



**Singapore Technologies Telemedia Pte Ltd
and its subsidiaries
Registration Number: 199500279W**

**Annual Report
Year ended 31 December 2017**

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2017.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS121 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance and changes in equity of the Group and of the Company and the cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Tan Guong Ching	(Chairman)
Stephen Geoffrey Miller	(Appointed on 1 January 2017)
Sum Soon Lim	
Lim Ming Seong	
Chang See Hiang	
Justin Weaver Lilley	
Sir Michael Perry, GBE	
Vicente S. Perez, Jr.	

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures and share options in the Company and in related corporations are as follows:

Name of director and related corporations in which interests (fully paid ordinary shares unless otherwise stated) are held	Holdings at beginning of the year	Holdings at end of the year
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Related Corporations

Mapletree Logistics Trust Management Ltd. Unit holdings in Mapletree Logistics Trust

Sum Soon Lim	1,700,000	1,900,000
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Name of director and related corporations in which interests (fully paid ordinary shares unless otherwise stated) are held	Holdings at beginning of the year	Holdings at end of the year
Related Corporations (Cont'd)		
Singapore Airlines Limited Ordinary shares		
Tan Guong Ching	2,000	2,000
Singapore Technologies Engineering Ltd Ordinary shares		
Tan Guong Ching	72,475	72,475
Lim Ming Seong	98,336	8,336
Singapore Telecommunications Limited Ordinary shares		
Tan Guong Ching	2,840	2,840
Sum Soon Lim	3,230	3,230
Chang See Hiang	190	190
StarHub Ltd Ordinary shares		
Tan Guong Ching	160,741	160,741
Lim Ming Seong	137,136	155,436
- Held in the name of Citibank Nominees Singapore Pte Ltd	100,000	100,000
TeleChoice International Limited Ordinary shares		
Lim Ming Seong	60,000	60,000

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures or share options of the Company, or of related corporations, either at the beginning of the financial year or, date of appointment if later, or at the end of the financial year.

Except as disclosed under the "Share Options" section of this statement, 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 objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

StarHub Ltd ("StarHub")

StarHub has in place the StarHub Performance Share Plan 2014 and the StarHub Restricted Stock Plan 2014 (collectively, "StarHub Share Plans 2014", and each, "StarHub PSP 2014" and "StarHub RSP 2014" respectively).

The StarHub Share Plans 2014 were approved and adopted at the Extraordinary General Meeting of StarHub ("StarHub EGM") held on 14 April 2014, in replacement of the then existing StarHub Performance Share Plan and the StarHub Restricted Stock Plan which were adopted by StarHub on 16 August 2004 (collectively, "StarHub Share Plans 2004", and each, "StarHub PSP 2004" and "StarHub RSP 2004" respectively).

The StarHub Share Plans 2004 together with the StarHub Share Option Plan 2004 were terminated at StarHub EGM held on 14 April 2014. StarHub had also in 2000 adopted the StarHub Pte Ltd Share Option Plan ("StarHub Share Option Plan 2000") and terminated the same in 2004. Since 31 May 2015, there were no outstanding or unexercised options under the StarHub Share Option Plan 2000 and StarHub Share Option Plan 2004 (collectively, "StarHub Share Option Plans").

The StarHub Share Plans 2014, the StarHub Share Plans 2004, the StarHub Share Option Plan 2004 and the StarHub Share Option Plan 2000 (collectively, "StarHub Plans") are administered by StarHub's Executive Resource and Compensation Committee ("StarHub ERCC") comprising three directors, namely Teo Ek Tor, Stephen Geoffrey Miller, and Lim Ming Seong.

StarHub designates the Company as its parent company for purposes of StarHub Plans.

StarHub Share Plans 2014 and StarHub Share Plans 2004 (collectively, the "StarHub Share Plans")

- (i) The StarHub Share Plans were implemented with the objectives of motivating key executives to strive for superior performance and sustaining long-term growth for StarHub Group.
- (ii) The termination of the StarHub Share Plans 2004 was without prejudice to the rights of holders of awards accepted and outstanding under the StarHub Share Plans 2004 as at the date of termination. The outstanding awards under the StarHub Share Plans 2004 were vested according to the terms of the StarHub Share Plans 2004 and the respective grants.
- (iii) The following persons were/shall be eligible to participate in the StarHub Share Plans, respectively at the absolute discretion of StarHub ERCC:
 - (1) employees (including executive directors) and non-executive directors of StarHub Group;
 - (2) employees (including executive directors) and non-executive directors of StarHub's parent company and its subsidiaries ("StarHub Parent Group") who meet the relevant age and rank criteria and whose services have been seconded to a company within StarHub Group and who shall be regarded as an employee of StarHub Group for the purposes of the StarHub Share Plans; and

- (3) employees and non-executive directors of StarHub's associated companies, who in the opinion of StarHub ERCC, have contributed or will contribute to the success of StarHub Group.
- (iv) Under the StarHub PSP 2004 and the StarHub PSP 2014, awards of shares are granted on an annual basis, conditional on targets set for a performance period, currently prescribed to be a three-year period. Awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the participant achieving prescribed performance targets set based on medium-term corporate objectives.

Awards are released once StarHub ERCC is satisfied that the prescribed performance targets have been achieved. The actual number of shares given will depend on the level of achievement of the prescribed performance targets over the performance period.

Since the commencement of the StarHub PSP 2004 to the financial year ended 31 December 2017, conditional awards aggregating 9,050,250 shares have been granted under the aforesaid plan. For share awards granted prior to and during the financial year ended 31 December 2013, no shares will be delivered if the threshold performance targets are not achieved, while up to twice the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. For share awards granted during and after the financial year ended 31 December 2014, no shares will be delivered if the threshold performance targets are not achieved, while up to 1.825 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. The performance targets benchmark (a) the performance of StarHub's Total Shareholders' Return ("TSR") measured against the MSCI Asia-Pacific Telecommunications Index (including Japan) over the performance period, and (b) the Wealth Added which measures investment performance in terms of StarHub's TSR against shareholders' expected returns using cost of equity as a benchmark.

Since the commencement of the StarHub PSP 2014 to the financial year ended 31 December 2017, conditional awards aggregating 2,406,900 shares have been granted under the aforesaid plan. For share awards granted during and after the financial year ended 31 December 2016, no shares will be delivered if the threshold performance targets are not achieved, while up to 1.825 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. The performance targets benchmark (a) Returns on Invested Capital ("ROIC"), and (b) the Wealth Added which measures investment performance in terms of StarHub's TSR against shareholders' expected returns using cost of equity as a benchmark.

Share awards granted and vested, during the financial year, and share awards outstanding at the end of the financial year, under the StarHub PSP 2004 and StarHub PSP 2014, are as follows:

Date of grant	Balance outstanding at 1 January 2017 '000	Number of performance shares granted '000	Number of performance shares vested '000	Number of performance shares forfeited '000	Balance outstanding at 31 December 2017 '000
10.03.2014	570	—	—	(570)	—
16.03.2015	535	—	—	(19)	516
22.03.2016	656	—	—	(62)	594
06.04.2017	—	1,216	—	(81)	1,135
	<u>1,761</u>	<u>1,216</u>	<u>—</u>	<u>(732)</u>	<u>2,245</u>

- (v) Under the StarHub RSP 2004 and the StarHub RSP 2014, awards granted vest only after the satisfactory completion of time-based service conditions (time-based restricted awards) or where the award is performance-related, after a further period of service beyond the performance period (performance-based restricted awards).

No minimum vesting periods are prescribed under the StarHub RSP 2004 and the StarHub RSP 2014 and the length of the vesting period in respect of each award will be determined on a case-by-case basis. Performance-based restricted awards differ from awards granted under the StarHub PSP 2004 and the StarHub PSP 2014 in that an extended vesting period is imposed beyond the performance period.

The performance-based restricted awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the participant achieving prescribed performance targets. The actual number of shares to be released depends on the level of attainment of the performance targets over the performance period.

For performance-based restricted awards granted prior to and during the financial year ended 31 December 2007, (a) the first performance target benchmarks the performance of StarHub's TSR measured against the Straits Times Index ("STI") over the performance period; and (b) the second performance target used is measured against Free Cashflow ("FCF").

For performance-based restricted awards granted during and from financial year ended 31 December 2008 to financial year ended 31 December 2013, the performance targets used are measured against the Return on Invested Capital ("ROIC") and the FCF respectively.

For performance-based restricted awards granted during and from financial year ended 31 December 2014 to financial year ended 31 December 2016, the performance targets used are measured against the ROIC and the Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA").

For performance-based restricted awards granted during and from financial year ended 31 December 2016 onwards, the performance targets used are aligned to the overall strategic financial and operational goals of StarHub Group.

Since the commencement of the StarHub RSP 2004 to the financial year ended 31 December 2017:

- (1) performance-based restricted awards aggregating 17,413,000 shares have been granted under the aforesaid Plan. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.3 times or as the case may be 1.5 times, the number of shares that are the subject of the award, will be delivered if stretched performance targets are met or exceeded;
- (2) a time-based restricted award of 100,000 shares has been granted on 15 January 2009. The shares under this award were vested in three equal tranches over a 3-year period from 1 January 2009 to 31 December 2011 according to a specified vesting schedule;

- (3) a time-based restricted award of 213,000 shares has been granted on 17 May 2010. The shares under this award were vested in May 2011 upon the participants' continued tenure as non-executive directors of StarHub for a full one-year period from the date of grant;
- (4) a restricted award of 155,900 shares has been granted on 7 June 2012. The shares under this award formed 30% of the non-executive directors' remuneration for the financial year ended 31 December 2011 and were vested immediately without any further vesting period;
- (5) a restricted award of 99,400 shares has been granted on 10 May 2013. The shares under this award formed 30% of the non-executive directors' remuneration for the financial year ended 31 December 2012 and were vested immediately without any further vesting period; and
- (6) a time-based restricted award of 30,000 shares has been granted on 10 March 2014. The shares under this award were vested in two equal tranches over a 2-year period from 1 January 2015 to 31 December 2016 according to a specified vesting schedule.

Since the commencement of the StarHub RSP 2014 to the financial year ended 31 December 2017:

- (1) performance-based restricted awards aggregating 7,075,400 shares have been granted under the aforesaid Plan. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times, the number of shares that are the subject of the award, will be delivered if stretched performance targets are met or exceeded;
- (2) restricted awards aggregating 544,200 shares have been granted to non-executive directors of the Company as part of their directors' remuneration, and were vested immediately upon grant;
- (3) a time-based restricted award of 32,500 shares has been granted on 8 July 2015. The shares under this award were vested in two equal tranches over a 2-year period from 8 July 2015 to 7 July 2017 according to a specified vesting schedule;
- (4) a time-based restricted award of 240,000 shares has been granted on 20 May 2016. The shares under this award were vested in two equal tranches over a period from 20 May 2016 to 7 July 2017 according to a specified vesting schedule;
- (5) a time-based restricted award of 592,590 shares has been granted on 15 March 2017. The shares under this award will vest in two equal tranches over a period from 15 March 2017 to 15 January 2018; and
- (6) a time-based restricted award of 400,000 shares has been granted on 6 April 2017. The shares under this award will vest in three tranches over a 3-year period from 13 April 2018 to 15 April 2020.

Share awards granted and vested during the financial year, and share awards outstanding at the end of the financial year, under the StarHub RSP 2004 and the StarHub RSP 2014, are as follows:

Date of grant	Balance outstanding at 1 January 2017 '000	Number of restricted shares granted '000	Number of restricted shares vested '000	Number of restricted shares forfeited '000	Not delivered (below performance target) '000	Balance outstanding at 31 December 2017 '000
10.03.2014	713	—	(695)	(18)	—	—
16.03.2015	2,106	—	—	(104)	(2,002)	—
08.07.2015	16	—	(16)	—	—	—
22.03.2016	2,380	—	—	(285)	—	2,095
20.05.2016	147	—	(120)	—	—	27
15.03.2017	—	593	(296)	(15)	—	282
06.04.2017	—	2,717	—	(103)	—	2,614
29.05.2017	—	188	(179)	(9)	—	—
	5,362	3,498	(1,306)	(534)	(2,002)	5,018

During the financial year, a total of 1,306,589 ordinary shares fully paid in StarHub were issued pursuant to the StarHub Share Plans.

As at 31 December 2017, no participant has been granted and/or received shares pursuant to the release of awards granted under the StarHub Share Plans, which, in aggregate, represents 5% or more of the aggregate of:

- (a) the total number of new shares available under the StarHub Share Option Plans and the StarHub Share Plans collectively; and
- (b) the total number of existing shares delivered pursuant to options exercised under the StarHub Share Option Plans and awards released under the StarHub Share Plans collectively.

TeleChoice International Limited ("TeleChoice")

Long Term Incentive Plans

The TeleChoice Restricted Share Plan (the "TeleChoice RSP") and TeleChoice Performance Share Plan (the "TeleChoice PSP") (collectively referred to as the "TeleChoice Plans"), were approved and adopted by TeleChoice's members at the Annual General Meeting of TeleChoice held on 26 April 2018.

Information regarding the TeleChoice Plans is set out below:

- (i) The TeleChoice Plans were established with the objective of motivating senior executives to strive for superior performance and sustaining long-term growth for TeleChoice.

- (ii) The TeleChoice Plans are administered by the TeleChoice's Remuneration Committee comprising three directors, namely Bertie Cheng, Ronald Seah Lim Siang and Stephen Geoffrey Miller (the "TeleChoice RC").
- (iii) The following persons (collectively referred to as the "Eligible Persons") shall be eligible to participate in the TeleChoice Plans, at the absolute discretion of the TeleChoice RC:
- employees and non-executive directors of TeleChoice and/or any of its subsidiaries;
 - employees and non-executive directors of STT Communications Ltd ("STTC") and its subsidiaries, who may be seconded to render services and contribute to the success of the TeleChoice Group; and
 - employees of associated companies of TeleChoice.
- (iv) Under the TeleChoice PSP, conditional awards of shares are granted. Awards represent the right of a participant to receive fully paid shares upon the participant achieving certain pre-determined performance targets which are set based on corporate objectives aimed at sustaining longer-term growth. The vesting period of the awards granted under the TeleChoice Plans is between one to three years. After the awards vest, the shares comprised in the awards are issued at the end of the performance and/or service period once the TeleChoice RC, at its sole discretion, satisfied that the prescribed performance targets have been achieved.
- The actual number of shares given will depend on the level of achievement of the prescribed performance targets over the performance period, currently prescribed to be a three-year period. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded.
- (v) Under the TeleChoice RSP, conditional awards vest over a three-year period, once the TeleChoice RC is, at its sole discretion, satisfied that the performance and extended service conditions are attained. For the 2016 TeleChoice RSP grants, the total number of shares to be awarded depends on the level of attainment of the corporate performance targets. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.3 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. For the TeleChoice RSP grants for 2017 onwards, the total number of shares to be awarded depends on the level of attainment of the individual performance targets.
- (vi) Since the commencement of the TeleChoice Plans to the financial year ended 31 December 2017, conditional awards aggregating 33,586,810 (2016: 29,344,810) shares have been granted under the aforesaid TeleChoice Plans, representing the number of shares to be delivered based on the achievement against the pre-determined target performance levels. 2,351,618 shares under the TeleChoice Plans were released during the financial year ended 31 December 2017 (2016: 1,984,260 shares).
- (vii) During the financial year ended 31 December 2017, conditional awards aggregating 3,635,000 (2016: 3,476,000) shares have been granted under the TeleChoice Plans, representing the number of shares to be delivered based on the achievement against the pre-determined target performance levels. An aggregate 8,871,176 shares under the TeleChoice Plans were outstanding as at 31 December 2017 (2016: 8,973,778 shares).

- (viii) During the financial year ended 31 December 2017, restricted share awards aggregating 607,000 (2016: 534,000) shares were also granted under the TeleChoice RSP. These share awards formed 30% (2016: 30%) of the TeleChoice Directors' remuneration for the financial year ended 31 December 2016 (2016: 31 December 2015) and were granted without any performance or vesting conditions attached, but subject to a selling moratorium and other terms and conditions.
- (ix) Since commencement of the TeleChoice Plans, no share awards were granted under the TeleChoice Plans at a discount.

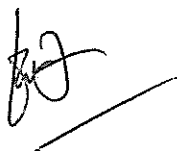
Except as disclosed above, there were no options granted during the financial year by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Tan Guong Ching
Chairman



Stephen Geoffrey Miller
Director

4 May 2018



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Independent auditors' report

Member of the Company
Singapore Technologies Telemedia Pte Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Singapore Technologies Telemedia Pte Ltd ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flows statement of the Group and the income statement, statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS121.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and financial performance and changes in equity of the Company for the year ended on that date.

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 '*Auditors' responsibilities for the audit of the financial statements*' section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.



Goodwill arising from consolidation of U Mobile Sdn Bhd ("U Mobile") (\$258 million)
(Refer to note 2.9 – Accounting policies of impairment in non-financial assets and note 5 – Goodwill on consolidation)

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
At 31 December 2017, the carrying amount of the goodwill arising from the Group's acquisition of U Mobile in 2012 amounted to \$258 million. Goodwill is subject to annual impairment testing and the Group uses the discounted cash flow technique to determine the value in use ("VIU") as the recoverable amount of U Mobile. There is a risk of impairment due to the highly competitive environment that U Mobile operates in which increases the level of judgement and estimation uncertainties within management's cash flow forecast.	Our procedures included, among others: • We assessed the reliability of the forecast by comparing the actual performance against previous forecasts. • We assessed the key assumptions used in the VIU calculations, namely the revenue growth rates, enterprise to earnings before interest, taxes, depreciation and amortisation ("EBITDA") margin, EBITDA exit multiple and discount rate, by comparing them to externally derived data and historical performance where available. • We performed sensitivity analyses on the VIU computation using a reasonably possible change in key assumptions and analysed the impact to the recoverable amount. • We assessed the adequacy of the related disclosures in the financial statements.

Findings

We found the key assumptions to be supported by approved budget and are based on the Group's expectation of positive business conditions. We agree with the Group that no impairment charge is needed.

We also found the Group's disclosure in the financial statements to be appropriate.



Revenue recognition (\$3,800 million) <i>(Refer to Income Statement and note 2.16 - Accounting policies of revenue recognition)</i>	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
The Group mainly derives its revenue from the provision of Mobile, Pay TV, Broadband, Enterprise Fixed services and sale of equipment through its significant subsidiaries, StarHub Ltd ("StarHub") and U Mobile. Numerous products and services offered with promotional rates and discounts add to the complexities. Judgement is required to determine the amount and timing of revenue to be recognised. The information used to recognise revenue is based on data captured in network switches, which are interfaced with billing and management IT reporting systems. Impact of product and service varieties, different pricing models, together with complexities in telecommunication systems and related configurations of system generated information, give rise to the risk that revenue may not be accurately recorded.	Our procedures included, among others: • We tested the design and implementation, and operating effectiveness of controls over the capture and recording of revenue transactions from network switches to the billing system, and subsequently to the accounting system. Our IT specialists tested the relevant automated controls, including interface controls between different IT applications. • We tested the design and implementation, and operating effectiveness of relevant manual controls over the initiation, authorisation, recording and processing of revenue transactions. • We performed test calls to check completeness and accuracy of revenue transactions transmitted from the source systems to the accounting systems. • We tested key manual reconciliation controls used by the Group of certain revenue streams over revenue recognition. • We assessed the appropriateness of revenue recognition policy for the products and services offered by the Group.
Findings We noted no significant issues on the completeness, existence and accuracy of revenue recorded in the year.	



Business combinations

(Refer to note 2.2 – Accounting policies of business combinations and note 38 – Business Combinations)

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
During the year, the Group made a number of business acquisitions. The accounting for business acquisitions requires the Group to determine the fair value of the identifiable assets and liabilities acquired as part of these acquisitions. This involves a significant level of judgement and estimation uncertainties to be applied by the Group.	Our procedures included, among others: • We checked the appropriateness of the accounting for acquisitions, including the fair value of the consideration transferred, adjustments to the fair value of assets and liabilities and resultant goodwill against the requirements of the relevant accounting standards. • We checked the computations to allocate the purchase price to the different assets and liabilities acquired in the business combinations. • We evaluated the competence, capabilities and objectivity of the external valuation specialists engaged by the Group in accordance with the relevant auditing standard. • We involved our valuation specialists in assessing the reasonableness of the methodologies and key assumptions used in deriving the allocated fair values using market data, where available, and our experience of similar assets in other comparable situations. • We assessed the adequacy of the disclosure in the financial statements.
Findings We found the accounting treatment applied by the Group to be appropriate and complies with the relevant accounting standards, and the key assumptions applied by the Group to be fair. We also found the Group's disclosure in the financial statements to be appropriate.	



Other information

Management is responsible for the other information. The other information comprises the Directors' statement.

We have obtained the Directors' statement prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do 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, 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 and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 controls.
- Obtain an understanding of internal controls 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 controls.
- 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 auditors' 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 auditors' 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 controls 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 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 auditors' report unless the law or regulations preclude 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 auditors' report is Low Gin Cheng, Gerald.

A handwritten signature in black ink, appearing to read 'KPMG' followed by a stylized flourish.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
4 May 2018

Balance sheets
As at 31 December 2017

		Group		Company	
	Note	2017 \$'m	2016 \$'m	2017 \$'m	2016 \$'m
Non-current assets					
Property, plant and equipment	3	2,593	1,771	—	—
Intangible assets	4	878	711	—	—
Goodwill on consolidation	5	1,810	1,315	—	—
Interests in:					
- subsidiaries	6	—	—	2,207	2,207
- associates	7	577	4,058	—	—
- joint ventures	8	15	157	—	—
Other financial assets	9	366	275	—	—
Deferred tax assets	10	1	1	—	—
Other non-current assets	14	50	28	—	—
Balances with related parties	17	78	159	451	451
		<u>6,368</u>	<u>8,475</u>	<u>2,658</u>	<u>2,658</u>
Current assets					
Inventories	11	94	67	—	—
Work-in-progress	12	25	25	—	—
Trade receivables	15	381	305	—	—
Other financial assets	9	2,104	13	—	—
Other receivables, deposits and prepayments	16	408	325	—	1
Balances with related parties	17	19	15	426	—
Cash and cash equivalents	18	2,576	895	—	1
		<u>5,607</u>	<u>1,645</u>	<u>426</u>	<u>2</u>
Total assets		<u>11,975</u>	<u>10,120</u>	<u>3,084</u>	<u>2,660</u>

The accompanying notes form an integral part of these financial statements.

Balance sheets (cont'd)
As at 31 December 2017

		Group		Company	
	Note	2017	2016	2017	2016
		\$'m	\$'m	\$'m	\$'m
Equity attributable to equity holder of the Company					
Share capital	19	2,172	2,172	2,172	2,172
Reserves	20	2,986	2,701	35	35
		5,158	4,873	2,207	2,207
Non-controlling interests		766	624	—	—
Total equity		5,924	5,497	2,207	2,207
Non-current liabilities					
Bank and other borrowings	23	2,978	2,672	451	451
Deferred tax liabilities	10	164	170	—	—
Other non-current liabilities	26	719	273	—	—
		3,861	3,115	451	451
Current liabilities					
Trade payables	22	214	180	—	—
Other payables, accruals and provisions	27	1,301	1,207	1	2
Balances with related parties	17	443	31	425	—
Bank and other borrowings	23	158	18	—	—
Current tax payable		74	72	—	—
		2,190	1,508	426	2
Total liabilities		6,051	4,623	877	453
Total equity and liabilities		11,975	10,120	3,084	2,660

The accompanying notes form an integral part of these financial statements.

