are made available on the Company's intranet in Singapore and hardcopies at its overseas offices.

A Group-wide e-training and annual declaration exercise was conducted to strengthen compliance and reinforce key principles; such as the enhanced Code of Conduct, Competition Law, Anti-Bribery, Anti-Corruption, Anti-Money Laundering, Personal Data Protection Act (PDPA), Conflict of Interest and Insider Trading.

In addition, customised training was provided to KTT Directors and Senior Management. The training led by Group Risk & Compliance, in conjunction with PWC, provides case studies and real-life examples to reinforce learning.

Strengthening Risk-Centric and Compliance Culture

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

Fortifying Business Continuity Management

The Business Continuity Management (BCM) programme addresses and manages potential threats, and minimises negative impact on people, operations and assets. Crisis management and emergency processes are in place to allow the Group to respond to crises and expedite recovery.

Led by BCM committees, regular Business Continuity Planning and exercises are conducted for various threats to reinforce preparedness and enhance operational work processes at operating units.

Proactive Risk Management

By closely collaborating with our stakeholders, the Group continues to review and refine its risk management methodology, systems and processes to provide the basis for emerging risks to be identified, assessed and effectively managed.

Sustainability Report

At Keppel T&T, we are committed to deliver sustainable value for our businesses, people, environment and the communities where 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 are key to sharpening our competitive edge.

For more information, **go to: p50–59**

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: p60–68**

Nurturing Communities

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

We give back to communities wherever we operate through a multi-faceted approach towards corporate social responsibility.

We cultivate a green mindset in our employees and encourage them to adopt a sustainable lifestyle.

For more information, **go to: p69**

Letter to Our Stakeholders

As an early adopter of sustainability, Keppel T&T executed our vision and mission with the end goal of creating sustainable and long-term value for our stakeholders.

Dear Stakeholders,

The United Nations officially ushered in a set of ambitious goals in 2016 to eradicate poverty, protect the planet and ensure prosperity for all as part of the 2030 Agenda for Sustainable Development. The Agenda called on countries around the world to achieve 17 Sustainable Development Goals (SDGs) over the next 15 years to adequately address the three dimensions of sustainable development: social, economic and environmental, as well as important aspects related to peace, justice and effective institutions.

As an early adopter of sustainability, Keppel T&T executed our vision and mission with the end goal of creating sustainable and long-term value for our stakeholders. We are committed to support these SDGs as we expand our businesses.

Sustainability Performance in 2017

In 2017, Keppel Logistics embarked on a transformational journey to capture opportunities in urban logistics. UrbanFox, our newly-launched e-commerce logistics arm, leverages digital platforms and smart algorithms to facilitate last-mile deliveries and optimise delivery routes. It is an example of how digitalisation can mobilise resources efficiently while generating higher economic value.

In the Data Centre Division, we continued our quest for better energy efficiency through investing in Research and Development. We collaborated with government authorities and technology pioneers to explore innovative data centre space, design, and management systems. Leveraging our expertise and experience as a data centre operator, we proactively helped to advance industrial innovation efforts. Keppel Data Centres also invested in Nautilus Data Technologies, a startup that has successfully launched a waterborne data centre prototype with its patented water-cooling technology, which is more cost-efficient and environmentally sustainable than traditional structures. Green data centre technologies and solutions are becoming more important given the rapid growth of the data centre industry and its energy-intensive nature.

Staff training and career development remained a key focus in our people strategy. The average number of training hours was maintained at 23 hours per staff per year, to help employees reach their full potential and to better contribute to our business growth. Overall employee engagement score improved due to the efforts taken to enhance employees' welfare and benefits.

Safety is one of Keppel's core values and we adopt a continuous and comprehensive safety management approach.

Notwithstanding our strong emphasis on safety, we regret that there were two fatalities at our port logistics facilities in Foshan, China. In response, we implemented an action plan with focuses on training and reinforcement of a safety culture, to be implemented and monitored by the management and staff at all levels.

In the area of community development, we continued to encourage staff to participate in activities for the welfare of the communities where we operate. In Singapore, we partnered the Asian Women's Welfare Association to organise regular events for the underprivileged and disadvantaged members of society. We also organised two coastal cleaning activities in 2017, collecting over 824 kg of trash, to help keep the beach clean while raising awareness among our staff on environmental conservation. In 2017, we achieved a total of 1,767 volunteer hours, outperforming 2016 by over 100 hours.

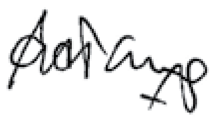
Looking Ahead

Sustainability is integrated in our business strategy as we work towards resource optimisation to lower operating costs and deliver more value to our customers. As we continue to transform and grow in the digital economy, sustainability will be one of the key differentiators for us.

In the Logistics Division, we will continue to harness technology, especially digital platforms and automation, to enhance resource efficiency and productivity. In the Data Centre Division, we stay committed to spearheading industrial innovation to build and operate greener and more efficient data centres.

I hope this Report will help you understand more about our ongoing journey to build a more sustainable and resilient company. We welcome your valuable comments and feedback.

Yours sincerely,



Thomas Pang
1 March 2018

About this Report

This Report covers the areas of sustainability that are deemed material to Keppel T&T and its stakeholders, in terms of Economic, Environmental, Social and Governance aspects.

This Report is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and the Singapore Exchange's Practice Note 7.6 Sustainability Reporting Guide.

The General Standard Disclosures 102-40 to 102-49 from the GRI Standards 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. The sustainability performance of Keppel T&T will be included in Keppel Corporation's Sustainability Report, which will also be externally assured.

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

This Report covers material issues for Keppel T&T's operating subsidiaries in the Logistics and Data Centre Divisions, as shown on page 128-131 as well as for the data centre facilities where the Group is the facility manager (Keppel DC Singapore 1, 2 and 3). Subsidiaries which have yet to start full-scale operations[1], or data centres not managed by the Group[2] are excluded from the scope of reporting. Where possible, we aim to influence the sustainability performance of our joint ventures and associated companies.

This Report is published annually and the disclosure period for this Report is aligned with the 2017 financial reporting period of January to December. However, the performance data stated in this Report is annualised based on 10-month actual data, as finalised 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.

Our previous Sustainability Report was published in March 2017. There are no restatements of information given in the previous report. The scope of material topics and topic boundaries remained the same as those in the previous Report. The reporting scope in 2017 has included data from Keppel Logistics Tianjin, which commenced operations in late 2016.

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

[1] Keppel Data Centres (Hong Kong) Limited, Keppel Jilin Food Logistics Park Pte Ltd, Keppel Wanjiang International Coldchain Logistics Park (Anhui) Co Ltd
[2] Keppel Data Centre Almere BV (holding company of Almere Data Centre 2)

1.
To remain future ready and competitive, Keppel Logistics continued to harness technology, especially digital platforms and automation, to enhance productivity.

Performance Data

	2013	2014	2015	2016	2017	Page
Environment						
Indirect Energy (GJ)	195,403	216,624	259,908	293,743	**295,649**	54-55
Direct Energy (GJ)	43,183	69,842	64,345	61,702	**64,384**	56
Paper (tonnes)	28.5	41.9	50.5	43.6	**49.9**	58-59
Stretch Wrap (tonnes)	130.3	150.0	153.5	134.8	**105.7**	58-59
Water (m^3)	363,142	406,305	480,419	506,142	**446,597**	57-58
Incinerated Waste in Singapore (tonnes)	406	424	455	492	**496**	58-59
Waste Recycled in Singapore (tonnes)	58	65	96	85	**157**	58-59
Recycling Rate in Singapore (%)	13%	13%	17%	15%	**24%**	58-59
Direct Carbon Emissions (tCO_2)	3,235	5,182	4,815	4,620	**4,820**	56-57
Indirect Carbon Emissions (tCO_2)	27,930	28,410	32,873	36,373	**36,712**	56-57
Indirect Emissions (tCO_2) per $1 million Revenue[3]	167	127	79	90	**63**	56-57
Incremental Energy Saved[4] (GJ)	183	2,520	19,830	32,172	**853**	55
Labour						
Training Hours per Employee	39	28	30	32	**23**	64-65
Monthly Employee Turnover (%)	1.1	1.7	2.2	1.8	**1.8**	65
Accident Frequency Rate (reportable accidents per million man-hours)	0.4	0.2	0	0.3	**0.61**	66-68
Accident Severity Rate (man-days lost per million man-hours)	1.7	1.1	0	855.7	**1,839.5**	66-68
Community						
Donation and Sponsorship (S$)	128,930	115,989	92,762	66,917	**74,436**	69
Volunteer Hours	908	1,111	1,444	1,657	**1,767**	69

[3] Excluding revenue and emissions from data centre assets sold to Keppel DC REIT.
[4] Incremental energy saved from initiatives undertaken during the year.

Accolades in 2017

Service Excellence

Keppel Logistics received the Singapore Domestic Logistics Service Provider of the Year award by Frost & Sullivan.

UrbanFox (previously known as Courex), Keppel Logistics' subsidiary, was named Singapore Emerging Logistics Service Provider of the year by Frost & Sullivan.

Corporate Governance

Keppel T&T won Gold award for Best Managed Board, Mid Cap category at the Singapore Corporate Governance Awards.

Keppel T&T won Runner-up for Singapore Corporate Governance Award at the Securities Investors Association (Singapore) Investors' Choice Award.

Safety

Keppel Logistics won a Gold award for redesigning the manual and laborious process of cable cutting and re-spooling, and a Silver award for integrating a foot brake system onto existing goods trolleys, at the Workplace Safety and Health Innovation Awards for the Logistics and Transport sector.

Environment

Keppel DC Singapore 4 received the BCA-IMDA Green Mark Award (Platinum) for New Data Centres, BCA Green Mark Award (Platinum) for Non-residential New Buildings and LEED Gold for Core and Shell development by the U.S. Green Building Council.

Keppel Logistics (Tianjin Eco-City) received the BCA Green Mark certificate for overseas buildings.

Keppel DC Singapore 3 and Keppel Logistics received the Water Efficient (Basic) Building certificate from PUB, Singapore's National Water Agency.

Managing Sustainability

Sustainability Approach

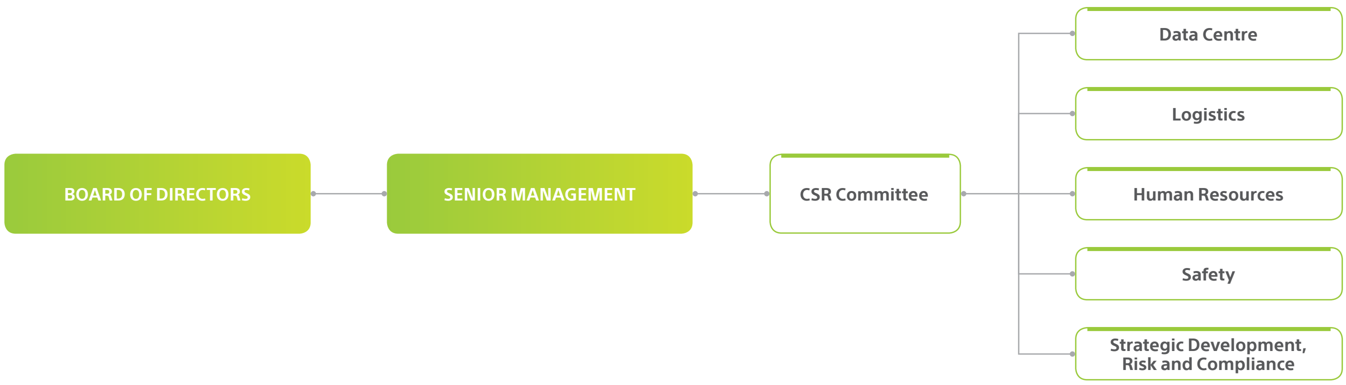
Sustainability is core to Keppel T&T's businesses, as we stay committed to our mission in executing our businesses profitably, safely and responsibly. Our approach to sustainability comprises the wider economic, environmental, social and governance aspects, as we strive to deliver greater and longer-term value to all our stakeholders.

Board Statement

Keppel T&T's Board of Directors oversees the Company's sustainability performance, practices 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 of Directors and Management.

Sustainability Governance Structure



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 Company's performance in environmental, social and governance areas is reviewed by the Board. Senior Management is directly responsible for the Company's sustainability performance. The Corporate Social Responsibility (CSR) Committee is a multi-disciplinary team comprising members across various corporate departments and business units. The Committee coordinates sustainability initiatives, monitors sustainability performance, and manages stakeholders' feedback.

New strategic projects and investments will have to go through Board Risk Committee Investment Risk Review, which requires the Project Manager to assess business risks, which includes health, safety & environmental and regulatory risks, and prepare a mitigation plan. The assessment also extends to potential key suppliers and contractors for the project. The Board Safety Committee monitors the Health, Safety and Environment performance of the Group.

Materiality Assessment

Keppel T&T conducts a materiality assessment every year, to identify and review key topics with significant sustainability impact in our business. Feedback from key stakeholders forms an important part of our materiality assessments.

As part of the preparation process for the Sustainability Report, employee surveys were conducted in 2011 and 2014, customer surveys in 2012, 2013, and 2016, and supplier surveys in 2013, to identify and reaffirm Keppel T&T's materiality assessments.

In 2017, an external consultant was engaged to benchmark our sustainability focus areas and performance to global industry peers. Findings from the study affirmed the materiality of Keppel T&T's sustainability topics to our current business context. The topics were further prioritised to make sure efforts and resources are allocated efficiently.

Materiality Assessment Process

Identify Material Topics

Stakeholder engagements are undertaken by various business functions and divisions.

Global and industry trends are screened and assessed to identify key risks and opportunities.

Findings from stakeholder engagements as well as external and internal context analyses are used to identify material topics and their boundaries.

Prioritise Topics based on Impacts

The CSR Committee prioritises material topics based on the significance of impacts as well as the influence on stakeholders' assessment and decisions.

Validate & Review Topics

Materiality assessment process and findings are reviewed against business contexts and stakeholder feedback, to ensure completeness.

Keppel T&T's Management and Board of Directors review and approve the findings.

Topics of Critical Importance

- Economic Sustainability
- Service Excellence
- Health & Safety
- Corporate Governance & Socioeconomic Compliance

Topics of High Importance

- Environmental Performance
- Labour Practices and Human Rights
- Supply Chain and Procurement Practices
- Community Development

Topics of critical importance are integrated in our core values and operating principles. They form the backbone of our strategy and action plan. As such, each topic has specific Key Performance Indicators (KPI), management plans and specific targets for which Keppel T&T's management is directly responsible.

Topics of high importance are assessed based on their relevance to different segments of the Group's operations. For each topic, we assess the opportunities based on how we can deliver value and mimimise risks, as well as how to mitigate negative impacts, given the business context and our resources.

These topics apply to all of the Group's operations[5]. Safety is also of particular importance to our contractors, especially those working on-site. Environmental performance applies to transport contractors in the Logistics Division.

While we do not have management control over associated companies or outsourced contractors, we work closely with them to ensure the alignment of core values and operating principles to the best of our ability.

[5] The geographical locations of our operating network are listed in the "Keppel T&T Network" section of the annual report.

Managing Sustainability

Stakeholder Engagement

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 stakeholders forms a crucial part of our strategic and business planning, and is viewed as valuable insight for the Group to continuously improve its sustainability performance.

Key stakeholder groups are identified as having the most influence over and the highest level of interest in the Group's operations. Through internal discussion and review with external consultants, these groups are identified across the entire value chain and at each stage of the business life cycle. Engagement with key stakeholder groups is planned annually.

Engagements with Key Stakeholder Groups in 2017

Employees

Engagement with employees is conducted regularly to measure satisfaction level, get feedback as well as discuss business strategy and organisational changes.

Approach

Annual survey

Annual townhall meetings

Bi-annual newsletter

Key Topics Raised

Training and development (refer to section on Labour Practices and Human Rights)

Customers

Customer satisfaction is one of the Key Performance Indicators (KPI) for all our businesses. Engagement with customers allows us to receive timely, valuable feedback to improve our service standards.

Approach

Annual surveys

Operational meetings

Customer appreciation events

Key Topics Raised

Innovation (refer to section on Service Excellence)

Suppliers

We engage suppliers to ensure alignment, especially in the areas of safety and code of conduct.

Approach

Joint safety briefings

Performance reviews

Key Topics Raised

Safety (refer to section on Labour Practices and Human Rights)

Shareholders

We maintain open and transparent communication with our shareholders, to discuss our business performance and future direction.

Approach

Annual General Meeting (AGM)

Investors meetings

Online feedback channels

Key Topics Raised

Business strategy (refer to section on Business Review)

Local Communities

We hold discussions with our beneficiaries before all volunteer events, to ensure we understand and meet their needs.

Approach

Discussion and event briefing with charities

Key Topics Raised

Community investment (refer to section on Nurturing Communities)

Industry/ Research Institutes

We engage local universities, research institutes and industry associations to conduct research on new technologies as well as explore initiatives to improve processes.

Approach

Collaboration initiatives

Key Topics Raised

Innovation (refer to section on Service Excellence)

Unless specifically mentioned, all engagements mentioned in this Report take place at least once a year. The frequency of engagements is determined by the level of impact and interest that each group has on our business.

Strategic Memberships in Associations

Keppel T&T and our group of companies are members of various industry associations and research institutes.

Keppel Logistics is a member of the Singapore Logistics Association, and Keppel Data Centres is a member of the Singapore infocomm Technology Federation and Uptime Institute Asia Pacific Network where we participate in industry discussions and initiatives.

Keppel T&T is a member of the Singapore Management University, Nanyang Technological University, National University of Singapore and Singapore University of Technology and Design, where we collaborate to explore new technologies or processes, or share our expertise with the students of relevant disciplines to help them in their future careers.

We are also members of the Singapore Industrial and Services Employees' Union, Singapore National Employers Federation and Tripartite Alliance for Fair & Progressive Employment Practices, to keep up with the best practices in labour policies and connect our employees with Trade Unions.

UN Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development officially came into force on 1 January 2016. The SDGs were adopted earlier by leaders around the world in September 2015 at the milestone United Nations (UN) Summit, which defined global priorities and aspirations for 2030.

Keppel T&T supports the advancement of these SDGs and believes that businesses can contribute to the SDGs through the integration of sustainability in their day-to-day operations.

UN SDGs	Purpose	What it meant for Keppel T&T	Link to topics reported
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages	We are committed to promote an accident-free work environment as well as health and well-being for all our staff. Our community engagement activities focus on improving community welfare, especially for the underprivileged and the elderly.	• Health & safety • Community development
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	We contribute to economic growth and job creation wherever we operate. With a strong focus on training and development, our employees are empowered to be more productive.	• Economic sustainability • Labour practices & Human rights
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Innovation forms a crucial part of our long-term planning. We believe in generating value for the future by investing in research and development efforts today, as well as to explore new initiatives and technologies to enhance operational efficiency.	• Service excellence
11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities and human settlements inclusive, safe, resilient and sustainable	Keppel T&T focuses on developing sustainable urbanisation solutions in the logistics and data centre businesses.	• Service excellence
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	Keppel T&T works closely with suppliers and contractors to align them with our sustainability values. We uphold sustainable consumption and production through resource efficiency and material recycling in the delivery of our products and services.	• Supply chain and procurement practice • Environmental performance
13 CLIMATE ACTION	Take urgent action to combat climate change and its impact	We adopt a green mindset for our businesses. Our efforts are geared towards minimising our environmental footprints, especially in the area of carbon emission reduction.	• Environmental performance
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Keppel T&T believes in upholding high standards of corporate governance and socioeconomic compliance. We have in place a Management Control Framework to ensure the adequacy and effectiveness of our internal controls and risk management.	• Corporate governance & socioeconomic compliance • Human rights

Service Excellence and Socioeconomic Compliance

Keppel Data Centres achieved customer renewal rate of over 80% in 2017.

To thrive in today's increasingly competitive markets, we strive to deliver high quality and innovative services that meet and exceed our customers' expectations.

What we said in 2016	Our Performance in 2017	Our Targets for 2018
Maintain at least 85% in overall customer satisfaction in the Logistics Division.	Achieved an overall customer satisfaction score of 90% in the Logistics Division and 3.5 out of 5 in the Data Centre Division.	Maintain high customer satisfaction score of at least 90% in the Logistics Division and 3.5 out of 5 in the Data Centre Division.
To continue our due diligence on third-party associates for compliance with the Keppel Code of Conduct.	Launched UrbanFox, an omnichannel logistics and channel management solutions brand.	Enhance our e-commerce logistics platform to meet the rising demand for omnichannel solutions.
	Signed MOUs with IMDA, JTC and Huawei to explore green, innovative data centre spaces and systems.	Advance efforts to explore green and innovative data centre solutions.
	Conducted due diligence process for third-party associates and launched the Supplier Code of Conduct to the majority of suppliers in Singapore.	Continue to implement the Keppel Supplier Code of Conduct among overseas suppliers.

Logistics Division
In 2017, Keppel Logistics embarked on a transformational journey, to become a provider of choice in omnichannel logistics solutions. Tapping on UrbanFox's digital competencies and building on Keppel Logistics' established third-party logistics (3PL) network, Keppel Logistics strives to offer seamless connections that help our customers distribute their products through traditional retail channels as well as online marketplaces. With this, Keppel Logistics is better positioned to capture opportunities from the burgeoning e-commerce growth.

In its effort to increase productivity through technology, Keppel Logistics introduced augmented reality smart glasses to digitise inbound and outbound tasks for all its customers at the Automated Storage and Retrieval System warehouses. Compared to the conventional Radiofrequency scanner, smart glasses project information in real time, including instructions for standard processes. Warehouse staff can now leverage smart glasses to carry out their daily operations more efficiently and accurately. Paper-based stock-taking is also being increasingly replaced by mobile stock-taking to reduce lead time and enhance operational accuracy.

The Warehouse Management System (WMS) upgrade was completed in all our facilities in Malaysia, Indonesia, Vietnam and Australia.

In China, Foshan Sanshui Port continued to upgrade its machinery and equipment to boost operational efficiency and service reliability. This includes the deployment of a new quay crane which adopts parallel movement when handling cargo to improve cargo safety and operational efficiency. The Port also upgraded the manual spreaders of two port cranes to automatic ones, which significantly improved handling efficiency and service reliability.

Keppel Logistics Foshan started the upgrading of the Gantry Gate System at its Lanshi Port to streamline processes and improve efficiency. Both Keppel Logistics

1.
Keppel Logistics embarked on a transformational journey to provide omnichannel logistics solutions leveraging UrbanFox's digital competencies and Keppel Logistics' 3PL network.

Foshan and Keppel Logistics Hong Kong attained the latest ISO 9001:2015 Quality Management System.

Keppel Logistics continued to uphold high standards in operational excellence. In 2017, Keppel Logistics was awarded the Singapore Domestic Logistics Provider of the Year while UrbanFox, the e-commerce logistics arm of Keppel Logistics received the Singapore Emerging Logistics Service Provider of the Year award.

Innovation continues to be important in logistics operations, as we seek to enhance operational efficiency, capture more value in the supply chain and the new digital economy.

Data Centre Division
Keppel Data Centres continued to maintain its track record in building and operating high availability data centres. The Division successfully upgraded to ISO 9001:2015 Quality Management System standards for all its data centres in Singapore. Keppel DC Singapore 3 attained SS577:2012 for Water Efficiency Management System and Keppel DC Singapore 4 attained both the BCA Green Mark Platinum certification and Workplace Safety and Health Council – bizSafe level 3 upon the commencement of operations.

To maintain its competitiveness, Keppel Data Centres advanced its efforts in exploring innovative data centre space and solutions. The Division signed a Memorandum of Understanding (MoU) with Huawei, a leading global information and communications technology (ICT) solutions provider, to explore potential collaboration on data centre efficiency and sustainability in the areas of Green Technology, High Performance Computing, Scientific Software Application, Networking Solutions and more. Following this collaboration, a Cognitive Data Centre reference site was launched to explore technologies geared towards providing virtualised and energy-efficient data centre management systems.

