

Directors' Statement & Financial Statements

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Directors' Statement

For the financial year ended 31 December 2018

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 2018.

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 7 to 71 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 2018, 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 2018, 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 2018 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 1.1.18	At 31.12.18	At 21.1.19
Keppel Corporation Limited			
<i>(Ordinary shares)</i>			
Loh Chin Hua	694,557	895,341	895,341
Loh Chin Hua (deemed interest)	38,500	38,500	38,500
Pang Thieng Hwi, Thomas	186,237	185,737	185,737
Lim Chin Leong	13,200	13,200	13,200
Lee Ai Ming	10,000	10,000	10,000
Chan Hon Chew	112,200	202,233	202,233
Chan Hon Chew (deemed interest)	7,770	7,770	7,770
<i>(Share options)</i>			
Pang Thieng Hwi, Thomas	220,000	49,500	49,500
<i>(Unvested restricted shares to be delivered after 2015)</i>			
Loh Chin Hua	50,000	-	-
Chan Hon Chew	21,600	-	-
<i>(Unvested restricted shares to be delivered after 2016)</i>			
Loh Chin Hua	120,000	60,000	60,000
Chan Hon Chew	56,700	28,400	28,400
<i>(Unvested restricted shares to be delivered after 2018)</i>			
Loh Chin Hua	-	181,568	181,568
Chan Hon Chew	-	80,267	80,267
<i>(Contingent award of performance shares issued in 2015 to be delivered after 2017) ¹</i>			
Loh Chin Hua	220,000	-	-
Chan Hon Chew	80,000	-	-
<i>(Contingent award of performance shares issued in 2016 to be delivered after 2018) ¹</i>			
Loh Chin Hua	300,000	300,000	300,000
Chan Hon Chew	100,000	100,000	100,000
<i>(Contingent award of performance shares issued in 2017 to be delivered after 2019) ¹</i>			
Loh Chin Hua	330,000	330,000	330,000
Chan Hon Chew	150,000	150,000	150,000
<i>(Contingent award of performance shares issued in 2018 to be delivered after 2020) ¹</i>			
Loh Chin Hua	-	320,000	320,000
Chan Hon Chew	-	140,000	140,000
<i>(Contingent award of performance shares – Transformation Incentive Plan issued in 2016 to be delivered after 2021) ¹</i>			
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
<i>(Contingent award of performance shares – Transformation Incentive Plan issued in 2017 to be delivered after 2021) ¹</i>			
Pang Thieng Hwi, Thomas	25,000	25,000	25,000
Keppel Telecommunications & Transportation Ltd			
<i>(Ordinary shares)</i>			
Pang Thieng Hwi, Thomas	69,900	211,454	211,454
Neo Boon Siong	-	14,000	14,000
Karmjit Singh	-	15,000	15,000
Khor Poh Hwa	-	13,000	13,000
Lim Chin Leong	-	16,000	16,000
Lee Ai Ming	-	13,000	13,000
<i>(Unvested restricted shares to be delivered after 2015)</i>			
Pang Thieng Hwi, Thomas	23,400	-	-

Directors' Statement

	At 1.1.18	At 31.12.18	At 21.1.19
<i>(Unvested restricted shares to be delivered after 2016)</i>			
Pang Thieng Hwi, Thomas	46,700	23,400	23,400
<i>(Unvested restricted shares to be delivered after 2018)</i>			
Pang Thieng Hwi, Thomas	-	189,710	189,710
<i>(Contingent award of performance shares issued in 2015 to be delivered after 2017) ¹</i>			
Pang Thieng Hwi, Thomas	100,000	-	-
<i>(Contingent award of performance shares issued in 2016 to be delivered after 2018) ¹</i>			
Pang Thieng Hwi, Thomas	100,000	100,000	100,000
<i>(Contingent award of performance shares issued in 2017 to be delivered after 2019) ¹</i>			
Pang Thieng Hwi, Thomas	100,000	100,000	100,000
<i>(Contingent award of performance shares issued in 2018 to be delivered after 2020) ¹</i>			
Pang Thieng Hwi, Thomas	-	120,000	120,000
Associated Company of Keppel Corporation Limited			
Keppel REIT			
<i>(Units)</i>			
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	3,798	3,798	3,798
Lee Ai Ming	888,227	904,593	904,593
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			
<i>(Units)</i>			
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

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 have expired during the year in accordance 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 250,000 shares have expired and were cancelled during the financial year.

At 31 December 2018, there were no outstanding options to take up unissued shares in the Company.

Date of grant	Number of Share Options			Exercise price (\$)	Expiry date
	At 1.1.18	Exercised	Cancelled	At 31.12.18	
11.2.08	135,000	-	(135,000)	4.97	10.2.18
11.8.08	115,000	-	(115,000)	5.25	10.8.18
	250,000	-	(250,000)	-	

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. The two share plans are administered by the Remuneration Committee.

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

During the financial year, the number of contingent shares granted was 1,337,715 for KT&T RSP and 330,000 for KT&T PSP. The number of shares released was 1,337,715 under KT&T RSP and Nil under KT&T PSP during the financial year. 1,046,277 shares under KT&T RSP and Nil under KT&T PSP were vested during the financial year. 7,268 shares under KT&T RSP were cancelled during the financial year. At the end of the financial year, there were 830,000 contingent shares under the KT&T PSP and 1,225,485 unvested shares under the KT&T RSP as follows:

Contingent awards:

Date of grant	Number of Shares					
	At 1.1.18	Contingent shares granted	Adjustment upon release	Released	Cancelled	At 31.12.18
KT&T RSP						
23.2.18	-	1,337,715	-	(1,337,715)	-	-
KT&T PSP						
10.4.15	240,000	-	(240,000)	-	-	-
29.4.16	270,000	-	-	-	-	270,000
28.4.17	230,000	-	-	-	-	230,000
30.4.18	-	330,000	-	-	-	330,000
	740,000	330,000	(240,000)	-	-	830,000

Awards released but not vested:

Date of grant	Number of Shares				
	At 1.1.18	Released	Vested	Cancelled	At 31.12.18
KT&T RSP					
10.4.15	262,000	-	(262,000)	-	-
29.4.16	679,315	-	(338,400)	(2,700)	338,215
23.2.18	-	1,337,715	(445,877)	(4,568)	887,270
	941,315	1,337,715	(1,046,277)	(7,268)	1,225,485

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 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	284,564	424,564	-	(424,564)	-	-
KT&T PSP						
Pang Thieng Hwi, Thomas	120,000	420,000	(100,000)	-	-	320,000

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	284,564	424,564	-	(424,564)	-	-
Tan Eng Hwa	123,173	123,173	-	(123,173)	-	-
Wong Wai Meng	151,757	211,757	-	(211,757)	-	-
Gay Kah Meng, Desmond	115,392	165,392	-	(165,392)	-	-
KT&T PSP						
Pang Thieng Hwi, Thomas	120,000	420,000	(100,000)	-	-	320,000
Tan Eng Hwa	60,000	60,000	-	-	-	60,000
Wong Wai Meng	80,000	220,000	-	-	-	220,000
Gay Kah Meng, Desmond	70,000	190,000	-	-	-	190,000

Awards released but not vested:

Name of participant	Aggregate shares released since commencement of the share plans to the end of financial year	Aggregate shares vested since commencement of the share plans to the end of financial year	Aggregate shares cancelled as at the end of financial year	Aggregate shares released but not vested as at the end of financial year
KT&T RSP				
Pang Thieng Hwi, Thomas	424,564	(211,454)	-	213,110
Name of participant			Contingent shares granted during the financial year %	Aggregate contingent shares granted to date %
Pang Thieng Hwi, Thomas			24	8
Tan Eng Hwa			11	2
Wong Wai Meng			14	4
Gay Kah Meng, Desmond			11	4

On behalf of the Board



LOH CHIN HUA
Chairman



NEO BOON SIONG
Director

Singapore, 26 February 2019

Consolidated Profit and Loss Account

For the financial year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
Revenue	3	183,223	176,988
Operating expenses	4	(206,636)	(183,403)
Impairment losses on financial assets	5	(656)	(178)
Other income	5	18,861	26,333
Operating (loss)/profit	6	(5,208)	19,740
Interest income	7	1,929	1,120
Interest expense	8	(11,206)	(11,493)
Share of results of associated companies and joint ventures		87,215	55,642
Profit before taxation		72,730	65,009
Taxation	9	(3,494)	(4,825)
Profit for the year		69,236	60,184
Attributable to:			
Shareholders of the Company		65,450	56,051
Non-controlling interests	13	3,786	4,133
		69,236	60,184
Earnings per share (cents)			
- basic	10	11.7	10.0
- diluted	10	11.7	10.0

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 2018

	2018 \$'000	2017 \$'000
Profit for the year	69,236	60,184
<u>Items that will not be reclassified to profit and loss account:</u>		
Equity instruments, at fair value through other comprehensive income		
- Fair value changes	(4,381)	-
Foreign currency translation		
- Exchange differences arising on consolidation	(1,136)	(684)
Share of other comprehensive income of associated companies and joint ventures		
- Equity instruments, at fair value through other comprehensive income	830	-
	(4,687)	(684)
<u>Items that may be reclassified subsequently to profit and loss account:</u>		
Available-for-sale financial assets		
- Fair value changes	-	1,801
Cash flow hedge		
- Fair value changes	(446)	(142)
- Realised and transferred to profit and loss account	339	477
Foreign currency translation		
- Exchange differences arising on consolidation	(2,177)	(2,161)
Share of other comprehensive income of associated companies and joint ventures		
- Cash flow hedge	813	(474)
- Available-for-sale financial assets	-	20
- Foreign currency translation	(1,752)	6,457
	(3,223)	5,978
Other comprehensive income for the year, net of taxation	(7,910)	5,294
Total comprehensive income for the year	61,326	65,478
Attributable to:		
Shareholders of the Company	58,676	62,029
Non-controlling interests	2,650	3,449
	61,326	65,478

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

Balance Sheets

As at 31 December 2018

	Note	Group			Company		
		31 December		1 January	31 December		1 January
		2018 \$'000	2017 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2017 \$'000
Share capital	11	83,101	81,489	79,867	83,101	81,489	79,867
Reserves	12	802,686	765,742	728,047	190,364	211,711	155,576
Share capital and reserves		885,787	847,231	807,914	273,465	293,200	235,443
Non-controlling interests	13	115,160	113,499	111,363	-	-	-
Total equity		1,000,947	960,730	919,277	273,465	293,200	235,443
Represented by:							
Non-current assets							
Fixed assets	14	358,492	373,283	367,731	-	-	-
Investment properties	15	67,719	74,586	183,902	-	-	-
Investments							
Subsidiaries	16	-	-	-	138,141	138,141	138,141
Associated companies and joint ventures	17	902,462	820,823	693,498	17,901	25,974	27,951
Others	19	29,991	6,252	4,661	-	-	-
Intangibles	20	1,502	1,964	2,209	-	-	-
Long-term receivables	21	-	-	-	146,029	148,548	51,723
		1,360,166	1,276,908	1,252,001	302,071	312,663	217,815
Current assets							
Stocks	22	584	680	669	-	-	-
Debtors	23	112,638	70,127	60,090	2,459	1,442	80
Amounts owing by holding and related companies	24	836	725	324	18,503	39,928	115,835
Amounts owing by associated companies	25	32,245	62,006	29,317	-	-	-
Bank balances, deposits and cash	26	136,527	96,028	102,950	21,276	8,335	28,473
		282,830	229,566	193,350	42,238	49,705	144,388
Assets classified as held for sale	31	43,800	43,250	288,765	43,800	43,250	6,621
		326,630	272,816	482,115	86,038	92,955	151,009
Current liabilities							
Creditors	27	106,194	88,895	138,388	4,780	2,766	3,707
Amounts owing to holding and related companies	24	4,003	683	836	9,682	9,599	9,630
Amounts owing to associated companies	25	28,749	13,416	5,407	-	-	-
Short-term borrowings	28	51,493	115,423	72,762	-	-	-
Taxation		4,480	4,568	4,896	43	51	42
		194,919	222,985	222,289	14,505	12,416	13,379
Liabilities directly associated with assets classified as held for sale	31	-	-	115,002	-	-	-
		194,919	222,985	337,291	14,505	12,416	13,379
Net current assets		131,711	49,831	144,824	71,533	80,539	137,630
Non-current liabilities							
Long-term borrowings	29	466,666	341,964	456,003	100,000	100,000	120,000
Deferred taxation	9	10,381	11,642	9,980	139	2	2
Other non-current liabilities	30	13,883	12,403	11,565	-	-	-
		490,930	366,009	477,548	100,139	100,002	120,002
Net assets		1,000,947	960,730	919,277	273,465	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 2018