Income statements
Year ended 31 December 2017

	Note	Group		Company	
		2017 \$'m	2016 \$'m	2017 \$'m	2016 \$'m
Revenue					
Dividend income					
- subsidiaries		—	—	425	50
- financial assets		68	—	—	—
Sale of equipment		435	426	—	—
Mobile revenue		1,954	1,802	—	—
Pay TV revenue		349	378	—	—
Broadband revenue		214	217	—	—
Fixed network services		435	406	—	—
Maintenance and installation services		79	90	—	—
Data centres co-location services		266	28	—	—
		<u>3,800</u>	<u>3,347</u>	<u>425</u>	<u>50</u>
Less: Operating expenses					
Cost of equipment sold		688	671	—	—
Cost of telecommunication services		1,062	991	—	—
Cost of co-location services		79	10	—	—
Doubtful debts		24	24	—	—
Depreciation, amortisation and impairment		452	379	—	—
Marketing and promotion expenses		153	150	—	—
Staff costs		491	409	—	—
Rental expenses		285	222	—	—
Other operating expenses		336	260	—	1
		<u>3,570</u>	<u>3,116</u>	<u>—</u>	<u>1</u>
Profit from operations	28	230	231	425	49
Finance costs	30	(140)	(82)	(18)	(18)
Finance income	31	21	21	18	18
Share of results of associates and joint ventures, net of tax	7,8	36	55	—	—
Other income	32	1,282	75	—	—
Profit before taxation carried forward		<u>1,429</u>	<u>300</u>	<u>425</u>	<u>49</u>

The accompanying notes form an integral part of these financial statements.

Income statements (cont'd)
Year ended 31 December 2017

	Note	Group		Company	
		2017 \$'m	2016 \$'m	2017 \$'m	2016 \$'m
Profit before taxation brought forward		1,429	300	425	49
Tax expense	33	(84)	(72)	—	—
Profit for the year		1,345	228	425	49
Attributable to:					
Equity holder of the Company		1,276	125	425	49
Non-controlling interests		69	103	—	—
Profit for the year		1,345	228	425	49

The accompanying notes form an integral part of these financial statements.

Statements of comprehensive income
Year ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	\$'m	\$'m	\$'m	\$'m
Profit for the year	1,345	228	425	49
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to income statement:</i>				
Translation differences relating to:				
- financial statements of foreign operations	(37)	11	—	—
- disposal of subsidiaries	—	(11)	—	—
- monetary items forming part of net investments in foreign operations	4	(6)	—	—
Effective portion of changes in fair value of cash flow hedges	(17)	(1)	—	—
Net change in fair value of available-for-sale financial asset	(283)	13	—	—
Share of other comprehensive income of associates and joint ventures, net of tax	(243)	67	—	—
Realisation of reserves upon disposal of associate and joint venture	51	—	—	—
Other comprehensive income for the year, net of tax	(525)	73	—	—
Total comprehensive income for the year	820	301	425	49
Attributable to:				
Equity holder of the Company	761	186	425	49
Non-controlling interests	59	115	—	—
Total comprehensive income for the year	820	301	425	49

The accompanying notes form an integral part of these financial statements.

**Statement of changes in equity
Year ended 31 December 2017**

Group	Share capital \$'m	Capital reserve \$'m	Currency translation reserve \$'m	Fair value reserve \$'m	Hedging reserve \$'m	Goodwill written off \$'m	Accumulated profits \$'m	Total attributable to equity holder of the Company \$'m	Non-controlling interests \$'m	Total equity \$'m
At 1 January 2016	2,172	4	40	4	3	(488)	3,019	4,754	685	5,439
Total comprehensive income for the year	-	-	-	-	-	-	125	125	103	228
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Translation differences relating to:										
- financial statements of foreign operations	-	-	8	-	-	-	-	8	3	11
- disposal of subsidiaries	-	-	(11)	-	-	-	-	(11)	-	(11)
- monetary items forming part of net investments in foreign operations	-	-	(6)	-	-	-	-	(6)	-	(6)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(2)	-	-	(2)	1	(1)
Net change in fair value of available-for-sale financial asset	-	-	-	5	-	-	-	5	8	13
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	69	(2)	-	-	-	67	-	67
Total other comprehensive income, net of tax	-	-	60	3	(2)	-	-	61	12	73
Total comprehensive income for the year	-	-	60	3	(2)	-	125	186	115	301
Brought forward	2,172	4	100	7	1	(488)	3,144	4,940	800	5,740

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity (cont'd)
Year ended 31 December 2017

Group	Note	Share capital \$'m	Capital reserve \$'m	Currency translation reserve \$'m	Fair value reserve \$'m	Hedging reserve \$'m	Goodwill written off \$'m	Accumulated profits \$'m	Total attributable to equity holder of the Company \$'m	Non-controlling interests \$'m	Total equity \$'m
Carried forward		2,172	4	100	7	1	(488)	3,144	4,940	800	5,740
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Capital contribution from non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	3	3
Dividends to owner of the Company	20	-	-	-	-	-	-	(50)	(50)	-	(50)
Dividends to non-controlling interests of subsidiaries	20	-	-	-	-	-	-	-	-	(197)	(197)
Share-based payment transactions		-	-	-	-	-	-	-	-	7	7
Total contributions by and distributions to owners		-	-	-	-	-	-	(50)	(50)	(187)	(237)
Changes in ownership interests in subsidiaries											
Acquisition of subsidiary with non-controlling interests	38	-	-	-	-	-	-	-	-	21	21
Changes in ownership interests without a change of control		-	-	-	-	-	-	(17)	(17)	(10)	(27)
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	(17)	(17)	11	(6)
Total transactions with owners		-	-	-	-	-	-	(67)	(67)	(176)	(243)
At 31 December 2016		2,172	4	100	7	1	(488)	3,077	4,873	624	5,497

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity (cont'd)
Year ended 31 December 2017

Group	Share capital \$'m	Capital reserve \$'m	Currency translation reserve \$'m	Fair value reserve \$'m	Hedging reserve \$'m	Goodwill written off \$'m	Accumulated profits \$'m	Total attributable to equity holder of the Company \$'m	Non-controlling interests \$'m	Total equity \$'m
At 1 January 2017	2,172	4	100	7	1	(488)	3,077	4,873	624	5,497
Total comprehensive income for the year	-	-	-	-	-	-	1,276	1,276	69	1,345
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Translation differences relating to:										
- financial statements of foreign operations	-	-	(34)	-	-	-	-	(34)	(3)	(37)
- monetary items forming part of net investments in foreign operations	-	-	4	-	-	-	-	4	-	4
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(8)	-	-	(8)	(9)	(17)
Net change in fair value of available-for-sale financial asset	-	-	-	(286)	-	-	-	(286)	3	(283)
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	(240)	-	-	-	(2)	(242)	(1)	(243)
Realisation of reserves upon disposal of associate and joint venture	-	(1)	54	(2)	-	-	-	51	-	51
Total other comprehensive income, net of tax	-	(1)	(216)	(288)	(8)	-	(2)	(515)	(10)	(525)
Total comprehensive income for the year	-	(1)	(216)	(288)	(8)	-	1,274	761	59	820
Brought forward	2,172	3	(116)	(281)	(7)	(488)	4,351	5,634	683	6,317

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity (cont'd)
Year ended 31 December 2017

Group	Note	Share capital \$'m	Capital reserve \$'m	Currency translation reserve \$'m	Fair value reserve \$'m	Hedging reserve \$'m	Goodwill written off \$'m	Accumulated profits \$'m	Total attributable to equity holder of the Company \$'m	Non-controlling interests \$'m	Total equity \$'m
Carried forward		2,172	3	(116)	(281)	(7)	(488)	4,351	5,634	683	6,317
Transactions with owners, recorded directly in equity											
<i>Contributions by and distributions to owners</i>											
Issue of perpetual securities by subsidiary		-	-	-	-	-	-	-	-	200	200
Perpetual securities distribution paid		-	-	-	-	-	-	(2)	(2)	(4)	(4)
Accrued perpetual securities distribution		-	-	-	-	-	-	(2)	(2)	2	-
Capital contribution from non-controlling interests of a subsidiary		-	-	-	-	-	-	-	-	1	1
Capital contribution from non-controlling interests of a subsidiary arising from business combination	38	-	-	-	-	-	-	-	-	47	47
Put option liability to acquire non-controlling interests		-	(50)	-	-	-	-	-	(50)	-	(50)
Realisation of reserve upon disposal of joint venture		-	3	-	-	-	-	(3)	-	-	-
Dividends to owner of the Company	20	-	-	-	-	-	-	(425)	(425)	-	(425)
Dividends to non-controlling interests of subsidiaries	20	-	-	-	-	-	-	-	-	(171)	(171)
Share-based payment transactions		-	-	-	-	-	-	-	-	3	3
Total contributions by and distributions to owners		-	(47)	-	-	-	-	(430)	(477)	78	(399)
<i>Changes in ownership interests in subsidiaries</i>											
Acquisition of subsidiary with non-controlling interests	38	-	-	-	-	-	-	-	-	6	6
Changes in ownership interests without a change of control		-	-	-	-	-	-	1	1	(1)	-
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	1	1	5	6
Total transactions with owners		-	(47)	-	-	-	-	(429)	(476)	83	(393)
At 31 December 2017		2,172	(44)	(116)	(281)	(7)	(488)	3,922	5,158	766	5,924

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity (cont'd)
Year ended 31 December 2017

Company	Note	Share capital \$'m	Accumulated profits \$'m	Total \$'m
At 1 January 2016		2,172	36	2,208
Profit for the year/Total comprehensive income for the year		—	49	49
Transactions with owner, recorded directly in equity				
<i>Contributions by and distribution to owner</i>				
Dividends to equity holder	20	—	(50)	(50)
Total transactions with owner		—	(50)	(50)
At 31 December 2016		2,172	35	2,207
At 1 January 2017		2,172	35	2,207
Profit for the year/Total comprehensive income for the year		—	425	425
Transactions with owner, recorded directly in equity				
<i>Contributions by and distribution to owner</i>				
Dividends to equity holder	20	—	(425)	(425)
Total transactions with owner		—	(425)	(425)
At 31 December 2017		2,172	35	2,207

The accompanying notes form an integral part of these financial statements.

Consolidated cash flow statement
Year ended 31 December 2017

	2017 \$'m	2016 \$'m
Cash flows from operating activities		
Profit for the year	1,345	228
Adjustments for:		
Income related grants	(4)	(32)
Fair value gain on held for trading financial asset	(2)	—
Depreciation, amortisation and impairment	452	379
Finance costs	140	82
Dividend income – other financial assets	(68)	—
Gain on dilution of interest in an associate	(24)	(46)
Gain on deconsolidation of subsidiaries	—	(21)
Gain on disposal of joint venture	(96)	—
Gain on disposal of associate	(1,172)	—
Fair value loss/(gain) on initial recognition of available-for-sale financial assets	1	(9)
Income tax expense	84	72
Interest income	(21)	(21)
Share of results of associates and joint ventures	(36)	(55)
Value of employee services received for issue of equity based compensation	3	7
Exchange differences from investing and financing activities	(17)	(5)
	<u>585</u>	<u>579</u>
Changes in:		
Balances from related parties	4	5
Balances to related parties	(13)	(58)
Inventories	(27)	21
Payables and accruals	259	111
Receivables, deposits and prepayments	(123)	(129)
Cash generated from operations	<u>685</u>	<u>529</u>
Income taxes paid	(80)	(57)
Net cash from operating activities carried forward	<u>605</u>	<u>472</u>

The accompanying notes form an integral part of these financial statements.

Consolidated cash flow statement (cont'd)
Year ended 31 December 2017

	Note	2017 \$'m	2016 \$'m
Cash flows from operating activities brought forward		605	472
Cash flows from investing activities			
Dividends received from associates and joint ventures		1	2
Dividends, net of withholding tax, received from other financial assets		48	—
Interest received		24	24
Proceeds from disposal of mutual funds		—	12
Acquisition of subsidiary, net of cash acquired	38	(265)	(360)
Acquisition of data centre business	38	(134)	—
Additional loans to associates		—	(69)
Repayment of loan from associate		—	20
Purchase of intangible assets		(142)	(141)
Purchase of other financial assets		(98)	(43)
Proceeds from disposal of property, plant and equipment		2	3
Purchase of property, plant and equipment		(591)	(508)
Payment for investments in associates and joint ventures		(166)	(35)
Proceeds from disposal of associate		2,345	—
Net cash from/(used in) investing activities		<u>1,024</u>	<u>(1,095)</u>
Cash flows from financing activities			
Proceeds from issuance of medium term notes		—	451
Bank and borrowings:			
- proceeds		966	160
- repayment		(812)	(30)
Payment for spectrum licence		(5)	(23)
Proceeds from deconsolidation of subsidiary		—	19
Proceeds from issuance of perpetual securities by subsidiary		200	—
Distribution for perpetual securities		(4)	—
Treasury shares acquired by a subsidiary		—	(12)
Dividends paid to non-controlling interests of subsidiaries		(171)	(197)
Dividends paid to equity holder of the Company		—	(50)
Capital contribution from non-controlling interests		1	1
Finance lease paid		(1)	—
Grants received		8	34
Interest paid		(133)	(78)
Cash pledged as security		(6)	—
Premium paid for redeemable preference shares		—	(15)
Net cash from financing activities		<u>43</u>	<u>260</u>

The accompanying notes form an integral part of these financial statements.

Consolidated cash flow statement (cont'd)
Year ended 31 December 2017

	Note	2017 \$'m	2016 \$'m
Net increase/(decrease) in cash and cash equivalents		1,672	(363)
Cash and cash equivalents at beginning of the year		848	1,212
Effect of exchange rate changes on balances held in foreign currency		3	(1)
Cash and cash equivalents at end of the year	18	2,523	848

Significant non-cash transactions

2017

On 29 January 2016, the Group subscribed for US\$50 million (equivalent to \$71 million) of the convertible and redeemable bonds in an associate. During the year, the bond, inclusive of interest accrued, amounting to US\$54 million (equivalent to \$74 million), was voluntarily converted into ordinary shares of the associate (see Note 7).

In October 2016, Level 3 Communications, Inc. ("Level 3"), an associate of the Group, entered into a definitive agreement ("Merger Agreement") with CenturyLink, Inc. ("CenturyLink"), whereby CenturyLink will acquire Level 3 in a stock-and-cash transaction. Under the terms of the Merger Agreement, Level 3 shareholders will receive US\$26.50 per share in cash and a fixed exchange ratio of 1.4286 shares of CenturyLink's stock for each Level 3 share they own. On 1 November 2017, the closing of the merger between Level 3 and CenturyLink took place. As a result, the Group received approximately US\$1,723 million (equivalent to \$2,345 million) in cash and US\$1,764 million (equivalent to \$2,401 million) in shares of common stock in the capital of CenturyLink ("CenturyLink shares") as consideration for the merger, in exchange for all of the Group's shares of common stock in the capital of Level 3. The merger gave rise to a gain on disposal of Level 3 amounting to \$1,172 million which has been included in other income in the consolidated income statement.

2016

In 2016, U Mobile Sdn Bhd ("U Mobile") accepted an offer from Malaysian Communications and Multimedia Commission on allocation of bands spectrum and capitalised the cost of spectrum licence amounting to MYR 503 million (equivalent to \$162 million) under intangible asset. The licence is payable via instalments to the industry regulator.

The accompanying notes form an integral part of these financial statements.

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Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 4 May 2018.

1 Domicile and activities

Singapore Technologies Telemedia Pte Ltd (the “Company”) is incorporated in the Republic of Singapore and has its registered office at 1 Temasek Avenue, #33-01 Millenia Tower, Singapore 039192.

The Company is principally engaged in the provision of info-communications services and investment holding. Through its subsidiaries, associates and joint ventures, the Group offers a wide array of communications and information services, including fixed and mobile communications, global IP network and services, cable television services, data centre co-location, managed hosting and managed cloud services.

The immediate and ultimate holding company is Temasek Holdings (Private) Limited (“Temasek”), a company incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group) and the Group’s interests in associates and joint ventures.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”).

The historical cost basis is used except for certain financial assets and financial liabilities which are stated at fair value.

These financial statements are presented in Singapore dollars, which is the Company’s functional currency. All financial information presented in Singapore dollars has been rounded to the nearest million, unless otherwise stated.

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates are based on management’s best knowledge and judgement of current events and environment. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are as follows:

- Note 3 – Useful lives of property, plant and equipment
- Note 5 – Assumptions of recoverable amounts relating to impairment of goodwill
- Note 15 – Impairment of trade receivables
- Note 27 – Adequacy of accruals
- Note 34 – Assumptions underlying the measurement of share-based payments
- Note 36 – Valuation of financial instruments
- Note 38 – Business combinations: fair value measured on a provisional basis

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements, except as disclosed below:

Adoption of revised standards

The Group has applied the following amendments for the first time for the annual period beginning 1 January 2017:

- *Disclosure Initiative (Amendments to FRS 7);*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12); and*
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016).*

Other than the amendments to FRS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

Disclosure Initiative (Amendments to FRS 7)

From 1 January 2017, as a result of amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see Note 23).

2.2 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in the income statement. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Equity-accounted investees

Associates are entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investments includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the income and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Put option with non-controlling interests

When an entity within the Group writes a put option with the non-controlling shareholders of an existing subsidiary or as part of the acquisition of a subsidiary, for settlement in cash or in another financial asset, a put liability is recognised for the present value of the exercise price of the option. When the non-controlling shareholders still have present access to the returns associated with the underlying ownership interests, the put liability is recognised against capital reserve within equity. Subsequent to initial recognition of the financial liability, changes in the carrying amount of the financial liability is recognised within equity.

If the put option expires unexercised, then the put option liability is derecognised and reversed against equity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiary in the separate financial statements

Investment in subsidiary is stated in the Company's balance sheet at cost less accumulated impairment losses.

2.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the income statement.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition, are translated to Singapore dollars at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the currency translation reserve in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the currency translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

Net investment in a foreign operation

When the settlement of a monetary item receivable or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that is considered to form part of a net investment in a foreign operation are recognised in other comprehensive income of the Group, and are presented in the currency translation reserve in equity.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, and when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the assets and restoring the site on which they are located and capitalised borrowing costs.

Subsequent expenditure relating to existing property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is provided on the straight-line basis over their estimated useful lives as follows:

Freehold buildings	- 50 to 60 years
Freehold improvements	- 20 years
Leasehold land	- shorter of remaining lease term or 60 years
Leasehold buildings	- shorter of remaining lease term or 60 years
Leasehold improvements	- shorter of remaining lease terms or 20 years
Data centre equipment and network equipment	- 2 to 30 years
Office equipment, computers and furniture and fittings	- 2 to 10 years
Motor vehicles	- 5 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

No depreciation is provided on freehold land and assets under construction.

2.5 Intangible assets

Goodwill

Goodwill and negative goodwill arise on the acquisition of subsidiaries, associates and joint ventures.

Goodwill arising on the acquisition of subsidiaries is presented separately. Goodwill arising on the acquisition of associates and joint ventures is presented together with investments in associates and joint ventures.

Acquisitions prior to 1 January 2001

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree.

Goodwill and negative goodwill on acquisitions were written off against accumulated profits in the year of acquisition.

Goodwill and negative goodwill that have previously been taken to reserves are not taken to the income statement when (a) the business is disposed of or (b) the goodwill is impaired.

Acquisitions occurring between 1 January 2001 and 1 January 2005

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree.

Goodwill was stated at cost from the date of initial recognition and amortised over its estimated useful life of not more than 20 years. On 1 January 2005, the Group discontinued amortisation of this goodwill. This remaining goodwill balance is subject to testing for impairment, as described in Note 2.9.

Negative goodwill was derecognised by crediting accumulated profits on 1 January 2005.

Acquisitions occurring between 1 January 2005 and 31 December 2009

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in Note 2.9. Negative goodwill is recognised immediately in the income statement.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill that arises on the date of acquisition of subsidiaries as the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain (negative goodwill) is recognised immediately in the income statement.

Goodwill arising on the acquisition of subsidiaries is presented separately. Goodwill arising on the acquisition of an associate is presented together with interests in the associate.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in Note 2.9.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised in the income statement on a straight-line basis from the date they are available for use over their estimated useful lives as follows:

Telecommunications licences	-	over the period of the licences of 10 to 21 years
Software	-	2 to 5 years
Branding	-	10 years
Customer contracts and relationships	-	2 to 12 years

No amortisation is provided in respect of software in development.

Subsequent expenditure on capitalised intangible assets is added to the carrying value only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the income statement as incurred.

Computer software integral to a related item of equipment is accounted for as property, plant and equipment.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

2.6 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, debt securities, trade and other receivables, deposits, cash and cash equivalents, contingent consideration, trade and other payables, accruals, balances with related parties and bank and other borrowings.

Non-derivative financial instruments are recognised initially at fair value plus, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments, except as disclosed below, are measured at amortised cost using the effective interest method, less any impairment losses.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The right to set off a financial asset and financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

Cash and cash equivalents comprise cash balances and bank deposits.

Financial assets at fair value through profit or loss

The Group's investments in convertible promissory notes are classified as fair value through profit or loss financial asset. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

When the fair value at initial recognition differs from the transaction price, for fair value evidenced by a quoted price in an active market, the difference will be recognised as a gain or loss in the income statement.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, other than impairment losses, are recognised as a gain or loss in the income statement.

Available-for-sale financial assets

The Group's investment in equity securities is classified as available-for-sale financial asset. Investment in equity securities classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Available-for-sale financial asset is recognised initially at fair value plus any directly attributable transaction costs.

When the fair value at initial recognition differs from the transaction price, for fair value evidenced by a quoted price in an active market, the difference will be recognised as a gain or loss in the income statement.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to the income statement.

Convertible notes

The debt component of the convertible note ("debt component") is recognised initially at the fair value of a similar debt instrument that does not have an equity conversion option. On initial recognition, any difference between the fair value of the convertible note as a whole and the fair value of the debt component is recognised as a separable embedded derivative. Subsequent to initial recognition, the debt component is measured at amortised cost using the effective interest method.

Financial assets at cost

Investment in equity securities whose fair value cannot be reliably measured is measured at cost less impairment losses. If the fair value of an investment in equity securities measured previously at cost less impairment losses becomes reliably measurable, the investment in equity securities is re-measured at fair value and changes between its carrying amount and fair value, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity.

The cumulative gain or loss in equity is reclassified to the income statement when the financial asset is derecognised or impaired.

Contingent consideration

Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date and initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in the income statement.

Derivative financial instruments and hedging activities

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income and presented in the hedging reserve in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains and losses that were recognised in other comprehensive income are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised). For other cash flow hedges, the associated cumulative gain or loss that was recognised in other comprehensive income is removed and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised immediately in the income statement.

Economic hedges

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

Separable embedded derivatives

Changes in the fair value of separated embedded derivatives are recognised immediately in the income statement.

Financial guarantee

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Group will be required to make payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

Share capital

Ordinary shares are classified as equity. Preference shares are classified as equity if it is non-redeemable, or redeemable only at the Company's option.

Incremental costs directly attributable to the issue of ordinary shares, preference shares and share options are recognised as a deduction from equity.

2.7 Finance leases

As lessee

Finance leases are those leasing agreements, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the lease items. Assets financed under such leases are capitalised at 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 capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Assets acquired on finance lease arrangements are depreciated in accordance with the policy set out in Note 2.4 above.

As lessor

Leases where the Group transferred substantially all the risks and rewards incidental to legal ownership of the leased assets, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivables (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet. The difference between the gross receivables and the present value of the lease receivables is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivables to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the leased income.