The Division also collaborated with the Info-communications Media Development Authority (IMDA) and Huawei to explore the feasibility of deploying a high-rise green data centre, and with JTC Corporation to explore the feasibility of deploying data centres underground, to provide highly resilient and secure data centre solutions in a land-scarce Singapore. Subterranean data centre facilities present a more secure location for customers with mission-critical equipment, while high-rise data centres address space constraints and land use restrictions faced by conventional data centre facilities. Insights yielded from these feasibility studies will bring about new opportunities for Singapore's data centre market.

Service Satisfaction Surveys
As an ISO certified company since 1993, customer satisfaction and feedback form an integral part of Keppel Logistics' business. Continual engagement with key customers is maintained through account management and regular service meetings. Customer satisfaction level was measured and feedback was collected through the annual customer survey. In 2017, 100% of the survey respondents rated our services as "good" or "better".

In China, Keppel Logistics Foshan and Foshan Sanshui Port have consistently achieved a high level of customer satisfaction, above 90%, since year 2015. Monthly customer visits were conducted to collect timely feedback for Management to review and drive continuous service improvement.

Keppel Data Centres maintained an average score of 3.5 out of 5 in its annual customer survey. Monthly or quarterly business reviews are conducted to gather customers' feedback and review on our performance. Keppel Data Centres achieved a customer renewal rate of over 80% in 2017.

Supply Chain and Procurement Practices
As a 3PL solutions provider, Keppel Logistics frequently engages contractors for transportation services and warehouse operations. Its subsidiary, UrbanFox, engages crowdsourced drivers for last-mile delivery services through an online platform. Keppel Data Centres engages contractors for the construction of new data centre facilities, and facility technicians for regular equipment maintenance.

During the year, the majority of suppliers and contractors engaged were local companies. In the process of sourcing, suppliers were screened based on a stringent set of criteria, including suppliers' track record, reputation, service quality as well as other environmental and safety requirements. Contractors' performance is re-evaluated annually. In 2017, there were no cases of non-compliance with our contractors.

At UrbanFox, all crowdsourced delivery personnel have to undergo training to ensure that they meet our requirements before commencing work. UrbanFox also maintains various channels of communication to support delivery

Service Excellence and Socioeconomic Compliance

personnel, such as a service hotline, mailers and a social media group chat. A rewards programme is being planned to increase delivery personnel retention rates and improve their service standards.

As a developer of data centres, Keppel Data Centres seeks to maintain high safety standards in the building and construction process of each new project. We worked in tandem with our contractors to ensure the safety of the workers on-site, by conducting training, briefings and regular safety site walks.

At end-2016, the Keppel Supplier's Code of Conduct was launched to integrate Keppel's sustainability principles across our supply chain. Suppliers of Keppel Group companies are expected to comply with the Code, which covers business conduct, human rights, safety and health, as well as environmental management. We communicated the new requirements to our suppliers, and by end-2017, 73 eligible suppliers[5] have signed the Code. We target to roll out the Code to more overseas suppliers in 2018.

Socioeconomic Compliance and Fair Operating Practices

Keppel T&T adopts a zero tolerance policy towards non-compliance with laws and regulations. Non-compliance cases, if any, are reported in accordance with the Risk Management Framework. There were no significant cases of monetary or non-monetary sanctions due to non-compliance in 2017.

The Keppel Group Enhanced Code of Conduct (Code of Conduct) details the rules for Employee Conduct and Business Conduct. The Employee Code of Conduct outlines 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 conflict of interests.

All employees are briefed on the Code of Conduct during orientation and need to acknowledge it upon joining the organisation. Furthermore, relevant employees will need to sign an annual declaration indicating any conflicts of interest. Under the Keppel Supplier Code of Conduct, all suppliers and contractors are required to comply with all applicable laws and regulations, with specific guidelines given for anti-bribery and anti-corruption. To strengthen the implementation of the Code of Conduct in our group of companies, since 2016, due diligence have been conducted on third-party associates (defined as service providers whom we engage to act on our behalf). The interval for subsequent checks depends on the risk profile of the third-party associates.

During the year, emphasis was placed on raising regulatory compliance awareness through an online training programme for our staff. The online training comprises nine modules such as Keppel's Code of Conduct, Whistle-blower Policy, Anti-Bribery, Gifts and Hospitality Policy, Competition Law, Conflict of Interest and Insider Trading policies. All Board Directors, Senior Management and Executives were required to complete the training. The completion rate was 100%.

[5] Those with annual contract value of S$200,000 or higher.

1.
Keppel Data Centres signed an MoU with Huawei to explore potential collaboration in the areas of green technology, high performance computing, scientific software application, and networking solutions.

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 (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 – 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 1,2,3)	Since 2015/2016
ISO 9001 – Quality Management System (QMS) (Keppel DC Singapore 1,2,3,4)	Since 2015/2017
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 1,2,3,4)	Since 2013/2014/2017
ISO 50001:2011 Energy Management System (Keppel DC Singapore 1,2,3)	Since 2015/2016
Keppel Logistics Foshan	
ISO 9001:2015 – 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

Environmental Performance

Indirect Carbon Emission Intensity

63%

Reduction in indirect carbon emission intensity compared to 2011 level.

Energy Saved

853 GJ

Estimated annual energy saved from green initiatives taken in 2017.

New Green Building Certification

2

Number of BCA Green Mark certifications achieved in 2017.

What we said in 2016

Achieve 16% reduction of indirect carbon emission intensity by 2020 compared to 2011.

Attain BCA Green Mark for 100% of new buildings in Singapore.

Performance in 2017

63% reduction in indirect carbon emission intensity compared to 2011 level.

Keppel DC Singapore 4 was awarded BCA Green Mark Platinum and Keppel Logistics Tianjin Eco City was awarded BCA Green Mark (overseas projects).

Invested US$10 million in Nautilus Data Technologies, a company with patented water-cooling technology in pre-fabricated facilities, which are more cost-efficient and environmentally sustainable.

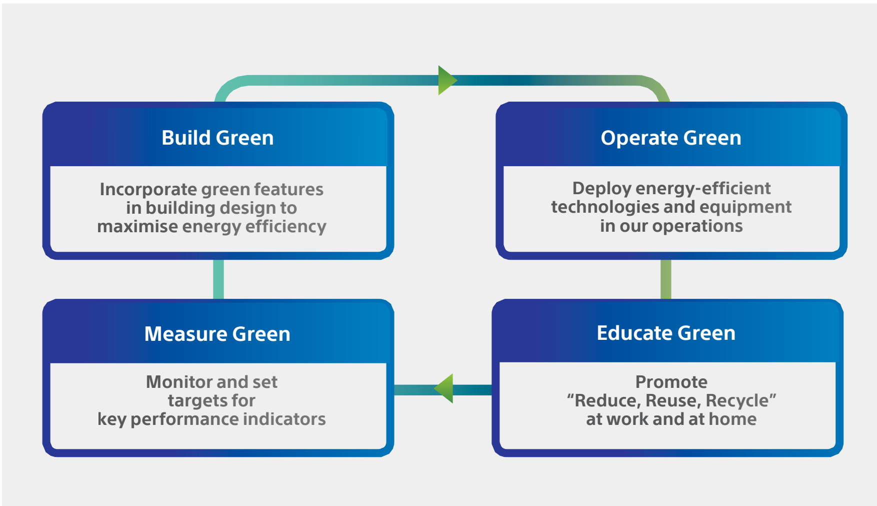
Targets for 2018 and beyond

Target 16% reduction in indirect carbon emission intensity by 2020 compared to 2011.

Continue to explore more advanced energy-efficient technologies and creative data centre space.

Attain BCA Green Mark or equivalent for 100% of new buildings.

Environmental Sustainability Framework
Keppel T&T's environmental management is guided by our Environment Sustainability Framework, which provides a holistic approach to environmental conservation.



Across the Group, environmental data are tracked monthly, and entered into an online system which enables easy tracking by management teams. Environmental performance and initiatives are analysed annually to ensure that our operations comply with environmental regulations as well as follow the principles set out in the Environmental Sustainability Framework.

Energy Consumption and Emissions
Energy consumption directly impacts our businesses' cost efficiency and environmental footprint. Our goal in managing energy consumption is to optimise energy efficiency to lower operating costs, and minimise our environmental footprint.

The total energy consumption from the Group in 2017 was 360,033 GJ, which was similar to that of last year.

Indirect Energy Consumption
Grid-supplied electricity is the main source of energy used in our operations,

Green Data Centres

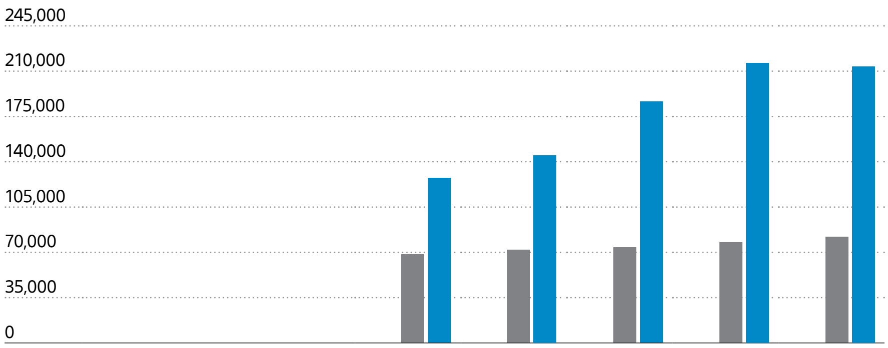
Dynamic Rotary Uninterruptible Power Systems (DRUPS) in place of traditional battery-operated uninterruptible power systems, thereby reducing chemical waste and improving operating efficiency.

Efficient cooling systems designed for hot and cold aisle containment deployment which optimise energy usage.

Customised Data Centre Infrastructure Management (DCIM) system for improved energy management and optimisation.

Computational Fluid Dynamics studies to examine airflow patterns and ensure uniformity of temperature distribution.

Electricity Consumption (GJ)



	2013	2014	2015	2016	**2017**
Logistics	68,155	71,745	73,592	77,523	**81,804**
Data Centre	127,248	144,880	186,316	216,220	**213,845**
Total	195,403	216,624	259,908	293,743	**295,649**

accounting for over 80% of our total energy consumption in 2017.

The Group's electricity consumption in 2017 was 295,649 GJ. Compared to 2016, electricity consumption in the Logistics Division increased by 6% to 81,804 GJ, due to the inclusion of Tianjin Eco-City Distribution Centre in the reporting scope. Without this, the Logistics Division's electricity consumption would have been similar to that in 2016. Consumption in Data Centre Division dropped slightly to 213,845 GJ.

During the year, Keppel Logistics continued to replace old lighting systems with energy-efficient LED lighting in its Singapore and China facilities, which led to an estimated annual energy saving of 853 GJ.

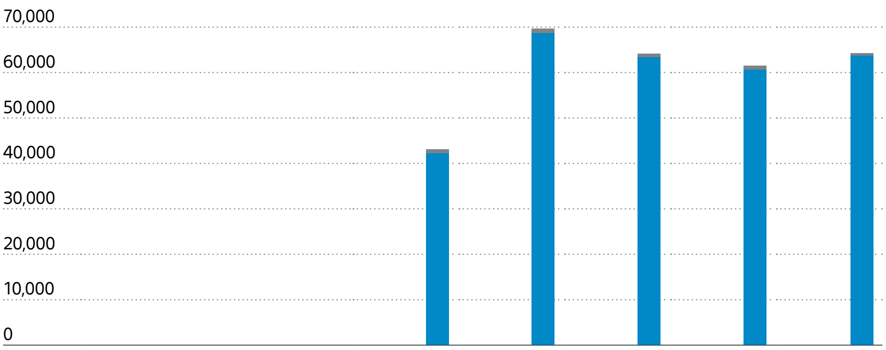
As data centre businesses require significant energy to cool servers and supply backup power, managing energy consumption remains a top priority for Keppel Data Centres. Our data centre facilities utilise a host of energy-efficient solutions that improves Power-Usage-Effectiveness (PUE)[6], a ratio that measures energy efficiency.

Efforts were also made to explore innovative, green technologies and solutions, such as the collaboration with Huawei to launch a Cognitive Data Centre reference site to explore technologies geared towards providing a virtualised and energy efficient data centre management system, and with Huawei International and the Infocomm and Media Development Authority of Singapore, through a Memorandum of Intent to explore

6 Power Usage Effectiveness (PUE) is the ratio of total amount of energy used by the data centre facility to the energy delivered to computing equipment.

Environmental Performance

Direct Energy Consumption (GJ)



	2013	2014	2015	2016	**2017**
LPG	814	967	710	812	**477**
Diesel	42,369	68,876	63,635	60,889	**63,907**
Total	43,183	69,843	64,345	61,791	**64,384**

the feasibility of deploying a high-rise green data centre that features energy-efficient technologies.

Direct Energy Consumption (GJ)

Diesel and LPG are the two types of direct energy used in our operations. Diesel fuels the forklifts and transport vehicles in the Logistics Division, and is used for load bank testing and backup power systems in the Data Centre Division.

This section excludes the diesel consumption data from outsourced transport operations, which are unavailable due to the lack of an effective monitoring system.

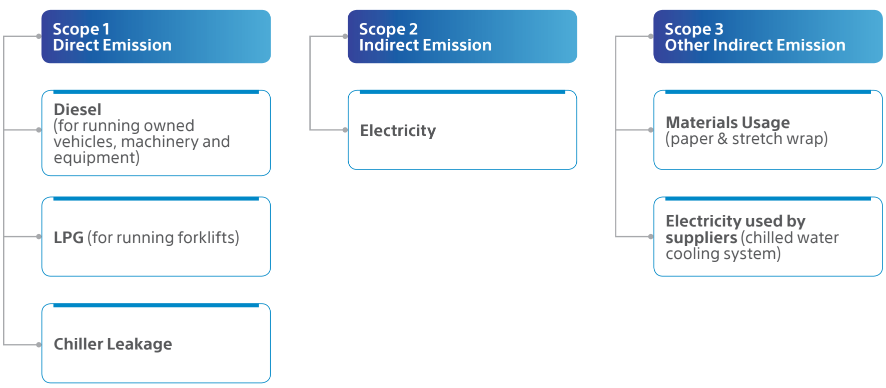
Altogether, diesel and LPG consumption accounted for 18% of the Group's total energy consumption in 2017. Compared to last year, diesel consumption across the Group increased by 5% due to the increase at Keppel Data Centres from running backup power systems.

In the Logistics Division, we track the diesel usage per kilometre travelled for owned vehicles, to monitor fuel efficiency. Keppel Logistics' vehicles are regularly checked and maintained to ensure that they comply with environmental regulations. They are also equipped with Transport Management System (TMS), which optimises routes to minimise travelling distance and fuel wastage. Depending on business requirements, a varying percentage of transport operations in the Logistics business is outsourced to third-party transport contractors. Contractors are screened based on a stringent set of criteria which includes environmental requirements. Following the implementation of the Keppel Supplier Code of Conduct, our contractors are also required to comply with environmental laws and regulations and are encouraged to adopt industry-related environmental standards.

Carbon Emission

Climate change is widely recognised as a high-impact global risk, and as a business, we are committed to the fight against climate change by reducing our carbon footprint. As our business grows, we

Classification of GHG emissions from our operations:



[7] Sources for conversion factors: Energy Market Authority (EMA) 2016 for Singapore, DEFRA 2015 for Malaysia, Vietnam, China and Australia.
[8] 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 which provide 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.
[9] Referring to Keppel DC Singapore 1, 2 and 3.
[10] Referring to Almere Data Centre 2.

monitor our carbon emissions. We have set a long-term target of 16% reduction in indirect carbon emission intensity by 2020, compared to 2011 level.

Emission figures are computed based on internationally accepted emission factors[7], and classified using the GHG Protocol[8]. Emissions are reported for all wholly-owned subsidiaries as well as data centres facilities that are not owned but managed by the Group[9]. Data centres owned by the Group but managed by the customer or a third-party contractor are excluded from the scope of reporting due to the lack of management control[10].

In 2017, Scope 1 emission increased by 4%, corresponding to the increase in diesel consumption at Keppel Data Centres. Scope 2 emission was stable at 36,712 tCO_2 due to minimal change in electricity consumption data. Scope 3 emission dropped by 8% to 876 tCO_2 due to the drop in stretch wrap usage.

To effectively manage our carbon emission footprint as our business expands, we track indirect carbon emission intensity, measured by the ratio of Scope 2 emission to revenue. Direct emission is excluded in our carbon emission intensity calculations as they are dependent on the level of transport outsourcing and therefore do not reflect our emission control efforts. Revenue and emissions from Keppel DC Singapore 3 were excluded as the asset was divested to Keppel DC REIT in January 2017.

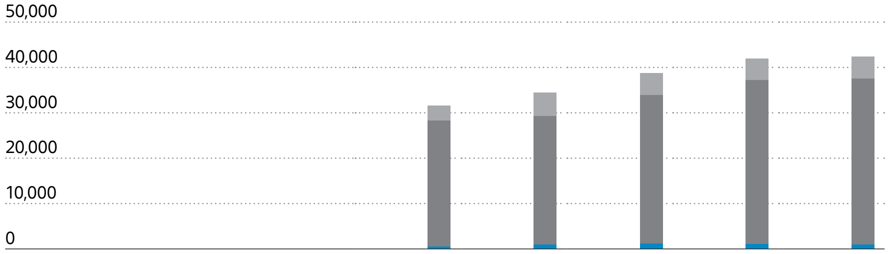
The Group's indirect carbon emission intensity dropped to 63 tCO_2 per $1 million revenue in 2017, which is 30% lower than that in 2016, and 63% lower compared to 2011 level. Although we are well on track to achieve our 2020 target for emission reduction, we will maintain efforts to optimise energy efficiency and further reduce our carbon emission.

Water Consumption

Apart from general washing purposes, municipal water is used for the chilled water cooling systems in both Logistics and Data Centre facilities, and river water is used for washing barges at the river ports in China. Total municipal water withdrawal of the Group was 446,597m³ in 2017, 12% lower than that in 2016. This was due to a rectification of underground water leakage points in our logistics facilities in Singapore, which was discovered through the regular monitoring of water consumption data. Water drawn from river for barge and container washing at our ports in China was 56,070m³.

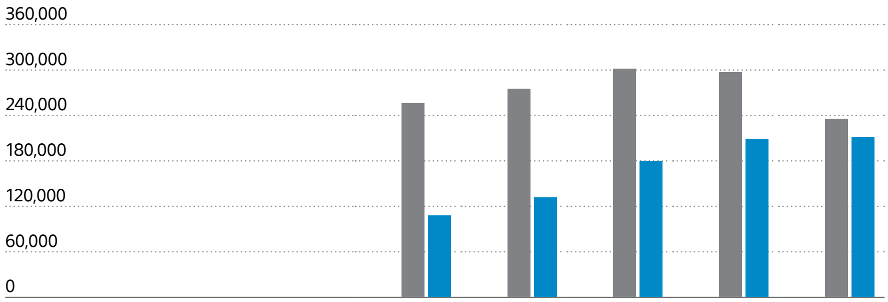
To conserve water resources, we pay particular attention to saving water from

Carbon Emission (tCO_2)



	2013	2014	2015	2016	**2017**
Scope 1	3,235	5,182	4,815	4,620	**4,820**
Scope 2	27,930	28,410	32,873	36,373	**36,712**
Scope 3	405	870	1,054	956	**876**

Water Consumption by Division (m³)



	2013	2014	2015	2016	**2017**
Logistics	255,787	275,064	301,417	297,018	**235,381**
Data Centre	107,355	131,241	179,002	209,124	**211,216**
Total	363,142	406,305	480,419	506,412	**446,597**

1.
Keppel Logistics continued to improve workflow efficiency to achieve greater energy savings.

Environmental Performance

non-critical functions, by installing water-saving taps and constant flow regulators. In 2017, Keppel DC Singapore 3 and Keppel Logistics attained the Water Efficient Building certificate from PUB, Singapore's National Water Agency, for one of its sites in Singapore.

Green Building

Since 2012, Keppel T&T has committed to have all its new buildings certified to BCA Green Mark standards.

Keppel Data Centres incorporates environmentally-friendly features into its data centres' design and construction. In 2017, Keppel DC Singapore 4 received three green certifications: the BCA-IMDA Green Mark Award (Platinum) for New Data Centres, BCA Green Mark Award (Platinum) for Non-residential New Buildings and LEED Gold for Core and Shell development by the U.S. Green Building Council.

The green features of Keppel DC Singapore 4 include design for modularity and scalability, energy-efficient systems such as chilled water cooling system and Dynamic Rotary Uninterruptible Power System with Distributed Redundant configuration, and a combination of multi-compressor chillers and centrifugal chillers to optimise efficiency at different load conditions. The facility is designed for modularity and scalability, which allows for phased fit-out works to optimise usage of power.

In China, Keppel Logistics Tianjin Eco-City received the BCA Green Mark certificate for overseas buildings. Its green features include the use of grey water for toilet flushing and irrigation, minimum window openings at East, West and North orientation to reduce usage of air-conditioning and building envelope thermal performance of 55% better than baseline.

Material and Waste

As a service provider, Keppel T&T does not procure materials for our operations, apart from paper for office use, carton boxes and stretch wraps for packaging and wrapping for our logistics operations.

In 2017, paper consumption increased from 43.6 tonnes in 2016 to 49.9 tonnes, due to more office and labelling requirements in the Logistics Division. On the other hand, stretch wrap consumption was reduced from 134.8 tonnes in 2016 to 105.7 tonnes.

Paper (for labelling) and stretch wrap consumption in the Logistics operations are largely determined by customer requirements or type of cargo handled. Nevertheless, we try to reduce, reuse and recycle materials as much as we can, to minimise environmental impact.

Waste data from data centre facilities and other overseas logistics facilities were excluded from the scope of reporting due to unavailability of data from the waste collection providers.

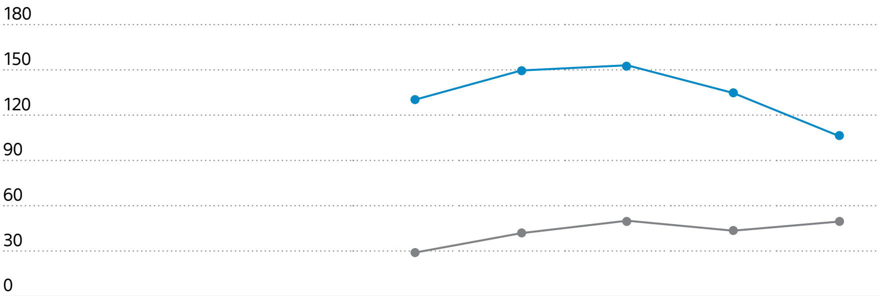
In 2017, total waste disposed in Singapore logistics facilities increased slightly to 496 tonnes. Recycling rate in 2017 went up to 24.1%, due to the increase in loose pick for e-commerce logistics operations, resulting in the larger number of carton boxes being sent for recycling.

To raise awareness for reducing and recycling waste, Keppel T&T organised two coastal cleaning events in 2017, collecting over 824 kg of trash, with the participation from 145 staff volunteers.

1.
Commended for its environmentally-friendly design and energy-efficient systems, Keppel DC Singapore 4 was awarded the BCA Green Mark Platinum certification.

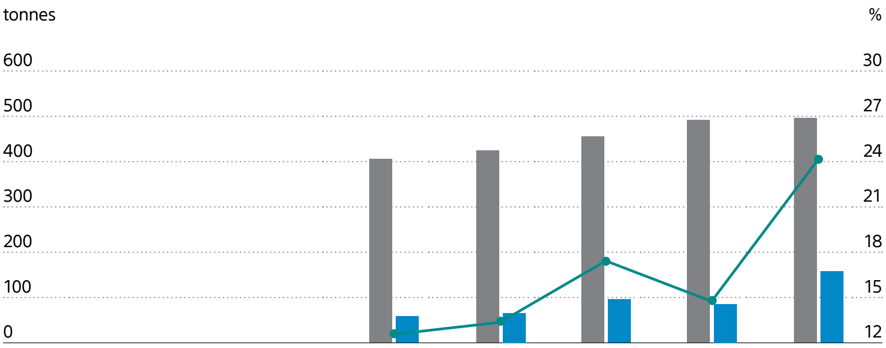
2.
Boasting of green features such as the use of gray water for toilet flushing and irrigation, minimum window opening, and more efficient thermal system, Keppel Logistics Tianjin Eco-City received BCA Green Mark certificate for overseas building.

