

IMPORTANT NOTICE

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Confirmation of Your Representation: In order to be eligible to view the attached information memorandum or make an investment decision with respect to the securities, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act (as defined below)). The attached information memorandum is being sent at your request and by accepting the e-mail and accessing the attached information memorandum, you shall be deemed to have represented to us (1) that you are not resident in the United States nor a U.S. Person, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") nor are you acting on behalf of a U.S. Person, the electronic mail address that you gave us and to which this email has been delivered is not located in the U.S. and, to the extent you purchase the securities described in the attached information memorandum, you will be doing so pursuant to Regulation S under the Securities Act, and (2) that you consent to delivery of the attached information memorandum and any amendments or supplements thereto by electronic transmission. By accepting this document and accessing the attached information memorandum, if you are an investor in Singapore, you (A) represent and warrant that you are either an institutional investor as defined under Section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**") or a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 and (B) agree to be bound by the limitations and restrictions described therein.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of Keppel Infrastructure Fund Management Pte. Ltd. (as trustee-manager of Keppel Infrastructure Trust) (the "**Issuer**"), DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited or any person who controls any of them nor any of their respective directors, officers, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, DBS Bank Ltd. or Oversea-Chinese Banking Corporation Limited to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act).

The attached information memorandum or any materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the dealers or any affiliate of the dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the dealers or such affiliate on behalf of the Issuer in such jurisdiction. The attached information memorandum may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

You are reminded that you have accessed the attached information memorandum on the basis that you are a person into whose possession this information memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this NOT FOR DISTRIBUTION IN THE UNITED STATES OR TO U.S. PERSONS document, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to subscribe or purchase any of the securities described therein.**

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED INFORMATION MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH INFORMATION MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED INFORMATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

KEPPEL INFRASTRUCTURE FUND MANAGEMENT PTE. LTD.

(IN ITS CAPACITY AS TRUSTEE-MANAGER OF KEPPEL INFRASTRUCTURE TRUST)
INFORMATION MEMORANDUM DATED 23 MAY 2019



Keppel Infrastructure Fund Management Pte. Ltd.

(in its capacity as Trustee-Manager of Keppel Infrastructure Trust)
(Incorporated in the Republic of Singapore on 28 February 2008)
(Company Registration No. 200803959H)

S\$1,000,000,000

Multicurrency Debt Issuance Programme
(the "**Programme**")

This Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of notes (the "**Notes**") and perpetual securities (the "**Perpetual Securities**") and, together with the Notes, the "**Securities**") to be issued from time to time by Keppel Infrastructure Fund Management Pte. Ltd. (in its capacity as trustee-manager of Keppel Infrastructure Trust ("**KIT**") (the "**Issuer**" or "**Trustee-Manager**") pursuant to the Programme may not be circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and the listing and quotation of any Securities which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Securities have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Securities on the SGX-ST is not to be taken as an indication of the merits of the Issuer, KIT, their respective subsidiaries (as defined herein) (if any) and/or their associated entities (as defined herein) (if any), the Programme or such Securities.

Potential investors should pay attention to the risk factors and considerations set out in the section on "Risk Factors".

Arrangers



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NOTICE

DBS Bank Ltd. and Oversea-Chinese Banking Corporation Limited (each an “**Arranger**” and together, the “**Arrangers**”) have been authorised by the Issuer to arrange the Programme described herein. Under the Programme, subject to compliance with all relevant laws, regulations and directives, Securities may be issued by the Issuer from time to time denominated in Singapore dollars, US dollars and/or any other currencies.

This Information Memorandum contains information with regard to the Issuer, KIT, the subsidiaries of KIT, the Programme, and the Securities. The Issuer confirms that this Information Memorandum contains all information which is material in the context of the Programme and the issue and offering of the Securities and the information in this Information Memorandum is true and accurate in all material respects, that the opinions, expectations and intentions expressed in this Information Memorandum have been carefully considered, are based on all relevant considerations and facts existing at the date of its issue and are fairly, reasonably and honestly held by the Issuer and there are no other facts the omission of which in the said context would make any such information or expression (if any) of the Issuer misleading in any material respect.

Notes may be issued in Series (as defined herein) having one or more issue dates and the same maturity date, and on identical terms (including as to listing) except (in the case of Notes other than variable rate notes (as described under the section “**Summary of the Programme**”)) for the issue dates, issue prices and/or the dates of the first payment of interest, or (in the case of variable rate notes) for the issue prices and rates of interest. Each Series may be issued in one or more Tranches (as defined herein) on the same or different issue dates. The Notes will be issued in bearer form or registered form and may be listed on a stock exchange. The Notes will initially be represented by either a Temporary Global Security (as defined herein) in bearer form or a Permanent Global Security (as defined herein) in bearer form or a registered Global Certificate (as defined herein) which will be deposited on the issue date with, or registered in the name of, or in the name of a nominee of, either CDP (as defined herein) or a common depository on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) or otherwise delivered as agreed between the Issuer and the relevant Dealer (as defined herein). The Notes may bear interest at a fixed, floating, variable or hybrid rate or may not bear interest or may be such other notes as may be agreed between the Issuer and the relevant Dealer(s). The Notes will be repayable at par, at a specified amount above or below par or at an amount determined by reference to a formula, in each case with terms as specified in the Pricing Supplement issued in relation to each Series or Tranche of Notes (the “**Redemption Amount**”). Details applicable to each Series or Tranche of Notes will be specified in the applicable Pricing Supplement which is to be read in conjunction with this Information Memorandum.

Perpetual Securities may be issued in Series having one or more issue dates, and on identical terms (including as to listing) except for the issue dates, issue prices and/or the dates of the first payment of distribution. Each Series may be issued in one or more tranches on the same or different issue dates. The Perpetual Securities will be issued in bearer form or registered form and may be listed on a stock exchange. The Perpetual Securities will initially be represented by either a Temporary Global Security in bearer form or a Permanent Global Security in bearer form or a registered Global Certificate which will be deposited on the issue date with, or registered in the name of, or in the name of a nominee of, either CDP or a common depository on behalf of Euroclear and/or Clearstream, Luxembourg or otherwise delivered as agreed between the Issuer and the relevant Dealer(s). Subject to compliance with all relevant laws, regulations and directives, the Perpetual Securities may be subject to redemption or purchase. The Perpetual Securities will confer a right to receive distributions at a fixed or floating rate. Details applicable to each Series or Tranche of Perpetual Securities will be specified in the applicable Pricing Supplement which is to be read in conjunction with this Information Memorandum.

The maximum aggregate principal amount of the Securities to be issued, when added to the aggregate principal amount of all Securities outstanding (as defined in the Trust Deed referred to herein) shall be S\$1,000,000,000 (or its equivalent in any other currencies) or such higher amount as may be determined pursuant to the Programme Agreement (as defined herein).

No person has been authorised to give any information or to make any representation other than those contained in this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, KIT, either of the Arrangers, any of the Dealers (as defined herein), the Trustee or any of the Agents. The delivery or dissemination of this Information Memorandum at any time after the date of this Information Memorandum does not imply that the information contained in this Information Memorandum or any part of this Information Memorandum is correct at any time after such date. Save as expressly stated in this Information Memorandum, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Issuer, KIT or any of their respective subsidiaries, associated entities or other entities to which they are related ("**Related Entities**"), either of the Arrangers, any of the Dealers, the Trustee or the Agents (if any).

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme may be used for the purpose of, and does not constitute an offer of, or solicitation or invitation by or on behalf of the Issuer, KIT, either of the Arrangers, any of the Dealers, the Trustee or any of the Agents to subscribe for or purchase the Securities in any jurisdiction or under any circumstances in which such offer, solicitation or invitation is unlawful, or not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. The distribution and publication of this Information Memorandum (or any part thereof) or any such other document or information and the offer of the Securities in certain jurisdictions may be restricted by law. Persons who distribute or publish this Information Memorandum (or any part thereof) or any such other document or information or into whose possession this Information Memorandum (or any part thereof) or any such other document or information comes are required to inform themselves about and to observe any such restrictions and all applicable laws, orders, rules and regulations.

The Securities have not been, and will not be, registered under the Securities Act (as defined herein) or with any securities regulatory authority of any state or jurisdiction of the United States and includes Securities in bearer form that are subject to U.S. tax law requirements and restrictions. Subject to certain exceptions, the Securities may not be offered, sold or delivered within the United States or to, or for the account of benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder).

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme shall be deemed to constitute an offer of, or an invitation by or on behalf of the Issuer, KIT, either of the Arrangers, any of the Dealers, the Trustee or the Agents to subscribe for or purchase, any of the Securities.

This Information Memorandum and any other documents or materials in relation to the issue, offering or sale of the Securities have been prepared solely for the purpose of the initial sale by the relevant Dealers of the Securities from time to time to be issued pursuant to the Programme. This Information Memorandum and such other documents or materials are made available to the recipients thereof solely on the basis that they are persons falling within the ambit of Section 274 and/or Section 275 of the SFA (as defined herein) and may not be relied upon by any person other than persons to whom the Securities are sold or with whom they are placed by the relevant Dealers as aforesaid or for any other purpose. Recipients of this Information Memorandum shall not reissue, circulate or distribute this Information Memorandum or any part thereof in any manner whatsoever.

Neither the delivery of this Information Memorandum (or any part thereof) nor the issue, offering, purchase or sale of the Securities shall, under any circumstances, constitute a representation, or give rise to any implication, that there has been no change in the prospects, results of operations or general affairs of the Issuer, KIT or any of their respective Related Entities (if any) or any statement of fact in the information herein since the date hereof or the date on which this Information Memorandum has been most recently amended or supplemented.

The Trustee (as defined herein), the Agents, the Arrangers and the Dealers have not separately verified the information contained in this Information Memorandum. None of the Issuer, KIT, the Trustee, the Agents, the Arrangers, any of the Dealers or any of their respective officers or employees is making any representation, warranty or undertaking express or implied as to the merits of the Securities or the subscription for, purchase or acquisition thereof, the creditworthiness or financial condition or otherwise of the Issuer, KIT or any of their Related Entities (if any). Further, none of the Arrangers, the Dealers, the Trustee and the Agents makes any representation or warranty and no responsibility or liability is accepted by the Trustee, the Agents, the Arrangers or any of the Dealers as to the Issuer, KIT or their Related Entities (if any) or as to the accuracy, reliability or completeness of the information set out herein (including the legal and regulatory requirements pertaining to Sections 274, 275 and 276 or any other provisions of the SFA) and the documents which are incorporated by reference in, and form part of, this Information Memorandum.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the issue of the Securities is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, KIT or their respective Related Entities (if any), the Trustee or the Agents, either of the Arrangers or any of the Dealers that any recipient of this Information Memorandum or such other document or information (or such part thereof) should subscribe for or purchase any of the Securities. A prospective purchaser and/or subscriber shall make its own assessment of the foregoing and other relevant matters including the financial condition and affairs and the creditworthiness of either of the Issuer, KIT and their respective Related Entities (if any), and obtain its own independent legal or other advice thereon, and its investment shall be deemed to be based on its own independent investigation of the financial condition and affairs and its appraisal of the creditworthiness of the Issuer, KIT and their respective Related Entities (if any). Accordingly, notwithstanding anything herein, no representation, warranty or undertaking express or implied is made and none of the Trustee, the Agents, the Arrangers, any of the Dealers or any of their respective officers, employees or agents shall be held responsible or liable as to the accuracy or completeness of the information contained in this Information Memorandum or any other information provided by the Issuer, KIT or any of their respective officers, employees or agents in connection with the Securities or their distribution. Save as aforesaid, none of the Issuer, KIT, the Trustee, the Agents, the Arrangers nor any of the Dealers nor any of their respective officers, employees or agents shall be held responsible or liable for any loss or damage suffered or incurred by the recipients of this Information Memorandum or such other document or information (or such part thereof) as a result of or arising from anything expressly or implicitly contained in or referred to in this Information Memorandum or such other document or information (or such part thereof) and the same shall not constitute a ground for rescission of any purchase or acquisition of any of the Securities by a recipient of this Information Memorandum or such other document or information (or such part thereof).

To the fullest extent permitted by law, none of the Arrangers, any of the Dealers, the Trustee or the Agents accepts any responsibility for the contents of this Information Memorandum or for any other statement made or purported to be made by either of the Arrangers, any of the Dealers, the Trustee or the Agents or on its behalf in connection with the Issuer, the Group (as defined herein) or the issue and offering of the Securities. Each of the Arrangers, Dealers, Trustee and Agents

accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Information Memorandum or any such statement.

In connection with the issue of any Tranche or Series of Securities, one or more Dealer(s) named as stabilising manager(s) (the “**Stabilising Manager(s)**”) (or persons acting on behalf of any Stabilising Manager) in the relevant Pricing Supplement may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager) will undertake any stabilisation action. Any stabilisation action may begin at any time, on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Securities is made and, if begun, may be ended or discontinued at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of Securities and 60 days after the date of the allotment of the relevant Series of Securities. Any stabilisation action will be conducted in accordance with the applicable laws.

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated by reference in, and to form part of, this Information Memorandum: (1) any quarterly financial results presentation, (2) any annual reports, audited consolidated accounts and/or publicly announced consolidated financial statements or interim results (whether audited or unaudited) of the Group and (3) any supplement or amendment to this Information Memorandum issued by the Issuer (including each relevant Pricing Supplement). This Information Memorandum is to be read in conjunction with all such documents which are incorporated by reference herein and, with respect to any Series or Tranche of Securities, any Pricing Supplement in respect of such Series or Tranche. Any statement contained in this Information Memorandum or in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in this Information Memorandum or in such subsequent document that is also deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

Copies of all documents deemed incorporated by reference herein are available for inspection during usual office hours with prior notice at the specified office of the Principal Paying Agent (as defined herein).

Any purchase or acquisition of the Securities is in all respects conditional on the satisfaction of certain conditions set out in the Programme Agreement and the issue of the Securities by the Issuer pursuant to the Programme Agreement. Any offer, invitation to offer or agreement made in connection with the purchase or acquisition of the Securities or pursuant to this Information Memorandum shall (without any liability or responsibility on the part of the Issuer, KIT, the Arrangers, any of the Dealers, the Trustee and the Agents) lapse and cease to have any effect if (for any other reason whatsoever) the Securities are not issued by the Issuer pursuant to the Programme Agreement.

Any discrepancies (if any) in the tables included herein between the listed amounts and totals thereof are due to rounding.

The attention of recipients of this Information Memorandum is drawn to the restrictions on resale of the Securities set out under the section on “Subscription, Purchase and Distribution” of this Information Memorandum.

Any person(s) who is invited to purchase or subscribe for the Securities or to whom this Information Memorandum is sent shall not make any offer or sale, directly or indirectly, of any Securities or distribute or cause to be distributed any document or other material in connection therewith in any country or jurisdiction except in such manner and in such circumstances as will result in compliance with any applicable laws and regulations.

It is recommended that persons proposing to subscribe for, purchase or otherwise acquire any of the Securities consult their own legal and other advisers before subscribing for, purchasing or acquiring the Securities.

Prospective investors of the Securities are advised to consult their own tax advisers concerning the tax consequences of the acquisition, ownership or disposal of the Securities.

Prospective investors should pay attention to the risk factors set out in the section titled “Risk Factors”.

Notification under Section 309B of the SFA

Unless otherwise stated in the Pricing Supplement in respect of any Securities, all Securities issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Markets in Financial Instruments Directive II

The Pricing Supplement in respect of any Securities may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Securities and which channels for distribution of the Securities are appropriate. Any person subsequently offering, selling or recommending the Securities (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “**MiFID II**”) is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Securities is a manufacturer in respect of such Securities, but otherwise neither the Arrangers nor the Dealer(s) nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Packaged Retail Investment and Insurance Products – Prohibition of Sales to Retail Investors

If the Pricing Supplement in respect of any Securities includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

FORWARD-LOOKING STATEMENTS

All statements contained in this Information Memorandum that are not statements of historical fact constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would” and “could” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the expected financial position, business strategy, plans and prospects of the Issuer, KIT and/or the Group (including the financial forecasts, profit projections, statements as to the expansion plans of the Issuer, KIT and/or the Group, expected growth of the Issuer, KIT and/or the Group and other related matters) if any, are forward-looking statements and accordingly, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer, KIT and/or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors are discussed in greater detail under the section “Risk Factors”.

Given the risks and uncertainties that may cause the actual future results, performance or achievements of the Issuer, KIT and/or the Group to be materially different from the results, performance or achievements expected, expressed or implied by the financial forecasts, profit projections and forward-looking statements in this Information Memorandum, undue reliance must not be placed on those forecasts, projections and statements. The Issuer, KIT, the Arrangers, any of the Dealers, the Trustee and the Agents do not represent or warrant that the actual future results, performance or achievements of the Issuer, KIT and/or the Group will be as discussed in those statements.

Neither the delivery of this Information Memorandum (or any part thereof) nor the issue, offering, purchase or sale of the Securities by the Issuer shall, under any circumstances, constitute a continuing representation, or create any suggestion or implication, that there has been no change in the prospects, results of operations or general affairs of the Issuer, KIT or the Group or any statement of fact or information contained in this Information Memorandum since the date of this Information Memorandum or the date on which this Information Memorandum has been most recently amended or supplemented.

Further, the Issuer, KIT, the Group, the Arrangers, the Dealers, the Trustee and the Agents disclaim any responsibility, and undertake no obligation, to update or revise any forward-looking statements contained herein to reflect any changes in the expectations with respect thereto after the date of this Information Memorandum or to reflect any change in events, conditions or circumstances on which any such statements are based.

DEFINITIONS

The following definitions have, where appropriate, been used in this Information Memorandum:

<u>“1-Net”</u>	:	1-Net Singapore Pte. Ltd., a company incorporated in Singapore and a wholly-owned subsidiary of Mediacorp Pte Ltd.
<u>“2005 Pipenet Agreement”</u>	:	The long term agreement entered into between KMC and PipeNet for the construction and maintenance of the back-up fuel pipeline in relation to the KMC Plant.
<u>“Agency Agreement”</u>	:	The agency agreement dated 23 May 2019, made between (1) the Issuer, as issuer, (2) Deutsche Bank AG, Singapore Branch, as principal paying agent and CDP registrar, (3) Deutsche Bank AG, Hong Kong Branch, as non-CDP paying agent and non-CDP registrar and (4) the Trustee, as trustee, amended, varied or supplemented from time to time.
<u>“Agents”</u>	:	The Principal Paying Agent, the Non-CDP Paying Agent, the CDP Registrar, the Non-CDP Registrar, the other paying agent and the calculation agent and shall include such other agent or agents as may be appointed from time to time.
<u>“Ancillary Services Agreement”</u>	:	The ancillary services agreement entered into between KMC and EMC pursuant to which EMC will provide services to energise a portion of the KMC Plant.
<u>“Arrangers”</u>	:	DBS Bank Ltd. and Oversea-Chinese Banking Corporation Limited (each, an <u>“Arranger”</u>).
<u>“AusNet Services”</u>	:	AusNet Services (formerly known as AusNet Services Limited), a corporation incorporated in Australia.
<u>“Australia CPI”</u>	:	The index titled Consumer Price Index “Australia All Groups”, Catalogue No. 6401.0 published by the Australian Bureau of Statistics.
<u>“availability factor”</u>	:	The availability factor for incineration capacity in relation to the Senoko WTE Plant.
<u>“Availability Payments”</u>	:	The monthly fixed payments payable by PUB to the Ulu Pandan Trustee for the provision of production capacity under the NEWater Agreement.
<u>“Basslink”</u>	:	Basslink Pty Ltd, a corporation incorporated in Australia.
<u>“Basslink Facility Fee”</u>	:	The monthly facility payments payable by Hydro Tasmania to Basslink under the Basslink Services Agreement.

<u>“Basslink Interconnector”</u>	:	A 370-km high voltage, direct current monopole electricity interconnector between the electricity grids of the States of Victoria and Tasmania in Australia that is owned and operated by Basslink.
<u>“Basslink Operations Agreement”</u>	:	The operations agreement entered into between Basslink and the State of Tasmania pursuant to which Basslink will operate and maintain the Basslink Interconnector to meet certain minimum technical specifications and operational requirements from the date it is commissioned for a 40-year period.
<u>“Basslink Services Agreement”</u>	:	The services agreement entered into between Basslink and Hydro Tasmania pursuant to which the Basslink Interconnector is made exclusively available to Hydro Tasmania and Basslink will pass through to Hydro Tasmania all revenue received by Basslink from Australian Energy Market Operator for participating in the NEM in return for certain fees.
<u>“Bearer Securities”</u>	:	Securities in bearer form.
<u>“Board of Directors”</u>	:	The board of Directors of the Trustee-Manager.
<u>“Business Day”</u>	:	A day (other than Saturday or Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore.
<u>“Business Trust Act”</u>	:	The Business Trust Act, Chapter 31A of Singapore, as amended, modified or supplemented from time to time.
<u>“Calculation Agency Agreement”</u>	:	A calculation agency agreement between the Issuer, the Trustee and the relevant Calculation Agent made pursuant to the Programme Agreement.
<u>“Calculation Agent”</u>	:	In relation to a Series of Securities, the person appointed as calculation agent pursuant to the terms of the Agency Agreement or, as the case may be, the Calculation Agency Agreement for that Series and as specified in the applicable Pricing Supplement as calculation agent or its successor in such capacity.
<u>“Capacity Payment”</u>	:	The monthly fixed payments payable by PUB to SingSpring for making available the output capacity of the SingSpring Plant to PUB under the Water Purchase Agreement.
<u>“CCI”</u>	:	Cable Consulting International Ltd, a company incorporated in the United Kingdom.
<u>“CDP”</u>	:	The Central Depository (Pte) Limited.
<u>“CDP Registrar”</u>	:	Shall have the meaning ascribed to it in Clause 1.1 of the Trust Deed.

<u>“CDP Securities”</u>	:	The Securities which are cleared, or, as applicable, to be cleared through CDP.
<u>“CDP System”</u>	:	The computerised system operated by CDP whereby Securities Accounts are maintained by Depositors with CDP and, <i>inter alia</i> , transfers of the Securities are effected electronically between Securities Accounts.
<u>“CEO”</u>	:	The chief executive officer of the Trustee-Manager.
<u>“Certificate”</u>	:	A registered certificate representing one or more Registered Securities of the same Series being substantially in the form set out in Part II of Schedule 1 or, as the case may be, Part II of Schedule 5 of the Trust Deed and, save as provided in the terms and conditions of the Notes or, as the case may be, the terms and conditions of the Perpetual Securities, comprising the entire holding by a holder of Registered Securities of that Series.
<u>“City DC”</u>	:	City DC Pte. Ltd., a company incorporated in Singapore, which is a wholly-owned subsidiary of KIT.
<u>“City Gas”</u>	:	The trust known as “City Gas Trust”, which carries on the business of producing and retailing town gas in Singapore.
<u>“City Gas Plants”</u>	:	The three continuous reforming plants and five cyclic reforming plants in Senoko Gasworks, each with a production capacity of 200,000 m ³ per day.
<u>“Clearstream, Luxembourg”</u>	:	Clearstream Banking S.A., and includes a reference to its successors and permitted assigns.
<u>“Companies Act”</u>	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time.
<u>“Conditions”</u>	:	(i) in relation to the Notes of any Series, the terms and conditions applicable thereto, which shall be substantially in the form set out in Part III of Schedule 1 to the Trust Deed, as modified, with respect to any Notes represented by a Global Security or a Global Certificate, by the provisions of such Global Security or, as the case may be, Global Certificate, shall incorporate any additional provisions forming part of such terms and conditions set out in the Pricing Supplement(s) relating to the Notes of such Series and shall be endorsed on the Definitive Securities or, as the case may be, Certificates, subject to amendment and completion as referred to in the first paragraph appearing after the heading “Terms and Conditions of the Notes” as set out in Part III of Schedule 1 to the Trust Deed, and any reference to a particularly numbered Condition shall be construed accordingly; and (ii) in relation to the Perpetual Securities of any Series, the terms and conditions applicable thereto, which shall be

substantially in the form set out in Part III of Schedule 5 to the Trust Deed, as modified, with respect to any Perpetual Securities represented by a Global Security or a Global Certificate, by the provisions of such Global Security or, as the case may be, Global Certificate, shall incorporate any additional provisions forming part of such terms and conditions set out in the Pricing Supplement(s) relating to the Perpetual Securities of such Series and shall be endorsed on the Definitive Securities or, as the case may be, Certificates, subject to amendment and completion as referred to in the first paragraph appearing after the heading “Terms and Conditions of the Perpetual Securities” as set out in Part III of Schedule 5 to the Trust Deed, and any reference to a particularly numbered Condition shall be construed accordingly.

<u>“Couponholders”</u>	:	The holders of the Coupons.
<u>“Coupons”</u>	:	An interest or distribution coupon appertaining to an interest or distribution bearing Bearer Security.
<u>“CRSM”</u>	:	The commercial risk sharing mechanism under the Basslink Services Agreement for the sharing of the market risk associated with participating in the NEM between Hydro Tasmania and Basslink.
<u>“CRSM Adjustment”</u>	:	An adjustment under the CRSM which is applied to a portion of the unadjusted Basslink Facility Fee (as adjusted for Australia CPI changes), subject to certain limits, to reflect the differences between the average high and low Victorian electricity pool prices.
<u>“CTA”</u>	:	A 15-year capacity tolling agreement entered into between KMC and Keppel Electric.
<u>“DataCentre One”</u>	:	The data centre located at 1-Net North which was jointly developed and built by KIT and Shimizu Corporation.
<u>“DC One”</u>	:	DataCentre One Pte. Ltd., a company incorporated in Singapore and a subsidiary of KIT.
<u>“Dealers”</u>	:	Persons appointed as dealers under the Programme.
<u>“Definitive Security”</u>	:	A definitive Bearer Security, being substantially in the form set out in Part I of Schedule 1 to the Trust Deed or, as the case may be, Part I of Schedule 5 to the Trust Deed and having, where appropriate, Coupons and/or a Talon attached on issue.
<u>“Depositors”</u>	:	Persons (including Depository Agents) having any Securities standing to the credit of their Securities Accounts at that time.

<u>“Distribution & Network”</u>	:	The distribution and network segment of KIT’s portfolio of assets.
<u>“Depository Agent”</u>	:	A corporation authorised by CDP to maintain sub-accounts.
<u>“Directors”</u>	:	Directors of the Trustee-Manager.
<u>“Electricity Act”</u>	:	Electricity Act, Chapter 89A of Singapore, as amended, modified or supplemented from time to time.
<u>“Electricity Generation Payment”</u>	:	The monthly fixed payments payable by NEA to the Tuas DBOO Trustee for the provision of electricity generation services under the Tuas DBOO ISA.
<u>“EMA”</u>	:	The Energy Market Authority.
<u>“EMC”</u>	:	Energy Market Company Pte Ltd, a company incorporated in Singapore.
<u>“Energy”</u>	:	The energy segment of KIT’s portfolio of assets.
<u>“EPC”</u>	:	Engineering, procurement and construction.
<u>“EPC Contract”</u>	:	Engineering, procurement and construction contract.
<u>“EPHA”</u>	:	Environmental Public Health Act, Chapter 95 of Singapore, as amended, modified or supplemented from time to time.
<u>“Euroclear”</u>	:	Euroclear Bank SA/NV, and includes a reference to its successors and permitted assigns.
<u>“Extraordinary Resolution”</u>	:	(a) a resolution passed at a meeting of the Securityholders duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-fourths of the votes cast on such poll or (b) a resolution in writing signed by or on behalf of holders of not less than 90 per cent. in aggregate principal amount of the Securities for the time being outstanding, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Securityholders.
<u>“FY”</u>	:	Financial year ended or ending 31 December.
<u>“Gas Management Agreement”</u>	:	The gas management agreement entered into between KMC and Keppel Gas Pte Ltd for the provision of services required for the management of the Vesting LNG Contract.
<u>“Gas Purchase Agreement”</u>	:	The gas purchase agreement entered into between City Gas and GSPL, pursuant to which City Gas has agreed to

purchase a specified amount of natural gas at a price based on a formula with variable components that fluctuate from time to time.

<u>“Global Certificate”</u>	:	A global Certificate representing Registered Securities of one or more Tranches of the same Series that are registered in the name of, or in the name of a nominee of (i) the common depository for Euroclear and Clearstream, Luxembourg, (ii) CDP and/or (iii) any other clearing system.
<u>“Global Security”</u>	:	A global Security representing Bearer Securities of one or more Tranches of the same Series, being a Temporary Global Security and/or, as the context may require, a Permanent Global Security, in each case without Coupons or a Talon.
<u>“Group”</u>	:	KIT and its subsidiaries and <u>“member of the Group”</u> shall be construed accordingly.
<u>“GSPL”</u>	:	Gas Supply Pte Ltd, a company incorporated in Singapore.
<u>“Hydro Tasmania”</u>	:	Hydro-Electric Corporation, an entity owned by the State of Tasmania.
<u>“Hyflux Engineering”</u>	:	Hyflux Engineering Pte Ltd, a company incorporated in Singapore.
<u>“Incineration Capacity Payment”</u>	:	The fixed monthly payments payable by NEA to Tuas DBOO Trustee for the provision of incineration capacity under the Tuas DBOO ISA.
<u>“IRAS”</u>	:	Inland Revenue Authority of Singapore.
<u>“Issuer”</u> or <u>“Trustee-Manager”</u>	:	Keppel Infrastructure Fund Management Pte. Ltd. (in its capacity as trustee-manager of KIT).
<u>“ITA”</u>	:	Income Tax Act, Chapter 134 of Singapore as amended, modified or supplemented from time to time.
<u>“Ixom”</u>	:	Ixom Holdco Pty Ltd.
<u>“Ixom Acquisition”</u>	:	The acquisition of 100.0% of the shares in Ixom for an enterprise value of S\$1,097 million.
<u>“Ixom Group”</u>	:	Ixom and its subsidiaries.
<u>“JTC”</u>	:	Jurong Town Corporation.

<u>“Keppel Capital”</u>	:	Keppel Capital Holdings Pte. Ltd., a company incorporated in Singapore and a wholly-owned subsidiary of Keppel Corporation Limited.
<u>“Keppel Corporation”</u>	:	Keppel Corporation Limited, a company incorporated in Singapore.
<u>“Keppel Electric”</u> or <u>“Toller”</u>	:	Keppel Electric Pte. Ltd., a company incorporated in Singapore and a wholly-owned subsidiary of KIHPL.
<u>“Keppel Group”</u>	:	Keppel Corporation and its subsidiaries.
<u>“Keppel Seghers”</u> or the <u>“Keppel O&M Operator”</u>	:	Keppel Seghers Engineering Singapore Pte. Ltd., a company incorporated in Singapore and a wholly-owned subsidiary of KIHPL.
<u>“Keppel Seghers Tuas WTE Plant”</u>	:	Keppel Seghers Tuas Waste-To-Energy Plant.
<u>“KIHPL”</u>	:	Keppel Infrastructure Holdings Pte. Ltd., a company incorporated in Singapore and a wholly-owned subsidiary of Keppel Corporation Limited.
<u>“KIT”</u>	:	Keppel Infrastructure Trust, a business trust established in Singapore and constituted by the KIT Trust Deed.
<u>“KIT Trust Deed”</u>	:	The trust deed dated 5 January 2007 constituting KIT as amended by an amendment and restatement deed dated 18 May 2015 and further supplemented by a first supplemental trust deed dated 17 April 2018 and as further amended, modified, supplemented and/or restated from time to time.
<u>“KMC”</u>	:	Keppel Merlimau Cogen Pte Ltd, a company incorporated in Singapore and a subsidiary of KIT.
<u>“KMC Electricity Licence”</u>	:	The electricity licence obtained by KMC from EMA under the Electricity Act to (a) generate electricity and (b) trade in any wholesale electricity market operated by EMC.
<u>“KMC Plant”</u>	:	Keppel Merlimau Cogen power plant.
<u>“KMC O&M”</u>	:	KMC O&M Pte. Ltd., a company incorporated in Singapore and a wholly-owned subsidiary of KIHPL.
<u>“Latest Practicable Date”</u>	:	22 May 2019.
<u>“Lease Agreement”</u>	:	The triple net lease agreement entered into between DC One and 1-Net, pursuant to which DC One leases DataCentre One to 1-Net for a period of 20 years (which may be renewed for approximately eight years at 1-Net’s option).

<u>“Listing Manual”</u>	:	The listing manual of the SGX-ST.
<u>“LNG”</u>	:	Liquefied Natural Gas.
<u>“LPG”</u>	:	Liquefied Petroleum Gas.
<u>“Major Maintenance Contractor”</u>	:	Alstom Power O&M Ltd and GE Power (Singapore) Pte. Ltd. (formerly known as Alstom Asia Pte. Ltd.).
<u>“MAS”</u>	:	The Monetary Authority of Singapore.
<u>“MMAs”</u>	:	The major maintenance agreements in relation to the KMC Plant.
<u>“NEA”</u>	:	The National Environment Agency of Singapore.
<u>“NEM”</u>	:	National Electricity Market of Australia.
<u>“NEMS”</u>	:	National Electricity Market of Singapore.
<u>“NEWater Agreement”</u>	:	The agreement entered into between the Ulu Pandan Trustee and PUB pursuant to which Ulu Pandan Trustee will own and operate Keppel Seghers Ulu Pandan NEWater Plant for a term of 20 years commencing from 28 March 2007.
<u>“Non-CDP Paying Agent”</u>	:	Deutsche Bank AG, Hong Kong Branch in its capacity as non-CDP paying agent under the Agency Agreement, or its successor in such capacity.
<u>“Non-CDP Registrar”</u>	:	Shall have the meaning ascribed to it in Clause 1.1 of the Trust Deed.
<u>“Non-CDP Securities”</u>	:	Each Series of Securities other than Securities which have been or will be cleared through the CDP System.
<u>“Noteholders”</u>	:	The holders of the Notes.
<u>“Notes”</u>	:	The notes to be issued by the Issuer under the Programme.
<u>“O&M”</u>	:	Operations and maintenance.
<u>“OMSA”</u>	:	The 20-year operations and maintenance and service agreement entered into between KMC O&M and KMC, pursuant to which KMC O&M is responsible for the operation and maintenance of the KMC Plant.
<u>“Output Payments”</u>	:	The monthly variable payments payable by PUB to Ulu Pandan Trustee for the volume of feedwater treated under the NEWater Agreement.

<u>"Paying Agent"</u>	:	Shall have the meaning ascribed to it in Clause 1.1 of the Trust Deed.
<u>"Permanent Global Security"</u>	:	A Global Security representing Bearer Securities of one or more Tranches of the same Series, either on issue or upon exchange of interests in a Temporary Global Security, substantially in the form set out in Schedule 3 to the Trust Deed (with respect to the Notes) or, as the case may be, Schedule 7 to the Trust Deed (with respect to the Perpetual Securities).
<u>"Perpetual Securities"</u>	:	The perpetual securities to be issued by the Issuer under the Programme.
<u>"PGPL"</u>	:	Pavilion Gas Pte. Ltd., a company incorporated in Singapore.
<u>"Pipenet"</u>	:	PipeNet Pte Ltd, a company incorporated in Singapore.
<u>"Plants"</u>	:	KMC Plant, Senoko WTE Plant, Keppel Seghers Tuas WTE Plant, Keppel Seghers Ulu Pandan NEWater Plant, the Basslink Interconnector, the City Gas Plants and the SingSpring Plant.
<u>"PowerGas"</u>	:	PowerGas Limited, a company incorporated in Singapore.
<u>"Power Trains"</u>	:	The gas turbine and steam turbine of the KMC Plant.
<u>"Pricing Supplement"</u>	:	In relation to any Tranche or Series, a pricing supplement, to be read in conjunction with this Information Memorandum, specifying the relevant issue details in relation to such Tranche or, as the case may be, Series.
<u>"Principal Paying Agent"</u>	:	Deutsche Bank AG, Singapore Branch, in its capacity as Principal Paying Agent under the Agency Agreement, or its successor in such capacity.
<u>"Programme"</u>	:	The S\$1,000,000,000 multicurrency debt issuance programme established of the Issuer.
<u>"Programme Agreement"</u>	:	The Programme Agreement dated 23 May 2019 and entered into by (1) the Issuer, as issuer, (2) the Arrangers, as arrangers and (3) DBS Bank Ltd. and Oversea-Chinese Banking Corporation Limited, as dealers, as amended, varied or supplemented from time to time.
<u>"PUB"</u>	:	The Public Utilities Board of Singapore.
<u>"Securities Act"</u>	:	Securities Act of 1933 of the United States, as amended.
<u>"Securityholder"</u>	:	The holders of the Notes and the Perpetual Securities.

<u>“Senoko Electricity Licence”</u>	:	The electricity licence obtained by the Senoko Trustee from the EMA under the Electricity Act to (a) generate electricity and (b) trade in any wholesale electricity market operated by EMC.
<u>“Senoko EPHA Licence”</u>	:	The licence obtained by the Senoko Trustee from NEA under the EPHA authorising it to maintain and operate the waste disposal facility at Senoko WTE Plant.
<u>“Senoko Fixed Capacity Payments”</u>	:	The monthly fixed payments payable by NEA to the Senoko Trustee for the provision of incineration capacity under the Senoko ISA.
<u>“Senoko Gasworks”</u>	:	Senoko gasworks plant.
<u>“Senoko ISA”</u>	:	The incineration services agreement entered into between the Senoko Trustee and NEA pursuant to which the Senoko Trustee will own and operate the Senoko WTE Plant.
<u>“Senoko O&M Agreement”</u>	:	The O&M agreement entered into between Keppel Seghers and the Senoko Trustee pursuant to which Keppel Seghers will operate, maintain and repair Senoko WTE Plant in return for fixed O&M fees and variable O&M fees payable by Senoko Trust.
<u>“Senoko Supplemental ISA”</u>	:	The supplemental incineration services agreement entered into between the Senoko Trustee and NEA pursuant to which the Senoko Trustee will provide additional incineration services.
<u>“Senoko Trust”</u>	:	A business trust established in Singapore and constituted to hold the assets and business undertakings relating to Senoko WTE Plant.
<u>“Senoko Trustee”</u>	:	Senoko Waste-To-Energy Pte. Ltd., acting in its capacity as trustee of Senoko Trust.
<u>“Senoko Variable Payments”</u>	:	The monthly variable payments payable by NEA to the Senoko Trustee, comprising a variable O&M cost component (for the provision of incineration services), electricity generation incentive payment (as an incentive for the efficient generation and sale of electricity) and payment for energy market charges (as reimbursement of the energy market charges which are paid by the Senoko Trustee to the NEMS), under the Senoko ISA.
<u>“Senoko WTE Plant”</u>	:	Senoko Waste-To-Energy Plant.
<u>“Series”</u>	:	Shall have the meaning ascribed to it in Clause 1.1 of the Trust Deed.
<u>“SFA”</u>	:	Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time.

<u>“SGX-ST”</u>	:	Singapore Exchange Securities Trading Limited.
<u>“Singapore CPI”</u>	:	The index titled Singapore Consumer Price published by the Department of Statistics Singapore.
<u>“SingSpring”</u>	:	SingSpring Trust, a business trust established in Singapore and constituted to hold the assets and business undertakings relating to SingSpring Plant.
<u>“SingSpring O&M Agreement”</u>	:	The O&M agreement entered into between SingSpring and Hyflux Engineering, pursuant to which Hyflux Engineering was appointed as O&M operator in respect of the SingSpring Plant.
<u>“SingSpring Output Payment”</u>	:	The variable monthly payment payable by PUB to SingSpring, depending on the actual volume of water supplied to PUB, under the Water Purchase Agreement.
<u>“SingSpring Plant”</u>	:	SingSpring desalination plant.
<u>“SP PowerAssets”</u>	:	SP PowerAssets Limited, a company incorporated in Singapore.
<u>“SP Services”</u>	:	SP Services Limited, a company incorporated in Singapore.
<u>“Sq ft”</u>	:	Square feet.
<u>“subsidiary”</u>	:	<p>Any company which is for the time being, a subsidiary within the meaning of Section 5 of the Companies Act, and in relation to KIT, means any company, corporation, trust, fund or other entity (whether or not a body corporate):</p> <ol style="list-style-type: none"> (1) which is controlled, directly or indirectly, by KIT (whether through the Issuer as trustee-manager of KIT or otherwise); (2) more than half the voting power of which is controlled, directly or indirectly, by KIT (whether through the Issuer as trustee-manager of KIT or otherwise); or (3) which is a subsidiary of any company, corporation, trust, fund or other entity (whether or not a body corporate) to which paragraph (1) or (2) above applies, <p>and for these purposes, any company, corporation, trust, fund or other entity (whether or not a body corporate) shall be treated as being controlled by KIT if KIT (whether through the Issuer as trustee-manager of KIT or otherwise) is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.</p>

<u>“Temporary Global Security”</u>	:	Global Security representing Bearer Securities of one or more Tranches of the same Series on issue, being substantially in the form set out in Schedule 2 to the Trust Deed (with respect to the Notes) or, as the case may be, Schedule 6 to the Trust Deed (with respect to the Perpetual Securities).
<u>“TIC”</u>	:	Tested incineration capacity.
<u>“Tolling Fees”</u>	:	The tolling fees payable by Keppel Electric to KMC upon KMC meeting certain availability and capacity targets under the terms of the CTA.
<u>“Tranche”</u>	:	Securities which are identical in all respects (including as to listing).
<u>“Trust Deed”</u>	:	The trust deed dated 23 May 2019 made between (1) the Issuer, as issuer, and (2) the Trustee, as trustee, as amended, varied or supplemented from time to time.
<u>“Trust Property”</u>	:	Has the meaning ascribed to it in the Business Trusts Act.
<u>“Trustee”</u>	:	DB International Trust (Singapore) Limited in its capacity as trustee under the Trust Deed, or its successor in such capacity.
<u>“TUA Direct Agreement”</u>	:	The terminal user agreement direct agreement entered into between KMC and Singapore LNG Ltd. for the payment of terminal charges arising from the use of the LNG terminal.
<u>“Tuas DBOO Electricity Licence”</u>	:	The electricity licence obtained by the Tuas DBOO Trustee from the EMA under the Electricity Act to (a) generate electricity and (b) trade in any wholesale electricity market operated by EMC.
<u>“Tuas DBOO EPHA Licence”</u>	:	The licence obtained by the Tuas DBOO Trustee from the NEA under the EPHA authorising the construction, establishment, maintenance and operation of the disposal facility at Keppel Seghers Tuas WTE Plant.
<u>“Tuas DBOO Fixed Capacity Payments”</u>	:	The monthly fixed capacity payments payable by NEA to the Tuas DBOO Trustee, comprising (a) an incineration capacity payment for the provision of incineration capacity and (b) electricity generation payment for the provision of electricity generation services, under the Tuas DBOO ISA.
<u>“Tuas DBOO ISA”</u>	:	The incineration services agreement entered into between the Tuas DBOO Trustee and NEA pursuant to which the Tuas DBOO Trustee will own and operate Keppel Seghers Tuas WTE Plant.
<u>“Tuas DBOO O&M Agreement”</u>	:	The O&M agreement entered into between Keppel Seghers and the Tuas DBOO Trustee pursuant to which Keppel

Seghers will operate, maintain and repair Keppel Seghers Tuas WTE Plant in return for fixed O&M fees and variable O&M fees payable by Tuas DBOO Trust.

<u>“Tuas DBOO Trustee”</u>	:	Keppel Seghers Tuas Waste-to-Energy Plant Pte. Ltd., acting in its capacity as trustee of Tuas DBOO Trust.
<u>“Tuas DBOO Variable Payments”</u>	:	The monthly variable payments payable by NEA to Tuas DBOO Trustee, comprising a variable O&M cost component (for the provision of incineration services), electricity generation incentive payment (as an incentive for the efficient generation and sale of electricity) and payment for energy market charges (as reimbursement of the energy market charges that Tuas DBOO Trustee has to pay the NEMS), under the Tuas DBOO ISA.
<u>“Ulu Pandan O&M Agreement”</u>	:	The O&M agreement dated 4 March 2005 entered into between Keppel Seghers NEWater Development Co Pte. Ltd. (in its personal capacity) and Keppel Seghers, as novated, amended and restated on 27 May 2010 among Keppel Seghers NEWater Development Co Pte. Ltd. (in its personal capacity), the Ulu Pandan Trustee and Keppel Seghers.
<u>“Ulu Pandan Trustee”</u>	:	Keppel Seghers NEWater Development Co Pte. Ltd., acting in its capacity as trustee of Ulu Pandan Trust.
<u>“Unit”</u>	:	One unit representing an undivided interest in KIT.
<u>“United States”</u> or <u>“U.S.”</u>	:	United States of America.
<u>“Unitholder”</u>	:	A holder of Unit(s).
<u>“US\$”</u> or <u>“US dollars”</u>	:	United States dollars.
<u>“Vesting LNG Contract”</u>	:	The gas sales agreement entered into between KMC and BG Singapore Gas Marketing Pte. Ltd. for delivery of regasified liquefied natural gas.
<u>“Vesting Contract”</u>	:	The vesting contract entered into between KMC and SP Services dated 23 September 2003 (as amended and supplemented from time to time).
<u>“Waste & Water”</u>	:	The waste and water segment of KIT’s portfolio of assets.
<u>“Water Purchase Agreement”</u>	:	The long-term water purchase agreement entered into between SingSpring and PUB, pursuant to which SingSpring receives a fixed monthly payment from PUB for making available the output capacity of the plant to PUB (which is payable regardless of the actual volume of water supplied) and a variable monthly payment depending on the actual volume of water supplied to PUB.
<u>“WTE”</u>	:	Waste-to-energy.

“S\$” or **“\$”** and **“cents”** : Singapore dollars and cents respectively.

“%” : Per cent.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations. Any reference to a time of day in this Information Memorandum shall be a reference to Singapore time unless otherwise stated. Any reference in this Information Memorandum to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the SFA or any statutory modification thereof and used in this Information Memorandum shall, where applicable, have the meaning ascribed to it under the Companies Act or, as the case may be, the SFA.

CORPORATE INFORMATION

Board Of Directors	:	Mr Koh Ban Heng Mr Thio Shen Yi Mr Mark Andrew Yeo Kah Chong Mr Daniel Cuthbert Ee Hock Huat Mr Kunnasagaran Chinniah Ms Christina Tan Hua Mui Ms Cindy Lim Joo Ling
Company Secretaries	:	Ms Winnie Mak Ms Joyce Ng
Registered Office	:	1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632
Auditors	:	Deloitte & Touche LLP 6 Shenton Way OUE Downtown #33-00 Singapore 068809
Arranger	:	DBS Bank Ltd. 12 Marina Boulevard, Level 42 Marina Bay Financial Centre Tower 3 Singapore 018982 Oversea-Chinese Banking Corporation Limited 63 Chulia Street, #03-05 OCBC Centre East Singapore 049514
Principal Paying Agent and CDP Registrar	:	Deutsche Bank AG, Singapore Branch One Raffles Quay #16-00 South Tower Singapore 048583
Non-CDP Paying Agent and Non-CDP Registrar	:	Deutsche Bank AG, Hong Kong Branch Level 52, International Commerce Centre 1 Austin Road West, Kowloon Hong Kong
Trustee	:	DB International Trust (Singapore) Limited One Raffles Quay #16-00 South Tower Singapore 048583
Legal Advisers to the Arranger and Dealers	:	WongPartnership LLP 12 Marina Boulevard Level 28 Marina Bay Financial Centre Tower 3 Singapore 018982
Legal Advisers to the Issuer	:	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Legal Advisers to the Trustee and the Agents	:	WongPartnership LLP 12 Marina Boulevard Level 28 Marina Bay Financial Centre Tower 3 Singapore 018982

SUMMARY OF THE PROGRAMME

The following summary is derived from, and should be read in conjunction with, the full text of this Information Memorandum (and any relevant supplement to this Information Memorandum), the Programme Agreement, the Trust Deed, the Agency Agreement and the relevant Pricing Supplement. Capitalised terms used in this summary shall have the same meanings as ascribed to them in the Conditions or, as the case may be, the Trust Deed.

Issuer	:	Keppel Infrastructure Fund Management Pte. Ltd. (as trustee-manager of Keppel Infrastructure Trust).
Arrangers	:	DBS Bank Ltd. and Oversea-Chinese Banking Corporation Limited.
Dealers	:	DBS Bank Ltd. and Oversea-Chinese Banking Corporation Limited and/or such other Dealers as may be appointed by the Issuer in accordance with the Programme Agreement.
Principal Paying Agent and CDP Registrar	:	Deutsche Bank AG, Singapore Branch
Non-CDP Paying Agent and Non-CDP Registrar	:	Deutsche Bank AG, Hong Kong Branch
Trustee	:	DB International Trust (Singapore) Limited
Description	:	S\$1,000,000,000 Multicurrency Debt Issuance Programme.
Programme Size	:	The maximum aggregate principal amount of the Securities outstanding at any time shall be S\$1,000,000,000 or such other amount as may be determined pursuant to the Programme Agreement.
Purpose	:	The net proceeds of an issuance of Securities will be used by the Issuer towards (a) financing or refinancing acquisitions and/or investments of the Group and any asset enhancement works of the Group, (b) financing the general working capital purposes and/or capital expenditure requirements of the Group, (c) refinancing the borrowings of the Group or (d) such other purpose as may be specified in the relevant Pricing Supplement.
Currency	:	Subject to compliance with all relevant laws, regulations and directives, Securities may be issued in Singapore dollars, US dollars or such other currency as the Issuer and the relevant Dealer(s) may so agree.
Method of Issue	:	Securities may be issued from time to time under the Programme on a syndicated or non-syndicated basis. Each Series may be issued in one or more Tranches, on the same or different issue dates. The specific terms of each Series or Tranche will be specified in the relevant Pricing Supplement.

Issue Price	:	Securities may be issued at par or at a discount, or premium, to par.
Form and Denomination of Securities	:	<p>The Securities will be issued in bearer form or in registered form and in such denominations as may be agreed between the Issuer and the relevant Dealer(s). Each Tranche or Series of bearer Securities may initially be represented by a Temporary Global Security or a Permanent Global Security. Each Temporary Global Security may be deposited on the relevant issue date with CDP, a common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system and will be exchangeable, upon request as described therein, either for a Permanent Global Security or definitive Securities (as indicated in the applicable Pricing Supplement). Each Permanent Global Security may be exchanged, unless otherwise specified in the applicable Pricing Supplement, upon request as described therein, in whole (but not in part) for definitive Securities upon the terms therein. Each Global Certificate may be registered in the name of, or in the name of a nominee of, CDP, a common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. Each Global Certificate may be exchanged, upon request as described therein, in whole (but not in part) for Certificates upon the terms therein. Save as provided in the terms and conditions of the Securities, one Certificate shall be issued in respect of each Securityholder's entire holding of registered Securities of one Series.</p>
Custody	:	Securities which are to be listed on the SGX-ST may be cleared through CDP. Securities which are to be cleared through CDP are required to be kept with CDP as authorised depositary. Securities which are cleared through Euroclear and/or Clearstream, Luxembourg are required to be kept with a common depositary on behalf of Euroclear and Clearstream, Luxembourg.
Listing	:	<p>Each Series of the Securities may, if so agreed between the Issuer and the relevant Dealer(s), be listed on the SGX-ST or any stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s), subject to all necessary approvals having been obtained.</p> <p>If the application to the SGX-ST to list a particular Series of Securities is approved, for so long as such Securities are listed on the SGX-ST and the rules of the SGX-ST so require, such Securities will be traded on the SGX-ST in a minimum board lot size of at least S\$200,000 (or its equivalent in foreign currencies).</p>
Selling Restrictions	:	For a description of certain restrictions on offers, sales and deliveries of the Securities and the distribution of offering material relating to the Securities, see the section on "Subscription, Purchase and Distribution". Further restrictions may apply in connection with any particular Series or Tranche of Securities.