	Attributable to owners of the Company						Total Equity \$'000
	Share Capital \$'000	Capital Reserves \$'000	Revenue Reserve \$'000	Foreign Currency Translation Account \$'000	Share Capital and Reserves \$'000	Non- controlling Interests \$'000	
Group							
Balance at 31 December 2017	81,489	38,749	722,697	4,296	847,231	113,499	960,730
Adoption of SFRS(I) 9	-	-	(1,069)	-	(1,069)	-	(1,069)
Balance at 1 January 2018	81,489	38,749	721,628	4,296	846,162	113,499	959,661
Total comprehensive income for the year							
Profit for the year	-	-	65,450	-	65,450	3,786	69,236
Other comprehensive income for the year *	-	(2,845)	-	(3,929)	(6,774)	(1,136)	(7,910)
Total comprehensive income for the year	-	(2,845)	65,450	(3,929)	58,676	2,650	61,326
Transactions with owners, recognised directly in equity							
<u>Contributions by and distributions to owners</u>							
Issue of shares	1,612	(1,612)	-	-	-	-	-
Cost of share-based payment	-	2,313	-	-	2,313	-	2,313
Transfer from revenue reserve to capital reserves	-	107	(107)	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	(2,738)	(2,738)
Dividend paid for 2017 (Note 41)	-	-	(19,569)	-	(19,569)	-	(19,569)
Total contributions by and distributions to owners	1,612	808	(19,676)	-	(17,256)	(2,738)	(19,994)
<u>Changes in ownership interests in subsidiaries</u>							
Acquisition of non-controlling interest without change in control	-	(2,001)	-	-	(2,001)	1,749	(252)
Total changes in ownership interests in subsidiaries	-	(2,001)	-	-	(2,001)	1,749	(252)
Total transactions with owners	1,612	(1,193)	(19,676)	-	(19,257)	(989)	(20,246)
Share of reserves of associated companies	-	195	11	-	206	-	206
Balance at 31 December 2018	83,101	34,906	767,413	367	885,787	115,160	1,000,947

* 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						Total Equity \$'000
	Share Capital \$'000	Capital Reserves \$'000	Revenue Reserve \$'000	Foreign Currency Translation Account \$'000	Share Capital and Reserves \$'000	Non- controlling Interests \$'000	
Group							
Balance at 1 January 2017	79,867	36,015	692,032	-	807,914	111,363	919,277
Total comprehensive income for the year							
Profit for the year	-	-	56,051	-	56,051	4,133	60,184
Other comprehensive income for the year *	-	1,682	-	4,296	5,978	(684)	5,294
Total comprehensive income for the year	-	1,682	56,051	4,296	62,029	3,449	65,478
Transactions with owners, recognised directly in equity							
<u>Contributions by and distributions to owners</u>							
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	722,697	4,296	847,231	113,499	960,730

* 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 2018	81,489	7,175	204,536	293,200
Profit for the year, representing total comprehensive income for the year	-	-	(2,479)	(2,479)
Transactions with owners, recognised directly in equity				
Issue of shares	1,612	(1,612)	-	-
Cost of share-based payment	-	2,313	-	2,313
Dividend paid for 2017 (Note 41)	-	-	(19,569)	(19,569)
Total transactions with owners	1,612	701	(19,569)	(17,256)
Balance at 31 December 2018	83,101	7,876	182,488	273,465
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

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 2018

	2018 \$'000	2017 \$'000
Cash flows from operating activities		
Operating (loss)/profit	(5,208)	19,740
Adjustments:		
Depreciation of fixed assets	20,606	20,739
Amortisation of intangible assets	1,000	849
Share-based payment expenses	2,426	2,562
Gain on disposal of fixed assets	(188)	(5)
Gain on disposal of subsidiaries and associated companies	(5,076)	(4,940)
Distributions received from other investments	(2,235)	(6)
Fair value gain on forward contracts	(166)	-
Fixed assets written off	1,436	-
Gain on dilution of interest in associated companies	(19,995)	(346)
Fair value gain on other investments	(550)	(18,455)
Fair value loss/(gain) on investment properties	4,627	(377)
Impairment loss on investment in an associated company	3,034	-
Operating cash flows before changes in working capital	(289)	19,761
Working capital changes:		
Stocks	96	(11)
Debtors	(35,473)	(12,305)
Creditors	21,359	(4,509)
Amount due to associated companies	18,430	6,800
Cash flows from operations	4,123	9,736
Interest received	1,895	1,115
Interest paid	(12,485)	(12,770)
Income taxes paid	(4,620)	(3,459)
Refund of tax losses transferred under group relief system	-	(9)
Net cash used in operating activities	(11,087)	(5,387)
Cash flows from investing activities		
Acquisition from non-controlling interests	(252)	-
Addition to fixed assets	(9,237)	(29,918)
Addition to investment properties	-	(107,975)
Addition to intangible assets	(796)	(525)
Investment in associated companies	(27,941)	(107,706)
Capital reduction in an associated company	-	813
Purchase of other investments	(28,045)	-
Proceeds from disposal of subsidiaries (Note A)	-	302,705
Proceeds from disposal of an associated company	1,256	1,323
Proceeds from disposal of fixed assets	483	488
Repayment of advances from associated companies	37,500	4,191
Shareholders loan and advances to an associated company	(16,879)	(35,010)
Distributions received from other investments	2,235	6
Dividends received from associated companies	52,187	46,926
Net cash from investing activities	10,511	75,318
Cash flows from financing activities		
Proceeds from short-term loans	23,598	183,175
Repayment of short-term loans	(68,658)	(137,575)
Proceeds from long-term loans	175,959	222,847
Repayment of long-term loans	(66,268)	(341,780)
Repayment of lease liabilities	(216)	(216)
Dividends paid to shareholders of the Company	(19,569)	(25,113)
Dividends paid to non-controlling shareholders of subsidiaries	(2,921)	(1,219)
Net cash from/(used in) financing activities	41,925	(99,881)
Net increase/(decrease) in cash and cash equivalents	41,349	(29,950)
Cash and cash equivalents as at 1 January	96,028	126,516
Effect of exchange rate changes on cash and cash equivalents	(850)	(538)
Cash and cash equivalents as at 31 December	136,527	96,028

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. Disposal of subsidiaries

The assets and liabilities of subsidiaries disposed were as follows:

	2018 \$'000	2017 \$'000
Fixed assets	-	266
Investment properties	-	405,604
Debtors	-	16,927
Amounts owing by a related company	-	40
Bank balances and cash	-	13,894
Creditors	-	(29,826)
Bank borrowings	-	(80,000)
Taxation	-	(8,881)
	-	318,024
Amounts accounted for as amounts owing from associated companies	-	(270,000)
	-	48,024
Net assets disposed	-	(4,962)
Net assets attributable to retained interest	-	
	-	43,062
Net assets attributable to interest disposed	-	
Assignment of amount owing from associated companies to purchasers	-	270,000
Net gain on disposal	-	3,537
Transaction costs	-	250
	-	316,849
Sale proceeds	-	(13,894)
Less: Bank balances and cash disposed	-	(250)
Less: Transaction costs	-	
	-	302,705
Cash inflow on disposal	-	

Reconciliation of liabilities arising from financing activities

	1 January 2018 \$'000	Proceeds (net of principal and interest payments) \$'000	Non-cash changes		31 December 2018 \$'000
			Foreign exchange movements \$'000	Interest expense \$'000	
Borrowings	457,387	64,355	(3,859)	276	518,159
Finance lease liabilities	2,220	(216)	-	43	2,047
	459,607	64,139	(3,859)	319	520,206

	1 January 2017 \$'000	Principal and interest payments (net of proceeds) \$'000	Disposal of subsidiary \$'000	Non-cash changes		31 December 2017 \$'000
				Foreign exchange movements \$'000	Interest expense \$'000	
Borrowings	608,765	(73,417)	(80,000)	1,955	84	457,387
Finance lease liabilities	2,390	(216)	-	-	46	2,220
	611,155	(73,633)	(80,000)	1,955	130	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 (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS").

Refer to Note 2.2 for information on how the Group adopted SFRS(I) and IFRS.

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 Adoption of SFRS(I) and IFRS

The Group has elected to assert dual compliance with both SFRS(I) and IFRS with effect from annual periods beginning on or after 1 January 2018. All references to SFRS(I) and IFRS are referred to collectively as SFRS(I) in these financial statements, unless specified otherwise.

For all periods up to and including the financial year ended 31 December 2017, the Group prepared its financial statements in accordance with Singapore Financial Reporting Standards ("SFRS"). These financial statements for the financial year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I).

Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group's and the Company's date of transition to SFRS(I).

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

(a) Optional exemptions applied

SFRS(I) 1 allows first-time adopters exemptions from the application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions:

(i) Business combinations

SFRS(I) 3 Business Combinations has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under SFRS.

The Group has not applied SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 21.

(ii) Cumulative translation differences

The Group has elected to deem the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 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.

(iii) Leases

The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 Determining whether an Arrangement contains a Lease.

(iv) Borrowing costs

The Group has elected to apply the requirements in SFRS(I) 1-23 Borrowing Costs from the date of transition to SFRS(I) on 1 January 2017. Borrowing costs that were accounted for previously under SFRS prior to date of transition are not restated.

Notes to the Financial Statements

(v) Short-term exemption on adoption of SFRS(I) 9 Financial Instruments

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 Financial Instruments: Recognition and Measurement are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 Financial Instruments: Disclosure to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

(vi) Practical expedients on adoption of SFRS(I) 15 Revenue from Contracts with Customers

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedient in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017.

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

	Note	Reported under SFRS as at 1 Jan 2017 \$'000	Effects of applying SFRS(I) 1 \$'000	Effects of applying SFRS(I) 15 \$'000	Reported under SFRS(I) as at 1 Jan 2017 \$'000
Share capital		79,867	-	-	79,867
Reserves	A,B	716,797	*	11,250	728,047
Share capital and reserves		796,664	-	11,250	807,914
Non-controlling interests		111,363	-	-	111,363
Total equity		908,027	-	11,250	919,277
Represented by:					
Non-current assets					
Fixed assets		367,731	-	-	367,731
Investment properties		183,902	-	-	183,902
Investments					
Associated companies and joint ventures	B	682,248	-	11,250	693,498
Others		4,661	-	-	4,661
Intangibles		2,209	-	-	2,209
		1,240,751	-	11,250	1,252,001
Current assets					
Stocks		669	-	-	669
Debtors		60,090	-	-	60,090
Amounts owing by holding and related companies		324	-	-	324
Amounts owing by associated companies		29,317	-	-	29,317
Bank balances, deposits and cash		102,950	-	-	102,950
		193,350	-	-	193,350
Assets classified as held for sale		288,765	-	-	288,765
		482,115	-	-	482,115
Current liabilities					
Creditors		138,388	-	-	138,388
Amounts owing to holding and related companies		836	-	-	836
Amounts owing to associated companies		5,407	-	-	5,407
Short-term borrowings		72,762	-	-	72,762
Taxation		4,896	-	-	4,896
		222,289	-	-	222,289
Liabilities directly associated with assets classified as held for sale		115,002	-	-	115,002
		337,291	-	-	337,291
Net current assets		144,824	-	-	144,824
Non-current liabilities					
Long-term borrowings		456,003	-	-	456,003
Deferred taxation		9,980	-	-	9,980
Other non-current liabilities		11,565	-	-	11,565
		477,548	-	-	477,548
Net assets		908,027	-	11,250	919,277

* Effects of applying SFRS (I) 1 includes a reclassification of cumulative translation losses of \$19,441,000 from foreign exchange translation reserve to revenue reserve as at 1 January 2017. Both foreign exchange translation reserve and revenue reserve are recorded under Reserves on the balance sheets.

		Reported under SFRS as at 31 Dec 2017 \$'000	Effects of applying SFRS(I) 1 \$'000	Effects of applying SFRS(I) 15 \$'000	Reported under SFRS(I) as at 31 Dec 2017 \$'000	Effects of applying SFRS(I) 9 \$'000	Reported under SFRS(I) as at 1 Jan 2018 \$'000
	Note						
Share capital		81,489	-	-	81,489	-	81,489
Reserves	A,B	753,217	*	12,525	765,742	(1,069)	764,673
Share capital and reserves		834,706	-	12,525	847,231	(1,069)	846,162
Non-controlling interests		113,499	-	-	113,499	-	113,499
Total equity		948,205	-	12,525	960,730	(1,069)	959,661
Represented by:							
Non-current assets							
Fixed assets		373,283	-	-	373,283	-	373,283
Investment properties		74,586	-	-	74,586	-	74,586
Investments							
Associated companies and joint ventures	B	808,298	-	12,525	820,823	-	820,823
Others	C	6,252	-	-	6,252	-	6,252
Intangibles		1,964	-	-	1,964	-	1,964
		1,264,383	-	12,525	1,276,908	-	1,276,908
Current assets							
Stocks		680	-	-	680	-	680
Debtors	C	70,127	-	-	70,127	(1,069)	69,058
Amounts owing by holding and related companies		725	-	-	725	-	725
Amounts owing by associated companies		62,006	-	-	62,006	-	62,006
Bank balances, deposits and cash		96,028	-	-	96,028	-	96,028
		229,566	-	-	229,566	(1,069)	228,497
Assets classified as held for sale		43,250	-	-	43,250	-	43,250
		272,816	-	-	272,816	(1,069)	271,747
Current liabilities							
Creditors		88,895	-	-	88,895	-	88,895
Amounts owing to holding and related companies		683	-	-	683	-	683
Amounts owing to associated companies		13,416	-	-	13,416	-	13,416
Short-term borrowings		115,423	-	-	115,423	-	115,423
Taxation		4,568	-	-	4,568	-	4,568
		222,985	-	-	222,985	-	222,985
Net current assets		49,831	-	-	49,831	(1,069)	48,762
Non-current liabilities							
Long-term borrowings		341,964	-	-	341,964	-	341,964
Deferred taxation		11,642	-	-	11,642	-	11,642
Other non-current liabilities		12,403	-	-	12,403	-	12,403
		366,009	-	-	366,009	-	366,009
Net assets		948,205	-	12,525	960,730	(1,069)	959,661

* Effects of applying SFRS (I) 1 includes a reclassification of cumulative translation losses of \$16,449,000 from foreign exchange translation reserve to revenue reserve as at 31 December 2017. Both foreign exchange translation reserve and revenue reserve are recorded under Reserves on the balance sheets.