2.8 Operating leases

As lessee

Leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leased item are classified as operating leases. Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the terms of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

As lessor

Leases where the Group retains substantially all risks and rewards of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in property, plant and equipment and are stated at cost less accumulated depreciation and impairment losses. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. 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. Contingent rents are recognised as revenue in the period in which they are earned.

2.9 Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Available-for-sale financial assets

Impairment losses on available-for-sale equity securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to income statement. The cumulative loss that is reclassified from equity to the income statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in the income statement. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Financial assets at cost

For an equity security measured at cost because its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between its carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses on equity securities are not reversed through the income statement.

Financial assets at amortised cost

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses in respect of financial assets measured at amortised cost are reversed if the subsequent decrease in impairment loss can be related objectively to an event occurring after the impairment loss was recognised.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment are identified.

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, an impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.10 Inventories

Inventories comprise goods held for resale and reserved telephone numbers. Inventories are valued at the lower of cost and net realisable value. The cost of goods held for resale is determined on the weighted average basis. Reserved telephone numbers are stated at cost and accounted for using the specific identification basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Allowance for obsolescence is made for all deteriorated, damaged, obsolete and slow-moving inventories.

2.11 Work in progress

Work-in-progress comprises uncompleted contracts.

When the outcome of such contracts can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The stage of completion is assessed by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs include cost of direct materials, direct labour and cost incurred in connection with the project.

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

Work-in-progress is measured at cost plus attributable profit recognised to date, net of progress billings and allowances for foreseeable losses recognised, and is presented in the balance sheet as work-in-progress (as an asset) or as excess of progress billings over work-in-progress (as a liability), as applicable. The Group reports the net contract position for each contract as either an asset or a liability.

2.12 Employee benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Singapore Government bonds that have maturity dates approximating the terms of the Group's obligations.

Any actuarial gains or losses are recognised in the income statement in the period in which they arise.

Other short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or Performance Cash Plan if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

Share Option Plans

The Share Option Plans allows Group employees to acquire shares of the subsidiaries. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

The Group has certain cash-settled share-based payments transactions. The fair value of the amount payable to the employees is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised in the income statement.

Performance Share Plan and Restricted Stock Plan

The Performance Share Plan and the Restricted Stock Plan are accounted as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant. The share-based expense is amortised and recognised in the income statement on a straight line basis over the vesting period. At each reporting date, the Group revises its estimates of the number of shares that the participating employees are expected to receive based on non-market vesting conditions. The difference is charged or credited to the income statement, with a corresponding adjustment to equity.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting date.

2.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

The Group makes provision for site decommissioning and restoration costs based on management's best estimate of the costs necessary to be incurred to decommission and restore the telecommunications sites.

2.14 Deferred grants

Government grants received, which are designated for the purchase of property, plant and equipment, are accreted to the income statement on a straight-line basis over the estimated useful lives of the related assets, so as to match the related depreciation expense.

Government grants received, which are designated for operating expenditure, are recognised on a systematic basis in the income statement over the periods necessary to match the related cost which they are intended to compensate.

2.15 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences at the reporting date arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that they probably will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.16 Revenue recognition

Revenue comprises fees earned from telecommunications services, broadband access, Pay TV, related advertising space, sale of equipment and provision of data centre co-location services. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised in the income statement as follows:

- Revenue from telecommunications, broadband, cable television services, maintenance and installation services, and advertising space is recognised at the time such services are rendered. Revenue billed in advance of the rendering of services is deferred and presented in the balance sheet as unearned revenue.
- Revenue from sales of pre-paid and phone cards for which services have not been rendered is deferred and presented in the balance sheet as unearned revenue. Upon the expiry of pre-paid phone cards, any unutilised value of the cards is taken to the income statement.
- Revenue from sale of equipment and goods is recognised upon delivery and acceptance of the equipment sold.
- Revenue from bundled products and services is recognised based on values allocated to the individual elements of the bundled products and services in accordance with the earning process of each element.
- Revenue arising from the provision of data centre co-location services and facility services are recognised in profit or loss on a straight-line basis over the period of the contracts. Amounts received in advance from customers prior to the delivery of the co-location services are recorded as unearned revenue.
- Revenue from other services is recognised when the service is provided.
- Income on project work-in-progress is recognised using the stage of completion method.
- Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

2.17 Finance income and costs

Finance income comprises interest income on bank deposits. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprises interest expense and similar charges. They are recognised in the income statement in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

2.18 Marketing and promotions

Advertising costs are expensed when incurred. The direct costs of acquiring customers, including commission and promotion expenses, are recognised in the income statement when incurred.

2.19 Customer loyalty programme

For customer loyalty programmes, the fair value of the consideration received or receivable from a sales transaction which attracts customer loyalty credits or points is allocated between the customer loyalty points and the other component of the sale. The amount allocated to the customer loyalty points is estimated by reference to the fair value of the customer loyalty points for which they could be redeemed. The fair value of the customer loyalty points is estimated by taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and recorded as unearned revenue until the customer loyalty points are redeemed. At this juncture, the cost of fulfilling the customer loyalty credits is also recognised.

2.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's executive director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's executive director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly assets and liabilities from non-operating investment holding subsidiaries. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3 Property, plant and equipment

Group	Freehold land, buildings and improvements \$'m	Leasehold land, buildings and improvements \$'m	Data centre equipment and network equipment \$'m	Office equipment, computers and furniture and fittings \$'m	Motor vehicles \$'m	Assets under construction \$'m	Total \$'m
Cost							
At 1 January 2016	12	93	3,656	186	7	254	4,208
Translation difference	—	—	(2)	—	—	(1)	(3)
Additions	—	—	11	28	2	517	558
Acquisitions through business combinations	—	—	—	—	—	—	—
Transfers	—	13	115	19	—	11	158
Disposals/write off	—	162	440	1	—	(603)	—
At 31 December 2016	—	(5)	(155)	(15)	—	—	(175)
Translation difference	12	263	4,065	219	9	178	4,746
Additions	(1)	(1)	6	—	—	—	4
Acquisitions through business combinations	8	4	27	25	1	568	633
Transfers	—	—	—	—	—	—	—
Disposals/write off	—	—	—	—	—	—	—
At 31 December 2017	107	404	4,522	259	9	300	5,601

Group

**Accumulated depreciation
and impairment losses**

At 1 January 2016	*	46	2,632	149	7	—	2,834
Translation difference	—	—	(2)	—	—	—	(2)
Charge for the year	*	6	257	18	*	—	281
Impairment loss	—	—	22	—	—	2	24
Disposals/write off	—	(3)	(145)	(14)	—	—	(162)
At 31 December 2016	*	49	2,764	153	7	2	2,975
Translation difference	—	—	4	—	—	—	4
Charge for the year	1	14	299	26	1	—	341
Impairment loss	—	—	2	—	—	—	2
Transfers	—	—	1	—	—	(1)	—
Disposals/write off	—	(7)	(302)	(4)	(1)	—	(314)
At 31 December 2017	1	56	2,768	175	7	1	3,008

Carrying amounts

At 1 January 2016	12	47	1,024	37	—	254	1,374
At 31 December 2016	12	214	1,301	66	2	176	1,771
At 31 December 2017	106	348	1,754	84	2	299	2,593

* Amount less than \$1 million

	Group	
	2017	2016
	\$'m	\$'m
Staff costs capitalised in assets under construction during the year	3	3
Borrowing costs capitalised in assets under construction during the year*	5	2

* The capitalisation rate for the borrowing costs is 2.0% - 4.0% (2016: 2.4% - 2.5%).

Leasehold improvements and network equipment are depreciated on a straight-line basis over their estimated useful lives. The Group estimates the useful lives of these assets to be within 2 to 20 years. Changes in the expected level of usage and technological developments could impact the useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

4 Intangible assets

Group	Note	Telecommuni- cations licences \$'m	Software \$'m	Software in development \$'m	Branding \$'m	Customer contracts and relationships \$'m	Total \$'m
Cost							
At 1 January 2016		391	583	17	31	19	1,041
Translation difference		(5)	(1)	—	(1)	2	(5)
Additions		243	25	35	—	—	303
Acquisitions through business combinations	38	—	—	—	—	78	78
Disposals/write offs		—	(5)	—	—	—	(5)
Transfers		—	35	(35)	—	—	—
At 31 December 2016		629	637	17	30	99	1,412
Translation difference		10	4	—	1	2	17
Additions		69	28	45	—	—	142
Acquisitions through business combinations	38	—	—	—	—	122	122
Disposals/write offs		—	(6)	—	—	—	(6)
Transfers		—	38	(38)	—	—	—
At 31 December 2017		708	701	24	31	223	1,687

Group	Telecommuni- cations licences \$'m	Software \$'m	Software in development \$'m	Branding \$'m	Customer contracts and relationships \$'m	Total \$'m
Accumulated amortisation						
At 1 January 2016	134	471	-	11	19	635
Translation difference	(2)	(1)	-	-	-	(3)
Disposals/write offs	-	(5)	-	-	-	(5)
Charge for the year	25	44	-	3	2	74
At 31 December 2016	157	509	-	14	21	701
Translation difference	4	1	-	-	-	5
Disposals/write offs	-	(6)	-	-	-	(6)
Charge for the year	37	53	-	2	17	109
At 31 December 2017	198	557	-	16	38	809

Carrying amounts						
At 1 January 2016	257	112	17	20	-	406
At 31 December 2016	472	128	17	16	78	711
At 31 December 2017	510	144	24	15	185	878

	Group	
	2017 \$'m	2016 \$'m
Staff costs capitalised in software development during the year	3	2

5 Goodwill on consolidation

	Note	Group 2017 \$'m	2016 \$'m
Cost			
At 1 January		1,315	999
Acquisitions through business combinations	38	503	310
Translation difference		(8)	6
At 31 December		<u>1,810</u>	<u>1,315</u>

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to the country of operation of each subsidiary acquired, as follows:

	Group 2017 \$'m	2016 \$'m
Singapore	884	742
India	316	321
Malaysia	258	252
Europe	352	—
	<u>1,810</u>	<u>1,315</u>

The recoverable amount of a CGU is based on the greater of its fair value less costs to sell and its value-in-use ("VIU").

Singapore

For goodwill identified to the Singapore CGUs relating to telecommunications and related services amounting to \$761 million (2016: \$742 million), the recoverable amounts were determined based on fair value less costs to sell using the market prices of the CGUs which are quoted on the stock exchange and are subject to fluctuations. The fair value measurement was categorised as a Level 1 fair value based on the inputs in the valuation technique used.

Based on the fair value less costs to sell, the recoverable amount exceeded the respective carrying amount of the CGU including goodwill. Accordingly, no impairment was necessary as at the reporting date. The recoverable amount could change significantly as a result of changes in market conditions and the assumptions used in determining the recoverable amount.

For goodwill identified to the Singapore CGUs relating to datacentre colocation services amounting to \$123 million (2016: nil) for the acquisition of Tata Communications International Pte Ltd's data centre business in Singapore, the recoverable amounts were determined based on fair value less costs to sell. In ascertaining the recoverable amount of the CGU, management was of the view that the total consideration amounting to \$182 million was representative of the fair value less costs to sell, given that there were no significant events since the date of acquisition to 31 December 2017 that would result in a significant change in the fair value. In this context, the recoverable amount approximated the carrying amount as at 31 December 2017, and accordingly, the goodwill of \$123 million has not been impaired.

India

For goodwill identified to the India CGU amounting to \$316 million (2016: \$321 million), arising from the acquisition of STT Global Data Centres India Private Limited ("STT India"), the recoverable amount of this CGU was based on VIU (2016: fair value less costs to sell).

STT India's VIU was determined by discounting estimated future cash flows generated from the continuing use of the CGU and a terminal value determined using an Enterprise to EBITDA exit multiple. The 5-year cash flows projections were based on management's assessment of anticipated future trends and actual operating results for the year ended 31 December 2017.

The discounted cash flow model was based on the following key assumptions:

	Group 2017
Pre-tax discount rate	12.1%
Enterprise to EBITDA exit multiple	18.0

The values assigned to the key assumptions represent management's assessment of developments in the data centre industry and were based on both external sources and internal sources. Based on the above assumptions, the recoverable amount was estimated to be higher than the carrying amount of the CGU, and no impairment was required in 2017. Any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amount to be below the carrying amount.

In the prior year, in ascertaining the recoverable amount of STT India, management was of the view that the acquisition price amounting to \$368 million was representative of STT India's fair value less costs to sell, given that there were no significant events since the date of acquisition to 31 December 2016 that would result in a significant change in the fair value of STT India.

In this context, the recoverable amount approximated the carrying amount as at 31 December 2016, and accordingly, the goodwill amounting to \$321 million was not impaired.

Malaysia

For goodwill identified to the Malaysia CGU arising from the acquisition of U Mobile, the recoverable amount was based on VIU.

U Mobile's VIU was determined by discounting estimated future cash flows generated from the continuing use of the CGU and a terminal value determined using an Enterprise to EBITDA exit multiple. The 5-year cash flows projections were based on management's assessment of anticipated future trends and actual operating results for the year ended 31 December 2017.

The discounted cash flow model was based on the following key assumptions:

	2017	Group 2016
Pre-tax discount rate	12.3%	12.0%
Enterprise to EBITDA exit multiple	9.0	10.0

The values assigned to the key assumptions represent management's assessment of developments in the telecommunications industry and were based on both external sources and internal sources. Based on the above assumptions, the recoverable amount was estimated to be higher than the carrying amount of the CGU, and no impairment was required in 2017. The recoverable amount could change significantly as a result of changes in market conditions and the assumptions used in determining the recoverable amount. Any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amount to be below the carrying amount.

Europe

For goodwill identified to the Europe CGU amounting to \$352 million (2016: nil), management was of the view that the total consideration amounting to \$508 million for the acquisition of STT Virtus HoldCo Limited ("Virtus") was representative of the fair value less costs to sell, given that there were no significant events since the date of acquisition to 31 December 2017 that would result in a significant change in the fair value.

In this context, the recoverable amount approximated the carrying amount as at 31 December 2017, and accordingly, the goodwill of \$352 million has not been impaired.

6 Interests in subsidiaries

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/Principal place of business	Effective equity held by the Group	
		2017 %	2016 %
Held by the Company:			
STT Communications Ltd ("STTC") - ordinary shares - redeemable convertible preference shares	Singapore	100.0	100.0
Held by STT Communications Ltd:			
STT Communications (Shanghai) Co., Ltd	People's Republic of China	100.0	100.0
STT inTech Pte. Ltd.	Singapore	100.0	100.0
STT International Vietnam Pte. Ltd.	Singapore	100.0	100.0
⁽¹⁾ i-STT Investments Pte. Ltd.	Singapore	—	100.0

Name of subsidiaries	Country of incorporation/Principal place of business	Effective equity held by the Group	
		2017 %	2016 %
Held by STTC (cont'd):			
Asia Mobile Holding Company Pte. Ltd.	Singapore	100.0	100.0
TeleChoice International Limited (“TeleChoice”)	Singapore	50.4	50.4
STT Crossing Ltd	Mauritius	100.0	100.0
Emerald Communications (Singapore) Pte. Ltd. (“ECS”)	Singapore	100.0	100.0
Straits Mobile Investments Pte. Ltd. (“Straits Mobile”)	Singapore	100.0	100.0
Sampaquita Communications Pte. Ltd.	Singapore	100.0	100.0
STT GDC Pte. Ltd. (“STT GDC”)	Singapore	100.0	100.0
Held by Asia Mobile Holding Company Pte. Ltd.:			
Asia Mobile Holdings Pte. Ltd.	Singapore	75.0	75.0
AMHC I Pte. Ltd.	Singapore	100.0	100.0
Held by Asia Mobile Holdings Pte. Ltd.:			
StarHub Ltd	Singapore	41.9	41.9
Held by STT inTech Pte. Ltd.:			
STT Quantum Global Pte. Ltd.	Singapore	100.0	—
Held by STT Quantum Global Pte. Ltd.:			
STT Connect Holdings Pte. Ltd.	Singapore	100.0	—

Name of subsidiaries		Country of incorporation/Principal place of business	Effective equity held by the Group	
			2017 %	2016 %
Held by STT Connect Holdings Pte. Ltd.:				
(2)	STT Connect Pte. Ltd.	Singapore	70.0	—
Held by TeleChoice International Limited:				
	N-Wave Technologies (Malaysia) Sdn Bhd	Malaysia	50.4	50.4
	TeleChoice (Indonesia) Pte Ltd	Singapore	50.4	50.4
	NexWave Technologies Pte Ltd	Singapore	50.4	50.4
	NexWave Telecoms Pte. Ltd.	Singapore	50.4	50.4
	Planet Telecoms (S) Pte Ltd	Singapore	50.4	50.4
	Planet Telecoms Managed Services Sdn. Bhd.	Malaysia	50.4	50.4
	S & I Systems Pte Ltd	Singapore	50.4	50.4
	NxGen Communications Pte Ltd	Singapore	50.4	50.4
	Planet Managed Services Pte. Ltd.	Singapore	50.4	50.4
	Planet Smart Services Pte. Ltd.	Singapore	25.7	25.7
Held by TeleChoice (Indonesia) Pte Ltd:				
(3)	PT TeleChoice Indonesia	Indonesia	50.4	50.4
Held by NexWave Technologies Pte Ltd:				
	PT NexWave	Indonesia	50.4	50.4
	N-Wave Technologies Philippines, Inc.	Philippines	50.4	50.4

Name of subsidiaries	Country of incorporation/Principal place of business	Effective equity held by the Group	
		2017 %	2016 %
Held by NexWave Technologies Pte Ltd (cont'd):			
NexWave Technologies Vietnam Company Limited	Vietnam	50.4	—
Held by S & I Systems Pte Ltd:			
Sunway S&I Systems (Thailand) Ltd	Thailand	25.0	25.0
Sunway S&I Systems Sdn Bhd	Malaysia	25.7	25.7
Held by NxGen Communications Pte Ltd:			
NxGen Communications (M) Sdn Bhd	Malaysia	50.4	50.4
NxGen Inc.	Philippines	50.4	50.4
Held by StarHub Ltd:			
StarHub Mobile Pte Ltd	Singapore	41.9	41.9
StarHub Cable Vision Ltd.	Singapore	41.9	41.9
StarHub Internet Pte Ltd	Singapore	41.9	41.9
StarHub Shop Pte Ltd	Singapore	41.9	41.9
StarHub Online Pte Ltd	Singapore	41.9	41.9
StarHub, Inc.	USA	41.9	41.9
StarHub (Hong Kong) Limited	Hong Kong	41.9	41.9
StarHub (Mauritius) Ltd	Mauritius	41.9	41.9
Nucleus Connect Pte. Ltd.	Singapore	41.9	41.9
Accel Systems & Technologies Pte. Ltd.	Singapore	33.7	—

Name of subsidiaries	Country of incorporation/Principal place of business	Effective equity held by the Group	
		2017 %	2016 %
Held by ECS:			
(4) Emerald Communications (Cayman) SPC ("ECC")	Cayman Islands	100.0	100.0
(4),(5) ERC Luxembourg Limited Sarl	Luxembourg	—	100.0
(4),(6) ERC Ireland Equity SPC	Cayman Islands	—	100.0
Held by Straits Mobile:			
(7) U Mobile Sdn. Bhd.	Malaysia	49.0	49.0
Held by U Mobile Sdn. Bhd.:			
U Mobile Services Sdn. Bhd.	Malaysia	49.0	49.0
Held by STT GDC Pte. Ltd.:			
STT APDC Pte. Ltd.	Singapore	100.0	100.0
STT UK DC Pte. Ltd.	Singapore	100.0	100.0
STT India DC Pte. Ltd. (“STT IDC”)	Singapore	100.0	100.0
(2) STT Connect Pte. Ltd.	Singapore	—	70.0
Held by STT APDC Pte. Ltd.:			
STT Singapore DC Pte. Ltd. (“STT SDC”)	Singapore	100.0	100.0
Shine Systems Assets Pte. Ltd. (“SSAPL”)	Singapore	82.6	82.6
STT Defu 2 Pte. Ltd. (“STT Defu 2”)	Singapore	100.0	100.0
STT Tai Seng Pte. Ltd.	Singapore	74.0	74.0

Name of subsidiaries	Country of incorporation/Principal place of business	Effective equity held by the Group	
		2017 %	2016 %
Held by STT India DC Pte. Ltd:			
STT Global Data Centres India Private Limited (previously known as Tata Communications Data Centers Private Limited)	India	74.0	74.0
Held by STT UK DC Pte. Ltd. ("UKDC")			
(8) STT Virtus HoldCo Limited ("Virtus") (previously known as Brockton Virtus HoldCo Limited)	Guernsey/ United Kingdom	100.0	47.1

- (1) This entity has been struck off on 10 October 2017.
- (2) On 22 December 2017, STT GDC disposed its 70.0% equity interest in STT Connect to STT Connect Holdings Pte. Ltd., a wholly-owned subsidiary of the Group.
- (3) This entity is under members' voluntary liquidation.
- (4) In April 2013, eircom ESOP Trustee Limited transferred all of its 136,203,352 ordinary shares in the issued capital of ECC ("the Sales Shares") to ECS at a consideration of Euro 1.1 million (\$1.8 million) to ECS. The Sale Shares comprised 50% of the issued capital of ECC and, as a result of the transfer of the Sale Shares, the Group holds 100% of the issued capital of ECC.
- (5) This entity has been dissolved on 16 November 2017.
- (6) This entity has been dissolved on 11 April 2017.
- (7) Although the Group owns less than half of the voting rights of U Mobile, the Group controls U Mobile as it has the power to appoint majority of the board of directors of U Mobile.
- (8) On 27 September 2017, UKDC completed the acquisition of the remaining 51.0% equity interest in Virtus and accounted for it as a subsidiary (see Note 38). On 30 October 2017, UKDC invested an additional £10 million (equivalent to \$18 million) in Virtus, by way of 90% interest-free shareholder loan and 10% equity. There was no change in the Group's equity interest in Virtus.

7 Interests in associates

Details of associates are as follows:

Details of associates are as follows.

Name of associates	Country of incorporation/ Principal place of business	Effective equity held by the Group	
		2017	2016
		%	%
Held by Asia Mobile Holdings Pte. Ltd.:			
Shenington Investments Pte Ltd	Singapore	36.8	36.8

Name of associates	Country of incorporation/ Principal place of business	Effective equity held by the Group	
		2017 %	2016 %
Held by Shenington Investments Pte Ltd:			
⁽¹⁾ Mfone Co., Ltd.	Cambodia	36.8	36.8
Lao Telecommunications Company Limited	Lao People’s Democratic Republic	18.0	18.0
Held by STT Crossing Ltd:			
Level 3 Communications, Inc.	USA	—	18.1
Held by STT GDC Pte. Ltd.:			
GDS Holdings Limited (“GDS”)	Cayman Islands/ People’s Republic of China	33.8	34.9
Held by STT inTech Pte. Ltd.:			
Armor Defense Inc. (“Armor”)	USA	39.3	—

⁽¹⁾ The company is currently under voluntary insolvency proceedings.

	2017 \$'m	2016 \$'m
Fair value of ownership interest *		
GDS	1,204	411
Level 3	—	5,294

* Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy).

GDS

In November 2016, GDS was listed on the NASDAQ Global Market with an initial public offering of 19,250,000 American depositary shares ("ADSs"), each representing eight Class A ordinary shares of GDS.

During the year, the Group's interest in GDS decreased from 34.9% to 33.8% due to GDS's issuance of 64,257,028 Class A ordinary shares to a new investor and the conversion of GDS's convertible and redeemable bonds held by a third party to Class A ordinary shares.

The decrease was partially offset by the acquisition of additional interest in GDS amounting to US\$21 million (equivalent to \$29 million) and the conversion of GDS convertible and redeemable bonds held by the Group to Class A ordinary shares (see Note 17).