Non-disposal covenant	:	<p>The Issuer has covenanted with the Trustee in the Trust Deed that so long as any of the Securities remains outstanding, that it shall not, and will ensure that none of the Principal Subsidiaries of KIT will, (whether by a single transaction or a number of related or unrelated transactions and whether at one time or over a period of time) sell, transfer, lease out, lend or otherwise dispose of (whether outright, by a sale-and-repurchase or sale-and-leaseback arrangement, or otherwise) all or substantially all of its assets or, as the case may be, the assets of KIT or the Group nor any part of its assets or, as the case may be, the assets of KIT or the Group which, either alone or when aggregated with all other disposals required to be taken into account under Clause 16(y) of the Trust Deed, is substantial in relation to the assets of the Group taken as a whole, and the disposal of which (either alone or so aggregated) would have a material adverse effect on it or, as the case may be, KIT. The following disposals shall not be taken into account under Clause 16(y) of the Trust Deed:</p> <ul style="list-style-type: none"> (i) any disposal of Basslink Pty Ltd and/or any or its subsidiaries; (ii) any disposal in the ordinary course of business and on normal commercial terms whether or not for cash; (iii) any disposal of assets which are obsolete, excess or no longer required for the purpose of KIT's business; (iv) any payment of cash as consideration for the acquisition of any asset on normal commercial terms and on an arm's length basis; (v) any disposal by the Issuer or by any Principal Subsidiary to the Issuer or to any other Principal Subsidiary (or to a subsidiary which becomes a Principal Subsidiary following such disposal); (vi) any exchange of assets for other assets of a similar or superior nature and value and cash; (vii) the making of lawful dividends or distributions other than as restricted under this Trust Deed; or (viii) any disposal which the Trustee or the Securityholders by way of Extraordinary Resolution shall have agreed shall not be taken into account.
Governing Law	:	<p>The Programme and any Securities issued under the Programme will be governed by, and construed in accordance with, the laws of Singapore.</p>

NOTES

Maturities	:	Subject to compliance with all relevant laws, regulations and directives, Notes may have maturities of such tenor as may be agreed between the Issuer and the relevant Dealer(s).
Mandatory Redemption	:	Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount on the maturity date shown on its face (if the Note is shown on its face to be a Fixed Rate Note, Hybrid Note (during the Fixed Rate Period) or Zero-Coupon Note) or on the Interest Payment Date falling in the Redemption Month shown on its face (if the Note is shown on its face to be a Floating Rate Note, Variable Rate Note or Hybrid Note (during the Floating Rate Period)).
Interest Basis	:	Notes may bear interest at fixed, floating, variable or hybrid rates or such other rates as may be agreed between the Issuer and the relevant Dealer(s) or may not bear interest.
Fixed Rate Notes	:	Fixed Rate Notes will bear a fixed rate of interest which will be payable in arrear on specified dates and at maturity.
Floating Rate Notes	:	<p>Floating Rate Notes which are denominated in Singapore dollars will bear interest to be determined separately for each Series by reference to S\$ SIBOR or S\$ SWAP RATE (or in any other case such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin. Interest periods in relation to the Floating Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue.</p> <p>Floating Rate Notes which are denominated in other currencies will bear interest to be determined separately for each Series by reference to such other benchmark as may be agreed between the Issuer and the relevant Dealer(s).</p>
Variable Rate Notes	:	Variable Rate Notes will bear interest at a variable rate determined in accordance with the terms and conditions of the Notes. Interest periods in relation to the Variable Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue.
Hybrid Notes	:	Hybrid Notes will bear interest, during the fixed rate period to be agreed between the Issuer and the relevant Dealer(s), at a fixed rate of interest which will be payable in arrears on specified dates and, during the floating rate period to be agreed between the Issuer and the relevant Dealer(s), at the rate of interest to be determined, in the case of Hybrid Notes which are denominated in Singapore dollars, by reference to S\$ SIBOR or S\$ SWAP RATE (or in any other case such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin (provided that if the

Hybrid Notes are denominated in a currency other than Singapore dollars, such Hybrid Notes will bear interest to be determined separately by reference to such benchmark as may be agreed between the Issuer and the relevant Dealer(s)), in each case payable at the end of each interest period to be agreed between the Issuer and the relevant Dealer(s).

Zero-Coupon Notes	:	Zero-Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest other than in the case of late payment.
Status of the Notes	:	The Notes and Coupons of all Series will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will at all times rank <i>pari passu</i> and rateably without any preference or priority among themselves, and <i>pari passu</i> with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer from time to time outstanding.
Redemption and Purchase	:	If so provided on the face of the Note and the relevant Pricing Supplement, Notes may be redeemed (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the holders of the Notes. Further, if so provided on the face of the Note and the relevant Pricing Supplement, Notes may be purchased by the Issuer (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the holders of the Notes.
Redemption upon Termination of KIT	:	In the event that KIT is terminated in accordance with the provisions of the KIT Trust Deed, the Issuer shall redeem all (and not some only) of the Notes at their redemption amount together with interest accrued to the date fixed for redemption on any date on which interest is due to be paid on such Notes or, if earlier, the date of termination of KIT.
Redemption upon De-listing of KIT	:	In the event that KIT is unable to maintain its listing on the SGX-ST, the Issuer shall redeem all (and not some only) of the Notes at their redemption amount together with interest accrued to the date fixed for redemption on any date on which interest is due to be paid on such Notes.
Redemption for Taxation Reasons	:	<p>If so provided on the face of the Note and the relevant Pricing Supplement, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified on the face of the Note and the relevant Pricing Supplement, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their redemption amount or (in the case of Zero-Coupon Notes) early redemption amount, together with interest accrued to (but excluding) the date fixed for redemption, if:</p> <p>(i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 of the Notes, or increase the payment of such additional</p>

amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement; and

- (ii) such obligations cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Redemption in the case of Minimal Outstanding Amount	:	If so provided on the face of the Notes and the relevant Pricing Supplement, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption if, immediately before giving such notice, the aggregate principal amount of the Notes outstanding is less than 10 per cent. of the aggregate principal amount originally issued.
Negative Pledge	:	For so long as any of the Notes remains outstanding, the Issuer will not create or permit to subsist and, will procure that no Principal Subsidiary (as defined in the terms and conditions of the Notes) will create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest (" Security ") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any freely transferable securities (as defined in the terms and conditions of the Notes) issued by the Issuer or any subsidiary of KIT or to secure any guarantee of or indemnity of the Issuer or any subsidiary of KIT in respect of any freely transferable securities, unless, at the same time or prior to such Security being given, the obligations of the Issuer under the Notes and the Trust Deed (a) are secured equally and rateably therewith, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially prejudicial to the interests of the Noteholders, or as shall be approved by way of an Extraordinary Resolution of the Noteholders.

Provided that nothing in this paragraph:

- (i) shall prohibit or restrict the creation by the Issuer or any subsidiary of KIT of any Security upon (i) any property or assets acquired, purchased or owned or to be acquired, purchased or owned by the Issuer or any subsidiary of KIT, as the case may be, or (ii) any property or assets of any entity acquired, purchased or owned or to be acquired, purchased or owned by the Issuer or any subsidiary of KIT, as the case may be, for the purpose of securing the payment of any sum due in respect of freely transferable securities or any payment under any guarantee of, or indemnity or other like obligation relating to freely transferable securities, the proceeds of which are to be applied towards financing or refinancing the cost of the acquisition, purchase, development, construction, redevelopment and ownership of such property or assets (including, without limitation, the equipping, alteration or improvement of such property or assets following their redevelopment, development or construction);
- (ii) shall extend to any Security existing on (i) any property or asset of, or any interests in, any entity at the time the Issuer or any subsidiary of KIT acquires such entity after the Issue Date or (ii) any property or asset at the time it is acquired by the Issuer or any subsidiary of KIT after the Issue Date provided that, in the case of (i) and (ii) above, such Security was not created in anticipation of such entity, property or asset being acquired by the Issuer or the relevant subsidiary of KIT (as the case may be); or
- (iii) shall extend to any Security of the Issuer or any subsidiary of KIT existing as at the Issue Date and any Security to be created in connection with the refinancing of the indebtedness secured by such existing Security.

Financial Covenants : For so long as any of the Notes remains outstanding, the Issuer will ensure that the Adjusted EBITDA in respect of any Test Period to Net Interest Expense for that Test Period shall be at least 3.5 times.

For the purposes of this paragraph:

The financial covenant set out shall be calculated and interpreted on a non-consolidated basis (at the KIT trust level) and interpreted in accordance with FRS as at the end of each financial half-year of KIT, and shall be tested semi-annually against the most recent audited yearly financial statements of KIT and half-yearly unaudited interim financial statements of KIT;

“Adjusted EBITDA” means in relation to any Test Period, the EBITDA of KIT for that Test Period adjusted by adding the aggregate amount in cash received during that Test Period by the Issuer which is directly or indirectly attributable to any form of distribution from any member of the Group, whether by way of capital redemption or repayment of intercompany loans, to the extent such cash was not included in calculating the profit of KIT and without double counting;

“EBITDA” means, in relation to any Test Period, the total unconsolidated operating profit of KIT (at the KIT trust level) for that Test Period:

- (a) before taking into account for that period:
 - (i) Net Interest Expense;
 - (ii) any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);
 - (iii) any share of the profit of any associated company or undertaking, except for dividends received in cash by the Issuer; and
 - (iv) extraordinary and exceptional items;
- (b) after adding back all amounts provided for depreciation and amortisation for that Test Period;
- (c) adjusted for any deduction in respect of any loss against book value incurred on the disposal of any asset (not being disposals made in the ordinary course of trading) during that period and any loss on any revaluation of any asset during that Test Period;
- (d) adjusted for any contribution in respect of any profit against book value obtained on the disposal of any asset (not being disposals made in the ordinary course of trading) during that period and any profit on any revaluation of any asset during that Test Period;
- (e) adjusted for unrealised exchange gains and losses and gains and losses on hedging agreements that have not been closed-out;
- (f) adjusted for any non-cash FRS-related adjustments and changes; and
- (g) adjusted for any non-recurring transaction costs incurred with any debt or equity raising or any acquisition;

“Financial Indebtedness” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility; and
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument (other than pursuant to any issue of perpetual securities and any other financial instruments which, in each case, is recognised as equity under FRS),

but excluding:

- (i) any intra-group debt or indebtedness to unitholders, subsidiaries, associated companies and related corporations of the Issuer; and
- (ii) any deposits and indebtedness comprising trade payables owing or incurred in respect of assets, goods and services obtained in the ordinary course of business;

“FRS” means the financial reporting standards prescribed by the Accounting Standards Council of Singapore from time to time;

“Interest Expense” means in relation to any Test Period, the aggregate amount of interest and any other finance charges (whether or not paid, payable or capitalised) accrued by the Issuer in that period in respect of Total Borrowings including:

- (a) the interest element of leasing and hire purchase payments;
- (b) commitment fees, commissions and guarantee fees; and
- (c) amounts in the nature of interest payable in respect of any shares other than equity share capital, perpetual securities and any other financial instruments which, in each case, is recognised as equity under FRS,

adjusted (but without double counting) by:

- (i) adding back the net amount payable (or deducting the net amount receivable) by the Issuer in respect of that period under any interest or (so far as they relate to interest) currency hedging arrangements; and

- (ii) for the avoidance of doubt, excluding any arrangement fee or front-end fee or bank option fee payable in respect of Financial Indebtedness;

“Net Interest Expense” means, in relation to any Test Period, the Interest Expense of the Issuer in that Test Period adjusted (but without double counting) by deducting the interest income of the Issuer in respect of that period;

“Test Period” means each period of 12 months ending on the last day of each financial half-year of KIT; and

“Total Borrowings” means, as at any particular time, the aggregate of the outstanding principal, nominal or capital amount (and any fixed or minimum premium payable on prepayment or redemption) of the Financial Indebtedness of the Issuer, calculated on a non-consolidated basis (at the KIT trust level) (but excluding any marked-to-market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount shall be taken into account)) of any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price).

For this purpose, any amount outstanding or repayable in a currency other than Singapore dollars should on that day be taken into account:

- (a) if any audited balance sheet of KIT has been prepared as at that day, in the Singapore dollar equivalent at the rate of exchange used for the purpose of preparing that balance sheet; and
- (b) in any other case, in the Singapore dollar equivalent at the rate of exchange that would have been used had an audited balance sheet of KIT been prepared as at that day in accordance with the FRS.

For the avoidance of doubt, for the purposes of these definitions, any securities or financial instruments issued by the Issuer, KIT or any member of the Group which are regarded by FRS as “equity” shall be treated as such (and not as debt).

No Merger Covenant : The Issuer has covenanted with the Trustee in the Trust Deed that so long as any of the Notes remains outstanding, it shall not, unless required by law or with the prior written consent of the Trustee acting under the directions of the Noteholders by way of an Extraordinary Resolution, undertake or permit any reorganisation, amalgamation, reconstruction, merger or consolidation with any other company or person, or any other schemes of compromise or arrangement affecting its present constitution (**“Reconstruction Event”**), in each case, other than any Reconstruction Event (i) which is made on solvent terms, (ii) where the Issuer remains a surviving entity and

(iii) which does not have a material adverse effect on the Issuer or KIT.

Events of Default	:	See Condition 10 of the Notes.
Taxation	:	All payments in respect of the Notes and Coupons by or on behalf of the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, save for certain exceptions. For further details, see the section on "Singapore Taxation".

PERPETUAL SECURITIES

No Fixed Redemption Date	:	The Perpetual Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right (but not the obligation) to redeem or purchase them in accordance with the provisions of the terms and conditions of the Perpetual Securities.
Distribution Basis	:	Perpetual Securities may confer a right to distribution at fixed or floating rates.
Fixed Rate Perpetual Securities	:	Fixed Rate Perpetual Securities will confer a right to distribution at a fixed rate which will be payable in arrear on specified dates. If so provided on the face of the Fixed Rate Perpetual Securities, the distribution rate may be subject to reset on such date and bases as may be set out in the relevant Pricing Supplement.
Floating Rate Perpetual Securities	:	Floating Rate Perpetual Securities which are denominated in Singapore dollars will confer a right to distribution at a rate to be determined separately for each Series by reference to S\$ SIBOR or S\$ SWAP RATE (or in any other case such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin. Distribution periods in relation to the Floating Rate Perpetual Securities will be agreed between the Issuer and the relevant Dealer(s) prior to their issue.

Floating Rate Perpetual Securities which are denominated in other currencies will confer a right to distribution at a rate to be determined separately for each Series by reference to such other benchmark as may be agreed between the Issuer and the relevant Dealer(s).

Distribution Discretion : The Issuer may, at its sole discretion, elect not to pay a distribution (or to pay only part of a distribution) which is scheduled to be paid on a Distribution Payment Date (as defined in the terms and conditions of the Perpetual Securities) by giving notice to the Trustee, the Principal Paying Agent and the Perpetual Securityholders (in accordance with Condition 14 of the Perpetual Securities) not more than 15 nor less than five business days (or such other notice period as may be specified on the face of the Perpetual Security and the relevant Pricing Supplement) prior to a scheduled Distribution Payment Date.

For the purposes of this “Summary of the Programme” section:

“Junior Obligation” means any class of equity capital in KIT and any instrument or security issued, entered into or guaranteed by the Issuer, other than any instrument or security (including without limitation any preferred units) ranking in priority in payment and in all other respects to the ordinary units of KIT.

“Parity Obligation” means any instrument or security (including without limitation any preference units in KIT) issued, entered into or guaranteed by the Issuer (1) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with a Notional Preferred Unit (as defined in the terms and conditions of the Perpetual Securities) and (2) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer and/or, in the case of an instrument or security guaranteed by the Issuer, the issuer thereof.

Non-Cumulative Deferral and Cumulative Deferral : If Non-Cumulative Deferral is set out on the face of the Perpetual Security and the relevant Pricing Supplement, any distribution deferred pursuant to Condition 4(IV) of the Perpetual Securities is non-cumulative and will not accrue interest. The Issuer is not under any obligation to pay that or any other distributions that have not been paid in whole or in part. The Issuer may, at its sole discretion (and is not obliged to), and at any time, elect to pay an amount up to the amount of distribution which is unpaid (**“Optional Distribution”**) (in whole or in part) by complying with the notice requirements in Condition 4(IV)(e) of the Perpetual Securities. There is no limit on the number of times or the extent of the amount with respect to which the Issuer can elect not to pay distributions pursuant to Condition 4(IV) of the Perpetual Securities. Any partial payment of outstanding Optional Distribution by the Issuer shall be shared by the holders of all outstanding Perpetual Securities and the Coupons related to them on a *pro rata* basis.

If Cumulative Deferral is set out on the face of the Perpetual Security and the relevant Pricing Supplement, any distribution deferred pursuant to Condition 4(IV) of the Perpetual Securities shall constitute **“Arrears of**

Distribution". The Issuer may, at its sole discretion, elect to (in the circumstances set out in Condition 4(IV)(a) of the Perpetual Securities) further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued distribution. The Issuer is not subject to any limit as to the number of times distributions and Arrears of Distribution can or shall be deferred pursuant to Condition 4(IV) of the Perpetual Securities except that Condition 4(IV)(c) of the Perpetual Securities shall be complied with until all outstanding Arrears of Distribution have been paid in full.

If Additional Distribution is set out on the face of the Perpetual Security and the relevant Pricing Supplement, each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Securities at the Distribution Rate or Rate of Distribution (as the case may be) and the amount of such interest (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to Condition 4 of the Perpetual Securities and shall be calculated by applying the applicable Distribution Rate or Rate of Distribution (as the case may be) to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of Condition 4 of the Perpetual Securities. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

Restriction in the case of
Non-Payment

: If Dividend Stopper is set out on the face of the Perpetual Security and the relevant Pricing Supplement and on any Distribution Payment Date, payments of all distributions scheduled to be made on such date are not made in full by reason of Condition 4(IV) of the Perpetual Securities, the Issuer shall not and shall procure that none of its subsidiaries shall:

- (i) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on, any of the Issuer's Junior Obligations or (except on a *pro rata* basis) any of the Issuer's Parity Obligations; or
- (ii) redeem, reduce, cancel, buy-back or acquire for any consideration, and will procure that no redemption, reduction, cancellation, buy-back or acquisition for any consideration is made in respect of, any of the Issuer's Junior Obligations or (except on a *pro rata* basis) any of the Issuer's Parity Obligations,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group, (2) as a result of the exchange or conversion of Parity Obligations of KIT for Junior Obligations of KIT or (3) unless and until (A) (if Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) the Issuer has satisfied in full all outstanding Arrears of Distribution, (B) (if Non-Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) a redemption of all the outstanding Perpetual Securities has occurred, the next scheduled distribution has been paid in full or an Optional Distribution equal to the amount of a distribution payable with respect to the most recent Distribution Payment Date that was unpaid in full or in part, has been paid in full or (C) the Issuer is permitted to do so by an Extraordinary Resolution of the Perpetual Securityholders. For the avoidance of doubt, nothing contained in the terms and conditions of the Perpetual Securities shall restrict the payment of management fees to the Trustee-Manager in the form of units in KIT, cash or any other form of consideration.

Status of the Senior Perpetual Securities	:	The Senior Perpetual Securities and Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any preference or priority among themselves, and <i>pari passu</i> with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.
Status of the Subordinated Perpetual Securities	:	The Subordinated Perpetual Securities and Coupons relating to them constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any preference or priority among themselves, and <i>pari passu</i> with any Parity Obligations of the Issuer. The rights and claims of the Perpetual Securityholders and Couponholders in respect of the Subordinated Perpetual Securities are subordinated as provided in Condition 3(b) of the Perpetual Securities.
Subordination of Perpetual Securities	:	Subject to the insolvency laws of Singapore and other applicable laws, in the event of bankruptcy, termination, winding up, liquidation, receivership or similar proceedings (" Winding-Up ") of KIT, there shall be payable by the Issuer in respect of each Perpetual Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to such Perpetual Securityholder if, on the day prior to the commencement of the Winding-Up of KIT, and thereafter, such Perpetual Securityholder were the holder of one of a class of preferred units in the capital of KIT (and if more than one class of preferred units is outstanding, the most junior ranking class of such preferred units) (the " Notional Preferred Units ") having an equal right to return of assets in the Winding-Up of KIT and so ranking <i>pari passu</i> with the holders of that class or classes of preferred units (if

any) which have a preferential right to return of assets in the Winding-Up of KIT, and so ranking ahead of, the holders of Junior Obligations of KIT, but junior to the claims of all other present and future creditors of KIT (other than Parity Obligations of KIT), on the assumption that the amount that such Perpetual Securityholder was entitled to receive in respect of each Notional Preferred Unit on a return of assets in such Winding-Up were an amount equal to the principal amount (and any applicable premium outstanding) of the relevant Perpetual Security together with distributions accrued and unpaid since the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) and any unpaid Optional Distributions (as defined in Condition 4(IV)(c) of the Perpetual Securities) in respect of which the Issuer has given notice to the Perpetual Securityholders in accordance with the terms and conditions of the Perpetual Securities.

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| No set-off in relation to Subordinated Perpetual Securities | : | <p>Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding, counterclaim, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding, counterclaim, compensation or retention against the Issuer. Notwithstanding the preceding sentence, if at any time any Subordinated Perpetual Securityholder receives payment or benefit of any sum in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them (including any benefit received pursuant to any set-off, deduction, withholding, counterclaim, compensation or retention) other than in accordance with the terms and conditions of the Perpetual Securities, the payment of such sum or receipt of such benefit shall, to the fullest extent permitted by law, be deemed void for all purposes and such Subordinated Perpetual Securityholder shall immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of a Winding-Up or administration of KIT, the liquidator or, as appropriate, administrator of KIT) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of KIT) and accordingly any such discharge shall be deemed not to have taken place.</p> |
| Redemption at the Option of the Issuer | : | <p>If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Issuer may, at its option, redeem the Perpetual Securities in whole, but not in part, on the First Call Date (as specified on the face of the Perpetual Security and the relevant Pricing Supplement) or on any Distribution Payment Date thereafter at their principal</p> |

amount, together with the distribution accrued (including any Arrears of Distribution and any Additional Distribution Amount) from (and including) the immediately preceding Distribution Payment Date to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable).

Redemption for Taxation
Reasons

: If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified on the face of the Perpetual Security and the relevant Pricing Supplement, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if:

- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 of the Perpetual Securities, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement, and
- (ii) such obligations cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Perpetual Securities then due.

Redemption for Accounting
Reasons

: If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified on the face of the Perpetual Security and the relevant Pricing Supplement, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, on such Distribution Payment Date or any time after that Distribution Payment Date, as a result of any changes or amendments to

Singapore Financial Reporting Standards (International) issued by the Singapore Accounting Standards Council, as amended from time to time (the “**SFRS(I)**”) or any other accounting standards that may replace SFRS(I) for the purposes of the consolidated financial statements of the Issuer (the “**Relevant Accounting Standard**”), the Perpetual Securities will not or will no longer be recorded as “equity” of KIT pursuant to the Relevant Accounting Standard.

Redemption for Tax
Deductibility

: If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified on the face of the Perpetual Security and the relevant Pricing Supplement, at any time on giving not less than 30 nor more than 60 days’ notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if the Issuer satisfies the Trustee immediately before giving such notice that, as a result of:

- (i) any amendment to, or change in, the laws (or any rules or regulations thereunder) of Singapore or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date;
- (ii) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date; or
- (iii) any generally applicable official interpretation or pronouncement which is issued or announced on or after the Issue Date that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position which is announced before the Issue Date,

payments by the Issuer which would otherwise have been deductible to the Issuer, are no longer, or would in the Distribution Period immediately following that Distribution Payment Date no longer be, fully deductible by the Issuer for Singapore income tax purposes.

Redemption upon a Ratings
Event

: If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole but not in part on any Distribution Payment Date or, if so specified on the face of the Perpetual Security and the relevant Pricing Supplement, at any time on giving not less than 30 nor more

than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distribution accrued to (but excluding) the date fixed for redemption), if as of the date fixed for redemption, an amendment, clarification or change has occurred, or will in the Distribution Payment Period immediately following the date fixed for redemption occur, in the equity credit criteria, guidelines or methodology of the Rating Agency specified on the face of the Perpetual Security and the relevant Pricing Supplement (or any other rating agency of equivalent recognised standing requested from time to time by the Issuer to grant a rating to the Issuer or the Perpetual Securities) and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results or will result in a lower equity credit for the Perpetual Securities than the equity credit assigned or which would have been assigned on the Issue Date (in the case of such Rating Agency) or assigned at the date when equity credit is assigned for the first time (in the case of any other rating agency), provided that, prior to the publication of any notice of redemption pursuant to Condition 5(f) of the Perpetual Securities, the Issuer shall deliver, or procure that there is delivered to the Trustee and Principal Paying Agent a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting out the details of such circumstances.

Redemption in the case of
Minimal Outstanding Amount

: If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified on the face of the Perpetual Security and the relevant Pricing Supplement, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, immediately before giving such notice, the aggregate principal amount of the Perpetual Securities outstanding is less than 10 per cent. of the aggregate principal amount originally issued.

Redemption upon Cessation
or Suspension of Trading of
Units

: If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified on the face of the Perpetual Security and the relevant Pricing Supplement, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distributions (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), following the occurrence of a Cessation/Suspension of Trading Event.

For the purposes of this “Summary of the Programme” section:

- (i) **“Cessation/Suspension of Trading Event”** occurs when (i) the units of the Issuer cease to be traded on the SGX-ST, or (ii) trading in the units of the Issuer on the SGX-ST is suspended for a continuous period of more than 10 market days; and
- (ii) **“market day”** means a day on which the SGX-ST is open for securities trading.

Limited right to institute proceedings in relation to Perpetual Securities	:	The right to institute proceedings for Winding-Up of KIT in relation to Perpetual Securities is limited to circumstances set out in Condition 9(b) of the Perpetual Securities. In the case of any distribution, such distribution will not be due if the Issuer has elected not to pay that distribution in accordance with Condition 4(IV) of the Perpetual Securities. In addition, nothing in Condition 9 of the Perpetual Securities, including any restriction on commencing proceedings, shall in any way restrict or limit the rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Perpetual Securities or the Trust Deed.
Proceedings for winding-up	:	If (1) a Winding-Up of KIT occurs, or (2) the Issuer does not pay any sum payable by it under the Perpetual Securities when due and, such default continues for a period of three (3) business days after the due date (together, the “Enforcement Events”), the Issuer shall be deemed to be in default under the Trust Deed and the Perpetual Securities and the Trustee may, subject to the provisions of Condition 9(d) of the Perpetual Securities, institute proceedings for the Winding-Up of KIT and/or prove in the Winding-Up of KIT and/or claim in the liquidation of KIT for such payment.
Taxation	:	Where the Perpetual Securities are recognised as debt securities for Singapore income tax purposes, all payments in respect of the Perpetual Securities and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Perpetual Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, save for certain exceptions. For further details, please see the section on “Singapore Taxation” herein.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Notes in definitive form issued in exchange for the Global Security(ies) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme. Details of the relevant Series are shown on the face of the relevant Notes and in the relevant Pricing Supplement.

The Notes are constituted by a trust deed (as amended, varied or supplemented from time to time, the **“Trust Deed”**) dated 23 May 2019 made between (1) Keppel Infrastructure Fund Management Pte. Ltd. (in its capacity as trustee-manager of Keppel Infrastructure Trust (**“KIT”**)) (the **“Trustee-Manager”**), as issuer (the **“Issuer”**, which expression shall include its successors and permitted assigns including any substitute or replacement trustee-manager of KIT), and (2) DB International Trust (Singapore) Limited (the **“Trustee”**, which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed), as trustee for the Noteholders (as defined below), and (where applicable) the Notes are issued with the benefit of a deed of covenant (as amended, varied or supplemented from time to time, the **“Deed of Covenant”**) dated 23 May 2019 executed by the Issuer, relating to Notes cleared through the CDP System (as defined in the Trust Deed) (**“CDP Notes”**) issued by the Issuer. These terms and conditions (the **“Conditions”**) are subject to the detailed provisions of the Trust Deed. The Issuer has entered into an agency agreement (the **“Agency Agreement”**) dated 23 May 2019 made between (1) the Issuer, as issuer, (2) Deutsche Bank AG, Singapore Branch, as principal paying agent in respect of CDP Notes (in such capacity, the **“Principal Paying Agent”**) and registrar and transfer agent in respect of CDP Notes (in such capacity, the **“CDP Registrar”**), (3) Deutsche Bank AG, Hong Kong Branch, as paying agent in respect of Notes that are cleared or to be cleared through a clearing system other than the CDP System (the **“Non-CDP Notes”**) (in such capacity, the **“Non-CDP Paying Agent”** and together with the Principal Paying Agent and any other paying agents that may be appointed, the **“Paying Agents”**) and registrar and transfer agent in respect of Non-CDP Notes (in such capacity, the **“Non-CDP Registrar”** and, together with the CDP Registrar, the **“Registrar”** and the Registrar, together with any other transfer agents that may be appointed, the **“Transfer Agents”**) and (4) the Trustee, as trustee for the Noteholders. The Noteholders and the holders (the **“Couponholders”**) of the coupons (the **“Coupons”**) appertaining to the interest-bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the **“Talons”**) are bound by and are deemed to have notice of all of the provisions of the Trust Deed, the Agency Agreement, the relevant Calculation Agency Agreement (as defined in the Trust Deed) and the Deed of Covenant.

For the purposes of these Conditions, all references to (a) the Principal Paying Agent shall in the case of a Series of Non-CDP Notes, be deemed to be a reference to the Non-CDP Paying Agent, (b) the Registrar shall, in the case of a Series of CDP Notes, be deemed to be a reference to the CDP Registrar and, in the case of a Series of Non-CDP Notes, be deemed to be a reference to the Non-CDP Registrar, and (unless the context otherwise requires) all such references shall be construed accordingly.

Copies of the Trust Deed, the Agency Agreement, the relevant Calculation Agency Agreement and the Deed of Covenant are available for inspection at the principal office of the Trustee for the time being and at the respective specified offices of the Paying Agents for the time being.

1. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

- (i) The Notes of the Series of which this Note forms part (in these Conditions, the “**Notes**”) are issued in bearer form (the “**Bearer Notes**”) or in registered form (the “**Registered Notes**”) in each case in the Denomination Amount shown hereon. Subject to applicable laws, in the case of Registered Notes, such Notes are in the Denomination Amount shown hereon, which may include a minimum denomination and higher integral multiples of a smaller amount, in each case, as specified in the applicable Pricing Supplement.
- (ii) This Note is a Fixed Rate Note, a Floating Rate Note, a Variable Rate Note, a Hybrid Note or a Note that does not bear interest (a “**Zero-Coupon Note**”), a combination of any of the foregoing or any other type of Note (depending on the Interest and Redemption/Payment Basis shown on its face).
- (iii) Bearer Notes are serially numbered and issued with Coupons (and where applicable, a Talon) attached, save in the case of Zero-Coupon Notes in which case references to interest (other than in relation to default interest referred to in Condition 7(h)) in these Conditions are not applicable.
- (iv) Registered Notes are represented by registered certificates (“**Certificates**”), and save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

(b) Title

- (i) Subject as set out below, title to the Bearer Notes and the Coupons and Talons appertaining thereto shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”).
- (ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft, loss or forgery thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.
- (iii) For so long as any of the Notes is represented by a Global Security (as defined below) or, as the case may be, a Global Certificate (as defined below) and such Global Security or Global Certificate is held by The Central Depository (Pte) Limited (“**CDP**”), each person who is for the time being shown in the records of CDP as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by CDP as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Transfer Agents, the Registrars, the Calculation Agents (as defined below) all other agents of the Issuer and the Trustee as the holder of such

principal amount of Notes other than with respect to the payment of principal, premium, interest, redemption, purchase and/or any other amounts in respect of the Notes, for which purpose the holder of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the Issuer, the Paying Agents, the Transfer Agents, the Registrars, the Calculation Agents, all other agents of the Issuer and the Trustee as the holder of such Notes in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions, where the context requires, shall be construed accordingly). Notes which are represented by the Global Security or, as the case may be, the Global Certificate and held by CDP will be transferable only in accordance with the rules and procedures for the time being of CDP. For so long as any of the Notes is represented by a Global Security or, as the case may be, the Global Certificate and such Global Security or, as the case may be, the Global Certificate is held by CDP, the record date for the purposes of determining entitlements to any payment of principal, premium, interest, redemption, purchases and any other amounts in respect of the Notes shall, unless otherwise specified by the Issuer, be the date falling five (5) business days prior to the relevant payment date (or such other date as may be prescribed by CDP).

- (iv) For so long as any of the Notes is represented by a Global Security or, as the case may be, a Global Certificate and such Global Security or Global Certificate is held by a common depositary for Euroclear SA/NV (“**Euroclear**”) and/or Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”), each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the principal amount of such Notes (as the case may be) standing to the account of any person shall be conclusive and binding for all purposes, save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Transfer Agents, the Registrars, the Calculation Agents, all other agents of the Issuer and the Trustee as the holder of such principal amount of such Notes other than with respect to the payment of principal, premium, interest, redemption, purchase and/or any other amounts in respect of such Notes, for which purpose the holder of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the Issuer, the Paying Agents, the Transfer Agents, the Registrars, the Calculation Agents, all other agents of the Issuer and the Trustee as the holder of such Notes in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions, where the context requires, shall be construed accordingly). Notes which are represented by a Global Security or, as the case may be, the Global Certificate and held by Euroclear and/or Clearstream, Luxembourg will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg. For so long as any of the Notes is represented by a Global Security or, as the case may be, the Global Certificate and such Global Security or, as the case may be, the Global Certificate is held by a common depositary for Euroclear and/or Clearstream, Luxembourg, the record date for the purposes of determining entitlements to any payment of principal, premium, interest, redemption, purchase and any other amounts in respect of the Note shall be the close of business on the Clearing System Business Day immediately prior to the relevant payment date, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January (or such other date as may be prescribed by Euroclear and/or Clearstream, Luxembourg).

- (v) In these Conditions, “**Global Security**” means the relevant Temporary Global Security representing each Series or the relevant Permanent Global Security representing each Series, “**Global Certificate**” means the relevant Global Certificate representing each Series that is registered in the name of, or in the name of a nominee of, (1) CDP, (2) a common depositary for Euroclear and/or Clearstream Luxembourg and/or (3) any other clearing system, “**Noteholder**” means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be) and “**holder**” (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon, or the person in whose name a Registered Note is registered (as the case may be), “**Series**” means (A) (in relation to Notes other than Variable Rate Notes) a Tranche, together with any further Tranche or Tranches, which are (1) expressed to be consolidated and forming a single series and (2) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of interest and (B) (in relation to Variable Rate Notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest and “**Tranche**” means Notes which are identical in all respects (including as to listing).
- (vi) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

2. NO EXCHANGE OF NOTES AND TRANSFER OF REGISTERED NOTES

(a) No Exchange of Notes:

Registered Notes may not be exchanged for Bearer Notes, Bearer Notes of one Denomination Amount may not be exchanged for Bearer Notes of another Denomination Amount. Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes:

Subject to Conditions 2(e) and 2(f) below, one or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any other Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer) duly completed and executed and any other evidence as the Registrar or such other Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes which is a schedule to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee and (in the case of any change proposed by the Registrar) with the prior written approval of the Issuer and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) Exercise of Options or Partial Redemption or Purchase in Respect of Registered Notes:

In the case of an exercise of an Issuer's or Noteholder's option in respect of, or a partial redemption of or purchase of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed or purchased. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against the surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) Delivery of New Certificates:

Each new Certificate to be issued pursuant to Condition 2(b) or 2(c) shall be available for delivery within five (5) business days of receipt of the form of transfer or exercise notice (as referred to in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or such other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer, exercise notice (as referred to in Condition 6(e)) or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, exercise notice (as referred to in Condition 6(e)) or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or the Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day (other than a Saturday or Sunday or gazetted public holiday) on which banks are open for business in the place of the specified office of the Registrar or the relevant Transfer Agent (as the case may be).

(e) Transfers Free of Charge:

Transfers of Notes and registrations and issues of Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the other Transfer Agents, but upon payment of any tax or governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require) in respect of tax or governmental charges.

(f) Closed Periods:

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of fifteen (15) days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(c), (ii) after any such Note has been called for redemption and (iii) during the period of seven (7) days ending on (and including) any Record Date (as defined in Condition 7(b)(ii)).

3. **STATUS**

The Notes and Coupons of all Series constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer. The Notes and Coupons shall at all times rank *pari passu*, and rateably without any preference or priority among themselves and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer, from time to time outstanding.

4. **NEGATIVE PLEDGE AND FINANCIAL COVENANTS**

- 4.1 For so long as any of the Notes remains outstanding, the Issuer will not create or permit to subsist and, will procure that no Principal Subsidiary (as defined below) will create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any freely transferable securities (as defined below) issued by the Issuer or any subsidiary of KIT ("**Subsidiary**") or to secure any guarantee of or indemnity of the Issuer or any Subsidiary in respect of any freely transferable securities, unless, at the same time or prior to such Security being given, the obligations of the Issuer under the Notes and the Trust Deed (a) are secured equally and rateably therewith, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially prejudicial to the interests of the Noteholders, or as shall be approved by way of an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of these Conditions:

"freely transferable securities" means any present or future indebtedness in the form of, or represented by, bonds, debentures, notes or other debt securities which are for the time being, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or other securities market, having an original maturity of more than 365 days from its date of issue.

Provided that nothing in this Condition 4.1:

- (i) shall prohibit or restrict the creation by the Issuer or any Subsidiary of any Security upon (i) any property or assets acquired, purchased or owned or to be acquired, purchased or owned by the Issuer or any Subsidiary, as the case may be, or (ii) any property or assets of any entity acquired, purchased or owned or to be acquired, purchased or owned by the Issuer or any Subsidiary, as the case may be, for the purpose of securing the payment of any sum due in respect of freely transferable securities or any payment under any guarantee of, or indemnity or other like obligation relating to freely transferable securities, the proceeds of which are to be applied towards financing or refinancing the cost of the acquisition, purchase, development, construction, redevelopment and ownership of such property or assets (including, without limitation, the equipping, alteration or improvement of such property or assets following their redevelopment, development or construction);
- (ii) shall extend to any Security existing on (i) any property or asset of, or any interests in, any entity at the time the Issuer or any Subsidiary acquires such entity after the Issue Date or (ii) any property or asset at the time it is acquired by the Issuer or any Subsidiary after the Issue Date provided that, in the case of (i) and (ii) above, such Security was not created in anticipation of such entity, property or asset being acquired by the Issuer or the relevant Subsidiary (as the case may be); or

- (iii) shall extend to any Security of the Issuer or any Subsidiary existing as at the Issue Date and any Security to be created in connection with the refinancing of the indebtedness secured by such existing Security.

4.2 For so long as any of the Notes remains outstanding, the Issuer will ensure that the Adjusted EBITDA in respect of any Test Period to Net Interest Expense for that Test Period shall be at least 3.5 times.

For the purposes of this Condition:

The financial covenant set out shall be calculated and interpreted on a non-consolidated basis (at the KIT trust level) and interpreted in accordance with FRS as at the end of each financial half-year of KIT, and shall be tested semi-annually against the most recent audited yearly financial statements of KIT and half-yearly unaudited interim financial statements of KIT;

“Adjusted EBITDA” means in relation to any Test Period, the EBITDA of KIT for that Test Period adjusted by adding the aggregate amount in cash received during that Test Period by the Issuer which is directly or indirectly attributable to any form of distribution from any member of the Group, whether by way of capital redemption or repayment of intercompany loans, to the extent such cash was not included in calculating the profit of KIT and without double counting;

“EBITDA” means, in relation to any Test Period, the total unconsolidated operating profit of KIT (at the KIT trust level) for that Test Period:

(a) before taking into account for that period:

(i) Net Interest Expense;

(ii) any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);

(iii) any share of the profit of any associated company or undertaking, except for dividends received in cash by the Issuer; and

(iv) extraordinary and exceptional items;

(b) after adding back all amounts provided for depreciation and amortisation for that Test Period;

(c) adjusted for any deduction in respect of any loss against book value incurred on the disposal of any asset (not being disposals made in the ordinary course of trading) during that period and any loss on any revaluation of any asset during that Test Period;

(d) adjusted for any contribution in respect of any profit against book value obtained on the disposal of any asset (not being disposals made in the ordinary course of trading) during that period and any profit on any revaluation of any asset during that Test Period;

(e) adjusted for unrealised exchange gains and losses and gains and losses on hedging agreements that have not been closed-out;

(f) adjusted for any non-cash FRS-related adjustments and changes; and

- (g) adjusted for any non-recurring transaction costs incurred with any debt or equity raising or any acquisition;

“Financial Indebtedness” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility; and
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument (other than pursuant to any issue of perpetual securities and any other financial instruments which, in each case, is recognised as equity under FRS),

but excluding:

- (i) any intra-group debt or indebtedness to unitholders, subsidiaries, associated companies and related corporations of the Issuer; and
- (ii) any deposits and indebtedness comprising trade payables owing or incurred in respect of assets, goods and services obtained in the ordinary course of business;

“FRS” means the financial reporting standards prescribed by the Accounting Standards Council of Singapore from time to time;

“Interest Expense” means in relation to any Test Period, the aggregate amount of interest and any other finance charges (whether or not paid, payable or capitalised) accrued by the Issuer in that period in respect of Total Borrowings including:

- (a) the interest element of leasing and hire purchase payments;
- (b) commitment fees, commissions and guarantee fees; and
- (c) amounts in the nature of interest payable in respect of any shares other than equity share capital, perpetual securities and any other financial instruments which, in each case, is recognised as equity under FRS,

adjusted (but without double counting) by:

- (i) adding back the net amount payable (or deducting the net amount receivable) by the Issuer in respect of that period under any interest or (so far as they relate to interest) currency hedging arrangements; and
- (ii) for the avoidance of doubt, excluding any arrangement fee or front-end fee or bank option fee payable in respect of Financial Indebtedness;

“Net Interest Expense” means, in relation to any Test Period, the Interest Expense of the Issuer in that Test Period adjusted (but without double counting) by deducting the interest income of the Issuer in respect of that period;

“Test Period” means each period of 12 months ending on the last day of each financial half-year of KIT; and

“Total Borrowings” means, as at any particular time, the aggregate of the outstanding principal, nominal or capital amount (and any fixed or minimum premium payable on

prepayment or redemption) of the Financial Indebtedness of the Issuer, calculated on a non-consolidated basis (at the KIT trust level) (but excluding any marked-to-market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount shall be taken into account)) of any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price).

For this purpose, any amount outstanding or repayable in a currency other than Singapore dollars should on that day be taken into account:

- (a) if any audited balance sheet of KIT has been prepared as at that day, in the Singapore dollar equivalent at the rate of exchange used for the purpose of preparing that balance sheet; and
- (b) in any other case, in the Singapore dollar equivalent at the rate of exchange that would have been used had an audited balance sheet of KIT been prepared as at that day in accordance with the FRS.

For the avoidance of doubt, for the purposes of these definitions, any securities or financial instruments issued by the Issuer, KIT or any member of the Group which are regarded by FRS as “equity” shall be treated as such (and not as debt).

5. RATE OF INTEREST

(I) Interest on Fixed Rate Notes

(a) Interest Rate and Accrual

Each Fixed Rate Note bears interest on its principal amount outstanding from the Interest Commencement Date (as defined in Condition 5(II)(e)) in respect thereof and as shown on the face of such Note at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of such Note in each year and on the Maturity Date shown on the face of such Note if that date does not fall on an Interest Payment Date.

The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date (and if the Interest Commencement Date is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the Maturity Date falls before the date on which the first payment of interest would otherwise be due. If the Maturity Date is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the Interest Commencement Date, as the case may be) to the Maturity Date will amount to the Final Broken Amount shown on the face of the Note.

Interest will cease to accrue on each Fixed Rate Note from (and including) the due date for redemption thereof unless, upon due presentation thereof and subject to the provisions of the Trust Deed, payment of the Redemption Amount shown on the face of the Note is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(I) to (but excluding) the Relevant Date (as defined in Condition 8).

(b) **Calculations**

In the case of a Fixed Rate Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction (as defined in Condition 5(II)(e)) shown on the face of the Note. The amount of interest payable per Calculation Amount (as defined in Condition 5(II)(e)) for any Fixed Rate Interest Period (as defined below) in respect of any Fixed Rate Note shall be calculated by multiplying the product of the Interest Rate and the Calculation Amount, by the Day Count Fraction shown on the Note and rounding the resultant figure to the nearest sub-unit of the Relevant Currency (as defined in Condition 5(II)(e)).

For the purposes of these Conditions, “**Fixed Rate Interest Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(II) **Interest on Floating Rate Notes or Variable Rate Notes**

(a) **Interest Payment Dates**

Each Floating Rate Note or Variable Rate Note bears interest on its principal amount outstanding from the Interest Commencement Date in respect thereof and as shown on the face of such Note, and such interest will be payable in arrear on each interest payment date (“**Interest Payment Date**”). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period (as defined below) on the face of the Note (the “**Specified Number of Months**”) after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (and which corresponds numerically with such preceding Interest Payment Date or the Interest Commencement Date, as the case may be), provided that the Agreed Yield (as defined in Condition 5(II)(c)) in respect of any Variable Rate Note for any Interest Period relating to that Variable Rate Note shall be payable on the first day of that Interest Period. If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day (as defined below), then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an “**Interest Period**”.

Interest will cease to accrue on each Floating Rate Note or Variable Rate Note from (and including) the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(II) to (but excluding) the Relevant Date.

(b) **Rate of Interest – Floating Rate Notes**

- (i) Each Floating Rate Note bears interest at a floating rate determined by reference to a Benchmark as stated on the face of such Floating Rate Note, being (in the case of Notes which are denominated in Singapore dollars) SIBOR (in which case such Note will be a SIBOR Note) or Swap Rate (in which case such Note will be a Swap Rate Note) or in any other case (or in the case of Notes which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Note.

Such floating rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Note. The “Spread” is the percentage rate per annum specified on the face of such Note as being applicable to the rate of interest for such Note. The rate of interest so calculated shall be subject to Condition 5(V)(a) below.

The rate of interest payable in respect of a Floating Rate Note from time to time is referred to in these Conditions as the **“Rate of Interest”**.

- (ii) The Rate of Interest payable from time to time in respect of each Floating Rate Note will be determined by the Calculation Agent on the basis of the following provisions:

(1) in the case of Floating Rate Notes which are SIBOR Notes:

- (A) the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen ABSIRFIX01 Page under the caption “ABS SIBOR FIX – SIBOR AND SWAP OFFER RATES – RATES AT 11:00 HRS SINGAPORE TIME” and under the column headed “SGD SIBOR” (or such other replacement page thereof for the purpose of displaying SIBOR or such other Screen Page (as defined below) as may be provided hereon) and as adjusted by the Spread (if any);
- (B) if on any Interest Determination Date, no such rate appears on the Reuters Screen ABSIRFIX01 Page under the column headed “SGD SIBOR” (or such other replacement page thereof or if no rate appears on such other Screen Page as may be provided hereon) or if the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) is unavailable for any reason, the Calculation Agent will request the principal Singapore offices of each of the Reference Banks to provide the Calculation Agent with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore interbank market for a period equivalent

to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of such offered quotations and as adjusted by the Spread (if any), as determined by the Calculation Agent;

- (C) if on any Interest Determination Date, two but not all the Reference Banks provide the Calculation Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (B) above on the basis of the quotations of those Reference Banks providing such quotations; and
 - (D) if on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any);
- (2) in the case of Floating Rate Notes which are Swap Rate Notes:
- (A) the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period as being the rate which appears on the Reuters Screen ABSFIX01 Page under the caption "SGD SOR rates as of 11:00 hrs London Time" and under the column headed "SGD SOR" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period and as adjusted by the Spread (if any);
 - (B) if on any Interest Determination Date, no such rate is quoted on the Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) or the Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Calculation Agent will determine the Rate of Interest for such Interest Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to the nearest four decimal places)) for a period equal to the duration of such Interest Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as the Calculation Agent may select; and
 - (C) if on any Interest Determination Date, the Calculation Agent is otherwise unable to determine the Rate of Interest under paragraphs (b)(ii)(2)(A) and (b)(ii)(2)(B) above, the Rate of Interest shall be determined by the Calculation Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Singapore offices of the Reference Banks or those

of them (being at least two in number) to the Calculation Agent at or about 11.00 a.m. (Singapore time) on the first business day following such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate and as adjusted by the Spread (if any), or if on such day one only or none of the Singapore offices of the Reference Banks provides the Calculation Agent with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Singapore offices of the Reference Banks at or about 11.00 a.m. (Singapore time) on such Interest Determination Date and as adjusted by the Spread (if any);

- (3) in the case of Floating Rate Notes which are not SIBOR Notes or Swap Rate Notes or which are denominated in a currency other than Singapore dollars, the Calculation Agent will determine the Rate of Interest in respect of any Interest Period at or about the Relevant Time on the Interest Determination Date in respect of such Interest Period as follows:

- (A) if the Primary Source (as defined below) for the Floating Rate is a Screen Page (as defined below), subject as provided below, the Rate of Interest in respect of such Interest Period shall be:

(aa) the Relevant Rate (as defined below) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or

(bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page, in each case appearing on such Screen Page at the Relevant Time on the Interest Determination Date,

and as adjusted by the Spread (if any);

- (B) if the Primary Source for the Floating Rate is Reference Banks or if paragraph (b)(ii)(3)(A)(aa) applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Interest Determination Date or if paragraph (b)(ii)(3)(A)(bb) applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined below) at the Relevant Time on the Interest Determination Date and as adjusted by the Spread (if any); and

- (C) if paragraph (b)(ii)(3)(B) applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, the

Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date.

- (iii) On the last day of each Interest Period, the Issuer will pay interest on each Floating Rate Note to which such Interest Period relates at the Rate of Interest for such Interest Period.
- (iv) For the avoidance of doubt, in the event that the Rate of Interest in relation to any Interest Period is less than zero (subject to any applicable Minimum Rate of Interest), the Rate of Interest in relation to such Interest Period shall be zero.

(c) Rate of Interest – Variable Rate Notes

- (i) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this paragraph (c). The interest payable in respect of a Variable Rate Note on the first day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the “**Agreed Yield**” and the rate of interest payable in respect of a Variable Rate Note on the last day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the “**Rate of Interest**”.
- (ii) The Agreed Yield or, as the case may be, the Rate of Interest payable from time to time in respect of each Variable Rate Note for each Interest Period shall, subject as referred to in paragraph (c)(iv) below, be determined as follows:
 - (1) not earlier than 9.00 a.m. (Singapore time) on the ninth business day nor later than 3.00 p.m. (Singapore time) on the third business day prior to the commencement of each Interest Period, the Issuer and the Relevant Dealer (as defined below) shall endeavour to agree on the following:
 - (A) whether interest in respect of such Variable Rate Note is to be paid on the first day or the last day of such Interest Period;
 - (B) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the first day of such Interest Period, an Agreed Yield in respect of such Variable Rate Note for such Interest Period (and, in the event of the Issuer and the Relevant Dealer so agreeing on such Agreed Yield, the Rate of Interest for such Variable Rate Note for such Interest Period shall be zero); and
 - (C) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the last day of such Interest Period, a Rate of Interest in respect of such Variable Rate Note for such Interest Period (an “**Agreed Rate**” and, in the event of the Issuer and the Relevant Dealer so agreeing on an Agreed Rate, such Agreed Rate shall be the Rate of Interest for such Variable Rate Note for such Interest Period; and
 - (2) if the Issuer and the Relevant Dealer shall not have agreed either an Agreed Yield or an Agreed Rate in respect of such Variable Rate Note for such Interest Period by 3.00 p.m. (Singapore time) on the third business day prior to the commencement of such Interest Period, or if there shall be no Relevant Dealer during the period for agreement referred to in (1) above, the Rate of Interest for such Variable Rate Note for such Interest Period shall

automatically be the rate per annum equal to the Fall Back Rate (as defined below) for such Interest Period.