Notes to the Financial Statements

(c) Reconciliation of the Group's profit and loss account reported in accordance with SFRS to SFRS(I)

	Note	Reported under SFRS as at 31 Dec 2017 \$'000	Effects of applying SFRS(I) 1 \$'000	Effects of applying SFRS(I) 15 \$'000	Reported under SFRS(I) as at 31 Dec 2017 \$'000
Revenue		176,988	-	-	176,988
Operating expenses		(183,403)	-	-	(183,403)
Impairment loss on financial assets		(178)	-	-	(178)
Other income	A	23,341	2,992	-	26,333
Operating Profit		16,748	2,992	-	19,740
Interest income		1,120	-	-	1,120
Interest expense		(11,493)	-	-	(11,493)
Share of results of associated companies and joint ventures*	B	54,367	-	1,275	55,642
Profit Before Taxation		60,742	2,992	1,275	65,009
Taxation*		(4,825)	-	-	(4,825)
Profit for the Year		55,917	2,992	1,275	60,184
Attributable to:					
Shareholders of the Company		51,784	2,992	1,275	56,051
Non-controlling interests		4,133	-	-	4,133
		55,917	2,992	1,275	60,184
Earnings per share (cents)					
- basic		9.3			10.0
- diluted		9.3			10.0

* The Group has presented share of taxation of associated companies and joint ventures to be under share of results of associated companies and joint ventures instead of taxation. As a result of the reclassification, the Group's comparative figures as at 31 December 2017 for share of results of associated companies and joint ventures and for taxation decreased by \$11,103,000 respectively.

(d) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

	Note	Reported under SFRS as at 31 Dec 2017 \$'000	Effects of applying SFRS(I) 1 \$'000	Effects of applying SFRS(I) 15 \$'000	Reported under SFRS(I) as at 31 Dec 2017 \$'000
Profit for the year		55,917	2,992	1,275	60,184
<u>Items that will not be reclassified subsequently to profit and loss account:</u>					
Foreign currency translation					
- Exchange differences arising on consolidation		(684)	-	-	(684)
		(684)	-	-	(684)
<u>Items that may be reclassified subsequently to profit and loss account:</u>					
Available-for-sale financial assets					
- Fair value changes		1,801	-	-	1,801
Cash flow hedge					
- Fair value changes		(142)	-	-	(142)
- Realised and transferred to profit and loss account		477	-	-	477
Foreign currency translation					
- Exchange differences arising on consolidation		(2,161)	-	-	(2,161)
Share of other comprehensive income of associated companies and joint ventures					
- Cash flow hedge		(474)	-	-	(474)
- Available-for-sale financial assets		20	-	-	20
- Foreign currency translation	A	9,449	(2,992)	-	6,457
		8,970	(2,992)	-	5,978
Other comprehensive income for the year, net of taxation		8,286	(2,992)	-	5,294
Total comprehensive income for the year		64,203	-	1,275	65,478
Attributable to:					
Shareholders of the Company		60,754	-	1,275	62,029
Non-controlling interests		3,449	-	-	3,449
		64,203	-	1,275	65,478

- (e) Except for the effects of application of SFRS(I) 1 as disclosed above, there were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).
- (f) The adoption of SFRS(I) has no impact on the financial statements of the Company for the financial year ended 31 December 2017.

Explanatory notes to reconciliations:

The effects of transition to SFRS(I) mainly arises from the optional exemptions provided for under SFRS(I) 1 and the adoption of SFRS(I) 9 Financial Instruments and SFRS(I) 15 Revenue from Contracts with Customers.

A. Cumulative translation differences

As disclosed in Note 2.2(a)(ii), the Group has elected to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to SFRS(I) on 1 January 2017. As a result, foreign currency translation account and revenue reserve as at 1 January 2017 was increased/reduced by \$19,441,000 respectively.

For the year ended 31 December 2017, fair value gain on other investments and gain on disposal of an associated company increased by \$2,992,000 as a result of the exclusion of their translation losses that arose before 1 January 2017.

B. Adoption of SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively and as a result of the adoption, the Group's share of results of associated companies increased.

The impact to the financial statements is as follows:

	As at 31 December 2017 \$'000	As at 1 January 2017 \$'000
Balance Sheets		
Increase in revenue reserves	12,525	11,250
Increase in associated companies and joint ventures	12,525	11,250
		Year ended 31 December 2017 \$'000
Statement of Comprehensive Income		
Increase in share of results of associated companies and joint ventures		1,275

C. Adoption of SFRS(I) 9

As disclosed in Note 2.2(a)(v), the Group adopted SFRS(I) 9 Financial Instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption of SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of SFRS 39.

The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2.13.

Notes to the Financial Statements

Classification and measurement of financial assets

The Group has assessed the business models that are applicable to the financial assets held by the Group as at 1 January 2018 and has classified its financial assets into the appropriate categories in accordance with SFRS(I) 9. The effects of the reclassification are as follows:

	Note	Financial Assets				Revenue Reserves \$'000
		FVPL \$'000	AFS \$'000	Amortised cost ** \$'000	FVOCI \$'000	
Balance as at 31 December 2017						
- before adoption of SFRS(I) 9		43,250 *	6,252	126,343	-	722,697
Reclassify investments from AFS to FVPL	(i)	79	(79)	-	-	-
Reclassify non-trading equities from AFS to FVOCI	(ii)	-	(6,173)	-	6,173	-
Provision for impairment:						
- Trade receivables	(iii)	-	-	(1,069)	-	(1,069)
Balance as at 1 January 2018						
- after adoption of SFRS(I) 9		43,329	-	125,274	6,173	721,628

* Classified under asset held for sale

** Includes financial assets measured at amortised costs except for cash and cash equivalents

(i) Reclassification of financial assets from available-for-sale to FVPL

Investments in certain equity shares amounting to \$79,000 were reclassified from the "available-for-sale" category to "FVPL" category.

(ii) Equity instruments previously classified as available-for-sale to FVOCI

The Group has elected to recognise changes in the fair value of certain equity instruments not held for trading and previously classified as available-for-sale, in other comprehensive income. As a result, assets with a fair value of \$6,173,000 were reclassified from "financial assets, available-for-sale" to "financial assets, at FVOCI" on 1 January 2018.

Unlike SFRS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(iii) Impairment of financial assets

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade debtors; and
- amounts owing by holding and related parties, amounts owing by associated companies and other debtors at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.14 and Note 38.

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:

Description	Effective for annual periods beginning on or after
SFRS(I) 16 Leases	1 January 2019
SFRS(I) INT 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

Except for SFRS(I) 16, 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 policy on adoption of SFRS(I) 16 are described below.

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.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) Its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- (ii) An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- Not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- To apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- To apply a single discount rate to a portfolio of leases with reasonably similar characteristics

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.

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 or using other valuation techniques. 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, investments in subsidiaries and investment in associates and joint ventures are disclosed in the balance sheet.

(b) Provision for expected credit losses of trade debtors

The Group uses a provision matrix to calculate ECLs for trade debtors. The provision rates are based on days past due for groupings of customers that have similar loss patterns.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade debtors is disclosed in Notes 23 and 38 to the financial statements.

The carrying amount of trade debtors as at the balance sheet date are disclosed in Note 23 to the financial statements.

Notes to the Financial Statements

(c) 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.

(d) 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.

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 balance sheet, 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 an asset or liability are recognised in profit or loss.

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 combination, 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. SFRS(I) 1-27 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.

Notes to the Financial Statements

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.

On acquisition of the investment, any excess of the cost of investment over the Group's share of the net fair value of the investee's net identifiable assets and liabilities represents goodwill and is 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 financial statements of the associated companies and joint ventures are used by the Group in applying the equity method. Where the audited financial statements are not yet available, the share of results is arrived at from the latest available management financial statements. 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 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.

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) 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.

Notes to the Financial Statements

2.13 Financial Assets

The accounting for financial assets before 1 January 2018 are as follows:

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.

The accounting for financial assets after 1 January 2018 are as follows:

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade debtors are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade debtors do not contain a significant financing component at initial recognition.

Subsequent measurement

Debt instruments

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset:

- (i) Amortised cost
Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gain and losses are recognised in profit or loss when the assets are recognised or impaired, and through amortisation.
- (ii) Fair value through other comprehensive income (FVOCI)
Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised using the effective interest rate method.

(iii) Fair value through profit or loss (FVPL)

Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

Equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

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.

Notes to the Financial Statements

(c) Impairment of financial assets

Before 1 January 2018

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.

After 1 January 2018

The Group recognises an allowance for expected credit losses (ECLs) for debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are probability-weighted estimates of credit losses, measured based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets which are mainly bank balances, deposits and cash (Note 26), long-term receivables (Note 21), other debtors (Note 23) and amounts owing by holding, related and associated companies (Note 24 and 25).

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

For trade debtors, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, taking into account forward-looking factors specific to the debtors and the economic environment. Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. The information about the ECLs on the Group's trade debtors is disclosed in Notes 23 and 38 to the financial statements.

A financial asset is written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group.

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. On derecognition, the difference between the carrying amounts and the consideration paid 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.

For fair value hedges, changes in the fair value of the designated hedging instruments are recognised in the profit and loss account. The hedged item is adjusted to reflect change in its fair value in respect of the risk hedged, with any gain or loss recognised in 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 Contract Liability

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

2.21 Government Grants

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

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

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

Notes to the Financial Statements

2.22 Leases

(a) As lessee

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

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

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

(b) As lessor

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

2.23 Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue from logistics services 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 and freight forwarding services. Customers are invoiced for logistics services based on the respective activities/services rendered and are charged at agreed contractual rates per transaction. Revenue is recognised and performance obligations are satisfied over time because the customers simultaneously receives and consumes benefits as the Group renders its services to them.

Revenue from Data Centre segment represents percentage-based fee on project and facility management services which are recognised in the period in which the services are rendered. For such services, the customers are billed monthly except for one-time installation charges on colocation services which are billed in full when the installations are complete. Similarly, performance obligations are satisfied over time because the customers simultaneously receives and consumes benefits as the Group renders its services to them.

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 when the goods are delivered to the customer and all criteria for acceptances have been satisfied.

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.

Notes to the Financial Statements

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

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

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

2.27 Contingent Assets and Liabilities

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

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

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

2.28 Financial Guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of expected credit loss allowance which is determined as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

2.29 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

Disaggregation of revenue by segments (excluding rental income)

	Logistics 2018 \$'000	Logistics 2017 \$'000	Data Centre 2018 \$'000	Data Centre 2017 \$'000	Consolidated Total 2018 \$'000	Consolidated Total 2017 \$'000
Primary geographical markets						
Singapore	60,598	56,480	35,982	29,072	96,580	85,552
China	49,277	56,864	216	-	49,493	56,864
ASEAN other than Singapore	19,062	17,405	-	-	19,062	17,405
Others	5,842	5,623	4,338	3,506	10,180	9,129
Total	134,779	136,372	40,536	32,578	175,315	168,950
Major service lines						
Third-party logistics/warehousing/ channel management and last-mile delivery	100,862	94,707	-	-	100,862	94,707
Port operations	33,917	41,665	-	-	33,917	41,665
Facility and project management	-	-	40,536	32,578	40,536	32,578
Total	134,779	136,372	40,536	32,578	175,315	168,950
Timing of revenue recognition						
At a point in time	4,645	1,940	-	-	4,645	1,940
Over time	130,134	134,432	40,536	32,578	170,670	167,010
Total	134,779	136,372	40,536	32,578	175,315	168,950
Rental income						
Investment property					3,752	3,407
Other rental income					4,156	4,631
					7,908	8,038
Total revenue					183,223	176,988

4. Operating Expenses

	Group	
	2018 \$'000	2017 \$'000
Purchase of goods and services	56,919	51,589
Staff costs	59,368	53,493
Employer's contribution to defined contribution plans	5,372	4,364
Share-based payment expenses	2,426	2,562
Depreciation of fixed assets	20,606	20,739
Amortisation of intangible assets	1,000	849
Equipment rental and facilities expenses	45,879	39,698
Other operating expenses	15,066	10,109
	206,636	183,403

5. Impairment Loss on Financial Assets and Other Income

	Group	
	2018 \$'000	2017 \$'000
Fair value (loss)/gain on investment properties (Note 15)	(4,627)	377
Gain on disposal of fixed assets	188	5
Fixed assets written off	(1,436)	-
Gain on disposal of subsidiaries and associates	5,076	4,940
Gain on dilution of interest in associated companies	19,995	346
Impairment loss on investment in an associated company	(3,034)	-
Distributions received from other investments	2,235	6
Fair value gain on other investments	550	18,455
Impairment loss on financial assets:		
- Trade debtors	(656)	(178)
Bad debts recovered	-	62
Fair value gain on forward contracts	166	-
Others	(252)	2,142
	18,205	26,155