The gain arising from the dilution of interest amounted to \$24 million and was recognised as other income in the consolidated income statement.

Level 3

In the prior year, the Group's interest in Level 3 decreased from 18.3% to 18.1% as a result of exercise of equity instruments granted to Level 3's employees. The gain arising from the dilution of interest amounted to \$9 million and was recognised as other income in the consolidated income statement.

In October 2016, Level 3 entered into a Merger Agreement with CenturyLink, whereby CenturyLink will acquire Level 3 in a stock-and-cash transaction. Under the terms of the Merger Agreement, Level 3 shareholders will receive US\$26.50 per share in cash and a fixed exchange ratio of 1.4286 shares of CenturyLink's stock for each Level 3 share they own. On 1 November 2017, the closing of the merger between Level 3 and CenturyLink took place. As a result, the Group received approximately US\$1,723 million (equivalent to \$2,345 million) in cash and US\$1,764 million (equivalent to \$2,401 million) in CenturyLink shares as consideration for the merger, in exchange for all of the Group's shares of common stock in the capital of Level 3. The merger gave rise to a gain on disposal of Level 3 amounting to \$1,172 million which has been included in other income in the consolidated income statement.

Armor

In March 2017, the Group acquired 33.8% interest in Armor, a leading provider of cloud security and compliance solutions in the United States for a total consideration of US\$89 million (equivalent to \$125 million). During the year, due to the purchase of treasury shares by Armor, the Group's interest in Armor increased from 33.8% to 39.3%.

The following table summarises the financial information of material associates for the financial year or financial period from date of acquisition to 31 December as included in their own (consolidated) financial statements prepared in accordance with FRS, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in these associates.

	Armor \$'m	GDS \$'m
2017		
Revenue	62	330
Post-tax loss from continuing operations	(13)	(75)
Other comprehensive income	—	(10)
Total comprehensive income	(13)	(85)
Non-current assets	34	2,235
Current assets	56	502
Non-current liabilities	(5)	(1,316)
Current liabilities	(40)	(495)
Net assets	45⁽¹⁾	926⁽²⁾

⁽¹⁾ Includes equity compensation reserve of \$4 million that is not attributable to the Group.

⁽²⁾ Includes equity compensation reserve of \$32 million that is not attributable to the Group.

	Level 3 \$'m	GDS \$'m	Armor \$'m	Immaterial associates \$'m	Total \$'m
2017					
Group's interest in net assets of investee at beginning of the year	2,265	216	—	60	2,541
Group's share of:					
- Post-tax profit/(loss) from continuing operations	82	(26)	(5)	6	57
- Other comprehensive income	(131)	(4)	(2)	(8)	(145)
- Total comprehensive income	(49)	(30)	(7)	(2)	(88)
Group's contribution during the year	—	84	36	—	120
Effect of treasury shares repurchase	—	—	(14)	—	(14)
Effect of Group's dilution of interest	—	32	—	—	32*
Disposal of Group's interest during the year	(2,216)	—	—	—	(2,216)
Group's interest in net assets of investee at end of the year	—	302	15	58	375
Goodwill at the beginning of the year	1,425	92	—	—	1,517
Effect of Group's dilution of interest	—	(8)	—	—	(8)*
Group's contribution during the year	—	19	89	—	108
Effect of treasury shares repurchase	—	—	14	—	14
Translation adjustment**	(97)	(1)	(3)	—	(101)
Disposal of Group's interest during the year	(1,328)	—	—	—	(1,328)
Goodwill at the end of the year	—	102	100	—	202
Carrying amount of interest in investee at end of the year	—	404	115	58	577

* Gain arising from dilution of interest amounted to \$24 million

** Included in share of other comprehensive income of associates

	Level 3 \$'m	GDS \$'m
2016		
Revenue	11,251	220
Post-tax profit/(loss) from continuing operations	536	(65)
Other comprehensive income	83	(24)
Total comprehensive income	619	(89)
Non-current assets	30,075	1,304
Current assets	3,821	459
Non-current liabilities	(18,877)	(814)
Current liabilities	(2,109)	(309)
Net assets	12,910⁽¹⁾	640⁽²⁾

(1) Includes equity compensation reserve of \$362 million that is not attributable to the Group.

(2) Includes equity compensation reserve of \$20 million that is not attributable to the Group.

	Level 3 \$'m	GDS \$'m
Dividends received	—	47

	Level 3 \$'m	GDS \$'m	Immaterial associates \$'m	Total \$'m
2016				
Group's interest in net assets of investee at beginning of the year	2,077	201	49	2,327
Group's share of:				
- Post-tax profit/(loss) from continuing operations	98	(36)	7	69
- Other comprehensive income	66	(5)	2	63
- Total comprehensive income	164	(41)	9	132
Group's contribution during the year	—	—	2	2
Effect of Group's dilution of interest	24	56	—	80*
Group's interest in net assets of investee at end of the year	2,265	216	60	2,541
Goodwill at the beginning of the year	1,409	116	—	1,525
Effect of Group's dilution of interest	(15)	(19)	—	(34)*
Translation adjustment**	31	(5)	—	26
Goodwill at the end of the year	1,425	92	—	1,517
Carrying amount of interest in investee at end of the year	3,690	308	60	4,058

* Gain arising from dilution of interest amounted to \$46 million

** Included in share of other comprehensive income of associates

Impairment tests

When there is an indicator of possible impairment, investment in the associate is tested to determine if it has suffered any impairment. This determination requires significant judgement. The recoverable amount is determined based on an estimate of the future profitability and cash flows of the associate, taking into account business outlook, including factors such as industry and sector performance. The recoverable amount of the associate could change significantly as a result of changes in market conditions and the assumptions used in determining the recoverable amount.

No impairment testing was performed in the current and prior years as there were no indicators of further impairment.

8 Interests in joint ventures

Details of joint ventures are as follows:

Details of joint ventures are as follows.

	Country of incorporation/ Principal place of business	Effective equity held by the Group	
		2017 %	2016 %
Held by STT Communications Ltd:			
Grid Communications Pte. Ltd. ("GRID")	Singapore	50.0	50.0
Held by STT UK DC Pte. Ltd.:			
STT Virtus HoldCo Limited ("Virtus")	Guernsey/ United Kingdom	—	47.1

In 2016, the Group invested an additional £18 million (equivalent to \$33 million) in Virtus, by way of 90% interest-free shareholder loan and 10% equity. A goodwill of £13 million (equivalent to \$24 million) was recognised.

At 31 December 2016, in accordance with the joint venture agreement, the Group has remaining capital contributions amounting to £21 million (equivalent to \$38 million). This commitment has not been recognised in the Group's consolidated financial statement as at 31 December 2016.

On 22 June 2017, the Group invested an additional £7 million (equivalent to \$12 million) in Virtus, by way of 90% interest-free shareholder loan and 10% equity. A goodwill of £5 million (equivalent to \$9 million) was recognised. Arising from this, the Group's equity interest in Virtus increased to 49.0%. The remaining capital commitment to Virtus subsequent to the capital injection amounts to £14 million (equivalent to \$25 million).

On 27 September 2017, the Group acquired the remaining 51.0% equity interest in Virtus for a purchase consideration of £141 million (equivalent to \$259 million) and accounted for it as a subsidiary (see Note 6 and Note 38).

The following table summarises the financial information of material joint ventures as included in its own (consolidated) financial statements prepared in accordance with FRS, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in the joint venture.

2017	Virtus \$'m	GRID \$'m	Total \$'m
Group's interest in net assets of investee at beginning of the year	54	15	69
Group's contribution during the year	3	—	3
Dividends received during the year	—	(1)	(1)
Group's share of:			
- Post-tax loss from continuing operations	(22)	1	(21)
- Other comprehensive income	1	—	1
- Total comprehensive income	(21)	1	(20)
Group's share of capital reserve	(3)	—	(3)
Disposal of joint venture	(33)	—	(33)
Group's interest in net assets of investee at end of the year	—	15	15
Goodwill at the beginning of the year	88	—	88
Group's contribution during the year	9	—	9
Translation adjustment *	2	—	2
Disposal of joint venture	(99)	—	(99)
Goodwill at the end of the year	—	—	—
Carrying amount of interest in investee at end of the year	—	15	15

* Included in share of other comprehensive income of joint venture

2016	Virtus \$'m	GRID \$'m	Total \$'m
Revenue	44		
Post-tax loss from continuing operations ¹	(34)		
Other comprehensive income	(30)		
Total comprehensive income	(64)		

¹ Includes:

- Depreciation and amortisation expense of \$15 million
- Interest expense of \$22 million
- Income tax credit of \$5 million

Non-current assets	429
Current assets ²	61
Non-current liabilities ³	(278)
Current liabilities ⁴	(40)
Net assets	172
Attributable to non-controlling interests	3
Attributable to investee's shareholders	169

² Includes cash and cash equivalents of \$27 million

³ Includes non-current financial liabilities (excluding trade and other payables and provisions) of \$271 million

⁴ Includes current financial liabilities (excluding trade and other payables and provisions) of \$2 million

2016	Virtus \$'m	GRID \$'m	Total \$'m
Group's interest in net assets of investee at beginning of the year	69	16	85
Group's contribution during the year	10	—	10
Dividends received during the year	—	(2)	(2)
Group's share of:			
- Post-tax loss from continuing operations	(15)	1	(14)
- Other comprehensive income	(10)	—	(10)
- Total comprehensive income	(25)	1	(24)
Group's interest in net assets of investee at end of the year	54	15	69
Goodwill at the beginning of the year	77	—	77
Group's contribution during the year	23	—	23
Translation adjustment *	(12)	—	(12)
Goodwill at the end of the year	88	—	88
Carrying amount of interest in investee at end of the year	142	15	157

* Included in share of other comprehensive income of joint venture

The Group's share of the capital commitments of joint ventures is \$1 million (2016: \$1 million).

9 Other financial assets

	Group	
	2017 \$'m	2016 \$'m
Non-current		
Available-for-sale equity securities, at fair value:		
- Unquoted	163	130
- Quoted	60	40
Available-for-sale equity securities, at cost:		
- Unquoted	117	105
Fair value through profit or loss:		
- Convertible notes	26	—
	<u>366</u>	<u>275</u>
Current		
Available-for-sale equity securities, at fair value:		
- Quoted	2,085	—
Fair value through profit or loss mutual funds, at fair value:		
- Quoted	19	13
	<u>2,104</u>	<u>13</u>

The unquoted equity securities are carried at cost because the fair value cannot be reliably determined in view of the wide range of possible outcomes in which the probability of the various outcomes cannot be estimated.

The convertible notes have stated interest rates of 6.0% to 10.0% and mature in 2019.

On 1 November 2017, the closing of the merger between Level 3 and CenturyLink took place (see note 7). As a result, the Group received approximately US\$1,723 million (equivalent to \$2,345 million) in cash and US\$1,764 million (equivalent to \$2,401 million) in CenturyLink shares as consideration for the merger, in exchange for all of the Group's shares of common stock in the capital of Level 3. The CenturyLink shares are classified as available-for-sale quoted equity securities measured at fair value as at year end.

Subsequent to year end, the Company paid dividends to its shareholder, by way of a distribution in specie of all of the Group's interest in the CenturyLink shares, comprising: (i) \$425 million that had been declared in February 2017 for the financial year ended 31 December 2017; and (ii) \$1,748 million that had been declared in February 2018 for the financial year ending 31 December 2018.

10 Deferred tax assets and liabilities

Movements in deferred tax balances during the year are as follows:

Group	At 1 January 2016 \$'m	Acquisition through business combinations (Note 38) \$'m	Recognised in income statement (Note 33) \$'m	At 31 December 2016 \$'m	Acquisition through business combinations (Note 38) \$'m	Recognised in income statement (Note 33) \$'m	Recognised in other comprehensive income \$'m	At 31 December 2017 \$'m
Property, plant and equipment and intangibles	(134)	(27)	(15)	(176)	(28)	7	—	(197)
Provisions	1	—	—	1	—	—	—	1
Employee benefits	—	2	—	2	—	—	—	2
Tax losses and capital allowances carry forward	12	—	(12)	—	19	—	—	19
Other items	2	—	2	4	—	5	3	12
Total	(119)	(25)	(25)	(169)	(9)	12	3	(163)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

The amounts determined after appropriate offsetting are included in the statements of financial position as follows:

	Group	
	2017 \$'m	2016 \$'m
Deferred tax assets	1	1
Deferred tax liabilities	(164)	(170)

Deferred tax assets on the following deductible temporary differences have not been recognised:

	Group	
	2017 \$'m	2016 \$'m
Deductible temporary differences	8	3
Unutilised capital allowances	233	161
Unutilised tax losses and tax incentives	644	586
	<u>885</u>	<u>750</u>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The tax losses, tax incentives and deductible temporary differences do not expire under current legislation.

11 Inventories

	Group	
	2017 \$'m	2016 \$'m
Materials and components	2	1
Inventories held for resale		
- at cost	84	65
- at net realisable value	8	1
	<u>94</u>	<u>67</u>

12 Work-in-progress

	Group	
	2017 \$'m	2016 \$'m
Cost incurred and attributable profits less foreseeable losses	92	86
Progress billings	(67)	(61)
	<u>25</u>	<u>25</u>

13 Loans and receivables

		Group		Company	
	Note	2017 \$'m	2016 \$'m	2017 \$'m	2016 \$'m
Other non-current assets	14	5	10	—	—
Trade receivables	15	381	305	—	—
Other receivables and deposits	16	219	192	—	1
Balances with related parties	17	97	174	877	451
Cash and cash equivalents	18	2,576	895	—	1
		<u>3,278</u>	<u>1,576</u>	<u>877</u>	<u>453</u>

14 Other non-current assets

	Note	Group	
		2017 \$'m	2016 \$'m
Convertible loan note		5	6
Others		—	4
	13	<u>5</u>	<u>10</u>
Other receivables, deposits and prepayments	16	45	18
		<u>50</u>	<u>28</u>

15 Trade receivables

	Note	Group	
		2017 \$'m	2016 \$'m
Trade receivables		473	386
Allowance for doubtful receivables		(92)	(81)
	13	<u>381</u>	<u>305</u>

The Group's primary exposure to credit risk arises through its trade receivables, which include corporate and retail customers. The Group's historical experience in the collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

Allowance for doubtful receivables are estimated based on historical bad debts experienced.

The age analysis of the Group's trade receivables past due but not impaired at the reporting date is as follows:

	2017 \$'m	2016 \$'m
Past due 0 – 30 days	134	119
Past due 31 – 120 days	29	18
Past due 121 – 365 days	28	18
	<u>191</u>	<u>155</u>

The change in allowance for doubtful receivables in respect of trade receivables during the year is as follows:

	Group 2017 \$'m	2016 \$'m
At 1 January	81	69
Allowance for doubtful receivables	24	24
Allowance utilised	(12)	(13)
Translation difference	(1)	1
At 31 December	<u>92</u>	<u>81</u>

16 Other receivables, deposits and prepayments

		Group 2017 \$'m	2016 \$'m	Company 2017 \$'m	2016 \$'m
Grants receivables		2	6	–	–
Other receivables		189	162	–	1
Deposits		28	24	–	–
	13	<u>219</u>	<u>192</u>	<u>–</u>	<u>1</u>
Prepayments		215	133	–	–
Tax advances		15	10	–	–
Advance payments to suppliers		1	1	–	–
Derivative assets		3	7	–	–
		<u>453</u>	<u>343</u>	<u>–</u>	<u>1</u>
Current		408	325	–	1
Non-current	14	45	18	–	–
		<u>453</u>	<u>343</u>	<u>–</u>	<u>1</u>

17 Balances with related parties

		Group		Company	
	Note	2017 \$'m	2016 \$'m	2017 \$'m	2016 \$'m
Assets					
Non-current					
Subsidiary					
- Interest-bearing loan	(i)	—	—	451	451
Associate					
- Interest-bearing loan	(ii)	78	156	—	—
- Current account		—	3	—	—
		78	159	451	451
Current					
Subsidiary					
- Current account	(iii)	—	—	426	—
Associates					
- Interest-bearing loan	(iv)	—	1	—	—
- Current account		3	5	—	—
Related corporations					
- Current account		16	9	—	—
		19	15	426	—
	13	97	174	877	451
Liabilities					
Current					
Immediate holding company					
- Current account	(v)	425	—	425	—
Associates					
- Current account		2	—	—	—
Related corporations					
- Current account		16	31	—	—
	22	443	31	425	—

- (i) The non-current interest bearing loan to a subsidiary is unsecured, bears interest at 4.05% and is repayable in December 2025.
- (ii) On 30 December 2015, the Group entered into a subscription agreement with its associate for a subscription of up to US\$100 million of convertible and redeemable which mature on 31 December 2019. On 29 January 2016, the Group subscribed for US\$50 million (equivalent to \$71 million) of the convertible and redeemable bonds. The bonds are convertible into fully-paid ordinary shares of the associate and bear interest of 10% per annum of which 5% per annum is payable semi-annually and the remaining 5% per annum is accrued and paid on maturity.

The bond, inclusive of interest accrued, amounting to US\$54 million (equivalent to \$74 million), was voluntarily converted into ordinary shares of the associate during the year (see Note 7).

The remaining non-current loan to an associate amounting to \$78 million (2016: \$84 million) is unsecured, bears interest at LIBOR + 3.00% per annum and is not expected to be repaid within the next twelve months.

- (iii) Subsequent to year end, the Company received the \$425 million dividend from its subsidiary.
- (iv) The short term loan to an associate amounting to \$1 million in prior year was unsecured, bore interest at the range of LIBOR + 2.50% to LIBOR + 2.75% per annum and has been paid during the year.
- (v) Subsequent to year end, the Company paid the \$425 million dividend that had been declared in February 2017 for the financial year ended 31 December 2017 (see note 20).

All the other amounts due from and to related parties are unsecured, interest-free and repayable on demand.

18 Cash and cash equivalents

	Note	Group		Company	
		2017 \$'m	2016 \$'m	2017 \$'m	2016 \$'m
Fixed deposits with financial institutions		2,228	412	—	—
Cash at banks and in hand		348	483	—	1
Cash and cash equivalents in the balance sheet	13	2,576	895	—	1
Cash collateral placed with financial institutions		(53)	(47)		
Cash and cash equivalents for purposes of the consolidated cash flow statement		2,523	848		

As at 31 December 2017, the Group has cash and bank balances totalling the equivalent of \$9 million (2016: \$14 million) which are held in countries with foreign exchange controls.

Cash and cash equivalents totalling \$388 million (2016: \$334 million) are held in the Group's various publicly-listed subsidiaries which operate under stock exchange regulations which impose restrictions and conditions on related party transactions, including the transfers of cash and the granting of loans to other subsidiaries in the Group.

Cash collateral placed with financial institutions totalling \$53 million (2016: \$47 million) are pledged as securities for bank guarantee facilities granted to a subsidiary, and therefore restricted from use in other operations.

19 Share capital – Group and Company

	2017		2016	
	No. of shares '000	\$'m	No. of shares '000	\$'m
Issued and fully paid at 1 January and 31 December:				
Ordinary shares	1,467,210	1,805	1,467,210	1,805
Series A redeemable convertible preference shares ("RCPS")	287	287	287	287
Series B RCPS	1	80	1	80
		<u>2,172</u>		<u>2,172</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The Series A RCPS are redeemable at the option of the Company by way of cash or by way of issuance of ordinary shares or a combination of cash and ordinary shares. The Series B RCPS are redeemable at the option of the Company by way of cash. Dividends are non-cumulative and determined at rates to be fixed by the Company from time to time at its absolute discretion. Series A and Series B RCPS do not carry voting rights. The holders of the RCPS are to receive preferential return of accrued dividends and redemption amount equal to the issue price of the RCPS at the Company's discretion.

20 Reserves

	Group		Company	
	2017 \$'m	2016 \$'m	2017 \$'m	2016 \$'m
Capital reserve	(44)	4	—	—
Currency translation reserve	(116)	100	—	—
Fair value reserve	(281)	7	—	—
Hedging reserve	(7)	1	—	—
Goodwill written off	(488)	(488)	—	—
Accumulated profits	3,922	3,077	35	35
	<u>2,986</u>	<u>2,701</u>	<u>35</u>	<u>35</u>

The capital reserve of the Group arises from bonus issues of shares by a subsidiary and gain arising on other capital transactions with shareholders and the recognition of put option issued to non-controlling interests of a subsidiary.

The currency translation reserve of the Group comprises:

- (a) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company;
- (b) foreign exchange differences arising from the translation of monetary items forming part of the Company's net investment in foreign operations; and
- (c) the Company's share of foreign exchange differences arising from the translation of the financial statements of associates and joint ventures whose functional currencies are different from the functional currency of the Company.

The fair value reserve comprises the share of fair value reserve from associate and cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected the income statement.

Goodwill written off comprises goodwill arising prior to 1 January 2001 on the consolidation of subsidiaries.

Dividends

The following tax-exempt (one-tier) dividends were declared and paid by the Group:

Group	2017 \$'m	2016 \$'m
Paid by subsidiaries to non-controlling interests		
Final dividend of \$0.05 (2016: \$0.05) per share paid in respect of the previous financial year	38	38
Interim dividend of \$0.12 (2016: \$0.15) per share paid in respect of year ended 31 December	92	115
Final dividend of \$0.016 (2016: \$0.016) per share paid in respect of year ended 31 December	4	4
Interim dividend of \$0.31 (2016: \$0.33) per share paid in respect of year ended 31 December	37	40
	171	197

The following tax-exempt (one-tier) dividends were declared/paid by the Company:

Company	2017 \$'m	2016 \$'m
Declared/paid by the Company to owner of the Company		
Interim dividend of \$0.29 (2016: \$0.03) per qualifying ordinary share in respect of the year ended 31 December	425	50
Interim dividend of \$0.29 (2016: \$0.03) per qualifying Series A RCPS in respect of the year ended 31 December	*	*
Interim dividend of \$0.29 (2016: \$0.03) per qualifying Series B RCPS in respect of the year ended 31 December	*	*
	425	50

* Amount less than \$1 million

21 Non-controlling interests

The following subsidiaries have material non-controlling interests ("NCI").