- (iii) The Issuer has undertaken to the Principal Paying Agent and the Calculation Agent that it will as soon as possible after the Agreed Yield or, as the case may be, the Agreed Rate in respect of any Variable Rate Note is determined, but not later than 10.30 a.m. (Singapore time) on the next following business day:
 - (1) notify the Principal Paying Agent, the Non-CDP Paying Agent (if applicable) and the Calculation Agent of the Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note for such Interest Period; and
 - (2) cause such Agreed Yield or, as the case may be, Agreed Rate for such Variable Rate Note to be notified by the Principal Paying Agent to the relevant Noteholder at its request.
- (iv) For the purposes of sub-paragraph (ii) above, the Rate of Interest for each Interest Period for which there is neither an Agreed Yield nor Agreed Rate in respect of any Variable Rate Note or no Relevant Dealer in respect of the Variable Rate Note(s) shall be the rate (the “**Fall Back Rate**” determined by reference to a Benchmark as stated on the face of such Variable Rate Note(s), being (in the case of Variable Rate Notes which are denominated in Singapore dollars) SIBOR (in which case such Variable Rate Note(s) will be SIBOR Note(s)) or Swap Rate (in which case such Variable Rate Note(s) will be Swap Rate Note(s)) or (in any other case or in the case of Variable Rate Notes which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Variable Rate Note(s).

Such rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Variable Rate Note. The “**Spread**” is the percentage rate per annum specified on the face of such Variable Rate Note as being applicable to the rate of interest for such Variable Rate Note. The rate of interest so calculated shall be subject to Condition 5(V)(a) below.

The Fall Back Rate payable from time to time in respect of each Variable Rate Note will be determined by the Calculation Agent in accordance with the provisions of Condition 5(II)(b)(ii) above (*mutatis mutandis*) and references therein to “**Rate of Interest**” shall mean “**Fall Back Rate**”.

- (v) If interest is payable in respect of a Variable Rate Note on the first day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Agreed Yield applicable to such Variable Rate Note for such Interest Period on the first day of such Interest Period. If interest is payable in respect of a Variable Rate Note on the last day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Interest Amount for such Variable Rate Note for such Interest Period on the last day of such Interest Period.
- (vi) For the avoidance of doubt, in the event that the Rate of Interest in relation to any Interest Period is less than zero, (subject to any applicable Minimum Rate of Interest) the Rate of Interest in relation to such Interest Period shall be zero.

(d) **Minimum Rate of Interest**

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest

Period determined in accordance with Condition 5(II)(b) or Condition 5(II)(c) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

(e) **Definitions**

As used in these Conditions:

“Benchmark” means the rate specified as such in the applicable Pricing Supplement;

“business day” means, in respect of each Note, (i) a day (other than a Saturday, Sunday or gazetted public holiday) on which Euroclear, Clearstream, Luxembourg and/or CDP, as applicable, are operating, (ii) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in the country of the relevant Paying Agent’s specified office and (iii) (if a payment is to be made on that day) (1) (in the case of Notes denominated in Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore, (2) (in the case of Notes denominated in Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which the TARGET System is open for settlement in Euros and (3) (in the case of Notes denominated in a currency other than Singapore dollars and Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore and in the principal financial centre for that currency;

“Calculation Agent” means, in relation to any Series of Notes, the person appointed as the calculation agent pursuant to the terms of the Agency Agreement or, as the case may be, the Calculation Agency Agreement as specified in the applicable Pricing Supplement;

“Calculation Amount” means the amount specified as such on the face of any Note, or if no such amount is so specified, the Denomination Amount of such Note as shown on the face thereof;

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with Condition 5:

- (i) if “Actual/Actual” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period divided by 365 (or, if any portion of that Fixed Rate Interest Period or, as the case may be, Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Fixed Rate Interest Period or, as the case may be, Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Fixed Rate Interest Period or, as the case may be, Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period in respect of which payment is being made divided by 360;

- (iii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period in respect of which payment is being made divided by 365; and
- (iv) if “30/360” is specified in the applicable Pricing Supplement, the number of days in (in the case of Fixed Rate Notes or Hybrid Notes during the Fixed Rate Period) the Fixed Rate Interest Period or (in the case of Floating Rate Notes, Variable Rate Notes or Hybrid Notes during the Floating Rate Period) the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Fixed Rate Interest Period or, as the case may be, the Interest Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Fixed Rate Interest Period or, as the case may be, the Interest Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Fixed Rate Interest Period or, as the case may be, the Interest Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Fixed Rate Interest Period or, as the case may be, the Interest Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Fixed Rate Interest Period or, as the case may be, the Interest Period, unless such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Fixed Rate Interest Period or, as the case may be, the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

“**Euros**” means the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time;

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified as the Interest Commencement Date on the face of such Note;

“**Interest Determination Date**” means, in respect of any Interest Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Note;

“**Issue Date**” means the date specified as such in the applicable Pricing Supplement;

“Primary Source” means the Screen Page specified as such in the applicable Pricing Supplement and (in the case of any Screen Page provided by any information service other than the Reuters Monitor Money Rates Service (**“Reuters”**)) agreed to by the Calculation Agent;

“Reference Banks” means the institutions specified as such in the applicable Pricing Supplement or, if none, three major banks selected by the Calculation Agent in the interbank market that is most closely connected with the Benchmark;

“Relevant Currency” means the currency in which the Notes are denominated;

“Relevant Dealer” means, in respect of any Variable Rate Note, the Dealer party to the Programme Agreement specified in the Pricing Supplement with whom the Issuer has concluded or is negotiating an agreement for the issue of such Variable Rate Note pursuant to the Programme Agreement;

“Relevant Financial Centre” means, in the case of interest to be determined on an Interest Determination Date with respect to any Floating Rate Note or Variable Rate Note, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

“Relevant Rate” means the Benchmark for a Calculation Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the relevant Interest Period;

“Relevant Time” means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre;

“Screen Page” means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters) as may be specified hereon for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark; and

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

(III) Interest on Hybrid Notes

(a) Interest Rate and Accrual

Each Hybrid Note bears interest on its principal amount outstanding from the Interest Commencement Date in respect thereof and as shown on the face of such Note.

(b) Fixed Rate Period

- (i) In respect of the Fixed Rate Period shown on the face of such Note, each Hybrid Note bears interest on its principal amount outstanding from the first day of the Fixed Rate Period at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest

Payment Date or Interest Payment Dates shown on the face of the Note in each year and on the last day of the Fixed Rate Period if that date does not fall on an Interest Payment Date.

- (ii) The first payment of interest will be made on the Interest Payment Date next following the first day of the Fixed Rate Period (and if the first day of the Fixed Rate Period is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the last day of the Fixed Rate Period falls before the date on which the first payment of interest would otherwise be due. If the last day of the Fixed Rate Period is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the first day of the Fixed Rate Period, as the case may be) to the last day of the Fixed Rate Period will amount to the Final Broken Amount shown on the face of the Note.
- (iii) Where the due date of redemption of any Hybrid Note falls within the Fixed Rate Period, interest will cease to accrue on the Note from (and including) the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of principal (or the Redemption Amount, as the case may be) is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(III) to (but excluding) the Relevant Date.
- (iv) In the case of a Hybrid Note, interest in respect of a period of less than one year will be calculated on the Day Count Fraction shown on the face of such Hybrid Note during the Fixed Rate Period.

(c) **Floating Rate Period**

- (i) In respect of the Floating Rate Period shown on the face of such Note, each Hybrid Note bears interest on its principal amount outstanding from the first day of the Floating Rate Period, and such interest will be payable in arrear on each interest payment date ("**Interest Payment Date**"). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the first day of the Floating Rate Period (and which corresponds numerically with such preceding Interest Payment Date or the first day of the Floating Rate Period, as the case may be). If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day, then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

- (ii) The period beginning on (and including) the first day of the Floating Rate Period and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an **"Interest Period"**.
- (iii) Where the due date of redemption of any Hybrid Note falls within the Floating Rate Period, interest will cease to accrue on the Note from (and including) the due date for redemption thereof unless, upon due presentation thereof, payment of principal (or the Redemption Amount, as the case may be) is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(III) to (but excluding) the Relevant Date.
- (iv) The provisions of Condition 5(II)(b) shall apply to each Hybrid Note during the Floating Rate Period as though references therein to Floating Rate Notes are references to Hybrid Notes.

(IV) **Zero-Coupon Notes**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note (determined in accordance with Condition 6(i)). As from the Maturity Date, the rate of interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 6(i)).

(V) **Calculations**

(a) **Determination of Rate of Interest and Calculation of Interest Amounts**

The Calculation Agent will, as soon as practicable after the Relevant Time on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable (the **"Interest Amounts"** in respect of each Calculation Amount of the relevant Floating Rate Notes, Variable Rate Notes or (where applicable) Hybrid Notes for the relevant Interest Period. The amount of interest payable per Calculation Amount in respect of any Floating Rate Note, Variable Rate Note or (where applicable) Hybrid Note shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount, by the Day Count Fraction shown on the Note and rounding the resultant figure to the nearest sub-unit of the Relevant Currency. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(b) **Notification**

The Calculation Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Principal Paying Agent, the Registrar, the Trustee and the Issuer as soon as practicable after their determination but in no event later than the fourth business day thereafter. In the case of Variable Rate Notes, at the request and expense of the Issuer and to the extent practicable, the Calculation Agent will also cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to Noteholders in accordance with Condition 16 as soon as practicable after their determination. In the case of Floating Rate Notes at the request and expense of the

Issuer and to the extent practicable, the Calculation Agent will also cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to Noteholders in accordance with Condition 16 as soon as practicable after their determination. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period by reason of any Interest Payment Date not being a business day. If the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes become due and payable under Condition 10, the Rate of Interest and Interest Amounts payable in respect of the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest and Interest Amounts need to be made unless the Trustee requires otherwise.

(c) Determination or Calculation by the Trustee

If the Calculation Agent does not at any material time determine or calculate the Rate of Interest for an Interest Period or any Interest Amount, the Trustee shall do so. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances, and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

(d) Calculation Agent and Reference Banks

The Issuer will procure that, so long as any Floating Rate Note, Variable Rate Note or Hybrid Note remains outstanding, there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Note, Variable Rate Note, Hybrid Note or Zero Coupon Note remains outstanding, there shall at all times be a Calculation Agent. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Calculation Agent may not resign from its duties without a successor having been appointed as aforesaid.

6. REDEMPTION AND PURCHASE

(a) Redemption at Maturity Date

Unless previously redeemed or purchased and cancelled as provided below, this Note will be redeemed at its Redemption Amount on the Maturity Date shown on its face (if this Note is shown on its face to be a Fixed Rate Note, Hybrid Note (during the Fixed Rate Period) or Zero-Coupon Note) or on the Interest Payment Date falling in the Redemption Month shown on its face (if this Note is shown on its face to be a Floating Rate Note, Variable Rate Note or Hybrid Note (during the Floating Rate Period)).

So long as the Notes are listed on any Stock Exchange (as defined in the Trust Deed), the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of Notes.

(b) Redemption at the Option of Noteholders

If so provided hereon, the Issuer shall, at the option of the holder of any Note, redeem such Note on the date or dates so provided at its Redemption Amount, together with interest accrued to (but excluding) the date fixed for redemption. To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with the Principal Paying Agent or any other Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice in the form obtainable from the Principal Paying Agent, any other Paying Agent, the Registrar, any other Transfer Agent or the Issuer (as applicable) within the Noteholder's Redemption Option Period shown on the face hereof. Any Note or Certificate so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(c) Redemption at the Option of the Issuer

If so provided hereon, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer's Redemption Option Period shown on the face hereof, redeem all or, if so provided, some of the Notes at their Redemption Amount or integral multiples thereof, and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount, together with interest accrued to (but excluding) the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(c).

In the case of a partial redemption of the Notes, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes, shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn by or on behalf of the Issuer in such place and in such manner as may be agreed between the Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Notes are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of Notes.

(d) Purchase at the Option of the Issuer

If so provided hereon, the Issuer shall have the option to purchase all or any of the Fixed Rate Notes, Floating Rate Notes, Variable Rate Notes or Hybrid Notes at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Noteholders shall be bound to sell such Notes to the Issuer accordingly. To exercise such option, the Issuer shall give irrevocable notice to the Noteholders within the Issuer's Purchase Option Period shown on the face hereof. Such Notes may be held, resold or surrendered to the Principal Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

In the case of a purchase of some only of the Notes, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes, shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes to be purchased, which shall have been drawn by or on behalf of the

Issuer in such place and in such manner as may be agreed between the Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Notes are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any purchase of Notes.

(e) Purchase at the Option of Noteholders

- (i) Each Noteholder shall have the option to have all or any of his Variable Rate Notes purchased by the Issuer at their Redemption Amount on any Interest Payment Date and the Issuer will purchase such Variable Rate Notes accordingly. To exercise such option, a Noteholder shall deposit (in the case of Bearer Notes) such Variable Rate Notes to be purchased together with all Coupons relating to such Variable Rate Notes which mature after the date fixed for purchase and all unexchanged Talons with the Principal Paying Agent or any other Paying Agent at its specified office, or (in the case of Registered Notes) the Certificate representing such Variable Rate Note(s) to be purchased with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice in the form obtainable from the Principal Paying Agent, any other Paying Agent, the Registrar or any other Transfer Agent (as applicable) within the Noteholders' VRN Purchase Option Period shown on the face hereof. Any Variable Rate Notes or Certificates representing Variable Rate Notes so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Such Variable Rate Notes or Certificates representing such Variable Rate Notes may be held, resold or surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Variable Rate Note (together with all unmatured Coupons and unexchanged Talons) to the Principal Paying Agent, and in the case of Registered Notes, by surrendering the Certificate representing such Variable Rate Notes to the Registrar. The Variable Rate Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.
- (ii) If so provided hereon, each Noteholder shall have the option to have all or any of his Fixed Rate Notes, Floating Rate Notes or Hybrid Notes purchased by the Issuer at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Issuer will purchase such Notes accordingly. To exercise such option, a Noteholder shall deposit (in the case of Bearer Notes) such Note to be purchased (together with all unmatured Coupons and unexchanged Talons) with the Principal Paying Agent or any other Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Note(s) to be purchased with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice in the form obtainable from the Principal Paying Agent, any other Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Noteholders' Purchase Option Period shown on the face hereof. Any Notes or Certificates so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Such Notes may be held, resold or surrendered for cancellation, in the case of Bearer Notes, by surrendering such Note (together with all unmatured Coupons and unexchanged Talons) to the Principal Paying Agent, and in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

(f) Redemption for Taxation Reasons

If so provided hereon, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Redemption Amount or (in the case of Zero-Coupon Notes) Early Redemption Amount (as determined in accordance with Condition 6(ii)) (together with interest accrued to (but excluding) the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement, and (ii) such obligations cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent and the Trustee a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal, tax or other professional advisors of recognised standing stating that the Issuer has or is likely to become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept such certification as sufficient evidence that the satisfaction of the conditions precedent to the right of the Issuer so to redeem has occurred, in which event it shall be conclusive and binding on the Noteholders.

(g) Redemption in the case of Minimal Outstanding Amount

If so provided hereon, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption if, immediately before giving such notice, the aggregate principal amount of the Notes outstanding is less than 10 per cent. of the aggregate principal amount originally issued.

Upon the expiry of any such notice as is referred to in this Condition 6(g), the Issuer shall be bound to redeem all the Notes in accordance with this Condition 6(g).

(h) Purchases

The Issuer and/or any subsidiaries of KIT may at any time purchase Notes at any price (provided that they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is in compliance with all relevant laws, regulations and directives. The Notes so purchased, while held by or on behalf of the Issuer and/or any subsidiaries of KIT shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

Notes purchased by the Issuer and/or any subsidiaries of KIT may be surrendered by the purchaser through the Issuer to, in the case of Bearer Notes, the Principal Paying Agent and, in the case of Registered Notes, the Registrar for cancellation or may at the option of the Trustee-Manager, KIT or relevant subsidiary of KIT (as the case may be) be held or resold.

For the purposes of these Conditions, “**directive**” includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation, or stock exchange.

(i) Early Redemption of Zero-Coupon Notes

- (i) The Early Redemption Amount payable in respect of any Zero-Coupon Note, the Early Redemption Amount of which is not linked to an index and/or formula, upon redemption of such Note pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (ii) Subject to the provisions of Condition 6(i)(iii) below, the Amortised Face Amount of any such Note shall be the scheduled Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (iii) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in Condition 6(i)(ii) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this Condition 6(i)(iii) will continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Redemption Amount of such Note on the Maturity Date together with any interest which may accrue in accordance with Condition 5(IV).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(j) Redemption upon Termination of KIT

In the event that KIT is terminated in accordance with the provisions of the KIT Trust Deed (as defined in the Trust Deed), the Issuer shall redeem all (and not some only) of the Notes at their Redemption Amount together with interest accrued to the date fixed for redemption on any date on which interest is due to be paid on such Notes or, if earlier, the date of termination of KIT.

The Issuer shall forthwith notify the Trustee, the Agents and the Noteholders of the termination of KIT.

(k) Redemption upon De-listing of KIT

In the event that KIT is unable to maintain its listing on the SGX-ST (as defined in the Trust Deed) the Issuer shall redeem all (and not some only) of the Notes at their Redemption Amount together with interest accrued to the date fixed for redemption on any date on which interest is due to be paid on such Notes.

The Issuer shall forthwith notify the Trustee, the Agents and the Noteholders of the de-listing events.

(l) Cancellation

All Notes purchased by or on behalf of the Issuer and/or any of the subsidiaries of KIT may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and unexchanged Talons to the Principal Paying Agent at its specified office and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar, and in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes or Certificates so surrendered for cancellation may not be reissued or resold.

7. PAYMENTS

(a) Principal and Interest in respect of Bearer Notes

Payments of principal (or, as the case may be, Redemption Amounts and Early Redemption Amount) and interest in respect of the Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Notes or Coupons, as the case may be, at the specified office of the Principal Paying Agent by a cheque drawn in the currency in which that payment is due, or, at the option of the holders, by transfer to an account maintained by that payee in that currency with a bank in the principal financial centre for that currency.

(b) Principal and Interest in respect of Registered Notes

- (i) Payments of principal in respect of Registered Notes will subject as mentioned below, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made by a cheque drawn in the currency in which payment is due on and mailed to the holder (or the first named of the joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any other Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account maintained by the holder in that currency with a bank in the principal financial centre of that currency.

(c) Payments subject to law etc.

Without prejudice to the provisions of Condition 8, all payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) as amended or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations or agreements thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law, regulation or directive implementing such an intergovernmental agreement). No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) Appointment of Agents

The Principal Paying Agent, the Non-CDP Paying Agent, the CDP Registrar and the Non-CDP Registrar initially appointed by the Issuer and their specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, the Non-CDP Paying Agent, any other Paying Agent, the CDP Registrar, the Non-CDP Registrar and the Calculation Agent and to appoint additional or other Paying Agents, Transfer Agents and Calculation Agents, provided that it will at all times maintain (i) an Principal Paying Agent having a specified office in Singapore and (in the case of Non-CDP Notes) a Non-CDP Paying Agent, as the case may be, (ii) a Registrar in relation to Registered Notes and (iii) a Calculation Agent where the Conditions so require.

Notice of any such change of appointment or any change of any specified office will promptly be given by the Issuer to the Noteholders in accordance with Condition 16 within the period specified in the Agency Agreement.

The Agency Agreement may be amended by the Issuer, the Principal Paying Agent, the Non-CDP Paying Agent, the CDP Registrar, the Non-CDP Registrar and the Trustee, without the consent of any Noteholder or Couponholder, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which the Issuer, the Principal Paying Agent, the Non-CDP Paying Agent, the CDP Registrar, the Non-CDP Registrar and the Trustee may mutually deem necessary or desirable and which shall not be materially prejudicial to the interests of the Noteholders and Couponholders. Such amendment shall be binding on the Noteholders and Couponholders.

(e) Unmatured Coupons and Unexchanged Talons

- (i) Bearer Notes which comprise Fixed Rate Notes and Hybrid Notes should be surrendered for payment together with all unmatured Coupons and unexchanged Talons (if any) relating to such Notes (and, in the case of Hybrid Notes, relating to interest payable during the Fixed Rate Period), failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of three (3) years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

- (ii) Subject to the provisions of the relevant Pricing Supplement upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Variable Rate Note or Hybrid Note, unmatured Coupons relating to such Note (and, in the case of Hybrid Notes, relating to interest payable during the Floating Rate Period) (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note comprising Floating Rate Note, Variable Rate Note or Hybrid Note is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talons (if any) relating to it (and, in the case of the Hybrid Note, relating to interest payable during the Floating Rate Period), redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption or repayment of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate.

(f) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent on any business day in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(g) Non-business days

Subject as provided in the relevant Pricing Supplement and/or subject as otherwise provided in these Conditions, if any date for the payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) Default Interest

If on or after the due date for payment of any sum in respect of the Notes, payment of all or any part of such sum is not made against due presentation of the Notes or, as the case may be, the Coupons, the Issuer shall pay interest on the amount so unpaid from such due date up to the day of actual receipt by the relevant Noteholders, or, as the case may be, Couponholders (after as well as before judgment) at a rate per annum determined by the Principal Paying Agent to be equal to one (1) per cent. per annum above (in the case of a Fixed Rate Note or a Hybrid Note during the Fixed Rate Period) the Interest Rate applicable to such Note, (in the case of a Floating Rate Note or a Hybrid Note during the Floating Rate Period) the Rate of Interest applicable to such Note or (in the case of a Variable Rate Note) the variable rate by which the Agreed Yield applicable to such Note is determined or, as the case may be, the Rate of Interest applicable to such Note, or in the case of a Zero-Coupon Note, as provided for in the

relevant Pricing Supplement. So long as the default continues then such rate shall be re-calculated on the same basis at intervals of such duration as the Principal Paying Agent may select, save that the amount of unpaid interest at the above rate accruing during the preceding such period shall be added to the amount in respect of which the Issuer is in default and itself bear interest accordingly. Interest at the rate(s) determined in accordance with this paragraph shall be calculated on the Day Count Fraction specified hereon and the actual number of days elapsed, shall accrue on a daily basis and shall be immediately due and payable by the Issuer.

8. TAXATION

(a) Payment after Withholding

All payments in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented (or in respect of which the Certificate representing it is presented) for payment:

- (i) by or on behalf of a holder who is subject to such Taxes by reason of his being connected with Singapore (including, without limitation, the holder being (1) a resident in Singapore for tax purposes or (2) a non-resident of Singapore who has been granted an exemption by the Inland Revenue Authority of Singapore in respect of the requirement to withhold tax on payments made to it) otherwise than by reason only of the holding of such Note or Coupon or the receipt of any sums due in respect of such Note or Coupon;
- (ii) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (iii) by or on behalf of a holder who would be able to lawfully avoid (but has not so avoided) such deduction or withholding by making a declaration or any other statement including, but not limited to, a declaration of residence or non-residence but fails to do so.

For the avoidance of doubt, neither the Issuer nor any other person shall be required to pay any additional amount or otherwise indemnify a holder for any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code as amended or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations or agreements thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law, regulation or directive implementing such an intergovernmental agreement).

(b) **Interpretation**

As used in these Conditions, “**Relevant Date**” in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Noteholders in accordance with Condition 16 that, upon further presentation of the Note (or relevant Certificate) or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Redemption Amounts, Early Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 6, “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 and any reference to “**principal**” and/or “**premium**” and/or “**Redemption Amounts**” and/or “**interest**” and/or “**Early Redemption Amounts**” shall be deemed to include any additional amounts which may be payable under these Conditions.

9. **PRESCRIPTION**

The Notes and Coupons shall become void unless presented for payment within three (3) years from the appropriate Relevant Date for payment.

10. **EVENTS OF DEFAULT**

If any of the following events (“**Events of Default**”) occurs and is continuing, the Trustee at its discretion may (but is not obliged to), and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, in each case subject to it being indemnified and/or secured and/or pre-funded to its satisfaction give notice in writing to the Issuer that the Notes are immediately repayable, whereupon the Redemption Amount of such Notes or (in the case of Zero-Coupon Notes) the Early Redemption Amount of such Notes together with accrued interest to (but excluding) the date of payment shall immediately become due and payable:

- (a) the Issuer does not pay any sum in respect of principal or premium payable by it under any of the Notes when due and such default continues for a period of three business days after the due date, or the Issuer does not pay any sum in respect of interest or other amounts payable by it under any of the Notes when due and such default continues for a period of five business days after the due date;
- (b) the Issuer fails to perform or observe any one or more of its obligations (other than the payment obligation referred to in Condition 10(a)) under the Trust Deed or any of the Notes and if the default is capable of remedy, it is not remedied within 30 days of the Trustee giving written notice of such default to the Issuer;
- (c) any representation or warranty by the Issuer in any of the Transaction Documents (as defined in the Trust Deed) or any of the Notes or in any document delivered under any of the Transaction Documents or the Notes is not complied with in any respect or is or proves to have been incorrect in any respect when made or deemed repeated and, if the event resulting in such non-compliance or incorrectness is capable of remedy, it is not remedied within 30 days of the Trustee giving written notice of such non-compliance or incorrectness to the Issuer;

- (d) (i) any other present or future indebtedness of the Issuer, KIT or any Principal Subsidiary in respect of borrowed money is or is declared to be or is capable of being rendered due and payable before its stated maturity by reason of any event of default or the like (however described) or is not paid when due, or as the case may be, within any applicable grace period; or
- (ii) the Issuer, KIT or any of the Principal Subsidiaries fails to pay when properly called upon to do so any present or future guarantee of indebtedness for, or indemnity in respect of, any moneys borrowed or raised,

however, no Event of Default will occur under this paragraph (d)(i) or (d)(ii) unless and until the aggregate amount of the indebtedness in respect of which one or more of the events mentioned above in this paragraph (d) has/have occurred equals or exceeds S\$50,000,000;

- (e) the Issuer, KIT or any Principal Subsidiary shall cease or threaten to cease to carry on all or any material part of its business, operations and undertakings as carried on at the date hereof (except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation, (i) on terms approved by the Trustee or by an Extraordinary Resolution of Noteholders or (ii) in the case of a Principal Subsidiary, not involving insolvency, or (iii) which does not materially and adversely affect the ability of the Issuer to perform or observe its obligations under the Notes or the Trust Deed) or (otherwise than in the ordinary course of its business) disposes or threatens to dispose of the whole or any part of its property or assets (other than permitted pursuant to Clause 16(y) of the Trust Deed);
- (f) any meeting is convened, or any petition or originating summons is presented for the winding-up or termination of the Issuer, KIT or any of the Principal Subsidiaries (save and except where (1) any petition, originating summons or step of a frivolous or vexatious nature is contested, dismissed, struck out, stayed or withdrawn within 45 days from the date the petition or originating summons is served on, or the step is taken is brought to the notice of the Issuer, KIT or the Principal Subsidiary, as the case may be, and (2) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation, (A) on terms approved by the Trustee or by an Extraordinary Resolution of Noteholders or (B) in the case of a Principal Subsidiary, not involving insolvency, or (C) which does not materially and adversely affect the ability of the Issuer to perform or observe its obligations under the Notes or the Trust Deed) or any step is taken for the appointment of a liquidator (including a provisional liquidator), receiver, judicial manager, trustee, administrator, agent or similar officer of the Issuer, KIT or any Principal Subsidiary or over a material part of the assets of the Issuer, KIT or any Principal Subsidiary;
- (g) the Issuer, KIT or any of the Principal Subsidiaries is (or is deemed by law or a court to be) insolvent or proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors or a moratorium is agreed, effected, declared or otherwise arises by operation of law in respect of or affecting all or any material part of the indebtedness or property of the Issuer, KIT or any of the Principal Subsidiaries;
- (h) a distress, attachment or execution or other legal process is levied, enforced or sued out upon or against all or a material part of the properties or assets of the Issuer, KIT or any Principal Subsidiary and is not discharged or stayed within 45 days;
- (i) any security on or over the whole or any material part of the assets of the Issuer, KIT or any Principal Subsidiary becomes enforceable;

- (j) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a substantial part of the assets of the Issuer, KIT or any Principal Subsidiary;
- (k) any action, condition or thing (including the obtaining of any necessary consent) at any time required to be taken, fulfilled or done for any of the purposes stated in Clause 15(c) of the Trust Deed is not taken, fulfilled or done, or any decree, resolution, authorisation, approval, consent, filing, registration or exemption necessary for the execution and delivery of the Notes on behalf of the Issuer and the performance of the Issuer's obligations under the Notes and/or the Trust Deed is withdrawn or modified or otherwise ceases to be in full force and effect without modification or any condition in or relating to any such consent is not complied with;
- (l) it is or will become unlawful or illegal for the Issuer to observe, perform or comply with any one or more of its payment or other material obligations under the Notes or any other Transaction Document to which it is a party;
- (m) (i) any Transaction Document to which it is a party or the Notes ceases or is claimed by the Issuer to cease at any time and for any reason to constitute legal and valid obligations of the Issuer binding upon it in accordance with its terms; or
 - (ii) any applicable law, directive, order or judgment is enacted, promulgated or entered, the effect of which would be to render any Transaction Document to which the Issuer is a party unenforceable;
- (n) any litigation, arbitration or administrative proceeding (other than those of a frivolous or vexatious nature or which are contested in good faith, and in each case, discharged within 45 days of its commencement) is current or pending against the Issuer, KIT or any of the Principal Subsidiaries (i) to restrain the entry into, exercise of any of the rights and/or the performance or enforcement of or compliance with any of the payment or other material obligations of the Issuer under any of the Transaction Documents or any of the Notes or (ii) which has or is reasonably likely to have a material adverse effect on the Issuer and/or KIT taken as a whole;
- (o) any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in Condition 10(f) to (j);
- (p) (i) (1) the Trustee-Manager resigns, retires, ceases to be or is removed or is unable to continue to act as trustee-manager of KIT; or (2) the ability of the Issuer to perform its payment or other material obligations under the Transaction Documents to which it is party or any of the Notes is prevented or restricted as a result of matters relating to the Trustee-Manager (including but not limited to winding-up or insolvency proceedings involving the Trustee-Manager); and (ii) the replacement or substitute trustee-manager is not appointed in accordance with the terms of the KIT Trust Deed and/or in accordance with the applicable law; or
- (q) the Issuer or any of the Principal Subsidiaries is declared by the Minister of Finance to be a declared company under the provisions of Part IX of the Companies Act, Chapter 50 of Singapore.

In these Conditions:

A reference to “**Principal Subsidiaries**” means any subsidiary of KIT (save for Basslink Pty Ltd and its subsidiaries) whose total assets, as shown by the accounts of such subsidiary (consolidated in the case of a company which itself has subsidiaries), based upon which the latest audited consolidated accounts of the Group have been prepared, is at least 20 per cent. of the total assets of the Group as shown by such audited consolidated accounts, provided that if any such subsidiary (the “**transferor**”) shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another subsidiary of KIT (the “**transferee**”) then:

- (A) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to be a Principal Subsidiary and the transferee (unless it is KIT) shall thereupon become a Principal Subsidiary; and
- (B) if a substantial part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is KIT) shall thereupon become a Principal Subsidiary.

Any subsidiary which becomes a Principal Subsidiary by virtue of (A) above or which remains or becomes a Principal Subsidiary by virtue of (B) above shall continue to be a Principal Subsidiary until the earlier of the date of issue of (AA) the first audited consolidated accounts of the Group prepared as at a date later than the date of the relevant transfer which show the total assets as shown by the accounts of such subsidiary (where consolidated accounts are prepared, consolidated in the case of a company which itself has subsidiaries), based upon which such audited consolidated accounts have been prepared, to be less than 20 per cent. of the total assets of the Group, as shown by such audited consolidated accounts and (BB) a report by the Auditors (as defined in the Trust Deed) dated on or after the date of the relevant transfer which shows the total assets of such subsidiary to be less than 20 per cent. of the total assets of the Group. A report by the Auditors, who shall also be responsible for reviewing any pro-forma accounts required for the above purpose, that in their opinion a subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive; and

“**subsidiary**” has the meaning ascribed to it in the Trust Deed.

11. ENFORCEMENT

At any time after the Notes shall have become due and payable pursuant to Condition 10, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce repayment of the Notes, together with accrued interest, and/or to enforce the provisions of the Transaction Documents but it shall not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Notes outstanding or so directed by an Extraordinary Resolution of the Noteholders and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

12. MEETING OF NOTEHOLDERS AND MODIFICATIONS

The Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes) or any of the provisions of the Trust Deed.

The Trustee or the Issuer at any time may, and the Trustee upon the request in writing by Noteholders holding not less than 25 per cent. of the principal amount of the Notes of any Series for the time being outstanding and after being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses shall convene a meeting of the Noteholders of that Series. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders of the relevant Series (save where provided to the contrary in the Trust Deed and these Conditions), whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates of interest or the basis for calculating any amount of interest in respect of the Notes, (iv) to vary any method of, or basis for, calculating the Redemption Amount or the Early Redemption Amount including the method of calculating Amortised Face Amount (v) to vary the currency or currencies of payment or denomination of the Notes, (vi) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, will only be binding if passed at a meeting of the Noteholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed and/or the Notes or any of the other Transaction Documents which in the opinion of the Trustee is of a formal, minor or technical nature, or is made to correct a manifest error or to comply with the mandatory provisions of Singapore law or is required by the relevant Stock Exchange, Euroclear and/or Clearstream, Luxembourg and/or CDP and/or any other clearing system in which the Notes may be held and (ii) any other modification (except as mentioned in the Trust Deed) to the Trust Deed and/or the Notes and any of the other Transaction Documents, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or any of the other Transaction Documents, which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, waiver or authorisation shall be binding on the Noteholders and the Couponholders and unless the Trustee agrees in writing, the Issuer shall cause such modification, waiver or authorisation to be notified to the Noteholders as soon as practicable in accordance with Condition 16.

In connection with the exercise of its functions, powers, trusts, authorities or discretions (including but not limited to those in relation to any proposed modification, authorisation or waiver of any breach or proposed breach of these Conditions or any of the provisions of the Trust Deed), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to any interest arising from circumstances particular to individual Noteholders (whatever their number) and in particular but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or otherwise to the tax consequences thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, except to the extent provided for in Condition 8.

These Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

For the purpose of ascertaining the right to attend and vote at any meeting of the Securityholders convened for the purpose of and in relation to Clauses 9.1(b) and 27 of the Trust Deed, Schedule 9 of the Trust Deed and Conditions 10, 11 and 12, those Notes (if any) which are beneficially held by, or are held on behalf of the Issuer and the subsidiaries of KIT and not cancelled shall (unless and until ceasing to be so held) be disregarded when determining whether the requisite quorum of such meeting has been met and any votes cast or purported to be cast at such meeting in respect of such Notes shall be disregarded and be null and void.

13. REPLACEMENT OF NOTES, CERTIFICATES, COUPONS AND TALONS

Should any Note, Certificate, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates), or at the specified office of such other Paying Agent or, as the case may be, Transfer Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to the Noteholders in accordance with Condition 16, upon payment by the claimant of the fees, costs, expenses and duties incurred in connection with the replacement and on such terms as to evidence, undertaking, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Note, Certificate, Coupon or Talon) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes of any Series and so that the same shall be consolidated and form a single Series with such Notes, and references in these Conditions to “**Notes**” shall be construed accordingly.

15. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND KIT

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee or any corporation related to it is entitled, *inter alia*, (a) to enter into business transactions with the Issuer or the Group (or any of their respective related corporations) and to act as trustee of the holders of any other securities issued by, or relating to, the Issuer or the Group (or any of their respective related corporations), (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Each Noteholder and Couponholder shall be solely responsible for making and continuing to make its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Noteholder and Couponholder shall not rely on the Trustee in respect thereof.

16. NOTICES

Notices to the holders of Registered Notes shall be valid if mailed to them at their respective addresses in the Register and shall be deemed to have been given two days after the date of mailing. Notwithstanding the foregoing, notices to the holders of the Notes shall be valid if published in a newspaper in the English language of general circulation in Singapore (or, if the holders of any Notes can be identified, notices to such holders will also be valid if they are given to each of such holders). It is expected that such publication will be made in The Business Times. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Notes in accordance with this Condition 16. Notices to the holders of Notes shall be in English language or, if not in the English language, accompanied by a certified translation into the English language.

So long as the Notes are represented by a Global Security or Global Certificate and such Global Security or Global Certificate is held in its entirety on behalf of Euroclear, Clearstream, Luxembourg and/or CDP, there may be substituted for such publication in such newspapers or delivery to Noteholders, the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or (subject to the agreement of CDP) CDP for communication by it to the Noteholders, except that if the Notes are listed on the SGX-ST and the rules of such exchange so require or permit, notice will in any event be published in accordance with the first two paragraphs. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or CDP.

Notices to be given by any Noteholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Certificates). Whilst the Notes are represented by a Global Security or a Global Certificate, such notice may be given by any Noteholder to the Principal Paying Agent or, as the case may be, the Registrar through Euroclear, Clearstream, Luxembourg and/or CDP in such manner as the Principal Paying Agent or, as the case may be, the Registrar and Euroclear, Clearstream, Luxembourg and/or CDP may approve for this purpose.

Notwithstanding the other provisions of this Condition, in any case where:

- (a) the identities and addresses of all the Noteholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and such notices will be deemed to have been given two (2) business days from the date of despatch to the Noteholders; or
- (b) the Notes are listed on the SGX-ST, notices to the holders may be given by way of an announcement through the corporate announcement system administered by the SGX-ST including, but not limited to, the website maintained by the SGX-ST (the **"SGX-ST Corporate Announcement System"**), such notices will be deemed to have been given upon the publication of such notices on the SGX Corporate Announcement System.

17. GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Trust Deed, the Notes, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of Singapore.

(b) Jurisdiction

The courts of Singapore are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, the Notes, the Coupons or the Talons and accordingly, any legal action or proceedings arising out of or in connection with the Trust Deed, the Notes the Coupons or the Talons may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT

No person shall have any right under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any term or condition of this Note.

19. ACKNOWLEDGEMENT BY PARTIES

- (a) Notwithstanding any provision to the contrary in the Trust Deed, the Notes and the Coupons, the Trustee, the Noteholders and the Couponholders acknowledge and agree that the Issuer has entered into the Trust Deed only in its capacity as trustee-manager of KIT and not in its personal capacity and all references to the Issuer or the Trustee-Manager in the Trust Deed, the Notes and the Coupons shall be construed accordingly. As such, notwithstanding any provision to the contrary in the Trust Deed, the Notes and the Coupons, the Issuer has assumed all obligations under the Trust Deed, the Notes and the Coupons in its capacity as the trustee-manager of KIT and not in its personal capacity and any liability of or indemnity, covenant, undertaking, representation and/or warranty given by the Issuer under the Trust Deed, the Notes and the Coupons is given by the Issuer only in its capacity as the trustee-manager and not in its personal capacity and any power and right conferred on any receiver, attorney, agent and/or delegate under the Trust Deed, the Notes and the Coupons is limited to the assets of KIT over which the Issuer has recourse and shall not extend to any personal assets or other assets of the Issuer or any assets held by the Issuer as trustee-manager of any other trust (other than KIT) including but not limited to assets held by the Issuer as trustee-manager for the account of parties other than KIT. Any obligation, matter, act, action or thing required to be done, performed or undertaken by the Issuer under the Trust Deed, the Notes and the Coupons shall only be in connection with matters relating to KIT (and shall not extend to the Issuer's obligations in respect of any other trust or real estate investment trust of which it is a trustee). The foregoing shall not restrict or prejudice the rights or remedies of the Trustee, the Noteholders and/or the Couponholders under law or equity whether in connection with any gross negligence, fraud, wilful default or breach of trust of the Issuer or otherwise.
- (b) Notwithstanding any provision to the contrary in the Trust Deed, the Notes or the Coupons, it is hereby agreed that the Issuer's obligations under the Trust Deed, the Notes and the Coupons will be solely the corporate obligations of the Issuer and there shall be no recourse against the shareholders, directors, officers or employees of the Issuer for any claims, losses, damages, liabilities or other obligations whatsoever in connection with any of the transactions contemplated by the provisions of the Trust Deed, the Notes or Coupons. The foregoing shall not restrict or prejudice the rights or remedies of the Trustee, the Noteholders and/or the Couponholders under law or equity whether in connection with any gross negligence, fraud, wilful default or breach of trust of the Issuer or otherwise.

- (c) For the avoidance of doubt, any legal action or proceedings commenced against the Issuer whether in Singapore or elsewhere pursuant to the Trust Deed, the Notes or the Coupons shall be brought against the Issuer in its capacity as trustee-manager of KIT and not in its personal capacity. The foregoing shall not restrict or prejudice the rights or remedies of the Trustee, the Noteholders and/or the Couponholders under law or equity whether in connection with any gross negligence, fraud, wilful default or breach of trust of the Issuer or otherwise.
- (d) The provisions of this Condition 19 shall apply, *mutatis mutandis*, to any notices, certificates or other documents which the Issuer issues under or pursuant to the Trust Deed and the Notes as if expressly set out in such notices, certificates or documents and shall survive the termination or rescission of the Trust Deed and the Notes.

PRINCIPAL PAYING AGENT AND CDP REGISTRAR

Deutsche Bank AG, Singapore Branch
One Raffles Quay, #16-00,
South Tower, Singapore 048583

NON-CDP PAYING AGENT AND NON-CDP REGISTRAR

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

TERMS AND CONDITIONS OF THE PERPETUAL SECURITIES

*The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Perpetual Securities in definitive form issued in exchange for the Global Security(ies) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Perpetual Securities. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on such Bearer Perpetual Securities or on the Certificates relating to such Registered Perpetual Securities. References in the Conditions to "**Perpetual Securities**" are to the Perpetual Securities of one Series only, not to all Perpetual Securities that may be issued under the Programme. Details of the relevant Series are shown on the face of the relevant Perpetual Securities and in the relevant Pricing Supplement.*

The Perpetual Securities are constituted by a trust deed (as amended, varied or supplemented from time to time, the "**Trust Deed**") dated 23 May 2019 made between (1) Keppel Infrastructure Fund Management Pte. Ltd. (in its capacity as trustee-manager of Keppel Infrastructure Trust ("**KIT**")) (the "**Trustee-Manager**"), as issuer (the "**Issuer**", which expression shall include its successors and permitted assigns including any substitute or replacement trustee-manager of KIT), and (2) DB International Trust (Singapore) Limited (the "**Trustee**", which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed), as trustee for the holders of Perpetual Securities (as defined below), and (where applicable) the Perpetual Securities are issued with the benefit of a deed of covenant (as amended, varied or supplemented from time to time, the "**Deed of Covenant**") dated 23 May 2019 executed by the Issuer, relating to Perpetual Securities cleared through the CDP System (as defined in the Trust Deed) ("**CDP Perpetual Securities**") issued by the Issuer. These terms and conditions (the "**Conditions**") are subject to the detailed provisions of the Trust Deed. The Issuer has entered into an agency agreement (the "**Agency Agreement**") dated 23 May 2019 made between (1) the Issuer, as issuer, (2) Deutsche Bank AG, Singapore Branch, as principal paying agent in respect of CDP Perpetual Securities (in such capacity, the "**Principal Paying Agent**") and registrar and transfer agent in respect of CDP Perpetual Securities (in such capacity, the "**CDP Registrar**"), (3) Deutsche Bank AG, Hong Kong Branch, as paying agent in respect of Perpetual Securities that are cleared or to be cleared through a clearing system other than the CDP System (the "**Non-CDP Perpetual Securities**") (in such capacity, the "**Non-CDP Paying Agent**", and together with the Principal Paying Agent and any other paying agents that may be appointed, the "**Paying Agents**") and registrar and transfer agent in respect of Non-CDP Perpetual Securities (in such capacity, the "**Non-CDP Registrar**" and, together with the CDP Registrar, the "**Registrar**"; and the Registrar, together with any other transfer agents that may be appointed, the "**Transfer Agents**"), and (4) the Trustee, as trustee for the Perpetual Securityholders (as defined below). The Perpetual Securityholders and the holders (the "**Couponholders**") of distribution coupons (the "**Coupons**") appertaining to the Perpetual Securities in bearer form and, where applicable in the case of such Perpetual Securities, talons for further Coupons (the "**Talons**") are bound by and are deemed to have notice of all of the provisions of the Trust Deed, the Agency Agreement, the relevant Calculation Agency Agreement (as defined in the Trust Deed) and the Deed of Covenant.

For the purposes of these Conditions, all references to (a) the Principal Paying Agent shall, in the case of a Series of Non-CDP Perpetual Securities, be deemed to be a reference to the Non-CDP Paying Agent, (b) the Registrar shall, in the case of a Series of CDP Perpetual Securities, be deemed to be a reference to the CDP Registrar and, in the case of a Series of Non-CDP Perpetual Securities, be deemed to be a reference to the Non-CDP Registrar, and (unless the context otherwise requires) all such references shall be construed accordingly.

Copies of the Trust Deed, the Agency Agreement, the relevant Calculation Agency Agreement and the Deed of Covenant are available for inspection at the principal office of the Trustee for the time being and at the respective specified offices of the Paying Agents for the time being.

1. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

- (i) The Perpetual Securities of the Series of which this Perpetual Security forms part (in these Conditions, the “**Perpetual Securities**”) are issued in bearer form (the “**Bearer Perpetual Securities**”) or in registered form (the “**Registered Perpetual Securities**”), in each case in the Denomination Amount shown hereon. Subject to applicable laws, in the case of Registered Perpetual Securities, such Perpetual Securities are in the Denomination Amount shown hereon, which may include a minimum denomination and higher integral multiples of a smaller amount, in each case, as specified in the applicable Pricing Supplement.
- (ii) This Perpetual Security is a Fixed Rate Perpetual Security or a Floating Rate Perpetual Security (depending upon the Distribution Basis shown on its face).
- (iii) Bearer Perpetual Securities are serially numbered and issued with Coupons (and, where appropriate, a Talon) attached.
- (iv) Registered Perpetual Securities are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Perpetual Securities by the same holder.

(b) Title

- (i) Subject as set out below, title to the Bearer Perpetual Securities and the Coupons and Talons appertaining thereto shall pass by delivery. Title to the Registered Perpetual Securities shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”).
- (ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Perpetual Security, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Perpetual Security, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Perpetual Security, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft, loss or forgery thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.
- (iii) For so long as any of the Perpetual Securities is represented by a Global Security (as defined below) or, as the case may be, a Global Certificate (as defined below) and such Global Security or Global Certificate is held by The Central Depository (Pte) Limited (“**CDP**”), each person who is for the time being shown in the records of CDP as the holder of a particular principal amount of such Perpetual Securities (in which regard any certificate or other document issued by CDP as to the principal amount of such Perpetual Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Transfer Agents, the Registrars, the Calculation Agents (as defined below), all other agents

of the Issuer and the Trustee as the holder of such principal amount of Perpetual Securities other than with respect to the payment of principal, premium, distribution, redemption, purchase and any other amounts in respect of the Perpetual Securities, for which purpose the bearer of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the Issuer, the Paying Agents, the Transfer Agents, the Registrars, the Calculation Agents, all other agents of the Issuer and the Trustee as the holder of such Perpetual Securities in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions **“Perpetual Securityholder”** and **“holder of Perpetual Securities”** and related expressions, where the context requires, shall be construed accordingly). Perpetual Securities which are represented by the Global Security or, as the case may be, the Global Certificate and held by CDP will be transferable only in accordance with the rules and procedures for the time being of CDP. For so long as any of the Perpetual Securities is represented by a Global Security or, as the case may be, the Global Certificate and such Global Security or, as the case may be, the Global Certificate is held by CDP, the record date for the purposes of determining entitlements to any payment of principal, premium, distribution, redemption, purchase and/or any other amounts in respect of the Perpetual Securities shall, unless otherwise specified by the Issuer, be the date falling five (5) Business Days prior to the relevant payment date (or such other date as may be prescribed by CDP).

For so long as any of the Perpetual Securities is represented by a Global Security or, as the case may be, a Global Certificate and such Global Security or Global Certificate is held by a common depositary for Euroclear SA/NV (**“Euroclear”**) and/or Clearstream Banking S.A. (**“Clearstream, Luxembourg”**), each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular principal amount of such Perpetual Securities (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the principal amount of such Perpetual Securities (as the case may be) standing to the account of any person shall be conclusive and binding for all purposes, save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Transfer Agents, the Registrars, the Calculation Agents, all other agents of the Issuer and the Trustee as the holder of such principal amount of such Perpetual Securities other than with respect to the payment of principal, premium, distribution, redemption, purchase and/or any other amounts in respect of such Perpetual Securities, for which purpose the holder of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the Issuer, the Paying Agents, the Transfer Agents, the Registrars, the Calculation Agents and all other agents of the Issuer and the Trustee as the holder of such Perpetual Securities in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions **“Perpetual Securityholder”** and **“holder of Perpetual Securities”** and related expressions, where the context requires, shall be construed accordingly). Perpetual Securities which are represented by a Global Security or, as the case may be, the Global Certificate and held by Euroclear and/or Clearstream, Luxembourg will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg. For so long as any of the Perpetual Securities is represented by a Global Security or, as the case may be, the Global Certificate and such Global Security or, as the case may be, the Global Certificate is held by a common depositary for Euroclear and/or Clearstream, Luxembourg, the record date for the purposes of determining entitlements to any payment of principal, premium, distribution, redemption, purchase and/or any other amounts in respect of the

Perpetual Security shall be the close of business on the Clearing System Business Day immediately prior to the relevant payment date, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January (or such other date as may be prescribed by Euroclear and/or Clearstream, Luxembourg).

- (iv) In these Conditions, “**Global Security**” means the relevant Temporary Global Security representing each Series or the relevant Permanent Global Security representing each Series, “**Global Certificate**” means the relevant Global Certificate representing each Series that is registered in the name of, or in the name of a nominee of, (1) CDP, (2) a common depositary for Euroclear and/or Clearstream, Luxembourg, and/or (3) any other clearing system, “**Perpetual Securityholder**” means the bearer of any Bearer Perpetual Security or the person in whose name a Registered Perpetual Security is registered (as the case may be) and “**holder**” (in relation to a Perpetual Security, Coupon or Talon) means the bearer of any Bearer Perpetual Security, Coupon or Talon or the person in whose name a Registered Perpetual Security is registered (as the case may be), “**Series**” means a Tranche, together with any further Tranche or Tranches, which are (1) expressed to be consolidated and forming a single series and (2) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of distribution and “**Tranche**” means Perpetual Securities which are identical in all respects (including as to listing).
- (v) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

2. NO EXCHANGE OF PERPETUAL SECURITIES AND TRANSFER OF REGISTERED PERPETUAL SECURITIES

(a) No Exchange of Perpetual Securities:

Registered Perpetual Securities may not be exchanged for Bearer Perpetual Securities. Bearer Perpetual Securities of one Denomination Amount may not be exchanged for Bearer Perpetual Securities of another Denomination Amount. Bearer Perpetual Securities may not be exchanged for Registered Perpetual Securities.

(b) Transfer of Registered Perpetual Securities:

Subject to Conditions 2(e) and 2(f) below, one or more Registered Perpetual Securities may be transferred upon the surrender (at the specified office of the Registrar or any other Transfer Agent) of the Certificate representing such Registered Perpetual Securities to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer) duly completed and executed and any other evidence as the Registrar or such other Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part of a holding of Registered Perpetual Securities represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Registered Perpetual Securities and entries on

the Register will be made subject to the detailed regulations concerning transfers of Registered Perpetual Securities which is a schedule to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee and (in the case of any change proposed by the Registrar) with the prior written approval of the Issuer and the Trustee. A copy of the current regulations will be made available by the Registrar to any Perpetual Securityholder upon request.