Notes to the Financial Statements

6. Operating (Loss)/Profit

	Group	
	2018 \$'000	2017 \$'000
Operating (loss)/profit is arrived at after charging/(crediting):		
Direct operating expenses arising from:		
Investment properties that generate rental income	367	837
Auditors' remuneration:		
Auditors of the Company	369	362
Other auditors of subsidiaries	105	110
Other professional fees paid to:		
Auditors of the Company	80	2
Fees to Directors of the Company	517	490
Key management emoluments (Note 32.2)	3,461	3,629
Foreign exchange loss/(gain)	470	(554)
Operating lease expense	7,289	7,217

7. Interest Income

	Group	
	2018 \$'000	2017 \$'000
Interest from deposits with banks	323	362
Interest from short-term placements with a related company	654	615
Interest from deposits with a related company	115	-
Interest from advances and loans to associates	837	143
	1,929	1,120

8. Interest Expense

	Group	
	2018 \$'000	2017 \$'000
Interest on bank borrowings	2,928	5,714
Interest on loans with related companies	5,181	2,811
Interest on Medium Term Note	2,850	2,854
Interest on loan from non-controlling shareholder of a subsidiary	204	68
Finance charges on obligation under finance lease	43	46
	11,206	11,493

9. Taxation

	Group	
	2018 \$'000	2017 \$'000
Taxation comprises:		
Current tax	4,354	6,455
Under/(over) provision in respect of prior years	244	(2,752)
	4,598	3,703
Deferred taxation		
- Movements in temporary differences	(1,104)	1,511
- Benefits from transfer of tax losses under group relief	-	(389)
	(1,104)	1,122
	3,494	4,825

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	
	2018 \$'000	2017 \$'000
Profit before taxation	72,730	65,009
Less: Share of results of associated companies and joint ventures	(87,215)	(55,642)
	(14,485)	9,367
Tax calculated at the Singapore statutory tax rate of 17%	(2,462)	1,592
Effects of:		
Income not subject to taxation	(5,601)	(2,470)
Expenses not deductible for tax purposes	9,067	7,190
Under/(over) provision in respect of prior years	244	(2,752)
Deferred tax benefits not recognised	1,538	531
Benefits from transfer of tax losses under group relief	-	(389)
Effect of different tax rates in other countries	708	1,123
	3,494	4,825

Unutilised losses and capital allowance for which no deferred tax benefits were recognised due to uncertainty on recoverability amounted to approximately \$11,655,000 and \$1,598,000 respectively (31 December 2017: unutilised loss of \$5,095,000, 1 January 2017: unutilised loss of \$3,031,000).

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

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

During the financial year ended 31 December 2017, the Group recognised tax credit of \$389,000 on the transfer of unutilised tax losses of \$2,266,000 and capital allowances of \$22,000 to certain related companies under the group relief system.

The Group has deferred tax liabilities of \$2,660,000 (31 December 2017: \$2,504,000, 1 January 2017: \$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	At 31 December \$'000
Group				
2018				
Deferred tax liabilities				
Accelerated tax depreciation	6,581	(64)	64	6,581
Investment properties valuation	3,707	(95)	(843)	2,769
Others	3,291	-	(484)	2,807
Total	13,579	(159)	(1,263)	12,157
Deferred tax assets				
Unutilised tax losses	(324)	-	15	(309)
Other provisions	(1,613)	2	144	(1,467)
Total	(1,937)	2	159	(1,776)
Net deferred tax liabilities	11,642	(157)	(1,104)	10,381
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

Notes to the Financial Statements

	At 1 January \$'000	Exchange differences \$'000	Charged to profit or loss \$'000	At 31 December \$'000
Company				
2018				
Deferred tax liabilities				
Others	2	-	137	139
2017				
Deferred tax liabilities				
Others	2	-	-	2

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			
	2018 \$'000		2017 \$'000	
	Basic	Diluted	Basic	Diluted
Profit attributable to shareholders	65,450	65,450	56,051	56,051
	Number of shares '000		Number of shares '000	
	Basic	Diluted	Basic	Diluted
Weighted average number of shares	559,023	559,023	557,980	557,980
Adjustment for potential dilutive ordinary shares	-	1,783	-	1,155
Weighted average number of shares used to compute earnings per share	559,023	560,806	557,980	559,135
Earnings per share (cents)	11.7	11.7	10.0	10.0

There were no outstanding share options as at 31 December 2018. As at 31 December 2017, 250,000 share options granted to employees under the existing employee share option scheme have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous financial years presented.

11. Share Capital

	Group and Company			
	Number of Issued and Fully Paid Ordinary Shares		Amount	
	2018	2017	2018 \$'000	2017 \$'000
At 1 January	558,066,383	557,025,168	81,489	79,867
Issuance under Keppel T&T Share Plans	1,046,277	1,041,215	1,612	1,622
At 31 December	559,112,660	558,066,383	83,101	81,489

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 have expired in accordance to the terms and conditions of the KT&T Share Option Scheme.

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			
	2018		2017	
	Number of Options '000	WAEP (\$)	Number of Options '000	WAEP (\$)
At 1 January	250	5.10	570	4.19
Cancelled	(250)	5.10	(320)	3.48
At 31 December	-	-	250	5.10
Exercisable at 31 December	-	-	250	5.10

There were no options outstanding at the end of the financial year as they had expired after exceeding the contractual option term of 10 years from date of grant. In 2017, the options had a weighted average exercise price of \$5.10 and a weighted average remaining contractual life of 0.3 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.

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") (2016 award)	-	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 and 2018 awards)
Final Award	0% to 100% of the contingent award granted, depending on achievement of pre-determined targets	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	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			
	2018		2017	
	KT&T RSP	KT&T PSP	KT&T RSP	KT&T PSP
At 1 January	-	740,000	1,142,500	635,000
Granted	1,337,715	330,000	-	230,000
Adjustment upon release	-	(240,000)	(3,985)	(31,200)
Released	(1,337,715)	-	(1,138,515)	(93,800)
At 31 December	-	830,000	-	740,000

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

	Group and Company			
	2018		2017	
	KT&T RSP	KT&T PSP	KT&T RSP	KT&T PSP
At 1 January	941,315	-	872,515	-
Released	1,337,715	-	1,138,515	93,800
Vested	(1,046,277)	-	(947,415)	(93,800)
Cancelled	(7,268)	-	(122,300)	-
At 31 December	1,225,485	-	941,315	-

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.

Notes to the Financial Statements

As at the balance sheet date, there were no contingent shares granted but not released under the KT&T RSP and contingent shares granted but not released under the KT&T PSP were 830,000 (2017: 740,000). 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 1,245,000 under the KT&T PSP.

During the financial year, the number of KT&T RSP shares released was 1,337,715 (2017: 1,138,515). 1,046,277 (2017: 947,415) and 7,268 (2017: 122,300) 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 1,225,485 (2017: 941,315).

During the financial year, the number of KT&T PSP shares released was Nil (2017: 93,800). 240,000 (2017: 31,200) of KT&T PSP shares were adjusted upon release. The number of KT&T PSP shares which were vested during the financial year was Nil (2017: 93,800).

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 23 February and 30 April 2018, the Company granted contingent awards of 1,337,715 (2017: Nil) shares under the KT&T RSP and 330,000 (2017: 230,000) shares under the KT&T PSP respectively. The significant inputs into the model are as follows:

	Group and Company			
	2018		2017	
	KT&T RSP-Deferred Shares	KT&T PSP	KT&T RSP ¹	KT&T PSP
Date of grant	23.2.18	30.4.18	N.A.	28.4.17
Prevailing share price at date of grant	\$1.590	\$1.520	N.A.	\$1.790
Expected volatility of the Company	19.53%	18.45%	N.A.	23.27%
Expected term	2.83 years	2.83 years	N.A.	2.83 years
Risk free rate	1.52%	2.05%	N.A.	1.35%
Expected dividend yield	2.83%	2.30%	N.A.	2.51%

¹ Deferred shares under the KT&T RSP for 2017 were granted in 2018

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		
	31 December		1 January	31 December		1 January
	2018 \$'000	2017 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2017 \$'000
Capital reserves						
Share option and share plan reserve	9,111	8,294	7,543	7,876	7,175	6,477
Fair value reserve	2,728	6,279	4,458	-	-	-
Hedging reserve	(48)	(754)	(615)	-	-	-
Statutory reserve	6,996	6,900	6,627	-	-	-
Merger reserve	17,990	17,990	17,990	-	-	-
Other reserves	(1,871)	40	12	-	-	-
	34,906	38,749	36,015	7,876	7,175	6,477
Revenue reserve	767,413	722,697	692,032	182,488	204,536	149,099
Foreign currency translation reserve	367	4,296	-	-	-	-
	802,686	765,742	728,047	190,364	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 and premium paid on acquisition of non-controlling interests.

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	
	31 December		1 January	31 December		1 January	31 December	
	2018	2017	2017	2018	2017	2017	2018	2017
	%	%	%	\$'000	\$'000	\$'000	\$'000	\$'000
Keppel Logistics (Foshan Sanshui Port) Company Limited	40%	40%	40%	27,128	27,330	26,236	771	1,881
Keppel Logistics (Foshan) Limited	30%	30%	30%	19,971	20,166	19,860	236	882
Keppel Data Centres Holding Pte Ltd	30%	30%	30%	44,637	40,978	38,114	5,255	3,107
				91,736	88,474	84,210	6,262	5,870
Other individually immaterial subsidiaries				23,424	25,025	27,153	(2,476)	(1,737)
				115,160	113,499	111,363	3,786	4,133

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		
	31 December	2017	1 January	31 December	2017	1 January	31 December	2017	1 January
	2018	2017	2017	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Summarised balance sheet									
Non-current assets	62,878	66,437	67,503	58,976	62,617	66,106	273,588	208,700	442,772
Current assets	9,704	9,306	7,278	14,266	13,232	14,483	129,157	124,881	92,760
Current liabilities	(4,815)	(7,440)	(7,008)	(9,670)	(10,855)	(16,947)	(118,135)	(150,248)	(259,351)
Non-current liabilities	(1,137)	(924)	(2,193)	(1,018)	(1,773)	(1,094)	(144,230)	(55,034)	(159,593)
Net assets	66,630	67,379	65,580	62,554	63,221	62,548	140,380	128,299	116,588
Summarised statement of comprehensive income									
Revenue	14,935	19,239		23,211	26,897		39,028	32,066	
Profit for the year	1,920	4,649		779	1,529		16,855	8,185	
Other comprehensive income	(623)	(389)		(1,602)	899		(328)	1,360	
Total comprehensive income	1,297	4,260		(823)	2,428		16,527	9,545	
Other summarised information									
Net cash flow from operations	4,142	8,438		159	2,898		10,169	2,775	
Dividends paid to NCI	818	979		-	-		1,500	-	

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				
2018				
Cost				
At 1 January	447,763	98,164	63,389	609,316
Additions	278	2,685	8,746	11,709
Disposals	(14)	(2,114)	-	(2,128)
Write-off	-	(4,007)	(40)	(4,047)
Reclassification	4	1,011	(1,015)	-
Exchange differences	(3,522)	(665)	(1,577)	(5,764)
At 31 December	444,509	95,074	69,503	609,086
Accumulated depreciation and impairment				
At 1 January	181,066	54,967	-	236,033
Depreciation for the year	12,219	8,387	-	20,606
Disposals	(8)	(1,825)	-	(1,833)
Write-off	-	(2,611)	-	(2,611)
Exchange differences	(1,168)	(433)	-	(1,601)
At 31 December	192,109	58,485	-	250,594
Net book value as at 31 December 2018	252,400	36,589	69,503	358,492
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 as at 31 December 2017	266,697	43,197	63,389	373,283
Net book value as at 1 January 2017	278,695	33,808	55,228	367,731

The Group's capital work-in-progress of \$69,503,000 (31 December 2017: \$63,389,000, 1 December 2017: \$55,228,000) relates mainly to expenditure for logistics facilities under construction.

The carrying amount of fixed assets held under finance lease is \$1,960,000 (31 December 2017: \$2,147,000, 1 January 2017: \$2,333,000).

Certain leasehold land and buildings with carrying amount of \$70,692,000 (31 December 2017: \$56,357,000, 1 January 2017: \$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 \$2,009,000 (31 December 2017: \$1,460,000, 1 January 2017: \$1,233,000).

15. Investment Properties

	Group	
	2018 \$'000	2017 \$'000
At 1 January	74,586	183,902
Additions	-	68,019
Fair value (loss)/gain (Note 5)	(4,627)	377
Subsidiary disposed	-	(180,604)
Exchange differences	(2,240)	2,892
At 31 December	67,719	74,586

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 2018.

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 (31 December 2017: Nil, 1 January 2017: \$15,000).