Material Consumption (tonnes)



	2013	2014	2015	2016	**2017**
Paper (tonnes)	28.5	41.9	50.5	43.6	**49.9**
Stretch Wrap (tonnes)	130.3	150.0	153.5	134.8	**105.7**

Waste disposed and recycled in Singapore (tonnes)



	2013	2014	2015	2016	**2017**
Disposed Waste	405.7	424.4	455.0	492	**496**
Waste Recycled	58.1	65.2	95.8	85	**157**
Recycling Rate	12.5%	13.3%	17.4%	14.7%	**24.1%**

Labour Practices and Human Rights

Training

34,190 hrs

Total number of training hours clocked by employees across the Group.

Diversity

33%

Percentage of females in Senior Management Positions.

Employee Engagement

86%

Percentage of survey respondents who said they are motivated by the company.

Our Commitments in 2017	Our Actions in 2017	Our Targets for 2018
Nurture, develop and empower our human capital.	Identified high-potential employees for leadership programmes, provided Employee Co-sponsorship training scheme for employees who want to acquire different skills, provided employees with opportunities for job rotation across different business units as well as overseas postings.	Strengthen employee engagement.
Strengthen employee communication.	Conducted townhalls, communication sessions and rolled out Employee Engagement Survey.	Encourage staff to embrace digitalisation through leveraging new technologies to streamline processes and increase productivity.
Achieve higher scores in Employee Engagement Surveys.	Achieved overall Engagement Score of 80%, 1% higher than the previous year.	Build talent capabilities to drive business growth and transformation.

Overview

Keppel T&T is committed to investing in our employees' professional growth and overall well-being.

The Group provides a fair and inclusive work environment for our employees in all the countries where we operate. Our diverse workforce of 1,511 employees across seven countries comprises 12 nationalities with majority of the employees based in Singapore (37%), China (36%) and Vietnam (24%). 70% of the workforce are male while 30% are female. 52% of the workforce are permanent staff, while the rest are contract staff. We have a relatively young workforce with more than 63% of our employees aged between 20 and 40 years old. Approximately 34% of the positions at the level of executive or higher are held by women.

In 2017, 67% of the key management, defined as the top three decision-making positions in the business units, were locals. This includes employees based overseas.

During the year, the Group's average monthly recruitment rate was 2.4% while the turnover rate was 1.8%. 48% of the employees have served in the company for less than three years while 39% have served between three and 10 years. 48% of employees hold tertiary qualifications and above (Diploma, Bachelor's or Master's degree) and 19% of employees hold technical or trade certificates, GCE O- and A-Level qualifications.

Human Rights and Fair Employment Practices

Keppel T&T adheres to the principles of the United Nations (UN) Universal Declaration of Human Rights and the International Labour Organisation's Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. We do not engage in any unethical labour practices such as child labour, forced labour or human trafficking, and are committed to comply with the local labour regulations in countries where the Group operates, including but not limited to minimum wage and workplace requirements.

All new hires of the Group are briefed on the Group's businesses and are required to read and acknowledge the following key policies upon joining the Company:

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

As part of the Group's ongoing efforts to strengthen regulatory compliance, all executive staff are required to complete an e-module training and online assessment covering key policies every year.

The Group does not tolerate discrimination of any form, including ethnicity, gender, religious beliefs, nationality, age or physical disability.

In line with the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP), the Group adopts the following five principles:

1. 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, family responsibilities, or disability;
2. Treat employees fairly and with respect and put in place progressive human resource management systems;
3. 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;
4. Reward employees fairly based on their ability, performance, contribution and experience;
5. Comply with the labour laws and abide by the Tripartite Guidelines on Fair Employment Practices.

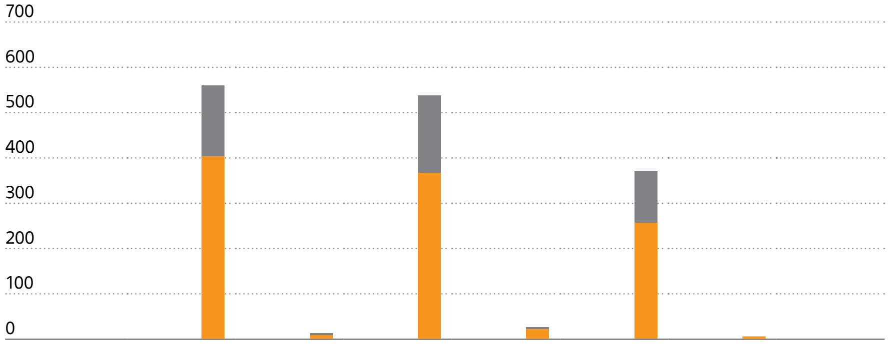
About 34% of Keppel T&T's employees in Singapore are union members, who are covered under a Collective Agreement (CA), which is renewable every three years. The Group shares a harmonious and collaborative relationship with our partner union, the Singapore Industrial and Services Employee's Union (SISEU). In accordance with the CA, negotiations for a new CA may commence not earlier than three months prior to the expiry date.

Keppel T&T provides a clear set of guidelines and procedures for employees to voice their grievances, if any, to their supervisors or the Human Resources Department. For employees under the union, grievances are resolved in accordance with the handling protocol detailed in the CA. The Whistle-blower policy protects employees from retaliatory actions for voluntarily reporting on inappropriate conduct, while ensuring confidentiality and fairness. When a grievance is heard, our Management will take all necessary actions to attend to and resolve the issue in the most efficient and appropriate way possible. In 2017, no incidents of discrimination or grievances relating to human rights or labour practices were reported.

Re-engagement of Older Workers

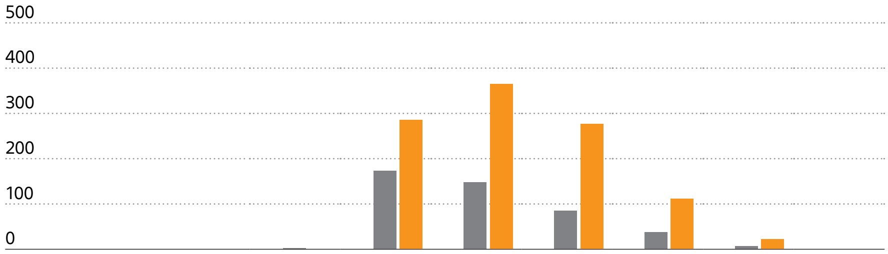
Keppel T&T aligns our practice for the re-employment of older workers with the fair employment practices provided by the Tripartite Guidelines. Employees are engaged to discuss terms of re-employment

Employee Profile by Region and Gender



	Singapore	Malaysia	China	Australia	Vietnam	Europe	**Total**
Female	157	4	171	5	114	0	**451**
Male	403	8	367	21	256	5	**1,060**
Total	560	12	538	26	370	5	**1,511**

Employee Profile by Age and Gender



	<20	20-29	30-39	40-49	50-59	60 & Above	**Total**
Female	2	173	148	85	37	6	**451**
Male	0	286	365	277	111	21	**1,060**
Total	2	459	513	362	148	27	**1,511**

Employee Seniority Profile by Gender Diversity (%)

	Male	Female
Senior Management	6 | 67.0%	3 | 33.0%
Middle Management	83 | 78.0%	24 | 22.0%
Executive	223 | 62.0%	134 | 38.0%
Supervisory & Confidential	139 | 64.0%	77 | 36.0%
Non-Executive, Non-Supervisory	609 | 74.0%	213 | 26.0%

Labour Practices and Human Rights

at least six months prior to reaching the statutory retirement age of 62. Employees with satisfactory work performance and who are certified medically fit are offered re-employment based on term contracts. In accordance with the new Tripartite Guidelines, the re-employment age was raised from 65 to 67 years old with effect from 1 July 2017.

Employee Compensation and Benefits

The Group complies with the requirements of compensation (e.g. minimum wage) and benefits as stipulated in the employment laws of the respective countries. In Singapore, employees enjoy the benefits based on Singapore's Employment Act, the main legislature governing employment terms and conditions.

Compensation

Upon joining the Company, employees have to sign an employment contract which sets out what is required of both parties. To remain an employer of choice, we benchmark our employees' compensation packages against annual market data in the countries where we operate. The Group is committed to foster a performance-based culture that centres on meritocracy when it comes to employees' annual remuneration and incentives.

In line with the Keppel Group, Keppel T&T conducted a Total Remuneration (TR) Review in 2017. The review aims to drive growth, promote synergy and collaboration, attract, retain and motivate employees as well as facilitate job rotations for staff across the Keppel Group's business units.

Benefits

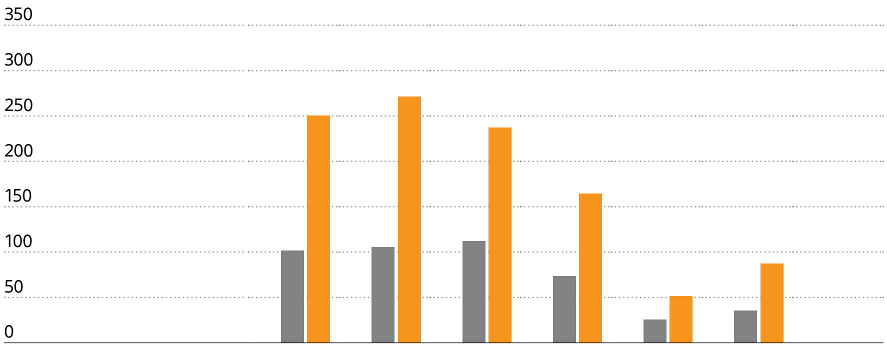
Keppel T&T offers employees competitive healthcare and welfare benefits depending on the local statutory regulations. Benefits for employees vary slightly across different geographies.

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, Superannuation Fund in Australia, Social Code in Germany and National Insurance in United Kingdom)

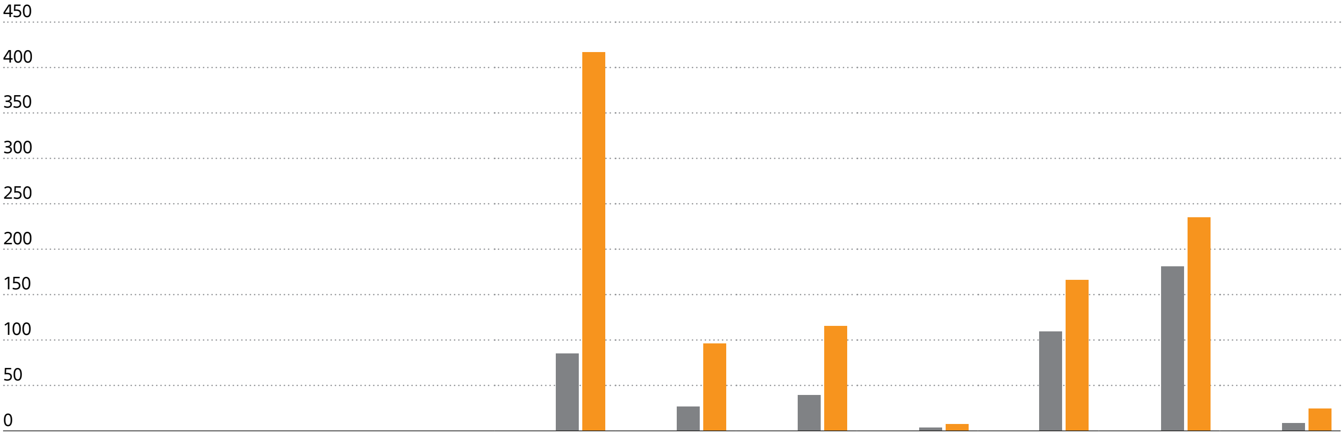
In Singapore, all employees, except for those covered under the CA, are entitled to the Flexible Benefits Scheme, which allows employees to tailor their benefits. Eligible employees are further entitled to childcare, maternity, parental, marriage and compassionate leave. Amongst the 73 employees who took parental leave in 2017, 40% were male and 60% were female. The return rate for staff who took parental leave was 100%, of which 97% stayed at least 12 months after returning to work.

Employee Profile by Length of Service



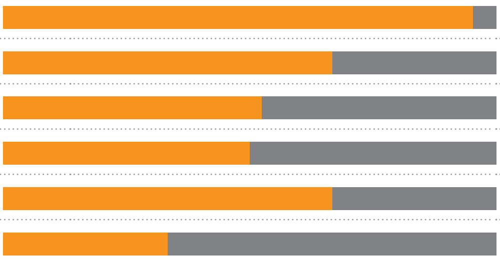
	<1 Yr	1-2 Yrs	3-5 Yrs	6-10 Yrs	11-15 Yrs	16 Yrs & Above	**Total**
Female	101	105	112	73	25	35	**451**
Male	250	271	237	164	51	87	**1,060**
Total	351	376	349	237	76	122	**1,511**

Employee Profile by Education Level



	Primary/ Secondary	Technical/ Trade Certificate	GCE 'N'/ 'O' Level	GCE 'A' Level	Diploma	Bachelor's Degree	Master's Degree
Female	85	26	39	3	109	181	8
Male	417	96	115	7	166	235	24
Total	502	122	154	10	275	416	32

Key Management Distribution by Country
Local Hires & Foreigners (%)



	Local	Foreigner
Singapore	20 | 95%	1 | 5%
Malaysia	2 | 67%	1 | 33%
China	11 | 52%	10 | 48%
Australia	3 | 50%	3 | 50%
Vietnam	2 | 67%	1 | 33%
Europe	2 | 33%	4 | 67%

1.
To raise awareness for reducing and recycling waste, Keppel T&T organised two coastal cleaning events in 2017, collecting over 824 kg of trash.

Labour Practices and Human Rights

Our Human Capital

Attracting Young Talent

The Group understands the importance of attracting and retaining young talents. We have put in place Management Trainee and Internship Programmes designed to provide the young talents and students with valuable on-the-job experience. Interns who exhibit potential are invited to join the organisation after they graduate. The Management Trainee Programme is a 24-month training programme aimed at developing our talent pool. In addition, the Group participates in various career fairs organised by external bodies and education institutions, such as the Built Environment Career and Education Fair.

New Hires in 2017

	Singapore	Malaysia	China	Australia	Vietnam	Europe
New hires	141	4	66	5	203	4
As a % of total employees						
Total new hires	25%	33%	12%	19%	55%	80%
New hires who are women	7%	8%	6%	8%	16%	0%
New hires who are below 30 years old	9%	8%	7%	4%	38%	20%
New hires who are between 30 to 50 years old	13%	25%	5%	11%	16%	60%
New hires who are over 50 years old	3%	0%	0%	4%	1%	0%

Mentoring Framework

In order to help young talents assimilate into our corporate culture, we have in place a Mentoring Framework where we pair young talents with mentors. The mentors are chosen based on their work experience and competencies so that they will be able to guide and share valuable knowledge with their mentees. Frequent meetings and interactions between mentor and mentee are encouraged to ensure effective tracking of progress.

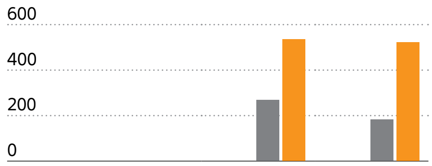
Performance and Talent Management

Keppel T&T has a structured employee appraisal and performance management process where the immediate supervisors will engage their staff to set yearly performance targets. The process allows employees to receive regular feedback and career development reviews before the final performance grading at the end of the year.

For non-executive employees, an additional round of half-yearly performance review was included to help them monitor their progress and gauge if they are on track. This enables the Group to identify underperforming employees and put in place additional coaching or supervision when necessary.

The Keppel Leadership Potential model complements the performance management process. We identify a pool of high performing individuals to prepare them to be potential successors for the top, senior and middle management positions. High-potential employees receive accelerated development and training to better prepare them for management positions in the Group.

Permanent vs Contract



	Permanent	Contract
Female	268	183
Male	537	523
Total	**805**	**706**

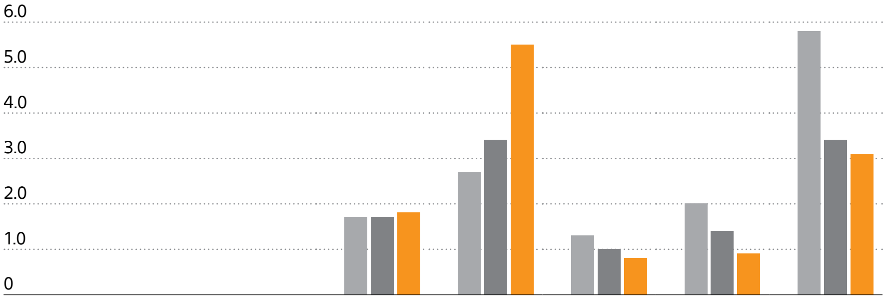
Succession Planning

With the performance and talent management processes in place, the Group is able to attract, identify and retain suitable successors for the Senior Management team, which is critical for the growth and sustainability of our businesses. Talent review meetings are held biannually by top management and the Board Nominating Committee to review the succession pipeline and identify staff for leadership succession.

The HR Talent team engages and guides different levels of management for the proper calibration of individual successors. Taking into consideration the identified

1
Senior Management frequently engage staff to keep them updated on the Group's performance and latest developments.

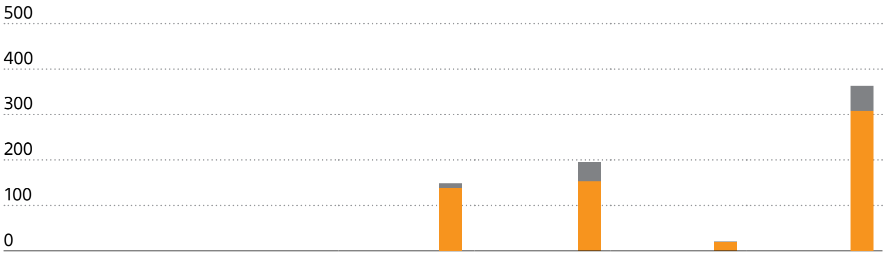
Average Monthly Employee Turnover Rate by Country (%)



	Singapore	Malaysia	China	Australia	Vietnam
2015	1.7%	2.7%	1.3%	2.0%	5.8%
2016	1.7%	3.4%	1.0%	1.4%	3.4%
2017	**1.8%**	**5.5%**	**0.8%**	**0.9%**	**3.1%**

Nil for Europe, hence not reflected

Employee Turnover by Age



	Below 30 years old	Between 30 to 50 years old	Over 50 years old	**Total Turnover**
Involuntary	10	43	2	**55**
Voluntary	138	152	18	**308**

successor's strengths and areas of development, a robust development plan is mapped out to help each potential successor realise his or her potential.

Learning & Development

Keppel T&T recognises the importance of continuous training and development. The HR department works closely with business heads to recommend suitable courses for employees, which include both functional and soft skills. In 2017, $219,747 was invested into training and 7,470 training places were provided, amounting to 34,190 training hours.

In addition to providing training for employees, the Group also believes in lifelong learning and encourages our employees to pursue higher qualifications. Employees under the Training Support Scheme as well as those taking private courses related to their fields of work are given up to seven days of examination leave per year.

Employee Engagement

Communication

The Group continued to strengthen communication platforms for employees through various engagement initiatives. Townhall meetings were organised with the Management to share the progress and direction of the Group. Roadshows were organised to prepare employees for the new HR and Finance systems that will be implemented in 2018. Quarterly staff dialogues, CEO breakfast and networking sessions were also put in place to promote two-way communication between the Management and employees. Channels are also provided for employees to approach HR or Management to provide feedback and suggestions on ways to improve our work environment.

Employee Engagement Survey

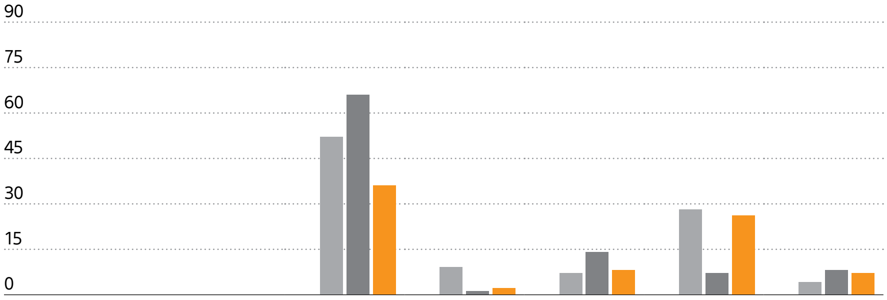
To better track the engagement level of our employees, the Keppel Group has, since 2015, engaged an independent global employee engagement company to conduct the Keppel Global Employee Engagement Survey. Following the Pulse Survey in 2016, we conducted another engagement survey for the employees in Singapore, Malaysia, Vietnam and China in 2017. The participation rate was 98% and the Group achieved an overall engagement score of 80%, an improvement of 1% compared to that in 2016. Compared to 2016, improvements were seen in 14 measures with 86% of the respondents indicating that they were motivated to work for the organisation.

Rewards & Recognition

In Keppel T&T, employees are recognised for both their loyalty to the organisation and exemplary work performance. In 2017, 60 employees were honoured with Long Service Awards for five, 10, 20 and 30 years of service with the Group. More than 13% of the employees have been with the Group for over 10 years.

Labour Practices and Human Rights

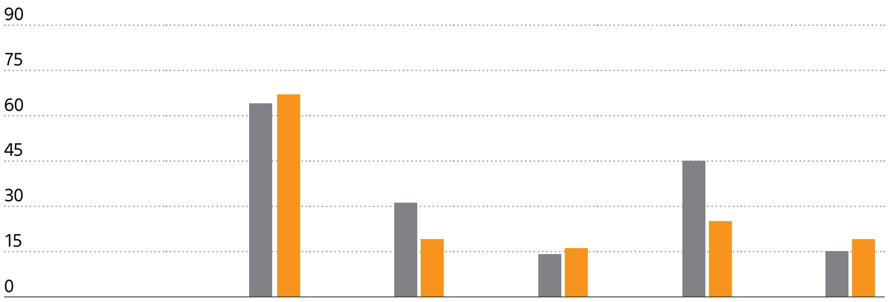
Average Training Hours per Employee by Country



	Singapore	Malaysia	China	Australia	Vietnam
2015	52	9	7	28	4
2016	66	1	14	7	8
2017	**36**	**2**	**8**	**26**	**7**

Nil for Europe, hence not reflected

Average Training Hours by Gender and Seniority



	Senior Management	Middle Management	Executive	Supervisory and Confidential	Non-Executive, Non-Supervisory
Female	64	31	14	45	15
Male	67	19	16	25	19

To further motivate high-performing individuals, Keppel Logistics presented deserving employees with the Best Employee/Department of the Month awards as a way of recognising their contributions.

Employee Relations

Keppel T&T maintains a good working relationship with our union. Besides keeping our union informed of the Company's progress and business outlook, quarterly dialogue sessions were held for Union Representatives and employees to provide feedback and share concerns with the Management relating to their work environment. Working in tandem with our union to create an enjoyable work environment, the Company grants Union Representatives union leave should they need to attend conferences, meetings and other union-related events.

Employee Welfare

Safety Management

Safety is one of Keppel's core values. At Keppel T&T, we strive towards creating an accident-free work environment, making sure that all our staff and contractors who come to work return home safe.

The Board Safety Committee at Keppel T&T maintains oversight of safety issues while the Health, Safety and Environment (HSE) Committees in each of our business units ensure effective implementation of our safety policies and practices, promote safety awareness and keep track of regulatory changes.

Under the Group's annual safety improvement plan, inspections and audits, including CEO site walks, are regularly conducted by the safety teams to ensure

1
Frequent team-building activities and get-together sessions were conducted for the Management and staff of Keppel T&T to bond and interact with one another.

the effective implementation of safety standards on the ground, and to identify potential hazards.