(c) Exercise of Options or Partial Redemption or Purchase in Respect of Registered Perpetual Securities:

In the case of an exercise of an Issuer's option in respect of, or a partial redemption of or purchase of, a holding of Registered Perpetual Securities represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed or purchased. In the case of a partial exercise of an option resulting in Registered Perpetual Securities of the same holding having different terms, separate Certificates shall be issued in respect of those Perpetual Securities of that holding that have the same terms. New Certificates shall only be issued against the surrender of the existing Certificates to the Registrar or any other Transfer Agent. In the case of a transfer of Registered Perpetual Securities to a person who is already a holder of Registered Perpetual Securities, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) Delivery of New Certificates:

Each new Certificate to be issued pursuant to Condition 2(b) or 2(c) shall be available for delivery within five (5) business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or such other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day (other than a Saturday or Sunday or gazetted public holiday) on which banks are open for business in the place of the specified office of the Registrar or the relevant Transfer Agent (as the case may be).

(e) Transfers Free of Charge:

Transfers of Perpetual Securities and registrations and issues of Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the other Transfer Agent, but upon payment of any tax or governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require) in respect of tax or governmental charges.

(f) Closed Periods:

No Perpetual Securityholder may require the transfer of a Registered Perpetual Security to be registered (i) during the period of fifteen (15) days prior to any date on which Perpetual Securities may be called for redemption by the Issuer at its option

pursuant to Condition 5, (ii) after any such Perpetual Security has been called for redemption or (iii) during the period of seven (7) days ending on (and including) any Record Date (as defined in Condition 6(b)(ii)).

3. **STATUS**

- (a) **Senior Perpetual Securities:** This Condition 3(a) applies to Perpetual Securities that are Senior Perpetual Securities (being the Perpetual Securities that specify their status as senior in the applicable Pricing Supplement). The Senior Perpetual Securities and Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.
- (b) **Subordinated Perpetual Securities:** This Condition 3(b) applies to Perpetual Securities that are Subordinated Perpetual Securities (being the Perpetual Securities that specify their status as subordinated in the applicable Pricing Supplement).

(i) Status of Subordinated Perpetual Securities

The Subordinated Perpetual Securities and Coupons relating to them constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with any Parity Obligations of the Issuer. The rights and claims of the Perpetual Securityholders and Couponholders in respect of the Subordinated Perpetual Securities are subordinated as provided in this Condition 3(b).

In these Conditions, “**Parity Obligation**” means any instrument or security (including without limitation any preference units in KIT) issued, entered into or guaranteed by the Issuer (1) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with a Notional Preferred Unit (as defined below) and (2) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer and/or, in the case of an instrument or security guaranteed by the Issuer, the issuer thereof.

(ii) Subordination

Subject to the insolvency laws of Singapore and other applicable laws, in the event of bankruptcy, termination, winding up, liquidation, receivership or similar proceedings (“**Winding-Up**”) of KIT, there shall be payable by the Issuer in respect of each Perpetual Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to such Perpetual Securityholder if, on the day prior to the commencement of the Winding-Up of KIT, and thereafter, such Perpetual Securityholder were the holder of one of a class of preferred units in the capital of KIT (and if more than one class of preferred units is outstanding, the most junior ranking class of such preferred units) (the “**Notional Preferred Units**”) having an equal right to return of assets in the Winding-Up of KIT and so ranking *pari passu* with the holders of that class or classes of preferred units (if any) which have a preferential right to return of assets in the Winding-Up of KIT, and so ranking ahead of, the holders of Junior Obligations of KIT, but junior to the claims of all other present and future creditors of KIT (other than Parity Obligations of KIT), on the assumption that the amount that such Perpetual Securityholder was entitled to receive in respect of each Notional Preferred Unit on a return of assets

in such Winding-Up were an amount equal to the principal amount (and any applicable premium outstanding) of the relevant Perpetual Security together with distributions accrued and unpaid since the immediately preceding Distribution Payment Date or the Issue Date (as the case may be) and any unpaid Optional Distributions (as defined in Condition 4(IV)(c)) in respect of which the Issuer has given notice to the Perpetual Securityholders in accordance with these Conditions.

In these Conditions, “**Junior Obligation**” means any class of equity capital in KIT and any instrument or security issued, entered into or guaranteed by the Issuer, other than any instrument or security (including without limitation any preferred units) ranking in priority in payment and in all other respects to the ordinary units of KIT.

(iii) No set-off

Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding, counterclaim, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding, counterclaim, compensation or retention against the Issuer. Notwithstanding the preceding sentence, if at any time any Subordinated Perpetual Securityholder receives payment or benefit of any sum in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them (including any benefit received pursuant to any set-off, deduction, withholding, counterclaim, compensation or retention) other than in accordance with the Conditions, the payment of such sum or receipt of such benefit shall, to the fullest extent permitted by law, be deemed void for all purposes and such Subordinated Perpetual Securityholder shall immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of a Winding-Up or administration of KIT, the liquidator or, as appropriate, administrator of KIT) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of KIT) and accordingly any such discharge shall be deemed not to have taken place.

Each holder of Subordinated Perpetual Securities or any Coupons relating to them by his acceptance thereof authorises and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Condition 3(b) and appoints the Trustee his attorney for any and all such purposes.

4. DISTRIBUTION AND OTHER CALCULATIONS

(I) Distribution on Fixed Rate Perpetual Securities

(a) Distribution Rate and Accrual

Each Fixed Rate Perpetual Security confers a right to receive distribution on its principal amount outstanding from the Distribution Commencement Date (as defined in Condition 4(II)(c)) in respect thereof and as shown on the face of such Perpetual Security at the rate per annum (expressed as a percentage) equal to the Distribution Rate shown on the face of such Perpetual Security payable in arrear on each

Distribution Payment Date or Distribution Payment Dates shown on the face of such Perpetual Security in each year.

The first payment of distribution will be made on the Distribution Payment Date next following the Distribution Commencement Date (and if the Distribution Commencement Date is not a Distribution Payment Date, will amount to the Initial Broken Amount shown on the face of such Perpetual Security).

Distribution will cease to accrue on each Fixed Rate Perpetual Security from (and including) the due date for redemption thereof unless, upon due presentation thereof and subject to the provisions of the Trust Deed, payment of the Redemption Amount shown on the face of the Perpetual Security is improperly withheld or refused, in which event distribution at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(l) to (but excluding) the Relevant Date (as defined in Condition 7).

(b) Distribution Rate

The Distribution Rate applicable to each Fixed Rate Perpetual Security shall be:

- (i) (if no Reset Date is specified in the applicable Pricing Supplement),
 - (1) if no Step-Up Margin is specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security; or
 - (2) if a Step-Up Margin is specified in the applicable Pricing Supplement, (A) for the period from (and including) the Distribution Commencement Date to (but excluding) the Step-Up Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security and (B) for the period from (and including) the Step-Up Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security plus the Step-Up Margin (as specified in the applicable Pricing Supplement); and
- (ii) (if a Reset Date is specified in the applicable Pricing Supplement), (1) for the period from (and including) the Distribution Commencement Date to (but excluding) the First Reset Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security and (2) for the period from (and including) the First Reset Date and each Reset Date (as specified in the applicable Pricing Supplement) falling thereafter to (but excluding) the immediately following Reset Date, the Reset Distribution Rate.

For the purposes of these Conditions:

“Reset Distribution Rate” means the Swap Offer Rate or such other Relevant Rate to be specified in the applicable Pricing Supplement with respect to the relevant Reset Date plus the Initial Spread (as specified in the applicable Pricing Supplement) plus the Step-Up Margin (if applicable, as specified in the applicable Pricing Supplement); and

“Swap Offer Rate” means:

- (aa) the rate per annum (expressed as a percentage) notified by the Calculation Agent to the Issuer equal to the swap offer rate which appears on the Reuters Screen ABSFIX01 Page under the caption “SGD SOR rates as of 11:00 hrs London Time” and a number header “SGD SOR” (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) for a period equal

to the duration of the Reset Period specified in the applicable Pricing Supplement on the second business day prior to the relevant Reset Date (the “**Reset Determination Date**”);

- (bb) if on the Reset Determination Date, there is no swap offer rate available on the Reuters Screen ABSFIX01 Page under the caption “SGD SOR rates as of 11:00 hrs London Time” and under the column headed “SGD SOR” (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks), the Calculation Agent will determine the swap offer rate for such Reset Period (determined by the Calculation Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates (excluding the highest and the lowest rates) which appears on Page TPIS on the monitor of the Bloomberg Agency under the caption “Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD” and the column headed “Ask” (or if the Calculation Agent determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Calculation Agent after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business on each of the five consecutive business days prior to and ending on the Reset Determination Date);
- (cc) if on the Reset Determination Date, rates are not available on Page TPIS on the monitor of the Bloomberg Agency under the caption “Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD” and the column headed “Ask” (or if the Calculation Agent determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Calculation Agent after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business on one or more of the said five consecutive business days prior to and ending on the Reset Determination Date, the swap offer rate will be the rate per annum notified by the Calculation Agent to the Issuer equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates which are available in such five-consecutive-business-day period or, if only one rate is available in such five-consecutive-business-day period, such rate; and
- (dd) if on the Reset Determination Date, no rate is available on Page TPIS on the monitor of the Bloomberg Agency under the caption “Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD” and the column headed “Ask” (or if the Calculation Agent determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Calculation Agent after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business in such five-consecutive-business-day period, the Calculation Agent will request the principal Singapore offices of the Reference Banks to provide the Calculation Agent with quotation(s) of their swap offer rates for a period equivalent to the duration of the Reset Period at the close of business on the Reset Determination Date. The swap offer rate for such Reset Period shall be the arithmetic mean (rounded up, if necessary, to four decimal places) of such offered quotations, as determined by the Calculation Agent or, if only one of the Reference Banks provides the Calculation Agent with such quotation, such rate quoted by that Reference Bank,

provided that, in each case, in the event the Swap Offer Rate is less than zero, the Swap Offer Rate shall be zero per cent. per annum.

(c) Calculation of Distribution Rate or Reset Distribution Rate

The Calculation Agent will, on the second business day prior to each Fixed Rate Determination Date, determine the applicable Reset Distribution Rate payable in respect of each Perpetual Security. The determination of any rate, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

In these Conditions, "**Fixed Rate Determination Date**" means each Step-Up Date or each Reset Date.

(d) Notification of Relevant Reset Distribution Rate

The Calculation Agent will cause the applicable Reset Distribution Rate or (if a Step-Up Margin is specified in the applicable Pricing Supplement) the applicable Distribution Rate to be notified to the Paying Agents, the Trustee and the Issuer as soon as practicable after its determination but in no event later than the fourth business day thereafter. The Calculation Agent shall cause notice of the then applicable Reset Distribution Rate or (if a Step-Up Margin is specified in the applicable Pricing Supplement) the applicable Distribution Rate to be notified to the Perpetual Securityholders in accordance with Condition 14 as soon as possible after determination thereof.

(e) Determination or Calculation by Trustee

If the Calculation Agent does not at any material time determine or calculate the applicable Distribution Rate or the applicable Reset Distribution Rate (as the case may be), the Trustee shall do so. In doing so, the Trustee shall apply the provisions of this Condition 4(I), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(f) Calculations

In the case of a Fixed Rate Perpetual Security, distribution in respect of a period of less than one year will be calculated on the Day Count Fraction shown on the face of the Perpetual Security. The amount of distribution payable per Calculation Amount (as defined in Condition 4(II)(c)) for any Fixed Rate Distribution Period in respect of any Fixed Rate Perpetual Security shall be calculated by multiplying the product of the Distribution Rate or Reset Distribution Rate and the Calculation Amount, by the Day Count Fraction shown on the face of the Perpetual Security and rounding the resultant figure to the nearest sub-unit of the Relevant Currency (as defined in Condition 4(II)(c)).

In these Conditions, "**Fixed Rate Distribution Period**" means the period beginning on (and including) the Distribution Commencement Date and ending on (but excluding) the first Distribution Payment Date and each successive period beginning on (and including) a Distribution Payment Date and ending on (but excluding) the next succeeding Distribution Payment Date.

(II) Distribution on Floating Rate Perpetual Securities

(a) Distribution Payment Dates

Each Floating Rate Perpetual Security confers a right to receive distribution on its principal amount outstanding from the Distribution Commencement Date in respect thereof and as shown on the face of such Perpetual Security, and such distribution will be payable in arrear on each distribution payment date ("**Distribution Payment Date**"). Such Distribution Payment Date(s) is/are either shown hereon as Specified Distribution Payment Date(s) or, if no Specified Distribution Payment Date(s) is/are shown hereon, Distribution Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Distribution Period (as defined below) on the face of the Perpetual Security (the "**Specified Number of Months**") after the preceding Distribution Payment Date or, in the case of the first Distribution Payment Date, after the Distribution Commencement Date (and which corresponds numerically with such preceding Distribution Payment Date or the Distribution Commencement Date, as the case may be). If any Distribution Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day (as defined below), then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on (and including) the Distribution Commencement Date and ending on (but excluding) the first Distribution Payment Date and each successive period beginning on (and including) a Distribution Payment Date and ending on (but excluding) the next succeeding Distribution Payment Date is herein called a "**Distribution Period**".

Distribution will cease to accrue on each Floating Rate Perpetual Security from (and including) the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount is improperly withheld or refused, in which event distribution will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(II) to (but excluding) the Relevant Date.

(b) Rate of Distribution – Floating Rate Perpetual Securities

- (i) Each Floating Rate Perpetual Security confers a right to receive distribution on its principal amount outstanding at a floating rate determined by reference to a Benchmark as stated on the face of such Floating Rate Perpetual Security, being (in the case of Perpetual Securities which are denominated in Singapore dollars) SIBOR (in which case such Perpetual Security will be a SIBOR Perpetual Security) or Swap Rate (in which case such Perpetual Security will be a Swap Rate Perpetual Security) or in any other case (or in the case of Perpetual Securities which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Perpetual Security.

Such floating rate may be adjusted by adding or subtracting the Spread (if any) and the Step-Up Margin (if any) stated on the face of such Perpetual Security. The "Spread" and the Step-Up Margin are the percentage rate per annum specified on the face of such Perpetual Security as being applicable to the rate of distribution for such Perpetual Security. The rate of distribution so calculated shall be subject to Condition 4(III)(a) below.

The rate of distribution payable in respect of a Floating Rate Perpetual Security from time to time is referred to in these Conditions as the "**Rate of Distribution**".

- (ii) The Rate of Distribution payable from time to time in respect of each Floating Rate Perpetual Security will be determined by the Calculation Agent on the basis of the following provisions:
 - (1) in the case of Floating Rate Perpetual Securities which are SIBOR Perpetual Securities:
 - (A) the Calculation Agent will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Distribution for such Distribution Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Distribution Period which appears on the Reuters Screen ABSIRFIX01 Page under the caption "ABS SIBOR FIX – SIBOR AND SWAP OFFER RATES – RATES AT 11:00 HRS SINGAPORE TIME" and under the column headed "SGD SIBOR" (or such other replacement page thereof for the purpose of displaying SIBOR or such other Screen Page (as defined below) as may be provided hereon) and as adjusted by the Spread (if any), in consultation with the Issuer and taking into account the industry practice at the relevant time and the Step-Up Margin (if any);
 - (B) if on any Distribution Determination Date, no such rate appears on the Reuters Screen ABSIRFIX01 Page under the column headed "SGD SIBOR" (or such other replacement page thereof or if no rate appears on such other Screen Page as may be provided hereon) or if the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) is unavailable for any reason, the Calculation Agent will request the principal Singapore offices of each of the Reference Banks to provide the Calculation Agent with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Distribution Determination Date to prime banks in the Singapore interbank market for a period equivalent to the duration of such Distribution Period commencing on such Distribution Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Perpetual Securities. The Rate of Distribution for such Distribution Period shall be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of such offered quotations and as adjusted by the Spread (if any) and the Step-Up Margin (if any), as determined by the Calculation Agent;

- (C) if on any Distribution Determination Date, two but not all the Reference Banks provide the Calculation Agent with such quotations, the Rate of Distribution for the relevant Distribution Period shall be determined in accordance with (B) above on the basis of the quotations of those Reference Banks providing such quotations; and
 - (D) if on any Distribution Determination Date, one only or none of the Reference Banks provides the Calculation Agent with such quotation, the Rate of Distribution for the relevant Distribution Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Distribution Determination Date and as adjusted by the Spread (if any) and the Step-Up Margin (if any);
- (2) in the case of Floating Rate Perpetual Securities which are Swap Rate Perpetual Securities:
- (A) the Calculation Agent will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Distribution for such Distribution Period as being the rate which appears on the Reuters Screen ABSFIX01 Page under the caption "SGD SOR rates as of 11:00 hrs London Time" and under the column headed "SGD SOR" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Distribution Determination Date and for a period equal to the duration of such Distribution Period and as adjusted by the Spread (if any) and the Step-Up Margin (if any);
 - (B) if on any Distribution Determination Date, no such rate is quoted on the Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) or the Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Calculation Agent will determine the Rate of Distribution for such Distribution Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to the nearest four decimal places)) for a period equal to the duration of such Distribution Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as the Calculation Agent may select; and
 - (C) if on any Distribution Determination Date the Calculation Agent is otherwise unable to determine the Rate of Distribution under paragraphs (b)(ii)(2)(A) and (b)(ii)(2)(B) above, the Rate of Distribution shall be determined by the Calculation Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Singapore offices of the Reference Banks or those of them (being at least two in number) to the Calculation Agent at or about 11.00 a.m. (Singapore time) on the first business day following such Distribution Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant

Distribution Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Perpetual Securities for such Distribution Period by whatever means they determine to be most appropriate and as adjusted by the Spread (if any), or if on such day one only or none of the Singapore offices of the Reference Banks provides the Calculation Agent with such quotation, the Rate of Distribution for the relevant Distribution Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Singapore offices of the Reference Banks at or about 11.00 a.m. (Singapore time) on such Distribution Determination Date and as adjusted by the Spread (if any) and the Step-Up Margin (if any); and

- (3) in the case of Floating Rate Perpetual Securities which are not SIBOR Perpetual Securities or Swap Rate Perpetual Securities or which are denominated in a currency other than Singapore dollars, the Calculation Agent will determine the Rate of Distribution in respect of any Distribution Period at or about the Relevant Time on the Distribution Determination Date in respect of such Distribution Period as follows:

- (A) if the Primary Source (as defined below) for the Floating Rate is a Screen Page (as defined below), subject as provided below, the Rate of Distribution in respect of such Distribution Period shall be:

(aa) the Relevant Rate (as defined below) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or

(bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page, in each case appearing on such Screen Page at the Relevant Time on the Distribution Determination Date,

and as adjusted by the Spread (if any) and the Step-Up Margin (if any);

- (B) if the Primary Source for the Floating Rate is Reference Banks or if paragraph (b)(ii)(3)(A)(aa) applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Distribution Determination Date or if paragraph (b)(ii)(3)(A)(bb) applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Distribution Determination Date, subject as provided below, the Rate of Distribution shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined below) at the Relevant Time on the Distribution Determination Date and as adjusted by the Spread (if any) and the Step-Up Margin (if any); and

- (C) if paragraph (b)(ii)(3)(B) applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, the Rate of Distribution shall be the Rate of Distribution determined on the previous Distribution Determination Date.

- (iii) On the last day of each Distribution Period, the Issuer will pay distribution on each Floating Rate Perpetual Security to which such Distribution Period relates at the Rate of Distribution for such Distribution Period.
- (iv) For the avoidance of doubt, in the event that the Rate of Distribution in relation to any Distribution Period is less than zero, the Rate of Distribution in relation to such Distribution Period shall be zero.

(c) **Definitions**

As used in these Conditions:

“Benchmark” means the rate specified as such in the applicable Pricing Supplement;

“business day” means, in respect of each Perpetual Security, (i) a day (other than a Saturday, Sunday or gazetted public holiday) on which Euroclear, Clearstream, Luxembourg and/or CDP, as applicable, are operating, (ii) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in the country of the relevant Paying Agent’s specified office and (iii) (if a payment is to be made on that day) (1) (in the case of Perpetual Securities denominated in Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore, (2) (in the case of Perpetual Securities denominated in Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which the TARGET System is open for settlement in Euros and (3) (in the case of Perpetual Securities denominated in a currency other than Singapore dollars and Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which banks and foreign exchange markets are open for general business in Singapore and in the principal financial centre for that currency;

“Calculation Agent” means, in relation to any Series of Perpetual Securities, the person appointed as the calculation agent pursuant to the terms of the Agency Agreement or, as the case may be, the Calculation Agency Agreement as specified in the applicable Pricing Supplement;

“Calculation Amount” means the amount specified as such on the face of any Perpetual Security or, if no such amount is so specified, the Denomination Amount of such Perpetual Security as shown on the face thereof;

“Day Count Fraction” means, in respect of the calculation of an amount of distribution in accordance with Condition 4:

- (i) if “Actual/Actual” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period divided by 365 (or, if any portion of that Fixed Rate Distribution Period or, as the case may be, Distribution Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Fixed Rate Distribution Period or, as the case may be, Distribution Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Fixed Rate Distribution Period or, as the case may be, Distribution Period falling in a non-leap year divided by 365);

- (ii) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period in respect of which payment is being made divided by 360;
- (iii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period in respect of which payment is being made divided by 365; and
- (iv) if “30/360” is specified in the applicable Pricing Supplement, the number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Fixed Rate Distribution Period or, as the case may be, the Distribution Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Fixed Rate Distribution Period or, as the case may be, the Distribution Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Fixed Rate Distribution Period or, as the case may be, the Distribution Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Fixed Rate Distribution Period or, as the case may be, the Distribution Period falls;

“D1” is the first calendar day, expressed as a number, of the Fixed Rate Distribution Period or, as the case may be, the Distribution Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Fixed Rate Distribution Period or, as the case may be, the Distribution Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

“Distribution Commencement Date” means the Issue Date or such other date as may be specified as the Distribution Commencement Date on the face of such Perpetual Security;

“Distribution Determination Date” means, in respect of any Distribution Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Perpetual Security;

“Euros” means the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time;

“Issue Date” means the date specified as such in the applicable Pricing Supplement;

“Primary Source” means the Screen Page specified as such in the applicable Pricing Supplement and (in the case of any Screen Page provided by any information service other than the Reuters Monitor Money Rates Service (**“Reuters”**)) agreed to by the Calculation Agent;

“Reference Banks” means the institutions specified as such in the applicable Pricing Supplement or, if none, three major banks selected by the Calculation Agent in the interbank market that is most closely connected with the Benchmark;

“Relevant Currency” means the currency in which the Perpetual Securities are denominated;

“Relevant Financial Centre” means, in the case of distribution to be determined on a Distribution Determination Date with respect to any Floating Rate Perpetual Security, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

“Relevant Rate” means the Benchmark for a Calculation Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the relevant Distribution Period;

“Relevant Time” means, with respect to any Distribution Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre;

“Screen Page” means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters) as may be specified hereon for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark; and

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

(III) Calculations

(a) Determination of Rate of Distribution and Calculation of Distribution Amounts

The Calculation Agent will, as soon as practicable after the Relevant Time on each Distribution Determination Date, determine the Rate of Distribution and calculate the amount of distribution payable (the **“Distribution Amounts”**) in respect of each Calculation Amount of the relevant Floating Rate Perpetual Securities for the relevant Distribution Period. The amount of distribution payable per Calculation Amount in respect of any Perpetual Security shall be calculated by multiplying the product of the Rate of Distribution and the Calculation Amount, by the Day Count Fraction shown on the Perpetual Security and rounding the resultant figure to the nearest sub-unit of the Relevant Currency. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(b) Notification

The Calculation Agent will cause the Rate of Distribution and the Distribution Amounts for each Distribution Period and the relevant Distribution Payment Date to be notified to the Principal Paying Agent, the Registrar, the Trustee and the Issuer as soon as practicable after their determination but in no event later than the fourth business day thereafter. In the case of Floating Rate Perpetual Securities, at the request and expense of the Issuer and to the extent practicable, the Calculation Agent will also cause the Rate of Distribution and the Distribution Amounts for each Distribution Period and the relevant Distribution Payment Date to be notified, to Perpetual Securityholders in accordance with Condition 14 as soon as practicable after their determination. The Distribution Amounts and the Distribution Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Distribution Period by reason of any Distribution Payment Date not being a business day. If an Enforcement Event (as defined below) occurs in relation to the Floating Rate Perpetual Securities, the Rate of Distribution and Distribution Amounts payable in respect of the Floating Rate Perpetual Securities shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Distribution and Distribution Amounts need to be made unless the Trustee requires otherwise.

(c) Determination or Calculation by the Trustee

If the Calculation Agent does not at any material time determine or calculate the Rate of Distribution for a Distribution Period or any Distribution Amount, the Trustee shall do so. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances, and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

(d) Calculation Agent and Reference Banks

The Issuer will procure that, so long as any Floating Rate Perpetual Security remains outstanding, there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Perpetual Security remains outstanding, there shall at all times be a Calculation Agent. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Distribution for any Distribution Period or to calculate the Distribution Amounts, the Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Calculation Agent may not resign from its duties without a successor having been appointed as aforesaid.

(IV) Distribution Discretion

(a) Optional Payment

The Issuer may, at its sole discretion, elect not to pay a distribution (or to pay only part of a distribution) which is scheduled to be paid on a Distribution Payment Date by giving notice (an “**Optional Payment Notice**”) to the Trustee, the Principal Paying Agent and the Perpetual Securityholders (in accordance with Condition 14) not more than 15 nor less than five business days (or such other notice period as may be specified hereon) prior to a scheduled Distribution Payment Date.

(b) **No Obligation to Pay**

Subject to Conditions 4(IV)(c) and 4(IV)(d), the Issuer shall have no obligation to pay any distribution on any Distribution Payment Date and any failure to pay a distribution in whole or in part shall not constitute a default of the Issuer in respect of the Perpetual Securities.

(c) **Non-Cumulative Deferral and Cumulative Deferral**

- (i) If Non-Cumulative Deferral is set out hereon, any distribution deferred pursuant to this Condition 4(IV) is non-cumulative and will not accrue interest. The Issuer is not under any obligation to pay that or any other distributions that have not been paid in whole or in part. The Issuer may, at its sole discretion (and is not obliged to), and at any time, elect to pay an amount up to the amount of distribution which is unpaid ("**Optional Distribution**") (in whole or in part) by complying with the notice requirements in Condition 4(IV)(e). There is no limit on the number of times or the extent of the amount with respect to which the Issuer can elect not to pay distributions pursuant to this Condition 4(IV). Any partial payment of outstanding Optional Distribution by the Issuer shall be shared by the holders of all outstanding Perpetual Securities and the Coupons related to them on a *pro rata* basis.
- (ii) If Cumulative Deferral is set out hereon, any distribution deferred pursuant to this Condition 4(IV) shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to (in the circumstances set out in Condition 4(IV)(a)) further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued distribution. The Issuer is not subject to any limit as to the number of times distributions and Arrears of Distribution can or shall be deferred pursuant to this Condition 4(IV) except that this Condition 4(IV)(c) shall be complied with until all outstanding Arrears of Distribution have been paid in full.
- (iii) If Additional Distribution is set out hereon, each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Securities at the Distribution Rate or Rate of Distribution (as the case may be) and the amount of such interest (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 4 and shall be calculated by applying the applicable Distribution Rate or Rate of Distribution (as the case may be) to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 4. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(d) **Restrictions in the case of Non-Payment**

If Dividend Stopper is set out hereon and on any Distribution Payment Date, payments of all distributions scheduled to be made on such date are not made in full by reason of this Condition 4(IV), the Issuer shall not and shall procure that none of its subsidiaries shall:

- (i) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on, any of the Issuer's Junior Obligations or (except on a *pro rata* basis) any of the Issuer's Parity Obligations; or

- (ii) redeem, reduce, cancel, buy-back or acquire for any consideration, and will procure that no redemption, reduction, cancellation, buy-back or acquisition for any consideration is made in respect of, any of the Issuer's Junior Obligations or (except on a *pro rata* basis) any of the Issuer's Parity Obligations,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group (as defined in the Trust Deed), (2) as a result of the exchange or conversion of Parity Obligations of KIT for Junior Obligations of KIT or (3) unless and until (A) (if Cumulative Deferral is specified as being applicable in the applicable pricing supplement) the Issuer has satisfied in full all outstanding Arrears of Distribution), (B) (if Non-Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) a redemption of all the outstanding Perpetual Securities has occurred, the next scheduled distribution has been paid in full or an Optional Distribution equal to the amount of a distribution payable with respect to the most recent Distribution Payment Date that was unpaid in full or in part, has been paid in full or (C) the Issuer is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Perpetual Securityholders. For the avoidance of doubt, nothing in this Condition shall restrict the payment of management fees to the Trustee-Manager in the form of units in KIT, cash or any other form of consideration.

(e) Satisfaction of Optional Distribution or Arrears of Distribution

The Issuer:

- (i) may, at its sole discretion (and is not obliged to), satisfy an Optional Distribution or Arrears of Distribution, as the case may be (in whole or in part) at any time by giving notice of such election to the Trustee, the Principal Paying Agent and the Perpetual Securityholders (in accordance with Condition 14) not more than 20 nor less than 10 business days (or such other notice period as may be specified hereon) prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Optional Distribution or Arrears of Distribution on the payment date specified in such notice) and
- (ii) in any event shall satisfy any outstanding Arrears of Distribution (in whole but not in part) on the earliest of:
 - (A) the date of redemption of the Perpetual Securities in accordance with the redemption events set out in Condition 5 (as applicable);
 - (B) the next Distribution Payment Date on the occurrence of a breach of Condition 4(IV)(d); and
 - (C) the date such amount becomes due under Condition 9 or on a Winding-up of KIT.

Any partial payment of an Optional Distribution or Arrears of Distribution, as the case may be, by the Issuer shall be shared by the Perpetual Securityholders of all outstanding Perpetual Securities on a *pro-rata* basis.

(f) No Default

Notwithstanding any other provision in these Conditions, the non-payment of any distribution payment in accordance with this Condition 4(IV) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 9) on the part of the Issuer under the Perpetual Securities.

5. REDEMPTION AND PURCHASE

(a) No Fixed Redemption Date

The Perpetual Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3 and without prejudice to Condition 9) only have the right (but not the obligation) to redeem or purchase them in accordance with the following provisions of this Condition 5.

(b) Redemption at the Option of Issuer

If so provided hereon, the Issuer may, at its option, redeem the Perpetual Securities in whole, but not in part, on the First Call Date (as specified hereon) or on any Distribution Payment Date thereafter at their principal amount, together with the distribution accrued (including any Arrears of Distribution and any Additional Distribution Amount) from (and including) the immediately preceding Distribution Payment Date to (but excluding) the date fixed for redemption, on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable). Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 5(b).

If so provided hereon, the Issuer may, on giving irrevocable notice to the Perpetual Securityholders falling within the Issuer's Redemption Option Period shown on the face hereof, redeem all or, if so provided, some of the Perpetual Securities at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Perpetual Securities shall be at their Redemption Amount, together with distribution accrued (including any Arrears of Distribution and any Additional Distribution Amount) (if any) to (but excluding) the date fixed for redemption.

All Perpetual Securities in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 5(b).

In the case of a partial redemption of the Perpetual Securities, the notice to Perpetual Securityholders shall also contain the certificate numbers of the Bearer Perpetual Securities or, in the case of Registered Perpetual Securities, shall specify the principal amount of Registered Perpetual Securities drawn and the holder(s) of such Registered Perpetual Securities, to be redeemed, which shall have been drawn by or on behalf of the Issuer in such place and in such manner as may be agreed between the Issuer and the Trustee, taking into account prevailing market practices, subject to compliance with any applicable laws. So long as the Perpetual Securities are listed on any Stock Exchange (as defined in the Trust Deed), the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of Perpetual Securities.

(c) Redemption for Taxation Reasons

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if:

- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings

or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement, and

- (ii) such obligations cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Perpetual Securities then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee and the Principal Paying Agent:

- (A) a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (B) an opinion of independent legal, tax or any other professional advisors of recognised standing, to the effect that the Issuer has or is likely to become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept such certification as sufficient evidence that the satisfaction of the conditions precedent to the right of the Issuer so to redeem has occurred, in which event it shall be conclusive and binding on the Perpetual Securityholders.

(d) Redemption for Accounting Reasons

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, on such Distribution Payment Date or any time after that Distribution Payment Date, as a result of any changes or amendments to Singapore Financial Reporting Standards (International) issued by the Singapore Accounting Standards Council, as amended from time to time (the "**SFRS(I)**") or any other accounting standards that may replace SFRS(I) for the purposes of the consolidated financial statements of the Issuer (the "**Relevant Accounting Standard**"), the Perpetual Securities will not or will no longer be recorded as "equity" of KIT pursuant to the Relevant Accounting Standard.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee and the Principal Paying Agent:

- (i) a certificate signed by two authorised signatories of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances; and

- (ii) an opinion of the Issuer's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect.

The Trustee shall be entitled to accept such certification and opinion as sufficient evidence that the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Perpetual Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 5(d), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 5(d).

(e) Redemption for Tax Deductibility

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if the Issuer satisfies the Trustee immediately before giving such notice that, as a result of:

- (i) any amendment to, or change in, the laws (or any rules or regulations thereunder) of Singapore or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date;
- (ii) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date; or
- (iii) any generally applicable official interpretation or pronouncement which is issued or announced on or after the Issue Date that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position which is announced before the Issue Date,

payments by the Issuer which would otherwise have been deductible to the Issuer, are no longer, or would in the Distribution Period immediately following that Distribution Payment Date no longer be, fully deductible by the Issuer for Singapore income tax purposes.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee and the Principal Paying Agent:

- (A) a certificate signed by two authorised signatories of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances; and
- (B) an opinion of independent legal, tax or any other professional advisors of recognized standing stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the tax regime is due to take effect.

The Trustee shall be entitled to accept such certification and opinion or ruling as sufficient evidence that the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Perpetual Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 5(e), the Issuer shall be bound to redeem all the Perpetual Securities in accordance with this Condition 5(e).

(f) Redemption upon a Ratings Event

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole but not in part on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distribution accrued to (but excluding) the date fixed for redemption), if as of the date fixed for redemption, an amendment, clarification or change has occurred, or will in the Distribution Payment Period immediately following the date fixed for redemption occur, in the equity credit criteria, guidelines or methodology of the Rating Agency specified hereon (or any other rating agency of equivalent recognised standing requested from time to time by the Issuer to grant a rating to the Issuer or the Perpetual Securities) and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results or will result in a lower equity credit for the Perpetual Securities than the equity credit assigned or which would have been assigned on the Issue Date (in the case of such Rating Agency) or assigned at the date when equity credit is assigned for the first time (in the case of any other rating agency), provided that, prior to the publication of any notice of redemption pursuant to this Condition 5(f), the Issuer shall deliver, or procure that there is delivered to the Trustee and Principal Paying Agent a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting out the details of such circumstances.

Upon the expiry of any such notice as is referred to in this Condition 5(f), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 5(f).

(g) Redemption in the case of Minimal Outstanding Amount

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, immediately before giving such notice, the aggregate principal amount of the Perpetual Securities outstanding is less than 10 per cent. of the aggregate principal amount originally issued.

Upon the expiry of any such notice as is referred to in this Condition 5(g), the Issuer shall be bound to redeem all the Perpetual Securities in accordance with this Condition 5(g).

(h) **Redemption upon Cessation or Suspension of Trading of Units**

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distributions (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), following the occurrence of a Cessation/Suspension of Trading Event.

For the purposes of these Conditions:

- (i) **"Cessation/Suspension of Trading Event"** occurs when (i) the units of the Issuer cease to be traded on the Singapore Exchange Securities Trading Limited (the **"SGX-ST"**), or (ii) trading in the units of the Issuer on the SGX-ST is suspended for a continuous period of more than 10 market days; and
- (ii) **"market day"** means a day on which the SGX-ST is open for securities trading.

(i) **Purchases**

The Issuer and/or any subsidiaries of KIT may at any time purchase Perpetual Securities at any price (provided that they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is in compliance with all relevant laws, regulations and directives. The Perpetual Securities so purchased, while held by or on behalf of the Issuer and/or any subsidiaries of KIT, shall not entitle the holder to vote at any meetings of the Perpetual Securityholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Perpetual Securityholders or for the purposes of Conditions 9 and 10.

Perpetual Securities purchased by the Issuer and/or any subsidiaries of KIT may be surrendered by the purchaser through the Issuer to, in the case of Bearer Perpetual Securities, the Principal Paying Agent and, in the case of Registered Perpetual Securities, the Registrar for cancellation or may at the option of the Issuer or, as the case may be, the relevant subsidiary of KIT be held or resold.

For the purposes of these Conditions, **"directive"** includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation, or stock exchange.

(j) **Cancellation**

All Perpetual Securities purchased by or on behalf of the Issuer and/or its subsidiaries may be surrendered for cancellation, in the case of Bearer Perpetual Securities, by surrendering each such Perpetual Security together with all unmatured Coupons and all unexchanged Talons to the Principal Paying Agent at its specified office and, in the case of Registered Perpetual Securities, by surrendering the Certificate representing such Perpetual Securities to the Registrar and, in each case, if so surrendered, shall, together with all Perpetual Securities redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Perpetual Securities or Certificates so surrendered for cancellation may not be reissued or resold.

6. PAYMENTS

(a) Principal and Distribution in respect of Bearer Perpetual Securities

Payments of principal (or, as the case may be, the Redemption Amounts) and distribution in respect of the Bearer Perpetual Securities will, subject as mentioned below, be made against presentation and surrender of the relevant Perpetual Securities or Coupons, as the case may be, at the specified office of the Principal Paying Agent by a cheque drawn in the currency in which that payment is due on, or, at the option of the holders, by transfer to an account maintained by that payee in that currency with a bank in the principal financial centre for that currency.

(b) Principal and Distribution in respect of Registered Perpetual Securities

- (i) Payments of principal in respect of Registered Perpetual Securities will, subject as mentioned below, be made against presentation and surrender of the relevant Certificates at the specified office of the Transfer Agent or of the Registrar and in the manner provided in Condition 6(b)(ii).
- (ii) Distribution on Registered Perpetual Securities shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of distribution on each Registered Perpetual Security shall be made by a cheque drawn in the currency in which payment is due on and mailed to the holder (or to the first named of the joint holders) of such Perpetual Security at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any other Transfer Agent before the Record Date, such payment of distribution may be made by transfer to an account maintained by the holder in that currency with, a bank in the principal financial centre of that currency.

(c) Payments subject to law etc.

Without prejudice to the provisions of Condition 7, all payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) as amended or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations or agreements thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law, regulation or directive implementing such an intergovernmental agreement). No commission or expenses shall be charged to the Perpetual Securityholders or Couponholders in respect of such payments.

(d) Appointment of Agents

The Principal Paying Agent, the Non-CDP Paying Agent, the CDP Registrar and Non-CDP Registrar initially appointed by the Issuer and their specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, the Non-CDP Paying Agent, any other Paying Agent, the CDP Registrar and the Non-CDP Registrar, any other Transfer Agent and the Calculation Agent and to appoint additional or other Paying Agents, Transfer Agents and Calculation Agents, provided that they will at all times maintain (i) a Principal Paying Agent having a specified office in Singapore and (in the case Non-CDP Perpetual Securities) a Non-CDP Paying Agent, as the case may be, (ii) a Transfer Agent in relation to Registered Perpetual Securities, (iii) a Registrar in relation to Registered Perpetual Securities and (iv) a Calculation Agent where the Conditions so require.

Notice of any such change of appointment or any change of any specified office will be promptly given by the Issuer to the Perpetual Securityholders in accordance with Condition 14 within the period specified in the Agency Agreement.

The Agency Agreement may be amended by the Issuer, the Principal Paying Agent, the Registrar, the Non-CDP Paying Agent, the CDP Registrar and the Non-CDP Registrar, and the Trustee, without the consent of any Perpetual Securityholder or Couponholder, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which the Issuer, the Principal Paying Agent, the Non-CDP Paying Agent, the CDP Registrar, the Non-CDP Registrar and the Trustee may deem necessary or desirable and which shall not be materially prejudicial to the interests of the Perpetual Securityholders and Couponholders. Such amendment shall be binding on the Perpetual Securityholders and Couponholders.

(e) Unmatured Coupons and Unexchanged Talons

- (i) Bearer Perpetual Securities which comprise Fixed Rate Perpetual Securities should be surrendered for payment together with all unmatured Coupons and unexchanged Talons (if any) relating to such Perpetual Securities, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of five (5) years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).
- (ii) Subject to the provisions of the relevant Pricing Supplement, upon the due date for redemption of any Bearer Perpetual Security comprising a Floating Rate Perpetual Security, unmatured Coupons relating to such Perpetual Security (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Perpetual Security, any unexchanged Talon (if any) relating to such Perpetual Security (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Perpetual Security comprising a Floating Rate Perpetual Security is presented for redemption without all unmatured Coupons, and where any Bearer Perpetual Security is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption or repayment of any Perpetual Security is not a due date for payment of distribution, distribution accrued from the preceding due date for payment of distribution or the Distribution Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Perpetual Security or Certificate.

(f) **Talons**

On or after the Distribution Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Perpetual Security, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent on any business day in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8).

(g) **Non-business days**

Subject as provided in the relevant Pricing Supplement and/or subject as otherwise provided in these Conditions, if any date for the payment in respect of any Perpetual Security or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day and shall not be entitled to any further distribution or other payment in respect of any such delay.

7. TAXATION

(a) **Payment after Withholding**

All payments in respect of the Perpetual Securities and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Perpetual Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable in respect of any Perpetual Security or Coupon presented (or in respect of which the Certificate representing it is presented) for payment:

- (a) by or on behalf of a holder who is subject to such Taxes by reason of his being connected with Singapore (including, without limitation, the holder being (1) a resident in Singapore for tax purposes or (2) a non-resident of Singapore who has been granted an exemption by the Inland Revenue Authority of Singapore in respect of the requirement to withhold tax on payments made to it) otherwise than by reason only of the holding of such Perpetual Security or Coupon or the receipt of any sums due in respect of such Perpetual Security or Coupon;
- (b) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (c) by or on behalf of a holder who would be able to lawfully avoid (but has not so avoided) such deduction or withholding by making a declaration or any other statement including, but not limited to, a declaration of residence or non-residence but fails to do so.

For the avoidance of doubt, neither the Issuer nor any other person shall be required to pay any additional amount or otherwise indemnify a holder for any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code as amended or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations or agreements thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law, regulation or directive implementing such an intergovernmental agreement).

(b) Interpretation

As used in these Conditions, “**Relevant Date**” in respect of any Perpetual Security or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Perpetual Securityholders in accordance with Condition 14 that, upon further presentation of the Perpetual Security (or relevant Certificate) or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to “**principal**” shall be deemed to include any premium payable in respect of the Perpetual Securities, all Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 5, “**distribution**” shall be deemed to include all Distribution Amounts and all other amounts payable pursuant to Condition 4 and any reference to “**principal**” and/or “**premium**” and/or “**Redemption Amounts**” and/or “**distribution**” shall be deemed to include any additional amounts which may be payable under these Conditions.

8. PRESCRIPTION

The Perpetual Securities and Coupons shall become void unless presented for payment within five (5) years from the appropriate Relevant Date for payment.

9. NON-PAYMENT

(a) Non-payment when due

Notwithstanding any of the provisions below in this Condition 9, the right to institute proceedings for Winding-Up of KIT is limited to circumstances where payment has become due. In the case of any distribution, such distribution will not be due if the Issuer has elected not to pay that distribution in accordance with Condition 4(IV). In addition, nothing in this Condition 9, including any restriction on commencing proceedings, shall in any way restrict or limit the rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Perpetual Securities or the Trust Deed.

(b) Proceedings for Winding-Up

If (i) a Winding-Up of KIT occurs, or (ii) the Issuer does not pay any sum payable by it under the Perpetual Securities when due and, such default continues for a period of three business days after the due date (together, the “**Enforcement Events**”), the Issuer shall be deemed to be in default under the Trust Deed and the Perpetual Securities and the Trustee may, subject to the provisions of Condition 9(d), institute proceedings for the Winding-Up of KIT and/or prove in the Winding-Up of KIT and/or claim in the liquidation of KIT for such payment.

(c) Enforcement

Without prejudice to Condition 9(b) but subject to the provisions of Condition 9(d), the Trustee may without further notice to the Issuer institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Perpetual Securities or the Trust Deed, as the case may be, (other than any payment obligation of the Issuer under or arising from the Perpetual Securities, including, without limitation, payment of any principal or premium or satisfaction of any distributions (including any Arrears of Distribution and any Additional Distribution Amount, if applicable) in respect of the Perpetual Securities (including any damages awarded for breach of any obligations)) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) Entitlement of Trustee

The Trustee shall not and shall not be obliged to take any of the actions referred to in Condition 9(b) or Condition 9(c) against the Issuer to enforce the terms of the Trust Deed or the Perpetual Securities unless (i) it shall have been so directed by an Extraordinary Resolution of the Perpetual Securityholders or so requested in writing by Perpetual Securityholders holding not less than 25 per cent. in principal amount of the Perpetual Securities outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(e) Right of Perpetual Securityholders or Couponholder

No Perpetual Securityholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the Winding-Up, or claim in the liquidation of, KIT or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails or neglects to do so within a reasonable period and such failure or neglect shall be continuing, in which case the Perpetual Securityholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 9.

(f) Extent of Perpetual Securityholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 9, shall be available to the Trustee or the Perpetual Securityholders or Couponholders, whether for the recovery of amounts owing in respect of the Trust Deed, the Perpetual Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Trust Deed or the Perpetual Securities (as applicable).

(g) Damages subject to Subordination

If any court awards money, damages or other restitution for any default with respect to the performance by the Issuer of its obligations contained in the Trust Deed and the Perpetual Securities, the payment of such moneys, damages or other restitution shall be subject to the subordination provisions set out in these Conditions and Clause 8.3 of the Trust Deed.

10. MEETING OF PERPETUAL SECURITYHOLDERS AND MODIFICATIONS

The Trust Deed contains provisions for convening meetings of Perpetual Securityholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Perpetual Securities of such Series (including these Conditions insofar as the same may apply to such Perpetual Securities) or any of the provisions of the Trust Deed.

The Trustee or the Issuer at any time may, and the Trustee upon the request in writing by Perpetual Securityholders holding not less than 25 per cent. of the principal amount of the Perpetual Securities of any Series for the time being outstanding, and after being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses shall, convene a meeting of the Perpetual Securityholders of that Series. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Perpetual Securityholders of the relevant Series (save where provided to the contrary in the Trust Deed and these Conditions), whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (a) to amend the dates of redemption of the Perpetual Securities or any date for payment of distribution or Distribution Amounts on the Perpetual Securities, (b) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Perpetual Securities, (c) to reduce the rate or rates of distribution in respect of the Perpetual Securities or to vary the method or basis of calculating the rate or rates of distribution or the basis for calculating any Distribution Amount in respect of the Perpetual Securities, (d) to vary any method of, or basis for, calculating the Redemption Amount, (e) to vary the currency or currencies of payment or denomination of the Perpetual Securities, (f) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, or (g) to modify the provisions concerning the quorum required at any meeting of Perpetual Securityholders or the majority required to pass the Extraordinary Resolution or (h) to amend the subordination provisions of the Perpetual Securities, will only be binding if passed at a meeting of the Perpetual Securityholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

The Trustee may agree, without the consent of the Perpetual Securityholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed and/or the Perpetual Securities or any of the other Transaction Documents which in the opinion of the Trustee is of a formal, minor or technical nature, or is made to correct a manifest error or to comply with the mandatory provisions of Singapore law or is required by the relevant Stock Exchange, Euroclear and/or Clearstream, Luxembourg and/or CDP and/or any other clearing system in which the Perpetual Securities may be held and (ii) any other modification (except as mentioned in the Trust Deed) to the Trust Deed and/or the Perpetual Securities and any of the other Transaction Documents, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or any of the other Transaction Documents, which is in the opinion of the Trustee not materially prejudicial to the interests of the Perpetual Securityholders. Any such modification, waiver or authorisation shall be binding on the Perpetual Securityholders and the Couponholders and if unless the Trustee agrees in writing, the Issuer shall cause such modification, waiver or authorisation to be notified to the Perpetual Securityholders as soon as practicable in accordance with Condition 14.

In connection with the exercise of its functions, powers, trusts, authorities or discretions (including but not limited to those in relation to any proposed modification, authorisation or waiver of any breach or proposed breach of any of these Conditions or any of the provisions of the Trust Deed), the Trustee shall have regard to the interests of the Perpetual Securityholders as a class and shall not have regard to any interest arising from circumstances particular to individual Perpetual Securityholders (whatever their number) and

in particular but without limitation, shall not have regard to the consequences of such exercise for individual Perpetual Securityholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or otherwise to the tax consequences thereof and the Trustee shall not be entitled to require, nor shall any Perpetual Securityholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequences of any such exercise upon individual Perpetual Securityholders, except to the extent provided for in Condition 7.

These Conditions may be amended, modified, or varied in relation to any Series of Perpetual Securities by the terms of the relevant Pricing Supplement in relation to such Series.

For the purpose of ascertaining the right to attend and vote at any meeting of the Perpetual Securityholders convened for the purpose of and in relation to Clauses 9.2(c) and 27 of the Trust Deed, Schedule 9 of the Trust Deed and Conditions 9 and 10, those Perpetual Securities (if any) which are beneficially held by, or are held on behalf of the Issuer and the subsidiaries of KIT and not cancelled shall (unless and until ceasing to be so held) be disregarded when determining whether the requisite quorum of such meeting has been met and any votes cast or purported to be cast at such meeting in respect of such Perpetual Securities shall be disregarded and be null and void.

11. REPLACEMENT OF PERPETUAL SECURITIES, CERTIFICATES, COUPONS AND TALONS

Should any Perpetual Security, Certificate, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent (in the case of Bearer Perpetual Securities, Coupons or Talons) and of the Registrar (in the case of Certificates), or at the specified office of such other Paying Agent or, as the case may be, Transfer Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Perpetual Securityholders in accordance with Condition 15, upon payment by the claimant of the fees, costs, expenses and duties incurred in connection with the replacement and on such terms as to evidence, undertaking security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Perpetual Security, Certificate, Coupon or Talon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Perpetual Security, Certificate, Coupon or Talon) and otherwise as the Issuer may require. Mutilated or defaced Perpetual Securities, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

12. FURTHER ISSUES

The Issuer may from time to time without the consent of the Perpetual Securityholders or Couponholders create and issue further perpetual securities having the same terms and conditions as the Perpetual Securities of any Series and so that the same shall be consolidated and form a single Series with such Perpetual Securities, and references in these Conditions to “Perpetual Securities” shall be construed accordingly.

13. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND KIT

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee or any corporation related to it is entitled, *inter alia*, (a) to enter into business transactions with the Issuer or the Group (or any of their respective related corporations) and to act as trustee of the holders of any other securities issued by, or relating to, the Issuer or the Group (or any of their respective related corporations), (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Perpetual Securityholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Each Perpetual Securityholder and Couponholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Trustee shall not at any time have any responsibility for the same and each Perpetual Securityholder and Couponholder shall not rely on the Trustee in this respect thereof.

14. NOTICES

Notices to the holders of Registered Perpetual Securities shall be valid if mailed to them at their respective addresses in the Register and shall be deemed to have been given two days after the date of mailing. Notwithstanding the foregoing, notices to the holders of Perpetual Securities shall be valid if published in a newspaper in the English language of general circulation in Singapore (or, if the holders of any Perpetual Securities can be identified, notices to such holders will also be valid if they are given to each of such holders). It is expected that such publication will be made in The Business Times. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Perpetual Securities in accordance with this Condition 14. Notices to the holders of Perpetual Securities shall be in English language or, if not in the English language, accompanied by a certified translation into the English language.