Name	Principal place of business	Ownership interests held by NCI	
		2017 %	2016 %
AMH and its subsidiaries ("AMH Group")	Singapore	25.0	25.0
TeleChoice and its subsidiaries ("TeleChoice Group")	Singapore	49.6	49.6
U Mobile and its subsidiaries ("U Mobile Group")	Malaysia	51.0	51.0
STT Global Data Centres India Private Limited ("STT India")	India	26.0	26.0
STT Tai Seng Pte. Ltd. ("Tai Seng")	Singapore	26.0	26.0

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

	AMH Group \$'m	TeleChoice Group \$'m	U Mobile Group \$'m	Tai Seng \$'m	STT India \$'m
2017					
Revenue	2,401	513	790	49	181
Post-tax profit/(loss) from continuing operations	226	8	(150)	6	8
Other comprehensive income	(19)	(1)	(6)	*	1
Total comprehensive income	207	7	(156)	6	9
Attributable to NCI:					
- Post-tax profit/(loss) from continuing operations	139	4	(76)	1	2
- Other comprehensive income	(7)	—	(3)	—	—
- Total comprehensive income	132	4	(79)	1	2
Non-current assets	3,028	23	911	222	269
Current assets	928	155	322	30	81
Non-current liabilities	(1,919)	(2)	(467)	(52)	(198)
Current liabilities	(1,013)	(100)	(986)	(13)	(64)
Net assets/(liability)	1,024	76	(220)	187	88
Net assets/(liability) attributable to NCI	752	38	(112)	49	23

	AMH Group \$'m	TeleChoice Group \$'m	U Mobile Group \$'m	Tai Seng \$'m	STT India \$'m
Cash flows from operating activities	502	2	53	7	53
Cash flows used in investing activities	(324)	(3)	(144)	(140)	(49)
Cash flows (used in)/from financing activities (dividends to NCI: \$171m)	(140)	(4)	113	136	(3)
Net increase/(decrease) in cash and cash equivalents	38	(5)	22	3	1

	AMH Group \$'m	TeleChoice Group \$'m	U Mobile Group \$'m	STT India \$'m
2016				
Revenue	2,397	504	610	26
Post-tax profit/(loss) from continuing operations	314	8	(179)	(1)
Other comprehensive income	13	—	(5)	2
Total comprehensive income	327	8	(184)	1
Attributable to NCI:				
- Post-tax profit/(loss) from continuing operations	192	4	(91)	—
- Other comprehensive income	8	—	(3)	—
- Total comprehensive income	200	4	(94)	—
Non-current assets	2,971	23	733	266
Current assets	859	149	220	63
Non-current liabilities	(2,063)	(8)	(280)	(203)
Current liabilities	(873)	(88)	(737)	(46)
Net assets/(liability)	894	76	(64)	80
Net assets/(liability) attributable to NCI	583	38	(33)	21
Cash flows from operating activities	534	25	134	11
Cash flows used in investing activities	(380)	(5)	(225)	(7)
Cash flows (used in)/from financing activities (dividends to NCI: \$197m)	(37)	(16)	100	(3)
Net increase in cash and cash equivalents	117	4	9	1

22 Financial liabilities at amortised cost

		Group		Company	
	Note	2017 \$'m	2016 \$'m	2017 \$'m	2016 \$'m
Trade payables		214	180	—	—
Balances with related parties	17	443	31	425	—
Bank and other borrowings	23	3,136	2,690	451	451
Other non-current liabilities	26	444	197	—	—
Other payables and accruals	27	1,001	975	1	2
		<u>5,238</u>	<u>4,073</u>	<u>877</u>	<u>453</u>

23 Bank and other borrowings

		Group		Company	
	Note	2017 \$'m	2016 \$'m	2017 \$'m	2016 \$'m
Bank loans		2,160	1,714	—	—
Medium term notes		971	971	451	451
Others		5	5	—	—
	22	<u>3,136</u>	<u>2,690</u>	<u>451</u>	<u>451</u>
Comprising:					
Current					
- secured		20	—	—	—
- unsecured		138	18	—	—
		<u>158</u>	<u>18</u>	<u>—</u>	<u>—</u>
Non-current					
- secured		724	317	—	—
- unsecured		2,254	2,355	451	451
		<u>2,978</u>	<u>2,672</u>	<u>451</u>	<u>451</u>
		<u>3,136</u>	<u>2,690</u>	<u>451</u>	<u>451</u>

The secured bank loans are secured over certain property, plant and equipment with carrying amount of \$1,098 million (2016: \$454 million), cash and cash equivalents of \$42 million (2016: \$25 million), trade and other receivables of \$113 million (2016: \$7 million), other financial assets of \$18 million (2016: nil) and the shares of certain subsidiaries.

The unsecured bank loans bear interest at rates ranging from 1.29% to 8.95% (2016: 1.30% to 9.20%) per annum, and are repayable between 2018 and 2022 (2016: 2017 and 2020).

Medium term notes

Issued by StarHub

StarHub has established a multicurrency medium term note programme with a maximum aggregate principal amount of \$1,000 million in September 2011. In September 2012, StarHub issued a \$220 million 10-year medium term note which bears interest rate of 3.08% per annum and is repayable in September 2022.

In June 2016, StarHub issued an additional \$300 million 10-year medium term note which bears interest of 3.55% per annum and is repayable in June 2026.

On 29 May 2017, StarHub updated and amended its \$1,000 million multicurrency medium term note programme to a \$2,000 million multicurrency debt issuance programme with the inclusion of the mechanism for the issuance of, and the terms and conditions of, perpetual securities. The amendments do not affect the validity of the existing term notes issued under the original programme.

Issued by the Company

In December 2015, the Company issued a \$300 million 10-year multicurrency medium term note which bears an interest rate of 4.05% per annum and is repayable in December 2025. In January 2016, the Company issued an additional \$150 million medium term note with the same interest rate and repayment date.

The fair value of the Group's medium term notes was \$1,016 million (2016: \$1,008 million).

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Group				
	Spectrum licence liability \$'m	Loans and borrowings \$'m	Accrued interest payable \$'m	Finance lease liabilities \$'m	Total \$'m
At 1 January 2017	145	2,690	6	—	2,841
Acquisition through business combinations	—	310	—	111	421
Changes from financing cash flows					
Proceeds from loan					
Proceeds from borrowings	—	966	—	—	966
Repayment of borrowings	—	(812)	—	—	(812)
Finance lease paid	—	—	—	(1)	(1)
Spectrum liability paid	(5)	—	—	—	(5)
Interest paid	—	(76)	(57)	—	(133)
Total changes from financing cash flows	(5)	78	(57)	(1)	15
Effect of changes in foreign exchange rates	3	(26)	—	(1)	(24)
Other liability-related changes					
Capitalised borrowing costs	—	—	4	—	4
Interest expense	—	84	55	1	140
Total liability-related other changes	—	84	59	1	144
At 31 December 2017	143	3,136	8	110	3,397

24 Deferred grants

	Note	Group 2017 \$'m	2016 \$'m
At 1 January		2	9
Grants receivable		1	2
Amount accreted to income statement		(1)	(9)
At 31 December		<u>2</u>	<u>2</u>
Deferred grants to be accreted:			
- Current	27	1	1
- Non-current			
- After 1 year but within 5 years	26	<u>1</u>	<u>1</u>
		<u>2</u>	<u>2</u>

The deferred grants are government grants received. The assets-related grants are recognised over the estimated useful lives of the related assets. The income-related grants are recognised on a systematic basis over the periods to match the related cost.

25 Derivative liabilities

	Note	Group 2017 \$'m	2016 \$'m
Current			
- Interest rate swaps		5	2
- Forward exchange contracts		12	—
	27	<u>17</u>	<u>2</u>

26 Other non-current liabilities

	Note	Group 2017 \$'m	2016 \$'m
Spectrum licence liability		138	140
Trade payables		303	48
Others		3	9
	22	<u>444</u>	<u>197</u>
Deferred grants	24	1	1
Contingent consideration	(i)	7	7
Put option liabilities	(ii)	54	—
Finance lease liabilities	39	103	—
Provision for restoration cost	(iii)	31	22
Unearned revenue		38	26
Cash-settled equity compensation benefits		11	5
Other long-term employee benefits	34	<u>30</u>	<u>15</u>
		<u>719</u>	<u>273</u>

- (i) The contingent consideration relates to the additional consideration of RM25 million which the Group, through Straits Mobile, has agreed to pay the selling shareholder, U Telemedia Sdn Bhd, upon the achievement of certain performance targets by its subsidiary, U Mobile. The acquisition date fair value of the contingent consideration amounted to \$8 million. At 31 December 2017, the fair value of the contingent consideration amounted to \$7 million (2016: \$7 million), based on a discount rate of 6.73% (2016: 6.66%). The change in fair value of the contingent consideration is recognised as finance income in profit or loss.
- (ii) The put option liabilities represent the present value of the exercise price of the option to acquire all equity shares held by the non-controlling interests of certain subsidiaries.
- (iii) The provision for restoration cost was recognised for site decommissioning and restoration calculated using a discount rate of 3% - 7% (2016: 7%). The estimates are reassessed on a yearly basis.

The change in provision for restoration cost during the year is as follows:

	Group	
	2017	2016
	\$'m	\$'m
At 1 January	22	18
Capitalised as property, plant and equipment	7	3
Translation adjustment	1	—
Unwinding of discount	1	1
At 31 December	31	22

27 Other payables, accruals and provisions

		Group		Company	
	Note	2017	2016	2017	2016
		\$'m	\$'m	\$'m	\$'m
Accruals and other payables		751	759	1	2
Spectrum licence liability		5	5	—	—
Contingent consideration	38	5	—	—	—
Property, plant and equipment vendors		240	211	—	—
	22	1,001	975	1	2
Deferred grants	24	1	1	—	—
Derivative liabilities	25	17	2	—	—
Finance lease liabilities	39	7	—	—	—
Other long-term employee benefits	34	17	8	—	—
Cash-settled equity compensation benefits		32	9	—	—
Unearned revenue		226	212	—	—
		1,301	1,207	1	2

Assessing the adequacy of accruals made at the reporting date requires the Group to make judgements in determining the level of accruals needed for costs that span the year end where settlement has not been fully and finally made. Due to the complexities in the telecommunication industry, agreement on amounts payable to suppliers may take a significant amount of time. The Group determines the sufficiency of these accruals based on historical trend of observable claims and actual costs. Actual payments may differ from these estimates when the final settlements are reached between the parties.

28 Profit from operations

The following items have been included in arriving at profit from operations:

	Group	
	2017 \$'m	2016 \$'m
Contributions to defined contribution plans	(38)	(38)
Value of employee services received for issue of equity based compensation	(3)	(7)
Income related grants	4	32
	<u>4</u>	<u>32</u>

29 Key management personnel compensation

The details of key management personnel compensation are as follows:

	Group	
	2017 \$'m	2016 \$'m
Post-employment benefits	1	1
Short-term employee benefits	36	27
Equity compensation benefits	11	5
Other long-term employee benefits	5	3
	<u>53</u>	<u>36</u>

30 Finance costs

	Group		Company	
	2017 \$'m	2016 \$'m	2017 \$'m	2016 \$'m
Interest expense:				
- bank loans	63	34	—	—
- medium term notes	36	31	18	18
- interest rate swaps	7	2	—	—
- others	34	15	—	—
	<u>140</u>	<u>82</u>	<u>18</u>	<u>18</u>

31 Finance income

	Group		Company	
	2017	2016	2017	2016
	\$'m	\$'m	\$'m	\$'m
Interest income:				
- associates	8	10	—	—
- subsidiary	—	—	18	18
- bank deposits	13	11	—	—
	<u>21</u>	<u>21</u>	<u>18</u>	<u>18</u>

32 Other income

	Note	Group 2017 \$'m	2016 \$'m
Exchange loss, net		(13)	(4)
Fair value (loss)/gain on initial recognition of available-for-sale financial asset	9	(1)	9
Fair value gain on held for trading financial asset	9	2	—
Gain on dilution of interest in associate	7	24	46
Gain on disposal of associate	7	1,172	—
Gain on disposal of joint venture		96	—
Gain on deconsolidation of subsidiaries		—	21
Miscellaneous income		2	3
Reversal of impairment in loan to subsidiary		—	—
		<u>1,282</u>	<u>75</u>

33 Tax expense

Tax recognised in income statement

	Note	Group		Company	
		2017	2016	2017	2016
		\$'m	\$'m	\$'m	\$'m
Current tax expense					
Current year		98	56	—	—
Over provision in prior years		(2)	(9)	—	—
		<u>96</u>	<u>47</u>	<u>—</u>	<u>—</u>
Deferred tax (income)/expense					
Current year		(12)	17	—	—
Under provision in prior years		—	8	—	—
	10	<u>(12)</u>	<u>25</u>	<u>—</u>	<u>—</u>
		<u>84</u>	<u>72</u>	<u>—</u>	<u>—</u>

	Group		Company	
	2017	2016	2017	2016
	\$'m	\$'m	\$'m	\$'m
Reconciliation of effective tax rate				
Profit before taxation	1,429	300	425	49
Share of results of associates and joint ventures, net of tax	(36)	(55)	—	—
	<u>1,393</u>	<u>245</u>	<u>425</u>	<u>49</u>
Income tax using Singapore tax rate of 17% (2016: 17%)	237	42	72	8
Effect of different tax rates in other countries	—	(12)	—	—
Income not subject to tax	(214)	(4)	(72)	(8)
Non-deductible expenses	34	19	—	—
Tax losses and other deductible temporary differences not recognised	27	30	—	—
Over provision in prior years, net	(2)	(1)	—	—
Others	2	(2)	—	—
	<u>84</u>	<u>72</u>	<u>—</u>	<u>—</u>

At each reporting date, the Group makes certain estimates and assumptions to compute the provision for income taxes including allocations of certain transactions to different tax jurisdictions, amounts of permanent and temporary differences, the likelihood of deferred tax assets being recovered and the outcome of contingent tax risks. These estimates and assumptions are revised as new events occur, more experience is acquired and additional information is obtained. The impact of these revisions is recorded in income tax expense in the period in which they become known.

Tax recognised in other comprehensive income

	2017			2016		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Group						
Translation differences relating to:						
- financial statements of foreign operations	(37)	—	(37)	11	—	11
- disposal of subsidiaries	—	—	—	(11)	—	(11)
- monetary items forming part of net investments in foreign operations	4	—	4	(6)	—	(6)
Effective portion of changes in fair value of cash flow hedges	(20)	3	(17)	(1)	—	(1)
Net change in fair value change of available-for-sale financial asset	(283)	—	(283)	13	—	13
Share of other comprehensive income of associates and joint ventures	(243)	—	(243)	67	—	67
Realisation of reserves upon disposal of associate and joint venture	51	—	51	—	—	—
	<u>(528)</u>	<u>3</u>	<u>(525)</u>	<u>73</u>	<u>—</u>	<u>73</u>

34 Employee benefits

	Note	Group 2017 \$'m	2016 \$'m
At 1 January		23	39
Write-back of provision during the year		—	(16)
Expense recognised in staff costs during the year		32	13
Payments during the year		(8)	(13)
At 31 December		<u>47</u>	<u>23</u>
Current	27	17	8
Non-current	26	<u>30</u>	<u>15</u>
		<u>47</u>	<u>23</u>

STT Communications Ltd (“STTC”)

The STT Communications Ltd’s Executive Resource and Compensation Committee (“STTC ERCC”) approved the following long-term incentive plans:

(a) Other long-term employee benefits

(i) Value-Sharing Incentive Plan (“VSIP”)

A VSIP incentive pool is created based principally on a modified Wealth Added (“WA”) concept and framework. WA is a risk adjusted performance measure that establishes whether shareholders earned a return that exceeds a cost of equity on the value of shareholders’ funds.

The VSIP incentive pool is allocated individually or on a group basis depending on the corporate grades of the employees. Each year, a portion of the allocated VSIP incentive, together with a portion of cumulative unpaid VSIP incentive carried forward from the previous year, will be paid out in cash, if the aggregate balance is positive. The remaining balance of the unpaid allocated incentives will be carried forward to be aggregated with future VSIP allocations. To facilitate its introduction in 2005, the initial payout portions were 50% in the first year, 40% in the second year and 1/3 thereafter, or such other percentages as approved by STTC ERCC.

(ii) Restricted Share Units Plan (“RSUP”)

RSUP units are granted annually, and vest over 3 years. At the first anniversary of the grant, a “final value” will determined for each unit of the respective grant based on \$1.00 adjusted by an achievement factor of between 0.5 to 1.5 times. The achievement factor is based on the actual operating performance of STTC’s significant investments against budget. The final value will be payable in cash to the employee equally over 3 years.

(b) Equity compensation benefits

(i) Performance Share Units Plan ("PSUP")

A base number of PSUP units is granted to key management employees each year. Each annual grant will be subjected to performance conditions to be met over 3 years.

The release of the actual number of PSUP units under each grant will be determined based on the extent to which performance conditions are met. This number can vary between 0% to 200% of each base grant and will be paid in cash based on the initial unit value multiplied by the total compounded shareholders' return of STTC's portfolio of significant investments at the end of year 3.

The fair value of services received in return for PSUP units granted are measured by reference to the fair value of PSUP units granted. The estimate of the fair value of the services received is measured based on a predictive performance model.

The key assumptions applied in the estimate of fair values are as follows:

Year of grant	2016	2017
Fair value at 31 December 2017	\$0.41	\$0.64
Portfolio cost of equity	6.75%	2.5% - 12.2%
Portfolio expected volatility	18.49%	18.38% - 51.86%
Risk-free interest rate	1.60%	2.31%

Year of grant	2015	2016
Fair value at 31 December 2016	\$0.21	\$0.50
Portfolio cost of equity	7.48%	7.48%
Portfolio expected volatility	16.89%	16.89%
Risk-free interest rate	1.10%	1.38%

(ii) Share Appreciation Units Plan ("SAUP")

SAUP units are granted annually. Each grant vests over 4 years and is exercisable up to 7 years from the start date of each grant during two exercise window periods provided each year.

The initial price for each grant is set at \$1.00 per SAUP unit. At each exercise window period, a "final value" will be determined for each unit of the respective grant based on \$1.00 adjusted by the compounded portfolio shareholders' return percentage relative to the initial unit price at the start date of each grant. For any vested SAUP unit exercised, the difference between the determined "final value" for each grant and the initial \$1.00 value of each SAUP unit will be payable in cash to the employee.

The fair value of services received in return for SAUPs granted are measured by reference to the fair value of SAUPs granted. The estimate of the fair value of the services received is measured based on a Black-Scholes model. The key assumptions applied in the estimate of fair values are as follows:

Year of grant	2012	2013	2014	2015	2016
Fair value at 31 December 2017	\$1.51	\$0.94	\$0.62	\$0.40	\$0.38
Portfolio expected volatility	15.09%	15.09%	15.09%	15.09%	15.09%
Expected remaining life	1	2	3	4	5
Risk-free interest rate	1.60%	1.66%	1.68%	1.70%	1.76%

Year of grant	2011	2012	2013	2014	2015	2016
Fair value at 31 December 2016	\$1.50	\$0.99	\$0.57	\$0.35	\$0.22	\$0.21
Portfolio expected volatility	16.89%	16.89%	16.89%	16.89%	16.89%	16.89%
Expected remaining life	1	2	3	4	5	6
Risk-free interest rate	1.10%	1.38%	1.58%	1.73%	1.89%	2.11%

(iii) **Restricted Share Units Plan for non-executive directors ("RSUP-NED")**

The RSUP-NED units are granted to non-executive directors ("NEDs") each year as part of their director's fees. Each grant is subject to the retention condition of the grant, and is exercisable during the annual two-week exercise period. The retention condition requires 50% of the vested units of each grant to be retained by the NED up to the earlier of 4 years from the start date of each grant or one year after he ceases to be a non-executive director.

The initial price for each grant is set at \$1.00 per RSUP-NED unit. During each exercise period, a "final value" will be determined for each unit of the respective grant based on \$1.00 adjusted by the compounded portfolio shareholders' return relative to the initial unit price at the start date of each grant up to the valuation date. For any vested RSUP-NED unit exercised, its "final value" will be payable in cash to the non-executive director.

The fair value of services received in return for RSUP-NEDs granted are measured by reference to the fair value of RSUP-NEDs granted. The estimate of the fair value of the services received is measured based on a Black-Scholes model.

The key assumptions applied in the estimate of fair values are as follows:

Year of grant	2012	2013	2014	2015	2016
Fair value at 31 December 2017	\$1.51	\$0.94	\$0.62	\$0.40	\$0.38
Portfolio expected volatility	15.09%	15.09%	15.09%	15.09%	15.09%
Expected remaining life	1	2	3	4	5
Risk-free interest rate	1.60%	1.66%	1.68%	1.70%	1.76%

Year of grant	2011	2012	2013	2014	2015	2016
Fair value at 31 December 2016	\$2.49	\$1.97	\$1.52	\$1.24	\$1.04	\$0.98
Portfolio expected volatility	16.89%	16.89%	16.89%	16.89%	16.89%	16.89%
Expected remaining life	1	2	3	4	5	6
Risk-free interest rate	1.10%	1.38%	1.58%	1.73%	1.89%	2.11%

StarHub Ltd (“StarHub”)

StarHub Performance Share Plans

Under the StarHub PSP 2004 and the StarHub PSP 2014 (collectively the “StarHub Performance Share Plans”), conditional awards of shares are granted. Awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the participant achieving prescribed performance targets set based on medium-term corporate objectives. Awards are released once StarHub ERCC is satisfied that the prescribed performance targets have been achieved. There are no vesting periods beyond the performance achievement periods.

During the financial year ended 31 December 2017, the conditional grants of 1,215,900 (2016: 656,300) shares under the StarHub Performance Share Plans were made to the key employees of StarHub Group. These represent the number of shares to be delivered when performance targets at “on-target” level are achieved, or as the case may be, when the time-based service conditions are completed.

The movements of the number of shares under the StarHub Performance Share Plans, the fair values of the grant at measurement date and the assumptions of the fair value model for the grants are as follows:

2017 Date of grant	Balance outstanding at 1.1.2017 '000	Number of performance shares granted '000	Number of performance shares forfeited '000	Balance outstanding at 31.12.2017 '000
10.03.2014	570	—	(570)	—
16.03.2015	535	—	(19)	516
22.03.2016	656	—	(62)	594
06.04.2017	—	1,216	(81)	1,135
Total	1,761	1,216	(732)	2,245

2016 Date of grant	Balance outstanding at 1.1.2016 '000	Number of performance shares granted '000	Number of performance shares vested '000	Number of performance shares forfeited '000	Balance outstanding at 31.12.2016 '000
31.05.2013	429	—	(86)	(343)	—
10.03.2014	570	—	—	—	570
16.03.2015	535	—	—	—	535
22.03.2016	—	656	—	—	656
Total	1,534	656	(86)	(343)	1,761

The fair value of the shares is estimated using a Monte-Carlo simulation methodology at the measurement dates, which are grant dates of the share awards.

The assumptions under the model used for the grant in 2017 and 2016 are as follows:

	Year of grant	
	2017	2016
Fair value	\$1.18	\$1.46
Share price	\$2.85	\$3.32
Expected volatility of StarHub's shares	15.53%	15.28%
Expected volatility of MSCI Asia-Pacific Telecommunications Component Stock	—	14.14%
Expected dividend yield	5.53%	5.70%
Risk-free interest rates	1.39%	1.16%

StarHub Restricted Stock Plans

Under the StarHub RSP 2004 and StarHub RSP 2014 (collectively the “StarHub Restricted Stock Plans”), awards granted vest only after the satisfactory completion of time-based service conditions (time-based restricted awards) or where the award is performance-related after a further period of service beyond the performance targets completion date (performance-based restricted awards).

During the financial year ended 31 December 2017, the conditional grants of 3,497,690 (2016: 2,884,800) shares under the StarHub Restricted Stock Plans were made to non-executive directors and key employees of StarHub Group. These represent the number of shares to be delivered when performance targets at “on-target” level are achieved, or as the case may be, when the time-based service conditions are completed.

During the financial year ended 31 December 2017, 178,900 (2016: 141,300) shares under the StarHub Restricted Stock Plans were vested and delivered to certain non-executive directors of StarHub as part of their non-executive directors’ remuneration, without any performance or vesting conditions attached.