16. Subsidiaries

	Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Unquoted shares, at cost	244,079	244,079	244,079
Impairment losses	(105,938)	(105,938)	(105,938)
	138,141	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		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Unquoted shares and interest in associated companies and joint ventures, at cost	237,907	234,668	146,541	27,951	27,951	27,951
Quoted shares, at cost	459,292	456,504	457,317	-	-	-
Market value: \$851,924,000 (31 December 2017: \$824,156,000, 1 January 2017: \$782,763,000)						
Impairment losses	(15,558)	(12,524)	(13,055)	(10,050)	(1,977)	-
	681,641	678,648	590,803	17,901	25,974	27,951
Share of post-acquisition reserves	170,744	92,098	75,718	-	-	-
	852,385	770,746	666,521	17,901	25,974	27,951
Loans to associated companies	50,077	50,077	26,977	-	-	-
	902,462	820,823	693,498	17,901	25,974	27,951

Notes to the Financial Statements

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

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At 1 January	12,524	13,055	1,977	-
Addition	3,034	-	8,073	1,977
Disposal	-	(531)	-	-
At 31 December	15,558	12,524	10,050	1,977

Loans to associated companies form part of the Group's net investment in associates. These loans are unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future.

During the financial year, an impairment loss of \$3,034,000 was recognised on the Investments segment's investment in SVOA Public Company Limited ("SVOA") as the carrying amount after equity accounting of post-acquisition profits is higher than its recoverable amount. The recoverable amount is determined based on value-in-use calculation where cash flow projections were based on financial forecasts by management with an estimate of the terminal growth rate of 1.5% and a discount rate of 9.4% per annum on the cash flows.

Included in unquoted shares are costs of investment attributable to the joint ventures of \$30,951,000 (31 December and 1 January 2017: \$30,951,000). Current year losses attributable to the joint ventures are \$7,233,000 (2017: \$493,000). Cumulative share of post-acquisition reserves are losses of \$6,197,000 (31 December 2017: share of profits of \$2,010,000, 1 January 2017: share of profits of \$2,844,000).

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		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Keppel DC REIT ("KDC REIT")	375,366	343,234	338,907
M1 Limited	206,960	200,505	193,843
Keppel DC REIT Management Pte Ltd	42,206	41,029	39,426
Alpha DC Fund Pte Ltd	84,640	47,827	(1,478)
	709,172	632,595	570,698
Other individually immaterial associated companies and joint ventures	193,290	188,228	122,800
	902,462	820,823	693,498

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			Alpha DC Fund Pte Ltd		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Summarised balance sheet												
Non-current assets	2,032,687	1,585,204	1,244,687	995,900	990,200	958,500	19,662	16,757	16,775	382,229	343,400	117,982
Current assets	220,244	178,078	338,312	398,500	357,000	258,300	13,624	13,273	9,405	38,423	20,254	20,764
Current liabilities	(186,779)	(53,224)	(35,144)	(298,300)	(282,900)	(387,100)	(4,828)	(3,926)	(3,280)	(75,064)	(182,638)	(86,145)
Non-current liabilities	(590,158)	(593,556)	(473,987)	(573,000)	(570,600)	(368,000)	-	-	-	(132,287)	(2,328)	-
Net assets	1,475,994	1,116,502	1,073,868	523,100	493,700	461,700	28,458	26,104	22,900	213,301	178,688	52,601
Less: Non-controlling interests	(31,155)	(26,786)	(343)	(2,200)	-	-	-	-	-	(84,021)	(105,783)	(54,524)
	1,444,839	1,089,716	1,073,525	520,900	493,700	461,700	28,458	26,104	22,900	129,280	72,905	(1,923)
Proportion of the Group's ownership	25.05%	30.04%	30.09%	19.32%	19.33%	19.23%	50.00%	50.00%	50.00%	65.28%	65.28%	75.56%
Group's share of net assets	361,932	327,351	323,024	100,638	95,432	88,785	14,229	13,052	11,450	84,394	47,592	(1,453)
Goodwill	12,177	14,626	14,626	102,083	102,083	102,083	-	-	-	-	-	-
Other adjustments	1,257	1,257	1,257	4,239	2,990	2,975	27,977	27,977	27,976	246	235	(25)
Carrying amount of the investment	375,366	343,234	338,907	206,960	200,505	193,843	42,206	41,029	39,426	84,640	47,827	(1,478)

	Keppel DC REIT		M1 Limited		Keppel DC REIT Management Pte Ltd		Alpha DC Fund Pte Ltd	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Summarised statement of comprehensive income								
Revenue	175,535	139,050	1,094,700	1,053,000	18,292	14,355	40,753	8,503
Profit for the year	146,009	70,274	130,700	139,100	8,854	7,204	18,321	(5,286)
Other comprehensive income	(4,628)	21,044	200	4,400	-	-	2,213	17
Total comprehensive income	141,381	91,318	130,900	143,500	8,854	7,204	20,534	(5,269)
Other summarised information								
Fair value of ownership interest at 31 December (if listed)	457,084	484,171	373,826	318,378	-	-	-	-
Dividends received	24,073	20,958	20,390	19,854	3,250	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	
	2018 \$'000	2017 \$'000
Associated companies		
Share of profit before taxation	17,838	12,510
Share of taxation	(3,984)	(2,188)
Share of other comprehensive income	352	3,096
Share of total comprehensive income	14,206	13,418
Joint ventures		
Share of losses before taxation	(7,169)	(386)
Share of taxation	(64)	(107)
Share of other comprehensive income	(674)	(480)
Share of total comprehensive income	(7,907)	(973)

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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

19.1 Financial instruments as at 31 December 2018

	Group
	2018
	\$'000
<i>At fair value through profit or loss:</i>	
Equity instruments (unquoted)	28,124
<i>At fair value through other comprehensive income:</i>	
Equity instruments (unquoted)	1,867

The Group has elected to measure certain fund related equity instruments at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

The Group recorded fair value loss of \$4,381,000 in other comprehensive income during the financial year on certain unquoted equity instruments based on expected future cash flows.

19.2 Financial instruments as at 31 December 2017 and 1 January 2017

	Group	
	31 December 2017 \$'000	1 January 2017 \$'000
<i>Available-for-sale financial assets:</i>		
Equity instruments (unquoted)	6,252	4,661

As at 31 December 2017, the Group recorded fair value gain of \$1,801,000 in other comprehensive income on certain unquoted equity instruments based on expected future cash flows.

Details of valuation techniques and inputs used in the valuation of financial instruments are disclosed in Note 37.

20. Intangibles

	Computer Software \$'000
Group	
2018	
Cost	
At 1 January	3,014
Additions	538
At 31 December	3,552
Accumulated amortisation	
At 1 January	1,050
Amortisation for the year	1,000
At 31 December	2,050
Net book value as at 31 December 2018	1,502
2017	
Cost	
At 1 January	2,410
Additions	604
At 31 December	3,014
Accumulated amortisation	
At 1 January	201
Amortisation for the year	849
At 31 December	1,050
Net book value as at 31 December 2017	1,964
Net book value as at 1 January 2017	2,209

21. Long-term Receivables

	Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Loans to subsidiaries	100,000	100,000	-
Advances to subsidiaries	46,029	48,548	51,723
	146,029	148,548	51,723

Loans to subsidiaries consist of interest bearing loans which are unsecured, 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 unsecured, 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 \$141,732,000 (31 December 2017: \$145,131,000, 1 January 2017: \$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		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Inventories held for resale, spare parts and consumable stocks	584	680	669

23. Debtors

	Group			Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Trade debtors	86,455	54,343	41,262	-	-	-
Allowance for impairment	(2,145)	(490)	(607)	-	-	-
	84,310	53,853	40,655	-	-	-
Sundry debtors	18,021	8,237	10,383	2,303	1,245	2
Prepayments	4,104	3,062	2,658	152	192	71
Derivative financial instruments	166	-	-	-	-	-
Sundry deposits	2,464	1,456	1,470	4	5	7
Interest receivable	264	248	240	-	-	-
Tax receivable	3,509	3,453	4,684	-	-	-
Claim receivable	-	18	-	-	-	-
	28,528	16,474	19,435	2,459	1,442	80
Allowance for impairment	(200)	(200)	-	-	-	-
	28,328	16,274	19,435	2,459	1,442	80
Total debtors	112,638	70,127	60,090	2,459	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 31 December 2017 and 1 January 2017, but not impaired is as follows:

	Group	
	31 December 2017 \$'000	1 January 2017 \$'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 31 December 2017 and 1 January 2017 and the movement in allowance for impairment are as follows:

	Group	
	31 December 2017 \$'000	1 January 2017 \$'000
Gross amount	690	607
Less: Allowance for impairment	(690)	(607)
	-	-
 <u>Movement in allowance for impairment</u>		
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.

Expected credit losses

The movement in allowance for expected credit losses of trade debtors computed based on lifetime ECL are as follows:

	Group
	Trade debtors 2018 \$'000
 <u>Movement in allowance for ECL</u>	
At 1 January	1,559
Exchange differences	(70)
Allowance made	940
Allowance written-back	(284)
At 31 December	2,145

24. Amounts Owning by/(to) Holding and Related Companies

	Group			Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Amounts owing by:						
Related companies						
Trade accounts	439	383	145	-	-	-
	439	383	145	-	-	-
Related companies						
Non-trade accounts	397	342	179	3,531	1,215	715
Loan accounts	-	-	-	21,967	46,232	122,786
Less: Allowance for impairment	-	-	-	(6,995)	(7,519)	(7,666)
	836	725	324	18,503	39,928	115,835
Amounts owing to:						
Holding company						
Non-trade accounts	(378)	(106)	(213)	(17)	(4)	-
Related companies						
Non-trade accounts	(3,625)	(577)	(623)	(9,665)	(9,595)	(9,630)
	(4,003)	(683)	(836)	(9,682)	(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 31 December 2017 and 1 January 2017 and the movement in allowance for impairment are as follows:

	Company	
	31 December 2017 \$'000	1 January 2017 \$'000
Gross amount	7,519	7,666
Less: Allowance for impairment	(7,519)	(7,666)
	-	-
<u>Movement in allowance for impairment</u>		
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.

Expected credit losses

The movement in allowance for expected credit losses of amounts owing by related companies computed based on lifetime ECL are as follows:

	Company
	Amounts owing by related companies 2018 \$'000
<u>Movement in allowance for ECL</u>	
At 1 January	7,519
Allowance written-back	(524)
At 31 December	6,995

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25. Amounts Owing by/(to) Associated Companies

	Group			Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Amounts owing by associated companies:						
Trade accounts	3,260	1,094	580	-	-	-
Non-trade accounts	473	21	1,030	-	-	-
Advances	28,512	60,891	27,707	-	-	-
	32,245	62,006	29,317	-	-	-
Amounts owing to associated companies:						
Trade accounts	(28,349)	(13,413)	(5,393)	-	-	-
Non-trade accounts	(400)	(3)	(14)	-	-	-
	(28,749)	(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 31 December 2017 and 1 January 2017, but not impaired is as follows:

	Group	
	31 December 2017 \$'000	1 January 2017 \$'000
Past due by:		
Lesser than 3 months	115	166
3 to 6 months	127	88
More than 6 months	197	-
	439	254

As at 31 December 2018, there is no allowance for doubtful debts arising from the amounts owing by associated companies as the ECL is not material.

26. Fixed Deposits, Bank Balances and Cash

	Group			Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Fixed deposits with banks	14,147	9,418	13,085	-	-	-
Short-term placements with a related company	56,664	35,328	40,943	20,771	8,056	28,247
Deposits with a related company	28,728	-	-	312	-	-
Bank balances and cash	36,988	51,282	48,922	193	279	226
	136,527	96,028	102,950	21,276	8,335	28,473

Deposits placed with banks are made for varying periods of between 3 months and 12 months (31 December 2017 and 1 January 2017: 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 5.50% (31 December 2017: 0.70% to 5.30%, 1 January 2017: 0.88% to 5.50%) per annum.

Short-term placements with a related company are made for varying periods of between 14 and 119 days (31 December 2017: 24 and 63 days, 1 January 2017: 13 and 52 days) and earn interest at rates ranging from 1.56% to 2.39% (31 December 2017: 1.03% to 1.14%, 1 January 2017: 0.44% to 0.80%) per annum.

Deposits placed with a related company as at 31 December 2018 bear interest of 0.60% to 0.75% per annum and are repayable on demand. Deposits with the related company are subject to an arrangement with a bank where bank balances above or below a preset amount are transferred to/from a bank account of the related company on a daily basis.

27. Creditors

	Group			Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Trade creditors	15,700	13,015	17,353	-	-	-
Advances from non-controlling interest of a subsidiary	-	-	149	-	-	-
Deposits from customers	3,206	3,406	3,593	-	-	-
Retention monies	338	3,710	5,575	196	196	196
Interest payables	2,981	2,311	2,230	921	921	1,217
Sundry creditors	12,133	17,109	76,794	1,769	815	1,413
Accrued expenses	62,226	38,232	29,175	1,894	834	881
Derivative financial instruments	416	309	644	-	-	-
Finance lease liabilities (Note 34.3)	214	214	214	-	-	-
Contract liabilities	8,980	10,589	2,661	-	-	-
Total creditors	106,194	88,895	138,388	4,780	2,766	3,707

Amounts due to trade creditors are non-interest bearing and are generally on 30 to 90 days' terms.

Contract liabilities in relation to billing in advance and one time charge on installation for colocation services were previously presented as "deferred revenue" under SFRS.

Revenue recognised during the financial year ended 31 December 2018 in relation to contract liabilities balance at 1 January 2018 was \$1,820,000 (2017: \$1,697,000).