So long as the Perpetual Securities are represented by a Global Security or a Global Certificate and such Global Security or Global Certificate is held in its entirety on behalf of Euroclear, Clearstream, Luxembourg and/or CDP, there may be substituted for such publication in such newspapers or delivery to the Perpetual Securityholders, the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or (subject to the agreement of CDP) CDP for communication by it to the Perpetual Securityholders, except that if the Perpetual Securities are listed on the SGX-ST and the rules of such exchange so require or permit, notice will in any event be published in accordance with the first two paragraphs. Any such notice shall be deemed to have been given to the Perpetual Securityholders on the seventh day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or CDP.

Notices to be given by any Perpetual Securityholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same, together with the relative Perpetual Security or Perpetual Securities, with the Principal Paying Agent (in the case of Bearer Perpetual Securities) or the Registrar (in the case of Certificates). Whilst the Perpetual Securities are represented by a Global Security or a Global Certificate, such notice may be given by any Perpetual Securityholder to the Principal Paying Agent or, as the case may be, the Registrar through Euroclear, Clearstream, Luxembourg and/or CDP in such manner as the Principal Paying Agent or, as the case may be, the Registrar and Euroclear, Clearstream, Luxembourg and/or CDP may approve for this purpose.

Notwithstanding the other provisions of this Condition, in any case where:

- (a) the identities and addresses of all the Perpetual Securityholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and such notices will be deemed to have been given two (2) business days from the date of despatch to the Perpetual Securityholders; or
- (b) the Perpetual Securities are listed on the SGX-ST, notices to the holders may be given by way of an announcement through the corporate announcement system administered by the SGX-ST including, but not limited to, the website maintained by the SGX-ST (the “**SGX-ST Corporate Announcement System**”), such notices will be deemed to have been given upon the publication of such notices on the SGX Corporate Announcement System.

15. GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Trust Deed, the Perpetual Securities, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of Singapore.

(b) Jurisdiction

The courts of Singapore are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, any Perpetual Securities, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, Perpetual Securities, Coupons or Talons may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT

No person shall have any right to enforce any term or condition of the Perpetual Securities under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

17. ACKNOWLEDGEMENT BY PARTIES

- (a) Notwithstanding any provision to the contrary in the Trust Deed, the Perpetual Securities and the Coupons, the Trustee, the Perpetual Securityholders and the Couponholders acknowledge and agree that the Issuer has entered into the Trust Deed only in its capacity as trustee-manager of KIT and not in its personal capacity and all references to the Issuer or the Trustee-Manager in the Trust Deed, the Perpetual Securities and the Coupons shall be construed accordingly. As such, notwithstanding any provision to the contrary in the Trust Deed, the Perpetual Securities and the Coupons, the Issuer has assumed all obligations under the Trust Deed, the Perpetual Securities and the Coupons in its capacity as the trustee-manager of KIT and not in its personal capacity and any liability of or indemnity, covenant, undertaking, representation and/or warranty given by the Issuer under the Trust Deed, the Perpetual Securities and the Coupons is given by the Issuer only in its capacity as the trustee-manager and not in its personal capacity and any power and right conferred on any receiver, attorney, agent and/or delegate under the Trust Deed, the Perpetual Securities and the Coupons is limited to the assets of KIT over which the Issuer has recourse and shall not extend to any personal assets or other assets of the Issuer or any assets held by the Issuer as trustee-manager of any other trust (other than KIT) including but not limited to assets held by the Issuer as trustee-manager for the account of parties other than KIT. Any obligation, matter, act, action or thing required to be done, performed or undertaken by the Issuer under the Trust Deed, the Perpetual Securities

and the Coupons shall only be in connection with matters relating to KIT (and shall not extend to the Issuer's obligations in respect of any other trust or real estate investment trust of which it is a trustee). The foregoing shall not restrict or prejudice the rights or remedies of the Trustee, the Perpetual Securityholders and/or the Couponholders under law or equity whether in connection with any gross negligence, fraud, wilful default or breach of trust of the Issuer or otherwise.

- (b) Notwithstanding any provision to the contrary in the Trust Deed, the Perpetual Securities or the Coupons, it is hereby agreed that the Issuer's obligations under the Trust Deed, the Perpetual Securities and the Coupons will be solely the corporate obligations of the Issuer and there shall be no recourse against the shareholders, directors, officers or employees of the Issuer for any claims, losses, damages, liabilities or other obligations whatsoever in connection with any of the transactions contemplated by the provisions of the Trust Deed, the Perpetual Securities or Coupons. The foregoing shall not restrict or prejudice the rights or remedies of the Trustee, the Perpetual Securityholders and/or the Couponholders under law or equity whether in connection with any gross negligence, fraud, wilful default or breach of trust of the Issuer or otherwise.
- (c) For the avoidance of doubt, any legal action or proceedings commenced against the Issuer whether in Singapore or elsewhere pursuant to the Trust Deed, the Perpetual Securities or the Coupons shall be brought against the Issuer in its capacity as trustee-manager of KIT and not in its personal capacity. The foregoing shall not restrict or prejudice the rights or remedies of the Trustee, the Perpetual Securityholders and/or the Couponholders under law or equity whether in connection with any gross negligence, fraud, wilful default or breach of trust of the Issuer or otherwise.
- (d) The provisions of this Condition 17 shall apply, *mutatis mutandis*, to any notices, certificates or other documents which the Issuer issues under or pursuant to the Trust Deed and the Perpetual Securities as if expressly set out in such notices, certificates or documents and shall survive the termination or rescission of the Trust Deed and the Perpetual Securities.

PRINCIPAL PAYING AGENT AND CDP REGISTRAR

Deutsche Bank AG, Singapore Branch
One Raffles Quay, #16-00,
South Tower, Singapore 048583

NON-CDP PAYING AGENT AND NON-CDP REGISTRAR

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

KEPPEL INFRASTRUCTURE TRUST

OVERVIEW

KIT is a diversified business trust listed on the SGX-ST with the principal objective of investing in businesses and assets that provide Unitholders with regular and stable distributions, with the potential for long-term capital growth. KIT's strategy is to invest in businesses and assets in the infrastructure sector or businesses and assets which exhibit infrastructure-like characteristics.

Under the KIT Trust Deed, the Trustee-Manager has the power to carry out the following authorised businesses:

- (a) infrastructure businesses¹;
- (b) investing directly or indirectly, in infrastructure businesses, selling, leasing or otherwise disposing of infrastructure businesses or exploring any opportunities for any of the foregoing purposes; and
- (c) any business, undertaking or activity associated with, incidental and/or ancillary to the operation of the businesses referred to in the foregoing sub-paragraphs (a) and (b).

KIT's portfolio comprises nine assets in the three core segments of (a) Distribution & Network, (b) Energy and (c) Waste & Water. As at 31 March 2019, the Distribution & Network, Energy and Waste & Water segment makes up 68%, 20% and 12% of KIT's total assets respectively².

Assets in the Distribution & Network segment consists of assets which provide essential products and services in the areas of gas production, telecommunications and electricity transmission, data centres, and manufacturing and distribution of chemicals for, among others, water, food and dairy, metals and mining, industries. These assets are well-positioned to deliver resilient cash flows with potential for growth that is supported by favourable market dynamics and long-term demand.

The Energy segment and the Waste & Water segment consist of assets that are integral to the provision of power, waste treatment and water purification. The contract terms for these assets are backed by recurring fixed capacity/availability payments, providing KIT with stable and defensive cash flows.

The businesses and assets in Distribution & Network consist of the Ixom Group, City Gas, Basslink and DataCentre One.

The business and asset in Energy consist of the KMC Plant.

The businesses and assets in Waste & Water consist of Senoko WTE Plant, Keppel Seghers Tuas WTE Plant, Keppel Seghers Ulu Pandan NeWater Plant and SingSpring Plant.

¹ "Infrastructure businesses" is defined in the KIT Trust Deed as including, among others, any business, whether carried on in Singapore or elsewhere, which the Trustee-Manager determines, in its opinion, to be an infrastructure business.

² Refers to KIT's share in the respective assets.

The following table provides an overview of KIT's portfolio.

	Businesses	Description	Customer and Contract Terms	Primary Source of Cash Flows
Distribution & Network	IXOM Australia	Industrial infrastructure business in Australia and New Zealand, supplying and distributing key water treatment chemicals, as well as industrial and specialty chemicals	Over 8,000 customers comprising municipals and blue-chip companies	Payments from customers for delivery of products and provision of services based on agreed terms.
	City Gas Singapore	Sole producer and retailer of piped town gas	Over 840,000 commercial and residential customers	Fixed margin per unit of gas sold, with fuel and electricity costs passed through to consumer
	Basslink Australia	Basslink subsea interconnector that transmits electricity and telecoms between Victoria and Tasmania in Australia	Service agreement with Hydro Tasmania (owned by Tasmania state government) until 2031, with option for 15-year extension	Fixed payments for availability of Basslink subsea cable for power transmission
	Datacentre One Singapore	Data centre	Lease agreement with 1-Net (100% subsidiary of Mediacorp) until 2036, with option for 8-year extension	Contractual lease revenue
Energy	KMC Singapore	1,300MW combined cycle gas turbine power plant	Capacity Tolling Agreement with Keppel Electric until 2030 with option for 10-year extension (land lease till 2035, with 30-year extension)	Fixed payments for meeting availability targets
Water & Waste	Senoko WTE Plant Singapore	Waste-to-energy plant with 2,310 tonnes/day waste incineration concession	NEA, Singapore government agency - concession until 2024	Fixed payments for availability of incineration capacity
	Keppel Seghers Tuas WTE Plant Singapore	Waste-to-energy plant with 800 tonnes/day waste incineration concession	NEA, Singapore government agency - concession until 2034	Fixed payments for availability of incineration capacity
	Keppel Seghers Ulu Pandan NEWater Plant Singapore	One of Singapore's largest NEWater plants, capable of producing 148,000m ³ /day ⁽¹⁾	PUB, Singapore government agency - concession until 2027	Fixed payments for the provision of NEWater production capacity
	SingSpring Plant Singapore	Singapore's first large-scale seawater desalination plant, capable of producing 136,380m ³ /day of portable water	PUB, Singapore government agency - concession until 2025 (land lease till 2033)	Fixed payments for availability of output capacity

Note:

1. Keppel Seghers Ulu Pandan NEWater Plant has an overall capacity of 162,800m³/day, of which 14,800m³/day is undertaken by Keppel Seghers.

THE TRUSTEE-MANAGER

Keppel Infrastructure Fund Management Pte. Ltd. is the trustee-manager of KIT.

The Trustee-Manager was incorporated in Singapore under the Companies Act on 28 February 2008. The Trustee-Manager is a wholly-owned subsidiary of Keppel Capital, which is in turn wholly-owned by Keppel Corporation. The Trustee-Manager has a paid-up capital of S\$1.0 million. Its registered office is located at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632.

ROLES AND RESPONSIBILITIES OF THE TRUSTEE-MANAGER

The Trustee-Manager is appointed to act as trustee-manager for KIT in accordance with the terms of the KIT Trust Deed. Under the Business Trusts Act, the Trustee-Manager shall act in the best interests of Unitholders and manage the business conducted by KIT in accordance with the Business Trusts Act and the KIT Trust Deed. The Trustee-Manager has general powers of management over the assets of KIT and it is authorised to manage KIT's assets and liabilities for the benefit of Unitholders. The Trustee-Manager shall exercise the degree of care and diligence required of a trustee-manager of a registered business trust to comply with the applicable provisions of all relevant legislation, as well as the Listing Manual (for so long as KIT is listed) and the KIT Trust Deed.

The Trustee-Manager, in exercising its powers and carrying out its duties as KIT's trustee-manager, is required to do, *inter alia*, the following:

- (a) treat Unitholders who hold Units in the same class fairly and equally;
- (b) ensure that all payments out of the Trust Property are made in accordance with the Business Trusts Act and the KIT Trust Deed;
- (c) report to the Monetary Authority of Singapore any contravention of the Business Trusts Act or the Business Trust Regulations by any other person that:
 - (i) relates to KIT; and
 - (ii) has had, has or is likely to have, a material adverse effect on the interests of all Unitholders, or any class of Unitholders, as a whole,as soon as practicable after the Trustee-Manager becomes aware of the contravention;
- (d) ensure that the Trust Property is properly accounted for; and
- (e) ensure that the Trust Property is kept distinct from the property held in its personal capacity.

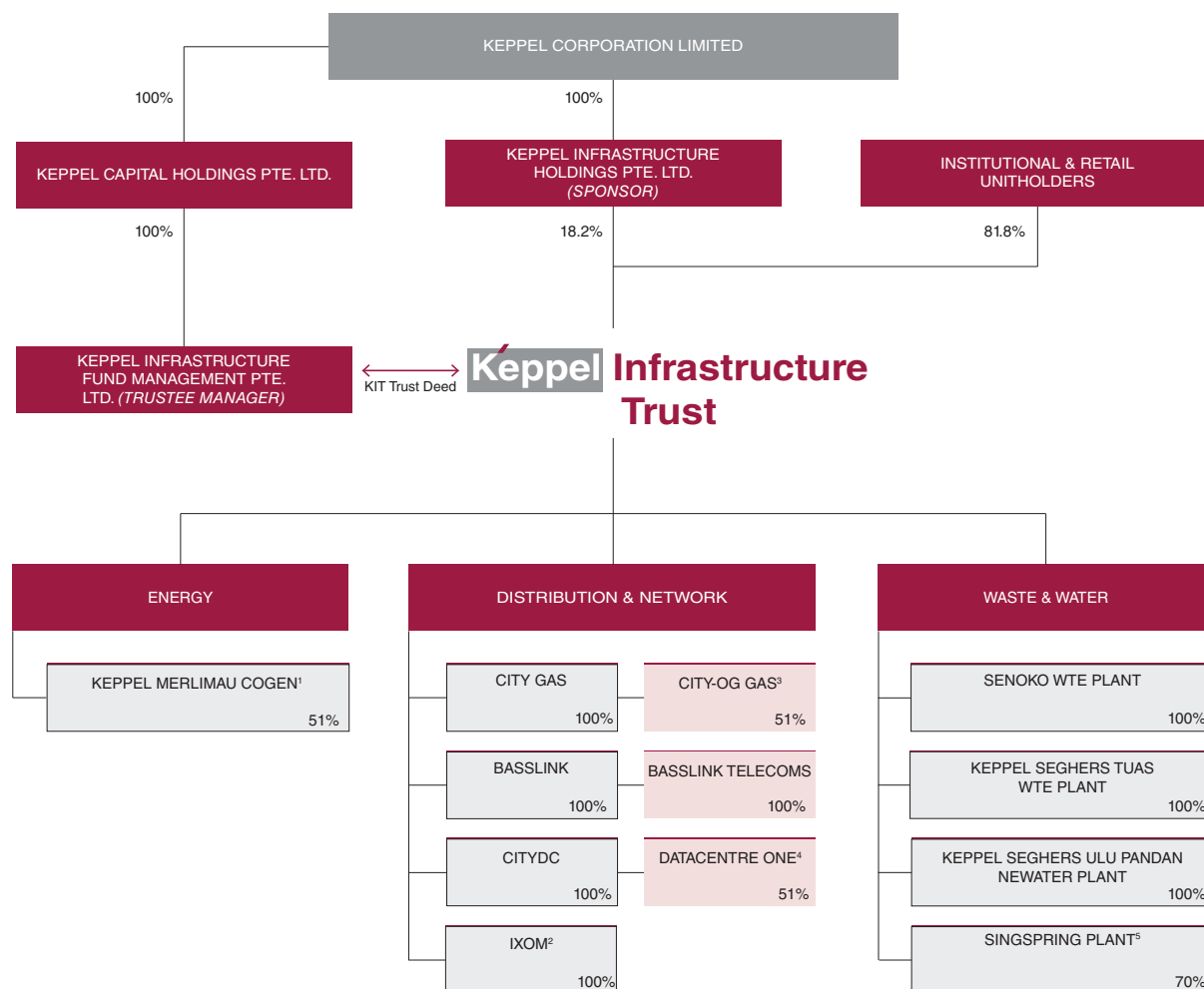
The Trustee-Manager also has statutory duties under the Business Trusts Act, including the following:

- (a) at all times act honestly and exercise reasonable diligence in the discharge of its duties as KIT's trustee-manager in accordance with the Business Trusts Act and KIT Trust Deed;
- (b) act in the best interests of all Unitholders as a whole and give priority to the interests of all Unitholders as a whole over its own interests in the event of a conflict between the interests of all Unitholders as a whole and its own interests;
- (c) not make improper use of any information acquired by virtue of its position as KIT's trustee-manager to gain, directly or indirectly, an advantage for itself or any other person to the detriment of Unitholders; and
- (d) hold the Trust Property on trust for all Unitholders as a whole in accordance with the terms of the KIT Trust Deed.

The Trustee-Manager can only be removed in accordance with applicable laws, regulations and guidelines, including, the Business Trusts Act and all directions, guidelines or requirements imposed by any competent authority to apply to KIT, as the same may be modified, amended, supplemented, revised or replaced from time to time.

CORPORATE STRUCTURE OF KEPPEL INFRASTRUCTURE TRUST

The corporate structure chart below shows the corporate structure of KIT as at the Latest Practicable Date.



Notes:

1. Keppel Energy Pte. Ltd. holds the remaining 49% equity interest in KMC.
2. On 19 February 2019, KIT completed the acquisition of 100% of shares in Ixom.
3. Osaka Gas Singapore Pte. Ltd. holds the remaining 49% equity interest in City-OG Gas Energy Services Pte. Ltd.
4. WDC Development Pte. Ltd. holds the remaining 49% equity interest in DataCentre One.
5. Hyflux Ltd holds the remaining 30% equity interest in SingSpring Trust.

DIRECTORS AND MANAGEMENT OF THE TRUSTEE-MANAGER

Directors of the Trustee-Manager

The board of directors of the Trustee-Manager is entrusted with the responsibility for the overall management of the Trustee-Manager. The following table sets forth certain information regarding the Directors:

Name	Directorship
Mr Koh Ban Heng	Chairman and Independent Director
Mr Thio Shen Yi	Independent Director and Chairman of the Nominating and Remuneration Committee
Mr Mark Andrew Yeo Kah Chong	Independent Director and Chairman of the Audit and Risk Committee
Mr Daniel Cuthbert Ee Hock Huat	Independent Director and Chairman of the Conflicts Resolution Committee
Mr Kunnasagaran Chinniah	Independent Director
Ms Christina Tan Hua Mui	Non-Executive Director and Non-Independent Director
Ms Cindy Lim Joo Ling	Non-Executive Director and Non-Independent Director

Information on the business and working experience of the Directors is set out below:

Mr Koh Ban Heng is the Chairman of the Board of Directors and an Independent Director of the Trustee-Manager.

Mr Koh is also an independent director of KIHPL, a wholly-owned subsidiary of Keppel Corporation, and a director of Tipco Asphalt Company PLC, a listed company in Thailand. In addition, Mr Koh serves as Advisor of Dialog Group Bhd in Malaysia.

Mr Koh holds a Bachelor of Science (Applied Chemistry) and a Post-Graduate Diploma in Business Administration from the University of Singapore.

Mr Thio Shen Yi is an Independent Director and Chairman of the Nominating and Remuneration Committee of the Trustee-Manager.

Mr Thio is a Senior Counsel and is currently the joint managing partner of TSMP Law Corporation. Mr Thio's academic and professional qualifications include a Master of Arts from the University of Cambridge, Barrister at Law (Middle Temple), England and Master of the Bench of The Honourable Society of The Middle Temple, England. He is also a Fellow at both the Singapore Institute of Arbitrators and the Singapore Academy of Law.

Mr Thio was the President of the Law Society of Singapore. He is also a Senate Member of the Singapore Academy of Law and Chair of the International Relations Committee of the Law Society of Singapore.

Mr Mark Andrew Yeo Kah Chong is an Independent Director and Chairman of the Audit and Risk Committee of the Trustee-Manager.

Mr Yeo is also a director of Changi Airports International Pte. Ltd.

Mr Yeo was a former independent director of CitySpring Infrastructure Management Pte Ltd, which was the former trustee-manager of KIT. He was also the former Chairman of the Audit Committee of CitySpring Infrastructure Management Pte Ltd and a member of the Conflicts Resolution Committee of CitySpring Infrastructure Management Pte Ltd.

Mr Yeo graduated from Oxford University with a Master of Arts degree and obtained his Master of Laws from the National University of Singapore. He has also completed INSEAD's Advanced Management Programme.

Mr Daniel Cuthbert Ee Hock Huat is an Independent Director and Chairman of the Conflicts Resolution Committee of the Trustee-Manager.

Mr Ee serves on the board of Ascendas Funds Management (S) Limited, the manager of Ascendas REIT, and the Singapore Mediation Centre.

Mr Ee had also served as the Chairman of CitySpring Infrastructure Management Pte Ltd from July 2010 to 18 May 2015. He was Chairman of Gas Supply Pte Ltd from 2002 to July 2010 and was on the board of NEA from 2006 to March 2012. He was a Member of the Corporate Governance Council from February 2010 till its dissolution in May 2012.

Mr Ee graduated from the University of Bath, UK with a Bachelor of Science in Systems Engineering (1st Class Honours) and has a Master of Science in Industrial Engineering from the National University of Singapore.

Mr Kunnasagaran Chinniah is an Independent Director of the Trustee-Manager.

Mr Chinniah is presently a director of Changi Airports International Pte. Ltd.. He also sits on the boards of Edelweiss Financial Services Limited, a listed financial services company in India, as well as two of its subsidiaries – Edelweiss Capital (Singapore) Private Limited and Edelweiss Commodities Services Limited. He is a member of the Hindu Endowments Board.

Mr Chinniah is a Chartered Financial Analyst. He obtained his Bachelor's Degree in Electrical Engineering from the National University of Singapore and an MBA from the University of California, Berkeley.

Ms Christina Tan is a Non-Executive Director and Non-Independent Director of the Trustee-Manager.

Ms Tan is the Chief Executive Officer of Keppel Capital, Chairman of Keppel DC REIT Management Pte Ltd (the manager of Keppel DC REIT) and Deputy Chairman of Alpha Investment Partners Limited (Alpha).

Ms Tan's principal directorships include Keppel Capital, as well as the listed real estate investment trusts and business trusts – Keppel REIT Management Limited, Keppel DC REIT Management Pte Ltd and Keppel Infrastructure Fund Management Pte Ltd, and the private funds. She also sits on the Investment Committee for the private funds, and is instrumental in developing and implementing the funds' portfolio strategy. Ms Tan holds a Bachelor of Accountancy (Honours) from the National University of Singapore and is a CFA® Charterholder.

Ms Cindy Lim is a Non-Executive Director and Non-Independent Director of the Trustee-Manager.

Ms Lim is the Director of Group Corporate Development at Keppel Corporation, and Managing Director of Keppel Urban Solutions Pte Ltd.

Ms Lim possesses a Bachelor of Engineering (Mechanical & Production) (Second Upper Honours) from Nanyang Technological University and an Executive MBA from the Singapore Management University. She has also attended the General Management Programme at Harvard Business School.

MANAGEMENT OF THE TRUSTEE-MANAGER

The executive officers of the Trustee-Manager are entrusted with the responsibility for the daily operations of the Trustee-Manager. The following table sets forth information regarding the key executive officers:

Name	Position
Mr Matthew Pollard	Chief Executive Officer
Mr Eric Ng	Head, Finance
Mr Apurv Choudhary	Head, Investments
Mr Marc Liu	Head, Asset Management

Information on the business and working experience of the executive officers is set out below:

Mr Matthew Pollard was appointed CEO with effect from 1 July 2018.

As CEO, he is responsible for working with the Board of Directors to determine the strategy for KIT. He works with other members of the Trustee-Manager's management team to execute the stated strategy of the Trustee-Manager.

Mr Pollard joined Keppel Capital Pte. Ltd. as Managing Director, Infrastructure, in November 2017.

Prior to joining Keppel Capital Pte. Ltd., Mr Pollard spent more than 28 years of his career in investment banking, direct investment and entrepreneurship, 25 of which have been in Asia. He has been involved in the energy, power, renewables and infrastructure sectors his entire career.

Mr Pollard was Founder and Managing Director of Capital Partners Group (Singapore) from 2014 to 2017. He was Head of Infrastructure (Asia) at Arcapita Bank from 2008 to 2013. In addition, he was Chairman of China-based Honiton Energy Group from 2009 to 2015. Prior to joining Arcapita Bank, Mr Pollard held senior positions in the energy and utilities teams of Citigroup, Dresdner Kleinwort, Enron Corp, and Power Pacific Co.

Mr Pollard holds a Master in Business Administration from the University of Chicago and a Bachelor's Degree in Economics from Columbia University in New York.

Mr Eric Ng was appointed Head, Finance of the Trustee-Manager with effect from 16 October 2018.

Mr Ng has more than 18 years of experience in large infrastructure companies, handling roles in group reporting, corporate finance, financial control, corporate tax and treasury.

Prior to joining the Trustee-Manager, Mr Ng was Vice President, Finance, at Hyflux Ltd. Before that, he was Finance Director at Orka Energy Pte Ltd, a geothermal power development company. From 2003 to 2013, Mr Ng held various finance roles within the Singapore Power Group, with his last held role as head of the Singapore Power Group's treasury settlements division. Mr Ng started his career at KPMG Singapore as an auditor.

Mr Ng holds a Master in Business Administration from Alliance Manchester Business School, United Kingdom, and a Bachelor of Accountancy degree from Nanyang Technological University, Singapore. He is also a CFA® Charterholder and a Chartered Accountant of Singapore with the Institute of Singapore Chartered Accountants.

Mr Apurv Choudhary was appointed Head, Investments of the Trustee-Manager with effect from 1 March 2019.

As Head of Investments, Mr Choudhary is responsible for implementing the growth strategy for KIT through identifying, originating and executing investments, as well as working with Asset Management in the management of investments.

Prior to joining the Trustee-Manager, Mr Choudhary held senior investment banking and principal investment roles spanning a career of over 18 years entirely in the infrastructure sector in the Asia Pacific region. During this time, he originated and led a number of large acquisitions, fund raisings, recapitalisations and divestments.

Mr Choudhary started his career with J.P. Morgan in 2000 in the infrastructure investment banking team based in Hong Kong. Subsequently, from 2008 to 2019, he headed the power and infrastructure investment banking business for Nomura and Bank of America Merrill Lynch in Asia, and also held senior positions with Capital Partners Group and Eastspring Investments.

He holds a Post Graduate Diploma in Management from the Indian Institute of Management Bangalore and a Bachelor's (Honours) degree in Physics from Delhi University.

Mr Marc Liu has been with the Trustee-Manager since May 2015.

Mr Liu has over 20 years of relevant work experience managing large infrastructure assets. In his current role, Mr Liu develops and implements asset management plans to ensure safety, compliance, risk management and emergency response. He is responsible for operational performance and implements asset management plans for KIT's asset portfolio. Mr Liu also leads in the execution of asset enhancement and upgrading projects. Mr Liu manages a team of asset-related operational and technical functions, as well as the financial support function.

Prior to the merger of Keppel Infrastructure Trust and CitySpring Infrastructure Trust in 2015, Mr Liu was with City Gas as Senior Manager, Business Development in 2005, moving to CitySpring Infrastructure Management Pte. Ltd. to become Vice President, Investment in 2007, and has served as General Manager of SingSpring Pte Ltd, the trustee-manager of SingSpring Trust from 2014 till the present.

His experience with critical infrastructure assets is instrumental in the Trustee-Manager, where he proactively manages and monitors capital structure and asset performance to create value, and anticipates issues and areas for growth within KIT's portfolio. He monitors the implementation of

business plans and other initiatives, including those relating to operations, reporting and environmental, social & governance matters, and leading corrective measures as required. This helps ensure KIT's assets maintain excellent operational performance, while remaining competitive and compliant.

Mr Liu received his Masters in Finance from San Diego State University, where he graduated with honours as Beta Gamma Sigma and earned his Bachelor of Economics degree from Shanghai University. He is a CFA® Charterholder.

COMPETITIVE STRENGTHS

(1) *Singapore-listed infrastructure-focused investment vehicle underpinned by a large and well-diversified portfolio*

KIT is the largest diversified infrastructure business trust listed on the SGX-ST based on total assets as at 31 March 2019 and its distributable cash flows is diversified across the three segments of Distribution & Network, Energy and Waste & Water. Following the Ixom Acquisition in February 2019, KIT's total assets increased by over 30 per cent. from S\$3.8 billion as at 31 December 2018 to S\$5.2 billion as at 31 March 2019. Further, as a result of the Ixom Acquisition, KIT has benefitted from further geographical diversification of its portfolio of infrastructure and infrastructure-like businesses and an enlarged customer base for its assets. This has strengthened KIT's position as a premier-listed investment vehicle for investors seeking investment in infrastructure and infrastructure-like businesses.

KIT's diverse portfolio of infrastructure and infrastructure-like businesses comprise waste treatment, water treatment, power production and transmission, piped town gas production and retailing, industrial and specialty chemicals supply and distribution, and telecommunications. The assets are located predominantly in Singapore, Australia and New Zealand, which are jurisdictions with well-developed legal frameworks that support infrastructure investment.

(2) *Provides essential products and services to customers*

KIT's businesses offer essential products and services including piped town gas, water treatment, waste incineration, electricity generation and distribution, and key chemicals.

Distribution & Network

Within this segment, KIT owns the sole supplier of town gas in Singapore, the sole electricity inter-connector between Tasmania and mainland Australia, and the largest provider of key chemicals to fundamental industries in Australia and New Zealand.

- City Gas is the sole supplier of town gas, with a history of over a century, in Singapore, and services approximately 849,000 customers as at 31 March 2019. City Gas holds the sole license to produce and retail town gas in Singapore. It produces and sells town gas to residential customers, as well as town gas and natural gas to industrial customers.
- Basslink is the only electricity interconnector between Tasmania and mainland Australia which serves to connect electricity grids of the States of Victoria and Tasmania in Australia.
- Ixom supplies and distributes key chemicals for fundamental industries in Australia and New Zealand with favourable long-term industry growth trends. The key chemicals manufactured and distributed by the Ixom Group include liquefied chlorine (which is used in the water treatment process, where most substitutes are either not as efficient

at producing potable water and/or require large capital investment), caustic soda (which is used in the “cleaning in place” process to remove fatty oils and protein solids in dairy products) and hydrochloric acid (which is used in the nickel refining process which involves leaching nickel from ore with hydrochloric acid). These chemicals are fundamental to the production process of a range of essential items and vital to the operations of Ixom’s customers.

Energy

The KMC Plant is a competitive gas-fired power plant in Singapore, which is strategically positioned at the Tembusu sector of Jurong Island to support the surrounding industries in their electricity, steam supply and demineralised water requirements. It has had a strong operating track record of efficiency and reliability. KMC receives availability and capacity based payments under a 15-year CTA with Keppel Electric that commenced on 30 June 2015.

Waste & Water

In this segment, KIT owns two WTE plants and two water treatment plants in Singapore.

- Senoko WTE Plant, with a contracted capacity of 2,310 tonnes per day is the only WTE plant outside the Tuas area, serving the eastern, northern and central areas of Singapore.
- Keppel Seghers Tuas WTE Plant, with a contracted capacity of 800 tonnes per day, is the first WTE plant in Singapore built under a public-private partnership. It is built with Keppel Seghers’ proprietary in-house technology.
- Keppel Seghers Ulu Pandan NEWater Plant is the one of the largest NEWater plants, capable of supplying up to 162,800m³ of potable water per day. The plant utilises advanced wastewater treatment technologies and spearheads the PUB’s commitment to more sustainable water management in Singapore.
- SingSpring Plant is one of the “Four National Taps” in PUB’s strategy to meet Singapore’s water needs, and hence is important to the long-term sustainability and security of Singapore’s water supply. It was Singapore’s first large-scale seawater desalination plant and is capable of supplying up to 136,380m³ of desalinated potable water per day, providing close to 10 per cent. of Singapore’s potable water needs since December 2005.

(3) *Balanced portfolio comprising both concessions-based assets and going concern businesses with long term growth prospects*

KIT has a balanced portfolio of concession-based, contractually-driven and going concern businesses. As at 31 March 2019, assets in the Distribution & Network segment makes up 68% of the portfolio¹. The remainder of the portfolio is made up of businesses whose cash flows are underpinned by long term concessions or contracts in the Energy and Waste & Water segments.

In the Distribution & Network segment, Ixom and CityGas are evergreen businesses with recurring long-duration cash flows supported by market-leading positions in industries providing essential products and services. These businesses benefit from a favourable demand expansion profile, and are well positioned to grow organically.

¹ Based on total assets of KIT and refers to KIT’s share in the respective assets.

KIT's Waste & Water and Energy businesses are supported by concessions and contracts with government, government-linked counterparties and high quality customers. Their revenue streams are backed by availability-based payments further enhancing the long-term visibility of KIT's cash flows and distributions.

(4) *Proven track record of delivering high quality, reliable and safe operations*

KIT's assets have demonstrated a strong operating track record. Its concession-based and contractually-driven businesses have consistently met required contractual availabilities and standards without compromising on safety. Additionally, KIT's going concern businesses have demonstrated a long and steady growth uptrend.

Distribution & Network

- City Gas' total customers have grown from a base of approximately 580,000 customers as of September 2006 to approximately 849,000 customers as at 31 March 2019. It continued to maintain 100 per cent. gas production availability at its Senoko Gasworks in 2018 and as at 31 March 2019.
- DataCentre One fulfilled all contractual performance requirements in 2018 and received full lease payments. It also fulfilled all contractual obligations in the first quarter of 2019.
- On 19 February 2019, KIT completed the acquisition of Ixom. As at 31 March 2019, the performance of Ixom is on track with KIT's acquisition targets.

Energy

- The KMC Plant has, since the commencement of operations in 2007, delivered as per expectations and has a good track record of reliability and efficiency.
- It achieved a 98.9 per cent. contractual availability in 2018, excluding planned maintenance and outage allowance, and fulfilled all contractual obligations as at 31 March 2019. Furthermore, historically, KMC's average availability has been maintained at a high level over its routine maintenance cycle periods.

Waste & Water

- The Senoko WTE Plant and the Keppel Seghers Tuas WTE Plant have consistently met the required performance and customer service standards under their respective incineration services agreements with the NEA every year since the inception of those concessions. Both plants fulfilled all contractual obligations in 2018 and for the first quarter of 2019 and received full availability payments every year since the commencement of commercial operations in 2009.
- Keppel Seghers Ulu Pandan NEWater Plant and the SingSpring Plant have fulfilled all contractual obligations and received full availability payments every year since the commencement of commercial operations in March 2007 and December 2005 respectively.

(5) *Long-term stable cash flows supported by offtakers linked to the Singapore Government (which has a long-term credit rating of AAA) and credit-worthy counterparties*

KIT's portfolio consists of assets which are (i) concession-based and contractually-supported businesses receiving availability-based payments from credit-worthy counterparties and (ii)

businesses in industries, with leading market positions and high barriers to entry, that provide an essential product or service. Such assets have demonstrated a strong track record which provides long-term stable cash flows with high visibility and moderate growth.

Offtakers linked to the Singapore Government (which has a long-term credit rating of AAA) and credit-worthy counterparties

Out of KIT's nine portfolio assets, seven of the assets are located in Singapore. Out of such assets located in Singapore, five have contracts with the Singapore Government or Singapore Government-linked entities, while the counterparty for KMC is Keppel Electric.

The PUB and the NEA, which are the counterparties for KIT's water treatment and waste incineration businesses, respectively, are statutory bodies under the Singapore Government. The Singapore Government holds a "AAA" long-term credit rating from Standard & Poor's Rating Services ("**S&P**"), and a "Aaa" long-term credit rating from Moody's Investors Service, Inc. ("**Moody's**") as at the Latest Practicable Date.

Keppel Electric, which is the counterparty for KMC, is unrated but wholly owned by Keppel Corporation, a Singapore government-linked corporation listed on SGX-ST with a market capitalisation of approximately S\$11.18 billion as of 29 March 2019.

1-Net, the counterparty for DataCentre One, is a subsidiary of Mediacorp Pte Ltd, which is 100 per cent. owned by Temasek Holdings. Temasek Holdings is rated "AAA" and "Aaa" by S&P and Moody's as at the Latest Practicable Date.

High barriers to entry

Even though City Gas and Ixom do not operate under concessions or contractual arrangements, their respective industries provide essential products and services. Both City Gas and Ixom hold well-established and leading positions in their respective industries. Hence, their businesses are hard to replicate and there are significant barriers to entry to their respective industries. Both businesses have defensive and long-term stable cash flows.

City Gas holds the sole licence to produce and retail piped town gas in Singapore.

Ixom is one of the largest supplier and distributor of key chemicals for fundamental industries in Australia and New Zealand. It has a large and diversified customer base of over 8,000 customers comprising many blue-chip companies and municipalities. The high barriers to entry are on account of Ixom's long and well-established reputation as a reliable and trusted supplier, its customer relationships, and the significant cost of replicating its network and facilities.

(6) Prudent leverage, diversified sources of funding and non-recourse asset level debt

The Trustee-Manager's objective with respect to KIT's capital structure, and that of KIT's underlying businesses, is to ensure long term sustainability as well as optimise cost of capital across economic cycles. Accordingly, the Trustee-Manager strives for primarily non-recourse debt at each of KIT's underlying businesses and to maintain a reasonable level of gearing at the KIT trust level. As at 31 March 2019, non-recourse debt constitutes 93.4% of the Group's debt.¹ The Group's sustainable gearing is supported by long term contracts expiring between 2024 and 2036, creditworthy government-backed customers and resilient revenue streams.

To minimise interest rate risk exposure, the Trustee-Manager uses a mix of fixed and floating interest rate debt and swaps floating rates into fixed rates to reduce variability in cash flows

¹ Excluding KIT's equity bridge loan which was outstanding as at 31 March 2019.

arising from interest rate fluctuations. The Trustee-Manager also adopts a prudent approach with respect to managing KIT's currency exposure. Where appropriate, each underlying business in KIT's portfolio borrows in the same currency as the currency of its revenue stream.

KIT has access to a diverse range of financing options in the banking, multi-lateral, institutional, high net worth and retail markets, and a demonstrable track record of tapping into those to fulfil its funding requirements. The Trustee-Manager, a wholly owned subsidiary of Keppel Capital, is able to leverage Keppel Group's extensive network and its relationships for KIT's funding needs.

(7) *Experienced board and management team with strong alignment in delivering long-term value*

The Board of Directors consists of experienced individuals with an array of credentials and skills in relevant fields. The Directors bring to KIT the benefit of experience and expertise in investment and portfolio management, finance, law, energy, infrastructure projects, as well as oil, gas and petrochemicals businesses.

The Trustee-Manager draws upon the vast experience and skill-set of the management team to act for KIT in a number of areas, including the following:

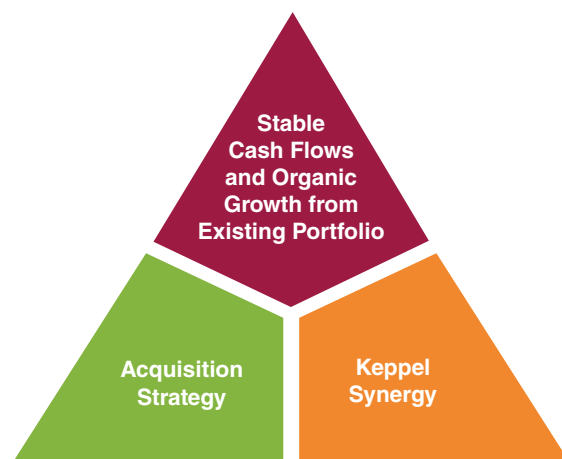
- originating, evaluating, structuring and financing investments in the infrastructure sector;
- managing investments post-entry to create value and execute on growth strategies;
- maximising operational efficiencies and, for concession/contracted businesses, ensuring that contractual requirements are met or exceeded;
- implementing and pro-actively managing a prudent capital structure;
- managing stakeholder relationships including with partners, regulators, government agencies, suppliers, customers and financiers; and
- consistently evaluating the market and industry landscape to compare the value of continuing to own any specific business versus a partial or complete divestment.

Further details on the Trustee-Manager's Directors and key management are set out in the section "*Keppel Infrastructure Trust – Directors and Management of the Trustee-Manager*".

STRATEGY

KIT's objective is to deliver sustainable returns to its Unitholders by investing in, and proactively managing, a large and well-diversified portfolio of highly defensive infrastructure or infrastructure-like assets and businesses that provide or produce essential products and services, thereby supporting long-term stable distributions and capital growth.

To achieve this objective, the Trustee-Manager follows a three-pronged strategy set out below.



STABLE CASH FLOWS AND ORGANIC GROWTH FROM EXISTING PORTFOLIO

The Trustee-Manager actively manages its existing portfolio to drive operational and capital efficiencies, and achieve organic growth. The Trustee-Manager's approach encompasses the following:

- optimise operational performance and efficiencies, fulfill contractual requirements, and uphold safety and environmental standards;
- leverage organic growth opportunities and potential upsides for businesses such as City Gas and Ixom, whose growth is underpinned by favourable long-term demand trends; and
- optimise capital structure while maintaining prudent financial leverage and sufficient financial flexibility for KIT's underlying businesses.



KEPPEL SYNERGY

The Trustee-Manager, as part of the Keppel Group, is able to draw upon the relationships, networks, origination capabilities, and technical and operational expertise of the Keppel Group, including:

- leveraging the Keppel Group's network in deal origination, including sourcing assets and having rights of first refusal over the assets of KIHPL, depending on their suitability and fit with the investment objectives of KIT;
- capitalising on synergies with other businesses of Keppel Group who are better positioned to take on development and construction risks and KIT would evaluate those investment opportunities once the assets are operational;

- tapping into the operational and technical excellence of the Keppel Group, including that of KIT's sponsor, KIHPL, in creating value from businesses in KIT's portfolio as well as in evaluating new investment opportunities;
- accessing the larger investor base of Keppel Capital in further diversifying the sources of financing for KIT and its underlying businesses, including co-investments, bridge financing, and other types of senior and mezzanine financing; and
- sharing of best practices and enhancing talent recruitment and retention.



ACQUISITION STRATEGY

The Trustee-Manager acquires and invests in good quality infrastructure and infrastructure-like businesses that generate long-term stable cash flows with potential for growth. The investments that the Trustee-Manager focus on have one or more of the following characteristics:

- credit-worthy off-takers or a large and stable customer case;
- long-term contracts or concessions;
- inflation and/or GDP-linked revenues;
- mature and defensive cash flows;
- high barriers to entry;
- dominant or leading market position;
- provider of essential products or services; and
- infrastructure-like risk profile.

Further, the Trustee-Manager will selectively consider investments in greenfield infrastructure opportunities with experienced operators and limited construction exposure, as well as customised sale and leaseback and hybrid transaction structures.

At the same time, as part of its ongoing review of its business, KIT may from time to time assess market interests in its assets and evaluate all options available to it, including any potential disposal. Any action taken in relation to its assets will take into consideration the interests of all stakeholders of KIT. There is no assurance that any action will be taken. Should there be any material developments which warrant disclosure, KIT will, in compliance with applicable rules, make the appropriate disclosure.

PORTFOLIO OF KIT

(A) DISTRIBUTION & NETWORK

IXOM

Overview

On 19 February 2019, KIT completed the acquisition of a 100% interest in Ixom for an enterprise value of S\$1,097 million.

The Ixom Group is amongst the leading industrial infrastructure businesses in Australia and New Zealand, supplying and distributing water treatment chemicals as well as industrial and specialty chemicals which are key to fundamental industries. The Ixom Group manufactures and distributes water treatment chemicals such as liquefied chlorine, chlorine derivatives and caustic soda (chlor-alkali). The Ixom Group is the sole manufacturer and provider of liquefied chlorine in Australia, as well as a leading provider of manufactured caustic soda. The Ixom Group is also one of the largest bulk and packaged chemical distribution businesses in Australia and New Zealand dealing in chemicals such as sulphuric and nitric acids. The chemicals manufactured and distributed by the Ixom Group are fundamental components used in a range of industries which have favourable demand outlooks, including water treatment, dairy and agriculture, mining, construction and nickel refining.

On 15 April 2019, KIT completed its equity fund raising ("**Equity Fund Raising**") to raise gross proceeds of approximately S\$500.8 million for the partial repayment of the facility agreement entered into by the Trustee-Manager to fund the Ixom Acquisition.

The Equity Fund Raising comprised of (a) a placement of approximately 680.3 million new Units to institutional and other investors (the "**Placement**") and (b) a non-renounceable underwritten preferential offering of approximately 455.3 million new Units to entitled Unitholders, on the basis of 118 new Units for every 1,000 existing Units held by such entitled Unitholders, fractional entitlements to be disregarded, on a *pro-rata* basis ("**Preferential Offering**"), at an offering price of \$0.441 per new Unit.

Due to the strong demand from the institutional investors under the Placement, the size of the Equity Fund Raising was increased from approximately \$450 million to approximately \$500.8 million. In addition, the Preferential Offering closed on 4 April 2019 was more than 1.8 times oversubscribed.

Units issued pursuant to the Placement were listed on the Main Board of the SGX-ST on 25 March 2019 while Units issued pursuant to the Preferential Offering were listed on the Main Board of the SGX-ST on 15 April 2019.

Key Information

Assets and Facilities

The key assets and facilities comprise of (a) 14 bulk liquids storage facilities (terminals) located in Australia and five in New Zealand, (b) 38 storage tank sites in Australia and 16 in New Zealand, (c) two chlor-alkali manufacturing facilities located in Australia and, (d) 39 other value-added distribution facilities located in Australia and 33 in New Zealand.

These infrastructure assets and facilities are well-positioned throughout key regions in Australia and New Zealand, with dedicated third party bulk tankers in select regions to support the import, manufacturing and distribution of water treatment chemicals which are key to fundamental industries and industrial and specialty chemicals. In New Zealand, several tank sites and terminals are within close proximity of the Lyttleton Port and Auckland Port and in Australia, the Ixom Group has (a) four tank sites and two terminals in close proximity to the Fremantle Port in Perth, (b) four tank sites and two terminals in close proximity to the Adelaide Port in Adelaide, (c) six tank sites and six terminals in close proximity to the Brisbane Port in Brisbane, (d) one chlor-alkali facility, three tank sites and six terminals in close proximity to the Melbourne Port in Melbourne and (e) one chlor-alkali facility, five tank sites and six terminals in close proximity to the Botany Port in Sydney.

Chemical Products

The Ixom Group's business is driven by the provision of key chemicals for fundamental industries with favourable long-term industry growth trends. The key chemicals manufactured and distributed by the Ixom Group include liquefied chlorine (which is used in the water treatment process, where most substitutes are either not as efficient at producing potable water and/or require large capital investment), caustic soda (which is used in the "cleaning in place" process to remove fatty oils and protein solids in dairy products) and hydrochloric acid (which is used in the nickel refining process which involves leaching nickel from ore with hydrochloric acid) – these chemicals are fundamental to the production process of a range of essential items and vital to the operations of its customers.

CITY GAS

Overview

City Gas is the sole producer and retailer of town gas in Singapore and also the sole user of the low-pressure piped town gas supply network in Singapore. In addition, City Gas markets gas appliances and offers comprehensive after-sales customer service. City Gas has a production facility in Singapore, Senoko Gasworks, with a capacity of 1.6 million m³ per day. Senoko Gasworks is the sole production facility of town gas in Singapore and as at 31 March 2019, City Gas has approximately 849,000 customers across the residential, commercial and industrial segments in Singapore.

Senoko Gasworks produces town gas from three continuous reforming plants and five cyclic reforming plants, each with a production capacity of 200,000 m³ per day. The City Gas Plants are capable of using both natural gas and light virgin naphtha as feedstock. The town gas produced can either be stored in two spherical gasholders or sent out through the distribution network to customers.

Gas production is monitored, controlled and directed 24 hours a day, seven days a week from a central control room. At the heart of the central control room is a fully automated distributed control system. The distributed control system, which is a computerised process control system, enables the experienced plant controllers to operate, monitor and control the gas production and ancillary plant.

Key Information

Gas Purchase Agreement

City Gas entered into the Gas Purchase Agreement with GSPL in September 2003 (subsequently supplemented in May 2008) to purchase a specified amount of natural gas at a price based on a formula with variable components that fluctuate from time to time.

Under the Gas Purchase Agreement, City Gas is entitled to purchase up to 112 thousand billion Btu of natural gas over a period of 20 years commencing in 2003 and at least 55.0% of the annual contract quantity (which is 5,748 billion Btu per year) must be purchased by City Gas between the third year and 20th year of the Gas Purchase Agreement. In May 2008, City Gas entered into a supplemental agreement with GSPL to purchase an additional supply of 35.2 thousand billion Btu of natural gas from 2009 to 2023. City Gas is obliged to take and pay for, or pay for if not taken, 55.0% of the annual contracted quantity of natural gas. If City Gas takes delivery of gas under an alternative gas sales agreement rather than under the Gas Purchase Agreement, the amount of gas that City Gas will be required to take and pay for, or pay for if not taken, shall be increased for the duration of such alternative gas sales agreement in accordance with the formula set out in the Gas Purchase Agreement.

The Gas Purchase Agreement was subsequently novated from GSPL to PGPL with effect from 1 April 2015.

Town Gas Transportation Agreement

Under a Town Gas Transportation Agreement between City Gas and PowerGas, PowerGas, the sole transporter of piped town gas in Singapore, makes available its gas transportation system for the delivery of piped town gas from City Gas to its customers. PowerGas charges City Gas transportation tariffs (which are subject to price control by EMA) for the use of the gas transportation system.

Utility Support Service Agreement

Under a Utility Support Service Agreement between City Gas and SP Services, SP Services provide City Gas with gas-meter reading, billing and collection services. SP Services is the main provider of such services to the utilities and waste collection companies in Singapore and charges City Gas a management fee which may be reviewed by the parties once in any calendar year and the quantum of any increase is subject to a cap of 6.0% over the prevailing management fee.

Licences

City Gas holds the sole licence from the EMA to produce and retail town gas in Singapore and is regulated by EMA in respect of such activities.

CITY-OG GAS ENERGY SERVICES PTE. LTD.

Overview

In August 2013, City Gas together with Osaka Gas Singapore Pte. Ltd., a wholly-owned subsidiary of Osaka Gas Co., Ltd, established a new business venture, City-OG Gas, to market and sell natural gas to industrial customers in Singapore. City Gas holds a 51.0% share of the business venture, with the remaining 49.0% share held by Osaka Gas Singapore Pte. Ltd. The business venture allows CityGas to leverage on Osaka Gas Co., Ltd.'s advanced technology and expertise in cogeneration systems and industrial furnaces to grow the natural gas retail business. City Gas, on the other hand, offers the business venture its extensive network and customer knowledge to develop and promote the business.

BASSLINK INTERCONNECTOR

Overview

Basslink owns and operates the Basslink Interconnector, which is a 370-km high voltage, direct current monopole electricity interconnector between the electricity grids of the States of Victoria and Tasmania in Australia. Basslink derives most of its cash flow from a 25-year term Basslink Services Agreement with Hydro Tasmania, an entity owned by the State of Tasmania. KIT currently does not depend on Basslink's cash flows for distribution.

Key Information

Basslink Services Agreement

The primary revenue-generating agreement in relation to Basslink is the Basslink Services Agreement. Under the Basslink Services Agreement, Basslink is required to make the Basslink Interconnector available exclusively to Hydro Tasmania and to pass through to Hydro Tasmania all revenue received by Basslink from Australian Energy Market Operator for participating in the NEM in return for certain fees.