The movements of the number of shares under the StarHub Restricted Stock Plans, the fair values of the grant at measurement date and the assumptions of the fair value model for the grants are as follows:

	Balance outstanding at 1.1.2017	Number of restricted shares granted	Number of restricted shares vested	Number of restricted shares forfeited	Not delivered (below performance target)	Balance outstanding at 31.12.2017
2017						
Date of grant	'000	'000	'000	'000	'000	'000
10.03.2014	713	—	(695)	(18)	—	—
16.03.2015	2,106	—	—	(104)	(2,002)	—
08.07.2015	16	—	(16)	—	—	—
22.03.2016	2,380	—	—	(285)	—	2,095
20.05.2016	147	—	(120)	—	—	27
15.03.2017	—	593	(296)	(15)	—	282
06.04.2017	—	2,717	—	(103)	—	2,614
29.05.2017	—	188	(179)	(9)	—	—
Total	5,362	3,498	(1,306)	(534)	(2,002)	5,018

	Balance outstanding at 1.1.2016	Number of restricted shares granted	Number of restricted shares vested	Number of restricted shares forfeited	Balance outstanding at 31.12.2016
2016 Date of grant	'000	'000	'000	'000	'000
31.05.2013	692	—	(672)	(20)	—
10.03.2014	2,340	—	(764)	(863)	713
16.03.2015	2,266	—	—	(160)	2,106
08.07.2015	32	—	(16)	—	16
22.03.2016	—	2,460	—	(80)	2,380
20.05.2016	—	267	(120)	—	147
23.05.2016	—	157	(141)	(16)	—
Total	5,330	2,884	(1,713)	(1,139)	5,362

The fair value of the share awards is estimated using a Monte-Carlo simulation methodology at the measurement dates, which are grant dates of the share awards.

The assumptions under the model used for the grant in 2017 and 2016 are as follows:

	Year of grant	
	2017	2016
Fair value	\$2.44 - \$2.83	\$2.91 - \$3.33
Share price	\$2.83 - \$2.85	\$3.32 - \$3.45
Expected volatility of StarHub's shares	15.53% - 15.58%	10.79% - 15.28%
Expected dividend yield	5.53% - 7.07%	5.46% - 5.70%
Risk-free interest rates	0.99% - 1.40%	0.70% - 1.14%

TeleChoice International Limited ("TeleChoice")

TeleChoice Restricted Share Plan and Performance Share Plan

The TeleChoice Restricted Share Plan (the "TeleChoice RSP") and TeleChoice Performance Share Plan (the "TeleChoice PSP") (collectively referred to as the "TeleChoice Plans"), were approved and adopted by TeleChoice's members at the Annual General Meeting of TeleChoice held on 26 April 2018.

Information regarding the TeleChoice Plans is set out below:

- (i) The TeleChoice Plans were established with the objective of motivating senior executives to strive for superior performance and sustaining long-term growth for TeleChoice.
- (ii) The TeleChoice Plans are administered by TeleChoice's Remuneration Committee comprising three directors, namely Bertie Cheng, Ronald Seah Lim Siang and Stephen Geoffrey Miller (the "TeleChoice RC").

- (iii) The following persons (collectively referred to as the “Eligible Persons”) shall be eligible to participate in the TeleChoice Plans at the absolute discretion of the TeleChoice RC:
- employees and non-executive directors of TeleChoice and/or any of its subsidiaries;
 - employees and non-executive directors of STTC and its subsidiaries, who may be seconded to render services and contribute to the success of TeleChoice Group; and
 - employees of associated companies of TeleChoice.
- (iv) Under the TeleChoice PSP, conditional awards of shares are granted. Awards represent the right of a participant to receive fully paid shares upon the participant achieving certain pre-determined performance targets set based on corporate objectives aimed at sustaining longer-term growth. After the awards vest, and the shares comprised in the awards are issued at the end of the performance and/or service period once the TeleChoice RC is, at its sole discretion, satisfied that the prescribed performance targets have been achieved.
- The actual number of share given will depend on the level of achievement of the prescribed performance targets over the performance period, currently prescribed to be a three-year period. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded.
- (v) Under the TeleChoice RSP, awards granted vest only after the satisfactory completion of time-based service conditions (time-based restricted awards) or where the award is performance-related after a further period of service beyond the performance targets completion date (performance-based restricted awards), once TeleChoice RC is, at its sole discretion, satisfied that the performance and extended service conditions are attained. For the 2016 TeleChoice RSP grants, the total number of shares to be awarded depends on the level of attainment of the performance targets. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.3 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. For the TeleChoice RSP grants for 2017 onwards, the total number of shares to be awarded depends on the level of attainment of the individual performance targets.
- (vi) The vesting period of the shares granted under the TeleChoice Plans is between one to three years.
- (vii) As at 31 December 2017, the initial awards of 10,350,890 (2016: 9,215,890) shares under the TeleChoice PSP and the initial awards of 23,235,920 (2016: 20,128,920) shares under the TeleChoice RSP were made to Eligible Persons. As at 31 December 2017, awards of 2,995,320 (2016: 2,732,640) shares under the TeleChoice PSP and 5,875,856 (2016: 6,241,138) shares under the TeleChoice RSP were outstanding.

The key assumptions applied in estimating the fair values under the TeleChoice PSP are as follows:

Date of grant of shares	1 June 2017	1 June 2016	3 June 2015	2 June 2014
Fair value at grant date	\$0.112	\$0.175	\$0.179	\$0.173
Assumptions under Monte-Carlo Model				
Expected Volatility				
TeleChoice International Limited	15.89%	16.02%	12.89%	14.90%
Straits Times Index	N/A	11.85%	8.76%	14.72%
Risk-free interest rates	1.31%	1.77%	2.00%	1.32%

The key assumptions applied in estimating the fair values under TeleChoice RSP are as follows:

Date of grant of shares	1 June 2017	1 June 2016	3 June 2015	2 June 2014
Fair value at grant date:				
For RSP vested 24 months from grant date	\$0.245	\$0.220	\$0.233	\$0.215
For RSP vested 36 months from grant date	\$0.231	\$0.205	\$0.218	\$0.199
For RSP vested 48 months from grant date	\$0.219	\$0.190	\$0.204	\$0.185
Assumptions under Monte-Carlo Model				
Expected Volatility				
TeleChoice International Limited	15.89%	16.02%	12.89%	14.90%
Risk-free interest rates				
Singapore 2-year Government Bond yield	1.07%	1.09%	1.13%	0.39%
Singapore 3-year Government Bond yield	1.21%	1.28%	1.40%	0.56%
Singapore 4-year Government Bond yield	1.31%	1.50%	1.71%	0.88%

The fair value of the shares is estimated using the Monte-Carlo simulation methodology at the measurement dates, which are grant dates of these share awards. The accrual for the share expenses under the Plans has been estimated on the basis that TeleChoice Group will be on target in respect of the performance conditions.

STT GDC Pte. Ltd. ("STT GDC")

STT GDC Pte. Ltd. other long-term employee benefits

The STT GDC's Remuneration Committee ("STT GDC RC") approved the following long-term incentive plans with effective commencement date of 1 January 2016:

(i) Value-Sharing Incentive Plan ("VSIP")

A VSIP incentive pool is created based principally on a modified Wealth Added ("WA") concept and framework. WA is a risk adjusted performance measure that establishes whether shareholders earned a return that exceeds the current year cost of equity on the market value of listed investments and the original investment value of unlisted investments accumulated with the historical cost of equity from the date of investment to the beginning of the current year.

The VSIP incentive pool is allocated individually to participants of the scheme. Each year, a portion of the allocated VSIP incentive, together with a portion of cumulative unpaid VSIP incentive carried forward from the previous year, will be paid out in cash, if the aggregate balance is positive. The remaining balance of the unpaid allocated incentives will be carried forward to be aggregated with future VSIP allocations. The steady state payout portions will be 33% each year, or such other percentages as approved by the STT GDC RC.

(ii) **Special Reserve Account**

The STT GDC RC approved the establishment of a Special Reserve Account (“SRA”) with a current balance of \$4 million (2016: \$ nil) from unallocated long-term incentive funds in 2017. Utilisation of amounts in the SRA is subject to the approval of the STT GDC RC.

(ii) **Defined benefit obligation**

One of the subsidiaries under STT GDC Group has a gratuity plan which provides for lump sum payments to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. The cost of providing this benefit is determined using the Project Unit Credit method, with actuarial valuations being carried out at each reporting date.

Cash-settled share-based compensation benefits

STT GDC Pte. Ltd. Long Term Incentive Plans

The STT GDC RC approved the following long-term incentive plans with effective commencement date of 1 January 2016:

(i) **Investee Performance Units Plan (“IPUP”)**

A base number of IPUP units is granted to key management employees each year. Each annual grant will be subjected to performance conditions to be met over 3-5 years.

The release of the actual number of IPUP units under each grant will be determined based on the extent to which performance conditions are met. This number can vary between 0% to 150% of each base grant and will be paid in cash based on the initial unit value multiplied by the total compounded shareholders’ return of STT GDC’s portfolio of significant investments at the end of the performance period which can range from 3-5 years.

The fair value of services received in return for IPUP units granted are measured by reference to the fair value of IPUP units granted. The estimate of the fair value of the services received is measured based on a Monte Carlo simulation methodology model.

The key assumptions applied in the estimate of fair values are as follows:

Year of grant	2017	2016
Fair value at 31 December 2017	\$1.65	\$1.99
Portfolio cost of equity	8.42%	8.42%
Portfolio expected volatility	20.21%	20.21%
Portfolio expected dividends	—	—
Risk-free interest rate	1.66%	1.60%

Year of grant	2016
Fair value at 31 December 2016	\$0.96
Portfolio cost of equity	10.33%
Portfolio expected volatility	22.44%
Portfolio expected dividends	—
Risk-free interest rate	1.38%

(ii) Investee Appreciation Units Plan (“IAUP”)

IAUP units are granted annually. Each grant vests over 4 years and is exercisable up to 7 years from the start date of each grant during two exercise window periods provided each year.

The initial price for each grant is set at \$1.00 per IAUP unit. At each exercise window period, a “final value” will be determined for each unit of the respective grant based on \$1.00 adjusted by the compounded portfolio shareholders’ return percentage relative to the initial unit price at the start date of each grant. For any vested IAUP unit exercised, the difference between the determined “final value” for each grant and the initial \$1.00 value of each IAUP unit will be payable in cash to the employee.

The fair value of services received in return for IAUPs granted are measured by reference to the fair value of IAUPs granted. The estimate of the fair value of the services received is measured based on a Black-Scholes model. The key assumptions applied in the estimate of fair values are as follows:

Year of grant	2017	2016
Fair value at 31 December 2017	\$0.70	\$0.91
Portfolio expected volatility	20.21%	20.21%
Portfolio expected dividends	—	—
Expected remaining life	6	5
Risk-free interest rate	1.86%	1.76%

Year of grant	2016
Fair value at 31 December 2016	\$0.39
Portfolio expected volatility	22.44%
Portfolio expected dividends	—
Expected remaining life	6
Risk-free interest rate	2.11%

(iii) Restricted Share Units Plan (“RSUP”)

The RSUP units are granted to non-executive directors (“NEDs”) each year as part of their director’s fees. Each grant is subject to the retention condition of the grant, and is exercisable during the annual two-week exercise period. The retention condition requires 50% of the units of each grant to be retained by the NED up to the earlier of 4 years from the start date of each grant or one year after he ceases to be a NED.

The initial price for each grant is set at \$1.00 per RSUP unit. During each exercise period, a “final value” will be determined for each unit of the respective grant based on \$1.00 adjusted by the compounded portfolio shareholders’ return relative to the initial unit price at the start date of each grant up to the valuation date. For any RSUP unit exercised, its “final value” will be payable in cash to the NED.

The fair value of services received in return for RSUPs granted are measured by reference to the fair value of RSUPs granted. The estimate of the fair value of the services received is measured based on a Black-Scholes model.

The key assumptions applied in the estimate of fair values are as follows:

Year of grant	2017
Fair value at 31 December 2017	\$1.81
Portfolio expected volatility	20.21%
Portfolio expected dividends	—
Expected remaining life	3
Risk-free interest rate	1.68%

STT Virtus HoldCo Limited (“Virtus”) Long Term Incentive Plan

The shareholders of Virtus approved the following long-term incentive plans (“LTIP”) with an effective commencement date of 2 February 2017.

- (i) Executive Management Scheme (“EMS”) applicable to key management employees
- (ii) Key Employees Scheme (“KES”) applicable to employees

The LTIP is designed to provide long-term incentives for employees at all levels to deliver long-term shareholder returns. Under the plan, participants are granted cash-settled units each year, the value of which is tied to the fair value of Virtus based on the underlying equity value of Virtus (“the initial share price”). The amount of cash payment is determined based on the increase in the fair value of Virtus’s share between the grant date (“the initial share price”) and the exercise date. Each grant vests over 4 years and is exercisable up to 7 years from the start date of each grant.

The fair value of services received in return for LTIP granted are measured by reference to the fair value of LTIP granted. The estimate of the fair value of the services received is measured based on the Black Scholes Model. The key assumptions applied in the estimate of fair values for EMS and KES are as follows:

Year of grant	2017
Fair value at 31 December 2017	\$1.39 - \$2.34
Initial share prices	\$1.78 - \$3.20
Portfolio expected volatility	25.29%
Portfolio expected dividends	—
Expected remaining life	6
Risk-free interest rate	0.86%

STT Global Data Centres India Private Limited ("STT India") Long Term Incentive Plan

In August 2017, the STT India Remuneration Committee approved the Appreciation Unit Plan ("AUP") for STT India's employees. The AUP units are granted annually. Each grant is divided into four tranches of 25% and each tranche can be encashed upon meeting stated encashment conditions during two exercise window periods provided each year. The contractual life is 7 years.

The initial value for each grant is set at \$2.12 (INR100) per AUP unit. At each exercise window period, a "final value" will be determined for each unit of the respective grant based on INR100 adjusted by the compounded shareholders' return percentage relative to the initial unit price at the start date of the grant. For any AUP unit exercised, the difference between the determined "final value" for each grant and the initial unit price will be payable in cash to the employee.

The estimate of the fair value of the services received is measured based on a Black-Scholes model. The key assumptions applied in the estimate of the fair values are as follows:

Year of grant	2017
Fair value at 31 December 2017	\$1.06
Portfolio expected volatility	21.76%
Portfolio expected dividends	—
Expected remaining life	6.25
Risk-free interest rate	7.41%

35 Significant related party transactions

In addition to the transactions disclosed elsewhere in the financial statements, there were the following significant related party transactions during the financial year:

	2017 \$'m	Group 2016 \$'m
Related corporations		
Purchase of property, plant and equipment	(4)	(5)
Rental expenses	(75)	(81)
Revenue	52	44
Service expenses	(90)	(100)

36 Financial risk management

Wholly-owned operating subsidiaries adopt the Company's financial risk management framework and guidelines; non-wholly-owned operating subsidiaries will be supervised by their respective boards, being subject to the legal and statutory governance required of the entities. Financial risk management at the operating companies that are not subsidiaries are reviewed and managed by their respective management and supervised by the respective Boards.

The Company has board representations in the operating companies. Management of each operating company is responsible and accountable for the risk management processes of its company. The financial risk management disclosures relating to the Company and certain significant operating companies as extracted from the financial risk management section in their respective financial statements are disclosed below.

(a) The Company, STTC and Asia Mobile Holdings Pte. Ltd. (the "holding companies")

Financial risk management objectives and policies

The Company (including its wholly-owned investment holding subsidiaries ("STT entities")), STTC and Asia Mobile Holdings Pte. Ltd. ("Asia Mobile Holdings"), have principal activities of that of an investment holding company that owns and manages its operating subsidiaries and affiliates on an arm's length and commercial basis. In general, the holding companies do not guarantee the financial obligations of their operating companies.

The holding companies have risk guidelines for approval authorities, reporting requirements and procedures for managing their financial risks. The holding companies' management teams operate the risk management framework within the risk guidelines established and approved by the holding companies' Board of Directors.

Exposures to credit, liquidity, market, interest rate and currency risks arise in the normal course of the holding companies' business. The holding companies have risk management guidelines which set out their tolerance of risk and their general risk management philosophy, and have a framework to monitor the exposures and ensure appropriate measures are implemented in a timely and effective manner. The management of these risks is discussed below:

Credit risk

A credit guideline is in place and the exposure to credit risk is monitored on an ongoing basis. Limits are set for counterparties of different credit standing and also vary with the type of transaction. These limits will cap the credit risk exposure to any single counterparty.

The carrying amount of financial assets represents the holding companies' maximum exposure to credit risk. Cash and fixed deposits are placed with financial institutions which are regulated. The holding companies do not hold any collateral in respect of their financial assets.

The allowance account in respect of balances with related parties is used to record impairment losses unless the holding companies are satisfied that no recovery of the amount owing is possible. At the point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written against the carrying amount of the impaired financial asset.

Liquidity risk

The holding companies monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance their operations and to mitigate the effects of fluctuations in cash flows. As far as possible, the holding companies will always raise committed funding from both capital markets and financial institutions and prudently balance its portfolio with some short-term funding so as to achieve overall cost effectiveness.

The following are the expected contractual undiscounted cash outflows of non-derivative financial liabilities and derivative assets:

Company	2017				2016			
	Within 1 year \$'m	2 to 5 years \$'m	After 5 years \$'m	Total \$'m	Within 1 year \$'m	2 to 5 years \$'m	After 5 years \$'m	Total \$'m
Non-derivative financial liabilities								
Other payables and accruals	1	—	—	1	2	—	—	2
Bank and other borrowings	18	73	503	594	18	73	521	612
Balances with related parties	425	—	—	425	—	—	—	—
	<u>444</u>	<u>73</u>	<u>503</u>	<u>1,020</u>	<u>20</u>	<u>73</u>	<u>521</u>	<u>614</u>

STTC	2017				2016			
	Within 1 year \$'m	2 to 5 years \$'m	After 5 years \$'m	Total \$'m	Within 1 year \$'m	2 to 5 years \$'m	After 5 years \$'m	Total \$'m
Non-derivative financial liabilities								
Other payables and accruals	22	—	—	22	13	—	—	13
Balances with related parties	443	73	503	1,019	64	73	521	658
	<u>465</u>	<u>73</u>	<u>503</u>	<u>1,041</u>	<u>77</u>	<u>73</u>	<u>521</u>	<u>671</u>

	Within 1 year \$'m	2017 2 to 5 years \$'m	Total \$'m	Within 1 year \$'m	2016 2 to 5 years \$'m	Total \$'m
Asia Mobile Holdings						
<i>Non-derivative financial liabilities</i>						
Bank loans	19	926	945	18	960	978
Other payables and accruals	2	—	2	3	—	3
Balances with related parties	13	—	13	13	—	13
Interest rate swap used for hedging	5	—	5	2	—	2
<i>Derivative financial assets</i>						
Interest rate swaps used for hedging	1	—	1	—	—	—
	38	926	964	36	960	996

The maturity analyses show the undiscounted cash flows of the holding companies' financial liabilities on the basis of their earliest possible contractual maturity.

For derivative financial instruments, the cash inflows represent the contractual undiscounted cash flows relating to these instruments. The amounts are compiled on a net basis for derivatives that are net-settled. Gross inflows and outflows are included for derivatives that are gross-settled on a simultaneous basis. Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the holding companies' floating rate loans.

Market risk

The holding companies are exposed to investment risks from their investment portfolio, which is largely long term investments. These investments are concentrated in the telecommunication sector. The market value of the listed portfolio is subject to fluctuations due to volatility of the stock markets.

The holding companies mitigate these investment risks through stringent selection of investment opportunities and proper structuring of the investment transactions. Changes in the share prices of the listed investments are monitored for divestment decision-making as well as provision for any potential impairment loss.

Interest rate risk

The holding companies' exposure to market risk for changes in interest rates relates primarily to its debt obligations. The holding companies' policy is to manage interest rates through a combination of fixed and floating rate debt. Derivative financial instruments such as interest rate swaps may also be used, when appropriate and based on market conditions, to reduce exposure to floating interest rate risk.

At 31 December, the holding companies' have outstanding interest rate swap contracts for hedging of floating rate interest obligations by swapping them for fixed rate interest obligations with notional principal amounts as follows:

	Asia Mobile Holdings	
	2017	2016
	\$'m	\$'m
Interest rate swap contracts	702	718

Sensitivity analysis

Asia Mobile Holdings' borrowings at variable rates are denominated in Singapore dollars and US dollars. An increase/(decrease) in the interest rates by 100 basis points (2016: 100 basis points) with all other variables remaining constant, will result in Asia Mobile Holdings' profit before taxation to be lower/(higher) by \$2 million (2016: \$2 million). The analysis is performed on the same basis for 2016.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they reprice.

	Effective interest rate %	Total \$'m	Floating interest \$'m	Fixed interest rate maturing within 1 year \$'m	in 2 to 5 years \$'m
STTC					
2017					
Financial assets					
Fixed deposits	0.95 – 2.90	1,787	1,787	—	—
2016					
Financial assets					
Fixed deposits	0.19 – 1.55	28	28	—	—
Asia Mobile Holdings					
2017					
Financial assets					
Fixed deposits	0.60 – 1.65	89	89	—	—

	Effective interest rate %	Total \$'m	Floating interest \$'m	Fixed interest rate maturing within 1 year \$'m	in 2 to 5 years \$'m
Asia Mobile Holdings					
2017					
<i>Financial liabilities</i>					
Unsecured long-term bank loans:					
- Floating rate	2.00 – 2.54	905	905	–	–
- Effect of interest rate swap	1.82 – 2.20	–	(702)	–	702
		905	203	–	702
2016					
<i>Financial assets</i>					
Fixed deposits	0.40 - 0.82	111	111	–	–
<i>Financial liabilities</i>					
Unsecured long-term bank loans:					
- Floating rate	1.96 - 2.02	917	917	–	–
- Effect of interest rate swap	1.82 - 2.20	–	(718)	–	718
		917	199	–	718

Currency risk

The holding companies are exposed to foreign currency risk on transactions that are denominated primarily in currencies other than the functional currency of the holding companies. It is the holding companies' policy to hedge these risks as they arise whenever possible. The holding companies may use currency swaps and forward exchange contracts to hedge the foreign currency risk on committed currency exposures. At the reporting date, the currencies giving rise to this risk are primarily the US dollar.

The holding companies do not hedge the foreign exchange exposure with respect to their venture and long term strategic capital investments made in various countries as forecasts of the timing and quantum of the realisable proceeds cannot be reasonably determined. This exposure is regarded as an integral part of the holding companies' investment risks and any gain or loss forms part of the holding companies' investment returns.

At 31 December 2017 and 2016, the holding companies do not have outstanding currency swaps contracts for hedging purposes.

The holding companies incur foreign exchange risk on cash and cash equivalents, loans and balances with related parties that are denominated in currencies other than the functional currency. The currency giving rise to this risk is primarily the US dollar.

The holding companies' exposure to US dollar are as follows:

	STTC		Asia Mobile Holdings	
	2017	2016	2017	2016
	\$'m	\$'m	\$'m	\$'m
Amounts due from related parties	193	299	80	88
Cash and cash equivalents	1,748	88	48	53
Bank loans	—	—	(222)	(238)
Net exposure	1,941	387	(94)	(97)

Sensitivity analysis

At 31 December, a 1% (2016: 1%) strengthening of Singapore dollar against the US dollar would increase/(decrease) profit before taxation by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

	STTC		Asia Mobile Holdings	
	2017	2016	2017	2016
	\$'m	\$'m	\$'m	\$'m
Profit before taxation				
US dollar	(19)	(4)	1	1

A 1% weakening of Singapore dollar against the US dollar would have had the equal but opposite effect.

Fair values

Floating interest bearing loans and balances with related parties

No fair value is calculated as the holding companies believe that the carrying amounts of floating interest bearing loans and balances with related parties which are repriced within 3 to 6 months from the reporting date, reflect the corresponding fair values.

Fixed interest bearing borrowings and balance with related party

The fair value of fixed interest bearing borrowings and balance with related party are calculated using discounted cash flow model based on the present value of future principal and interest cash flow, discounted at the market rate at the reporting date. The carrying amounts of the loans approximate their fair value.

Fixed interest bearing medium term notes

The fair value of fixed interest bearing medium term notes are based on the quoted market price at the reporting date.