The Group closely tracks 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. The Board and Management of Keppel T&T are updated on the Group's safety performance monthly. The Group also contributed extensively in drafting the Keppel Group Global High Impact Risk Activities (HIRA) Standards which will be implemented in 2018.

Safety Education

At Keppel T&T, we believe that everyone has a part to play when it comes to safety. We recognise the importance of cultivating a safety mindset through clear communication of guidelines and adequate training for staff.

For our frontline operations staff, health and safety matters are discussed during the morning toolbox briefings before work commences. Courses are also conducted for new and existing staff to improve safety awareness. These courses include orientation, refresher training, Material Handling Equipment (MHE), defensive driving, working at height, risk assessment, racking and stack loader safety training, amongst others. Drills and related training are also conducted to ensure employee readiness in the event of emergencies, such as fire evacuation drills, firefighting training, CPR and AED courses, pandemic flu exercises and typhoon emergency drills.

Safety briefings and training are also provided to contractors working on site. In 2017, training for contractors included a seminar to share our safety standards, performance and lessons learnt from past accidents at Keppel Logistics Foshan, training on terminal operations at Keppel Logistics Foshan Sanshui Port, training for construction contractors at Keppel Data Centres, and a safety campaign at Keppel Logistics Tianjin.

Contractors working on site are required to comply with our safety requirements before commencing high-risk work. The Keppel T&T Road Safety and Racking Safety Standards were implemented in our Logistics Division to underscore the importance of those activities in our operations.

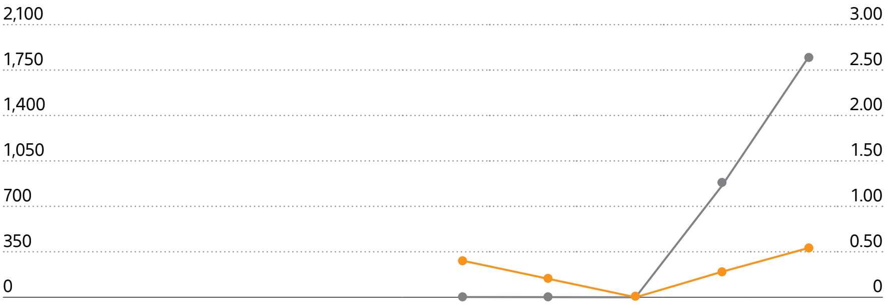
Keppel Logistics organises a Health, Safety and Environment (HSE) month in July every year. During the month, various activities such as exhibitions, talks, quizzes and games are organised to raise awareness on EHS matters. Together with other business units across the Keppel Group, we participated in the annual Keppel Group Safety Convention aimed to reinforce safety standards across our operations.

Labour Practices and Human Rights

Safety Performance

man-days lost per million man-hours

incidents per million man-hours



	2013	2014	2015	2016	**2017**
Accident Severity Rate (ASR)	1.7	1.1	0	855.7	**1,839.5**
Accident Frequency Rate (AFR)	0.4	0.2	0	0.28	**0.61**

Safety Performance

Despite continuous efforts to promote safety policies, practices, as well as safety awareness, we regret to report that there were two fatalities and two reportable accidents in 2017, which led to the spike in the Group's ASR and AFR.

Both fatalities involved heavy machinery at our port operations at Keppel Logistics Foshan. The Group's Management activated a "Code Red" action plan at Keppel Logistics Foshan, which focused on four key areas comprising People, Environment, Machinery and System. Enhanced training and communication programmes are being rolled out to address the root causes of these incidents and prevent recurrence.

Of the two reportable accidents, one was a slip and fall while the other was due to falling from height at a construction site managed by our contractors. Following the identification of the root causes, we worked closely with our contractors to strengthen their procedures, and deployed more controls.

Investigations were immediately conducted after each incident and lessons learnt were communicated to the whole Keppel Group.

At the Workplace Safety and Health Innovation Awards 2017, Keppel Logistics won a Gold Award for its cable cutting and re-spooling system, which allows cables to be safely transferred to smaller drums. The company also won a Silver Award for its foot brake system, which was integrated into our existing trolleys. Both projects attest to the effectiveness of work process reinvention as a means to reduce work risks.

Employee Health & Wellness

This year, Keppel Group launched a Flexible Benefits Scheme which focuses on preventive care and provides incentives for our employees.

The scheme's mobile application provides healthcare-related service packages like fitness and gym memberships at discounted rates to encourage employees to participate in healthy lifestyle activities. Lunch talks were conducted for Singapore staff. Staff also enjoyed monthly healthy snacks distribution and on-site health screening.

Work-Life Harmony

We actively promote work-life harmony with events like Eat With Your Family Day. The Group also grants flexible work arrangements to employees who need it due to family commitments. To provide more avenues for family bonding, the Group provides complimentary access passes to popular leisure destinations such as the Singapore Zoo, Night Safari and Sentosa for employees and their families.

Nurturing Communities

Volunteerism

1,767 hrs

Contributed by volunteers from across all business units.

Donations

$74,436

Donation from the Group to charitable causes.

Supporting Education

In 2017, the Group continued to partner institutions to offer eligible students industrial attachments and internship opportunities. Students who qualify for these programmes have the opportunity to gain work experience on top of their usual curriculum.

Besides the normal industrial attachments and internships that the Group provides, Keppel Data Centres (KDC) partnered the Singapore Institute of Technology (SIT) to offer the Integrated Work Study Programme (IWSP) to its students in 2017. The IWSP is a one-year job attachment programme which KDC offered to SIT students prior to their graduation. This will provide students with valuable on-the-job experience and also give the Group another avenue to source for young talents. KDC also collaborated with the Institute of Technical Education (ITE) on the "Work-Learn Technical Diploma in Data Centres Infrastructure & Operations" programme, which is expected to be launched in 2019.

In China, Keppel Logistics Foshan disbursed a total of $9,600 to four students under a bursary scheme, which was introduced in 2013, to support needy students from the Foshan University of Science and Technology.

Donation & Fund Raising

The Group actively supports charity activities and fund-raising events. In 2017, a total $63,131 was donated by the Group to various charity organisations through the Keppel Care Foundation. An additional $11,305 was contributed by Keppel T&T employees through their monthly contributions to Community Chest Singapore's SHARE programme.

Commitment to Volunteerism

In 2017, our staff clocked 1,767 volunteer hours, exceeding our target of 1,500 hours. Our employees are encouraged to participate in all volunteer events, which include day trips with the elderly and visiting the underprivileged during festive seasons. Employees also took part in events such as the SGX's Bull Charge Run to raise money for charity organisations. In an effort to raise awareness on the importance of protecting and conserving the ecosystem, the Group organised activities such as coastal cleaning and tree planting. All employees are given two days of volunteerism leave to participate in these volunteer events.

Supporting National Service

Keppel T&T actively supports the National Service (NS). Employees are given NS leave when they are called up for reservist in Singapore. 2017 also marked the celebration of 50 years of National Service (NS50) in Singapore. In support of National Service, all Keppel T&T staff who were, or still are Singapore national servicemen, were encouraged to put on their military uniforms to work while the nation celebrated the Singapore Armed Forces Day. To recognise our employees' efforts, a luncheon was organised.

1
Staff at Keppel T&T managed to clock a total of 1,767 volunteer hours, well exceeding target, in 2017.

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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

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 in January and February 2018 on the Report that forms part of Keppel T&T's Report to Shareholders 2017.

Scope

The verification of the GRI Content Index was limited to the following 10 indicators, relating to stakeholder engagement and materiality: **General Standard Disclosures 102-40 to 102-49**.

Ere-S assessed whether the GRI Content Index and the 10 indicators are presented in accordance with the following aspects of the GRI Standards reporting guidelines:

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

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

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 by the reporting instructions of the GRI 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 disclosures 102-40 to 102-49 are found to be adequately presented in adherence to the GRI Standards guidelines and to an overall high level of alignment with the reporting instructions. The references to the disclosures are correctly located in the Report.

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, 2 March 2018

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

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Directors' Statement

For the financial year ended 31 December 2017

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 2017.

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 79 to 132 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 2017, 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 2017, 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 2017 and the report of the external auditor 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 auditor 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 1.1.17	At 31.12.17	At 21.1.18
Keppel Corporation Limited			
(Ordinary shares)			
Loh Chin Hua	534,557	694,557	694,557
Loh Chin Hua (deemed interest)	38,500	38,500	38,500
Pang Thieng Hwi, Thomas	179,637	186,237	186,237
Lim Chin Leong	13,200	13,200	13,200
Lee Ai Ming	10,000	10,000	10,000
Chan Hon Chew	50,600	112,200	112,200
Chan Hon Chew (deemed interest)	7,770	7,770	7,770
(Share options)			
Pang Thieng Hwi, Thomas	313,500	220,000	220,000
(Unvested restricted shares to be delivered after 2014)			
Loh Chin Hua	50,000	-	-
Pang Thieng Hwi, Thomas	6,600	-	-
Chan Hon Chew	11,600	-	-
(Unvested restricted shares to be delivered after 2015)			
Loh Chin Hua	100,000	50,000	50,000
Chan Hon Chew	43,300	21,600	21,600
(Unvested restricted shares to be delivered after 2016)			
Loh Chin Hua	180,000	120,000	120,000
Chan Hon Chew	85,000	56,700	56,700
(Contingent award of performance shares issued in 2014 to be delivered after 2016) [1]			
Loh Chin Hua	180,000	-	-
Chan Hon Chew	30,000	-	-
(Contingent award of performance shares issued in 2015 to be delivered after 2017) [1]			
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) [1]			
Loh Chin Hua	300,000	300,000	300,000
Chan Hon Chew	100,000	100,000	100,000
(Contingent award of performance shares issued in 2017 to be delivered after 2019) [1]			
Loh Chin Hua	-	330,000	330,000
Chan Hon Chew	-	150,000	150,000
(Contingent award of performance shares – Transformation Incentive Plan issued in 2016 to be delivered after 2021) [1]			
Loh Chin Hua	750,000	750,000	750,000
Pang Thieng Hwi, Thomas	175,000	175,000	175,000
Chan Hon Chew	350,000	350,000	350,000
(Contingent award of performance shares – Transformation Incentive Plan issued in 2017 to be delivered after 2021) [1]			
Pang Thieng Hwi, Thomas	-	25,000	25,000
Keppel Telecommunications & Transportation Ltd			
(Ordinary shares)			
Pang Thieng Hwi, Thomas	23,300	69,900	69,900
(Unvested restricted shares to be delivered after 2015)			
Pang Thieng Hwi, Thomas	46,700	23,400	23,400

Directors' Statement

	At 1.1.17	At 31.12.17	At 21.1.18
(Unvested restricted shares to be delivered after 2016)			
Pang Thieng Hwi, Thomas	70,000	46,700	46,700
(Contingent award of performance shares issued in 2015 to be delivered after 2017) [1]			
Pang Thieng Hwi, Thomas	100,000	100,000	100,000
(Contingent award of performance shares issued in 2016 to be delivered after 2018) [1]			
Pang Thieng Hwi, Thomas	100,000	100,000	100,000
(Contingent award of performance shares issued in 2017 to be delivered after 2019) [1]			
Pang Thieng Hwi, Thomas	-	100,000	100,000
Associated Company of Keppel Corporation Limited			
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	3,798	3,798
Lee Ai Ming	851,000	888,227	888,227
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
Associated Company			
Keppel DC REIT			
(Units)			
Pang Thieng Hwi, Thomas	63,700	63,700	63,700

[1] 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.

No shares were issued by virtue of exercise of options and options to take up 320,000 shares were cancelled during the financial year.

At 31 December 2017, the following options to take up 250,000 unissued shares in the Company were outstanding:

	Number of Share Options					
Date of grant	**At 1.1.17**	**Exercised**	**Cancelled**	**At 31.12.17**	**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	-	(35,000)	135,000	4.97	10.2.18
11.8.08	145,000	-	(30,000)	115,000	5.25	10.8.18
	570,000	-	(320,000)	250,000		

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.

From Year 2017 onwards, after a comprehensive review of the Group's total remuneration structure, eligible employees will receive deferred shares under the approved KT&T RSP scheme ("KT&T RSP-Deferred Shares"). For Year 2017, the deferred shares will be granted in February 2018 after taking into consideration the Group, business units and individual performance. Subject to the fulfilment of service conditions at vesting, the deferred shares will vest equally over three years from February 2018 onwards.

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 Nil for KT&T RSP and 230,000 for KT&T PSP. The number of shares released was 1,138,515 under KT&T RSP and 93,800 under KT&T PSP during the financial year. 947,415 shares under KT&T RSP and 93,800 shares under KT&T PSP were vested during the financial year. 122,300 shares under KT&T RSP were cancelled during the financial year. At the end of the financial year, there were 740,000 contingent shares under the KT&T PSP and 941,315 unvested shares under the KT&T RSP as follows:

Contingent awards:

	Number of Shares					
Date of grant	**At 1.1.17**	**Contingent shares granted**	**Adjustment upon release**	**Released**	**Cancelled**	**At 31.12.17**
KT&T RSP						
29.4.16	1,142,500	-	(3,985)	(1,138,515)	-	-
KT&T PSP						
7.4.14	125,000	-	(31,200)	(93,800)	-	-
10.4.15	240,000	-	-	-	-	240,000
29.4.16	270,000	-	-	-	-	270,000
28.4.17	-	230,000	-	-	-	230,000
	635,000	230,000	(31,200)	(93,800)	-	740,000

Awards released but not vested:

	Number of Shares				
Date of grant	**At 1.1.17**	**Released**	**Vested**	**Cancelled**	**At 31.12.17**
KT&T RSP					
7.4.14	262,415	-	(262,415)	-	-
10.4.15	610,100	-	(305,400)	(42,700)	262,000
29.4.16	-	1,138,515	(379,600)	(79,600)	679,315
	872,515	1,138,515	(947,415)	(122,300)	941,315
KT&T PSP					
7.4.14	-	93,800	(93,800)	-	-

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	- [1]	140,000	(140,000)	-	-
KT&T PSP					
Pang Thieng Hwi, Thomas	100,000	300,000	-	-	300,000

Directors' Statement

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	- [1]	140,000	-	(140,000)	-	-
Wong Wai Meng	- [1]	60,000	-	(60,000)	-	-
Gay Kah Meng, Desmond	- [1]	50,000	-	(50,000)	-	-
KT&T PSP						
Pang Thieng Hwi, Thomas	100,000	300,000	-	-	-	300,000
Wong Wai Meng	70,000	140,000	-	-	-	140,000
Gay Kah Meng, Desmond	60,000	120,000	-	-	-	120,000

[1] The above participants will be awarded deferred shares under the KT&T RSP on 23 February 2018 for their 2017 performance. If awarded, one-third of the award will vest on 28 February 2018.

Awards released but not vested:

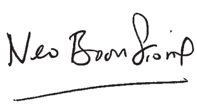
Name of participant	Aggregate shares released since commencement of the share plans to the end of financial year	Aggregate shares vested since commencement of the share plans to the end of financial year	Aggregate shares cancelled as at the end of financial year	Aggregate shares released but not vested as at the end of financial year
KT&T RSP				
Pang Thieng Hwi, Thomas	140,000	(69,900)	-	70,100

Name of participant	Contingent shares granted during the financial year [2] %	Aggregate contingent shares granted to date %
Pang Thieng Hwi, Thomas	44	5
Wong Wai Meng	30	2
Gay Kah Meng, Desmond	26	2

[2] Only Performance Shares were awarded under the KT&T PSP during 2017.

On behalf of the Board

LOH CHIN HUA
Chairman



NEO BOON SIONG
Director

Singapore, 21 February 2018

Consolidated Profit and Loss Account

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Revenue	3	176,988	194,622
Operating expenses	4	(183,403)	(179,175)
Other income	5	23,163	64,726
Operating profit	6	16,748	80,173
Interest income	7	1,120	1,726
Interest expense	8	(11,493)	(12,696)
Share of results of associated companies and joint ventures		65,470	61,080
Profit before taxation		71,845	130,283
Taxation	9	(15,928)	(16,960)
Profit for the year		55,917	113,323
Attributable to:			
Shareholders of the Company		51,784	105,080
Non-controlling interests	13	4,133	8,243
		55,917	113,323
Earnings per share (cents)			
- basic	10	9.3	18.9
- diluted	10	9.3	18.8

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 2017

	2017 $'000	2016 $'000
Profit for the year	55,917	113,323
Items that may be reclassified subsequently to profit and loss account:		
Available-for-sale financial assets		
- Fair value changes	1,801	(5,314)
Cash flow hedge		
- Fair value changes	(142)	(1,132)
- Realised and transferred to profit and loss account	477	530
Foreign currency translation		
- Exchange differences arising on consolidation	(2,845)	(7,181)
Share of other comprehensive income of associated companies and joint ventures		
- Cash flow hedge	(474)	(945)
- Available-for-sale financial assets	20	-
- Foreign currency translation	9,449	(1,826)
Other comprehensive income for the year, net of taxation	8,286	(15,868)
Total comprehensive income for the year	64,203	97,455
Attributable to:		
Shareholders of the Company	60,754	91,610
Non-controlling interests	3,449	5,845
	64,203	97,455

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

Balance Sheets
As at 31 December 2017

		Group		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Share capital	11	81,489	79,867	81,489	79,867
Reserves	12	753,217	716,797	211,711	155,576
Share capital and reserves		834,706	796,664	293,200	235,443
Non-controlling interests	13	113,499	111,363	-	-
Total equity		948,205	908,027	293,200	235,443
Represented by:					
Non-current assets					
Fixed assets	14	373,283	367,731	-	-
Investment properties	15	74,586	183,902	-	-
Investments					
Subsidiaries	16	-	-	138,141	138,141
Associated companies and joint ventures	17	808,298	682,248	25,974	27,951
Others	19	6,252	4,661	-	-
Intangibles	20	1,964	2,209	-	-
Long-term receivables	21	-	-	148,548	51,723
		1,264,383	1,240,751	312,663	217,815
Current assets					
Stocks	22	680	669	-	-
Debtors	23	70,127	60,090	1,442	80
Amounts owing by holding and related companies	24	725	324	39,928	115,835
Amounts owing by associated companies	25	62,006	29,317	-	-
Fixed deposits	26	44,746	54,028	8,056	28,247
Bank balances and cash	26	51,282	48,922	279	226
		229,566	193,350	49,705	144,388
Assets classified as held for sale	31	43,250	288,765	43,250	6,621
		272,816	482,115	92,955	151,009
Current liabilities					
Creditors	27	88,895	138,388	2,766	3,707
Amounts owing to holding and related companies	24	683	836	9,599	9,630
Amounts owing to associated companies	25	13,416	5,407	-	-
Short-term borrowings	28	115,423	72,762	-	-
Taxation		4,568	4,896	51	42
		222,985	222,289	12,416	13,379
Liabilities directly associated with assets classified as held for sale	31	-	115,002	-	-
		222,985	337,291	12,416	13,379
Net current assets		49,831	144,824	80,539	137,630
Non-current liabilities					
Long-term borrowings	29	341,964	456,003	100,000	120,000
Deferred taxation	9	11,642	9,980	2	2
Other non-current liabilities	30	12,403	11,565	-	-
		366,009	477,548	100,002	120,002
Net assets		948,205	908,027	293,200	235,443

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 2017

	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 2017	79,867	36,015	700,223	(19,441)	796,664	111,363	908,027
Total comprehensive income for the year							
Profit for the year	-	-	51,784	-	51,784	4,133	55,917
Other comprehensive income for the year *	-	1,682	-	7,288	8,970	(684)	8,286
Total comprehensive income for the year	-	1,682	51,784	7,288	60,754	3,449	64,203
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Issue of shares	1,622	(1,622)	-	-	-	-	-
Cost of share-based payment	-	2,320	-	-	2,320	-	2,320
Transfer from revenue reserve to capital reserves	-	230	(230)	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	(1,313)	(1,313)
Dividend paid for 2016 (Note 41)	-	-	(25,113)	-	(25,113)	-	(25,113)
Total contributions by and distributions to owners, representing total transactions with owners	1,622	928	(25,343)	-	(22,793)	(1,313)	(24,106)
Share of reserves of associated companies	-	124	(43)	-	81	-	81
Balance at 31 December 2017	81,489	38,749	726,621	(12,153)	834,706	113,499	948,205

* 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.

	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

* 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.

Statements of Changes in Equity

	Share Capital $'000	Capital Reserves $'000	Revenue Reserve $'000	Total Equity $'000
Company				
Balance at 1 January 2017	79,867	6,477	149,099	235,443
Profit for the year, representing total comprehensive income for the year	-	-	80,550	80,550
Transactions with owners, recognised directly in equity				
Issue of shares	1,622	(1,622)	-	-
Cost of share-based payment	-	2,320	-	2,320
Dividend paid for 2016 (Note 41)	-	-	(25,113)	(25,113)
Total transactions with owners	1,622	698	(25,113)	(22,793)
Balance at 31 December 2017	81,489	7,175	204,536	293,200
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

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 2017

	2017 $'000	2016 $'000
Cash flows from operating activities		
Operating profit	16,748	80,173
Adjustments:		
Depreciation of fixed assets	20,739	18,497
Amortisation of intangible assets	849	201
Share-based payment expenses	2,562	2,046
Gain on disposal of fixed assets	(5)	(247)
Gain on disposal of a subsidiary and associate	(4,238)	(55,805)
Adjustment to gain on disposal of data centres	-	(26,963)
Distributions received from other investments	(6)	(405)
Gain on dilution of interest in associated companies	(346)	(33)
Impairment loss on fixed assets	-	26,972
Fair value gain on other investments	(16,165)	-
Fair value gain on investment properties	(377)	(4,045)
Operating cash flows before changes in working capital	19,761	40,391
Working capital changes:		
Stocks	(11)	(38)
Debtors	(12,305)	(11,937)
Creditors	(4,509)	24,075
Amount due to associated companies	6,800	(3,556)
Cash flows from operations	9,736	48,935
Interest received	1,115	1,575
Interest paid	(12,770)	(13,745)
Income taxes paid	(3,459)	(10,013)
(Refund of)/proceeds from tax losses transferred under group relief system	(9)	2,007
Net cash (used in)/from operating activities	(5,387)	28,759
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	(107,706)	(111,083)
Capital reduction in an associated company	813	-
Addition to fixed assets	(29,918)	(51,647)
Addition to investment properties	(107,975)	(64,846)
Addition to intangible assets	(525)	-
Proceeds from disposal of subsidiaries (Note B)	302,705	35,031
Proceeds from disposal of an associated company	1,323	-
Proceeds from disposal of fixed assets	488	903
Partial repayment of shareholders loan from an associated company	4,191	-
Shareholders loan to an associated company	(35,010)	(27,707)
Distributions received from other investments	6	405
Dividends received from associated companies	46,926	47,708
Net cash from/(used in) investing activities	75,318	(166,026)
Cash flows from financing activities		
Proceeds from share issues	-	36
Proceeds from short-term loans	183,175	165,137
Repayment of short-term loans	(137,575)	(29,503)
Proceeds from long-term loans	222,847	34,003
Repayment of long-term loans	(341,780)	(75,836)
Repayment of lease liabilities	(216)	(216)
Contribution from non-controlling shareholders of subsidiaries	-	4,356
Dividends paid to shareholders of the Company	(25,113)	(19,495)
Dividends paid to non-controlling shareholders of subsidiaries	(1,219)	(1,317)
Net cash (used in)/from financing activities	(99,881)	77,165
Net decrease in cash and cash equivalents	(29,950)	(60,102)
Cash and cash equivalents as at 1 January	126,516	188,507
Effect of exchange rate changes on cash and cash equivalents	(538)	(1,889)
Cash and cash equivalents as at 31 December (Note C)	96,028	126,516

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

Consolidated Statement of Cash Flows

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:

	2017 $'000	2016 $'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 subsidiaries

The assets and liabilities of subsidiaries disposed were as follows:

	2017 $'000	2016 $'000
Fixed assets	266	40
Investment properties	405,604	-
Associated companies and joint ventures	-	133
Intangibles	-	16,757
Debtors	16,927	171
Amounts owing by a related company	40	-
Amounts owing by an associated company	-	3,034
Bank balances and cash	13,894	2,821
Creditors	(29,826)	(1,706)
Bank borrowings	(80,000)	-
Taxation	(8,881)	(797)
	318,024	20,453
Amounts accounted for as amounts owing from associated companies	(270,000)	(406)
Net assets disposed	48,024	20,047
Net assets attributable to retained interest	(4,962)	(10,024)
Net assets attributable to interest disposed	43,062	10,023
Assignment of amount owing from associated companies to purchasers	270,000	-
Net gain on disposal	3,537	55,805
Fair value gain on retained interest	-	(27,976)
Transaction costs	250	148
Sale proceeds	316,849	38,000
Less: Bank balances and cash disposed	(13,894)	(2,821)
Less: Transaction costs	(250)	(148)
Cash inflow on disposal	302,705	35,031

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:

	2017 $'000	2016 $'000
Fixed deposits (Note 26)	44,746	54,028
Bank balances and cash (Note 26)	51,282	48,922
	96,028	102,950
Fixed deposits classified as held for sale (Note 31)	-	21,623
Bank balances and cash classified as held for sale (Note 31)	-	1,943
	96,028	126,516

Reconciliation of liabilities arising from financing activities

	1 January 2017 $'000	Principal and interest payments $'000	Non-cash changes: Disposal of subsidiary $'000	Non-cash changes: Foreign exchange movements $'000	Non-cash changes: Interest expense $'000	31 December 2017 $'000
Borrowings	608,765	(73,333)	(80,000)	1,955	-	457,387
Finance lease liabilities	2,390	(216)	-	-	46	2,220
	611,155	(73,549)	(80,000)	1,955	46	459,607

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 2017, 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 2017, including the Amendments to FRS 7 Disclosure Initiative.