Under the Basslink Services Agreement, Basslink's principal source of revenue from the operations of the Basslink Interconnector is the Basslink Facility Fee, payable monthly by Hydro Tasmania. The Basslink Facility Fee is based on availability – it is payable in full if the Basslink Interconnector's cumulative availability is equal to or greater than 97.0%. If the Basslink Interconnector's cumulative availability is less than 97.0%, the Basslink Facility Fee is reduced with increasingly greater deductions the greater the shortfall from 97.0%. The Basslink Facility Fee is equal to a base fee, as determined prior to the date on which Basslink commenced commercial operations based on the final construction costs of the Basslink Interconnector, subject to a quarterly escalator to reflect 65.0% of changes in the index titled Consumer Price Index "Australia All Groups", Catalogue No. 6401.0 published by the Australia CPI.

The Basslink Services Agreement provides a commercial risk sharing mechanism to share the market risk associated with participating in the NEM between Hydro Tasmania and Basslink. Under the CRSM, for every month in a calendar year during the term of the Basslink Services Agreement, a CRSM Adjustment will be applied to a portion of the unadjusted Basslink Facility Fee (as adjusted for Australia CPI changes), subject to certain limits, to reflect the difference between the average high and low Victorian electricity pool prices. Under the Basslink Services Agreement, (i) the CRSM Adjustment is subject to a maximum of a +12.5% increase (i.e. a payment is made from Hydro Tasmania to Basslink) and a -12.5% decrease (i.e. a payment from Basslink to Hydro Tasmania) of the Basslink Facility Fee; and (ii) the aggregate cumulative CRSM Adjustments in any five-year period during the term of the Basslink Services Agreement must not be less than 83.0% of the aggregate cumulative unadjusted Basslink Facility Fees for that five-year period. There are also provisions relating to the review of CRSM Adjustments.

Basslink is entitled to revenues under the Basslink Services Agreement from 28 April 2006 for an initial period of 25 years expiring in 2031. Under the Basslink Services Agreement, Hydro Tasmania has an option, exercisable not later than two years prior to the expiry of the initial period, to extend the Basslink Services Agreement for a further period of 15 years. For this extension period, the Basslink Services Agreement will apply on the same terms as those applicable to the initial period, except that the payments under the Floating Interest Rate Tripartite Deed will cease to be payable and the Basslink Facility Fee will be adjusted to 90.0% of the fee that would otherwise be payable. The Basslink Services Agreement may also be further extended at the expiry of the first extension period subject to the mutual agreement of Basslink and Hydro Tasmania.

Basslink Operations Agreement

Under the Basslink Operations Agreement dated 28 February 2000 made between the State of Tasmania and Basslink, Basslink is responsible for operating and maintaining the Basslink Interconnector to meet certain minimum technical specifications and operational requirements from the date it is commissioned for a 40-year period.

Recent Developments

On 20 December 2015, the Basslink Interconnector experienced an unplanned outage due to a cable failure and it returned to service on 13 June 2016. Hydro Tasmania disputed Basslink's claim that the cause of the cable fault was a "*force majeure*" event and has not paid Basslink full facility fees from September 2016 to August 2017 and had instead given "good faith payments" to Basslink from December 2016 to July 2017. Hydro Tasmania resumed usual contractual payments of the full facility fees from September 2017. Under the Basslink Services Agreement, an unknown cause of the cable failure is considered to fall under the definition of a "*force majeure*" event. To support its claim, Basslink engaged CCI, an independent submarine power cable expert, in 2016, to conduct an investigation on the cause of the cable outage. CCI concluded that the cause of the cable outage was unknown. As such, the Trustee-Manager is of the view that the outage investigation report supported Basslink's claim that the cause of the cable fault was a "*force majeure*" event.

In March 2018, the State of Tasmania issued a notice of dispute to Basslink and alleged that Basslink should indemnify the State of Tasmania for its alleged losses in relation to the above incident, which amounts to over A\$100.0m. Basslink engaged CCI to perform a further investigation and in November 2018, CCI concluded in its report that, among others, the cause of the cable outage continues to be unknown. The notice of dispute has been referred to arbitration.

In September 2018, Basslink issued a notice of dispute to Hydro Tasmania under the Basslink Services Agreement to recover the withheld receivables from Hydro Tasmania. In October 2018, Hydro Tasmania issued a notice of dispute to Basslink under the Basslink Services Agreement, based upon the report issued by DNV GL, an international engineering consultancy firm engaged by Hydro Tasmania, stating that the outage was caused by Basslink Interconnector exceeding its design limits.

As of the Latest Practicable Date, the above matters are still pending arbitration. Basslink has defended and will continue to vigorously defend the claims made against it by Hydro Tasmania and the State of Tasmania and will advance its claim to recover withheld monies from Hydro Tasmania.

Connection Agreements and Use of System Agreements

Basslink has entered into separate 40-year connection agreements with Transend Networks Pty Ltd and AusNet Services in order to connect the Basslink Interconnector to the Tasmanian and Victorian transmission systems, respectively. Basslink pays a monthly network connection charge under these connection agreements. CityLink Investments Pte. Ltd. and KIT had provided certain guarantees for the obligations of Basslink under its connection agreement with AusNet Services in replacement of the guarantee previously given by the seller group.

Insurance

Under the insurance concession deed, Basslink is required to use best endeavours to obtain and maintain, during the initial 25-years term of the Basslink Services Agreement, operational insurances in respect of property damage/all-risk insurance, third party liability insurance, business interruption insurance and workers' compensation insurance under the insurance policy.

DATACENTRE ONE

Overview

KIT owns a 51.0% stake in DC One through its wholly-owned subsidiary, City DC. The remaining 49.0% stake is held by WDC Development Pte. Ltd., a wholly-owned subsidiary of Shimizu Corporation.

Jointly developed and built by KIT and Shimizu Corporation, DataCentre One was completed on 12 April 2016 and is a Tier 3 (Uptime Institute-certified) and Threat Vulnerability Risk Assessment compliant data centre. It offers over 200,000 sq ft spread across four floors of data centre halls and one floor of office and ancillary space.

DataCentre One is a Green Mark GoldPlus certified facility under the Green Mark for Data Centres rating system jointly developed by Singapore's Building and Construction Authority and Info-communications Media Development Authority. The rating system recognises performance efficiencies in areas such as energy, water and environment, with a significantly higher emphasis placed on energy performance.

Key Information

Lease Agreement

DC One and 1-Net, a wholly-owned subsidiary of Mediacorp Pte Ltd., entered into the Lease Agreement on 30 June 2014, pursuant to which DC One has leased DataCentre One to 1-Net for a period of 20 years (which may be renewed for approximately eight years at 1-Net's option) on the terms and conditions contained in the Lease Agreement, effective from 12 April 2016 when development works were completed. The fees payable by 1-Net to DC One in relation to the Lease Agreement differ due to incentives provided to 1-Net during the initial rental period, and ranges between S\$11.0 million to S\$21.0 million yearly.

(B) ENERGY

KEPPEL MERLIMAU COGEN PLANT

Overview

KIT owns a 51% stake in the KMC Plant, a 1,300 MW combined cycle gas turbine generation facility, which is located on Jurong Island, through KMC. Keppel Energy Pte. Ltd. holds the remaining 49% equity interest in the KMC Plant. It was the first independent power project to enter the Singapore electricity market when the New Energy Market of Singapore was implemented in January 2003.

The KMC Plant was constructed in two phases. Phase I of KMC has a generation capacity of 500 MW, and commenced commercial operation in April 2007. KMC completed an expansion of two Power Trains of 400 MW each, which commenced commercial operations in March and July 2013 respectively.

Since 2007, the KMC Plant has delivered to expectations, with a good track record of reliability and efficiency. The KMC Plant is connected to the electricity transmission network of Singapore, and is well-positioned to support the surrounding industries with their electricity, steam supply and demineralised water requirements.

Key Information

Land and Wayleave Agreements

The KMC Plant site, associated foreshore, seabed, access road and water outfall wayleaves are subleased from JTC. JTC is the head lessee, under the head lease with the Government of Singapore. The main lease for the site (including associated wayleaves for access road and water outfall) is for 30 years beginning March 2005, with an option to extend for a further 30 years. Foreshore and seabed leases for the seawater intake structures are for 30 years from June 2005.

Capacity Tolling Agreement

KMC entered into a 15-year CTA with Keppel Electric on 30 June 2015, with an option to extend the agreement for a further 10 years. Under the terms of the CTA, KMC earns regular and stable fixed fees, also known as “Tolling Fees”, from Keppel Electric so long as it meets certain availability and capacity targets. Availability targets are time-based and change from year to year according to maintenance plans. Capacity targets are based on the guaranteed capacity degradation profiles provided by the Major Maintenance Contractor. Capacity targets are only measured in accordance to the testing schedules in the MMAs. Tested capacities have been above guaranteed levels. The CTA ensures that KMC does not take on the market risks of owning and operating a power plant as an independent power producer. The CTA ensures long-term and predictable cash flows for KMC, while allowing most of KMC’s operating costs to be passed through.

Operations and Maintenance Arrangements

KMC O&M, a wholly-owned subsidiary of KIHPL, is responsible for the operation and maintenance of the KMC Plant under the 20-year OMSA. KMC O&M has experienced managers and personnel, and also draws on experienced personnel from Keppel Infrastructure Services Pte. Ltd’s current operations.

The Major Maintenance Contractor is contracted for the maintenance of the Power Trains under the long term MMAs. In return for the fees paid under the MMAs, the Major Maintenance Contractor provides the necessary parts, equipment and personnel onsite for the routine maintenance of the Power Trains, which include the gas turbine packages, steam turbines and their immediate auxiliaries, and electrical and control equipment. The MMAs have fixed and variable charges (depending on the actual operating hours) both of which are indexed to inflation. Under the CTA, both fixed and variable charges under the MMAs are passed through to Keppel Electric for reimbursement.

KMC owns certain way-leave facilities which are located on the service corridor owned and operated by Pipenet, a wholly owned subsidiary of KIHPL. KMC entered into a long term agreement with Pipenet dated 16 September 2014 (collectively with the 2005 Pipenet Agreement, the “**Pipenet Agreements**”) pursuant to which Pipenet provides KMC access to the service corridor and routine maintenance of the KMC way-leave facilities in return for monthly fees. The charges under the Pipenet Agreements are fixed, subject to JTC’s rental indexation and inflation indexation. The costs under the Pipenet Agreements are substantially passed through to Keppel Electric via the fixed O&M fee received from Keppel Electric.

Under the OMSA, KMC O&M manages the Major Maintenance Contractor, with Pipenet as well as other subcontractors being required for the operation and maintenance of the KMC Plant.

Electricity Licence

KMC has obtained the KMC Electricity Licence from the EMA under the Electricity Act to (a) generate electricity and (b) trade in any wholesale electricity market operated by EMC, subject to the conditions set out in the KMC Electricity Licence. The KMC Electricity Licence is valid for a period of 30 years from 1 January 2003 to 31 December 2032.

KMC is required under the KMC Electricity Licence to enter into various regulatory contracts, including, among others, the generation facility operating agreement dated 23 March 2006 with the power system operator of EMA to remotely direct the operation of KMC, the generation connection agreement dated 25 February 2005 (as amended), with SP PowerAssets to allow for connection to the transmission system, and the market support services agreement dated 13 September 2006 with SP Services to provide meter reading services. SP PowerAssets is the sole transmission licensee in the NEMS and SP Services is the sole market support services licensee in the NEMS.

Fuel Supply

The primary fuel for KMC Plant is natural gas. Under the CTA, Keppel Electric is responsible for supplying fuel required for the production of electricity.

KMC has entered into the Vesting LNG Contract for vested quantities of LNG dated 15 March 2010 (as amended) with Shell Gas Marketing Pte Ltd (formerly known as BG Singapore Gas Marketing Pte. Ltd.) for delivery of regasified LNG.

Arising from the Vesting LNG Contract, KMC entered into the TUA Direct Agreement dated 15 March 2010 (as amended) with Singapore LNG Ltd. to pay for terminal charges arising from the use of the LNG terminal.

KMC has entered into the Gas Management Agreement dated 16 September 2014 with Keppel Gas Pte Ltd for the provision of services required for the management of the Vesting LNG Contract.

Under the CTA, Keppel Electric bears all charges under the Vesting LNG Contract, the TUA Direct Agreement and the Gas Management Agreement.

KMC has a back-up fuel supply agreement for the supply of diesel oil to the KMC Plant. The back-up fuel supply agreement satisfies the requirements under the KMC Electricity Licence to maintain sufficient fuel reserves for the KMC Plant. Keppel Electric will reimburse KMC for the costs of diesel consumed in the event that there is insufficient natural gas for power generation. The diesel oil is supplied through a dedicated pipeline from the back-up fuel supplier's site to the KMC Plant. The back-up fuel pipeline was constructed and is maintained by Pipenet under the 2005 Pipenet Agreement, in return for annual fees paid by KMC which are covered by the fixed O&M fee in the Tolling Fees.

Vesting Contract

Vesting contracts are contracts for differences imposed on the generation companies by the EMA to address the issue of market power in the wholesale electricity market of the NEMS. The parameters in the vesting price formula and vesting quantities are determined by the EMA every two years. Vesting contracts will be terminated when the EMA determines that market power no longer exists.

KMC has entered into the Vesting Contract with SP Services, which is currently the sole market support services licensee in the NEMS. Under the terms of the CTA, KMC will pay the proceeds from the Vesting Contract to Keppel Electric.

Ancillary Services Agreement

KMC has entered into the Ancillary Services Agreement with the EMC for its 10 x 2 MW diesel generators to provide services to energise a portion of the KMC Plant. The Ancillary Services Agreement is subject to annual renewal by the EMC. Under the CTA, Keppel Electric will bear the costs and receive the proceeds from the Ancillary Services Agreement.

(C) WASTE & WATER

SENOKO WASTE-TO-ENERGY PLANT

Overview

The Senoko WTE Plant is located in the northern part of Singapore, and it is also the only waste incineration plant located outside of the Tuas area (which is in the western part of Singapore) and this positions it to serve the eastern, northern and central areas of Singapore. Senoko WTE Plant is equipped with six incinerator-boiler units with two condensing turbine-generators offering a power generation capacity of two x 28.0 MW. Waste incineration is carried out at Senoko WTE Plant 24 hours a day throughout the year.

On 1 September 2016, KIT completed the capacity upgrade of Senoko WTE Plant. Senoko Waste-To-Energy Pte. Ltd, acting in its capacity as the Senoko Trustee, had engaged Keppel Seghers, a wholly-owned subsidiary of KIHPL and the O&M operator of Senoko WTE Plant, to carry out the upgrading works required to increase the plant's capacity to provide the additional incineration services to the NEA.

The upgrading works mainly involved modifications to the plant's incineration units and the steam-condensate system, and was carried out progressively and scheduled with the planned annual maintenance of each incineration unit so as to maximise the overall operational availability of the plant during the period, with the sixth and final unit upgrade being completed with effect from 1 September 2016.

Key Information

Senoko Incineration Services Agreement

The Senoko Trustee has entered into the Senoko ISA with NEA pursuant to which the Senoko Trustee will own and operate Senoko WTE Plant in accordance with the terms of the Senoko ISA. The term of the Senoko ISA is for 15 years commencing from 1 September 2009.

Under the Senoko ISA, the contracted incineration capacity of Senoko WTE Plant is 2,100 tonnes per day (based on a net calorific value of 9,000 kJ/kg). In September 2014, the Senoko Trustee entered into a supplemental incineration services agreement with NEA to provide additional incineration services and to progressively increase the capacity from 2,100 tonnes per day to 2,310 tonnes per day. The upgrade to the incineration capacity was completed on 1 September 2016 and fixed and variable payments were correspondingly increased with the completion of the upgrade.

Under the Senoko ISA, the Senoko Trustee is entitled to receive the following fixed and variable monthly payments from NEA:

- (a) Senoko Fixed Capacity Payments for the provision of incineration capacity; and
- (b) Senoko Variable Payments, comprising a variable O&M cost component (for the provision of incineration services), electricity generation incentive payment (as an incentive for the efficient generation and sale of electricity) and payment for energy market charges (as reimbursement of the energy market charges which are paid by the Senoko Trustee to the NEMS).

Senoko Fixed Capacity Payments are payable for making available the contracted incineration capacity of Senoko WTE Plant. They are payable throughout the term of the Senoko ISA, regardless of whether Senoko WTE Plant incinerates any waste and do not vary with the volume of waste delivered to or incinerated by Senoko WTE Plant, thus ensuring a long-term and predictable cash flow for Senoko Trust. Senoko Fixed Capacity Payments are payable in full if the available incineration capacity of Senoko WTE Plant is greater than or equal to 2,310 tonnes per day. If the available incineration capacity is less than 2,310 tonnes per day, the Senoko Fixed Capacity Payments will be reduced accordingly. Senoko Fixed Capacity Payments comprise:

- (a) a fixed capital cost component, which is not adjustable for inflation; and
- (b) a fixed O&M cost component, which is adjustable for inflation,

both of which are computed based on the available incineration capacity of Senoko WTE Plant (which shall not exceed the contracted incineration capacity of 2,310 tonnes per day) and subject to deductions if certain performance standards are not met.

The available incineration capacity (tonnes/day) of Senoko WTE Plant is calculated by multiplying the TIC by the availability factor for incineration capacity. The Senoko Trustee is required to carry out an incineration capacity test of the plant to determine the TIC before the commencement of each contract year. Senoko WTE Plant completed its ninth contract year on 31 August 2018 and the new TIC is 3,088 tonnes per day. The availability factor in the billing period is the moving average of the actual time availability factor for the past 12 months. The actual time availability factor in each billing period is calculated as a function of the summation of the daily available incinerator boiler unit operating hours expressed in days over the total boiler days in the billing period.

The fixed O&M cost component of the Senoko Fixed Capacity Payments covers the fixed O&M fees payable to the Keppel O&M Operator as well as property tax, trustee management fees, licensing fees and insurance costs incurred by Senoko Trust. The variable O&M cost component covers the variable O&M fees payable to the Keppel O&M Operator. This mechanism allows the O&M fees payable to Keppel O&M Operator to be passed through to NEA with the effect that the effective income of Senoko Trust is derived from the fixed capital cost components of the Senoko Fixed Capacity Payments.

Senoko Variable Payments are payable for the variable costs in incinerating waste and exporting electricity to the NEMS. Senoko Variable Payments comprise:

- (a) a variable O&M cost component, which is computed based on the actual quantity of waste delivered to Senoko WTE Plant and a variable O&M charge rate that is adjustable for inflation;

- (b) a variable electricity generation incentive payment, which is computed based on a percentage of revenues from the volume of electricity exported by Senoko WTE Plant to the NEMS; and
- (c) a variable payment for energy market charges, which is a reimbursement of energy market charges payable by Senoko Trustee as a participant in the NEMS.

Senoko O&M Agreement

The Senoko Trustee has appointed Keppel Seghers as the O&M operator of Senoko WTE Plant pursuant to the Senoko O&M Agreement, whereby Keppel O&M Operator will operate, maintain and repair Senoko WTE Plant in return for fixed O&M fees and variable O&M fees payable by Senoko Trust. The Senoko O&M Agreement and the Senoko ISA will run concurrently for the same 15-year term.

The fixed O&M fees payable to the Keppel O&M Operator will be covered by the fixed O&M cost component of the Senoko Fixed Capacity Payments. The variable O&M fees payable to the Keppel O&M Operator will be covered by the variable O&M cost component of the Senoko Variable Payments. Adjustments for inflation to the fixed O&M cost component of the Senoko Fixed Capacity Payments and variable O&M cost component of the Senoko Variable Payments under the Senoko ISA will lead to corresponding adjustments to the fixed and variable O&M fees payable under the Senoko O&M Agreement.

Senoko EPHA Licence

The Senoko Trustee has obtained the Senoko EPHA Licence under the EPHA authorising it to maintain and operate the waste disposal facility at Senoko WTE Plant. The capacity of waste to be treated at Senoko WTE Plant is 2,310 tonnes/day, such being the contracted incineration capacity under the Senoko ISA. The Senoko EPHA Licence is valid until 4 August 2025, subject to the conditions set out in the Senoko EPHA Licence.

Electricity Licence

The Senoko Trustee has obtained the Senoko Electricity Licence from the EMA under the Electricity Act to (a) generate electricity and (b) trade in any wholesale electricity market operated by EMC, subject to the conditions set out in the Senoko Electricity Licence.

The Senoko Electricity Licence is valid for a period of 30 years from 24 August 2009 to 23 August 2039.

KEPPEL SEGHERS TUAS WASTE-TO-ENERGY PLANT

Overview

The Keppel Seghers Tuas WTE Plant is located in the western part of Singapore. It is the fifth waste incineration plant built in Singapore and the newest of the four waste incineration plants currently operating in Singapore. Keppel Seghers Tuas WTE Plant is also the first waste incineration plant in Singapore built under the public-private partnership initiative. It was built with Keppel Seghers' in-house technologies such as the air-cooled grate and flue gas cleaning system and is the first waste incineration plant in Singapore to showcase waste-to-energy technology from a Singapore company.

Keppel Seghers Tuas WTE Plant is equipped with two incinerator-boiler units with one condensing turbine-generator offering a power generation capacity of 22.0 MW. Waste incineration is carried out at the Keppel Seghers Tuas WTE Plant 24 hours a day throughout the year.

Key Information

Tuas DBOO ISA

Keppel Seghers Tuas Waste-To-Energy Plant Pte Ltd, acting in its capacity as the Tuas DBOO Trustee, has entered into the Tuas DBOO ISA with NEA pursuant to which the Tuas DBOO Trustee owns and operates Keppel Seghers Tuas WTE Plant in accordance with the terms of the Tuas DBOO ISA. The term of the Tuas DBOO ISA is 25 years commencing from 30 October 2009.

Under the Tuas DBOO ISA, the contracted incineration capacity of Keppel Seghers Tuas WTE Plant is 800 tonnes per day (based on a net calorific value of 9,000 kJ/kg).

Under the Tuas DBOO ISA, the Tuas DBOO Trustee is entitled to receive the following fixed and variable monthly payments from NEA:

- (a) Tuas DBOO Fixed Capacity Payments comprising an Incineration Capacity Payment and an Electricity Generation Payment; and
- (b) Tuas DBOO Variable Payments comprising a variable O&M cost component (for the provision of incineration services), electricity generation incentive payment (as an incentive for the efficient generation and sale of electricity) and payment for energy market charges (as reimbursement of the energy market charges that the Tuas DBOO Trustee has to pay the NEMS).

Incineration capacity payments are payable for making available the contracted incineration capacity of Keppel Seghers Tuas WTE Plant. They are payable throughout the term of the Tuas DBOO ISA, regardless of whether Keppel Seghers Tuas WTE Plant incinerates any waste and do not vary with the volume of waste delivered to or incinerated by Keppel Seghers Tuas WTE Plant, thus ensuring a long-term and predictable cash flow for Tuas DBOO Trust. Incineration Capacity Payments are payable in full if the available incineration capacity of Keppel Seghers Tuas WTE Plant is greater than or equal to 800 tonnes per day. If the available incineration capacity is less than 800 tonnes per day, the Incineration Capacity Payments will be reduced accordingly. Incineration Capacity Payments comprise:

- (a) a fixed capital cost component, which is not adjustable for inflation; and
- (b) a fixed O&M cost component, which is adjustable for inflation,

both of which are computed based on the available incineration capacity of Keppel Seghers Tuas WTE Plant (which shall not exceed the contracted incineration capacity of 800 tonnes per day) subject to deductions if certain performance standards are not met.

The available incineration capacity (tonnes/day) of Keppel Seghers Tuas WTE Plant is calculated by multiplying the TIC by the availability factor. The Tuas DBOO Trustee is required to carry out an incineration capacity test of the plant to determine the TIC before the commencement of each contract year. Keppel Seghers Tuas WTE Plant completed its ninth contract year on 29 October 2018 and the new TIC is 1,020 tonnes per day.

The availability factor in the billing period is the moving average of the actual time availability factor for the past 12 months. The actual time availability factor in each billing period is calculated as a function of the summation of the daily available incinerator boiler unit operating hours expressed in days over the total boiler days in the billing period.

Electricity Generation Payments are payable for making available the electricity generation services of Keppel Seghers Tuas WTE Plant. They are payable throughout the term of the Tuas DBOO ISA, regardless of whether Keppel Seghers Tuas WTE Plant exports any electricity to the NEMS and do not vary with the volume of electricity exported by Keppel Seghers Tuas WTE Plant or its available capacity, thus adding to a long-term and predictable cash flow for Tuas DBOO Trust. Electricity Generation Payments comprise:

- (a) a fixed capital cost component, which is not adjustable for inflation; and
- (b) a fixed O&M cost component, which is adjustable for inflation.

Variable payments are payable for the variable costs in incinerating waste and exporting electricity to the NEMS, comprising:

- (a) a variable O&M cost component, which is adjustable for inflation and which is computed based on the actual quantity of waste delivered to Keppel Seghers Tuas WTE Plant;
- (b) a variable electricity generation incentive payment, which is computed based on a percentage of revenues from the volume of electricity exported by Keppel Seghers Tuas WTE Plant to the NEMS; and
- (c) a variable payment for energy market charges, which is a reimbursement of energy market charges payable by the Tuas DBOO Trustee as a participant in the NEMS.

The fixed O&M cost components of both the Incineration Capacity Payments and Electricity Generation Payments cover the fixed O&M fees payable to the Keppel O&M Operator as well as property tax, trustee management fees, licensing fees and insurance costs incurred by Tuas DBOO Trust. The variable O&M cost component covers the variable O&M fees payable to the Keppel O&M Operator. This mechanism allows the O&M fees payable to the Keppel O&M Operator to be passed through to NEA with the effect that the effective income of the Tuas DBOO Trustee is derived from the fixed capital cost components of the Tuas DBOO Fixed Capacity Payments, and the electricity generation incentive payment.

Tuas DBOO O&M Agreement

The Tuas DBOO Trustee has appointed Keppel Seghers, as the O&M operator of Keppel Seghers Tuas WTE Plant pursuant to the Tuas DBOO O&M Agreement, whereby Keppel Seghers will operate, maintain and repair Keppel Seghers Tuas WTE Plant in return for fixed O&M fees and variable O&M fees payable by Tuas DBOO Trust. The Tuas DBOO O&M Agreement and the Tuas DBOO ISA will run concurrently for the same 25-year term.

The fixed O&M fees payable to the Keppel O&M Operator will be covered by the fixed O&M cost components of the Tuas DBOO Fixed Capacity Payments. The variable O&M fees payable to the Keppel O&M Operator will be covered by the variable O&M cost component of the Tuas DBOO Variable Payments. Adjustments for inflation to the fixed O&M cost components of the Tuas DBOO Fixed Capacity Payments and variable O&M cost component of the Tuas DBOO Variable Payments under the Tuas DBOO ISA will lead to corresponding adjustments to the fixed and variable O&M fees payable under the Tuas DBOO O&M Agreement.

Tuas DBOO EPHA Licence

The Tuas DBOO EPHA Licence has been obtained under the EPHA from NEA for the construction, establishment, maintenance and operation of the disposal facility at Keppel Seghers Tuas WTE Plant. The capacity of waste to be treated at Keppel Seghers Tuas WTE Plant is 800 tonnes/day, such being the contracted incineration capacity under the Tuas DBOO ISA. The Tuas DBOO EPHA Licence will be valid until 28 June 2035, subject to the conditions set out in the Tuas DBOO EPHA Licence.

Electricity Licence

The Tuas DBOO Trustee has obtained the Tuas DBOO Electricity Licence from EMA under the Electricity Act to (a) generate electricity and (b) trade in any wholesale electricity market operated by EMC, subject to the conditions set out in the Tuas DBOO Electricity Licence.

The Tuas DBOO Electricity Licence will be valid until 14 June 2040.

KEPPEL SEGHERS ULU PANDAN NEWATER PLANT

Overview

Keppel Seghers Ulu Pandan NEWater Plant is located in the central part of Singapore and is one of Singapore's largest NEWater plants. Operational since 28 March 2007, it serves the demands of the industrial and commercial sectors in Singapore.

It features a modular design, space saving measures and energy saving features which lowers operating costs and has the capacity to produce 148,000 m³ of NEWater daily¹. It also features a 1 MWp solar photovoltaic installation, which was awarded the Solar Pioneer Award in October 2012 by the Energy Innovation Programme Office (led by Singapore Economic Development Board and the EMA). Covering about 10,000 sqm of roof space, the rooftop solar power plant is one of the largest in Singapore, completed in the first quarter of 2013, and will help mitigate the impact of electricity costs for the Keppel Seghers Ulu Pandan NEWater Plant's operations.

Key Information

NEWater Agreement

Keppel Seghers NEWater Development Co Pte Ltd, in its capacity as the Ulu Pandan Trustee, has entered into an agreement with the PUB pursuant to which the Ulu Pandan Trustee will own and operate Keppel Seghers Ulu Pandan NEWater Plant in accordance with the NEWater Agreement. The term of the NEWater Agreement is 20 years commencing from 28 March 2007. Under the NEWater Agreement, the contracted warranted capacity of Keppel Seghers Ulu Pandan NEWater Plant for KIT is 148,000 m³/day¹.

Under the NEWater Agreement, the Ulu Pandan Trustee is entitled to receive the following monthly payments from PUB:

- (a) fixed Availability Payments for the provision of production capacity; and
- (b) variable Output Payments for the volume of feedwater treated.

¹ Keppel Seghers Ulu Pandan NEWater Plant has an overall capacity of 162,800m³/day, of which 14,800m³/day is undertaken by Keppel Seghers.

Availability Payments are payable for making available the warranted production capacity of Keppel Seghers Ulu Pandan NEWater Plant. They are payable throughout the term of the NEWater Agreement, regardless of whether Keppel Seghers Ulu Pandan NEWater Plant produces any NEWater and do not vary with the volume of feedwater treated by Keppel Seghers Ulu Pandan NEWater Plant, thus ensuring a long-term, predictable and high-quality cash flow for Keppel Seghers Ulu Pandan NEWater Plant. Availability Payments are payable in full if the available production capacity of Keppel Seghers Ulu Pandan NEWater Plant fulfils the contractual capacity. If the available production capacity is less than the contractual capacity, the Availability Payments will be reduced accordingly. Availability Payments comprise:

- (a) a fixed capital cost recovery payment component, which is not adjustable for inflation and which covers amounts for debt service, return on shareholders' equity and taxes payable by the Ulu Pandan Trustee;
- (b) a fixed O&M payment component, which is adjustable for inflation and which covers all fixed O&M costs of Keppel Seghers Ulu Pandan NEWater Plant; and
- (c) a fixed power payment component, which is not adjustable for inflation and which covers all fixed power costs of Keppel Seghers Ulu Pandan NEWater Plant,

subject to deductions if certain performance standards are not met.

Output Payments are payable based on the net amount of NEWater delivered by Keppel Seghers Ulu Pandan NEWater Plant to PUB at delivery points. Output Payments comprise:

- (a) a variable O&M payment component, which is adjustable for inflation and computed based on the quantity of NEWater delivered to PUB; and
- (b) a variable power payment component, which is adjustable based on the fuel price index and computed based on the usage power charges incurred by Keppel Seghers Ulu Pandan NEWater Plant.

The Availability Payments and the Output Payments will cover the O&M fees payable by the Ulu Pandan Trustee to Keppel Seghers as the O&M operator of Keppel Seghers Ulu Pandan NEWater Plant as well as property tax, trustee management fees, licensing fees and insurance costs incurred by Ulu Pandan Trust. The effective income of Ulu Pandan Trust is derived primarily from the fixed capital cost recovery payment component of the Availability Payment and potentially from the variable power payment component of the Output Payment. However, it is possible that the variable power payment component in the Output Payments may not sufficiently cover the actual usage power charges incurred by Keppel Seghers Ulu Pandan NEWater Plant, as the actual charges incurred vary with the cost of fuel and may be higher or lower than the reference cost of fuel (which is based on the monthly average 180 cst HSFO (High-Sulfur Fuel Oil) price for the previous 12 months) used in calculating the variable power payment component.

Ulu Pandan O&M Agreement

The Ulu Pandan Trustee has appointed Keppel Seghers, as the O&M operator of Keppel Seghers Ulu Pandan NEWater Plant pursuant to the Ulu Pandan O&M Agreement, whereby Keppel Seghers will operate, maintain and repair Keppel Seghers Ulu Pandan NEWater Plant in return for fixed O&M fees and variable O&M fees payable by the Ulu Pandan Trustee ("**Ulu Pandan O&M Agreement**"). The Ulu Pandan O&M Agreement and the NEWater Agreement will run concurrently for the same 20-year term.

The O&M fees payable to Keppel O&M Operator will be covered by the fixed O&M cost component of the Availability Payments and the variable O&M cost component of the Output Payments. Adjustments for inflation at the end of every year to the fixed O&M cost component of the Availability Payments and variable O&M cost component of the Output Payments under the NEWater Agreement will lead to corresponding adjustments to the fixed and variable O&M fees payable under the Ulu Pandan O&M Agreement.

SINGSPRING TRUST

Overview

SingSpring, which is 70% owned by KIT owns and operates Singapore's first large-scale seawater desalination plant which commenced commercial operations in December 2005. The remaining 30% equity stake is owned by Hyflux Ltd. The plant is capable of supplying up to 136,380 m³ of desalinated potable water per day. The SingSpring Plant utilises advanced, cost and energy-efficient reverse osmosis technology. It was the largest membrane-based seawater desalination plant in the world at the time of its completion and at that time also had one of the largest reverse osmosis trains in the world. The SingSpring Plant is located in Tuas, Singapore, on land leased from the JTC for a 30-year term expiring in 2034.

Key Information

Water Purchase Agreement

SingSpring had entered into a long-term Water Purchase Agreement with PUB, expiring in December 2025, pursuant to which SingSpring receives a fixed monthly Capacity Payment from PUB for making available the output capacity of the plant to PUB (which is payable regardless of the actual volume of water supplied) and a variable monthly SingSpring Output Payment depending on the actual volume of water supplied to PUB.

Capacity Payments are payable for the fixed costs in making available the full water capacity of the SingSpring Plant to PUB. They are payable throughout the term of the Water Purchase Agreement, regardless of whether the SingSpring Plant supplies any water to PUB, and do not vary with the volume of water supplied by the SingSpring Plant. Capacity Payments comprise a fixed capital component, a fixed O&M component and a fixed energy component, computed based on the SingSpring Plant's last-tested capacity. The fixed O&M component of the Capacity Payments covers the fixed O&M payments payable by SingSpring to Hyflux Engineering (as the O&M operator) under the SingSpring O&M Agreement referred to below.

SingSpring Output Payments are payable for the variable costs in supplying water to PUB from the SingSpring Plant and they vary depending on the volume of water supplied by the SingSpring Plant to PUB. PUB does not have an "off-take" obligation under the Water Purchase Agreement, i.e. PUB is not obliged to require the SingSpring Plant to supply any water to it. SingSpring Output Payments comprise a variable O&M component and a variable energy component, computed based on the volume of water supplied by the SingSpring Plant to PUB. The variable O&M component of the SingSpring Output Payments covers the variable O&M payments payable by SingSpring to Hyflux Engineering as the O&M operator under the SingSpring O&M Agreement.

In May 2018, Hyflux Ltd, the parent company of Hyflux Engineering, announced its court-supervised process for reorganisation. In light of this development, the Trustee-Manager has increased its monitoring of operational performance at the SingSpring Plant to ensure that its obligations under the Water Purchase Agreement are satisfactorily discharged and as the Latest Practicable Date, there has been no impact to operations at the SingSpring Plant. The Trustee-Manager has notified Hyflux Ltd of its intention to preserve its rights to acquire Hyflux Ltd's 30% interest in SingSpring provided under the relevant agreement entered into between parties.

SingSpring O&M Agreement

In October 2003, SingSpring appointed Hyflux Engineering, a wholly-owned subsidiary of Hyflux Ltd, as O&M operator in respect of the SingSpring Plant under the SingSpring O&M Agreement. The SingSpring O&M Agreement and the Water Purchase Agreement run concurrently for the same 20-year term. The fixed and variable O&M components of the Capacity Payments and SingSpring Output Payments under the Water Purchase Agreement cover the fixed and variable O&M payments payable by SingSpring to Hyflux Engineering as the O&M operator under the SingSpring O&M Agreement. Further, adjustments for inflation and foreign exchange fluctuations to the fixed and variable O&M components of the Capacity Payments and SingSpring Output Payments under the Water Purchase Agreement will lead to corresponding adjustments to the fixed and variable O&M payments under the SingSpring O&M Agreement.

SELECTED FINANCIAL INFORMATION OF KIT

The following tables present summary consolidated financial information of the Group as at and for periods indicated.

The summary consolidated financial information as at 31 December 2016, 31 December 2017 and 31 December 2018 and for the years then ended has been derived from the Group's consolidated financial statements for the year ended 31 December 2017 and the year ended 31 December 2018 that have been audited by Deloitte & Touche LLP, and should be read in conjunction with such published audited consolidated financial statements and the notes thereto.

The summary consolidated financial information as at 31 March 2019 and for the three months ended 31 March 2019 and 31 March 2018 has been derived from the Group's unaudited financial statements announcement for the three months ended 31 March 2019, and should be read in conjunction with such published unaudited financial statements announcement and the notes thereto. Such consolidated financial statements included in this Information Memorandum has not been audited nor reviewed by the Group's auditors. Potential investors should exercise caution when using such data to evaluate the Group's financial condition and results of operations.

The consolidated financial position and consolidated results of the Group's operations for the three months ended 31 March 2019 should not be taken as an indication of the expected financial position and results of the Group's operations for the full year ending 31 December 2019.

STATEMENT OF FINANCIAL POSITION

	31 March 2019 (Unaudited) S\$'000	31 March 2018 (Unaudited) S\$'000	31 December 2018 (Audited) S\$'000	31 December 2017 (Audited) S\$'000	31 December 2016 (Audited) S\$'000
Non-Current Assets					
Property, plant and equipment	2,374,530	2,240,529	2,152,479	2,255,920	2,379,600
Intangibles	1,132,092	525,476	518,758	527,145	537,165
Investment in and advances to joint venture	19,781	21,110	20,009	20,752	23,432
Service concession receivables	320,260	367,124	332,221	378,758	424,025
Finance lease receivables	92,462	102,656	95,070	105,139	114,823
Derivative financial instruments	55	1,076	69	—	—
Deferred tax assets	18,854	—	—	—	—
Right-of-use asset	77,443	—	—	—	—
Other assets	160,913	176,577	164,785	180,548	122,874
Total non-current assets	4,196,390	3,434,548	3,283,391	3,468,262	3,601,919
Current Assets					
Cash and bank deposits	309,391	218,923	231,603	213,956	266,859
Trade and other receivables	339,690	150,617	151,787	143,266	118,866
Service concession receivables	46,884	45,605	46,537	45,267	44,034
Finance lease receivables	10,194	9,779	10,069	9,684	9,319
Derivative financial instruments	1,201	137	202	—	1,055
Inventories	218,389	55,447	59,236	54,174	54,456
Current tax receivable	3,135	—	—	—	—
Other current assets	23,446	21,247	22,182	21,807	22,134
Total current assets	952,330	501,755	521,616	488,154	516,723
Current Liabilities					
Borrowings	1,028,440	1,052,696	1,034,565	722,377	752,106
Trade and other payables	358,010	177,821	177,905	174,843	160,193
Provisions	24,624	—	—	—	—
Derivative financial instruments	35,173	19,312	16,772	18,380	19,571
Finance lease payables	8,349	—	—	—	0
Income tax payable	5,898	3,520	4,356	3,410	5,454
Total current liabilities	1,460,494	1,253,349	1,233,598	919,010	937,324
Net Current Liabilities	-508,164	-751,594	-711,982	-430,856	-420,601

	31 March 2019 (Unaudited) S\$'000	31 March 2018 (Unaudited) S\$'000	31 December 2018 (Audited) S\$'000	31 December 2017 (Audited) S\$'000	31 December 2016 (Audited) S\$'000
Non-Current Liabilities					
Borrowings	1,563,141	746,362	740,383	1,071,904	1,058,576
Notes payable to non-controlling interests	260,000	260,000	260,000	260,000	260,000
Derivative financial instruments	92,427	89,547	99,491	100,551	85,976
Other payables	249,021	239,915	250,732	242,012	268,838
Provisions	48,623	33,807	26,935	32,886	31,280
Finance lease payables	70,265	—	—	—	0
Deferred tax liabilities	15,032	19,328	15,612	18,159	22,678
Total non-current liabilities	2,298,509	1,388,959	1,393,153	1,725,512	1,727,348
Net Assets	1,389,717	1,293,995	1,178,256	1,311,894	1,453,970

Represented by:

Unitholders' Funds

Units in issue	2,434,584	2,137,989	2,138,066	2,137,538	2,137,389
Hedging reserve	-210,982	-193,640	-200,226	-210,861	-204,478
Translation reserve	-19,186	-490	-492	-26,946*	-26,587
Capital reserve	38,710	38,710	38,710	38,710	38,710
Accumulated losses	-975,675	-840,471	-923,582	-785,506*	-689,644
Total Unitholders' funds	1,267,451	1,142,098	1,052,476	1,152,935	1,255,390
Non-controlling interests	122,266	151,897	125,780	158,959	198,580
	1,389,717	1,293,995	1,178,256	1,311,894	1,453,970

* The Group has adopted SFRS(I) on 1 January 2018 and has elected the optional exemption to reset its cumulative translation reserves to nil at the date of transition of 1 January 2017. As such, in the FY2018 audited financial statements, the translation reserves and the accumulated losses have been restated to S\$(359,000) and S\$(812,093,000) respectively.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31 March 2019 (Unaudited) S\$'000	31 March 2018 (Unaudited) S\$'000	31 December 2018 (Audited) S\$'000	31 December 2017 (Audited) S\$'000	31 December 2016 (Audited) S\$'000
Revenue	318,462	160,260	637,387	632,476	581,117
Other income	1,080	781	9,169	3,593	27,534
Other losses – net	-7,274	-7,395	-13,650	-8,855	-9,539
Expenses					
Fuel and electricity costs	-36,349	-34,456	-155,601	-126,008	-97,775
Gas transportation costs	-27,053	-23,310	-93,873	-93,109	-90,670
Depreciation and amortisation	-30,845	-26,024	-103,480	-104,969	-113,712
Staff costs	-21,030	-6,333	-27,378	-26,717	-25,971
Operation and maintenance costs	-20,113	-19,156	-77,859	-82,425	-95,847
Chemical production and distribution costs	-107,899	–	–	–	–
Finance costs	-34,054	-31,330	-123,669	-124,949	-116,970
Trustee-Manager's fees	-13,293	-2,631	-9,742	-9,762	-9,669
Other operating expenses	-42,748	-11,368	-47,459	-47,872	-42,672
Total expenses	-333,384	-154,608	-639,061	-615,811	-593,286
Profit/(Loss) before joint venture	-21,116	-962	-6,155	11,403	5,826
Share of results of joint venture	1,018	861	3,840	2,715	710
Profit/(Loss) before tax	-20,098	-101	-2,315	14,118	6,536
Income tax credit/(expense)	-4,661	-967	-43	-342	-415
Net profit/(loss) after tax	-24,759	-1,068	-2,358	13,776	6,121
Profit/(Loss) attributable to:					
Unitholders	-16,211	7,496	32,023	47,613	41,188
Non-controlling interests	-8,548	-8,564	-34,381	-33,837	-35,067
	-24,759	-1,068	-2,358	13,776	6,121

STATEMENT OF CASH FLOWS

	31 March 2019 (Unaudited) S\$'000	31 March 2018 (Unaudited) S\$'000	31 December 2018 (Audited) S\$'000	31 December 2017 (Audited) S\$'000	31 December 2016 (Audited) S\$'000
Operating activities					
Profit/(Loss) before tax	-20,098	-101	-2,315	14,118	6,536
Adjustments for:					
Depreciation and amortisation	30,845	26,024	103,480	104,969	113,712
Finance costs	34,054	31,330	123,669	124,949	116,970
Interest income	-658	-429	-2,022	-1,664	-1,911
Fair value loss on derivative financial instruments	7,409	7,390	13,275	8,523	9,199
Impairment loss on trade and other receivables (net)	222	441	757	573	310
Property, plant and equipment written off	—	—	3	2	-773
Transaction cost related to acquisition of Ixom	35,125	—	—	—	486
(Gain)/loss on disposal of property, plant and equipment	—	—	-2	-6	17
Share of results of joint venture	-1,018	-861	-3,840	-2,715	-710
Unrealised foreign exchange loss/(gain)	-137	179	-349	-126	-82
Management fees paid in units	128	451	528	149	67
Operating cash flows before working capital changes	85,872	64,424	233,184	248,772	243,821
Changes in working capital :					
Trade and other receivables	9,663	10,481	61,059	-29,171	-64,595
Trade and other payables	-3,741	400	3,725	-27,882	21,170
Inventories	-2,673	-1,342	-5,375	-341	830
Cash generated from operations	89,121	73,963	292,593	191,378	201,226
Interest received	450	371	2,028	1,865	1,682
Interest paid	-29,347	-29,282	-110,285	-105,602	-110,236
Income tax paid	-6,873	-877	-3,221	-5,425	-8,553
Net cash from operating activities	53,351	44,175	180,477	82,216	84,119
Investing activities					
Acquisition of subsidiary, net of cash acquired	-1,096,707	—	—	—	—
Advances to joint venture	—	—	—	—	-2738
Dividend received from joint venture	1,027	910	3,723	2,177	—
Repayment of advances from joint venture	298	248	1,362	2,138	1,020
Purchase of property, plant and equipment	-3,755	-41	-8,502	-1,727	-947
Construction of assets	—	—	—	—	-17,487
Proceeds from sale of property, plant and equipment	—	—	14	56	7
Proceeds from sale of inventories	34	69	313	623	704
Net cash (used in)/from investing activities	-1,099,103	1,186	-3,090	3,267	-19,441
Financing activities					
(Increase)/decrease in restricted cash	2,234	-2,077	-2,144	2,592	-8,774

	31 March 2019 (Unaudited) S\$'000	31 March 2018 (Unaudited) S\$'000	31 December 2018 (Audited) S\$'000	31 December 2017 (Audited) S\$'000	31 December 2016 (Audited) S\$'000
Proceeds from borrowings	1,504,165	—	2,000	44,807	122,848
Proceeds from issuance of units (net)	296,518	—	—	—	—
Repayment of obligations under finance leases	-1,261	—	—	—	—
Repayment of related parties' loans	—	—	—	—	-4,541
Repayment of borrowings	-626,070	-3,866	-16,134	-37,149	-13,077
Unclaimed distributions written back	—	—	6	15	—
Payment of loan upfront fees	-13,179	—	—	—	-326
Distributions paid to Unitholders of the Trust	-35,882	-35,874	-143,518	-143,490	-143,482
Distributions paid by subsidiaries to non-controlling interests	-705	-586	-2,172	-2,475	-2,827
Net cash used in financing activities	1,125,820	-42,403	-161,962	-135,700	-50,179
Net increase/(decrease) in cash and cash equivalents	80,068	2,958	15,425	-50,217	14,499
Cash and cash equivalents at beginning of the period	179,705	164,202	164,202	214,513	200,064
Effect of currency translation on cash and cash equivalents	-46	-67	78	-94	-50
Cash and cash equivalents at end of the period (Note A)	259,727	167,093	179,705	164,202	214,513

Note A:

	31-Mar-19 (Unaudited) S\$'000	31-Mar-18 (Unaudited) S\$'000	31-Dec-18 (Audited) S\$'000	31-Dec-17 (Audited) S\$'000	31-Dec-16 (Audited) S\$'000
Cash and bank deposits	309,391	164,202	231,603	213,956	266,859
Less: Restricted cash	-49,664	-51,830	-51,898	-49,754	-52,346
Cash and cash equivalents	259,727	167,093	179,705	164,202	214,513

SELECTED FINANCIAL INFORMATION

	For 12 months ended 31 December 2016	For 12 months ended 31 December 2017	For 12 months ended 31 December 2018	For 12 months ended 31 March 2018	For 12 months ended 31 March 2019 (Note B)
Net Interest Expense (at KIT trust level)	3,461,322	3,283,374	3,084,766	3,203,355	4,517,203
Adjusted EBITDA (at KIT trust level)	146,347,248	148,134,634	148,070,994	149,339,926	147,437,209
Adjusted EBITDA to Net Interest Expense (at KIT trust level)	42x	45x	48x	47x	33x

Note B:

Refers to adjusted EBITDA / net interest expense based on KIT trust level financials. The net interest expense for the 12 months ended 31 March 2019 includes interest payable on the facility drawn under the facility agreement entered into by the Trustee-Manager to fund the Ixom Acquisition. A large portion of such facility was repaid with proceeds from the Equity Fund Raising exercise that completed on 15 April 2019.

REVIEW OF PERFORMANCE FOR FY2017 VS FY2016

Group revenue for FY2017 was S\$632.5 million, 8.8% higher than FY2016. This was mainly due to higher contributions from City Gas as a result of higher town gas tariff and higher volume, higher revenue from Basslink as no facility fees were recognised during the cable outage which occurred between 20 December 2015 and 12 June 2016, and higher revenue from KMC. These were partially offset by lower contribution from the concessions as the FY2016 revenue included the construction revenue recognised from the Senoko boiler upgrade and lower revenue from CityNet upon cessation as trustee-manager of Netlink Trust with effect from 13 April 2017.

The higher profit attributable to Unitholders in FY2017 as compared to FY2016 mainly arose from higher contributions from Basslink and City Gas. These were partially offset by abortive expenses incurred in connection with a potential acquisition, professional fees incurred for the Basslink outage and lower contribution from CityNet.

FY2017 distributable cash flows of S\$144.2 million were S\$5.3 million lower than FY2016. This was mainly due to abortive expenses incurred by the Trust in connection with a potential acquisition, termination of CityNet and one-off maintenance costs at its Ulu Pandan NEWater plant, partially offset by higher contributions from KMC and DataCentre One.

Net asset value per unit as at 31 December 2017 decreased to 29.9 Singapore cents from 32.5 Singapore cents as at 31 December 2016 primarily attributable to distributions to Unitholders as well as marked-to-market movements of derivative financial instruments.

Gearing as at 31 December 2017 was 39.9% compared to 37.4% as at 31 December 2016 as the Trust drew on its loan facility to repay one of its subsidiaries.

REVIEW OF PERFORMANCE FOR FY2018 VS FY2017

In FY 2018, the Group reported revenue of \$637.4 million, 0.8 per cent. higher than FY2017's Group revenue of \$632.5 million. This was mainly due to higher contributions from City Gas as a result of higher town gas tariffs, partially offset by lower fees earned at Basslink due to the service outage in March 2018, which was the result of an incident caused by a third-party contractor. Basslink resumed service on 5 June 2018.

The Group recorded lower profit attributable to Unitholders in FY2018 as compared to FY2017. The decrease was due to (i) lower fees earned at Basslink as a result of the March 2018 service outage, (ii) higher fair value loss of derivative financial instruments recognised and (iii) lower contributions from City Gas. Despite reporting higher revenue, City Gas recorded a decrease in profits due to rising gas prices throughout 2018 and the time lag in the adjustment of gas tariffs to reflect actual fuel cost.

FY2018 distributable cash flows of \$141.2 million were \$3.0 million lower than FY2017 mainly due to lower contributions from City Gas and project-related costs incurred by KIT in connection with the acquisition of Ixom. These reductions were partially offset by higher contributions from DataCentre One and the Group's Waste & Water segment.