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		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Bank and other borrowings, unsecured	44,526	50,426	63,004	-	-	-
Bank borrowings, secured	6,967	2,657	9,758	-	-	-
Loans from related companies, unsecured	-	62,340	-	-	-	-
	51,493	115,423	72,762	-	-	-

Unsecured bank and other borrowings are repayable within one year and bear interest at rates ranging from 0.51% to 6.59% (31 December 2017: 0.48% to 6.64%, 1 January 2017: 0.57% to 6.30%) per annum.

Secured bank borrowings are repayable within one year and bear interest at rates ranging from 2.74% to 6.70% (31 December 2017: 3.56% to 6.70%, 1 January 2017: 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 as at 31 December 2017 of \$62,340,000 bear interest at rates ranging from 1.62% to 5.23% per annum.

Notes to the Financial Statements

29. Long-term Borrowings

	Group			Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Loans from related companies, unsecured	211,333	201,349	118,608	-	-	-
Bank borrowings, secured	3,000	5,543	55,770	-	-	-
Bank borrowings, unsecured	152,333	35,072	161,625	-	-	-
Medium Term Note	100,000	100,000	120,000	100,000	100,000	120,000
	466,666	341,964	456,003	100,000	100,000	120,000

Unsecured loans from related companies include:

- \$40,000,000 (31 December 2017 and 1 January 2017: \$40,000,000) that is repayable in December 2020 (31 December 2017: December 2020, 1 January 2017: December 2018) and bears interest at fixed rate of 2.75% (31 December 2017: fixed rate of 2.75%, 1 January 2017: floating rate of 2.51%) per annum;
- \$49,702,000 (31 December 2017: \$51,328,000, 1 January 2017: \$48,608,000) that is repayable in December 2020 (31 December 2017: December 2020, 1 January 2017: December 2018) and bears interest at floating rate of 1.20% (31 December 2017 and 1 January 2017: 1.20%) per annum;
- \$50,000,000 (31 December 2017: \$47,121,000, 1 January 2017: Nil) that is repayable in January 2021 (31 December 2017: December 2019, 1 January 2017: Nil) and bears interest at floating rate of 2.80% (31 December 2017: 1.73%, 1 January 2017: Nil) per annum;
- \$4,500,000 (31 December 2017 and 1 January 2017: Nil) that is repayable in June 2023 and bears interest at fixed rate of 3.34% per annum;
- \$14,423,000 (31 December 2017 and 1 January 2017: Nil) that is repayable in June 2023 and bears interest at fixed rate of 3.25% per annum;
- \$29,834,000 (31 December 2017 and 1 January 2017: Nil) that is repayable in November 2021 and bears interest at fixed rate of 5.23% per annum;
- \$5,967,000 (31 December 2017 and 1 January 2017: Nil) that is repayable in October 2021 and bears interest at fixed rate of 5.70% per annum;
- \$16,907,000 (31 December 2017 and 1 January 2017: Nil) that is repayable in August 2021 and bears interest at fixed rate of 5.23% per annum;
- \$62,900,000 as at 31 December 2017 that is repayable in November 2019 and bears interest at fixed rate of 2.80% per annum;
- \$21,000,000 as at 1 January 2017 which bears interest at fixed rate of 2.70% per annum; and
- \$9,000,000 as at 1 January 2017 which bears interest at fixed rate of 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:

- \$3,000,000 (31 December 2017 and 1 January 2017: Nil) which bears interest at floating rate of 2.74% per annum;
- Nil (31 December 2017: \$5,543,000, 1 January 2017: \$7,151,000) that is repayable by Nil (31 December 2017 and 1 January 2017: October 2019) and bears interest at floating rate ranging from Nil (31 December 2017: 3.56% to 6.70%, 1 January 2017: 3.08% to 7.20%) per annum;
- \$47,121,000 as at 1 January 2017 which bears interest at floating rate ranging from 1.21% to 2.62% per annum; and
- \$1,498,000 as at 1 January 2017 which bears interest at floating rate of 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 six months (31 December 2017 and 1 January 2017: three months).

Unsecured bank borrowings include:

- (a) \$31,429,000 (31 December 2017: \$27,458,000, 1 January 2017: \$16,320,000) that is repayable by March 2021 (31 December 2017 and 1 January 2017: March 2021) and bears interest at floating rate ranging from 5.50% to 6.59% (31 December 2017: 5.40% to 6.64%, 1 January 2017: 5.40% to 5.57%) per annum;
- (b) \$6,727,000 (31 December 2017: \$6,900,000, 1 January 2017: \$14,560,000) that is repayable by September 2028 (31 December 2017 and 1 January 2017: September 2028) and bears interest at fixed rate of 1.20% (31 December 2017 and 1 January 2017: 1.20%) per annum;
- (c) \$110,000,000 (31 December 2017 and 1 January 2017: Nil) that is repayable by May 2023 and bears interest at fixed rate of 2.80% per annum;
- (d) \$4,177,000 (31 December 2017 and 1 January 2017: Nil) that is repayable by November 2020 and bears interest at fixed rate of 4.75% per annum;
- (e) \$714,000 as at 31 December 2017 that is repayable by October 2019 and bears interest at floating rate of 4.75% per annum;
- (f) \$49,000,000 as at 1 January 2017 which bears interest at fixed rate of 2.70% per annum;
- (g) \$62,900,000 as at 1 January 2017 which bears interest at fixed rate of 2.90% per annum;
- (h) \$14,477,000 as at 1 January 2017 which bears interest at floating rate ranging from 5.06% to 6.15% per annum; and
- (i) \$4,368,000 as at 1 January 2017 which bears interest at fixed rate of 4.75% per annum.

The interest rates of the floating rate loans are repriced at intervals of three months to twelve months (31 December 2017 and 1 January 2017: three months to six months).

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 \$464,178,000 (31 December 2017: \$340,259,000, 1 January 2017: \$454,785,000) and \$99,907,000 (31 December 2017: \$100,245,000, 1 January 2017: \$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		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Accrued operating expenses	720	720	860
Finance lease liabilities (Note 34.3)	1,833	2,006	2,176
Provision for reinstatement cost	1,455	1,455	-
Deferred income	9,875	8,222	8,529
	13,883	12,403	11,565

Notes to the Financial Statements

31. Assets and Liabilities Classified as Held for Sale

On 17 March 2017, the Company entered into a conditional sales and purchase agreement for the sale of the Company's entire shareholding in Asia Airfreight Terminal ("AAT"), an associated company of the Company. 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 2018 due to time extension requested by the buyer to complete the deal. 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		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Assets classified as held for sale						
Associated companies and joint ventures	-	-	24,141	-	-	6,621
Other investments	43,800	43,250	-	43,800	43,250	-
	43,800	43,250	24,141	43,800	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.

As at 1 January 2017, 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		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
<u>Assets classified as held for sale</u>			
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
<u>Liabilities directly associated with assets classified as held for sale</u>			
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 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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Holding company	-	-	(437)	(1,721)	(744)	(695)	-	1
Related companies	1,000	421	(3,494)	(2,256)	-	-	825	-
Associated companies and joint ventures	39,291	26,987	(11)	(22)	-	-	-	-

Other transactions entered by the Group with related parties are disclosed in Notes 7, 8, and 34.

32.2 Compensation of Key Management Personnel

	Group	
	2018 \$'000	2017 \$'000
Short-term employee benefits	2,690	2,572
Central Provident Fund contributions	61	61
Share plans granted ¹	710	996
	3,461	3,629

¹ The Key Management Personnel are eligible participants of Keppel Telecommunications & Transportation Ltd ("KTT") share based remuneration plan and KCL RSP. Due to the on-going scheme of arrangement in respect of KTT, the decision on the grant of contingent share awards under any of such plans to them has been deferred until the conclusion of the scheme.

33. Capital Commitments

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

	Group		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Development of investment properties	-	-	81,706
Purchase and construction of fixed assets	7,982	12,970	25,565
Purchases of shares in other companies	304,904	324,877	143,300
	312,886	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 12 years.

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

	Group		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Not later than one year	22,614	24,394	33,466
Later than one year not later than five years	29,798	33,336	84,688
Later than five years	23,209	27,103	28,699
	75,621	84,833	146,853

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 21 years.

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

	Group		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Not later than one year	9,621	6,616	7,904
Later than one year not later than five years	17,839	15,835	19,500
Later than five years	37,999	45,244	58,848
	65,459	67,695	86,252

Notes to the Financial Statements

34.3 Finance Lease Commitments as Lessee

The Group entered into a finance lease for certain plant and equipment with a related company. This lease has no renewal clause but provides the Group with the option to purchase the leased asset at nominal value at the end of the lease term. Under the finance lease, future minimum lease payments and present value of lease liabilities are as follows:

	Group					
	2018		31 December 2017		1 January 2017	
	Minimum lease payments \$'000	Present value of lease liabilities \$'000	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	216	214
Later than one year not later than five years	864	814	864	814	864	814
Later than five years	1,188	1,019	1,404	1,192	1,620	1,362
	2,268	2,047	2,484	2,220	2,700	2,390
Less: Future finance charges	(221)	-	(264)	-	(310)	-
Present value of finance lease liabilities	2,047	2,047	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 \$171,520,000 (31 December 2017: \$48,670,000, 1 January 2017: \$206,812,000).

The financial effects of SFRS (I) 9 relating to corporate guarantee issued by the Company are not material to the financial statements of the Company and therefore are not recognised.

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, Australia 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.

2018

By business segments

	Logistics \$'000	Data Centre \$'000	Investments \$'000	Eliminations \$'000	Consolidated Total \$'000
Revenue					
External sales	138,935	44,288	-	-	183,223
Inter-segment sales	166	-	-	(166)	-
Total	139,101	44,288	-	(166)	183,223
Segment results					
Operating (loss)/profit	(12,150)	16,330	(9,388)	-	(5,208)
Interest income	377	1,352	3,050	(2,850)	1,929
Interest expense	(3,605)	(7,601)	(2,850)	2,850	(11,206)
Share of results of associated companies and joint ventures	(7,221)	61,697	32,739	-	87,215
(Loss)/profit before taxation	(22,599)	71,778	23,551	-	72,730
Taxation	97	(1,664)	(1,927)	-	(3,494)
(Loss)/profit for the year	(22,502)	70,114	21,624	-	69,236
Attributable to:					
Shareholders of the Company	(20,594)	64,447	21,597	-	65,450
Non-controlling interests	(1,908)	5,667	27	-	3,786
	(22,502)	70,114	21,624	-	69,236
Other information					
Segment assets	549,779	886,244	569,689	(318,916)	1,686,796
Segment liabilities	(314,300)	(457,873)	(232,592)	318,916	(685,849)
Net assets	235,479	428,371	337,097	-	1,000,947
Investment in associated companies and joint ventures	18,483	602,071	281,908	-	902,462
Additions to non-current assets	10,885	29,079	221	-	40,185
Depreciation and amortisation	20,142	1,363	101	-	21,606
Fair value loss on investment properties	-	4,627	-	-	4,627
Gain on dilution of interest in associated companies	-	19,886	109	-	19,995
Impairment loss on investment in an associated company	-	-	3,034	-	3,034

By geographical information

	Singapore \$'000	China \$'000	ASEAN other than Singapore \$'000	Others \$'000	Consolidated Total \$'000
External sales	100,384	49,845	19,062	13,932	183,223
Non-current assets	938,299	239,296	44,974	137,597	1,360,166

Information about major customers

For the financial year ended 31 December 2018, revenue of \$38,053,000 was derived from a single customer in the Data Centre segment for the provision of data centre facility management services.

Notes to the 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)	23,289	8,563	(12,112)	-	19,740
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	(512)	23,166	32,988	-	55,642
Profit before taxation	19,656	24,770	20,583	-	65,009
Taxation	(2,323)	(1,653)	(849)	-	(4,825)
Profit for the year	17,333	23,117	19,734	-	60,184
Attributable to:					
Shareholders of the Company	16,289	20,200	19,562	-	56,051
Non-controlling interests	1,044	2,917	172	-	4,133
	17,333	23,117	19,734	-	60,184
Other information					
Segment assets	552,124	780,284	558,025	(340,709)	1,549,724
Segment liabilities	(288,487)	(412,365)	(228,851)	340,709	(588,994)
Net assets	263,637	367,919	329,174	-	960,730
Investment in associated companies and joint ventures	26,372	520,288	274,163	-	820,823
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
Fair value gain on other investments	18,455	-	-	-	18,455

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	826,287	252,026	47,436	151,159	1,276,908

Information about major customers

For the financial year ended 31 December 2017, revenue of \$30,890,000 was derived from a single customer in the Data Centre segment for the provision of data centre facility management services.

1 January 2017
By business segments

	Logistics \$'000	Data Centre \$'000	Investments \$'000	Eliminations \$'000	Consolidated Total \$'000
Other information					
Segment assets	579,566	965,506	497,010	(307,966)	1,734,116
Segment liabilities	(285,009)	(596,307)	(241,489)	307,966	(814,839)
Net assets	294,557	369,199	255,521	-	919,277
Investment in associated companies and joint ventures	27,981	404,336	261,181	-	693,498
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
Non-current assets	866,806	233,359	45,647	106,189	1,252,001

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.