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 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
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019
FRS 28	Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
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
Improvements to FRSs (December 2016)	Amendments to FRS 28: Investments in Associates and Joint Ventures	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 are disclosed in Note 42 to the financial statements.

2.4 Significant Accounting Estimates and Judgements

The preparation of the Group's financial statements requires management to make judgements, 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 judgement is required in establishing fair value. Judgements include considerations of liquidity, future financial performance and discount rate used.

Significant judgement 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. Details of valuation techniques and inputs used in the valuation of available-for-sale financial assets are disclosed in Note 37.

Management exercises judgement 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 judgement 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.

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.

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

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	-	3 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**

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.

Goodwill on acquisitions of joint ventures and associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

(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.

(c) **Other intangible assets**

Intangible assets include development expenditure and computer softwares initially recognised at cost and subsequently carried at cost less accumulated amortisation. Costs incurred which are expected to generate future economic benefits are recognised as intangibles and amortised on a straight line basis over their useful lives of 3 years.

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.

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.

Notes to the Financial Statements

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, channel management, last mile delivery, 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. An accrual 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.

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.

Notes to the Financial Statements

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	
	2017 $'000	2016 $'000
Rental income from warehousing	50,585	54,334
Rental income from investment properties:		
Colocation services income	3,407	20,877
Other rental income	-	3,512
Revenue from services rendered	122,996	115,899
	176,988	194,622

4. Operating Expenses

	Group	
	2017 $'000	2016 $'000
Purchase of goods and services	51,589	48,217
Staff costs	53,493	55,525
Employer's contribution to defined contribution plans	4,364	4,361
Share-based payment expenses	2,562	2,046
Depreciation of fixed assets	20,739	18,497
Equipment rental and facilities expenses	39,698	37,838
Other operating expenses	10,958	12,691
	183,403	179,175

5. Other Income

	Group	
	2017 $'000	2016 $'000
Fair value gain on investment properties (Note 15)	377	4,045
Gain on disposal of fixed assets	5	247
Gain on disposal of a subsidiary and associate	4,238	55,805
Gain on dilution of interest in associated companies	346	33
Distributions received from other investments	6	405
Adjustment to gain on disposal of data centres	-	26,963
Impairment loss on fixed assets (Note 14)	-	(26,972)
Fair value gain on other investments	16,165	-
Provision for doubtful debts	(178)	(198)
Bad debts recovered	62	-
Others	2,142	4,398
	23,163	64,726

6. Operating Profit

	Group 2017 $'000	Group 2016 $'000
Operating profit is arrived at after charging/(crediting):		
Direct operating expenses arising from:		
Investment properties that generate rental income	837	1,324
Investment properties that do not generate rental income	-	186
Auditors' remuneration:		
Auditors of the Company	362	369
Other auditors of subsidiaries	110	90
Other professional fees paid to:		
Auditors of the Company	2	-
Fees to Directors of the Company	490	548
Key management emoluments (Note 32.2)	4,124	4,317
Foreign exchange (gain)/loss	(554)	54
Operating lease expense	7,217	7,921

7. Interest Income

	Group 2017 $'000	Group 2016 $'000
Interest from deposits with banks	362	365
Interest from short-term placements with a related company	615	928
Interest from other receivables	143	433
	1,120	1,726

8. Interest Expense

	Group 2017 $'000	Group 2016 $'000
Interest on bank borrowings	5,714	5,981
Interest on loans with related companies	2,811	3,506
Interest on Medium Term Note	2,854	3,159
Interest on loan from non-controlling shareholder of a subsidiary	68	-
Finance charges on obligation under finance lease	46	50
	11,493	12,696

9. Taxation

	Group 2017 $'000	Group 2016 $'000
Taxation comprises:		
Current tax	6,455	3,305
Over provision in respect of prior years	(2,752)	(1,026)
	3,703	2,279
Deferred taxation		
- Movements in temporary differences	1,511	6,406
- Benefits from transfer of tax losses under group relief	(389)	(2,007)
	1,122	4,399
	4,825	6,678
Share of taxation of associated companies and joint ventures	11,103	10,282
	15,928	16,960

Notes to the Financial Statements

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	
	2017 **$'000**	2016 $'000
Profit before taxation	**71,845**	130,283
Less: Share of results of associated companies and joint ventures	**(65,470)**	(61,080)
	6,375	69,203
Tax calculated at the Singapore statutory tax rate of 17%	**1,084**	11,765
Effects of:		
Income not subject to taxation	**(1,962)**	(12,770)
Expenses not deductible for tax purposes	**7,190**	5,622
Over provision in respect of prior years	**(2,752)**	(1,026)
Deferred tax benefits not recognised	**531**	184
Utilisation of previously unrecognised tax benefits	**-**	(20)
Benefits from transfer of tax losses under group relief	**(389)**	(2,007)
Effect of different tax rates in other countries	**1,123**	4,930
	4,825	6,678
Share of taxation of associated companies and joint ventures	**11,103**	10,282
	15,928	16,960

Unutilised losses for which no deferred tax benefits were recognised due to uncertainty on recoverability amounted to approximately $5,095,000 (2016: $3,031,000).

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 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 $389,000 (2016: $2,007,000) on the transfer of unutilised tax losses of $2,266,000 (2016: Nil), unabsorbed donations of Nil (2016: $39,000) and capital allowances of $22,000 (2016: $11,764,000) to certain related companies under the group relief system.

The Group has deferred tax liabilities of $2,504,000 (2016: $2,327,000) 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					
2017					
Deferred tax liabilities					
Accelerated tax depreciation	6,430	(35)	186	-	6,581
Investment properties valuation	2,767	179	761	-	3,707
Others	2,206	-	1,085	-	3,291
Total	11,403	144	2,032	-	13,579
Deferred tax assets					
Unutilised tax losses	(285)	-	(39)	-	(324)
Other provisions	(1,138)	7	(482)	-	(1,613)
Total	(1,423)	7	(521)	-	(1,937)
Net deferred tax liabilities	9,980	151	1,511	-	11,642
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

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			
	2017 $'000		2016 $'000	
	Basic	Diluted	Basic	Diluted
Profit attributable to shareholders	51,784	51,784	105,080	105,080
	Number of shares '000		Number of shares '000	
	Basic	Diluted	Basic	Diluted
Weighted average number of shares	557,980	557,980	556,922	556,922
Adjustment for potential dilutive ordinary shares	-	1,155	-	2,729
Weighted average number of shares used to compute earnings per share	557,980	559,135	556,922	559,651
Earnings per share (cents)	9.3	9.3	18.9	18.8

250,000 (2016: 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.

Notes to the Financial Statements

11. Share Capital

	Group and Company			
	Number of Issued and Fully Paid Ordinary Shares		Amount	
	2017	2016	**2017 $'000**	2016 $'000
At 1 January	**557,025,168**	555,982,987	**79,867**	78,246
Issuance under Keppel T&T Share Option Scheme 1993	**-**	25,000	**-**	36
Issuance under Keppel T&T Share Plans	**1,041,215**	1,017,181	**1,622**	1,585
At 31 December	**558,066,383**	557,025,168	**81,489**	79,867

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

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 Keppel T&T Share Option Scheme 1993 ("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 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			
	2017		2016	
	Number of Options '000	**WAEP ($)**	Number of Options '000	WAEP ($)
At 1 January	**570**	**4.19**	595	4.07
Exercised	**-**	**-**	(25)	1.42
Cancelled	**(320)**	**3.48**	-	-
At 31 December	**250**	**5.10**	570	4.19
Exercisable at 31 December	**250**	**5.10**	570	4.19

The weighted average share price at the date of exercise for the options exercised in 2017 was Nil (2016: $1.79). The options outstanding at the end of the financial year had a weighted average exercise price of $5.10 (2016: $4.19) and a weighted average remaining contractual life of 0.3 years (2016: 0.9 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 two share plans are administered by the Remuneration Committee.

From Year 2017 onwards, after a comprehensive review of the Group's total remuneration structure, eligible employees will receive deferred shares under the approved KT&T RSP scheme ("KT&T RSP-Deferred Shares"). For Year 2017, the deferred shares will be granted in February 2018 after taking into consideration the Group, business units and individual performance. Subject to the fulfilment of service conditions at vesting, the deferred shares will vest equally over three years from February 2018 onwards.

Details of the KT&T RSP, KT&T RSP-Deferred Shares and KT&T PSP are as follows:

	KT&T RSP	KT&T RSP - Deferred Shares	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	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") (2015 and 2016 awards)	-	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") (2015 and 2016 awards) a) Absolute Total Shareholder's Return b) Return on Capital Employed c) Net Profit (2017 award)
Final Award	0% to 100% of the contingent award granted, depending on achievement of pre-determined targets (2015 and 2016 awards)	100% of the awards granted	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 (2015 and 2016 awards)	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

Movements in the number of shares under the KT&T RSP and KT&T PSP are as follows:

	Group and Company			
	2017		2016	
	KT&T RSP	KT&T PSP	KT&T RSP	KT&T PSP
At 1 January	1,142,500	635,000	1,001,781	490,000
Granted	-	230,000	1,163,500	270,000
Adjustment upon release	(3,985)	(31,200)	-	1,300
Released	(1,138,515)	(93,800)	(1,001,781)	(126,300)
Cancelled	-	-	(21,000)	-
At 31 December	-	740,000	1,142,500	635,000

Number of shares released but not vested under the KT&T RSP and KT&T PSP are as follows:

	Group and Company			
	2017		2016	
	KT&T RSP	KT&T PSP	KT&T RSP	KT&T PSP
At 1 January	872,515	-	841,415	-
Released	1,138,515	93,800	1,001,781	126,300
Vested	(947,415)	(93,800)	(890,881)	(126,300)
Cancelled	(122,300)	-	(79,800)	-
At 31 December	941,315	-	872,515	-

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.

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As at the balance sheet date, the number of contingent shares granted but not released were Nil (2016: 1,142,500) under the KT&T RSP and 740,000 (2016: 635,000) 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 1,110,000 under the KT&T PSP.

During the financial year, the number of KT&T RSP shares released was 1,138,515 (2016: 1,001,781). 947,415 (2016: 890,881) and 122,300 (2016: 79,800) 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 941,315 (2016: 872,515).

During the financial year, the number of KT&T PSP shares released was 93,800 (2016: 126,300), 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 28 April 2017, the Company granted contingent awards of Nil (2016: 1,163,500) shares under the KT&T RSP and 230,000 (2016: 270,000) shares under the KT&T PSP. The significant inputs into the model are as follows:

	Group and Company			
	2017		2016	
	KT&T RSP [1]	**KT&T PSP**	KT&T RSP	KT&T PSP
Date of grant	**N.A.**	**28.4.17**	29.4.16	29.4.16
Prevailing share price at date of grant	**N.A.**	**$1.790**	$1.355	$1.355
Expected volatility:				
Company	**N.A.**	**23.27%**	24.32%	24.32%
FTSE Straits Times Mid Cap Index ("FSTM")	**N.A.**	**N.A.**	#	12.22%
Correlation with FSTM	**N.A.**	**N.A.**	#	23.10%
Expected term	**N.A.**	**2.83 years**	0.83 years to 2.83 years	2.83 years
Risk free rate	**N.A.**	**1.35%**	0.81% to 1.15%	1.15%
Expected dividend yield	**N.A.**	**2.51%**	2.58%	2.58%

1 Deferred shares under the KT&T RSP for 2017 will be granted in February 2018
\# 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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Capital reserves				
Share option and share plan reserve	**8,294**	7,543	**7,175**	6,477
Fair value reserve	**6,279**	4,458	**-**	-
Hedging reserve	**(754)**	(615)	**-**	-
Statutory reserve	**6,900**	6,627	**-**	-
Merger reserve	**17,990**	17,990	**-**	-
Other reserves	**40**	12	**-**	-
	38,749	36,015	**7,175**	6,477
Revenue reserve	**726,621**	700,223	**204,536**	149,099
Foreign currency translation reserve	**(12,153)**	(19,441)	**-**	-
	753,217	716,797	**211,711**	155,576

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.

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	
	2017 **%**	2016 %	**2017** **$'000**	2016 $'000	**2017** **$'000**	2016 $'000
Keppel Logistics (Foshan Sanshui Port) Company Limited	**40%**	40%	**27,330**	26,236	**1,881**	1,741
Keppel Logistics (Foshan) Limited	**30%**	30%	**20,166**	19,860	**882**	(174)
Keppel Data Centres Holding Pte Ltd	**30%**	30%	**40,978**	38,114	**3,107**	12,995
			88,474	84,210	**5,870**	14,562
Other individually immaterial subsidiaries			**25,025**	27,153	**(1,737)**	(6,319)
			113,499	111,363	**4,133**	8,243

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]	
	2017 **$'000**	2016 $'000	**2017** **$'000**	2016 $'000	**2017** **$'000**	2016 $'000
Summarised balance sheet						
Non-current assets	**66,437**	67,503	**62,617**	66,106	**208,700**	442,772
Current assets	**9,306**	7,278	**13,232**	14,483	**124,881**	92,760
Current liabilities	**(7,440)**	(7,008)	**(10,855)**	(16,947)	**(150,248)**	(259,351)
Non-current liabilities	**(924)**	(2,193)	**(1,773)**	(1,094)	**(55,034)**	(159,593)
Net assets	**67,379**	65,580	**63,221**	62,548	**128,299**	116,588
Summarised statement of comprehensive income						
Revenue	**19,239**	18,320	**26,897**	29,400	**32,066**	41,682
Profit for the year	**4,649**	4,338	**1,529**	(2,617)	**8,185**	41,148
Other comprehensive income	**(389)**	(861)	**899**	(1,667)	**1,360**	322
Total comprehensive income	**4,260**	3,477	**2,428**	(4,284)	**9,545**	41,470
Other summarised information						
Net cash flow from operations	**8,438**	8,608	**2,898**	5,641	**(32,300)**	22,747
Dividends paid to NCI	**979**	416	**-**	-	**-**	-

[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.

Notes to the Financial Statements

14. Fixed Assets

	Leasehold Land and Buildings $'000	Plant, Equipment and Vehicles $'000	Capital Work-in-Progress $'000	Total $'000
Group				
2017				
Cost				
At 1 January	448,377	83,235	55,228	586,840
Additions	2,825	5,093	23,079	30,997
Disposals	(172)	(1,533)	-	(1,705)
Write-off	-	(919)	(8)	(927)
Subsidiary disposed	-	(255)	-	(255)
Reclassification	59	13,957	(14,016)	-
Exchange differences	(3,326)	(1,414)	(894)	(5,634)
At 31 December	447,763	98,164	63,389	609,316
Accumulated depreciation and impairment				
At 1 January	169,682	49,427	-	219,109
Depreciation for the year	12,336	8,403	-	20,739
Disposals	(126)	(1,415)	-	(1,541)
Write-off	-	(919)	-	(919)
Subsidiary disposed	-	(7)	-	(7)
Exchange differences	(826)	(522)	-	(1,348)
At 31 December	181,066	54,967	-	236,033
Net book value	266,697	43,197	63,389	373,283
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

The Group's capital work-in-progress of $63,389,000 (2016: $55,228,000) relates mainly to expenditure for logistics facilities under construction.

The carrying amount of fixed assets held under finance lease is $2,147,000 (2016: $2,333,000).

Certain leasehold land and buildings with carrying amount of $56,357,000 (2016: $125,571,000) 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 $1,460,000 (2016: $1,233,000).

In 2016, 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	
	2017 $'000	2016 $'000
At 1 January	**183,902**	288,643
Additions	**68,019**	114,840
Fair value gain (Note 5)	**377**	4,045
Subsidiary disposed	**(180,604)**	-
Reclassification		
- Assets classified as held for sale (Note 31)	**-**	(225,000)
Exchange differences	**2,892**	1,374
At 31 December	**74,586**	183,902

The Group's investment property (including integral plant and machinery) is stated at fair value determined based on valuations performed by CBRE Limited in the Netherlands as at 31 December 2017.

Based on valuations performed by the independent valuer, 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 Nil (2016: $15,000).

16. Subsidiaries

	Company	
	2017 $'000	2016 $'000
Unquoted shares, at cost	**244,079**	244,079
Impairment losses	**(105,938)**	(105,938)
	138,141	138,141

Information relating to significant subsidiaries consolidated in the financial statements is given in Note 40.

17. Associated Companies and Joint Ventures

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Unquoted shares, at cost	**234,668**	146,541	**27,951**	27,951
Quoted shares, at cost Market value: $824,156,000 (2016: $782,763,000)	**456,504**	457,317	**-**	-
Impairment losses	**(12,524)**	(13,055)	**(1,977)**	-
	678,648	590,803	**25,974**	27,951
Share of post-acquisition reserves	**79,573**	64,468	**-**	-
	758,221	655,271	**25,974**	27,951
Loans to associated companies	**50,077**	26,977	**-**	-
	808,298	682,248	**25,974**	27,951

Notes to the Financial Statements

Movements in impairment losses on associated companies and joint ventures are as follows:

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
At 1 January	**13,055**	13,055	**-**	-
Addition	**-**	-	**1,977**	-
Disposal	**(531)**	-	**-**	-
At 31 December	**12,524**	13,055	**1,977**	-

Loans to associated companies are unsecured, interest-free and are not repayable within the next 12 months.

The share of profit after taxation of associated companies and joint ventures is as follows:

	Group	
	2017 $'000	2016 $'000
Share of profit before taxation	**65,470**	61,080
Share of taxation (Note 9)	**(11,103)**	(10,282)
Share of profit after taxation	**54,367**	50,798

Included in unquoted shares are costs of investment attributable to the joint ventures of $30,951,000 (2016: $30,951,000). Current year profit or loss and cumulative share of post-acquisition reserves attributable to the joint ventures are loss of $493,000 (2016: loss of $1,517,000) and $2,010,000 (2016: $2,844,000) respectively.

Information relating to significant associated companies and joint ventures equity accounted in the financial statements is given in Note 40.

Associated companies which are material to the Group

Associated companies which are material and strategic to the Group's activities are as follows:

	Group	
	2017 $'000	2016 $'000
Keppel DC REIT ("KDC REIT")	**342,843**	338,907
M1 Limited	**187,980**	182,593
Keppel DC REIT Management Pte Ltd	**41,029**	39,426
	571,852	560,926
Other individually immaterial associated companies and joint ventures	**236,446**	121,322
	808,298	682,248

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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Summarised balance sheet						
Non-current assets	**1,585,204**	1,244,687	**956,000**	919,200	**16,757**	16,775
Current assets	**178,078**	338,312	**313,000**	227,400	**13,273**	9,405
Current liabilities	**(53,224)**	(35,144)	**(269,500)**	(375,200)	**(3,926)**	(3,280)
Non-current liabilities	**(593,556)**	(473,987)	**(570,600)**	(368,000)	**-**	-
Net assets	**1,116,502**	1,073,868	**428,900**	403,400	**26,104**	22,900
Less: Non-controlling interests	**(26,786)**	(343)	**-**	-	**-**	-
	1,089,716	1,073,525	**428,900**	403,400	**26,104**	22,900
Proportion of the Group's ownership	**30.04%**	30.09%	**19.33%**	19.23%	**50.00%**	50.00%
Group's share of net assets	**327,351**	323,024	**82,906**	77,574	**13,052**	11,450
Goodwill	**14,626**	14,626	**102,083**	102,083	**-**	-
Other adjustments	**866**	1,257	**2,991**	2,936	**27,977**	27,976
Carrying amount of the investment	**342,843**	338,907	**187,980**	182,593	**41,029**	39,426
Summarised statement of comprehensive income						
Revenue	**139,050**	99,139	**1,071,100**	1,060,900	**14,355**	5,650
Profit for the year	**70,274**	50,943	**132,500**	149,700	**7,204**	2,853
Other comprehensive income	**21,044**	(7,656)	**4,400**	200	**-**	-
Total comprehensive income	**91,318**	43,287	**136,900**	149,900	**7,204**	2,853
Other summarised information						
Fair value of ownership interest at 31 December (if listed)	**484,171**	401,218	**318,378**	350,573	**-**	-
Dividends received	**20,958**	17,595	**19,854**	27,366	**2,000**	-

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	
	2017 $'000	2016 $'000
Associated companies		
Share of profit before taxation	**8,735**	8,632
Share of taxation	**(2,507)**	(1,651)
Share of other comprehensive income	**3,018**	1,453
Share of total comprehensive income	**9,246**	8,434
Joint ventures		
Share of profit before taxation	**(386)**	(1,329)
Share of taxation	**(107)**	(188)
Share of other comprehensive income	**(480)**	(1,744)
Share of total comprehensive income	**(973)**	(3,261)

Notes to the Financial Statements

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	
	2017 $'000	2016 $'000
Available-for-sale financial assets:		
Equity instruments (unquoted)	**6,252**	4,661

The Group recorded fair value gain of $1,801,000 (2016: fair value loss of $5,314,000) 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

	Management Rights $'000	Computer Software $'000	Total $'000
Group			
2017			
Cost			
At 1 January	-	2,410	2,410
Additions	-	604	604
At 31 December	-	3,014	3,014
Accumulated amortisation			
At 1 January	-	201	201
Amortisation for the year	-	849	849
At 31 December	-	1,050	1,050
Net book value	-	1,964	1,964
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

21. Long-term Receivables

	Company	
	2017 $'000	2016 $'000
Loans to subsidiaries	**100,000**	-
Advances to subsidiaries	**48,548**	51,723
	148,548	51,723

Loans to subsidiaries consist of interest bearing loans which are repayable in 1 September 2022 and bear interest at 2.85% per annum. These amounts are to be settled in cash.

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 $145,131,000 (2016: $48,944,000). 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	
	2017 $'000	2016 $'000
Spare parts and consumable stocks	**680**	669

23. Debtors

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Trade debtors	**54,343**	41,262	**-**	-
Allowance for impairment	**(490)**	(607)	**-**	-
	53,853	40,655	**-**	-
Sundry debtors	**8,237**	10,383	**1,245**	2
Prepayments	**3,062**	2,658	**192**	71
Sundry deposits	**1,456**	1,470	**5**	7
Interest receivable	**248**	240	**-**	-
Tax receivable	**3,453**	4,684	**-**	-
Claim receivable	**18**	-	**-**	-
	16,474	19,435	**1,442**	80
Allowance for impairment	**(200)**	-	**-**	-
	16,274	19,435	**1,442**	-
Total debtors	**70,127**	60,090	**1,442**	80

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.