The Group reported net current liabilities of \$712.0 million as at 31 December 2018, \$281.1 million higher than net current liabilities of \$430.9 million as at 31 December 2017 primarily due to the reclassification of borrowings with maturity in FY2019 to current liabilities.

On 18 July 2016, the Group announced that Basslink was unable to meet the minimum debt-service coverage ratio covenant in the project financing as a result of an unplanned outage in 2015. As a condition of waiver of this event of default, a long-term financing plan is required to

be agreed with the banks. The long-term financing plan has yet to be agreed as at 31 December 2018. Discussions have been ongoing with the banking syndicate on the subsisting defaults.

Notwithstanding the above, Basslink is current on its debt payments under the project financing facility. Like other typical project financing structures, there is no contractual recourse to KIT under the facility. Further, KIT does not rely on Basslink's cash flows for its distributions.

Total Unitholders' funds stood at \$1,052.5 million as at 31 December 2018, lower than \$1,152.9 million as at 31 December 2017 due to distributions paid, partially offset by marked-to-market movements of derivative financial instruments and profit recognised for the year.

Net cash generated from operating activities in FY2018 was \$180.5 million, \$98.3 million higher than FY2017 mainly because KMC started receiving Tolling Fees from the Toller since August 2017 after certain prepaid Tolling Fees had been fully utilised.

In FY2018, net cash used in investing activities of \$3.1 million was focused on the purchase of property, plant and equipment. This use of cash was partially offset by receipt of dividends and repayment of advances from DataCentre One. Similarly, in FY2017, the Group had net cash generated from investing activities relating to receipt of dividends and repayment of advances from DataCentre One, and partially offset by the purchase of property, plant and equipment.

Net cash used in financing activities of \$162.0 million in FY2018 and \$135.7 million in FY2017 were mainly for distributions to Unitholders and repayment of borrowings. In FY 2017, net cash used was partially offset by net proceeds from borrowings.

REVIEW OF PERFORMANCE FOR 1Q 2019 VS 1Q 2018

Group revenue for 1Q FY19 was S\$318.5 million, 98.7% higher than that of 1Q FY18, largely driven by the consolidation of Ixom from 19 February 2019, which contributed revenue of S\$152.4 million. At City Gas, revenue of S\$87.4 million in 1Q FY19 was higher than last year, largely due to higher town gas tariff. City Gas achieved 100% plant availability during the period. The revenue of Senoko WTE Plant, the Keppel Seghers Tuas WTE Plant, the Keppel Seghers Ulu Pandan NEWater Plant and the SingSpring Plant of S\$24.4 million in 1Q FY19 was comparable to that in 1Q FY18 of S\$23.3 million. All four plants fulfilled their contractual obligations during the period. Basslink's revenue for 1Q FY19 of A\$22.6 million (approximately S\$21.8 million) was 6.1% higher than 1Q FY18 of A\$21.3 million (approximately S\$22.2 million) as it recorded higher positive CRSM in 1Q FY19. Revenue of KMC for 1Q FY19 was comparable to 1Q FY18. The power plant fulfilled its contractual obligations during the period.

Fuel and electricity costs of S\$36.3 million in 1Q FY19 was higher than 1Q FY18 due to higher fuel prices. Higher gas transportation and freight costs, depreciation and amortization, staff costs, operation and maintenance, chemicals production and distribution costs, finance costs and other operating expenses in 1Q FY19 were mainly due to the consolidation of Ixom's expenses from 19 February 2019. Other operating expenses and trustee-manager's fees were higher due to transaction cost and acquisition fee paid to the Trustee-Manager in relation to the acquisition of Ixom. Share of results of joint venture relates to KIT's interest in DataCentre One. The higher contribution in 1Q FY19 of S\$1.0 million was mainly due to rental step-up from April 2018.

The Group recorded loss attributable to Unitholders of the Trust in 1Q FY19 as compared to profit last year mainly due to transaction cost incurred during the quarter in relation to Ixom acquisition. Excluding the transaction cost, profit attributable to Unitholders of the Trust would be higher than last year by S\$11.4 million mainly arising from higher contributions from City Gas and the consolidation of Ixom's results from 19 February 2019.

The Group reported net current liabilities of S\$508.2 million as at 31 March 2019 which was S\$203.8 million lower than net current liabilities of S\$712.0 million as at 31 December 2018 as the Group successfully refinanced loans which matured in February 2019. The net current liabilities position was largely due to classification of S\$667.9 million borrowings as current liability as it matures in November 2019 and also due to the default by Basslink in connection with the minimum debt-service coverage ratio covenant in the project financing documents for the Basslink Interconnector as a result of an unplanned outage in 2015.

Due to the consolidation of Ixom, total assets as at 31 March 2019 of S\$5,148.7 million was higher than total assets of S\$3,805.0 million as at 31 December 2018 and total liabilities as at 31 March 2019 of S\$3,759.0 million was higher than S\$2,626.8 million as at 31 December 2018.

Total Unitholders' funds stood at S\$1,267.5 million as at 31 March 2019, higher than S\$1,052.5 million as at 31 December 2018 arising from new units issued from a private placement partially offset by distributions paid, hedging reserve and foreign currency translation loss and net loss recognised for the period.

RISK FACTORS

Prior to making an investment decision with respect to the Securities, all prospective investors and purchasers should carefully consider all of the information contained in this Information Memorandum, including the risk factors set out below and the financial statements and related notes. The risk factors set out below do not purport to be complete or comprehensive of all the risk factors that may be involved in the businesses of the Issuer, KIT or the Group or any of their respective properties or any decision to purchase, own or dispose of the Securities. Additional risk factors which the Issuer is currently unaware of may also impair KIT's business, financial condition, performance or prospects. If any of the following risk factors develop into actual events, the business, assets, financial condition, performance or prospects of the Issuer, KIT or the Group could be materially and adversely affected. In such cases, the ability of the Issuer to comply with its obligations under the Trust Deed and the Securities may be adversely affected.

Limitations of this Information Memorandum

This Information Memorandum is not, and does not purport to be, investment advice. A prospective investor should make an investment in the Securities only after it has determined that such investment is suitable for its investment objectives. Determining whether an investment in the Securities is suitable is a prospective investor's responsibility. Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the Securities (nor any part thereof) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any of the Dealer(s) or the Arrangers that any recipient of this Information Memorandum or any such other document or information (or such part thereof) should subscribe for or purchase or sell any of the Securities.

Each person receiving this Information Memorandum acknowledges that such person has not relied on the Issuer, KIT's subsidiaries or associates, any of the Dealer(s) or the Arrangers or any person affiliated with each of them in connection with its investigation of the accuracy or completeness of the information contained herein or of any additional information considered by it to be necessary in connection with its investment or divestment decision. Any recipient of this Information Memorandum contemplating subscribing for or purchasing or selling any of the Securities should determine for itself the relevance of the information contained in this Information Memorandum and any such other document or information (or any part thereof) and its investment or divestment should be, and shall be deemed to be, based solely upon its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of the Issuer, KIT and the Group, the terms and conditions of the Securities and any other factors relevant to its decision, including the merits and risks involved. A prospective investor should consult with its legal, tax and financial advisers prior to deciding to make an investment in the Securities.

This Information Memorandum does not purport to contain all information that a prospective investor of the Securities may require in investigating the matters or the parties referred to above, prior to making an investment in the Securities.

RISKS RELATING TO THE GROUP'S GENERAL BUSINESS AND INDUSTRY

The Group may be adversely affected if there is any significant downtime of its assets

Each asset is subject to normal wear and tear as a natural consequence of its operations. Normal wear and tear results from exposure to elements and deterioration of equipment, whether from use or otherwise. As a result, the assets held by the Group may require periodic downtime for repairs and maintenance. Repairs and maintenance are also expected to become more frequent as the Plants get older (such as for Senoko WTE Plant which was commissioned in 1992). In

addition, defects which may not have been apparent during the testing and commissioning of the assets may become apparent only after some period of operations. In such an event, such assets may require downtime for rectification or modification. For example, there have been past defects, such as ruptures of boiler tubes among the incinerator-boilers of Senoko WTE Plant resulting in the shutdown of the affected incinerator-boiler for the period required to replace the ruptured boiler tube. KIT cannot assure you that similar or other defects would not surface in the future. Such defects and their consequences may have a material impact on the operation of the asset.

If the time required for repairs and maintenance of the assets exceeds the time anticipated or if the time required for repairs and maintenance of any asset becomes more frequent than anticipated, the available electricity generation capacity for KMC Plant, or available incineration capacity for Senoko WTE Plant and Keppel Seghers Tuas WTE Plant, or available production capacity for Keppel Seghers Ulu Pandan NEWater Plant, or available water desalination capacity for SingSpring Plant, may fall below their respective contracted incineration capacities or available production capacity or electricity generation capacity. This could result in KMC, the Senoko Trustee, the Tuas DBOO Trustee, the Ulu Pandan Trustee or SingSpring, as the case may be, not receiving the full payments due under the respective agreements. Likewise, the production capacity for Ixom, or available gas production capacity for City Gas Plants may fall, and Ixom or the City Gas Plants may not be able to produce sufficient water treatment chemicals or gas, as the case may be.

In addition, if any extraordinary or extensive repairs to the assets or equipment are required due to any mechanical breakdown, fire, natural calamity or any event (whether natural or manmade), the assets could require significant downtime during which such assets would not be able to incinerate waste, produce and generate electricity or chemicals, and produce and supply desalinated water, as applicable. Any significant downtime of the assets may have far-reaching consequences, and could lead to the termination of, and/or compensation liabilities arising under, the relevant agreements.

While the Plants are insured against, among others, loss of income from business interruption, there can be no guarantee that the costs of any such claims would be fully covered. Please refer to the sub-section titled *“Risk Factors – Risks Relating to the Group’s General Business and Industry – There is no guarantee that the insurance coverage for the Group’s assets will be sufficient to cover all the losses of the Group or that such insurance coverage will continue to be available in future”* in this Information Memorandum for more details.

There can be no assurance that any precautionary or safety measures taken by the Keppel O&M Operator, Hyflux Engineering or KMC O&M (as the case may be) operating or upgrading the Plants can or will prevent damage to the facilities or disruptions to the operations of the Plants. The inability to use any of the Plants will materially and adversely affect the business, financial condition, results of operations and prospects of the Group.

The Group is fully reliant on its service providers or suppliers to perform its obligations

The Ixom Group relies on third party suppliers for the timely supply of key materials for its manufacturing operations. In the event that the Ixom Group’s suppliers cease or interrupt production of such materials, delay shipment or otherwise fail to supply such materials to the Ixom Group, the Ixom Group may not be able to manufacture the chemicals required by its customers, which could subject the Ixom Group to penalties and/or result in claims being brought against the Ixom Group.

The Ixom Group also engages third party contractors to deliver its chemicals to its customers. The Ixom Group's involvement in the delivery processes of such third party contractors is limited and there is no assurance that such third party contractors will be able to deliver the chemicals to customers on a timely basis, or at all. In the event that the Ixom Group's third party contractors fail to deliver its chemicals in a proper condition or in a timely manner, or at all, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

Other than routine maintenance, KMC has executed three MMAs with the Major Maintenance Contractor since 12 May 2004 to receive services for the maintenance of the gas turbine and steam turbine assemblies of the KMC Plant throughout the useful life of the gas turbine and steam turbine assemblies. The MMAs with the Major Maintenance Contractor have tenures of sixteen to twenty years (depending on operating hours) commencing from their respective provisional acceptance dates. In the event that the MMAs are not extended after expiry, KIT cannot assure you that KMC would be able to appoint suitable replacement service providers to provide maintenance for the Power Trains or obtain suitable parts for the Power Trains, or that such other service provider would be able to provide heat rate or capacity degradation guarantees.

KMC does not have any employees and is thus fully reliant on KMC O&M to provide routine maintenance for the KMC Plant that is not covered by the MMAs. As a result, if any of the service providers fails to perform their services in breach of their contracts, KMC will have to procure a replacement service provider. While KIT will rely on its expertise and relationships to procure a replacement service provider, there can be no assurance that KMC would be able to appoint suitable replacement service providers, either on commercially acceptable terms or at all, and may suffer loss in the interim period if the service providers' non-performance results in the KMC Plant not meeting its agreed targets in the CTA.

In addition, under the MMAs and the OMSA, there are liability caps on the compensation payable by the service providers to KMC. Accordingly, the damages that KMC may recover from the service providers may not be sufficient to cover the loss in revenues that it may suffer as a result of the downtime of the KMC Plant.

KIT relies solely on the Keppel O&M Operator for the operations and maintenance of Senoko WTE Plant, Keppel Seghers Tuas WTE Plant and Keppel Seghers Ulu Pandan NEWater Plant.

Should any of the service providers in relation to the Plants fails to perform its services in breach of its contracts, or defaults on the relevant agreements and such default is not remedied within the specific periods as stipulated in the relevant agreements, the Group may have to incur significant costs and time to find a replacement provider for these services and there can be no assurance that the replacement service provider will be appointed on the same terms as the existing service provider or that the replacement service provider will be able to comply with its obligations in accordance with the necessary requirements for the relevant Plant.

SingSpring has arrangements with counterparties which are essential to the operation of the SingSpring Plant. Hyflux Engineering is the O&M operator under the SingSpring O&M Agreement entered into between Hyflux Engineering and SingSpring in October 2003. SingSpring relies on Hyflux Engineering for all aspects of the operation, maintenance and repair of the SingSpring Plant for so long as Hyflux Engineering remains the O&M operator.

If any of these key counterparties fails to perform its obligations, SingSpring's operations, business and financial condition may be materially and adversely affected. Despite having a business continuity plan for taking over the operations and maintenance of the SingSpring Plant, significant costs and time may have to be spent in order to find a replacement provider of the supplies or services. In particular, the capacity payments under the Water Purchase Agreement are subject to deductions for reduced water availability and quality. Although such deductions will

lead to deductions from the O&M payments payable by SingSpring to Hyflux Engineering as the O&M operator, KIT cannot assure you that SingSpring will be able to recover all the loss in revenues that it has suffered from the deductions from the O&M payments. In addition, any material increase in the price charged to SingSpring for these services or supplies would adversely and materially affect SingSpring's operations, business and financial condition. This in turn may result in a material and adverse effect on the Group's business, financial condition and results of operations.

In May 2018, Hyflux Ltd, the parent company for Hyflux Engineering, announced its court-supervised process for reorganisation. In light of Hyflux's court-supervised process for reorganisation, the Trustee-Manager has increased its monitoring of operational performance at SingSpring to ensure that its obligations under the Water Purchase Agreement are satisfactorily discharged and as at the Latest Practicable Date, there has been no impact to operations at the SingSpring Plant. Should Hyflux Engineering become insolvent, SingSpring shall have the right under the SingSpring O&M Agreement to take over the plant operations and maintenance or to appoint other third parties as the O&M operator. Despite having a business continuity plan for taking over the operations and maintenance of the SingSpring Plant, significant costs and time may have to be spent by SingSpring to take over the operations and maintenance for the SingSpring Plant or for SingSpring to find a replacement O&M operator and there can be no assurance that such replacement O&M operator will be able to perform its obligations in accordance with the necessary requirements for SingSpring. Any failure on the part of the replacement O&M operator to comply with such requirements could adversely and materially affect the Group's operations, business and financial condition.

The Group may be subject to disruption of its assets

The Group is reliant on its respective plants and assets to produce chemicals, generate electricity, provide town gas, provide incineration services and treat water. Fire, natural calamity, system failure, equipment breakdown, sabotage or terrorist attack or any other event (whether natural or man-made) that causes damage to the Group's assets or disruptions to its operations could have a material adverse impact on the Group's financial condition and results of operations. There can be no assurance that any precautionary or safety measures taken by the Group can or will prevent damage to the Group's assets or disruptions to its operations. The Group's emergency response, crisis management and business continuity systems and processes also may not be able to effectively protect or expeditiously address all problems or restore the availability of the Group's assets in response to such disruptions.

For example, the Basslink Interconnector is 370 km long, 290 km of which is a sub-sea link under the Bass Strait. The Basslink Interconnector is subject to, among others, system failures, equipment breakdowns, extreme weather conditions, natural disasters, sabotage or terrorist attacks, potential damage from anchors or similar third-party impacts, which may disrupt the availability of the Basslink Interconnector. The length of the sub-sea interconnector may also make it more difficult to identify cable faults that are not due to physical impact from anchors or vessels and, in such circumstances, to respond to breakdowns or other system disruptions on a timely basis. Although Basslink maintains insurance that it believes is consistent with industry standards to protect against operating and other risks, not all risks are insured or insurable.

Under the Basslink Services Agreement, the Basslink Facility Fee is based on availability of the Basslink Interconnector. There are also some risk-sharing/incentive adjustment payments under the Basslink Services Agreement (as further discussed in "Risk Factors – Risks relating to the Group's Distribution and Network Business and Industry – CRSM Adjustments may fluctuate in the short term and such fluctuations may adversely affect the revenues of Basslink under the Basslink Services Agreement"). Any events claimed as force majeure events affecting availability will cause reductions in the Basslink Facility Fee payable under the Basslink Services Agreement. Accordingly, certain disruptions to the availability of the Basslink Interconnector may therefore

have a material adverse impact on the revenue of Basslink under the Basslink Services Agreement and could consequently have a material and adverse effect on the Group's business, financial condition and results of operations.

For example, on 20 December 2015, the Basslink Interconnector experienced an unplanned outage due to a cable failure and it returned to service on 13 June 2016. On 25 March 2018, the Basslink Interconnector experienced an unplanned outage as a result of equipment damage by a third-party contractor during routine maintenance work and it returned to service on 5 June 2018. These were claimed as force majeure events. The repair costs incurred and revenue lost during the aforementioned outages in 2015 and 2018 are claimable under insurance, subject to the relevant terms of the insurance policy.

The historical records of the Plants may not be indicative of their future performance

The past performance of the Plants is not indicative of their future performance. There can be no assurance that the Plants will continue to achieve (in the case of the KMC Plant and the Basslink Interconnector) the target availability, (in the case of Senoko WTE Plant and Keppel Seghers Tuas WTE Plant) the contracted incineration capacity and (in the case of Keppel Seghers Ulu Pandan NEWater Plant and SingSpring Plant) the contracted production capacity, which entitles, or would entitle, KMC and the relevant sub-trustee to the payments under the CTA, the Senoko ISA, the Tuas DBOO ISA, the Water Purchase Agreement, the Basslink Services Agreement or the NEWater Agreement (as the case may be). The reduction in performance could materially and adversely affect the business, financial condition, results of operations and prospects of the Group.

In addition, PUB is not required to commit to any minimum off-take of desalinated water in relation to SingSpring. If PUB reduces its off-take, SingSpring's variable revenue will be negatively impacted. The SingSpring Plant is designed to produce water cost-effectively within a certain range of the plant's daily production capacity. There is no assurance that PUB will choose to take desalinated water at volumes similar to previous years or within the design range. SingSpring's cash flow may be negatively affected from the reduced variable revenue due to increased operational costs associated with producing desalinated water in a less efficient manner and reliability of the plant may also be negatively impacted. As a result, the business, financial condition, results of operations and prospects of the Group may be materially and adversely affected.

The Plants operate in highly regulated industries and any changes in the regulatory environment in which they operate may adversely impact them

Each of the Plants operates in highly regulated industries and is required to comply with laws and regulations (including environmental laws) and obtain and maintain governmental permits. For instance, SingSpring is required to obtain and maintain governmental permits in relation to the use, storage, discharge and disposal of toxic or otherwise hazardous materials used in its desalination processes.

In the event that a member of the Group fails to comply with such applicable laws and regulations, it could be subject to civil or criminal liability and fines, which could be substantial. In addition, any failure, or any claim that any member of the Group has failed to comply with any of these laws or regulations could lead to restrictions on its operations or expansion plans as well as adversely affecting the public image of the Group.

The withdrawal or suspension of any of the certificates, permits or licences required by the Plants, or the imposition of any penalties, as a result of any infringement of any regulatory requirements will have an adverse impact on the Group's operations and business. In addition, these certificates, permits and licences are subject to periodic renewal and assessment by the relevant

government authorities and the standards of compliance required in connection with such assessment may change from time to time. Changes in the relevant laws and regulations or their implementation may require the Group to obtain additional approvals, certificates, permits or licences from the relevant government authorities for the Group to carry on its operations.

The Group may be required to incur additional costs to ensure that it complies with any of the changes described above. This will add to the cost of carrying on business, and will materially and adversely affect the Group's business, financial condition, results of operations and prospects if such additional costs become material. In addition, KIT cannot assure you that such member of the Group will be able to obtain the additional approvals, certificates, permits or licences promptly or at all, and such member of the Group may be required to cease operations because it lacks such approvals, certificates, permits or licences.

The operations of the Group's assets may be affected by accidents or unforeseen events arising from the activities of third parties on the premises

Any accidents or other unforeseen event arising from the activities of third parties, who are in close proximity to the Group's assets, may materially disrupt the operations of the assets and adversely affect the business and results of operations of the Group.

For example, the KMC Plant may fail to meet its availability targets under the CTA due to the occurrence of accidents or unforeseen events, including events arising from the acts of the Major Maintenance Contractor, its service providers under the MMAs, or KMC O&M, its service provider under the OMSA and their subcontractors.

Senoko WTE Plant and Keppel Seghers Tuas WTE Plant are also open to the public and refuse collectors who will enter and dispose of waste within the premises. Accidents or unforeseen events arising from other third parties who enter the premises of the Group's assets or who are in close proximity to the Group's assets may result in a material and adverse effect on the Group's business, financial condition and results of operations.

There is no guarantee that no health and safety incidents will occur in the future

There is no guarantee that no health and safety incidents will occur in the future in relation to any of the Group's assets. The operation of certain of the Group's assets may pose safety risks. For example, the Ixom Group manufactures and distributes water treatment chemicals such as liquefied chlorine and chlorine derivatives. Chlorine (in its gaseous form) and other chemicals are hazardous and can present major safety risks. Should any health and safety incident occur, the Group may be issued with a stop work order or have its licences revoked, causing disruption to its operations and the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group may be subject to labour activism and unrest and may be unable to maintain satisfactory labour relations

The jurisdictions in which the Group operates have labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for the establishment of unions, union rights to enter the workplace, collective bargaining, dispute resolution and the termination of employment, and other union-employer interactions, subject to certain conditions under the relevant legislation. It is possible that labour activism and unrest may arise in the future. Any labour related disputes could adversely affect the Group's reputation amongst current and future employees. In addition, if any of the Group's employees unionise (in jurisdictions where that is relevant) or take industrial action, it may increase costs and the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

Changes to governmental policies and changes in economic and market conditions could impair the Group's business

There is a risk that the government or a governmental agency may repeal, amend, enact or promulgate a new or existing law or regulation, or that a government authority may issue a new interpretation of law or regulation, which may have an adverse effect on the results of operation and financial condition of the Group. Examples of such changes include the Group being required to incur additional costs or limit its business activities to comply with new laws or regulations (or any revisions or reinterpretations of existing laws and regulations), such as stricter environmental or safety controls. Any failure by the Group to comply with applicable laws and regulations, and any increase in compliance costs could materially and adversely affect its business, financial condition, results of operations and prospects.

The businesses of the Group are also subjected to exposure to the economic and market conditions, including increased competition, changes in demand and substitution risk; as well as changes in regulatory, social, political and economic, environmental and competitive conditions and other changes in jurisdictions where they operate. Any such changes may have a disproportionate and/or material adverse effect on the Group's financial condition and results of operations.

The Group is exposed to the credit risk of its customers

Save for City Gas and the Ixom Group, each of the Plants has a single customer and sole source of revenue. In the case of Senoko WTE Plant and Keppel Seghers Tuas WTE Plant, NEA is the single customer and their respective incineration service agreements are the sole source of revenue. In the case of Keppel Seghers Ulu Pandan NEWater Plant, PUB is the single customer and the NEWater Agreement the sole source of revenue. In the case of KMC, CTA is the sole source of revenue for KMC. Under the Basslink Services Agreement, the Basslink Interconnector must be available exclusively to Hydro Tasmania. In addition, DC One earns substantially all of its revenue in the form of payments by 1-Net. The Group is exposed to the credit risk of such counterparties. If the credit-worthiness of any of these counterparties deteriorates, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

There is no guarantee that the insurance coverage for the Group's assets will be sufficient to cover all the losses of the Group or that such insurance coverage will continue to be available in future

A fire, natural calamity, system failure, equipment breakdown, sabotage or terrorist attack or any other event (whether natural or man-made) that causes significant damage to the Plants or any of their facilities or causes substantial disruptions to their operations, would have a material adverse impact on their operations, business and financial condition. KIT cannot assure you that any precautionary or safety measure taken by the Group can prevent damage to the Group's assets or disruptions to their operations. The Group's emergency response, disaster response and crisis management systems and processes also may not be able to effectively protect or expeditiously address all problems or restore the availability of the operations of the Group's assets.

While the Group's assets may maintain insurance policies in relation to loss of income, property damage, business interruption, claims arising from third party liabilities and as a result of acts of terrorism and liabilities likely to be associated with the above risks, there can be no guarantee that the costs of any such claims would be fully covered or that such insurance coverage will continue to be available or available at a commercially acceptable premium in the future.

The availability and terms of insurance for the assets of Basslink depend on market conditions. Given the sub-sea location and specialised nature of the Basslink Interconnector, there are also a limited number of insurers who offer coverage for such assets. Accordingly, while the insurance concession deed made between Basslink, the Tas-Vic consortium, comprising, among others, Siemens AG and Prysmian SpA, and Hydro Tasmania on 29 November 2002 and restated on 21 June 2007 imposes certain obligations on Hydro Tasmania to work with and assist Basslink to procure insurance cover, KIT cannot assure you that Basslink will be able to obtain adequate insurance for its assets or on commercially acceptable terms.

The Ixom Group has recently put in place environmental liability insurance policies to provide coverage in respect of certain losses and clean-up costs that may be incurred by the Ixom Group as a result of unknown and certain existing known environmental conditions. These policies are subject to a number of exclusions and therefore, not all claims in respect of such losses and clean-up costs will be recoverable under those policies. There is also no guarantee that such insurance will continue to be available or be available on commercially acceptable terms in the future. Furthermore, although the Ixom Group procures insurance that is consistent with industry standards to protect against operating and other risks, not all risks are insured or insurable and the Ixom Group's existing insurance policies may not adequately cover all the damage to, or loss of, its facilities.

Senoko WTE Plant, Keppel Seghers Tuas WTE Plant, Keppel Seghers Ulu Pandan NEWater Plant, SingSpring Plant and the Basslink Interconnector may be purchased by NEA, PUB or the State of Tasmania (as the case may be) and this could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group

In the event that any of the Senoko ISA, the Tuas DBOO ISA, the Water Purchase Agreement, the NEWater Agreement or the Basslink Operations Agreement is terminated as a result of the relevant contractual party breaching such agreement, Senoko WTE Plant, Keppel Seghers Tuas WTE Plant, Keppel Seghers Ulu Pandan NEWater Plant, SingSpring and the Basslink Interconnector may be purchased by NEA, PUB or the State of Tasmania (as the case may be), at a purchase price to be determined in accordance with the terms of the Senoko ISA, the Tuas DBOO ISA, the Water Purchase Agreement, the NEWater Agreement or the Basslink Operations Agreement (as the case may be). The purchase price will vary depending on the event which gives rise to the right of termination and/or the party committing the default. Any such purchase may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

The portfolio of the Group comprises, and the Group may in the future invest in, illiquid assets that may not be sold without regulatory approval or if such approval is granted, may not be sold for a price that equates to the valuation of the assets

The business undertakings of the Group are, and the Group may invest in, assets that are not listed on a stock exchange or for which there are only a limited number of potential buyers, or for which there are restrictions on its sale. As a consequence, the realisable value of an asset may be less than the full or fair value based on its estimated future cash flows. Any sale of such assets under such circumstances may have an adverse effect on the business, financial condition, results of operations and prospects of the Group.

The terms of the Senoko ISA, the Tuas DBOO ISA, the Water Purchase Agreement and the NEWater Agreement restrict the transfer or grant of any encumbrance over any part of the equity in Senoko Trust, the Senoko Trustee, Tuas DBOO Trust, the Tuas DBOO Trustee, Ulu Pandan Trust, SingSpring and the Ulu Pandan Trustee without prior written approval from NEA or PUB (as the case may be). The Basslink Services Agreement restricts the transfer of Basslink's equity and assets without prior written approval from Hydro Tasmania. There are restrictions on the sale of DataCentre One arising from the lease agreements with the JTC and with 1-Net.

There is no assurance that the Group will be able to sell any of its assets or such assets may only be sold for a price which is significantly less than the Group's valuation of the assets. A sale of any of the Group's assets under such circumstances may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

The Group may be involved in legal and other proceedings arising from its operations from time to time

The Group may be involved from time to time in disputes with various parties such as contractors, sub-contractors, suppliers and purchasers. These disputes may lead to legal and other proceedings, and may cause the Group to incur additional costs and delays. In addition, the Group may be subject to administrative proceedings and unfavourable orders, directives or decrees by regulatory bodies (including but not limited to environmental, planning and workplace health and safety regulators) in the course of its operations and the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

For example, on 20 December 2015, the Basslink Interconnector experienced an unplanned outage due to a cable failure and it returned to service on 13 June 2016. As a result of this incident, Basslink has made claims against Hydro Tasmania to recover withheld monies and claims have been made against it by the State of Tasmania for the losses which State of Tasmania allegedly suffered as a result of the outage. The matters have been referred to arbitration. See "Keppel Infrastructure Trust – Portfolio of KIT – (A) Distribution & Network – Basslink Interconnector – Key Information – Recent Developments" for more details.

While Basslink has defended and will continue to vigorously defend the claims made against it by Hydro Tasmania and the State of Tasmania and will advance its claim to recover withheld monies from Hydro Tasmania, there can be no assurance it will succeed in doing so. If Basslink is not able to recover the facility fees owed by Hydro Tasmania or if it should be required to indemnify the State of Tasmania, there can be no assurance that Basslink's insurance coverage will be sufficient to cover all payments that Basslink may be ordered to make as a result of the arbitrations and accordingly, the Group's operations, business and financial condition may be materially and adversely affected.

The Group is dependent on its management team and staff

As with most businesses, the operational success of the Group is dependent on the continued efforts of the management team and staff of the Group. The loss of such personnel, or the inability of the Group to replace them expeditiously or at all, could have an adverse effect on the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group will be exposed to foreign currency fluctuations

As certain businesses of the Group are outside of Singapore, the Group will be affected by changes in foreign currency rates. Any fluctuations in foreign exchange rates between the respective reporting currencies and the currencies in which the Group receives its revenues and incurs operational costs could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

The Trustee-Manager may enter into foreign currency hedging arrangements with respect to the expected dividends, distributions, interest and loan repayments from these foreign investments at the appropriate time. However, KIT cannot assure you that these hedging arrangements may have the desired beneficial impact on the business, financial condition or results of operations of the Group or may completely insulate the Group from the risks associated with fluctuations in currency exchange rates, which may result in a material and adverse effect on the Group's business, financial condition and results of operations.

The Group's current and future debt levels and restrictions in the agreements governing its indebtedness may limit its flexibility in obtaining additional financing and in pursuing other business opportunities

The Group currently incorporates debt financing and, where appropriate, plans to continue to incorporate debt financing for its operations and projects. Its current and future debt levels could have important consequences, including the following:

- requiring a portion of cash flows from the Group's operations to make principal and interest payments on indebtedness, reducing the funds available for operations, capital expenditures, future business opportunities and other general corporate purposes;
- increasing the Group's vulnerability to competitive pressures or the general and/or industry specific adverse economic conditions relative to its competitors with less debt; and
- limiting the Group's ability to borrow additional funds or increase the cost of any such borrowing, particularly due to the financial and other restrictive covenants contained in the agreements governing the Group's debt.

The Group's ability to service its debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond its control. In addition, the Group's ability to service its debt will also depend on market interest rates because the interest rates applicable to its borrowings will fluctuate with movements in interest rate markets. If the Group's operating results are not sufficient to service its current or future indebtedness, it will be forced to take actions such as reducing or delaying business activities, acquisitions, investments or capital expenditures. In addition, it may take actions such as selling assets, restructuring or refinancing its debt or seeking additional equity capital although it may not be able to effect any of these actions on satisfactory terms, or at all. The Group's inability to obtain additional financing on favourable terms, or its inability to service its debt, could have a material adverse effect on its business, results of operations and financial condition.

In addition, the Group's debt facilities have contained and may in the future contain customary covenants, including restrictions on its ability to incur other indebtedness, to dispose of assets and/or use of available cash deposits, which limit its flexibility to conduct its operations and create a risk of default on its debt if it cannot comply with such covenants. If any member of the Group was in breach of certain of its debt covenants, lenders could require such entity to pay the then outstanding debt immediately, and the lenders could sell the property securing such debt if such entity was unable to pay the outstanding debt immediately. Breach of these covenants and the acceleration of such debt by the lenders could have a material adverse effect on the Group's business, results of operations and financial condition. For example, Basslink breached the minimum debt-service coverage ratio covenant in the project financing documents for the Basslink Interconnector as a result of unplanned outages in December 2015 and March 2018. While discussions are ongoing with the banking syndicate on the subsisting defaults, there is no assurance that the banking syndicate will not, where applicable, declare a default, accelerate the loan, initiate enforcement proceedings in respect of any security provided or call upon any guarantees provided, or that Basslink will be able to obtain waivers from the banking syndicate. The above incidents do not have any material financial impact on the net tangible asset per unit and distribution per unit of KIT for the financial year ending 31 December 2018.

In addition, there can be no assurance that there will be no other defaults within the Group that could have a material adverse effect on KIT's business, results of operations and financial condition.

The Group may not have sufficient cash to make acquisitions or investments at the relevant time and may need to obtain additional equity or debt financing to fund or re-finance (where applicable) its capital expenditure, working capital and other requirements. Additional equity financing may result in dilution of existing Unitholders' interests and rights. Additional debt financing may limit KIT's ability to pay distributions, increase its vulnerability to general adverse economic and industry conditions, require it to dedicate a substantial portion of its cash flows from operations to payments on its debt, thereby reducing the availability of cash flows to fund capital expenditure, working capital and other requirements and/or limit its flexibility in planning for, or reacting to, changes in its business and its industry or subject it to conditions that may restrict the expansion of the portfolio of the Group. There can be no assurance that the Group will be able to obtain the additional equity and/or debt financing or re-financing on terms that are acceptable to the Trustee-Manager, or at all.

The Group may not be able to refinance its outstanding loans

Certain of the Group's loans will be due for refinancing in the next five years. There can however be no assurance that the Group will be able to refinance its indebtedness as it becomes due on commercially reasonable terms or at all. Any increased costs or non-availability of refinancing will have a material adverse effect on the Group's operations, operating results and financial condition. Additionally, with the Group's level of indebtedness, a portion of its expected cash flow may be required to be dedicated to the payment of interest and principal repayment on its indebtedness thereby reducing the funds available to the Group for use in its general business operations.

For example, Basslink had refinanced all its outstanding bonds in November 2014 with an A\$717.0 million non-recourse five-year senior secured loan facility provided by a group of nine banks and an A\$50.0 million equity injection by KIT financed from its cash reserves. Under the terms of the facility, which will mature in November 2019, Basslink will be able to resume making distributions when certain financial thresholds are met. There can be no assurance that Basslink will be able to refinance its outstanding loans in the future. In the event that it is unable to do so, this may have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to interest rate fluctuations and may engage in interest rate hedging transactions, which can limit gains and increase costs

The Group may enter into interest rate hedging transactions to protect itself from the effects of interest rate volatilities on floating rate debt. Interest rate hedging activities may not have the desired beneficial impact on the operations or financial condition of the Group. Interest rate hedging could fail to protect the Group or adversely affect the Group because among others:

- the party owing money in the hedging transaction may default on its obligation to pay;
- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs the Group ability to sell or assign its side of the hedging transaction; and
- the value of the derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value. Such changes although unrealised, would reduce the net asset value of the Group if it is due to downward adjustments.

Interest rate hedging activities may involve risks and transaction costs, which may reduce overall returns.

RISKS RELATING TO THE GROUP'S DISTRIBUTION AND NETWORK BUSINESS AND INDUSTRY

City Gas relies on PGPL, PowerGas and SP Services for the supply of natural gas, transportation of piped gas and the provision of gas-meter reading, billing and collection services, respectively

City Gas has arrangements with PGPL for the supply of natural gas, PowerGas for the transportation of piped gas and SP Services for the provision of gas-meter reading, billing and collection services.

City Gas requires natural gas to produce town gas and had entered into a long-term supply contract with GSPL to purchase a specified amount of natural gas at a price based on a formula with variable components that fluctuate from time to time. Under the Gas Purchase Agreement, City Gas is entitled to purchase up to 112 thousand billion Btu of natural gas over a period of 20 years commencing in 2003 and at least 55.0% of the annual contract quantity (which is 5,748 billion Btu per year) must be purchased by City Gas between the third year and 20th year of the Gas Purchase Agreement. In May 2008, City Gas entered into a supplemental agreement with GSPL to purchase an additional supply of 35.16 thousand billion Btu of natural gas from 2009 to 2023. City Gas is obliged to take and pay for, or pay for if not taken, 55.0% of the annual contracted quantity of natural gas. City Gas is permitted to buy additional gas from another supplier only after City Gas has first negotiated in good faith with GSPL to purchase additional gas, and both City Gas and GSPL are unable to agree on the terms within 30 days from the commencement of the negotiation. If City Gas takes delivery of gas under an alternative gas sales agreement rather than under the Gas Purchase Agreement, the amount of gas that City Gas will be required to take and pay for, or pay for if not taken, shall be increased for the duration of such alternative gas sales agreement in accordance with the formula set out in the Gas Purchase Agreement.

The Gas Purchase Agreement was novated from GSPL to PGPL with effect from 1 April 2015. While City Gas has been in discussions with other suppliers for the supply of natural gas and have from time to time entered, and may enter, into arrangements with other suppliers for short-term supply of natural gas, PGPL remains the main supplier for City Gas in relation to natural gas.

The gas transportation system for the delivery of piped gas from City Gas to its customers is owned and operated by PowerGas, the sole transporter of piped gas in Singapore. Accordingly, City Gas relies on PowerGas for the piped transportation of gas to City Gas' customers at the tariffs (which are subject to price control by EMA) imposed by PowerGas.

City Gas has also appointed SP Services to provide it with gas-meter reading, billing and collection services. Although City Gas does not have an exclusive contract with SP Services, the costs for City Gas in undertaking gas-meter reading, billing and collection on its own are likely to be higher than the cost of outsourcing such services to SP Services (being the main provider of such services to the utilities and waste collection companies in Singapore). Accordingly, City Gas relies on SP Services to provide such services at an agreed price which is subject to commercial negotiation.

If any of PGPL, PowerGas or SP Services fails to perform its obligations or provide its services or supplies, City Gas' operations, business and financial condition would be materially and adversely affected. Further, any increase in the price charged to City Gas for these services or supplies would adversely affect City Gas' operations, business and financial condition if town gas tariffs are not adjusted adequately to cover the increase in costs or the adjusted tariffs become uncompetitive. Please see the sub-section titled "*Risk Factors – Risks Relating to the Group's Distribution and Network Business and Industry – City Gas' tariffs are subject to price control by EMA*" in this Information Memorandum for more details. In addition, any natural or man-made

event which causes disruption to the supplies or services provided by PGPL, PowerGas or SP Services may adversely affect City Gas' and the Group's operations, business and financial condition, results of operations and prospects.

City Gas faces price competition from retailers of LPG, may face price competition from retailers of electricity and other energy sources and may face increasing competition if and when the piped gas supply network is converted to carry natural gas

City Gas faces price competition from retailers of LPG, which is an alternative product used by consumers in Singapore for cooking. The price of City Gas' town gas relative to the price of LPG could affect the revenue which City Gas generates from certain segments of the commercial market in Singapore. City Gas' town gas tariffs are based on, among other factors, 180 cst HSFO (High-Sulfur Fuel Oil) prices and the exchange rates between the U.S. dollar and the Singapore dollar, and changes in such prices and/or exchange rates could impact the price competitiveness of the town gas supplied by City Gas. City Gas' revenue, business and financial condition would be adversely affected if its customers decide to use LPG instead of town gas due to the lack of price competitiveness on the part of town gas supplied by City Gas.

Certain industrial equipment, such as boilers, could be powered by either gas, diesel or electricity. Similarly, certain household appliances, such as cooking stoves, water heaters and dryers, could be powered by either gas or electricity. If City Gas faces greater competition from electricity and other fuels in the future, City Gas' and the Group's revenue could be adversely affected if, as a result of such competition, its customers decide to use electricity or these other fuels instead of town gas.

City Gas is not certain about the extent of competition that could develop in the gas industry in Singapore if and when the low-pressure piped town gas supply network in Singapore is converted to carry natural gas. Please see the sub-section titled "*Risk Factors – Risks Relating to the Group's General Business and Industry – The Plants operate in highly regulated industries and any changes in the regulatory environment in which they operate may adversely impact them*" in this Information Memorandum for more details. City Gas faces the risk of losing market share if its exclusive franchise to retail low pressure piped gas expires upon completion of the conversion. Competition post-conversion may take the form of direct competition from other piped natural gas retailers or indirect competition from retailers of alternative products or fuels. For example, the Gas Purchase Agreement has a 20-year term and there are financial disincentives for City Gas to obtain natural gas supply from alternative suppliers. If other natural gas retailers are able to obtain natural gas on terms that are better than those provided for under the Gas Purchase Agreement, these natural gas retailers may be able to offer cheaper natural gas to customers.

In addition, the completion of the LNG terminal in May 2013 to facilitate the importation of LNG has introduced greater diversity to the gas market in Singapore. The operations, business and financial condition of City Gas could be adversely affected in the face of increased competition and the impact would be material if City Gas loses significant market share or is unable to adapt its business model in time or at all to suit a changing business environment. The foregoing could materially and adversely affect the business, financial condition, results of operations and prospects of the Group.

City Gas' tariffs are subject to price control by EMA

The conditions in the gas retailer licence granted by the EMA to City Gas require any change in town gas tariffs to be approved by EMA. City Gas has been allowed by the EMA to adjust the tariff to take into account increases in fuel prices. In the event that the EMA does not allow City Gas to increase its tariff for whatever reason, City Gas may not be able to generate sufficient revenue to cover its increased costs which would adversely affect its operations, business and financial condition.

While the EMA may allow an adjustment to the tariffs to cover costs (for example, due to a change in fuel prices), City Gas cannot assure you that the adjustments, if any, would be sufficient to cover any increase in business expenses of City Gas or that the EMA will approve such adjustment in a timely manner. There is also the risk that any increase in the tariffs would result in the adjusted tariffs, and therefore the price of town gas, becoming less competitive.

Further, as the supply of town gas is a public utility which is regulated by EMA, City Gas cannot assure you that it will be able to increase tariffs in time, or at all, to take advantage of market opportunities. The occurrence of any of the foregoing could materially and adversely affect the business, financial condition, results of operations and prospects of the Group.

City Gas' business may be adversely and materially affected by changes in the structure and regulation of the gas industry in Singapore

The structure and regulation of the gas industry in Singapore is currently in a state of transition. There have been discussions between City Gas, SP PowerGrid Limited and the EMA on the proposed conversion of the low-pressure piped town gas supply network in Singapore to carry natural gas that, if implemented, could involve City Gas incurring substantial conversion costs.

The proposed conversion, and any other changes to the structure or regulation of the gas industry in Singapore from time to time, could adversely and materially affect City Gas' operations, business and financial condition and its ability to pursue its business strategy. In addition, the uncertainty regarding the proposed conversion may in itself affect City Gas. For example, if City Gas expects the conversion to take place but is not certain about the timing of such conversion, City Gas may be deterred from expanding its existing town gas production facilities (which could be made redundant after the conversion), thereby resulting in City Gas being unable to meet projected demand for town gas prior to or during the conversion. Further, it is anticipated that City Gas will be required to incur substantial expenditure for the conversion from town gas to natural gas. City Gas cannot assure investors that it will be able to obtain adequate financing on terms acceptable to it, or at all, which may affect its business, operating results and financial condition.

Additionally, City Gas may face difficulties in undertaking the proposed conversion of the low-pressure piped town gas supply network to carry natural gas and may not be able to successfully execute the proposed conversion.

The occurrence of any of the foregoing could materially and adversely affect the business, financial condition, results of operations and prospects of the Group.

CRSM Adjustments may fluctuate in the short term and such fluctuations may adversely affect the revenues of Basslink under the Basslink Services Agreement

Under the Basslink Services Agreement, the CRSM is a mechanism between Hydro Tasmania and Basslink to share the market risk associated with participating in the NEM. CRSM Adjustments are based on the differences between the high and low Victorian electricity pool prices, subject to a maximum of a +12.5% increase (i.e. a payment is made from Hydro Tasmania to Basslink) and -12.5% decrease (i.e. a payment from Basslink to Hydro Tasmania) of the Basslink Facility Fee.

While the stated intention of this mechanism is to have a neutral impact on both parties over the longer term, there could be short-term or medium-term fluctuations in CRSM Adjustments due to periods of droughts or other seasonal variations, or other disruptions affecting Victorian power generators or transmission network or the Victorian electricity market generally. Such fluctuations may result in an outflow of payment from Basslink to Hydro Tasmania.

For example, the Australian summer months of December to February tend to be periods of volatility in the Victorian electricity pool prices as there is higher electricity demand for air-conditioning while the winter months tend to be lower volatility periods. This may adversely affect the revenues of Basslink under the Basslink Services Agreement and, hence, may consequently have a material and adverse effect on Basslink's business, financial condition and results of operations. KIT currently does not receive distributions from Basslink.

CPI adjustments to the Basslink Facility Fee under the Basslink Services Agreement may not cover the extent of inflation, thereby eroding Basslink's revenues under the Basslink Services Agreement

Under the Basslink Services Agreement, the Basslink Facility Fee will be adjusted to reflect 65.0% of the changes in CPI in the corresponding period. Increases in inflation which are not matched by adjustments to the Basslink Facility Fee will erode Basslink's profit margins and may have a material and adverse effect on Basslink's business, financial condition and results of operations.

RISKS RELATING TO THE GROUP'S ENERGY BUSINESS AND INDUSTRY

The CTA may not generate regular cash flows for KMC under certain circumstances

The CTA is the sole source of revenue of KMC for the 15-year duration of the CTA. Under the terms of the CTA, if KMC does not ensure the KMC Plant is able to meet certain availability and capacity targets for the Toller, the Toller is not obligated to pay in full its Tolling Fees to KMC, and may reduce the Tolling Fees proportionately. Therefore, while the CTA is designed to ensure KMC does not take on the market risks of owning and operating a power plant as an independent power producer, KMC is nonetheless subject to the risks of the KMC Plant being unable to meet the aforementioned targets in order to receive the Tolling Fees in full. The foregoing could materially and adversely affect the business, financial condition, results of operations and prospects of the Group. Please see the sub-sections titled "*Risk Factors – Risks Relating to the Group's General Business and Industry – The Group is fully reliant on its service providers to perform its obligations*" and "*Risk Factors – Risks Relating to the Group's General Business and Industry – The operations of the Group's assets may be affected by accidents or unforeseen events arising from the activities of third parties on the premises*" for more details.

Changes to the Tolling Fees in the event of material adverse change and no right to recover change of law costs in the CTA

Each party to the CTA has the right to request a good faith negotiation over an adjustment to the Tolling Fees when a "Material Adverse Change" occurs. The definition of "Material Adverse Change" is not limited to unforeseeable events and includes changes in vesting contract level or vesting contract price as determined or implemented by the EMA and there could be situations in which the Tolling Fees may reduce in the near future. However, it should be noted that the Toller's request for an adjustment does not entitle it to automatic changes to the Tolling Fee. KMC and the Toller will be required to negotiate in good faith, but there is no legal obligation to agree to any change to the Tolling Fees. Any changes to the contract terms of the CTA will be subject to the review procedures for interested person transactions in accordance with KIT's general mandate for interested person transactions and Chapter 9 of the Listing Manual.

Further, KMC is required to give KMC O&M relief if there is a change in law that materially increases the cost of KMC O&M's provision of its services. However, KMC has no corresponding right to pass this risk on to the Toller and has no means of mitigating this risk of bearing the increased cost. Examples of possible changes in law that can cause KMC O&M to face material increase in cost of service provision include regulatory changes by the Ministry of Manpower with respect to foreign labour or changes by the Ministry of Home Affairs requiring increased security manpower requirements at KMC. As long as KMC O&M is able to demonstrate and provide

invoices substantiating the increase in cost caused by the change in law, KMC O&M is entitled to reimbursement. In the event KMC is required to reimburse KMC O&M, the Group's business, financial condition and results of operations may be materially and adversely affected.

Fees payable to KMC O&M under the OMSA are not fixed

The OMSA is not a fixed price agreement and there is potential for the amount payable by KMC to KMC O&M to exceed the amounts budgeted for in the annual operations and maintenance plan and approved by KMC and the Toller. Such excess amounts are most likely expected to arise from costs incurred for unplanned maintenance which is not due to the fault of KMC O&M. However, cost control mechanisms have been included in the OMSA with the purpose of limiting the extent of such costs increase, including:

- (a) the requirement that nearly all reimbursable expenses meet the requirements of the defined term "Reimbursable Expenses Items", which amongst others, excludes any costs caused by KMC O&M's negligence or breach of the OMSA; and
- (b) the operator only has an ability to incur additional reimbursable expenses beyond the amounts under the annual operations and maintenance plan with KMC's consent (subject to what is stated below).

KMC O&M may disclaim liability for outages or breakdowns if KMC does not meet unforeseen expenses outside KMC O&M's control. This can limit KMC's practical control over costs in certain situations.

In the event KMC O&M exceeds the amount budgeted in the annual operations and maintenance plan and KMC pays these costs, KMC's right of recourse to recover these amounts is subject to the Toller's agreement. Accordingly, this may lead to KMC's profits being eroded if it is unable to manage KMC O&M's expenses. KMC would have to pay KMC O&M substantially higher fees than received from the Toller in the event of significant unplanned maintenance e.g. unexpected major equipment failure.

Singapore CPI adjustments to fixed O&M fees under the CTA may not fully cover increases in the underlying expenses

Under the CTA, the fixed O&M fee is indexed to Singapore CPI annually. The increases in the expenses covered by the fixed O&M fee may exceed the Singapore CPI and may adversely affect KMC's cash flow and ultimately, the Group's business, financial condition, results of operations and prospects. For instance, the fixed O&M fee is intended to cover property related charges which are generally subject to the rental indexation of JTC and increases in such charges may not match indexation based on Singapore CPI.

The risk of termination of the CTA and the risk of no buyout undertaking by KIHPL

In the event that the CTA with the Toller is terminated and there is no buyout undertaking by KIHPL, KMC will either enter into another tolling agreement with another power company or operate the KMC Plant as an independent power producer in the NEMS or divest the KMC Plant. This may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group. Although KIT may be able to sell its investment in KMC to third parties, there is no guarantee that the proceeds from such a sale will enable KIT to fully recover its original investment in KMC.

KMC may not be able to renew the CTA and OMSA on terms commercially acceptable to KIT

The CTA has a fixed 15-year duration and the OMSA has a fixed 20-year duration, both commencing in 2015. Neither the Toller, the counterparty of KMC for the CTA, nor KMC O&M, the counterparty of KMC for the OMSA, shall be legally obliged to renew the agreements signed with KMC on the terms and provisions as currently agreed. In the event that the CTA is not renewed with the Toller, KMC will assume the market risks of owning and operating a power plant as an independent power producer, unless KMC is able to find another party willing to enter into a similar contractual agreement with it like the CTA or KMC is able to divest the KMC Plant. In the event the Toller offers to enter into a new capacity tolling agreement after the initial 15-year term, KIT cannot assure you that it would offer the same terms and provisions as in the current CTA, or the terms and provisions then offered by the Toller might be commercially acceptable to KIT. Similarly, after the expiry of the initial term of the OMSA, KMC may have to find another service provider to provide routine maintenance to the KMC Plant and such service provider may demand terms and conditions that are less favourable to KIT than the terms now in the OMSA.