Notes to the Financial Statements

Assets and liabilities measured at fair value

The following table shows an analysis of the Group's financial instruments and investment properties measured at fair value as at the balance sheet date:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group				
31 December 2018				
<u>Recurring fair value measurements</u>				
Financial assets:				
Equity instruments (unquoted)				
Equity instruments at FVPL (Note 19)	-	-	28,124	28,124
Equity instruments at FVOCI (Note 19)	-	-	1,867	1,867
Derivative financial instruments (Note 23)				
Foreign currency contracts	-	166	-	166
Non-financial assets:				
Investment properties (Note 15)				
Commercial	-	-	67,719	67,719
Financial liabilities:				
Derivative financial instruments (Note 27)				
Interest rate swaps	-	(416)	-	(416)
<u>Non-recurring fair value measurements</u>				
Financial assets:				
Assets classified as held for sale (Note 31)				
Other investments	-	43,800	-	43,800
31 December 2017				
<u>Recurring fair value measurements</u>				
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)
<u>Non-recurring fair value measurements</u>				
Financial assets:				
Assets classified as held for sale (Note 31)				
Other investments	-	43,250	-	43,250
1 January 2017				
<u>Recurring fair value measurements</u>				
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.

Level 2 fair value measurements

The fair value of interest rate swaps and foreign currency contracts are based on banker's valuation using forward pricing and swap models with market observable inputs including interest rate curves and foreign exchange spot and forward rates.

During the financial year ended 31 December 2018 and 2017, the fair value of Asia Airfreight Terminal was measured based on its sales consideration.

Level 3 fair value measurements

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

Description	Fair value \$'000	Valuation techniques	Unobservable inputs	Range
Group				
31 December 2018				
Equity instruments at FVPL				
Equity instruments (unquoted)	28,124	Market comparison technique and/or net asset value	Net asset value Adjusted market multiple	Not applicable 1.4x
Equity instruments at FVOCI				
Equity instruments (unquoted)	1,867	Discounted cash flow method	Cash flow forecast Discount rate (%)	Not applicable 11%
Investment properties				
Commercial	67,719	Discounted cash flow method	Discount rate (%) Terminal yield (%) Terminal growth rate (%)	11.75% 7% 1.5%
31 December 2017				
Available-for-sale financial assets				
Equity instruments (unquoted)	6,252	Discounted cash flow method and/or net asset value	Net asset value Cash flow forecast Discount rate (%)	Not applicable Not applicable 11%
Investment properties				
Commercial	74,586	Discounted cash flow method	Discount rate (%) Terminal yield (%) Terminal growth rate (%)	11.5% 7% 1.5%
1 January 2017				
Available-for-sale financial assets				
Equity instruments (unquoted)	4,661	Discounted cash flow method and/or net asset value	Net asset value Cash flow forecast Discount rate (%)	Not applicable Not applicable 11%
Investment properties				
Commercial	408,902	Income capitalisation method, discounted cash flow method and/or cost replacement method	Capitalisation rate (%) Vacancy rate (%) Discount rate (%) Terminal yield (%) Terminal growth rate (%) Total development cost Cost to complete	8.25% 5% 7.5% to 13.5% 7.25% 2% Not applicable Not applicable

Unquoted equity instruments at FVOCI 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. Market multiples are adjusted for the effect of non-marketability of the unquoted equity instruments at FVPL. The valuation of unquoted equity instruments is generally sensitive to changes in the unobservable inputs tabled above. For unquoted equity instruments measured at FVOCI, a 3% (2017: 3%) higher/lower discount rate will result in approximately \$25,000 lower/\$27,000 higher (2017: \$215,000 lower/\$230,000 higher) fair value gain in other comprehensive income. For unquoted equity instruments measured at FVPL, a 3% increase/decrease in multiple will result in approximately \$844,000 higher/lower fair value gain in the profit or loss.

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.

Notes to the Financial Statements

The following table presents the reconciliation for all financial instruments measured at fair value under Level 3 of the fair value hierarchy:

	Group	
	2018	
	FVPL	FVOCI
	\$'000	\$'000
At 1 January	-	-
Reclassified from available-for-sale financial assets	79	6,173
Addition	28,045	-
(Losses)/gains in other comprehensive income		
- Fair value changes	-	(4,381)
- Exchange differences arising on consolidation	-	75
At 31 December	28,124	1,867

	Group
	Available-for-sale
	2017
	\$'000
At 1 January	4,661
Gains/(losses) in other comprehensive income	
- Fair value changes	1,801
- Exchange differences arising on consolidation	(210)
At 31 December	6,252

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		
	Level 1 \$'000	Level 3 \$'000	Total \$'000	Carrying Amount \$'000
Group				
31 December 2018				
Assets:				
Associated companies and joint ventures	851,924	-	851,924	612,478
Liabilities:				
Long-term borrowings	-	(464,178)	(464,178)	(466,666)
31 December 2017				
Assets:				
Associated companies and joint ventures	824,156	-	824,156	557,263
Liabilities:				
Long-term borrowings	-	(340,259)	(340,259)	(341,964)
1 January 2017				
Assets:				
Associated companies and joint ventures	782,763	-	782,763	544,783
Liabilities:				
Long-term borrowings	-	(454,785)	(454,785)	(456,003)
Company				
31 December 2018				
Assets:				
Long-term receivables	-	141,732	141,732	146,029
Liabilities:				
Long-term borrowings	-	(99,907)	(99,907)	(100,000)
31 December 2017				
Assets:				
Long-term receivables	-	145,131	145,131	148,548
Liabilities:				
Long-term borrowings	-	(100,245)	(100,245)	(100,000)
1 January 2017				
Assets:				
Long-term receivables	-	48,944	48,944	51,723
Liabilities:				
Long-term borrowings	-	(121,801)	(121,801)	(120,000)

38. Financial Risk Management

The Group's principal financial instruments comprise loans, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the current and previous financial years, 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.

Notes to the Financial Statements

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 (2017: 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 \$50,000,000 (2017: \$37,121,000) 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 2.22% (2017: 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 \$416,000 (2017: negative at \$309,000).

Sensitivity analysis for interest rate risk

As at the balance sheet date, if interest rates had been 75 (2017: 75) basis points lower/higher with all other variables held constant, the Group's profit after taxation would have been \$224,000 higher/lower (2017: \$573,000 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 and deposits with a related company. The Company's profit after taxation would have been \$131,000 lower/higher (2017: \$50,000 lower/higher) arising mainly from lower/higher interest income on short-term placements and deposits 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"), Euro ("EUR") and Thai Baht ("THB").

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 entered into foreign currency contracts to offset the impact of certain foreign currency contracts entered into by the Group's foreign associate. As at the balance sheet date, the notional amount of the foreign currency contracts is \$43,545,000 (2017: Nil). As at the balance sheet date, the fair value of the foreign currency contracts recognised in debtors (Note 23) is \$166,000.

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	THB \$'000
Group					
2018					
Financial assets:					
Equity instruments at FVOCI	-	-	412	-	-
Debtors	1,921	258	705	-	7,510
Amount owing by an associated company	-	-	-	24,702	10
Fixed deposits, bank balances and cash	-	852	387	-	-
Other investments – Asset held for sale	-	43,800	-	-	-
Financial liabilities:					
Creditors	(59)	(147)	(131)	-	-
Borrowings	(29,834)	-	(5,274)	(73,994)	-
2017					
Financial assets:					
Available-for-sale financial assets	-	-	1,364	-	-
Debtors	813	354	941	-	-
Amount owing by an associated company	-	-	-	25,881	19
Fixed deposits, bank balances and cash	-	27	940	-	-
Other investments – Asset held for sale	-	43,250	-	-	-
Financial liabilities:					
Creditors	-	(227)	(130)	-	-
Borrowings	-	-	(6,305)	(76,415)	-

Other than other investments classified as asset held for sale of \$43,800,000 (2017: \$43,250,000) which is denominated in HKD, the Company has no significant foreign currency exposure as at 31 December 2018 and 2017.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change by 5% (2017: 5%) in the CNY, HKD, USD, EUR and THB exchange rates (against SGD), with all other variables held constant, the effects on the Group's and Company's profit after tax and equity will be as follows:

	Group			
	2018		2017	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
CNY				
- strengthened	(1,414)	(3,710)	34	(2,249)
- weakened	1,414	3,710	(34)	2,249
HKD				
- strengthened	1,859	2,538	1,802	2,404
- weakened	(1,859)	(2,538)	(1,802)	(2,404)
USD				
- strengthened	(224)	(653)	(241)	(445)
- weakened	224	653	241	445
EUR				
- strengthened	(2,675)	(2,352)	(2,746)	(2,488)
- weakened	2,675	2,352	2,746	2,488
THB				
- strengthened	313	313	1	1
- weakened	(313)	(313)	(1)	(1)
	Company			
	2018		2017	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
HKD				
- strengthened	1,818	2,190	1,795	2,163
- weakened	(1,818)	(2,190)	(1,795)	(2,163)

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 10% and Nil (31 December 2017: 24% and Nil, 1 January 2017: 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 amounts reflected in the financial statements.

Notes to 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:

	31 December 2018		
	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000
Group			
Financial assets:			
Debtors	105,025	-	-
Other receivables	33,081	-	-
Bank balances, deposits and cash	136,527	-	-
Total undiscounted financial assets	274,633	-	-
Financial liabilities:			
Creditors	(96,277)	(720)	-
Borrowings	(66,495)	(396,188)	(109,484)
Finance lease liabilities	(216)	(864)	(1,188)
Other liabilities	(32,752)	-	-
Total undiscounted financial liabilities	(195,740)	(397,772)	(110,672)
Total net undiscounted financial assets/(liabilities)	78,893	(397,772)	(110,672)
Company			
Financial assets:			
Debtors	2,307	-	-
Other receivables	21,353	153,642	-
Bank balances, deposits and cash	21,276	-	-
Total undiscounted financial assets	44,936	153,642	-
Financial liabilities:			
Creditors	(3,095)	-	-
Borrowings	(2,850)	(112,728)	(2,626)
Other liabilities	(9,682)	-	-
Total undiscounted financial liabilities	(15,627)	(112,728)	(2,626)
Total net undiscounted financial assets/(liabilities)	29,309	40,914	(2,626)

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:

	31 December 2017		
	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000
Group			
Financial assets:			
Debtors	63,612	-	-
Other receivables	62,731	-	-
Bank balances, deposits and cash	96,028	-	-
Total undiscounted financial assets	222,371	-	-
Financial liabilities:			
Creditors	(77,195)	(720)	-
Borrowings	(121,190)	(265,165)	(109,813)
Finance lease liabilities	(216)	(864)	(1,404)
Other liabilities	(14,099)	-	-
Total undiscounted financial liabilities	(212,700)	(266,749)	(111,217)
Total net undiscounted financial assets/(liabilities)	9,671	(266,749)	(111,217)
Company			
Financial assets:			
Debtors	1,250	-	-
Other receivables	42,778	159,011	-
Bank balances, deposits and cash	8,335	-	-
Total undiscounted financial assets	52,363	159,011	-
Financial liabilities:			
Creditors	(1,953)	-	-
Borrowings	(2,850)	(115,578)	(2,626)
Other liabilities	(9,599)	-	-
Total undiscounted financial liabilities	(14,402)	(115,578)	(2,626)
Total net undiscounted financial assets/(liabilities)	37,961	43,433	(2,626)

Notes to 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:

	1 January 2017		
	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000
Group			
Financial assets:			
Debtors	52,748	-	-
Other receivables	29,641	-	-
Bank balances, deposits and cash	126,516	-	-
Total undiscounted financial assets	208,905	-	-
Financial liabilities:			
Creditors	(134,698)	(860)	-
Borrowings	(165,648)	(472,859)	-
Finance lease liabilities	(216)	(864)	(1,620)
Other liabilities	(6,243)	-	-
Total undiscounted financial liabilities	(306,805)	(474,583)	(1,620)
Total net undiscounted financial liabilities	(97,900)	(474,583)	(1,620)
Company			
Financial assets:			
Debtors	9	-	-
Other receivables	117,355	51,723	-
Bank balances, deposits and cash	28,473	-	-
Total undiscounted financial assets	145,837	51,723	-
Financial liabilities:			
Creditors	(2,297)	-	-
Borrowings	(3,702)	(127,419)	-
Other liabilities	(9,630)	-	-
Total undiscounted financial liabilities	(15,629)	(127,419)	-
Total net undiscounted financial assets/(liabilities)	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.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. These events include probability of insolvency, significant financial difficulties of the debtor and default or significant delay in payments.

Bank balances, deposits and cash, long-term receivables, other debtors and amounts owing by holding, related and associated companies are subject to immaterial credit loss.

Trade debtors

The Group uses a provision matrix to measure the lifetime expected credit losses for trade debtors. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on shared characteristics taking into consideration forward looking information such as forecast of economic conditions.

The Group's credit risk exposure in relation to trade debtors under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

	Current	Less than 60 days past due	More than 60 days past due	More than 180 days past due	Total
Logistics:					
Gross carrying amount	26,754	10,889	4,369	3,370	45,382
Loss allowance provision	(56)	(206)	(219)	(1,554)	(2,035)
Data Centre:					
Gross carrying amount	27,498	13,566	9	-	41,073
Loss allowance provision	(72)	(38)	-	-	(110)

The gross carrying amount of trade debtors of the Group and information regarding the loss allowance movement are disclosed in Note 23.