Notes to the Financial Statements

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Past due by:				
Lesser than 3 months	8,409	4,519	-	-
3 to 6 months	4,580	2,347	-	-
Over 6 months	585	491	-	-
	13,574	7,357	-	-

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Gross amount	690	607	-	-
Less: Allowance for impairment	(690)	(607)	-	-
	-	-	-	-
Movement in allowance for impairment				
At 1 January	607	400	-	-
Exchange differences	(21)	9	-	-
Allowance made	200	234	-	-
Allowance written-back	(22)	(36)	-	-
Allowance written-off	(74)	-	-	-
At 31 December	690	607	-	-

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Amounts owing by:				
Related companies				
Trade accounts	383	145	-	-
	383	145	-	-
Related companies				
Non-trade accounts	342	179	1,215	715
Loan accounts	-	-	46,232	122,786
Less: Allowance for impairment	-	-	(7,519)	(7,666)
	725	324	39,928	115,835
Amounts owing to:				
Holding company				
Non-trade accounts	(106)	(213)	(4)	-
Related companies				
Non-trade accounts	(577)	(623)	(9,595)	(9,630)
	(683)	(836)	(9,599)	(9,630)

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 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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Gross amount	-	-	7,519	7,666
Less: Allowance for impairment	-	-	(7,519)	(7,666)
	-	-	-	-
Movement in allowance for impairment				
At 1 January	-	-	7,666	8,260
Allowance written-back	-	-	(147)	(594)
At 31 December	-	-	7,519	7,666

For the Company, allowance for impairment amounting to $147,000 (2016: $594,000) was written-back during the financial year due to payments received from a subsidiary.

25. Amounts Owing by/(to) Associated Companies

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Amounts owing by associated companies:				
Trade accounts	1,094	580	-	-
Non-trade accounts	21	1,030	-	-
Advances	60,891	27,707	-	-
	62,006	29,317	-	-
Amounts owing to associated companies:				
Trade accounts	(13,413)	(5,393)	-	-
Non-trade accounts	(3)	(14)	-	-
	(13,416)	(5,407)	-	-

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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Past due by:				
Lesser than 3 months	115	166	-	-
3 to 6 months	127	88	-	-
More than 6 months	197	-	-	-
	439	254	-	-

Notes to the Financial Statements

26. Fixed Deposits, Bank Balances and Cash

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Fixed deposits with banks	**9,418**	13,085	**-**	-
Short-term placements with a related company	**35,328**	40,943	**8,056**	28,247
	44,746	54,028	**8,056**	28,247
Bank balances and cash	**51,282**	48,922	**279**	226
	96,028	102,950	**8,335**	28,473

Short-term placements with a related company are made for varying periods of between 24 and 63 days (2016: 13 and 52 days) and earn interest at rates ranging from 1.03% to 1.14% (2016: 0.44% to 0.80%) per annum.

Deposits placed with banks are made for varying periods of between 3 months and 12 months (2016: 3 months and 12 months) depending on the immediate cash requirements of the Group. These deposits earn interest at rates ranging from 0.70% to 5.30% (2016: 0.88% to 5.50%) per annum.

27. Creditors

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Trade creditors	**13,015**	17,353	**-**	-
Advances from non-controlling interest of a subsidiary	**-**	149	**-**	-
Deposits from customers	**3,406**	3,593	**-**	-
Retention monies	**3,710**	5,575	**196**	196
Interest payables	**2,311**	2,230	**921**	1,217
Sundry creditors	**17,109**	76,794	**815**	1,413
Accrued expenses	**38,232**	29,175	**834**	881
Derivative financial instruments	**309**	644	**-**	-
Finance lease liabilities (Note 34.3)	**214**	214	**-**	-
Deferred revenue	**10,589**	2,661	**-**	-
Total creditors	**88,895**	138,388	**2,766**	3,707

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.

28. Short-term Borrowings

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Bank and other borrowings, unsecured	**50,426**	63,004	**-**	-
Bank borrowings, secured	**2,657**	9,758	**-**	-
Loans from related companies, unsecured	**62,340**	-	**-**	-
	115,423	72,762	**-**	-

Unsecured bank and other borrowings are repayable within one year and bear interest at rates ranging from 0.48% to 6.64% (2016: 0.57% to 6.30%) per annum.

Secured bank borrowings are repayable within one year and bear interest at rates ranging from 3.56% to 6.70% (2016: 1.21% to 7.20%) per annum. The bank borrowings are secured by mortgage over certain fixed assets of the Group (Note 14).

Unsecured loans from related companies of $62,340,000 (2016: Nil) bear interest at rates ranging from 1.62% to 5.23% (2016: Nil to Nil) per annum.

29. Long-term Borrowings

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Loans from related companies, unsecured	**201,349**	118,608	**-**	-
Bank borrowings, secured	**5,543**	55,770	**-**	-
Bank borrowings, unsecured	**35,072**	161,625	**-**	-
Medium Term Note	**100,000**	120,000	**100,000**	120,000
	341,964	456,003	**100,000**	120,000

Unsecured loans from related companies include:

(a) $40,000,000 (2016: $40,000,000) that is repayable in December 2020 (2016: December 2018) and bears interest at fixed rate of 2.75% (2016: floating rate of 2.51%) per annum;

(b) $51,328,000 (2016: $48,608,000) that is repayable in December 2020 (2016: December 2018) and bears interest at floating rate of 1.20% (2016: 1.20%) per annum;

(c) $62,900,000 (2016: Nil) that is repayable in November 2019 and bears interest at fixed rate of 2.80% per annum;

(d) $47,121,000 (2016: Nil) that is repayable in December 2019 and bears interest at floating rate of 1.73% per annum;

(e) Nil (2016: $21,000,000) which bears interest at fixed rate of Nil (2016: 2.70%) per annum; and

(f) Nil (2016: $9,000,000) which bears interest at fixed rate of Nil (2016: 2.84%) per annum.

The interest rates of the floating rate loans are repriced at intervals of one month to three months.

Secured bank borrowings include:

(a) $5,543,000 (2016: $7,151,000) that is repayable by October 2019 (2016: October 2019) and bears interest at floating rate ranging from 3.56% to 6.70% (2016: 3.08% to 7.20%) per annum;

(b) Nil (2016: $47,121,000) which bears interest at floating rate ranging from Nil to Nil (2016: 1.21% to 2.62%) per annum; and

(c) Nil (2016: $1,498,000) which bears interest at floating rate of Nil (2016: 4.75%) 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 three months.

Unsecured bank borrowings include:

(a) $27,458,000 (2016: $16,320,000) that is repayable by March 2021 (2016: March 2021) and bears interest at floating rate ranging from 5.40% to 6.64% (2016: 5.40% to 5.57%) per annum;

(b) $6,900,000 (2016: $14,560,000) that is repayable by September 2028 (2016: September 2028) and bears interest at fixed rate of 1.20% (2016: 1.20%) per annum;

(c) $714,000 (2016: Nil) that is repayable by October 2019 (2016: Nil) and bears interest at floating rate of 4.75% (2016: Nil) per annum;

(d) Nil (2016: $49,000,000) which bears interest at fixed rate of Nil (2016: 2.70%) per annum;

(e) Nil (2016: $62,900,000) which bears interest at fixed rate of Nil (2016: 2.90%) per annum;

(f) Nil (2016: $14,477,000) which bears interest at floating rate ranging from Nil to Nil (2016: 5.06% to 6.15%) per annum; and

(g) Nil (2016: $4,368,000) which bears interest at fixed rate of Nil (2016: 4.75%) per annum.

The interest rates of the floating rate loans are repriced at intervals of 3 months to 12 months.

Notes to the Financial Statements

The $500,000,000 Medium Term Note ("MTN") Programme was established on 29 June 2012 and $120,000,000 Fixed Rate Note was drawn down on 13 August 2012 and fully redeemed and cancelled on 14 August 2017. On 5 September 2017, the Group drew down $100,000,000 Fixed Rate Note which are unsecured and bear interest at fixed rates of 2.85% per annum from September 2017 to September 2022 and 3.85% per annum from September 2022 to September 2024. 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 $340,259,000 (2016: $454,785,000) and $100,245,000 (2016: $121,801,000) 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	
	2017 $'000	2016 $'000
Accrued operating expenses	**720**	860
Finance lease liabilities (Note 34.3)	**2,006**	2,176
Provision for reinstatement cost	**1,455**	-
Deferred income	**8,222**	8,529
	12,403	11,565

31. Assets and Liabilities Classified as Held for Sale

The Company entered into negotiations in 2016 with potential buyers for the sale of the Company's shareholdings in Asia Airfreight Terminal ("AAT"), an associated company of the Company. On 17 March 2017, the Company entered into a conditional sales and purchase agreement for the sale of the Company's entire shareholding in AAT. The investment in the associated company was reclassified to other investments as at 31 December 2017 due to loss of significant influence. The transaction was not completed as at 31 December 2017. The Group's carrying amount in the other investments has been presented separately as "assets classified as held for sale" in the Group's consolidated balance sheet, as follows:

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Assets classified as held for sale				
Associated companies and joint ventures	**-**	24,141	**-**	6,621
Other investments	**43,250**	-	**43,250**	-
	43,250	24,141	**43,250**	6,621

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. The sale was completed on 20 January 2017.

In 2016, 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	
	2017 $'000	2016 $'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.

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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Holding company	**-**	-	**(1,721)**	(1,469)	**(695)**	(972)	**1**	2
Related companies	**421**	84	**(2,256)**	(2,297)	**-**	-	**-**	2,595
Associated companies and joint ventures	**26,987**	22,100	**(22)**	(30)	**-**	-	**-**	-

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	
	2017 $'000	2016 $'000
Short-term employee benefits	**2,572**	3,557
Central Provident Fund contributions	**61**	70
Share plans granted	**1,491**	690
	4,124	4,317

33. Capital Commitments

Capital expenditure not provided for in the financial statements in respect of contracts placed for:

	Group	
	2017 $'000	2016 $'000
Development of investment properties	**-**	81,706
Purchase and construction of fixed assets	**12,970**	25,565
Purchases of shares in other companies	**324,877**	143,300
	337,847	250,571

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 13 years.

Future minimum lease receipts under non-cancellable leases are as follows:

	Group	
	2017 $'000	2016 $'000
Not later than one year	**24,394**	33,466
Later than one year not later than five years	**33,336**	84,688
Later than five years	**27,103**	28,699
	84,833	146,853

Notes to the Financial Statements

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 22 years.

Future minimum lease payments under non-cancellable leases are as follows:

	Group	
	2017 $'000	2016 $'000
Not later than one year	6,616	7,904
Later than one year not later than five years	15,835	19,500
Later than five years	45,244	58,848
	67,695	86,252

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			
	2017		2016	
	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	1,404	1,192	1,620	1,362
	2,484	2,220	2,700	2,390
Less: Future finance charges	(264)	-	(310)	-
Present value of finance lease liabilities	2,220	2,220	2,390	2,390

35. Contingent Liabilities

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries. These bank borrowings amount to $48,670,000 (2016: $206,812,000).

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, channel management, last mile delivery 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, Hong Kong 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.

2017
By business segments

	Logistics $'000	Data Centre $'000	Investments $'000	Eliminations $'000	Consolidated Total $'000
Revenue					
External sales	141,003	35,985	-	-	176,988
Inter-segment sales	164	-	-	(164)	-
Total	141,167	35,985	-	(164)	176,988
Segment results					
Operating profit/(loss)	20,297	8,563	(12,112)	-	16,748
Interest income	364	589	2,824	(2,657)	1,120
Interest expense	(3,485)	(7,548)	(3,117)	2,657	(11,493)
Share of results of associated companies and joint ventures	(400)	26,616	39,254	-	65,470
Profit before taxation	16,776	28,220	26,849	-	71,845
Taxation	(2,435)	(5,103)	(8,390)	-	(15,928)
Profit for the year	14,341	23,117	18,459	-	55,917
Attributable to:					
Shareholders of the Company	13,297	20,200	18,287	-	51,784
Non-controlling interests	1,044	2,917	172	-	4,133
	14,341	23,117	18,459	-	55,917
Other information					
Segment assets	552,124	780,284	545,500	(340,709)	1,537,199
Segment liabilities	(288,487)	(412,365)	(228,851)	340,709	(588,994)
Net assets	263,637	367,919	316,649	-	948,205
Investment in associated companies and joint ventures	26,372	520,288	261,638	-	808,298
Additions to non-current assets	27,323	185,048	224	-	212,595
Depreciation and amortisation	20,530	980	78	-	21,588
Fair value gain on investment properties	-	377	-	-	377

By geographical information

	Singapore $'000	China $'000	ASEAN other than Singapore $'000	Others $'000	Consolidated Total $'000
External sales	89,837	57,210	17,405	12,536	176,988
Non-current assets	813,762	252,026	47,436	151,159	1,264,383

Information about major customers
For the financial year ended 31 December 2017, revenue of $30,890,000 was derived from a single external customer in the Data Centre segment for the provision of data centre co-location and other services.

Notes to the 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.

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				
2017				
Recurring fair value measurements				
Financial assets:				
Available-for-sale financial assets (Note 19)				
Equity instruments (unquoted)	-	-	6,252	6,252
Non-financial assets:				
Investment properties (Note 15)				
Commercial	-	-	74,586	74,586
Financial liabilities:				
Derivative financial instruments (Note 27)				
Interest rate swaps	-	(309)	-	(309)
Non-recurring fair value measurements				
Financial assets:				
Assets classified as held for sale (Note 31)				
Other investments	-	43,250	-	43,250
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)

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

<u>Non-recurring fair value measurements</u>
During the financial year ended 31 December 2017, the Group's investment in Asia Airfreight Terminal was reclassified to other investments due to loss of significant influence and was measured at fair value. The investment is separately presented as "assets classified as held for sale" (Note 31) in the Group's consolidated balance sheet.

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.

<u>Level 2 fair value measurements</u>
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.

During the financial year ended 31 December 2017, the fair value of Asia Airfreight Terminal was measured based on its sales consideration.

<u>Level 3 fair value measurements</u>
Information about fair value measurements using significant unobservable inputs (Level 3) are as follows:

Description	Fair value $'000	Valuation techniques	Unobservable inputs	Range
Group				
2017				
Available-for-sale financial assets				
Equity instruments (unquoted)	6,252	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	74,586	Discounted cash flow method	Discount rate (%)	11.5%
			Terminal yield (%)	7%
			Terminal growth rate (%)	1.5%
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

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% (2016: 3%) higher/lower discount rate will result in approximately $215,000 lower/$230,000 higher (2016: $132,000 lower/$143,000 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 following table presents the reconciliation for all financial instruments measured at fair value under Level 3 of the fair value hierarchy:

	Group	
	2017 $'000	2016 $'000
At 1 January	**4,661**	9,851
Gains/(losses) in other comprehensive income		
- Fair value changes	**1,801**	(5,314)
- Exchange differences arising on consolidation	**(210)**	124
At 31 December	**6,252**	4,661

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.

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				
2017				
Assets:				
Associated companies and joint ventures	**824,156**	**-**	**824,156**	**557,263**
Liabilities:				
Long-term borrowings	**-**	**(340,259)**	**(340,259)**	**(341,964)**
2016				
Assets:				
Associated companies and joint ventures	782,763	-	782,763	544,783
Liabilities:				
Long-term borrowings	-	(454,785)	(454,785)	(456,003)
Company				
2017				
Assets:				
Long-term receivables	**-**	**145,131**	**145,131**	**148,548**
Liabilities:				
Long-term borrowings	**-**	**(100,245)**	**(100,245)**	**(100,000)**
2016				
Assets:				
Long-term receivables	-	48,944	48,944	51,723
Liabilities:				
Long-term borrowings	-	(121,801)	(121,801)	(120,000)

Notes to the Financial Statements

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 (2016: 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 $37,121,000 (2016: $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 recognised in creditors (Note 27) is negative at $309,000 (2016: negative at $644,000).

<u>Sensitivity analysis for interest rate risk</u>

As at the balance sheet date, if interest rates had been 75 (2016: 75) basis points lower/higher with all other variables held constant, the Group's profit after taxation would have been $573,000 higher/lower (2016: $670,000 higher/lower), arising mainly from lower/higher interest expense on floating rate loans from banks 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 $50,000 lower/higher (2016: $176,000 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				
2017				
Financial assets:				
Available-for-sale financial assets	**-**	**-**	**1,364**	**-**
Debtors	**813**	**354**	**941**	**-**
Amount owing by an associated company	**-**	**-**	**-**	**25,881**
Fixed deposits, bank balances and cash	**-**	**27**	**940**	**-**
Financial liabilities:				
Creditors	**-**	**(227)**	**(130)**	**-**
Borrowings	**-**	**-**	**(6,305)**	**(76,415)**
2016				
Financial assets:				
Available-for-sale financial assets	-	-	1,012	-
Debtors	286	797	1,273	-
Amount owing by an associated company	-	-	-	27,707
Fixed deposits, bank balances and cash	-	39	1,050	-
Financial liabilities:				
Creditors	-	(286)	(372)	-
Borrowings	-	-	(7,881)	(50,066)

The Company has no significant foreign currency exposure as at 31 December 2017 and 2016.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change by 5% (2016: 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			
	2017		2016	
	Profit after tax $'000	**Equity $'000**	Profit after tax $'000	Equity $'000
CNY				
- strengthened	34	(2,249)	16	(1,471)
- weakened	(34)	2,249	(16)	1,471
HKD				
- strengthened	7	241	23	271
- weakened	(7)	(241)	(23)	(271)
USD				
- strengthened	(241)	(445)	(315)	(487)
- weakened	241	445	315	487
EUR				
- strengthened	(2,746)	(2,488)	(1,354)	(1,380)
- weakened	2,746	2,488	1,354	1,380

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 24% and Nil (2016: 25% 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:

	2017			2016		
	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	63,612	-	-	52,748	-	-
Other receivables	62,731	-	-	29,641	-	-
Fixed deposits, bank balances and cash	96,028	-	-	126,516	-	-
Total undiscounted financial assets	222,371	-	-	208,905	-	-
Financial liabilities:						
Creditors	(77,195)	(720)	-	(134,698)	(860)	-
Borrowings	(121,190)	(265,165)	(109,813)	(165,648)	(472,859)	-
Finance lease liabilities	(216)	(864)	(1,404)	(216)	(864)	(1,620)
Other liabilities	(14,099)	-	-	(6,243)	-	-
Total undiscounted financial liabilities	(212,700)	(266,749)	(111,217)	(306,805)	(474,583)	(1,620)
Total net undiscounted financial assets/(liabilities)	9,671	(266,749)	(111,217)	(97,900)	(474,583)	(1,620)
Company						
Financial assets:						
Debtors	1,250	-	-	9	-	-
Other receivables	42,778	159,011	-	117,355	51,723	-
Fixed deposits, bank balances and cash	8,335	-	-	28,473	-	-
Total undiscounted financial assets	52,363	159,011	-	145,837	51,723	-
Financial liabilities:						
Creditors	(1,953)	-	-	(2,297)	-	-
Borrowings	(2,850)	(115,578)	(2,626)	(3,702)	(127,419)	-
Other liabilities	(9,599)	-	-	(9,630)	-	-
Total undiscounted financial liabilities	(14,402)	(115,578)	(2,626)	(15,629)	(127,419)	-
Total net undiscounted financial assets/(liabilities)	37,961	43,433	(2,626)	130,208	(75,696)	-

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			
	2017		2016	
	$'000	**% of total**	$'000	% of total
By country				
Singapore	**106,260**	**84%**	60,685	74%
People's Republic of China	**11,048**	**9%**	12,718	15%
Vietnam	**6,406**	**5%**	5,575	7%
Malaysia	**782**	**1%**	1,899	2%
Other countries	**1,847**	**1%**	1,512	2%
	126,343	**100%**	82,389	100%
By industry sectors				
Logistics	**47,367**	**38%**	45,441	56%
Data Centre	**78,712**	**62%**	35,789	43%
Investments	**264**	*****	1,159	1%
	126,343	**100%**	82,389	100%

* Denotes amount <1%

38.5 Financial Instruments by Category

The carrying amount of financial instruments and their categories is as follows:

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Loans and receivables	**222,371**	224,304	**198,061**	196,040
Available-for-sale financial assets	**6,252**	4,661	**-**	-
Assets classified as held for sale				
- Other investments	**43,250**	-	**43,250**	-
Financial liabilities at amortised cost	**(553,076)**	(769,060)	**(111,552)**	(131,927)

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	
	2017 $'000	2016 $'000
Net debt	**361,359**	482,249
Total capital	**948,205**	908,027
Gearing ratio	**38%**	53%

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 2017 and 2016.

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
	2017 %	2016 %	**2017 $'000**	2016 $'000		
Subsidiaries						
Logistics						
Keppel Logistics Pte Ltd	**100**	100	**82,534**	82,534	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(f)]	**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(f)]	**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(g)]	**100**	100	**#**	#	Australia	Warehousing and distribution
Courex Pte Ltd [1(f)]	**60**	60	**#**	#	Singapore	Warehousing and distribution

	Effective Equity Interest 2017 %	Effective Equity Interest 2016 %	Cost of Investment 2017 $'000	Cost of Investment 2016 $'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 and management services
Keppel DC Singapore 1 Ltd	**70**	70	**#**	#	Singapore	Data centre facilities management
Keppel DC Singapore 2 Pte Ltd	**70**	70	**#**	#	Singapore	Data centre facilities management
Keppel DC Singapore 3 Pte Ltd [2]	**-**	70	**-**	#	Singapore	Data centre facilities and colocation services
Keppel DC Singapore 4 Pte Ltd [3]	**-**	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	Investment holding
Keppel Data Centre Almere BV [1(g)]	**70**	70	**#**	#	Netherlands	Investment holding
Keppel Data Centres (Hong Kong) Limited [1(a)]	**70**	70	**#**	#	Hong Kong	Data centre facilities and colocation services
Keppel DCS3 Services Pte Ltd	**70**	70	**#**	#	Singapore	Data centre facilities management
Keppel Data Centre Holdings Europe Limited [1(f), 4]	**70**	-	**#**	-	Ireland	Provision of management services, investment holding and advisory
Keppel Data Centre Holdings Germany GmbH [1(g), 4]	**70**	-	**#**	-	Germany	Lease, operation and management of real estate properties, in particular Data Centres
Keppel Data Centre Facility Management Pte Ltd	**100**	100	**#**	#	Singapore	Data centre facilities management
iseek-KDC Services Pty Ltd [1(f)]	**60**	60	**#**	#	Australia	Data centre facilities management
Keppel DC Investment Holdings Pte Ltd	**100**	100	**#**	#	Singapore	Investment holding
Keppel DC Development Europe Limited [1(a)]	**100**	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 IHT Investment Ltd [1(g)]	**100**	100	**26,864**	26,864	British Virgin Islands	Inactive
Keppel Telecoms Pte Ltd	**100**	100	**#**	#	Singapore	Investment holding
Keppel Communications Pte Ltd	**100**	100	**#**	#	Singapore	Trading and provision of communications system and accessories
Keppel Networks Pte Ltd [4]	**100**	-	**#**	-	Singapore	Telecommunications network operation
Associated Companies						
Logistics						
Asia Airfreight Terminal Company Limited [1(c), 5]	**-**	10	**-**	6,621	Hong Kong	Operation of an air cargo handling terminal
PT Keppel Puninar Logistics [1(f)]	**49**	49	**#**	#	Indonesia	Distribution and transportation services

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	Effective Equity Interest 2017 %	2016 %	Cost of Investment 2017 $'000	2016 $'000	Country of Incorporation and Operation	Principal Activities
Data Centre						
Keppel DC REIT	**30**	30	**#**	#	Singapore	Data centre facilities and colocation services
Keppel DC Singapore 3 LLP (formerly known as Keppel DC Singapore 3 Pte Ltd) [2]	**34**	-	**#**	-	Singapore	Data centre facilities and colocation services
Keppel DC REIT Management Pte Ltd	**50**	50	**#**	#	Singapore	Investment holding and fund management
Alpha DC Fund Private Limited [1(e), 6]	**46**	53	**#**	#	Singapore	Investment holding and fund management
Calcium DC Pte Ltd [1(e), 7]	**55**	60	**#**	#	Singapore	Investment holding
Thorium DC Pte Ltd [1(e), 3]	**53**	-	**#**	-	Singapore	Investment holding
Nautilus Data Technologies Inc [1(f), 8]	**21**	-	**#**	-	USA	Water-cooled data centre leasing, colocation and interconnection services
Investments						
Advanced Research Group Co Ltd [1(f)]	**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(f)]	**21**	21	**#**	#	USA	IT consulting and outsourcing provider
M1 Limited [1(d), 9]	**19**	19	**#**	#	Singapore	Telecommunications services
ARIP Public Company Ltd [1(f)]	**20**	20	**#**	#	Thailand	Publication of IT and business information, exhibition organiser and online information service provider
ABIKS Development Co Ltd [1(f)]	**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(f)]	**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 member firms of Deloitte Touche Tohmatsu Limited in the respective countries.
   (f) Audited by other firms of Certified Public Accountants.
   (g) 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 20 January 2017, the Group through Keppel Data Centres Holding Pte Ltd ("KDCH"), disposed 90% of its gross interest in Keppel DC Singapore 3 Pte Ltd ("KDCS3") to Keppel DC REIT ("KDC REIT") for a cash consideration of $44,662,000. The $100,000,000 loan owing to KDCH from KDCS3 was novated to KDC REIT and was fully repaid as at year end. Subsequent to the disposal, KDCS3 was reclassified to an associate due to the loss of control and was renamed as Keppel DC Singapore 3 LLP.
3. During the financial year ended 31 December 2017, KDCH subscribed for 30% of the issued share capital in Thorium DC Pte Ltd ("Thorium"). KDCH's 100% interest in Keppel DC Singapore 4 Pte Ltd ("KDCS4") was transferred to Thorium. The remaining 70% of the issued share capital of Thorium is held by Alpha DC Fund.
4. Acquired/incorporated during the financial year ended 31 December 2017.
5. During the financial year ended 31 December 2017, the Group entered into a sales and purchase agreement ("SPA") for the sale of its entire 10% equity interest in Asia Airfreight Terminal Company Limited ("AAT"). The sale has not been completed as at year end, however the Group was deemed to have lost its significant influence over the AAT and subsequently reclassified the investment to Other Investments in view of the restrictions placed in the SPA.
6. During the financial year ended 31 December 2017, the Group committed to provide an additional capital of US$180,000,000 (2016: US$100,000,000) to Alpha DC Fund Private Limited ("Alpha DC Fund"). The Group's gross interest was reduced to 65% (2016: 76%) with the securement of additional investment commitments from other third party investors in Alpha DC Fund.
7. Effective equity interest in Calcium DC Pte Ltd was reduced from 60% to 55% due to the reduction in interest in Alpha DC Fund as disclosed in the note above.
8. During the financial year 31 December 2017, Keppel Data Centres Pte Ltd ("KDC") subscribed for 9,901,617 shares of series C preferred stock in Nautilus Data Technologies Inc for an aggregate cash consideration of US$10,000,000.
9. Although the Group holds less than 20 percent of the voting power in M1 Limited ("M1"), the entity is equity accounted in view of the fact that the Group has representation in the board of directors of M1.