Derivatives

Marked to market valuations of the interest rate swaps are provided by the banks. These quotes are independently tested using alternate pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date. Where other pricing models are used, inputs are based on market related data at the reporting date.

Cash and cash equivalents, other receivables, other payables and accruals, and current balances with related parties

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

Investments in equity securities held by wholly-owned investment holding subsidiaries

The fair values of available-for-sale financial assets that are indirectly held through wholly-owned investment holding subsidiaries of the holding companies are determined by using valuation techniques.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table represents the assets and liabilities measured at fair value, using Level 1 valuation method, at the reporting date:

	STT entities	
	2017	2016
	\$'m	\$'m
Available-for-sale financial asset	2,085	—

The following table represents the assets and liabilities measured at fair value, using Level 2 valuation method, at the reporting date:

	Asia Mobile Holdings	
	2017	2016
	\$'m	\$'m
Mark-to-market derivative (liabilities)/assets		
- Interest rate swaps	(4)	(2)

The following table represents the assets and liabilities measured at fair value, using Level 3 valuation method, at the reporting date:

	STT entities	
	2017	2016
	\$'m	\$'m
Derivative asset	1	1
Available-for-sale financial asset	163	130
Contingent consideration	7	7
Convertible notes	26	—

Available-for-sale financial asset and derivative asset

Management has assessed that the available-for-sale financial asset and derivative asset are appropriate estimations of their fair value as there has been no significant change since acquisition in the financial performance of the investee compared with management's original budget; and in the economic environment in which the investee operates. Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The key input and assumption used in the models include:

EBITDA multiple

The expected EBITDA multiple is determined by using the average of the EBITDA multiples based on comparable cable television companies in the region at the reporting date.

The fair values of the available-for-sale financial asset and derivative asset will increase/(decrease) if the expected EBITDA multiple is higher/(lower).

An increase of 0.5 (2016: 0.5) in the EBITDA multiple would result in an increase of the Group's equity of \$9 million (2016: \$10 million). A decrease of 0.5 (2016: 0.5) in the EBITDA multiple would result in a decrease in the Group's equity of \$9 million (2016: \$10 million). The change in the EBITDA multiple would not have a significant impact in the profit before taxation.

The changes in fair value of the available-for-sale financial asset and derivative asset are not significant in 2016 and 2017.

Contingent consideration

The fair value of the contingent consideration is calculated based on the expected payment amount and its associated probabilities (i.e. probability-weighted). Since the contingent consideration is long-term in nature, it is discounted to present value. Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

Key inputs and assumptions used in the models include:

Discount rate

The discount rate applied is based on the long term borrowing rate of 6.73% (2016: 6.66%) in the relevant market.

Budgeted EBITDA

Budgeted EBITDA has been based on U Mobile management's assessment of anticipated future trends and actual operating results of the subsidiary.

Changing one or more of the significant unobservable inputs used to reasonably estimate possible alternative assumptions would have no significant impact on the fair value of the contingent consideration.

Convertible notes

At reporting date, management is of the view that the transaction price amounting to \$26 million was representative of the notes' fair value, given that there were no significant events since the date of acquisition to 31 December 2017 that would result in a significant change in the fair value of the notes.

(b) Operating companies in the Group

StarHub Ltd and its subsidiaries ("StarHub Group")

Financial risk management objectives and policies

Exposure to credit, liquidity, interest risk, foreign exchange and market risks arises in the normal course of StarHub Group's business. StarHub Group has written risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy, and has established processes to monitor and control the hedging of transactions in a timely and accurate manner.

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

Credit risk

StarHub Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Periodic frequent credit reviews and counterparty credit limits are practised.

StarHub Group has no significant concentration of credit risk from trade receivables due to its large diversified customer base. Credit evaluations are performed on corporate customers requiring credit. Identification documents are obtained from retail customers. Deposits are obtained for certain categories of higher risk customers.

StarHub Group places its cash and cash equivalents and enters into treasury transactions only with creditworthy banks and financial institutions.

The maximum credit risk exposure is represented by the carrying value of each financial asset in the balance sheet.

Liquidity risk

StarHub Group actively monitors its liquidity risk and manages its operating cash flows, debt maturity profile and availability of funding. StarHub Group also maintains sufficient level of cash and cash equivalents, expects to generate sufficient cash flows from its operation, and has available funding through diverse sources of committed and uncommitted credit facilities from banks and the capital market through its multicurrency debt issuance programme to ensure that there are adequate credit facilities which may be utilised when the need arises to meet its working capital requirements.

At the end of the reporting period, assets held by StarHub Group for managing liquidity risk included cash and short-term deposits, as well as available credit from its multicurrency debt issuance programme. In addition, StarHub Group also reviews compliance with loan covenants.

The following are the expected contractual undiscounted cash outflows (including interest payments) of financial liabilities:

	2017				2016			
	Contractual cash flows				Contractual cash flows			
	Within 1 year \$'m	2 to 5 years \$'m	After 5 years \$'m	Total \$'m	Within 1 year \$'m	2 to 5 years \$'m	After 5 years \$'m	Total \$'m
Non-derivative financial liabilities								
Bank and other borrowings	145	647	337	1,129	34	560	575	1,169
Trade and other payables	615	—	—	615	578	—	—	578
Balances with related parties	65	—	—	65	67	—	—	67
Total	825	647	337	1,809	679	560	575	1,814

The following table indicates the periods in which the cash flow hedges are expected to affect the income statement:

	Total \$'m	Within 1 year \$'m	After 1 year but within 5 years \$'m
2017			
Derivative financial liabilities			
Forward exchange contracts used for hedging (gross-settled)			
- Outflow	(351)	(283)	(68)
- Inflow	339	273	66
	(12)	(10)	(2)

	Total \$'m	Within 1 year \$'m	After 1 year but within 5 years \$'m
2016			
Derivative financial assets			
Forward exchange contracts used for hedging (gross-settled)			
- Outflow	(118)	(118)	—
- Inflow	123	123	—
	<u>5</u>	<u>5</u>	<u>—</u>

The maturity analysis shows the contractual undiscounted cash flows of the Group and the Company's derivative financial instruments on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity.

It is not expected that the cash flows included in the maturity analysis above could occur significantly earlier, or at significantly different amounts.

Market risk

Interest rate risk

StarHub Group's exposure to market risk for changes in interest rates relates primarily to StarHub Group's debt obligations.

StarHub Group adopts a policy of ensuring that at least 50 percent of its exposure to changes in interest rates on bank loans is on a fixed rate basis. Interest rate swaps, denominated in Singapore dollar, have been entered into to achieve this purpose.

At 31 December 2016, StarHub Group had outstanding interest rate swap agreements with notional principal amounts totalling \$20 million in cash flow hedges against borrowings. These interest rate swaps had matured over the remaining term of 0.5 year to hedge the floating semi-annual interest payments on borrowings. The fixed interest payable has interest rates at 0.86% per annum. There are no outstanding interest rate swap agreements as at 31 December 2017.

Sensitivity analysis

StarHub Group's borrowings are denominated in Singapore dollar. An increase/decrease in the interest rates by 100 basis points (2016: 100 basis points) with all other variables remaining constant, does not have a material impact in the Group's profit before taxation.

Foreign currency risk

StarHub Group incurs foreign exchange risk on sales and purchases that are denominated in currencies other than Singapore dollar. The currency giving rise to this risk is primarily the US dollar.

StarHub Group's exposures to US dollar are as follows:

	2017 \$'m	2016 \$'m
Trade and other receivables	40	73
Cash and cash equivalents	33	55
Trade and other payables	(120)	(157)
	<u>(47)</u>	<u>(29)</u>

For operations with significant expenditure denominated in foreign currencies, forward exchange contracts are entered into to hedge the foreign currency risk on committed payment obligations. At 31 December 2017, StarHub Group has outstanding forward exchange contracts with notional principal amounts of approximately \$352 million (2016: \$118 million).

In respect of other monetary liabilities held in foreign currencies, StarHub Group ensures that the net exposure is kept to an acceptable level by buying foreign currencies at spot rates where necessary to address any shortfalls.

Sensitivity analysis

Starhub Group has assessed that a reasonable change in the exchange rate would not result in a material impact on the Group's results.

Other market price risk

The Group has investments in quoted equity shares. The market values of these investments will fluctuate with market conditions.

Sensitivity analysis

The Group has assessed that a reasonable change in the share price would not result in a material impact on the Group's equity.

Classification of financial instruments

	Carrying amount 2017 \$m	2016 \$m
Loans and receivables		
Cash and cash equivalents	345	285
Trade receivables	202	172
Other receivables [#]	107	141
Amounts due from related parties	39	29
	<u>693</u>	<u>627</u>

	Carrying amount	
	2017	2016
	\$m	\$m
Available-for-sale financial assets		
Quoted equity securities	60	40
Financial liabilities at amortised cost		
Trade and other payables [^]	(482)	(465)
Amounts due to related parties	(65)	(67)
Borrowings	(978)	(988)
	(1,525)	(1,520)
Fair value hedging instruments		
Forward exchange contracts used for hedging hedge	(12)	5

The carrying amount of other receivables disclosed in the table excludes prepayments.

[^] The carrying amount of trade and other payables disclosed in the table excludes deferred income, unearned revenue, marked-to-market financial instruments, net GST payable and employee benefits.

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of StarHub Group.

Derivatives

Marked to market valuations of the forward exchange contracts are provided by the banks. For interest rate swaps, valuations are also provided by the banks. Those quotes are tested using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on StarHub's management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date. Where other pricing models are used, inputs are based on market related data at the reporting date.

Borrowings

The fair value of borrowings which reprice within one year of reporting date were assumed to equate the carrying value. All other borrowings are calculated using discounted cash flow models based on the present value of future principal and interest cash flows, discounted at the market rate at the reporting date.

Amounts due from related parties (non-current)

Non-current amounts due from related parties are calculated using discounted cash flow model based on the present value of future principal and interest cash flows, discounted at the market rate at the reporting date.

Available-for-sale quoted equity securities

The carrying amount of the available-for-sale financial asset approximates its fair value.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values.

Interest rates used in determining fair values

StarHub Group uses the interbank swap yield as of year-end plus an adequate, constant credit spread to discount financial instruments. The interest rates used are as follows:

	2017 % per annum	2016 % per annum
Derivatives	—	0.86

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table represents the assets and liabilities measured at fair value, using Levels 1 and 2 valuation method, at the reporting date:

	Fair value level	2017 \$'m	2016 \$'m
Financial assets			
Mark-to-market financial instruments			
- Forward exchange contracts	2	—	5
- Available-for-sale financial asset	1	60	40
Financial liabilities			
Mark-to-market financial instruments			
- Forward exchange contracts	2	12	—

There were no transfers between Levels 1 and 2 in 2017 and 2016.

TeleChoice International Limited and its subsidiaries (“TeleChoice Group”)

Financial risk management objectives and policies

TeleChoice Group’s activities expose it to credit risk, liquidity risk and market risk (including interest rate risk and currency risk). TeleChoice Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. TeleChoice Group’s management continually monitors TeleChoice Group’s risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and TeleChoice Group’s activities.

Credit risk

Credit risk is the risk of financial loss to TeleChoice Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from TeleChoice Group’s receivables from customers.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Trade and other receivables

TeleChoice Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2017, the TeleChoice Group has 41% (2016: 36%) of total receivables due from one (2016: one) major customer, and approximately 43% (2016: 39%) of TeleChoice Group’s revenue is attributable to sales transactions with this one (2016: one) customer.

TeleChoice Group has a credit policy under which each new customer is analysed individually for creditworthiness before TeleChoice Group’s standard payment and delivery terms and conditions are offered. TeleChoice Group’s review includes external ratings, where available, and in some cases bank references. Otherwise, the credit quality of customers is assessed after taking account its financial position and past experience with the customers. Credit exposure to customers is restricted by credit limits that are approved by TeleChoice Group Credit Control Committee at the entity level and the continuous monitoring by the Committee.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a multinational corporation, wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to TeleChoice Group’s related parties and multinational corporations.

TeleChoice Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

There are no other significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

TeleChoice Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance TeleChoice Group's operations and to mitigate the effects of fluctuations in cash flows. TeleChoice Group maintains sufficient level of cash and cash equivalent to meet its working capital. When required, TeleChoice Group also obtains short-term bridging arrangement with banks to pay for their purchases of equipment.

The management of TeleChoice Group monitors cash flow requirements through regular cash flow forecast carried out at the operating companies' level in accordance with the working capital requirement. TeleChoice Group sets asset productivity targets which vary by entity and location taking into consideration the business environment that the entity operates in. Asset productivity targets used are debtor and inventory turnover days.

In addition, TeleChoice Group maintains total lines of credit of \$127 million (2016: \$138 million) for revolving credit and working capital line facilities, at a margin over cost of funds.

The following are the expected contractual undiscounted cash outflows of financial liabilities:

Group	Carrying amount \$'m	Contractual cash flows \$'m	Less than 12 months \$'m	1 to 5 years \$'m
2017				
Variable interest rate loans	16	16	16	—
Trade and other payables*	79	79	77	2
	<u>95</u>	<u>95</u>	<u>93</u>	<u>2</u>
2016				
Variable interest rate loans	7	7	7	—
Fixed interest rate loans	5	5	—	5
Trade and other payables*	79	79	76	3
	<u>91</u>	<u>91</u>	<u>83</u>	<u>8</u>

* Exclude prepayments and provisions

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. TeleChoice Group's exposure to cash flow interest rate risks arises mainly from short-term floating rate borrowings. TeleChoice Group does not use derivative financial instruments to hedge its interest rate risk.

Effective interest rate and repricing analysis

In respect of the interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they reprice:

	2017		2016	
	Effective interest rate %	Floating interest \$'m	Effective interest rate %	Floating interest \$'m
Financial liabilities				
Unsecured bank loans	1.64 to 8.95	<u>16</u>	2.65 to 9.20	<u>12</u>

Sensitivity analysis

TeleChoice Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in Singapore Dollars. The fluctuation in interest rates does not have a material impact to the financial statements.

Foreign currency risk

TeleChoice Group is exposed to foreign currency risk in respect of bank deposits as well as sales and purchases that are denominated in a currency other than TeleChoice Group entities' functional currencies. The currency giving rise to this risk is primarily the US dollars. The risk arises mainly from timing mismatches between such sales and purchases denominated in these currencies. TeleChoice Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

TeleChoice Group's investments and long-term loan to its subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

The TeleChoice Group's exposure to US dollars is as follows:

	US Dollars	
	2017 \$'m	2016 \$'m
Trade and other receivables	2	4
Cash and cash equivalents	5	5
Trade and other payables	(10)	(11)
Net exposure	<u>(3)</u>	<u>(2)</u>

Sensitivity analysis

A 10% strengthening/weakening of US dollars against the Singapore dollars do not have a material impact to the financial statements.

Estimation of fair values

As at 31 December 2017, the fair value of non-current other receivables, other payables and unsecured bank loans amounted to \$3 million (2016: \$4 million), \$2 million (2016: \$3 million) and nil (2016: \$5 million) respectively.

The notional amounts of financial assets and liabilities with maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and other financial liabilities) are assumed to approximate their fair values because of the short period to maturity.

U Mobile Sdn. Bhd. and its subsidiary ("U Mobile Group")

Financial risk management objectives and policies

U Mobile Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk and foreign currency risk. The Board of Directors of U Mobile Group reviewed and agreed on the policies and procedures for the management of these risks, which are executed by the Head of Finance of U Mobile Group. U Mobile Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the businesses whilst managing its interest rate risk, liquidity risk, credit risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. U Mobile Group has no significant interest-bearing financial assets, however its interest-bearing loans are exposed to interest rate risk. U Mobile Group's income and operating cash flows are substantially independent of changes in market interest rates.

U Mobile Group's exposure to interest rate risk arises primarily from its short term deposits and hire purchase facilities.

Liquidity risk

Liquidity risk is the risk that U Mobile Group will encounter difficulties in meeting financial obligations due to shortage of funds. U Mobile Group manages its liquidity risk by closely monitoring the maturity profile of its debt. Where there are anticipated funding requirements, U Mobile Group discusses them with the shareholders with the view of considering available financing options to meet its current financial obligation. As part of its overall liquidity management, U Mobile Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

The table below summarises the maturity profile of U Mobile Group's financial liabilities at the reporting date based on the contractual undiscounted repayment obligations.

	2017				2016		
	Within 1 year	Within 2 to 5 years	After 5 years	Total	Within 1 year	After 1 year but within 5 years	Total
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Trade and other payables	800	303	—	1,103	656	48	704
Loans and borrowings	100	—	—	100	20	70	90
Other undiscounted financial liabilities	21	86	172	279	21	272	293
	921	389	172	1,482	697	390	1,087

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments if a counterparty defaults on its obligations. U Mobile Group's exposure to credit risk arises primarily from trade and other receivables and cash and cash equivalents. Credit risk is managed by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting U Mobile Group's associations only to business partners with high creditworthiness. Deposits are placed only with reputable licensed financial institutions.

The maximum credit exposure on trade receivables is limited to the carrying amount of the receivables less allowance for impairment, whereas the maximum exposure for other receivables and cash and cash equivalents are the reported carrying amounts in the financial statements.

U Mobile Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

U Mobile Group has transactional currency exposures arising from services performed or purchases that are denominated in a currency other than the functional currency of U Mobile Group. The foreign currencies in which these transactions are denominated are mainly US dollars, Singapore dollars, Euro dollars, and Special Drawing Right. Special Drawing Right is a basket of currencies which is used to denominate international roaming transactions.

Approximately 10% (2016: 15%) of costs are denominated in foreign currencies. 30.5% (2016: 31%) of U Mobile Group's trade payables are denominated in foreign currencies at the reporting date, while 0.1% (2016: 0.3%) of U Mobile Group's trade receivables are denominated in foreign currencies as at the reporting date. U Mobile Group's trade receivables and trade payables balances at the reporting date have similar exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

U Mobile Group's foreign currency forward contracts are executed only with creditworthy financial institutions in Malaysia which are governed by appropriate policies and procedures. The cash requirement for settling these foreign currency forward contracts is solely from U Mobile Group's working capital.

Sensitivity analysis

At 31 December 2017, a 5% (2016: 5%) strengthening/weakening of Malaysia Ringgit against the US dollars, Singapore dollars, Euro dollars and Special Drawing Right does not have a material impact to the financial statements. This analysis assumes that all other variables remain constant.

Estimation of fair values

The carrying amounts of cash and cash equivalents, short term receivables, payables and short term borrowing approximate fair value due to the relatively short term nature of these financial instruments.

Hire purchase payables

The fair value of the hire purchase payables are estimated by discounting expected future cash flows at market incremental lending rate for similar types of leasing arrangements at the reporting date.

Loans and borrowings

The carrying amounts of the current and non-current portion of loans and borrowings other than RCPS are reasonable approximations of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Derivatives

Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates.

STT GDC Pte. Ltd. and its subsidiaries ("STT GDC Group")

Financial risk management objectives and policies

STT GDC Group's activities expose it to credit risk, liquidity risk, market risk, interest rate risk, foreign currency risk and price risk. STT GDC Group has risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy, and has established processes to monitor and control the hedging of transactions in a timely and accurate manner.

Credit risk

Credit risk is the risk of financial loss to STT GDC Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from STT GDC Group's trade receivables from customers.

STT GDC Group has a credit guidelines in place and the exposure to credit risk is monitored on an ongoing basis. Periodic frequent credit reviews and counterparty credit limits are practised.

The carrying amount of financial assets in the balance sheet represents STT GDC Group's maximum exposure to credit risk. STT GDC Group places its cash and cash equivalents and enters into treasury transactions only with creditworthy banks and financial institutions.

STT GDC Group's primary exposure to credit risk arises through its trade receivables. STT GDC Group's historical experience in the collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in STT GDC Group's trade receivables.

At 31 December 2017, there were no significant concentrations of credit risk, except for 53.1% (2016: 14.9%) of trade receivables relating to five (2016: one) major customers of STT GDC Group.

Liquidity risk

Liquidity risk is the risk that STT GDC Group will not be able to meet its financial obligations as and when they fall due.

STT GDC Group monitors its liquidity risk and actively manages its operating cash flows, debt maturity profile and availability of funding. STT GDC Group also maintains sufficient level of cash and cash equivalents, and has available funding through diverse sources of committed and uncommitted credit facilities from banks and loans from its related parties.

The following are the contractual maturities of financial liabilities and derivative financial instruments, including interest payments and excluding the impact of netting arrangement:

	2017				2016			
	Contractual cash flows				Contractual cash flows			
	Within 1 year \$'m	2 to 5 years \$'m	After 5 years \$'m	Total \$'m	Within 1 year \$'m	2 to 5 years \$'m	After 5 years \$'m	Total \$'m
Non-derivative financial liabilities								
Bank and other borrowings	59	831	120	1,010	21	352	36	409
Trade and other payables	119	2	—	121	62	—	—	62
Balances with related parties	22	1,043	—	1,065	25	586	—	611
Finance lease liabilities	7	55	153	215	—	—	—	—
Derivative financial liabilities								
Other non-current liabilities	—	54	—	54	—	5	—	5
Total	207	1,985	273	2,465	108	943	36	1,087

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency rates and prices rates affect STT GDC Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

i) Interest rate risk

STT GDC Group's exposure to market risk for changes in interest rates relates primarily to its debt obligations. Derivate financial instruments such as interest rate swaps and interest rate caps may be used, when appropriate and based on market conditions, to reduce exposure to floating interest rate risk.

At the reporting date, STT GDC Group has outstanding interest rate with notional amounts as follows:

	2017 \$'m	2016 \$'m
Interest rate swap contracts	138	—
Interest rate caps	68	—

Effective interest rates and repricing analysis

In respect of interest-bearing financial liabilities, the following table indicates their effective interest rates at reporting date and the periods in which they reprice.

			Floating rate		Fixed rate
	Effective interest rate %	Total \$'m	In 1 year	In 2 to 5 years \$'m	In 2 to 5 years \$'m
2017					
Financial liabilities					
Loans from immediate holding company	2.60 – 4.05	881	20	—	861
Loans from related parties	3.53	8	—	—	8
Long-term bank loan	1.72 – 8.40	765	—	765	—
Effect of interest rate swap	1.50 – 1.89	—	—	(138)	138
Short-term bank loan	2.61 – 8.40	16	16	—	—
		1,670	36	627	1,007
2016					
Financial liabilities					
Loans from immediate holding company	2.60 – 4.05	467	7	—	460
Loans from related parties	2.86 – 3.53	9	1	—	8
Long-term bank loan	1.72 – 3.06	317	317	—	—
		793	325	—	468

Sensitivity analysis

STT GDC Group's borrowings are denominated in Singapore dollar, US dollar and Indian Rupee. An increase in the interest rate by 100 basis points, with all other variables remaining constant, would have increased STT GDC Group's loss before tax by approximately \$7 million (2016: \$3 million). A decrease in the interest rate by 100 basis points would have the equal but opposite effect to STT GDC Group's loss before tax.

ii) Foreign currency risk

STT GDC Group incurs foreign exchange risk on sales and purchases that are denominated in currencies other than Singapore dollar. The currency giving rise to this risk is primarily the US dollar.

STT GDC Group's exposures to the USD (before intercompany eliminations) are as follows:

	2017 \$'m	2016 \$'m
Balances with related parties	1	(1)
Trade and other receivables	5	1
Cash and cash equivalents	4	—
Trade and other payables	—	(1)
	<u>10</u>	<u>(1)</u>

Sensitivity analysis

STT GDC Group has assessed that a reasonable change in the exchange rate would not result in a material impact on STT GDC Group's results.

iii) Price risk

STT GDC Group is exposed to price risk arising from its quoted investment in mutual funds, classified at fair value through profit or loss.