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					
	31 December 2018		31 December 2017		1 January 2017	
	\$'000	% of total	\$'000	% of total	\$'000	% of total
By country						
Singapore	114,823	83%	106,260	84%	60,685	74%
People's Republic of China	11,778	9%	11,048	9%	12,718	15%
Vietnam	7,735	6%	6,406	5%	5,575	7%
Malaysia	659	*	782	1%	1,899	2%
Other countries	3,111	2%	1,847	1%	1,512	2%
	138,106	100%	126,343	100%	82,389	100%
By industry sectors						
Logistics	56,444	41%	47,367	38%	45,441	56%
Data Centre	73,691	53%	78,712	62%	35,789	43%
Investments	7,971	6%	264	*	1,159	1%
	138,106	100%	126,343	100%	82,389	100%

* Denotes amount <1%

Notes to the Financial Statements

38.5 Financial Instruments by Category

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

	Group	Company
	2018 \$'000	2018 \$'000
Financial assets, at FVPL	72,090	43,800
Financial liabilities, at FVPL	(416)	-
Financial assets, at FVOCI	1,867	-
Financial assets at amortised cost	274,467	188,115
Financial liabilities at amortised cost	(650,994)	(112,777)

	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	49,502	4,661	43,250	-
Financial liabilities at amortised cost	(553,076)	(769,060)	(111,552)	(131,927)

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	
	2018 \$'000	2017 \$'000
Net debt	381,632	361,359
Total capital	1,000,947	960,730
Gearing ratio	38%	38%

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 2018 and 2017.

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
	31 December 2018 %	2017 %	1 January 2017 %	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000		
Subsidiaries								
Logistics								
Keppel Logistics Pte Ltd	100	100	100	82,534	82,534	82,534	Singapore	Integrated logistics services and supply chain solutions
Keppel Logistics (Foshan) Limited ^{1(b)}	70	70	70	15,645	15,645	15,645	China	Integrated logistics port operations, warehousing and distribution
Keppel Logistics (Foshan Sanshui Port) Company Limited ^{1(b)}	42	42	42	#	#	#	China	Integrated logistics port operations and warehousing

	Effective Equity Interest			Cost of Investment			Country of Incorporation and Operation	Principal Activities
	31 December 2018 %	2017 %	1 January 2017 %	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000		
Keppel Logistics (Hong Kong) Limited ^{1(f)}	70	70	70	#	#	#	Hong Kong	Freight forwarding and shipping agencies
Steamers (HK) Limited ^{1(a)}	100	100	100	*	*	*	Hong Kong	Investment holding
Keppel Tianjin Logistics Pte Ltd	100	100	100	*	*	*	Singapore	Investment holding
Keppel Logistics (Tianjin Eco-city) Limited ^{1(a)}	100	100	100	#	#	#	China	Integrated logistics services, warehousing and distribution
Keppel Jilin Food Logistics Park Pte Limited	100	100	100	*	*	*	Singapore	Investment holding
Jilin Sino-Singapore Food Zone International Logistics Co Ltd ^{1(f)}	70	70	70	#	#	#	China	Integrated logistics services, warehousing and distribution
Keppel Anhui Food Logistics Park Pte Ltd	100	100	100	*	*	*	Singapore	Investment holding
Keppel Wanjiang International Coldchain Logistics Park (Anhui) Co Ltd ^{1(b)}	60	60	60	#	#	#	China	Integrated logistics services, food trading hub, warehousing and distribution
Indo-Trans Keppel Logistics Vietnam Co Ltd ^{1(a)}	51	51	51	#	#	#	Vietnam	Warehousing and distribution
Keppel Logistics (Australia) Pty Ltd ^{1(g)}	100	100	100	#	#	#	Australia	Warehousing and distribution
UrbanFox Pte Ltd (formerly known as Courex Pte Ltd) ^{1(f), 2}	85	60	60	#	#	#	Singapore	Omnichannel logistics & channel management solutions provider
UrbanFox Asia Pte Ltd ^{1(f), 3}	85	-	-	#	-	-	Singapore	Investment holding
UrbanFox (Malaysia) Sdn Bhd ^{1(f), 3}	85	-	-	#	-	-	Malaysia	Omnichannel logistics & channel management solutions provider
Data Centre								
Keppel Data Centres Pte Ltd	100	100	100	26,500	26,500	26,500	Singapore	Investment holding
Keppel Data Centres Holding Pte Ltd	70	70	70	#	#	#	Singapore	Investment holding and management services
Keppel DC Singapore 1 Ltd	70	70	70	#	#	#	Singapore	Data centre facilities management
Keppel DC Singapore 2 Pte Ltd	70	70	70	#	#	#	Singapore	Data centre facilities management
Keppel DC Singapore 3 Pte Ltd	-	-	70	-	-	#	Singapore	Data centre facilities and colocation services
Keppel DC Singapore 4 Pte Ltd	-	-	70	-	-	#	Singapore	Data centre facilities and colocation services
Keppel Almere Pte Ltd	70	70	70	#	#	#	Singapore	Investment holding
Keppel Data Centre Netherlands BV ^{1(f)}	70	70	70	#	#	#	Netherlands	Investment holding
Keppel Data Centre Almere BV ^{1(g)}	70	70	70	#	#	#	Netherlands	Investment holding
Keppel Data Centres (Hong Kong) Limited ^{1(a)}	70	70	70	#	#	#	Hong Kong	Data centre facilities and colocation services
Kloud Tech (Shanghai) Co Ltd ^{1(f), 3}	70	-	-	#	-	-	China	Provision of management services, investment holding and advisory
Kloud Info Tech (Shanghai) Co Ltd ^{1(f), 3}	70	-	-	#	-	-	China	Provision of management services, investment holding and advisory
Keppel DCS3 Services Pte Ltd	70	70	70	#	#	#	Singapore	Data centre facilities management
Keppel Data Centre Holdings Europe Limited ^{1(f)}	70	70	-	#	#	-	Ireland	Provision of management services, investment holding and advisory
Keppel Data Centre Holdings Germany GmbH ^{1(g)}	70	70	-	#	#	-	Germany	Lease, operation and management of real estate properties, in particular data centres
Keppel Data Centre Facility Management Pte Ltd	100	100	100	#	#	#	Singapore	Data centre facilities management

Notes to the Financial Statements

	Effective Equity Interest			Cost of Investment			Country of Incorporation and Operation	Principal Activities
	31 December 2018 %	2017 %	1 January 2017 %	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000		
iseek-KDC Services Pty Ltd ^{1(f)}	60	60	60	#	#	#	Australia	Data centre facilities management
Keppel DC Investment Holdings Pte Ltd	100	100	100	#	#	#	Singapore	Investment holding
Keppel DC Development Europe Limited ^{1(f)}	100	100	100	#	#	#	United Kingdom	Provision of management services, investment holding and advisory
Keppel Networks Pte Ltd	100	100	-	#	#	-	Singapore	Telecommunications network operation
Keppel Networks Infrastructure Pte Ltd ³	100	-	-	#	-	-	Singapore	Investment holding
Asgard Investment Holdings Pte Ltd ³	100	-	-	#	-	-	Singapore	Investment holding
Keppel Midgard Holdings Pte Ltd ³	100	-	-	#	-	-	Singapore	Telecommunications network operation
Investments								
Adfact Pte Ltd	100	100	100	17,435	17,435	17,435	Singapore	Investment holding
Apsilon Ventures Pte Ltd	100	100	100	75,101	75,101	75,101	Singapore	Investment holding
Keppel IHT Investment Ltd ^{1(g)}	100	100	100	26,864	26,864	26,864	British Virgin Islands	Inactive
Keppel Telecoms Pte Ltd	100	100	100	#	#	#	Singapore	Investment holding
Keppel Communications Pte Ltd	100	100	100	#	#	#	Singapore	Trading and provision of communications system and accessories
Associated Companies								
Logistics								
Asia Airfreight Terminal Company Limited ^{1(c)}	-	-	10	-	-	6,621	Hong Kong	Operation of an air cargo handling terminal
PT Keppel Puninar Logistics ^{1(f)}	49	49	49	#	#	#	Indonesia	Distribution and transportation services
Data Centre								
Keppel DC REIT ⁴	25	30	30	#	#	#	Singapore	Data centre facilities and colocation services
Keppel DC Singapore 3 LLP	34	34	-	#	#	-	Singapore	Data centre facilities and colocation services
Keppel DC REIT Management Pte Ltd	50	50	50	#	#	#	Singapore	Investment holding and fund management
Alpha DC Fund Private Limited ^{1(e)}	46	46	53	#	#	#	Singapore	Investment holding and fund management
Calcium DC Pte Ltd ^{1(e)}	55	55	60	#	#	#	Singapore	Investment holding
Thorium DC Pte Ltd ^{1(e)}	53	53	-	#	#	-	Singapore	Investment holding
Nautilus Data Technologies Inc ^{1(f)}	21	21	-	#	#	-	USA	Water-cooled data centre leasing, colocation and interconnection services
Investments								
Advanced Research Group Co Ltd ^{1(f), 5}	-	45	45	-	#	#	Thailand	IT publication and business information
Business Online Public Company Limited ^{1(d), 6}	24	21	21	#	#	#	Thailand	Online information service provider
Computer Generated Solutions Inc ^{1(f)}	21	21	21	#	#	#	USA	IT consulting and outsourcing provider
M1 Limited ^{1(d), 7}	19	19	19	#	#	#	Singapore	Telecommunications services
ARIP Public Company Ltd ^{1(f)}	20	20	20	#	#	#	Thailand	Publication of IT and business information, exhibition organiser and online information service provider
ABIKS Development Co Ltd ^{1(f)}	20	20	20	#	#	#	Thailand	Provision and management of office buildings

	Effective Equity Interest			Cost of Investment			Country of Incorporation and Operation	Principal Activities
	31 December 2018 %	31 December 2017 %	1 January 2017 %	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000		
SVOA Public Company Limited ^{1(d)}	32	32	32	#	#	#	Thailand	Distribution of IT products and telecommunications services
Trisilco Radiance Communications Sdn Bhd ^{1(a)}	52	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	50	27,951	27,951	27,951	China	Integrated logistics services and port operations
Investments								
Radiance Communications Pte Ltd	50	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:

- Audited by member firms of PricewaterhouseCoopers in the respective countries.
- Audited by Ruihua Certified Public Accountants, China.
- Audited by member firms of KPMG International in the respective countries.
- Audited by member firms of Ernst & Young LLP in the respective countries.
- Audited by member firms of Deloitte Touche Tohmatsu Limited in the respective countries.
- Audited by other firms of Certified Public Accountants.
- 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.

- On 5 February 2018, the Group through Keppel Logistics Pte Ltd acquired new shares and equity interest in UrbanFox Pte Ltd (formerly known as Courex Pte Ltd) from its non-controlling interests for an aggregate consideration of \$7,250,000 and \$252,000 respectively. The difference of \$1,749,000 between the consideration and the carrying value of the additional equity interest acquired has been recognised as part of capital reserves within equity.
- Acquired/incorporated during the financial year ended 31 December 2018.
- During the financial year, the Group's shareholdings in Keppel DC REIT was diluted from 30% to 25% as a result of a private placement exercise which the Group did not participate in.
- Disposed during the financial year ended 31 December 2018.
- As part of the sale of Advanced Research Group Co Ltd ("ARG"), the Group acquired additional 4% interest ("BOL Interest") in Business Online Public Company Limited ("BOL") from ARG for a cash consideration of THB 66,857,622 (approximately S\$2.8 million).
- 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	
	2018 \$'000	2017 \$'000
Tax exempt (one-tier) dividends on ordinary shares declared and paid during the financial year:		
- Final dividend of 3.5 cents per share for 2017 (2017: 4.5 cents per share for 2016)	19,569	25,113
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 nil (2017: 3.5 cents) per share	-	19,532

42. Authorisation of Financial Statements

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 26 February 2019.

Independent Auditor's Report

Report on the Audit of the 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"), Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS") 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 2018 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 2018;
- 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 2018;
- 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of fixed assets The Group has fixed assets as of 31 December 2018, which primarily relate to logistics and warehousing facilities. Fixed assets of the Group, including those that are held by the Group's associated companies and joint ventures, are tested for impairment whenever there is any objective evidence or indication that they may be impaired. Management has considered the ongoing strategic review of the Group's China logistics portfolio in the assessment of impairment indicators in fixed assets as of 31 December 2018, and estimated the recoverable amounts of certain assets to determine whether the carrying amounts of those assets were appropriate. Management's estimation of the recoverable amounts involved the selection of value-in-use models and 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. The disclosures relating to impairment of fixed assets are included in Note 14 to the financial statements, where required and the effect of any impairment of fixed assets in the joint venture has been reflected in the share of the results of the joint venture. The assessment of judgement applied by Management and the valuers on the selection of appropriate inputs to the value-in-use models and other valuation techniques in determining the estimated recoverable amounts of those fixed assets for the purpose of impairment assessment is a key focus area of our audit.	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 are 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. The evidence we obtained from performing our procedures indicated that Management's estimates and assumptions were reasonable. We also found the disclosures in the financial statements in respect of the impairment of fixed assets to be adequate.
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. 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.

Independent Auditor's Report

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

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 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 this regard.

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, SFRS(I) and IFRS, 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.

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.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", with a stylized flourish at the end.**PricewaterhouseCoopers LLP**

Public Accountants and Chartered Accountants
Singapore, 26 February 2019