41. Dividends

	Group and Company	
	2017 $'000	2016 $'000
Tax exempt (one-tier) dividends on ordinary shares declared and paid during the financial year:		
- Final dividend of 4.5 cents per share for 2016 (2016: 3.5 cents per share for 2015)	**25,113**	19,495
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 3.5 cents (2016: 4.5 cents) per share	**19,532**	25,066

42. Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards

Singapore-incorporated companies listed on the Singapore Exchange are required to apply a new financial reporting framework identical to the IFRS, Singapore Financial Reporting Standards (International) (SFRS(I)s), for annual periods beginning on or after 1 January 2018.

The Group has adopted SFRS(I)s on 1 January 2018 and as a result, the Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I)s.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group expects that the adoption of SFRS(I)s will have no material impact on the financial statements in the year of initial application, other than the election of optional exemption to reset its cumulative translation differences for all foreign operations to Nil at the date of transition at 1 January 2017. As a result, the Group expects to reclassify cumulative translation losses of $19,441,000 from foreign exchange translation account to revenue reserves as at 1 January 2017. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

In addition to the adoption of SFRS(I)s, the following SFRS(I)s, and amendments and interpretations of SFRS(I)s that are relevant to the Group and the Company are effective on or after the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 16 *Leases*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

Notes to the Financial Statements

The management anticipates that the adoption of the above standards and interpretations in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

SFRS(I) 15 *Revenue from Contracts with Customers*
SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

SFRS(I) 15 will take effect from financial years beginning on or after 1 January 2018. In accordance with the requirements of SFRS(I) 1, the Group will adopt SFRS(I) 15 retrospectively. The Group is currently finalising the transition adjustments.

SFRS(I) 9 *Financial Instruments*
SFRS(I) 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. SFRS(I) 9 also introduces expanded disclosure requirements and changes in presentation. The adoption of SFRS(I) 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

SFRS(I) 9 will take effect from financial years beginning on or after 1 January 2018. The Group plans to elect to apply the short-term exemption under SFRS(I) 1, which exempt the Group from applying SFRS(I) 9 to comparative information. The Group is currently finalising the transition adjustments.

SFRS(I) 16 *Leases*
SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under SFRS(I) 16.

The standard also introduces expanded disclosure requirements and changes in presentation.

SFRS(I) 16 will take effect from financial years beginning on or after 1 January 2019.

The standard will affect primarily the accounting for the Group's operating leases. The future minimum rental expense payable under significant non-cancellable leases is disclosed in Note 34. The Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

43. Event Occurring After Balance Sheet Date

On 5 February 2018, the Group through its wholly-owned subsidiary, Keppel Logistics Pte Ltd, increased its shareholdings in Courex Pte Ltd ("Courex") from 59.6% to 85.0% at an aggregated consideration of $7,502,000. The Group also extended a convertible loan of up to $9,750,000 to Courex for the purpose of working capital.

44. Authorisation of Financial Statements

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 21 February 2018.

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 and statement of changes in equity 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 financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated profit and loss account of the Group for the year ended 31 December 2017;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the balance sheets of the Group and of the Company as at 31 December 2017;
- the statements of changes in equity of the Group and 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 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 judgements; 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 judgement, 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.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of fixed assets The Group has fixed assets as of 31 December 2017, 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. Management has considered the recent decision to undertake a strategic review of the China logistics portfolio in their assessment of impairment indicators in fixed assets as of 31 December 2017, and estimated the recoverable amounts of certain assets to determine whether the carrying amounts of those assets are appropriate. The estimation process involved management's evaluation of the value-in-use calculations and the determination of other suitable valuation techniques after considering the facts and circumstances in respect of each asset, and the reasonableness of relevant observable inputs in the market with the assistance provided by independent professional valuers. Management found the carrying values of the assets to be appropriate and no impairment losses were recorded. We paid particular attention in this area as the valuation of those fixed assets for the purpose of impairment assessment involved the application of judgement by the valuers and Management on the selection of appropriate inputs to the valuation techniques.	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 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 and assumptions made by the valuers and Management is reasonable based on the characteristics, current and expected utilization, and remaining useful lives of the assets. As part of this review, we also considered whether the assumptions in the valuation calculations are reasonable by considering the other information available in the market, and assessed sensitivity of the outcomes by considering downside scenarios against reasonable plausible changes to the key assumptions. We found the estimates and assumptions used in the impairment assessment of fixed assets to be reasonable.
Fair value measurement of investment properties The Group has a data centre that is classified as an investment property in the consolidated balance sheet (Note 15). In addition, the valuation of data centres classified as investment properties held by the Group's material associated companies affects the carrying value of the Group's investment in associated companies as well as its share of results of associated companies (Note 17). 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 and discount rate (where discounted cash flow valuation method is used).	We evaluated whether the external valuers engaged by the Group has 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 valuations to supporting agreements, and corroborated the capitalisation rate by comparing them against historical rates, comparable properties and other available industry data. For the Group's interests in associated companies that are accounted for using the equity method of accounting, we have evaluated whether the work performed by the auditor of the material associated companies holding data centres as investment properties is in accordance with our instructions to them and consistent with the audit procedures as described above. We also assessed the adequacy of 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.

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 Members 2017 ("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 judgement 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.

Independent Auditor's Report

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, 21 February 2018

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.

The Company has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") and this report describes the Company's corporate governance practices with specific reference to the principles and guidelines set out in the Code.

Board's Conduct of Affairs
Principle 1: Effective Board to lead and control the Company

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;
- set the Company's values and standards (including ethical standards);
- oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and safety, and satisfy itself as to the adequacy of such processes;
- assume responsibility for corporate governance; and
- consider sustainability issues such as environmental and social factors as part of its strategic formulation.

Board Strategic Review: A process is in place to support the Board in reviewing and monitoring the Group's strategic plans, including providing directors with the necessary context and opportunity to undertake effective and robust deliberation and debate. In this regard, a board strategy meeting is organised annually for in-depth discussion on strategic issues and direction of the Group, as well as the strategic plans of each business unit. To support the Board's oversight of the implementation of the strategic plans, each business unit is also invited to quarterly Board meetings to provide updates on the progress and challenges.

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 FY2017, 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 or her knowledge. On an annual basis, each director is also required to submit details of his or her associates for the purpose of monitoring interested person 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 the details thereof are 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 FY2017 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	8	-	2	3	-	-
Thomas Pang Thieng Hwi	8	-	-	-	-	4
Karmjit Singh	8	4	2	-	-	3
Neo Boon Siong	8	4	-	-	4	-
Khor Poh Hwa	8	4	-	3	-	-
Lim Chin Leong	8	-	2	3	3	4
Lee Ai Ming	8	4	-	-	4	-
Chan Hon Chew	8	4	-	-	-	-
No. of meetings held in 2017	**8**	**4**	**2**	**3**	**4**	**4**

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 the other members at the meeting.

Corporate Governance

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.

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 140 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. No individual or small group of individuals dominate the Board's decision-making.

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 FY2017, 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 to this report. The profiles of each of the directors are set out on pages 8 to 11 of this Annual Report.

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, and 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 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 Secretary and management.

The Chairman, with the assistance of the Company Secretary, 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 among 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 the 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 business and directs the business 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's 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

Corporate Governance

Re-nomination of Directors
The NC is also charged with the responsibility of re-nomination of directors, having regard to each 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 or her 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 or herself for re-election at the annual general meeting immediately following his or her appointment.

Annual Review of Board Committees' Composition
The NC reviews the composition of the board committees on an annual basis to ensure that they comprise members with the necessary qualifications and skills to discharge their responsibilities effectively.

Annual 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. In this respect, the NC has carried out a review of 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 the NC's assessment on the independence of the non-executive directors, concurs with the recommendations set forth by the 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.

Annual Review of Directors' time commitments
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 determines annually whether a director with listed company board representations and other principal commitments is able to and has been adequately carrying out his or her duties as a director of the Company. The NC takes 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 director's actual conduct and participation on the Board and board committees, including availability and attendance at scheduled meetings and ad-hoc meetings, in making the determination.

For FY2017, the NC was of the view that each director has given sufficient time and attention to the affairs of the Company and has been able to discharge his or her duties as director effectively. Based on the attendance of Board and Board committee meetings during the year, all directors were able to participate in at least a substantial number of such meetings. Further, based on the results of the peer and self-assessment carried out by the directors for FY2017, all directors have performed well. The NC was therefore satisfied that for FY2017, all the directors have been able to and have adequately carried out their duties as directors 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 major appointments; 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, Chairman of the Singapore Tourism Board and 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 or her to discharge his or her 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 for 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 directors may better understand the matters prior to the board meeting and discussion may be focused on questions that the directors 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 additional, 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 Secretary to facilitate direct access to senior management and the Company Secretary.

The Company Secretary administers, attends and prepares minutes of board proceedings. He assists 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. He also assists the Chairman and the Board to implement and strengthen corporate governance practices and processes with a view to enhancing long-term shareholder value. He is also the primary channel of communication between the Company and SGX.

The appointment and removal of the Company Secretary 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.

Corporate Governance

Remuneration Matters

Principle 7: The procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors should be formal and transparent

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: There should be clear disclosure of remuneration policy, 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 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 ("KT&T Share Option Scheme") in respect of the outstanding options granted prior to the termination of the Keppel T&T Share Option Scheme on 2 July 2010, the KT&T Restricted Share Plan ("KT&T RSP") and the KT&T Performance Share Plan ("KT&T PSP"). In addition, the RC reviews 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 contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC has access to expert advice from external remuneration consultants where required. In FY2017, 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 CEO, being an executive director, does not receive director's fees. No termination and retirement benefits will be granted to the directors.

The RC, in consultation with Aon Hewitt, conducted a review of the non-executive directors' fee structure in 2017. The review took into account a variety of factors, including prevailing market practices and referencing directors' fees against comparable benchmarks, as well as the roles and responsibilities of the Board and board committees.

Following the review, the directors' fee structure, which remains the same as FY2016, 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

However, starting from FY2017, each of the non-executive directors (save for Mr Loh Chin Hua and Mr Chan Hon Chew) will receive 70% of his or her total directors' fees in cash ("Cash Component") and 30% in the form of KT&T shares ("Remuneration Shares") (both amounts subject to adjustment as described below). The directors' fees for Mr Loh Chin Hua and Mr Chan Hon Chew will be paid in cash to Keppel Corporation Limited.

The actual number of Remuneration Shares, to be purchased from the market on the first trading day immediately after the date of the Annual General Meeting ("Trading Day") for delivery to the respective non-executive directors will be based on the market price of the Company's shares on the SGX on the Trading Day. The actual number of Remuneration Shares will be rounded down to the nearest thousand and any residual balance will be paid in cash.

Such incorporation of an equity component in the total remuneration of the non-executive directors is intended to achieve the objective of aligning the interests of the non-executive directors with those of the shareholders' and the long term interests of the Company.

The aggregate directors' fees for non-executive directors are subject to shareholders' approval at the Annual General Meeting. The Chairman and the non-executive directors will abstain from voting, and will procure their respective associates to abstain from voting in respect of this resolution.

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, the business unit's and the individual employee's performance.

In designing the remuneration structure, the RC seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between current versus long-term remuneration and between cash versus equity incentive remuneration.

In 2016 / 2017, the RC undertook a comprehensive review of the total remuneration structure. With the assistance of Aon Hewitt, the RC revised the total remuneration structure to reflect the following four key objectives:

(a) Shareholder Alignment: To incorporate performance measures that are aligned to shareholders' interests
(b) Long-term orientation: To motivate employees to drive sustainable long-term growth
(c) Simplicity: To ensure that the remuneration structure is easy to understand and communicate to stakeholders
(d) Synergy: To facilitate talent mobility and enhance collaboration across businesses

The revised total remuneration structure comprises three components; that is, annual fixed cash, annual performance bonus, and the KT&T Share Plans. The annual fixed cash component comprises of the annual basic salary plus any other fixed allowances, which the Company benchmarks with the relevant industry market median. The size of the Company's annual performance bonus pot is determined by the Group's financial and non-financial performance, and is distributed to employees based on their individual 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. A portion of the annual performance bonus is granted in the form of deferred shares that are awarded under the KT&T RSP. The KT&T PSP comprises performance targets determined on an annual basis and which vest over a longer term horizon. The KT&T RSP and KT&T PSP are long-term incentive plans. Executives who have a greater ability to influence Group outcomes have a greater proportion of overall remuneration at risk.

The RC exercises broad discretion and independent judgment in ensuring that the amount and mix of remuneration are aligned with the interests of shareholders and promote the long-term success of the Company. The mix of fixed and variable rewards is considered appropriate for the Group and for each individual role.

The remuneration structure is directly linked to corporate and individual performance, both in terms of financial and non-financial performance. This link is achieved in the following ways:

(1) by placing a significant portion of executives' remuneration at risk ("At Risk component") and 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 and Business Drivers; (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, compliance and controls measures, corporate social responsibility activities, employee engagement, talent development and succession planning;
    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. The RC reviews and approves the scorecard annually;
(3) by selecting performance conditions for the KT&T PSP awards, such as Total Shareholder Return, Return on Capital Employed and Net Profit 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) by forfeiting the At Risk components of remuneration when those KPIs or conditions are not met at a satisfactory level.

The RC also recognises the need for a reasonable alignment between risk and remuneration to discourage excessive risk taking. Therefore, in determining the remuneration 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 remuneration structure through several initiatives, including but not limited to:

(a) prudent funding of annual cash performance bonus;
(b) granting a portion of the annual performance bonus in the form of deferred shares, to be awarded under the KT&T RSP;
(c) vesting of contingent share awards under the KT&T PSP 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 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 the extent to which the performance conditions, set forth above, have been met. The RC is therefore of the view that remuneration is aligned to performance during FY2017.

Corporate Governance

In order to align the interests of the executive director and key management personnel with that of shareholders, the executive director and key management personnel are remunerated partially in the form of shares in the Company and are encouraged to hold such shares while they remain in the employment of the Company.

The directors, the CEO and the key management personnel (who are not directors or the CEO) 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

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. The range of performance targets to be set under the KT&T PSP emphasise 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, in misconduct resulting in misstatement of financial statements or in misconduct resulting in financial loss to the Company. Outstanding performance bonuses, 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 78 and 102 to 104 of the Annual Report.

Level and mix of remuneration of Directors and Key Management Personnel (who are not Directors or the Chief Executive Officer) for the year ended 31 December 2017

The level and mix of each of the directors' remuneration are set out below:

	Base/ Fixed Salary ($)	Performance Related Cash Bonuses Earned [1]	Directors' Fees ($)		Benefits-in-Kind ($)	Contingent Award of Shares [2]		Total Remuneration
			Cash Component [3]	Shares Component [3]		PSP [4]	RSP	
Remuneration & Name of Director								
Thomas Pang Thieng Hwi [5]	379,190	459,013	-	-	-	169,850	438,228	1,446,281
Loh Chin Hua [6]	-	-	72,000	-	-	-	-	72,000
Chan Hon Chew [6]	-	-	56,000	-	-	-	-	56,000
Karmjit Singh	-	-	57,400	24,600	-	-	-	82,000
Nee Boon Siong	-	-	53,900	23,100	-	-	-	77,000
Khor Poh Hwa	-	-	50,400	21,600	-	-	-	72,000
Lim Chin Leong	-	-	60,200	25,800	-	-	-	86,000
Lee Ai Ming	-	-	50,400	21,600	-	-	-	72,000

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 FY2017 were met.

2 Shares awarded under the KT&T PSP are subject to pre-determined performance targets set over a three-year performance period. As at 28 April 2017, being the grant date for the contingent awards under the KT&T PSP, the estimated value of each share granted was $1.48. As at 23 February 2018, being the grant date for the contingent deferred shares award under the KT&T RSP, the estimated value of each share was $1.54. 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.

3 The amounts stated may be adjusted as indicated on page 142 of this report.

4 Included one-time performance shares awarded under the KCL PSP-TIP. As at 28 April 2017, being the grant date, the estimated value of each share granted in respect of the contingent awards under the KCL PSP-TIP was $0.87.

5 Mr Thomas Pang Thieng Hwi's monthly base salary had been reduced up to 5% with effect from 1 October 2016.

6 The directors' fees for Mr Loh Chin Hua and Mr Chan Hon Chew will be paid in cash to Keppel Corporation Limited.

The total remuneration paid to the key management personnel (who are not directors or the CEO) in FY2017 was $2,670,593. The level and mix of each of the key management personnel (who are not directors or the CEO) in bands of $250,000 are set out below:

	Base/Fixed Salary ($)	Performance Related Cash Bonuses Earned [7] ($)	Benefits-in-kind ($)	Contingent award of Shares [2]	
		Paid		PSP [4]	RSP
Remuneration Band and Name of Key Management Personnel [8]					
Above $1,000,000 to $1,250,000 Wong Wai Meng	37%	25%	-	15%	23%
Above $750,000 to $1,000,000 Tan Eng Hwa Desmond Gay Kah Meng	41% 40%	35% 24%	- -	3% [9] 13%	21% 23%

Notes:

7 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 FY2017 were met.

8 The Company has less than 5 key management personnel other than the CEO.

9 This only consists of one-time performance shares awarded under the KCL PSP-TIP.

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 2017. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

Details of the KT&T Share Plans

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 78 and 102 to 104 for details of 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.

In line with the Company's drive towards sustainable development, shareholders are encouraged to access or download the Annual Report from the Company's corporate website at www.keppeltt.com.sg. A physical copy of the Annual Report is sent to shareholders 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.

The Board, supported by the Audit Committee and Board Risk Committee, oversees the Company's Keppel's System of Management Controls Framework which outlines the Company's internal control and risk management processes and procedures to, among others, ensure compliance with legislative and regulatory requirements. Details of the Framework are set out on page 147 of this Annual Report.

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 are in place sound internal control systems. The AC's responsibilities are set out in the Appendix to this report.

Corporate Governance

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 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 following key audit matters impacting the financial statements were also discussed with the management and the external auditors and were reviewed by the AC:

Key audit matters	How these issues were addressed by the AC
Impairment of fixed assets	The AC reviewed and discussed with management and external auditors on the approach and methodology applied to the impairment assessment which included the reasonableness of relevant inputs and assumptions used by the independent professional valuers. The AC also considered the report from the external auditors on their assessment of the valuation methodology, including the key assumptions applied. The AC was satisfied that the valuation approach and key assumptions used in the impairment assessment were reasonable.
Fair value measurement of investment properties	The AC reviewed and discussed with management and external auditors on the approach and methodology applied to the valuation of investment properties, supported by the independent professional valuations. The AC also considered the report from the external auditors on their assessment of the reasonableness of the underlying key assumptions and inputs applied in the valuation methodology. The AC was satisfied with the valuation process and the methodology used for the valuation of investment properties which were adopted and disclosed in the financial statements.

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, and such changes to the accounting standards were also highlighted by the external auditors in their quarterly reviews with the AC. 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.

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 as well as, reviewed the non-audit fees awarded to them, and has confirmed that the non-audit services performed by the external auditors would not affect their independence. For details of fees payable to the auditors in respect of audit and non-audit services, please refer to Note 6 of the Notes to the Financial Statements on page 99.

The Company has complied with Rule 712, and Rule 715 read with Rule 716 of the SGX Listing Manual in relation to its auditing firms.

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 Policy" (the "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 yearly to ensure that it remains current. The details of the Policy are set out on page 154.

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.

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 8 to 11 of this Annual Report.

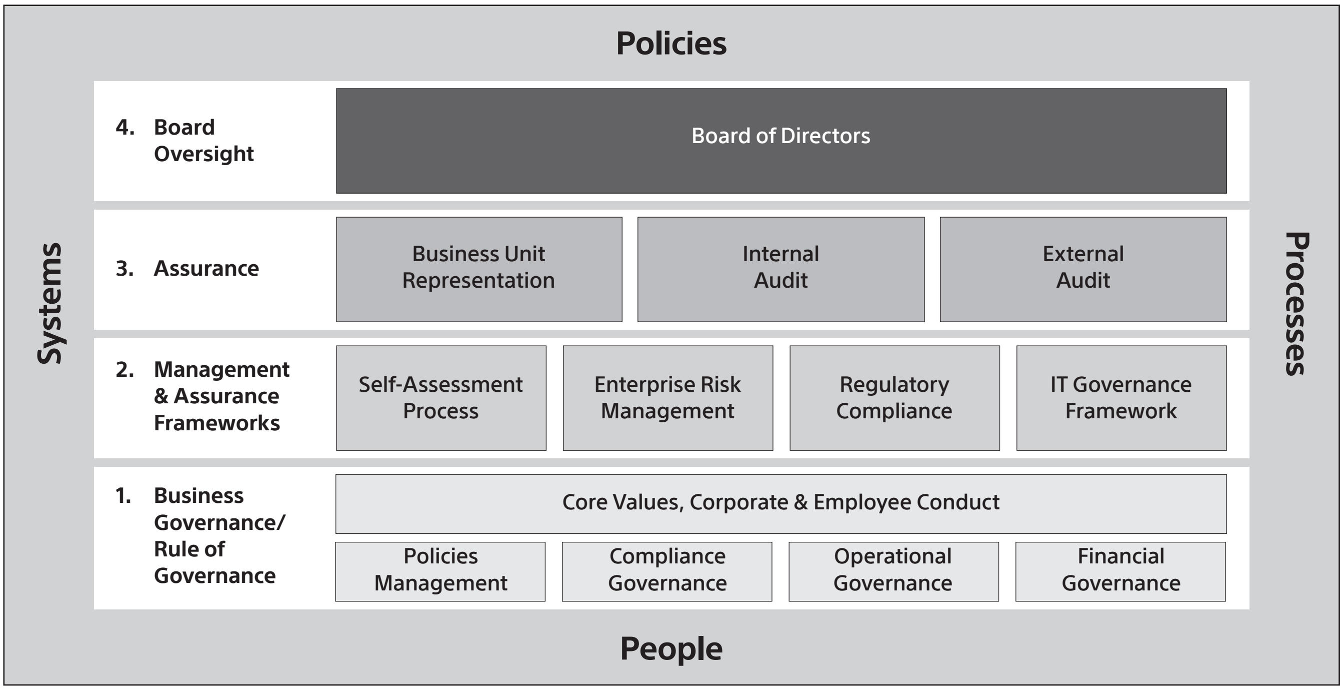
The BRC reviews and guides management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks, to safeguard shareholders' interests and the Group's assets. The Committee reports to the Board on critical risk issues, material matters, findings and recommendations. The detailed responsibilities of the Committee are disclosed in the Appendix to this report.