Sensitivity analysis

A 10% (2016: 10%) increase in the unit price of the mutual funds with all other variables held constant, would decrease STT GDC Group's loss before tax by \$2 million (2016: \$1 million). A 10% decrease in the cost price of the mutual funds would have the equal but opposite effects to STT GDC Group's loss before tax.

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of STT GDC Group.

Interest bearing borrowings and balances with related parties

No fair value is calculated for the floating rate loans as STT GDC Group believes that the carrying amounts, which are repriced within one year of reporting date reflect their corresponding fair value.

All other fixed rate borrowings of STT GDC Group amounting to \$861 million (2016: \$460 million) are calculated using discounted cash flow models based on the present value of future principal and interest cash flows, discounted at the market rate at the reporting date. The fair value of these borrowings approximates \$895 million (2016: \$499 million).

Quoted mutual funds

The fair value of quoted investments is determined directly by reference to their quoted bid prices at the reporting date.

Put option liabilities

Fair value determined for the put option liabilities are calculated based on the present value of the obligation computed based on the expected exercise price.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and balances with related parties) are assumed to approximate their fair values due to the short period to maturity.

The fair value of long-term receivables and payables are estimated based on the expected cash flows discounted to present value. The carrying amounts of these long-term receivables and payables approximate their fair value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table represents the assets and liabilities measured at fair value, using Level 1 and Level 3 valuation method, at the reporting date:

	Fair value level	2017 S'm	2016 S'm
Financial assets			
Other financial assets	1	18	13
Financial liabilities			
Put option liabilities	3	54	—

37 Capital management

The Company regularly reviews its balance sheet structure and use of capital, with the objective of achieving long-term capital efficiency, optimum shareholders' total returns and proper strategic positioning.

From time to time, the related parties, excluding operating companies, may purchase the shares of its subsidiaries and associates on the market; the timing of these purchases depends on market prices, amongst other factors. Such share purchases are intended to maintain the Group's shareholding in its subsidiaries and affiliates.

The capital employed by the Company consists of equity attributable to shareholders. There were no changes in the Company's approach to capital management during the year.

Certain companies in the Group are subject to certain financial covenants including tangible net worth, net debt, security value and net cash available for debt servicing under its loan facilities. Management of these companies in the Group monitors these covenants on a regular basis to ensure compliance.

38 Business combinations

The following are the significant acquisitions by the Group:

(i) *STT Tai Seng Pte. Ltd.'s acquisition of data centre co-location services business*

On 13 February 2017, the Group's subsidiary, STT Tai Seng Pte. Ltd., acquired Tata Communications International Pte Ltd's data colocation services business in Singapore for \$182 million.

From 14 February 2017 to 31 December 2017, the acquired data centre business contributed revenue of \$49 million and profit of \$6 million. If the acquisition had occurred on 1 January 2017, management estimates the consolidated revenue would have been \$7 million higher and consolidated profit for the year would have been \$1 million higher. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

The final allocation of the purchase price to the identifiable assets acquired and liabilities assumed in the acquisition has been completed. A goodwill of \$123 million has been recognised.

Identifiable assets acquired and liabilities assumed

	Note	2017 \$'m
Property, plant and equipment	3	57
Intangible assets (customer contracts and relationships)	4	42
Trade and other receivables		13
Trade and other payables		(4)
Loan from related party		(40)
Other non-current liabilities		(3)
Deferred tax liabilities	10	(7)
Total identifiable net assets		58
Goodwill acquired	5	123
Total purchase consideration		181
Purchase consideration contributed by non-controlling interest		(47)
Net purchase consideration as disclosed in the consolidated cash flow statement		134

The goodwill is attributable mainly to the synergies expected to be achieved through the Group's global data centre network to serve its existing and new customers. None of the goodwill recognised is expected to be deductible for tax purposes.

The trade receivables comprise gross contracted amounts due of \$10 million.

(ii) *Accel Systems & Technologies Pte. Ltd. ("ASTPL")*

On 26 May 2017, the Group entered into a conditional sale and purchase agreement to acquire 51% of the shares and voting interests in ASTPL. The transaction was completed on 10 July 2017 and as a result, the Group obtained control of ASTPL.

On 7 July 2017, the Group entered into another conditional sale and purchase agreement to acquire the remaining 49% of the shares and voting interests in ASTPL in 2 phases: 29.4% in Phase 2 and 19.6% in Phase 3. Phase 2 was completed on 11 July 2017 increasing the Group's equity interest from 51% to 80.4%.

ASTPL will enable the Group to strengthen its cyber security portfolio and give the Group the in-house capabilities to be an end-to-end provider of cyber security solutions and services.

For the six months ended 31 December 2017, ASTPL contributed revenue of \$13 million and profit of \$4 million to the Group's results. If the acquisition had occurred on 1 January 2017, management estimated that consolidated revenue would have been \$12 million higher, and consolidated profit for the year would have been \$1 million higher. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	2017 \$'m
Contingent consideration	5
Cash	30
Total consideration transferred	<u>35</u>

Contingent consideration

The Group has agreed to pay the selling shareholders in the next financial year ("FY") an additional consideration not exceeding \$5 million if the acquiree's cumulative net profit before tax for FY ending 31 March 2017 and 31 March 2018 exceeds an agreed performance target. The Group has included \$5 million as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition and at 31 December 2017.

	Notes	2017 \$'m
Property, plant and equipment	3	2
Intangible assets	4	10
Trade receivables		5
Other receivables, deposits and prepayments		2
Cash and cash equivalents		8
Trade and other payables		(4)
Provision for taxation		(1)
Deferred tax liabilities	10	(2)
Total identifiable net assets acquired		20
Non-controlling interests ("NCI")		(4)
Goodwill acquired	5	19
Total purchase consideration		35
Accrued contingent consideration	27	(5)
Cash and cash equivalents acquired		(8)
Acquisition of subsidiary, net of cash acquired as disclosed in the consolidated cash flow statement		22

The goodwill is attributable mainly to the skills and technical talent of ASTPL's work force, and the synergies expected to be achieved from integrating the company into the Group's existing cyber security capabilities. None of the goodwill recognised is expected to be deductible for tax purposes.

(iii) STT Virtus HoldCo Limited

On 27 September 2017, the Group's wholly-owned subsidiary, UKDC, acquired the remaining 51.0% of the equity interest in Virtus for £141 million (equivalent to \$259 million). As a result of the additional interest acquired, the Group was deemed to have acquired the control of Virtus and accounted for the additional investment as a step-up acquisition of a subsidiary.

The re-measurement to fair value of the Group's existing 49.0% interest in Virtus resulted in a gain of \$96 million, which has been recognised in profit or loss.

In the three months to 31 December 2017, Virtus contributed revenue of \$22 million and net loss after taxation of \$13 million to the Group. If the acquisition had occurred on 1 January 2017, consolidated revenue would have been \$43 million higher and consolidated profit for the year would have been \$43 million lower. In determining these amounts, management has assumed that fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

Based on the provisional allocation of the purchase price to the identifiable assets acquired and liabilities assumed in the acquisition, a provisional goodwill of \$361 million was recognised.

Identifiable assets acquired and liabilities assumed

	Note	2017 S'm
Property, plant and equipment	3	475
Intangible assets (customer relationships)	4	70
Derivative financial assets		1
Trade and other receivables		43
Cash and cash equivalents		16
Trade and other payables, accruals and provisions		(17)
Deferred revenue		(9)
Finance lease obligation	23	(111)
Bank borrowings	23	(310)
Other non-current liabilities		(9)
Total identifiable net assets		149
Non-controlling interests acquired		(2)
Total identifiable net assets acquired		147
Goodwill acquired	5	361
Total purchase consideration		508
Amount previously accounted as joint venture		(249)
		259
Cash acquired		(16)
Acquisition of subsidiary, net of cash acquired as disclosed in the consolidated cash flow statement		243

Deferred tax liabilities arising from the fair value adjustments of property, plant and equipment and intangible assets amounting to \$6 million and \$13 million respectively have been offset with the unrecognised tax losses and capital allowances carry forward.

The goodwill is attributable mainly to the synergies expected to be achieved through the Group's global data centre network to serve its existing and new customers. None of the goodwill recognised is expected to be deductible for tax purpose.

The fair values of property, plant and equipment and customer relationships have been determined provisionally pending the completion of an independent valuation.

(iv) STT Global Data Centres India Private Limited ("STT India") (formerly known as Tata Communications Data Centers Private Limited)

2016

On 19 October 2016, the Group's wholly-owned subsidiary, STT IDC, acquired a 74% equity interest in STT India for \$368 million. As a result of the interest acquired, the Group was deemed to have acquired control of STT India and accounted for the investment as a subsidiary.

In the 2 months to 31 December 2016, STT India contributed revenue of \$26 million and net loss after taxation of \$1 million to the Group. If the acquisition had occurred on 1 January 2016, consolidated revenue would have been \$120 million higher and consolidated profit for the year would have been \$1 million higher. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

Based on the provisional allocation of the purchase price to the identifiable assets acquired and liabilities assumed in the acquisition, a provisional goodwill of \$310 million was recognised in 2016.

Identifiable assets acquired and liabilities assumed

	Note	2016 \$'m
Property, plant and equipment	3	158
Intangible assets (customer relationships)	4	78
Financial assets		15
Trade and other receivables		55
Cash and cash equivalents		8
Trade and other payables, accruals and provisions		(44)
Bank borrowings		(164)
Other non-current liabilities		(2)
Deferred tax liabilities	10	(25)
Total identifiable net assets		79
Non-controlling interests acquired		(21)
Total identifiable net assets acquired		58
Goodwill acquired	5	310
Total purchase consideration		368
Cash acquired		(8)
Acquisition of subsidiary, net of cash acquired as disclosed in the consolidated cash flow statement		360

The goodwill is attributable mainly to the synergies expected to be achieved through the Group's global data centre network to serve its existing and new customers. None of the goodwill recognised is expected to be deductible for tax purposes.

The trade and other receivables comprise gross contractual amounts of \$42 million, of which \$2 million was expected to be uncollectible at the acquisition date.

The Group incurred acquisition related costs of \$4 million on legal, corporate advisory and due diligence fees.

The fair values of property, plant and equipment and customer relationships had been determined provisionally pending the completion of an independent valuation.

2017

During the year, the purchase price allocation was finalised and did not result in any material adjustments to the provisional values.

39 Finance lease liabilities

The Group leases land and building under a number of finance leases. Finance lease liabilities are payable as follows:

	Present value of minimum lease payments \$'m	Interest \$'m	Future minimum lease payments \$'m
2017			
Group			
Within 1 year	7	—	7
After 1 year but within 5 years	27	28	55
After 5 years	76	77	153
	<u>110</u>	<u>105</u>	<u>215</u>
		Note	2017
Present value of minimum lease payments:			\$'m
Current		27	7
Non-current		26	<u>103</u>
			<u>110</u>

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 2.4% to 7.5% per annum.

40 Commitments

Operating lease commitments – as lessee

Commitments for future minimum lease payments at the reporting date in respect of non-cancellable operating leases are as follows:

	Group	
	2017	2016
	\$'m	\$'m
Within 1 year	251	190
After 1 year but within 5 years	546	432
After 5 years	217	145
	<u>1,014</u>	<u>767</u>

The operating leases include leases of premises and network infrastructures. The leases have varying terms and renewal rights.

Operating lease commitments – as lessor

The Group has leased out certain data centre facilities under non-cancellable operating leases for which the minimum future lease receivables are as follows:

	Group	
	2017	2016
	\$'m	\$'m
Within 1 year	118	43
After 1 year but within 5 years	370	155
After 5 years	61	–
	<u>549</u>	<u>198</u>

The leases have varying terms and renewal rights. None of the operating leases is subject to contingent rent arrangements.

Capital commitments

	Group	
	2017	2016
	\$'m	\$'m
Capital expenditure	954	309

41 Contingent liability

In 2015, the Group, through Straits Mobile, acquired from Tan Sri Dato' Seri Vincent Tan Chee Yioun ("TSVT") the rights of TSVT and his affiliates (including U Telemedia Sdn Bhd) to subscribe to the Series B ("RCPS") issued by U Mobile. As part of the consideration, an amount of RM53 million (equivalent to \$18 million) is payable to TSVT subject to fulfilment of certain conditions by TSVT. In prior year, as a result of the partial fulfilment of some conditions by TSVT as set out in the sales and purchase agreement, the Group paid an amount of RM44 million (\$\$15 million) to TSVT. In 2017, certain conditions lapsed due to time expiry.

The remaining contingent liabilities of RM4 million (equivalent to \$1 million) was not recognised at the reporting date as the obligation only arises on the fulfilment of the remaining conditions.

42 Operating segments

The Group has four reportable segments, as described below, which are the Group's strategic operating subsidiaries. The strategic operating subsidiaries are managed separately by different boards of directors. For each of the strategic operating subsidiaries, the Group's executive director reviews internal management reports on at least a quarterly basis. The principal activities of these strategic operating subsidiaries are those relating to the operation and provision of telecommunications services, other businesses relating to the info-communication industry and provision of data centre co-location services.

Group	StarHub 2017 \$'m	StarHub 2016 \$'m	TeleChoice 2017 \$'m	TeleChoice 2016 \$'m	U Mobile 2017 \$'m	U Mobile 2016 \$'m	STT GDC 2017 \$'m	STT GDC 2016 \$'m	Others 2017 \$'m	Others 2016 \$'m	Eliminations 2017 \$'m	Eliminations 2016 \$'m	Unallocated 2017 \$'m	Unallocated 2016 \$'m	Consolidated 2017 \$'m	Consolidated 2016 \$'m
Revenue and expense																
External revenue	2,394	2,391	284	309	789	610	265	28	68	9	—	—	—	—	3,800	3,347
Inter-segment revenue	7	6	230	195	1	1	11	2	—	1	(249)	(205)	—	—	—	—
Segment profit/(loss) before tax	304	410	10	10	(150)	(179)	(1)	(40)	1,324	55	(3)	—	(55)	44	1,429	300
Income tax expense	(55)	(69)	(2)	(3)	—	—	(5)	—	(20)	—	—	—	(2)	—	(84)	(72)
Segment profit/(loss) after tax	249	341	8	7	(150)	(179)	(6)	(40)	1,304	55	(3)	—	(57)	44	1,345	228
Depreciation, amortisation and impairment	(281)	(266)	(3)	(3)	(95)	(95)	(72)	(13)	—	(2)	—	—	(1)	—	(452)	(379)
Finance income	4	4	—	—	3	1	5	7	—	—	—	—	9	9	21	21
Finance cost	(30)	(26)	(1)	(1)	(71)	(32)	(64)	(15)	—	—	76	33	(50)	(41)	(140)	(82)
Share of results of associates and joint ventures	—	—	—	—	—	—	(48)	(51)	84*	106*	—	—	—	—	36	55
Assets and liabilities																
Segment assets	2,838	2,680	175	182	1,491	1,205	2,409	1,123	2,454**	243	(67)	(37)	2,083	509	11,383	5,905
Interests in associates and joint ventures	—	—	3	2	—	—	403	450	186	3,763*	—	—	—	—	592	4,215
Total segment assets	2,838	2,680	178	184	1,491	1,205	2,812	1,573	2,640	4,006	(67)	(37)	2,083	509	11,975	10,120
Capital expenditure	310	372	3	2	258	291	860	432	—	—	—	—	—	—	1,431	1,097
Segment liabilities	2,007	2,001	102	97	1,453	1,017	2,088	922	—	—	(1,469)	(844)	1,870	1,430	6,051	4,623

* Includes share of results and interest in Level 3. Level 3 is a separate reportable operating segment and the financial information of Level 3 has been disclosed in Note 7.

** Includes CenturyLink shares received as part of the consideration from the merger between Level 3 and CenturyLink (see Note 9).

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical locations of the primary place of operations of the investments.

	Group	
	2017	2016
	\$'m	\$'m
Revenue		
Singapore	2,674	2,650
Malaysia	802	621
India	181	—
Others	143	76
	<u>3,800</u>	<u>3,347</u>
 Non-current assets*		
Singapore	2,708	2,348
Malaysia	1,170	985
United Kingdom	912	—
United States	115	3,690
Others	968	989
	<u>5,873</u>	<u>8,012</u>

* *excludes financial instruments and deferred tax assets*

43 Subsequent events

Dividend from StarHub

In April 2018, StarHub declared a final dividend of \$0.04 per share, tax exempt (one tier), totalling \$69 million in respect of the financial year ended 31 December 2017. This final tax exempt dividend has not been recognised as at year end. The dividend is estimated to reduce the Group's cash and cash equivalents and non-controlling interests by approximately \$30 million.

Dividend from TeleChoice

In April 2018, TeleChoice declared a final dividend of \$0.016 per share, tax exempt (one tier), totalling \$7 million in respect of the financial year ended 31 December 2017. This final tax exempt dividend has not been recognised as at year end. The dividend is estimated to reduce the Group's cash and cash equivalents and non-controlling interests by approximately \$3 million.

Acquisition of subsidiary

On 24 January 2018, StarHub completed the acquisition of 65% of D'Crypt Pte Ltd, a privately-owned company based in Singapore, which is in the business of designing and developing high security assurance products and technology in telecommunication systems, equipment and related products, for cash consideration of \$58 million.

The acquisition is expected to improve StarHub's capabilities in areas such as cryptographic and digital security, secure info-communication technologies and Internet of Things. At the reporting date, the accounting for the business combination is not yet complete.

Additional investment in GDS

On 26 January 2018, GDS successfully completed a public offering of 8.225 million American Depositary Shares ("ADSs"), including the underwriters' over-allotment option, at a public offering price of US\$26.00 per ADS. The Group subscribed for a total of 3,009,857 ADSs for a total consideration of US\$78 million (equivalent to \$105 million). Accordingly, the effective equity interest held in GDS was increased from 33.8% to 33.9%.

Dividend to shareholder

Subsequent to year end, the Company paid dividends to its shareholder, by way of a distribution in specie of all of the Group's interest in the CenturyLink shares, comprising: (i) \$425 million that had been declared in February 2017 for the financial year ended 31 December 2017; and (ii) \$1,748 million that had been declared in February 2018 for the financial year ending 31 December 2018.

44 Full convergence with SFRS(I) and adoption of new standards

Applicable to 2018 financial statements

(a) Convergence with SFRS(I)

Summary of the requirements

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). Singapore-incorporated companies that have issued, or are in the process of issuing equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

Potential impact on the financial statements

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the following new SFRS(I)s, amendments to and interpretations of SFRS(I) are effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to SFRS(I) 15 *Clarifications to SFRS(I) 15*;
- SFRS(I) 9 *Financial Instruments*;
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to SFRS(I) 2);
- *Transfers of Investment Property* (Amendments to SFRS(I) 1-40);
- *Deletion of short-term exemptions for first-time adopters* (Amendments to SFRS(I) 1);
- *Measuring an Associate or Joint Venture at Fair Value* (Amendments to SFRS(I) 1-28);
- *Applying SFRS(I) 9 Financial Instruments with SFRS(I) 4 Insurance Contracts* (Amendments to SFRS(I) 4); and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 15.

(b) SFRS(I) 15 *Revenue from Contracts with Customers*

Summary of the requirements

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.

SFRS(I) 15 provides a five-step model for revenue recognition arising from contracts with customers which requires revenue be recognised at an amount that reflects the consideration which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

This new standard will supersede all current revenue recognition requirements under FRS. A full retrospective application is required for annual periods beginning on or after 1 January 2018 in alignment with SFRS(I) 1 *First time adoption of SFRS(I)*.

The key elements of SFRS(I) 15 that have material impact on the Group's revenue and cost recognition are as follows:

Bundled products and services

Under SFRS(I) 15, revenue will be allocated to the individual elements within bundled products and services based on their relative standalone selling prices at contract inception.

Variable consideration

Certain contracts with customers include variable considerations like right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Under SFRS(I) 15, such provisions will be estimated at contract inception and every reporting period, and adjusted against revenue.

Material Right

Under SFRS(I) 15, options to acquire additional goods or services represent separate performance obligations if they provide the customer a material right that the customer would not otherwise receive. In these cases, revenue from the contract is deferred and recognised when future goods and services are transferred or when the option expires. The transaction price is allocated to performance obligations (including the option) based on relative standalone selling prices.

Contract modification

Changes in scope or price (or both) of a contract that is approved by parties to the contract are contract modifications. SFRS(I) 15 prescribes the treatments of contract modifications depending on the attributes of the modification and the remaining goods and/or services.

Contract cost

SFRS(I) 15 requires the incremental costs of obtaining a contract to be recognised as an asset if the entity expects to recover those costs. Those incremental costs are limited to the costs that the entity would not have incurred if the contract had not been successfully obtained. A practical expedient is available, allowing the incremental costs of obtaining a contract to be expensed if the associated amortisation period would be 12 months or less.

Transition

The following practical expedients are available when applying SFRS(I) 15 retrospectively.

For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period or are completed contracts at the beginning of the earliest period presented, and for those with variable consideration, the use of transaction price of the variable consideration at the date the contract was completed is allowed. For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented.

For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

Potential impact on the financial statements

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, and the comparative period presented in the 2018 financial statements will be restated.

Summary of the potential impact from the adoption of SFRS(I) 15 are as follows:

The Group expects an increase in the revenue allocated to sales of equipment and a corresponding reduction in the revenue allocated to services under SFRS(I) 15. Due to the requirement to estimate and account for variable consideration and material rights, deferral of service revenue is expected.

The Group expects operating expenses to be lower at initial adoption of standard due to deferment of the recognition of the cost of acquiring customers over the contract duration. The Group plans to adopt the practical expedient to expense the incremental costs of obtaining a contract that has a contract period of less than 12 months.

The Group expects an increase in total assets at initial adoption due to the recognition of contract assets arising mainly from allocation of revenue to sale of equipment and deferment of cost of acquiring customers.

The Group plans to apply all the practical expedients available.

(c) SFRS(I) 9 *Financial Instruments*

Summary of the requirements

SFRS(I) 9 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

Potential impact on the financial statements

SFRS(I) 9 will impact the classification and measurement of the Group's financial instruments and will require certain additional disclosures. Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below:

- The Group plans to adopt the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018:
 - The determination of the business model within which a financial asset is held.
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 *Financial Instruments: Recognition and Measurement* at 31 December 2017 that meet the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 will be regarded as continuing hedging relationships.

Classification and measurement

The Group holds certain available-for-sale equity securities (“AFS”) which are carried at cost.

Under SFRS(I) 9 these equity securities are measured at fair value. Any differences between the previous carrying amount and the fair value at the date of initial application shall be recognised in the opening retained earnings (or other components of equity, as appropriate).

Any subsequent fair value changes in these equity securities are recognised in profit or loss or other comprehensive income, depending on the election made.

As at 1 January 2018, the Group does not expect any material changes in the carrying amount of financial assets and liabilities.

Impairment

SFRS(I) 9 replaces the current ‘incurred loss’ model with a forward-looking expected credit loss (“ECL”) model. The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income (“FVOCI”), except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables and any contract assets arising from the application of SFRS(I) 15. The Group does not expect any material impact arising from the new impairment model.

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Income tax consequences of payments on financial instruments classified as equity* (Amendments to IAS 12)#

Except for those marked as #, the ASC has issued the above new SFRS(I), amendments to and interpretations of IFRS as SFRS(I). The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is relevant and have a more significant impact to the Group, is as described below.

(d) SFRS(I) 16 Leases

Summary of the requirements

SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

SFRS(I) 16 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

When effective, SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases-Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied.

Potential impact on the financial statements

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under SFRS(I) 16. The Group is currently assessing the quantitative impact on the financial statements.

The Group will perform a detailed analysis of the standard, including the transition options and practical expedients in 2018.