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 of 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 the Keppel's System of Management Controls Framework (the "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.

Keppel's System of Management Controls



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 chaired by business owners. Employees are also guided by the Group's Core Values and expected to comply strictly with Keppel's Code of Conduct.

Corporate Governance

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. Where required, action plans are developed to remedy identified control gaps. Under the Group's Enterprise Risk Management Framework, significant risk areas of the Group are also identified and assessed, with systems, policies and processes put in place to manage and mitigate the identified risks. In addition, Regulatory Compliance supports and works alongside business management to ensure that relevant policies, processes and controls are effectively designed, managed and implemented, the compliance culture is being inculcated, trainings & communication are provided and compliance risks are assessed, reviewed and monitored.

Under the third Line of Defence, to assist the Company in ascertaining 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 operations and finances of the Group;

(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 weaknesses in the 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 2017, 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 2017, 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.

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. Group Internal Audit adopts a risk-based approach to evaluate the adequacy and effectiveness of key controls and procedures when performing audits of high risk areas. It also undertakes investigations as directed by the AC.

Staffed by suitably qualified executives, Group Internal Audit has direct access to the AC and unrestricted access to all the Group's documents, records, properties and personnel. The Head of Group Internal Audit's primary line of reporting is to the Chairman of the AC, with an administrative reporting line to the CEO of the Company.

Group Internal Audit is guided by the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors ("IIA"). External quality assessment reviews are carried out at least once every five years by qualified professionals, with the last assessment conducted in 2016. The results re-affirmed that the internal audit activity conforms to the International Standards. Group Internal Audit staff performs a yearly declaration of independence and confirm their 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. During the year, Group Internal Audit adopted a risk-based auditing approach that focuses on key risks, including financial, operational, compliance and information technology risks. An annual audit plan is developed using a structured risk and control assessment framework. Audits are planned based on the results of the assessment, with priority given to auditing the areas of highest risk within the Company. All Group Internal Audit's reports are submitted to the AC for deliberation, with copies of these reports extended to the relevant senior management. In addition, Group Internal Audit's summary of findings and recommendations are discussed at the AC meetings. 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 17 meetings and conference calls with institutional investors in 2017.

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 Managed Board Gold Award for mid-cap companies at the Singapore Corporate Awards, as well as Runner-Up for the Singapore Corporate Governance Award (Mid Cap) by the Securities Investors Association (Singapore) in 2017.

The Company was included in the FTSE ST Small Cap Index on 15 September 2017. The FTSE ST Index Series was created by FTSE Group, SGX and Singapore Press Holdings as a broader series of local indexes representing various sized companies, sectors and themes, for benchmarking purposes and as tools in the creation of financial products.

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 mobile-friendly website. 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 website is also continually updated with the latest information concerning the Company, such as the latest updates on businesses 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' meetings. In this regard, the shareholders' meetings 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 shareholders in an equitable and timely manner.

Corporate Governance

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, in respect of each resolution will be displayed 'live' to shareholders/proxies immediately after each poll is conducted. 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 Secretary prepares 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(19) 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 the CEO are also required to report their dealings in the Company's securities within two business days.

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.

Corporate Governance

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 Restricted Share Plan and Performance Share Plan (collectively, the "KT&T Share Plans"), in accordance with the rules of the 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 Board Risk 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 Board Risk 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 and review any emerging or new legislations that may potentially impact the Group companies.
(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) Review the major changes to HSE risk profile of the Group companies that has changed or will change as a result of new business, new market, new product, etc. and the steps taken to monitor, control and mitigate such risks.
(9) Consider management's proposals on safety-related matters.
(10) Carry out such investigations into safety-related matters as the Board Safety Committee deems fit.
(11) Report to the Board on material matters, findings and recommendations.
(12) Perform such other functions as the Board may determine.
(13) Sub-delegate any of its powers within its terms of reference as listed above from time to time as the Board Safety Committee may deem fit.

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 2012.

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.

Corporate Governance

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 or she provides valuable input, his or her ability to analyse, communicate and contribute to the productivity of meetings, and his or her 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 or her role of director seriously and works to further improve his or her own performance, whether he or she 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 or she is available when needed, and his or her 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 or 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 Policy

Keppel T&T: Whistle-Blower Policy (the "Policy") took effect on 1 September 2004 and was revised on 1 March 2017 to encourage reporting in good faith of suspected Reportable Conduct (as defined below) by establishing clearly defined and centralised 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 (Group Internal Audit) of Keppel Corporation Limited 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.

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. The Whistle-Blower Committee assists the AC Chairman with overseeing the investigation process and any matters arising therefrom.

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, 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.

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.

Corporate Governance

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.

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, determines 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. Thereafter, NC will 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 each 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.

Corporate Governance

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 the 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 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 153 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.
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 three key management personnel (who are not directors or the CEO). Aggregate remuneration paid: S$2,670,593.
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 revised total remuneration structure comprises three components; that is, annual fixed cash, annual performance bonus, and the KT&T Share Plans. The annual fixed cash component comprises of the annual basic salary plus any other fixed allowances, which the Company benchmarks against the relevant industry market median. The size of the Company's annual performance bonus pot is determined by the Group's financial and non-financial performance, and is distributed to employees based on their individual 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. A portion of the annual performance bonus is granted in the form of deferred shares that are awarded under the KT&T RSP. The KT&T PSP comprises performance targets determined on an annual basis and which vest over a longer term horizon. The KT&T RSP and KT&T PSP are long term incentive plans. Executives who have a greater ability to influence Group outcomes have a greater proportion of overall remuneration at risk. For FY2017, the executive director and selected key management personnel had also been granted performance shares under KCL PSP pursuant to a one-off Transformation Incentive Plan.

Corporate Governance

	(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?	The remuneration structure is directly linked to corporate and individual performance, both in terms of financial and non-financial performance. The key performance indicators ("KPIs") for awarding of annual cash incentives are based on four scorecard areas that the Company has identified as key to measuring performance are – (i) Financial and Business Drivers; (ii) Process; (iii) Stakeholders; and (iv) People. For the long-term incentive plans, performance conditions that are aligned with shareholder interests such as Total Shareholder Return, Return on Capital Employed (ROCE) and Net Profit 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 KT&T 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 FY2017 were met. Please refer to pages 142 to 145 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 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 & 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.
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. The 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. The 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$466,000. The Group's non-audit services paid to external auditor of the Company and other auditors of subsidiaries amounted to approximately S$2,000.
	(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 as well as, reviewed the non-audit fees awarded to them, and has confirmed that the non-audit services performed by the external auditors would not affect their independence.

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 17 meetings and conference calls with institutional investors in 2017. 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.

Corporate Governance

	(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 mobile-friendly 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.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not Applicable.

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 137
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 137
Guideline 1.5 The type of material transactions that require board approval under guidelines.	Page 138
Guideline 1.6 The induction, orientation and training provided to new and existing directors.	Page 138
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 140
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 140
Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members.	Page 139
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 139 and 151
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	Page 140
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process.	Page 139
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 141 and 153
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 142 and 152
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 142
Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration.	Pages 142 to 145

Corporate Governance

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 142 to 145
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 144
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 145
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 145
Guideline 9.5 Details and important terms of employee share schemes.	Pages 76 to 78 and 102 to 104
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 142 to 145
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 148
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 145 and 151
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 146
Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report.	Pages 146 and 154
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 145 and 146
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 149 and 150
Guideline 15.5 Where dividends are not paid, companies should disclose their reasons.	Not Applicable.

Interested Person Transactions

The Group has obtained a general mandate from shareholders of the Company for interested person transactions in the Annual General Meeting held on 19 April 2017. During the financial year, the following interested person transactions were entered into by the Group:

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)	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
General Transactions				
Keppel Corporation Group	698	697	11,543	1,312
Singapore Telecommunications Group	-	-	1,677	1,595
Singapore Technologies Engineering Group	-	-	205	4,863
MediaCorp Group	-	-	-	128
Singapore Power Group	-	-	801	5,045
Sembcorp Industries Group	-	-	133	-
Starhub Group	-	-	-	126
Treasury Transactions				
Keppel Corporation Group				
- Deposits outstanding at period-end	-	-	29,272	56,502
- Interest income/interest expense and related charges/ foreign exchange transactions	-	-	60,718	17,323
Management Services				
Keppel Corporation Group	-	-	3,798	1,255
Investment Transactions				
Keppel Corporation Group	-	38,850	-	-
Temasek Holdings Group	-	158,309	-	-
	698	197,856	108,147	88,149

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 5 March 2018

Issued and fully paid-up capital	:	$83,082,679.90
Number of Issued Shares	:	559,100,938
Class of Shares	:	Ordinary Shares
Voting Rights	:	One Vote Per Share

	No. of Shareholders	%	No. of Shares	%
Size of Shareholdings				
1 - 99	84	1.36	3,798	0.00
100 - 1,000	1,247	20.23	1,051,514	0.19
1,001 - 10,000	3,806	61.76	18,052,871	3.23
10,001 - 1,000,000	1,014	16.45	45,347,994	8.11
1,000,001 and above	12	0.20	494,644,761	88.47
Total	**6,163**	**100.00**	**559,100,938**	**100.00**

	Twenty Largest Shareholders	**No. of Shares**	**%**
1.	Keppel Corporation Limited	442,935,526	79.22
2.	Citibank Nominees Singapore Pte Ltd	17,445,163	3.12
3.	DBS Nominees (Private) Limited	12,218,633	2.19
4.	United Overseas Bank Nominees (Private) Limited	4,504,108	0.81
5.	Morph Investments Ltd	4,484,300	0.80
6.	BPSS Nominees Singapore (Pte.) Ltd.	3,389,916	0.61
7.	Raffles Nominees (Pte) Limited	3,379,751	0.60
8.	Lim Kim Hong	1,450,000	0.26
9.	Heng Siew Eng	1,301,400	0.23
10.	OCBC Securities Private Limited	1,291,572	0.23
11.	OCBC Nominees Singapore Private Limited	1,204,632	0.22
12.	Phillip Securities Pte Ltd	1,036,427	0.19
13.	DBS Vickers Securities (Singapore) Pte Ltd	911,125	0.16
14.	Law Chin Pong	882,000	0.16
15.	DBSN Services Pte. Ltd.	771,400	0.14
16.	UOB Kay Hian Private Limited	693,450	0.12
17.	Chan Sui Ha@Chan Shui Har	560,750	0.10
18.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	513,400	0.09
19.	Maybank Kim Eng Securities Pte. Ltd.	513,164	0.09
20.	HSBC (Singapore) Nominees Pte Ltd	505,433	0.09
Total		**499,992,150**	**89.43**

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	79.22	-	-	442,935,526	79.22
2.	Temasek Holdings (Private) Limited (1)	-	-	442,935,526	79.22	442,935,526	79.22
3.	Investoasia Pte. Ltd. (2)	-	-	33,545,000	6.00	33,545,000	6.00
4.	Agus Anwar (3)	4,328,000	0.77	29,217,000	5.23	33,545,000	6.00
5.	Tjia Marcel Han Liong (3)	-	-	33,545,000	6.00	33,545,000	6.00

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 5 March 2018, approximately 14.74% 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 ("Listing Manual"), it is confirmed that at least 10% of the ordinary shares of the Company is at all times held by the public.

Treasury Shares

The Company cannot exercise any voting right in respect of treasury shares.

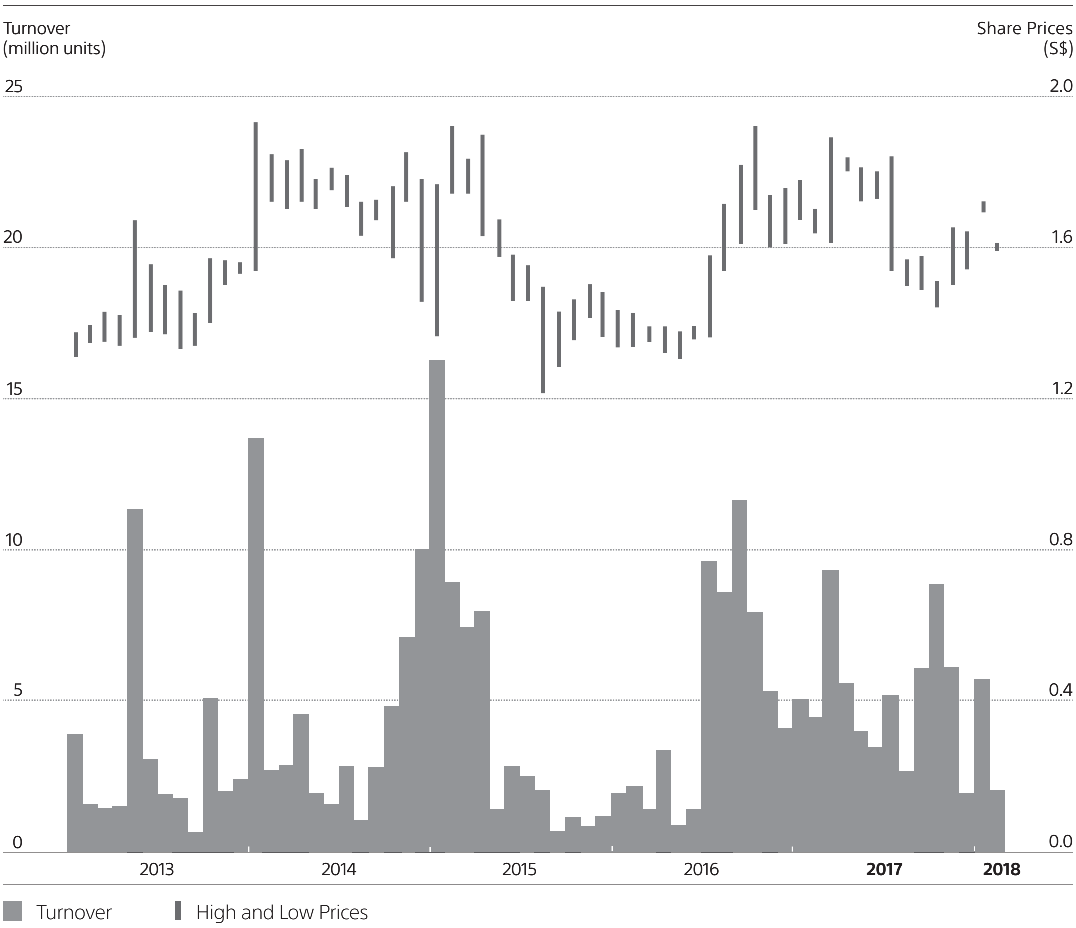
As at 5 March 2018, there were no treasury shares held.

Subsidiary Holdings

"Subsidiary holdings" is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50. Subsidiaries cannot exercise any voting rights in respect of shares held by them as subsidiary holdings.

As at 5 March 2018, there were no subsidiary holdings.

Share Prices and Turnover



	2013	2014	2015	2016	**2017**
Earnings per share (cents) (Note 1)	11.4	44.4	16.5	18.9	**9.3**
Dividends per share (cents)	3.5	15.0	3.5	4.5	**3.5**
Share price (cents)					
Highest	167	193	192	190	**189**
Lowest	131	146	121	133	**144**
Average	149	170	157	162	**167**
Dividend yield (%) (Note 2)	2.3	8.8	2.2	2.8	**2.1**
Net price earnings ratio (Note 2)	13.1	3.8	9.5	8.6	**18.0**
Net tangible assets ($)	0.85	1.24	1.27	1.43	**1.49**

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 T&T

Keppel Telecommunications & Transportation Ltd
Company Registration 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 Level 3, Heliconia Main Ballroom (3404-6 & 3504-6), Sands Expo and Convention Centre, 10 Bayfront Avenue, Singapore 018956, on Wednesday, 18 April 2018 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 2017.

Resolution 2
To declare a final dividend of 3.5 cents per share tax exempt one-tier for the year ended 31 December 2017 (2016: final dividend of 4.5 cents per share tax exempt one-tier).

Resolution 3
To re-elect Prof Neo Boon Siong 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 Karmjit Singh 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 Thomas Pang 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 $517,000 for the year ended 31 December 2017 (2016: $518,664) (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 and subsidiary holdings) (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 and subsidiary holdings) (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 and subsidiary holdings) 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,

    and in sub-paragraph (i) above and this sub-paragraph (ii), "subsidiary holdings" has the meaning given to it in the listing manual of the SGX-ST ("Listing Manual");

(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"), 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 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 the Listing Manual 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 earliest 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 (excluding treasury shares and subsidiary holdings), 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 subsidiary holdings);

"subsidiary holdings" has the meaning given to it in the Listing Manual; 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 purchase price for each Share and 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 27 April 2018 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 27 April 2018 will be registered to determine shareholders' entitlement to the proposed final dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with Shares as at 5.00 p.m. on 27 April 2018 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 9 May 2018; and

(b) the electronic copy of the Company's Annual Report 2017 will be published on the Company's website on 27 March 2018. The Company's website address is http://www.keppeltt.com.sg, and the electronic copy of the Annual Report 2017 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

Kenny Lee
Company Secretary

Singapore, 27 March 2018

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 2017 ("Annual Report 2017").

   Prof Neo Boon Siong, will, upon re-election continue to serve as the Chairman of the Audit Committee and a member of the Board Risk Committee. He is currently the Canon Endowed Chair Professor of Business and Director of the Asian Business Case Centre at Nanyang Business School (NBS), Nanyang Technological University, Singapore, and Chairman of k1 Ventures Ltd. He served twice as the Dean of the Nanyang Business School, from 1998 to 2004, and from 2016 to 2017. He taught at the Lee Kuan Yew School of Public Policy in the National University of Singapore (NUS) from 2006 to 2010, and had held professional and management positions in Hewlett-Packard and Shell Petroleum companies in Singapore prior to joining the university. Prof Neo is a Chartered Accountant (Singapore) and has completed executive programs at the Harvard Business School, Sloan School of Management, MIT, and Cornell Hotel School. Over the past thirty-seven years, Prof Neo has had varied experience in accounting and finance, information systems, strategy, research, business advisory and consultancy, management education, and corporate governance. He is a leading expert in public sector governance, business strategy, process management and organisational change, and has advised many major corporations, facilitated strategy workshops, and led management development programs for government leaders and global enterprises.

   Mr Karmjit Singh will, upon re-election continue to serve as the Chairman of the Nominating Committee and a member of the Audit Committee and Board Safety Committee. Mr Singh was the Chief Executive of SATS Airport Services Pte Ltd from 1998 to 2004. He became the Chief Operating Officer of SATS Ltd (SATS) in 2004 where he held the post till his retirement in 2009. He was consultant to the President and Chief Executive Officer of SATS until end-September 2010, and the Chairman of Asia Airfreight Terminal Co Ltd. Mr Singh is currently the Chairman of the Chartered Institute of Logistics and Transport, Singapore and a member of the Public Transport Council. He has also served on the Working Group for Logistics as part of the Government's Economic Review Committee and the Board of the Logistics Institute-Asia Pacific of the National University of Singapore.

   Mr Thomas Pang will, upon re-election continue to serve as a member of the Board Safety Committee. He is currently the Chief Executive Officer of the Company, and prior to that the Chief Executive Officer of Keppel Infrastructure Fund Management Pte Ltd, Trustee-Manager of Keppel Infrastructure Trust from its listing in June 2010 till May 2014. Mr Pang 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 investment, 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, 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.

   Prof Neo Boon Siong and Mr Karmjit Singh are considered by the Board to be independent Directors. Please see page 140 of the Annual Report 2017.

4. Resolution 6 is to approve the payment of an aggregate sum of $517,000 as Directors' fees for the non-executive Directors of the Company for the financial year ended 31 December 2017.

   If approved, each of the non-executive Directors (save for Mr Loh Chin Hua and Mr Chan Hon Chew) will receive 70% of his/her total Directors' fees in cash ("Cash Component") and 30% in the form of Shares ("Remuneration Shares") (both amounts subject to adjustment as described below). The actual number of Remuneration Shares, to be purchased from the market on the first trading day immediately after the date of the annual general meeting ("Trading Day") for delivery to the respective non-executive Directors will be based on the market price of the Company's shares on the SGX-ST on the Trading Day. The actual number of Remuneration Shares will be rounded down to the nearest thousand and any residual balance will be paid in cash. The Remuneration Shares will rank *pari passu* with the then existing issued Shares.

   The Directors' fees for Mr Loh Chin Hua and Mr Chan Hon Chew will be paid in cash to Keppel Corporation Limited.

   Details of the Directors' remuneration can be found on page 144 of the Annual Report 2017. The non-executive Directors will abstain from voting, and will procure that their respective associates abstain from voting in respect of this Resolution.

5. Resolution 8 is to empower the Directors from the date of this annual general meeting until the date of the next annual general meeting 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 and subsidiary holdings) (with a sub-limit of 20 per cent. of the total number of Shares (excluding treasury Shares and subsidiary holdings) in respect of Shares to be issued other than on a *pro rata* basis to shareholders). For the purpose of determining the total number of Shares (excluding treasury Shares and subsidiary holdings) that may be issued, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury Shares and subsidiary holdings) 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 19 April 2017. 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.

8. **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

Company Secretary
Kenny Lee

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
7 Straits View
Marina One East Tower
Level 12
Singapore 018936
Audit Partner: Daniel Khoo
Year appointed: 2016

Financial Calendar

FY 2017

Financial year-end	31 December 2017
Announcement of 2017 results:	
First quarter	18 April 2017
Second quarter	19 July 2017
Third quarter	17 October 2017
Full year	24 January 2018
Despatch of Annual Report to Shareholders	27 March 2018
Annual General Meeting	18 April 2018
2017 proposed final dividend	
Books closure date	5.00 p.m., 27 April 2018
Payment date	9 May 2018

FY 2018

Financial year-end	31 December 2018
Announcement of 2018 results	
First quarter	April 2018
Second quarter	July 2018
Third quarter	October 2018
Full year	January 2019

Keppel T&T

Keppel Telecommunications & Transportation Ltd
Company Registration 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 27 March 2018.

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, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company ("AGM") to be held on Wednesday, 18 April 2018 at Level 3, Heliconia Main Ballroom (3404-6 & 3504-6), Sands Expo and Convention Centre, 10 Bayfront Avenue, Singapore 018956, 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 Prof Neo Boon Siong as Director		
4. Re-election of Mr Karmjit Singh as Director		
5. Re-election of Mr Thomas Pang as Director		
6. Approval of 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 ________________ 2018

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 in writing. Where a proxy form is signed on behalf of the appointor by an attorney, the power of attorney or other authority 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 appointing a proxy or proxies 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 (including any related attachment) appointing a proxy or proxies. 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
(Incorporated in the Republic of Singapore)
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Singapore 629563

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Co Reg No: 196500115G