Uncertainty on the extension of the CTA after the initial 15-year period

The CTA has an initial 15-year duration. After such initial duration, a number of outcomes may materialise. For instance, KMC may request the Toller for a further 10-year extension of the CTA on the same terms, provided that KMC gives notice of at least four years before the expiry of the CTA in June 2030. If the Toller does not accept KMC's request or if KMC does not give notice as aforementioned, KMC may seek a new tolling agreement with a bona fide third party, provided that it gives the Toller an opportunity to match such third party's terms. If the Toller can match the terms, KMC shall be obliged to enter into a new tolling agreement with the Toller on such terms. KMC may only enter into a new tolling agreement with the third party if the Toller cannot or does not match the third party's terms. The right of the Toller to match the third party's terms may adversely affect the ability of KMC to negotiate a new tolling agreement with third parties, or the tolling rates thereunder. If the CTA has not been extended as aforementioned, the Toller may elect to extend the CTA on the same terms for a further 10 years and KIT will not have control over the negotiation of such terms. Additionally, in certain circumstances where modifications are made to the KMC Plant at the Toller's expense, the Toller shall have the right to extend the CTA by up to 20 years.

Generally, the Toller has the option, but not the obligation, to extend the CTA after the initial 15-year duration. There is no certainty as to whether the CTA will be extended beyond the initial 15-year duration and, if so extended, the terms of such extension. There is also no assurance that any extension of the CTA will be on the same terms or on terms which are better than the current terms of the CTA. There is uncertainty as to the tolling arrangement of KMC after the expiry of the CTA and, depending on the outcome, the returns to the Group may be adversely affected.

RISKS RELATING TO THE GROUP'S WASTE AND WATER BUSINESS AND INDUSTRY

Pollution of the seawater supply to the SingSpring Plant may adversely affect its earnings

The desalination process of the SingSpring Plant requires seawater from the surrounding waters off the geographical land area of Tuas in Singapore, to produce desalinated water. In the event the seawater is polluted, and depending on the level of pollution, it may not be possible for the seawater to be desalinated at all, or to be desalinated into water that is in accordance with the standards provided for under the Water Purchase Agreement. For example, the seawater could be polluted by contaminants from industrial discharge, oil spills, or other events which are outside the control of SingSpring.

Except for permanent seawater pollution which leads to adjustments in the tariffs under the Water Purchase Agreement, pollution of the seawater used in the desalination process may adversely affect the operating costs or earnings of SingSpring by requiring it to incur additional expense to desalinate the water to be in compliance with the Water Purchase Agreement or because of reduced payments by PUB under the Water Purchase Agreement due to reduced water availability or quality.

In the event that the degradation in seawater quality results in an inability by SingSpring to fully perform its obligation to provide water under the Water Purchase Agreement, resulting in either a reduction or suspension of payment under the Water Purchase Agreement, this would adversely and materially affect SingSpring's operations, business and financial condition. Additionally, the foregoing may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

RISKS ASSOCIATED WITH AN INVESTMENT IN SECURITIES

Absence of secondary market for the Securities

The Securities have no established trading market when issued. There is no assurance that an active trading market for the Securities will develop, or as to the liquidity or sustainability of any such market, the ability of holders to sell their Securities or the price at which holders of the Securities will be able to sell their Securities. If an active market for the Securities fails to develop or be sustained, the value of the Securities could fall. If an active trading market were to develop, the Securities could trade at prices that may be lower than the initial offering price of the Securities. This is particularly the case for Securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment categories of investors. These types of Securities generally have a more limited secondary market and more price volatility than conventional debt securities.

Fluctuation of the market value of the Securities

The value of the Securities may fluctuate as a result of various factors, including: (i) the market for similar securities, (ii) general economic, political or financial conditions and (iii) financial condition, results of operations and future prospects of KIT, its subsidiaries and/or associates. Adverse economic developments, in Singapore as well as countries in which KIT and/or subsidiaries and/or associates of KIT operate or have business dealings, could have a material adverse effect on the operating results and/or the financial condition of KIT, its subsidiaries and/or associates.

Interest rate risk

Securityholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the price of the Securities, resulting in a capital loss for the Securityholders. However, the Securityholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the price of the Securities may rise. The Securityholders may enjoy a capital gain but interest or distribution payments received may be reinvested at lower prevailing interest rates.

Inflation risk

Securityholders may suffer erosion on the return of their investments due to inflation. Securityholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Securities. An unexpected increase in inflation could reduce the actual returns.

Anti-money laundering and terrorism

The Trustee may take and instruct any delegate to take any action which the Trustee considers appropriate so as to comply with any law, regulation, request of a public or regulatory authority or policy which relates to the prevention of fraud, money laundering, terrorism or other criminal activities or the provision of financial and other services to sanctioned persons or entities, including but not limited to the interception and investigation of transactions. There is a risk that such action may delay or prevent the processing of payment instructions, the settlement of transactions or the Trustee's performance of its obligations under the Trust Deed.

Performance of contractual obligations by the Issuer is dependent on other parties

The ability of the Issuer to make payments in respect of the Securities may depend upon the due performance by the other parties to the Programme Agreement, the Trust Deed and the Agency Agreement of their obligations thereunder including the performance by the Trustee and each of the Agents of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Issuer of their obligations to make payments in respect of the Securities, the Issuer may not, in such circumstances, be able to fulfil its obligations to the Securityholders and the Couponholders.

A change in Singapore law which governs the Securities may adversely affect Securityholders

The Securities are governed by Singapore law in effect as at the date of issue of the Securities. No assurance can be given as to the impact of any possible judicial decision or change to Singapore law or administrative practice after the date of issue of the Securities.

The Securities may be represented by Global Securities and holders of a beneficial interest in a Global Security or Global Certificate must rely on the procedures of the relevant Clearing System (as defined below)

Securities issued under the Programme may be represented by one or more Global Securities or Global Certificates. Such Global Securities or Global Certificates will be deposited with or registered in the name of, or in the name of a nominee of, a common depositary for Euroclear and/or Clearstream, Luxembourg, or lodged with CDP (each of Euroclear, Clearstream, Luxembourg and CDP, a "**Clearing System**"). Except in the circumstances described in the relevant Global Security or Global Certificate, investors will not be entitled to receive Definitive Securities. The relevant Clearing System will maintain records of their accountholders in relation to the Global Securities and Global Certificates. While the Securities are represented by one or more Global Securities or Global Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing System.

While the Securities are represented by one or more Global Securities or Global Certificates, the Issuer will discharge its payment obligations under the Securities by making payments to the common depositary for Euroclear and/or Clearstream, Luxembourg or, as the case may be, to CDP, for distribution to their accountholders or, as the case may be, to the Principal Paying Agent for distribution to the holders as appearing in the records of the relevant Clearing System. A holder of a beneficial interest in a Global Security or Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the relevant Securities. The Issuer bears no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities or Global Certificates.

Holders of beneficial interests in the Global Securities and Global Certificates will not have a direct right to vote in respect of the relevant Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

Similarly, holders of beneficial interests in the Global Securities and Global Certificates will not have a direct right under the respective Global Securities or Global Certificates to take enforcement action against the Issuer following an Event of Default (as defined in the Trust Deed) under the relevant Securities but will have to rely upon their rights under the Trust Deed.

Securityholders may be subject to tax in Singapore and other jurisdictions

Prospective purchasers of the Securities are advised to consult their own tax advisers concerning the overall tax consequences of the acquisition, ownership or disposition of the Securities. See “Singapore Taxation” for certain Singapore tax consequences.

The Securities may not be a suitable investment for all investors

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Securities, the merits and risks of investing in the relevant Securities and the information contained in this Information Memorandum or any applicable supplement to this Information Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Securities and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Securities, including Securities with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- understand thoroughly the terms of the relevant Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments, but rather as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of such Securities and the impact this investment will have on the potential investor’s overall investment portfolio.

Securities may be issued at a substantial discount or premium

The market value of Securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the Securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Group may not fully hedge the currency risks associated with Securities denominated in foreign currencies

As Securities issued under the Programme can be denominated in any currency, the Group may be affected by fluctuations between such currency which the relevant Securities are denominated and the currencies in which the Group receives its revenues and incurs operational costs, in meeting the payment obligations under such Securities, and there is no assurance that the Group may be able to fully hedge the currency risks associated with such Securities denominated in foreign currencies.

Legal risk factors may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Securities are legal investments for it, (2) the Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

The Trustee may request Securityholders to provide an indemnity and/or security and/or prefunding to its satisfaction before taking action on behalf of Securityholders

In certain circumstances (including pursuant to Condition 11 of the Notes or, as the case may be, Condition 9 of the Perpetual Securities), the Trustee at its discretion may request Securityholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes action on behalf of Securityholders. The Trustee shall not be bound to take any such action if it is not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take action, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Securityholders to take such action directly. In addition, Securityholders should note that under the Trust Deed, the Trustee has the right, subject to any written law for the time being in force upon the provision of prior notice and if it has reasonable grounds to believe that an Event of Default or an Enforcement Event is likely to occur or would have occurred, to inspect the accounting and other records of the Group on a consolidated basis (but not the accounting and other records of each subsidiary).

Securities carrying an interest rate linked to “benchmarks” may be exposed to any changes to the relevant “benchmark”

The London Interbank Offered Rate (“**LIBOR**”), the Euro Interbank Offered Rate (“**EURIBOR**”) and other interest rates or other types of rates and indices which are deemed to be “benchmarks” are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “**FCA Announcement**”). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot be guaranteed after 2021. On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a “a risk free overnight rate” which can serve as a basis for an alternative to current

benchmarks used in a variety of financial instruments and contracts. Following a consultation, on 13 September 2018, the working group recommended the euro short-term rate (“**ESTER**”) as the alternative euro risk-free rate and replacement for the euro overnight index average (“**EONIA**”).

Following the implementation of any such potential reforms, the manner of administration of LIBOR, EURIBOR or other benchmark indices may change, with the result that it may perform differently than in the past, or benchmarks could be eliminated entirely, which could have a material and adverse effect on the value of any Securities where the interest rate is calculated with reference to the relevant benchmark indices or may have other consequences that cannot be predicted.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Security linked to or referencing a benchmark.

Securityholders should be aware that Definitive Securities and Certificates which have a denomination that is not an integral multiple of the minimum Denomination Amount may be illiquid and difficult to trade.

In relation to any issue of Securities which have a denomination consisting of a minimum Denomination Amount (as defined in the Conditions) plus a higher integral multiple of another smaller amount, it is possible that the Securities may be traded in amounts in excess of the minimum Denomination Amount that are not integral multiples of such minimum Denomination Amount. In such a case a Securityholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Denomination Amount will not receive a Definitive Security or Certificate in respect of such holding (should Definitive Securities or Certificates be printed) and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more Denomination Amounts. If Definitive Securities or Certificates are issued, holders should be aware that Definitive Securities or Certificates which have a denomination that is not an integral multiple of the minimum Denomination Amount may be illiquid and difficult to trade. Definitive Securities and Certificates will in no circumstances be issued to any person holding Securities in an amount lower than the minimum denomination and such Securities will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or distribution or to vote or attend meetings of Securityholders) in respect of such Securities.

Enforcement of payment under the Securities

Enforcement of payment under the Securities issued by the Trustee-Manager could be dependent on the Trustee-Manager’s right of indemnity out of the Trust Property and various other factors arising from the trust structure of KIT.

Securityholders and potential investors in the Securities should note that the Securities are issued by the Trustee-Manager, and not KIT, since KIT is not a legal entity. Securityholders should note that under the terms of the Securities, Securityholders shall only have recourse in respect of the Securities to the assets of KIT which the Trustee-Manager has recourse to under or in relation to the KIT Trust Deed, and not to the Trustee-Manager in its personal capacity or any assets held by the Trustee-Manager as trustee of any trust other than KIT. Further, Securityholders do not have direct access to the assets of KIT but may have to gain access through the Trustee-Manager and if appropriate, seek directions of a court to subrogate the Trustee-Manager’s right of indemnity out of such assets, and accordingly, any claim of the Securityholders to the assets of KIT is derivative of the rights of the Trustee-Manager. A Securityholder’s right of subrogation therefore could be limited by the Trustee-Manager’s right of indemnity under or in relation to the KIT Trust Deed.

Securityholders should also note that such right of indemnity of the Trustee-Manager may be limited or lost through fraud, negligence, breach of duty or breach of trust or by reason of other liabilities that the Trustee-Manager may be liable to pay or contribute towards KIT. Where the Trustee-Manager commits a breach of trust (whether or not such breach is committed in relation to the Securities), the assets of KIT may only be available to satisfy claims under the Securities upon the Trustee-Manager first making good any loss arising from such breach of trust.

In addition, Securityholders should note that they may be adversely affected if the Trustee-Manager becomes insolvent, is wound-up or is placed under judicial management. If such an event occurs, the enforcement of payment under the Securities may be subject to delay and/or otherwise be impacted by such proceedings.

Commencement of proceeding under applicable Singapore insolvency or related laws may result in a material and adverse effect on the Securityholders

There can be no assurance that the Issuer will not become bankrupt or insolvent, or be the subject of judicial management, schemes of arrangement, winding-up or liquidation orders or other insolvency related proceedings or procedures. If the Issuer or any creditor were to commence such proceedings under any applicable Singapore insolvency or related laws, this could result in a material and adverse effect on the Securityholders. Without being exhaustive, below are some matters that could have a material and adverse effect on the Securityholders.

Where the Issuer is insolvent or close to insolvent and the Issuer undergoes certain insolvency procedures, there may be a moratorium against actions and proceedings which may apply in the case of judicial management, schemes of arrangement and/or winding-up in relation to the Issuer. It may also be possible that if a company related to the Issuer proposes a creditor scheme of arrangement and obtains an order for a moratorium, the Issuer may also seek a moratorium even if the Issuer is not in itself proposing a scheme of arrangement.

Further, it is not clear that an application by the Issuer for a moratorium will in itself constitute an event of default under the terms and conditions of the Notes and the Trustee may not be able to declare the Notes immediately due and payable upon the occurrence of such an event. These moratoriums can be lifted with court permission and in the case of judicial management, additionally with the permission of the judicial manager. Accordingly, if for instance there is any need for the Trustee to bring an action against the Issuer, the need to obtain court permission may result in delays in bringing or continuing legal proceedings which may be necessary in the process of recovery.

Further, Securityholders may be made subject to a binding scheme of arrangement if the majority in number representing 75% in value of creditors and the court approve such scheme. In respect of company-initiated creditor schemes of arrangement, recent amendments to the Companies Act in 2017 have introduced cram-down provisions for where there is a dissenting class of creditors. The court may, notwithstanding a single class of dissenting creditors, approve a scheme, provided (i) an overall majority in number representing 75% in value of the creditors meant to be bound by the scheme have agreed to it, (ii) the scheme does not unfairly discriminate and is fair and equitable to each dissenting class of creditors and (iii) the court is of the view that it is appropriate to approve the scheme. In such scenarios, Securityholders may be bound by a scheme of arrangement to which they may have dissented.

There is no assurance that the Issuer will have sufficient cash flow to meet payment obligations under the Securities

There is no assurance that the Issuer will have sufficient cash flow to meet payment obligations under the Securities as and when they fall due. For example, the ability of the Issuer to comply

with its payment obligations under the Trust Deed and the Securities may be adversely affected in the event the Issuer suffers a material deterioration in its financial condition.

The Securities are not secured

The Securities and Coupons of all Series constitute direct, unconditional, unsubordinated (except in the case of Subordinated Perpetual Securities) and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.

Accordingly, on a winding-up or termination of the Issuer and/or KIT, the Securityholders will not have recourse to any specific assets of the Issuer, KIT or any of their Related Entities (if any) as security for outstanding payment or other obligations under the Securities and/or Coupons owed to the Securityholders and there can be no assurance that there would be sufficient value in the assets of the Issuer or KIT, after meeting all claims ranking ahead of the Securities, to discharge all outstanding payment and other obligations under the Securities and/or Coupons owed to the Securityholders.

Modification, waivers and substitution

The Conditions contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. The Trustee or the Issuer may, and the Trustee upon the request in writing by Securityholders holding not less than 25 per cent. of the principal amount of the Securities of any Series for the time being outstanding and after being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses shall, convene a meeting of the Securityholders of that Series. These provisions permit defined majorities to bind all Securityholders, including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.

The terms and conditions of the Securities also provide that the Trustee may agree, without the consent of the Securityholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed or any of the Transactions Documents (as defined in the Trust Deed) which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or to comply with mandatory provisions of Singapore law or is required by the relevant stock exchange, Euroclear and/or Clearstream, Luxembourg and/or CDP and/or any other clearing system in which the Securities may be held, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or any of the other Transaction Documents which is in the opinion of the Trustee expedient to make, provided that the Trustee is of the opinion that such modification is not materially prejudicial to the interests of the Securityholders. Any such modification, authorisation or waiver shall be binding on the Securityholders and the Couponholders and unless the Trustee agrees in writing, the Issuer shall cause such modification, authorisation or waiver to be notified to the Securityholders as soon as practicable.

Exchange rate risks and exchange controls may result in Securityholders receiving less interest, distribution or principal than expected

The Issuer will pay principal, interest and/or distribution on the Securities in the currency specified. This presents certain risks relating to currency conversions if Securityholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the currency in which the Securities are denominated. These include the risk that exchange rates may significantly change (including changes due to devaluation of the currency in which the Securities are denominated or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls.

An appreciation in the value of the Investor's Currency relative to the currency in which the Securities are denominated would decrease (i) the Investor's Currency equivalent yield on the Securities, (ii) the Investor's Currency equivalent value of the principal payable on the Securities and (iii) the Investor's Currency equivalent market value of the Securities.

RISKS RELATING TO THE NOTES

The Notes are subject to mandatory redemption in the event of termination of KIT

In the event that KIT is terminated in accordance with the provisions of the KIT Trust Deed, the Issuer shall redeem all of the Notes at their Redemption Amount together with interest accrued to the date fixed for redemption. In that event, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate.

The Notes are subject to mandatory redemption in the event of the delisting of KIT

In the event that KIT is unable to maintain its listing on the SGX-ST, the Issuer shall redeem all of the Notes at their Redemption Amount together with interest accrued to the date fixed for redemption. In that event, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate.

Variable rate Notes may have a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

The Notes may be subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate that is as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Singapore taxation risk

The Notes to be issued from time to time under the Programme during the period from the date of this Information Memorandum to 31 December 2023 are intended to be "qualifying debt securities" for the purposes of the ITA, subject to the fulfilment of certain conditions more particularly described in the section "Singapore Taxation".

However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws be amended or revoked at any time.

RISKS RELATING TO THE PERPETUAL SECURITIES

Perpetual Securities may be issued for which investors have no right to require redemption

The Perpetual Securities are perpetual and have no fixed final maturity date. Perpetual Securityholders have no right to require the Issuer to redeem Perpetual Securities at any time, and an investor who acquires Perpetual Securities may only dispose of such Perpetual Securities by sale. Perpetual Securityholders who wish to sell their Perpetual Securities may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, holders of Perpetual Securities should be aware that they may be required to bear the financial risks of an investment in Perpetual Securities for an indefinite period of time.

Unless otherwise specified in the relevant Pricing Supplement, Perpetual Securityholders may not receive distribution payments if the Issuer elects to not pay all or a part of a distribution under the terms and conditions of the Perpetual Securities

Unless otherwise specified in the relevant Pricing Supplement, the Issuer may, at its sole discretion, elect not to pay any scheduled distribution on the Perpetual Securities in whole or in part for any period of time. The Issuer is subject to certain restrictions in relation to the declaration or payment of distributions on its Junior Obligations and (except on a pro rata basis) its Parity Obligations and the redemption and repurchase of its Junior Obligations and (except on a pro rata basis) its Parity Obligations in the event that it does not pay a distribution in whole or in part. The Issuer is not subject to any limit as to the number of times or the amount with respect to which the Issuer can elect not to pay distributions under the Perpetual Securities. While the Issuer may, at its sole discretion, and at any time, elect to pay an Optional Distribution, being an optional amount equal to the amount of distribution which is unpaid in whole or in part, there is no assurance that the Issuer will do so, and distributions which are not paid in whole or in part may remain unpaid for an indefinite period of time. Any non-payment of a distribution in whole or in part shall not constitute a default for any purpose. Any election by the Issuer not to pay a distribution, whether in whole or in part, will likely have an adverse effect on the market price of the Perpetual Securities. In addition, as a result of the potential non-cumulative distribution feature of the Perpetual Securities and the Issuer's ability to elect not to pay a distribution in whole or in part, the market price of the Perpetual Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such election not to pay and may be more sensitive generally to adverse changes in the Group's financial condition.

If specified in the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the Issuer's option on the date(s) specified in the relevant Pricing Supplement or on the occurrence of certain other events

The Perpetual Securities are perpetual securities and have no fixed final redemption date. If specified in the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer on certain date(s) specified in the relevant Pricing Supplement at their principal amount (or such other redemption amount stated in the relevant Pricing Supplement) together with all outstanding Arrears of Distribution, Additional Distribution Amounts and distribution accrued to the date fixed for redemption. In addition, if specified in the relevant Pricing Supplement, the Issuer may, at its option, redeem the Perpetual Securities in whole, but not in part, on any Distribution Payment Date, or any time after such Distribution Payment Date, upon the occurrence of certain other events. See "Terms and Conditions of the Perpetual Securities – Redemption and Purchase".

The date on which the Issuer elects to redeem the Perpetual Securities may not accord with the preference of individual Perpetual Securityholders. This may be disadvantageous to Perpetual Securityholders in light of market conditions or the individual circumstances of the holder of

Perpetual Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Perpetual Securities.

There are limited remedies for non-payment under the Perpetual Securities

Any scheduled distribution will not be due if the Issuer elects not to pay all or a part of that distribution pursuant to the terms and conditions of the Perpetual Securities. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute proceedings is limited to circumstances where payment has become due and the Issuer fails to make the payment when due and such failure continues for a period of three (3) business days after the due date. The only remedy against the Issuer available to any Perpetual Securityholder for recovery of amounts in respect of the Perpetual Securities following the occurrence of a payment default after any sum becomes due in respect of the Perpetual Securities will be proving in such Winding-Up of KIT and/or claiming in the liquidation of KIT in respect of any payment obligations of the Issuer arising from the Perpetual Securities. As KIT is a business trust, the enforcement of any remedy will be subject to the prevailing laws and legislation applicable to business trusts in Singapore.

The Issuer may raise or redeem other capital which affects the price of the Perpetual Securities

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Perpetual Securities. Similarly, subject to compliance with the terms and conditions of the Perpetual Securities, the Issuer may redeem securities that rank junior to, *pari passu* with, or senior to the Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities or the redemption of any such securities may reduce the amount (if any) recoverable by holders of Perpetual Securities on a Winding-Up of KIT, and may increase the likelihood of a deferral of distribution under the Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities or the redemption of any such securities might also have an adverse impact on the trading price of the Perpetual Securities and/or the ability of holders of Perpetual Securities to sell their Perpetual Securities.

The Subordinated Perpetual Securities are subordinated obligations

The obligations of the Issuer under the Subordinated Perpetual Securities will constitute unsecured and subordinated obligations of the Issuer. In the event of the winding-up of the Issuer or KIT, the rights of the holders of Subordinated Perpetual Securities to receive payments in respect of the Subordinated Perpetual Securities will rank senior to the holders of all Junior Obligations and *pari passu* with the holders of all Parity Obligations, but junior to the claims of all other creditors, including, for the avoidance of doubt, the holders of Senior Perpetual Securities and/or Notes. In the event of a shortfall of funds or a winding-up, there is a real risk that an investor in the Subordinated Perpetual Securities will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid Arrears of Distribution, Additional Distribution Amounts or accrued distribution.

In addition, subject to the limit on the aggregate principal amount of Securities that can be issued under the Programme (which can be amended from time to time by the Issuer without the consent of the Securityholders), there is no restriction on the amount of unsubordinated securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Subordinated Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Subordinated Perpetual Securities on a winding-up of the Issuer or KIT and/or may increase the likelihood of a non-payment of distribution under the Subordinated Perpetual Securities.

Tax treatment of the Perpetual Securities is unclear

It is not clear whether any particular tranche of the Perpetual Securities (the “**Relevant Tranche of the Perpetual Securities**”) will be regarded as “debt securities” by the IRAS for the purposes of the ITA, or whether distribution payments made under the Relevant Tranche of the Perpetual Securities will be regarded by the IRAS as interest payable on indebtedness for the purposes of the ITA and whether the tax concessions available for qualifying debt securities under the Qualifying Debt Securities scheme (as set out in the section “Singapore Taxation”) would apply to the Relevant Tranche of the Perpetual Securities.

If the Relevant Tranche of the Perpetual Securities is not regarded as “debt securities” for the purposes of the ITA, or the distribution payments made under the Relevant Tranche of the Perpetual Securities are not regarded by the IRAS as interest payable on indebtedness for the purposes of the ITA and holders thereof are not eligible for the tax concessions under the Qualifying Debt Securities scheme, the tax treatment to holders may differ. Investors and holders of the Relevant Tranche of the Perpetual Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and/or disposal of the Relevant Tranche of the Perpetual Securities.

PURPOSE OF THE PROGRAMME AND USE OF PROCEEDS

The net proceeds of an issuance of Securities will be used by the Issuer towards (a) financing or refinancing acquisitions and/or investments of the Group and any asset enhancement works of the Group, (b) financing the general working capital purposes and/or capital expenditure requirements of the Group, (c) refinancing the borrowings of the Group or (d) such other purpose as may be specified in the relevant Pricing Supplement.

CLEARING AND SETTLEMENT

Clearing and Settlement under the Depository System

In respect of Securities which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities ("**Depository System**") maintained by CDP. Securities that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Securities which are accepted for clearance by CDP, the entire issue of the Securities is to be held by CDP in the form of a Global Security or a Global Certificate for Depositors. Delivery and transfer of Securities between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors.

Settlement of over-the-counter trades in the Securities through the Depository System may be effected through securities sub-accounts held with Depository Agents. Depositors holding the Securities in direct securities accounts with CDP, and who wish to trade Securities through the Depository System, must transfer the Securities to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between the Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and distribution and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Securities in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee, the Agents or any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

Clearance and Settlement under Euroclear and/or Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfer. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deals with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems which enables their respective participants to settle trades with one another. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to other financial institutions, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

A participant's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under those rules and operating procedures only on behalf of their respective participants, and have no record of, or relationship with, persons holding any interests through their respective participants. Distributions of principal with respect to book-entry interests in the Securities held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the relevant Paying Agent, to the cash accounts of the relevant Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

SINGAPORE TAXATION

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the IRAS and MAS in force as at the date of this Information Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Information Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Securities or of any person acquiring, selling or otherwise dealing with the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. It should not be regarded as advice on the tax position of any person and should be treated with appropriate caution. Holders or prospective holders of the Securities are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership or disposal of the Securities, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Arrangers and any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Securities.

In addition, the disclosure below is on the assumption that the IRAS regards each tranche of the Perpetual Securities as “debt securities” for the purposes of the ITA and that distribution payments made under each tranche of the Perpetual Securities will be regarded as interest payable on indebtedness and holders thereof may therefore enjoy the tax concessions and exemptions available for qualifying debt securities, provided that the other conditions for the Qualifying Debt Securities scheme are satisfied. If any tranche of the Perpetual Securities is not regarded as “debt securities” for the purposes of the ITA or any distribution payment under any tranche of the Perpetual Securities is not regarded as interest payable on indebtedness or holders thereof are not eligible for the tax concessions under the Qualifying Debt Securities scheme, the tax treatment to holders may differ. Investors and holders of any tranche of the Perpetual Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of any tranche of the Perpetual Securities.

1. Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15.0 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17.0 per cent. The applicable rate for non-resident individuals is currently 22.0 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15.0 per cent. The rate of 15.0 per cent. may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after 1 January 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and
- (c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

References to “prepayment fee”, “redemption premium” and “break cost” in this Singapore tax disclosure have the same meaning as defined in the ITA.

The terms “**prepayment fee**”, “**redemption premium**” and “**break cost**” are defined in the ITA as follows:

“prepayment fee” means, in relation to debt securities and qualifying debt securities, any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities;

“redemption premium” means, in relation to debt securities and qualifying debt securities, any premium payable by the issuer of the securities on the redemption of the securities upon their maturity; and

“break cost” means, in relation to debt securities and qualifying debt securities, any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption.

In addition, as the Programme as a whole is arranged by DBS Bank Ltd. and Oversea-Chinese Banking Corporation Limited, each of which is a Financial Sector Incentive (Capital Market) Company or a Financial Sector Incentive (Standard Tier) Company (as defined in the ITA) at such time, any tranche of the Securities (the “**Relevant Securities**”) issued as debt securities under the Programme during the period from the date of this Information Memorandum to 31 December 2023 would be qualifying debt securities (“**QDS**”) for the purposes of the ITA, to which the following treatment shall apply:

- (i) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as MAS may direct, to MAS of a return on debt securities for the Relevant Securities in the prescribed format within such period as

MAS may specify and such other particulars in connection with the Relevant Securities as MAS may require, and the inclusion by the Issuer in all offering documents relating to the Relevant Securities of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Securities is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Securities using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Specified Income**") from the Relevant Securities, paid by the Issuer and derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Securities are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

- (ii) subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as MAS may direct, to MAS of a return on debt securities for the Relevant Securities in the prescribed format within such period as MAS may specify and such other particulars in connection with the Relevant Securities as MAS may require), Specified Income from the Relevant Securities paid by the Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10.0 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

- (iii) subject to:

- (aa) the Issuer including in all offering documents relating to the Relevant Securities a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Specified Income) derived from the Relevant Securities is not exempt from tax shall include such income in a return of income made under the ITA; and

- (bb) the furnishing by the Issuer, or such other person as MAS may direct, to MAS of a return on debt securities for the Relevant Securities in the prescribed format within such period as MAS may specify and such other particulars in connection with the Relevant Securities as MAS may require,

payments of Specified Income derived from the Relevant Securities are not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

- (A) if during the primary launch of any tranche of Relevant Securities, such tranche of the Relevant Securities are issued to fewer than four persons and 50.0 per cent. or more of the issue of such Relevant Securities is beneficially held or funded, directly or indirectly, by a related party or related parties of the Issuer, such Relevant Securities would not qualify as QDS; and

(B) even though a particular tranche of Relevant Securities are QDS, if, at any time during the tenure of such tranche of Relevant Securities, 50.0 per cent. or more of such Relevant Securities which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Specified Income derived from such Relevant Securities held by:

(I) any related party of the Issuer; or

(II) any other person where the funds used by such person to acquire such Relevant Securities are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term “**related party**”, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Specified Income) is derived from the Relevant Securities by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires such Relevant Securities using the funds and profits of such person’s operations through a permanent establishment in Singapore. Notwithstanding that the Issuer is permitted to make payments of Specified Income in respect of the Relevant Securities without deduction or withholding for tax under Section 45 or Section 45A of the ITA, any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Specified Income) derived from the Relevant Securities is not exempt from tax is required to include such income in a return of income made under the ITA.

2. Taxation relating to payments on Perpetual Securities

A. Singapore tax classification of hybrid instruments

The ITA currently does not contain specific provisions on how financial instruments that exhibit both debt-like and equity-like features, i.e. hybrid instruments, should be treated for income tax purposes. However, the IRAS has published the e-Tax Guide: Income Tax Treatment of Hybrid Instruments on 19 May 2014 (the “**Hybrid Instruments e-Tax Guide**”) which sets out the income tax treatment of hybrid instruments, including the factors that the IRAS will generally use to determine whether such instruments are debt or equity instruments for income tax purposes.

Among others, the IRAS has stated in the Hybrid Instruments e-Tax Guide that:

- (a) whether or not a hybrid instrument will be treated as debt or equity security for income tax purposes will firstly depend on its legal form, to be determined based on an examination of the legal rights and obligations attached to the instrument;
- (b) a hybrid instrument is generally characterised as equity if the legal terms of the instrument indicate ownership interests in the issuer. If the legal form of a hybrid instrument is not indicative of or does not reflect the legal rights and obligations, the facts and circumstances surrounding the instrument and a combination of factors, not limited to the following, would have to be examined to ascertain the nature of the instrument for income tax purposes.

These factors include (but are not limited to):

- (i) nature of interest acquired;
 - (ii) investor's right to participate in issuer's business;
 - (iii) voting rights conferred by the instrument;
 - (iv) obligation to repay the principal amount;
 - (v) payout;
 - (vi) investor's right to enforce payment;
 - (vii) classification by other regulatory authority; and
 - (viii) ranking for repayment in the event of liquidation or dissolution;
- (c) if a hybrid instrument is characterised as a debt instrument for income tax purposes, distributions from the issuer to the investors are regarded as interest; and
- (d) if a hybrid instrument issued by a company is characterised as an equity instrument for income tax purposes, distributions from the issuer to the investors are regarded as dividends. In this regard, as a business trust registered under the Business Trusts Act (Chapter 31A of Singapore) is generally regarded as a company with distributions from the trustee-manager of such registered business trust being exempt from tax, the distributions from a hybrid instrument issued by the trustee-manager of such registered business trust should similarly be exempt from tax if the hybrid instrument is characterised as an equity instrument for income tax purposes.

B. Application for tax ruling

The Trustee-Manager intends to apply to the IRAS for an advance tax ruling to confirm the classification of any tranche of the Perpetual Securities for Singapore income tax purposes and the Singapore tax treatment of the payment of distributions (including Optional Distributions, Arrears of Distribution and Additional Distribution Amounts) in respect of such tranche of the Perpetual Securities.

The Trustee-Manager will provide details of the tax ruling issued by the IRAS via an announcement on its website <http://www.kepinfratrust.com/> shortly after the receipt of the tax ruling.

i. Perpetual Securities characterised as debt instruments

In the event that the IRAS rules that a tranche of the Perpetual Securities are debt instruments for Singapore income tax purposes, payment of distributions (including Optional Distributions, Arrears of Distribution and Additional Distribution Amounts) in respect of the Perpetual Securities should be regarded as interest payments and the disclosure under "Interest and other payments" summarises the income tax treatment that may be applicable on the distributions (including Optional Distributions, Arrears of Distribution and Additional Distribution Amounts).

ii. Perpetual Securities characterised as equity instruments

In the event that the IRAS rules that a tranche of the Perpetual Securities are equity instruments for Singapore income tax purposes and distributions (including Optional Distributions and Arrears of Distribution) in respect of the Perpetual Securities are capital distributions in the hands of the Perpetual Securityholders, the payment of distributions (including Optional Distributions and Arrears of Distribution) in respect of the Perpetual Securities will not be subject to withholding of tax, irrespective of the profile of Perpetual Securityholders. The amount of such distributions (including Optional Distributions and Arrears of Distribution) will be treated as a return of capital in the hands of Perpetual Securityholders and will be applied to reduce the cost of their investment in the Perpetual Securities for Singapore income tax purposes. Where the Perpetual Securityholders, based on their own circumstances, are subject to Singapore income tax on gains from the disposal of the Perpetual Securities, the reduced cost of their investments will be used for the purposes of computing such gains.

In the event that IRAS rules that a tranche of the Perpetual Securities are equity instruments for Singapore income tax purposes and that distributions (including Optional Distributions and Arrears of Distribution) in respect of such tranche of the Perpetual Securities are to be treated in the same manner as distributions made by a trustee-manager of a registered business trust, Perpetual Securityholders will be exempted from Singapore income tax on such distributions (including Optional Distributions and Arrears of Distribution), similar to distributions on units of a registered business trust which are exempted from Singapore income tax in the hands of all Unitholders. Tax is not withheld or deducted from such distributions.

However, the Additional Distribution Amounts may still be regarded as interest in nature and subject to taxation (including withholding tax) as mentioned above.

3. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Securities will not be taxable in Singapore. However, any gains derived by any person from the sale of the Securities which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Securities who apply or are required to apply Singapore Financial Reporting Standard (“**FRS**”) 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 (“**SFRS(I) 9**”) (as the case may be), may for Singapore income tax purposes, be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Securities, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below on “Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes”.

4. Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes

Section 34A of the ITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and “opt-out” provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The IRAS has also issued a circular entitled “Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition & Measurement”.

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments".

Holders of the Securities who may be subject to the tax treatment under the Sections 34A or 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Securities.

5. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

SUBSCRIPTION, PURCHASE AND DISTRIBUTION

The Programme Agreement provides for Securities to be offered from time to time through one or more Dealers. The price at which a Series or Tranche will be issued will be determined prior to its issue between the Issuer and the relevant Dealer(s). The obligations of the Dealers under the Programme Agreement will be subject to certain conditions set out in the Programme Agreement. Each Dealer (acting as principal) will subscribe or procure subscribers for Securities from the Issuer pursuant to the Programme Agreement.

United States

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

Bearer Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or in the case of Bearer Securities, deliver the Securities of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of such Tranche, as determined and certified to the Issuer by the relevant Paying Agent, by such Dealer (or, in the case of an issue of Securities on a syndicated basis, the relevant lead manager), of all Securities of the Tranche of which such Securities are a part, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable Tranche of Securities, an offer or sale of Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

Each Dealer has acknowledged that this Information Memorandum has not been and will not be registered as a prospectus with the MAS. Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under Section 274 of the SFA, (b) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

General

Each Dealer understands that no action has been taken in any jurisdiction that would permit a public offering of any of the Securities, or possession or distribution of this Information Memorandum or any other document or any Pricing Supplement, in any country or jurisdiction (other than Singapore) where action for that purpose is required.

Each Dealer has agreed that it will comply with all applicable securities laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers Securities or any interest therein or rights in respect thereof or has in its possession or distributes, any other document or any Pricing Supplement. No Dealer will directly or indirectly offer, sell or deliver Securities or any interest therein or rights in respect thereof or distribute or publish any prospectus, circular, advertisement or other offering material (including, without limitation, this Information Memorandum) in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Securities or any interest therein or rights in respect thereof by it will be made on the foregoing terms. In connection with the offer, sale or delivery by any Dealer of any Securities or any interest therein or rights in respect thereof, the Issuer shall not have responsibility for, and each Dealer will obtain, any consent, approval or permission required in and each Dealer will comply with the laws and regulations in force in, any jurisdiction to which it is subject or from which it may make any such offer or sale.

Any person who may be in doubt as to the restrictions set out in the SFA or the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Securities or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional advisers and should make his own inquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.

APPENDIX I

GENERAL AND OTHER INFORMATION

INFORMATION ON DIRECTORS

1. The Board of Directors of the Trustee-Manager is set out on page 119 of this Information Memorandum.

EQUITY CAPITAL

2. As at the date of this Information Memorandum, there is only one class of units in KIT. The rights and privileges attached to the units of KIT are stated in the KIT Trust Deed.
3. As at the Latest Practicable Date, there are 4,994,151,769 units of KIT in issue.

BORROWINGS

4. The borrowings of KIT as at 31 December 2018 are as disclosed in Appendix III to this Information Memorandum.

WORKING CAPITAL

5. After taking into account its internal resources and available loan facilities, the working capital available to KIT as at the date of this Information Memorandum is sufficient for its present requirements.

CHANGES IN ACCOUNTING POLICIES

6. There has been no significant change in the accounting policies of KIT since its audited financial accounts for the financial year ended 31 December 2018.

LITIGATION

7. There are no final and conclusive judgements against or affecting the Trustee-Manager, KIT or any of the subsidiaries of KIT, the outcome of which may have or have had during the 12 months prior to the date of this Information Memorandum a material adverse effect on the financial position of the Issuer, KIT or the Group taken as a whole.

MATERIAL ADVERSE CHANGE

8. There has been no material adverse change in the consolidated financial condition or business of the Group since 31 December 2018.

CONSENT

9. Deloitte & Touche LLP, the auditors of KIT, have given and have not withdrawn their written consent to the issue of this Information Memorandum with the references herein to their names and reports in the form and context in which they appear in this Information Memorandum.

LEGAL ENTITY IDENTIFIER

10. The Legal Entity Identifier of KIT is 254900BF7L1ZCMAZS467.

DOCUMENTS AVAILABLE FOR INSPECTION

11. Copies of the following documents may be inspected at the registered office of the Issuer at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 during normal business hours for a period of six months from the date of this Information Memorandum:
- (a) the Constitution of the Issuer;
 - (b) the Trust Deed;
 - (c) the KIT Trust Deed;
 - (d) the letter of consent referred to in paragraph 9 above; and
 - (e) the audited financial statements of the Group for the financial years ended 31 December 2017 and 31 December 2018.

FUNCTIONS, RIGHTS AND OBLIGATIONS OF THE TRUSTEE

12. The functions, rights and obligations of the Trustee are set out in the Trust Deed.

APPENDIX II

AUDITED FINANCIAL STATEMENTS OF KIT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The information in this Appendix II has been reproduced from the annual report of KIT for the financial year ended 31 December 2017 and has not been specifically prepared for inclusion in this Information Memorandum.

Trustee-Manager's Statement & Financial Statements

Trustee-Manager's Statement

Keppel Infrastructure Fund Management Pte. Ltd. was appointed as the Trustee-Manager of Keppel Infrastructure Trust (the "Trust") on May 18, 2015.

The directors of the Trustee-Manager present their statement, together with the audited consolidated financial statements of the Trust and its subsidiaries (collectively the "Group") and statement of financial position and statement of changes in unitholders' funds of the Trust for the financial year ended December 31, 2017.

Opinion of the Directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in unitholders' funds of the Trust as set out on pages 65 to 116 are drawn up so as to give a true and fair view of the financial position of the Group and of the Trust as at December 31, 2017, and the financial performance, changes in unitholders' funds and cash flows of the Group and changes in unitholders' funds of the Trust for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Trust will be able to pay its debts when they fall due.

In accordance with Section 86(2) of the Singapore Business Trusts Act, Chapter 31A (the "Act"), we further certify:

- (a) the fees or charges paid or payable out of the trust property of the Trust to the Trustee-Manager are in accordance with the Trust Deed;
- (b) the interested person transactions entered into by the Group during the financial year ended December 31, 2017 are not detrimental to the interests of all the unitholders of the Trust as a whole based on the circumstances at the time of the relevant transactions; and
- (c) the Board of Directors of the Trustee-Manager is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.

In accordance with Regulation 12(6) of the Singapore Business Trust Regulations ("BTR"), the Board of Directors of the Trustee-Manager may determine that a director who is not considered to be independent from management and business relationships with the Trustee-Manager under Regulation 3; or not considered to be independent from a substantial shareholder of the Trustee-Manager under Regulation 4, is nonetheless independent from management and business relationships with the Trustee-Manager or independent from a substantial shareholder of the Trustee-Manager, if the Board of Directors is satisfied that the director's independent judgment and ability to act with regard to the interests of all the unitholders of the Trust as a whole will not be interfered with, despite the relationships.

The details of the Board of Directors' review and determination under Regulation 12(7) of the BTR are disclosed in the Corporate Governance section of the Annual Report of the Trust in accordance to Regulations 12(8) and 12(9) of the BTR.

Directors

The directors of the Trustee-Manager in office at the date of this statement are:

Koh Ban Heng (Chairman)
 Thio Shen Yi
 Daniel Cuthbert Ee Hock Huat
 Kunnasagaran Chinniah
 Mark Andrew Yeo Kah Chong
 Christina Tan Hua Mui

Arrangements to Enable Directors to Acquire Units or Debentures

Neither at the end of the financial year nor at any time during the financial year was the Trustee-Manager a party to any arrangement whose object was to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units in, or debentures of the Trust.

Directors' Interests in Units or Debentures

The directors of the Trustee-Manager at the end of the financial year had no interests in the unit capital and debentures of the Trust as recorded in the register kept by the Trustee-Manager for the purposes of Sections 13 and 76 of the Act except as follows:

Name of directors and corporation in which interests are held	Direct interest		Deemed interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
Interests in Keppel Infrastructure Trust (Units)				
Thio Shen Yi	906	906	–	–
Kunnasagaran Chinniah	513,600	513,600	421,346	421,346

The unitholdings of the above directors as at January 21, 2018 were the same as those at December 31, 2017.

Unit Options

(a) Options to take up unissued units

During the financial year, there were no options granted by the Trustee-Manager to any person to take up unissued units in the Trust.

(b) Options exercised

During the financial year, there were no units of the Trust issued by virtue of the exercise of an option to take up unissued units.

(c) Unissued units under options

At the end of the financial year, there were no unissued units of the Trust under options.

Audit and Risk Committee

The members of the Audit and Risk Committee of the Trustee-Manager during the financial year and as at the date of this report are:

Mark Andrew Yeo Kah Chong (Chairman)
Koh Ban Heng
Daniel Cuthbert Ee Hock Huat

All members of the Audit and Risk Committee are independent and are non-executive directors.

The Audit and Risk Committee carried out its functions in accordance with Regulation 13(6) of the Singapore Business Trusts Regulations 2005 and the SGX Listing Manual.

In performing its functions, the Audit and Risk Committee met with the Trust's external and internal auditors to discuss the scope and results of their audits and the internal auditors' evaluation of the Group's internal accounting control system.

The Audit and Risk Committee also reviewed the following:

- (a) The audit plan and results of the internal auditor's examination and evaluation of the Group's systems of internal accounting controls;
- (b) The Group's financial and operating results and accounting policies;
- (c) The financial statements of the Trust and the consolidated financial statements of the Group before their submission to the directors of the Trustee-Manager and external auditor's report on those financial statements;
- (d) The adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- (e) The quarterly, half-yearly and annual announcements on the results and financial position of the Trust and the Group;
- (f) The co-operation and assistance given by the Trustee-Manager's officers to the Group's external auditors; and
- (g) The re-appointment of the external auditors of the Group.

The Audit and Risk Committee has full access to and had the co-operation of the Trustee-Manager and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officers of the Trustee-Manager to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee has recommended to the directors of the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the unitholders.

Auditors

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors of the Trustee-Manager



Koh Ban Heng
Chairman



Christina Tan Hua Mui
Director

Singapore
February 21, 2018

Statement by the Chief Executive Officer

In accordance with Section 86(3) of the Act, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.



Khor Un-Hun
Chief Executive Officer

Singapore
February 21, 2018

Independent Auditor's Report

to the Unitholders of Keppel Infrastructure Trust
(Constituted under a Trust Deed in the Republic of Singapore)

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Keppel Infrastructure Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Trust as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in unitholders' funds and consolidated statement of cash flows of the Group and the statement of changes in unitholders' funds of the Trust for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 116.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in unitholders' funds of the Trust are properly drawn up in accordance with the provisions of Singapore Business Trusts Act, Chapter 31A (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 Trust as at December 31, 2017 and of the consolidated financial performance, consolidated changes in unitholders' funds and consolidated cash flows of the Group and changes in unitholders' funds of the Trust 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 Auditor's 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 ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Our audit performed and responses thereon

Impairment of Assets – property, plant and equipment, finite-lived intangible assets, investments in and advances to subsidiaries and goodwill

Under FRS 36 *Impairment of Assets*, the Group is required to test goodwill for impairment annually and for other assets, where there are indicators of impairment. This assessment requires the exercise of significant judgement in determining the recoverable values of the cash generating units ("CGUs"), including growth rates, discount rates, terminal values and expected changes to selling prices and direct costs.

These assets represent a significant portion of the Group's and Trust's total assets and their proportion as at December 31, 2017 are as follows:

- Property, plant and equipment (57.0% of Group's total assets);
- Goodwill (11.1% of Group's total assets)
- Finite-lived intangible assets (2.3% of Group's total assets)
- Investments in and advances to subsidiaries, which are quasi-equity loans (50.6% of Trust's total assets)

The key assumptions to the impairment tests and the sensitivity of changes in these assumptions to the risk of impairment are disclosed in Notes 7 and 8 to the financial statements.

Basslink cable outage (the "outage")

As detailed in Note 41 to the financial statements, the Basslink Interconnector experienced an unplanned outage on December 20, 2015.

The Basslink operations represent the Group's Transmission segment, which is further disclosed in Note 40 to the financial statements.

Our audit procedures focused on evaluating and challenging the key assumptions used by the Trustee-Manager in concluding the impairment review. These procedures included:

- Using our valuation specialists to review key assumptions used in the impairment analysis, in particular the discount rates and terminal values;
- Challenging the cash flow forecasts used, with comparison to recent performance, trend analysis and market expectations; and
- By reference to prior years' forecasts, where relevant, assessing whether the Group has achieved them.

Based on our procedures, we noted the Trustee-Manager's key assumptions to be within a reasonable range of our expectations.

We have also assessed the adequacy and appropriateness of the disclosures made in the consolidated financial statements.

We evaluated the Trustee-Manager's assessment of the implications of the outage to the Group, in particular, the following:

- The breach of loan covenant and the impact to the Group's going concern assumption;
- Recoverability of Basslink's receivables; and
- Accounting for the insurance proceeds from the outage.

Independent Auditor's Report

to the Unitholders of Keppel Infrastructure Trust
(Constituted under a Trust Deed in the Republic of Singapore)

Key Audit Matters

Basslink cable outage (the "outage") (continued)

The implications of the outage include, *inter alia*, the following:

- **Breach of minimum debt service coverage ratio on loan covenant**

As disclosed in Note 19 to the financial statements, the Basslink bank borrowings of A\$697m (S\$712m) has been classified as current liabilities as at December 31, 2017. Basslink's ability to continue as a going concern is highly dependent on the lenders not demanding repayment of the loan and withdrawing the credit facility.

The Trustee-Manager continues to hold the view that the lenders remain supportive of Basslink and that the lenders do not intend to exercise their rights to recall the bank borrowings in the near term if the liquidity and stability of Basslink are maintained.

Furthermore:

- The Basslink bank borrowings are non-recourse to the Group;
- The breach in the loan covenant in the Basslink loan agreement does not result in any cross default on other borrowings within the Group; and
- The Group is not dependent on Basslink's cash flow for its operations and distributions to unitholders for at least the 12-month period from the date of the audit report.

Accordingly, the Trustee-Manager has assessed that the implications of the outage detailed above do not impact the going concern assumption of the Group.

- **Recoverability of Basslink's receivables**

As disclosed in Note 41 to the financial statements, Basslink's customer, Hydro Tasmania ("HT"), disputed the claim that the outage was a '*force majeure*' event and has not paid Basslink facility fees for the period from September 2016 to August 2017 and had instead given "good faith payments" to Basslink from December 2016 to July 2017.

In 2016, an independent submarine power cable expert engaged by Basslink concluded in its report (the "outage investigation report"), amongst others, that the cause of the cable outage is unknown. The Trustee-Manager is of the view that the outage investigation report supported Basslink's claim that the cause of the cable fault was a '*force majeure*' event.

From September 2017, HT had resumed the usual contractual payment of the full facility fees to Basslink.

The Trustee-Manager is of the view that the carrying amount of Basslink's receivables as at December 31, 2017 approximates the recoverable amount.

Our audit performed and responses thereon

We reviewed the Group's loan agreements and noted that the aforesaid default under the Basslink loan agreement does not result in any cross default on other borrowings within the Group. We have also sought legal representation that the Basslink bank borrowings are non-recourse to the Group.

We reviewed the cash flow contribution of Basslink to the Group to corroborate the Trustee-Manager's view that the Group is not dependent on Basslink's cash flow for its operations and distributions to unitholders for at least the 12-month period from the date of the audit report.

We reviewed the Basslink Services Agreement with HT, the outage investigation report supporting the outage as a '*force majeure*' event, and also verified the "good faith payments" made by the customer, HT. Based on our procedures, we found the Trustee-Manager's basis of assessment that the carrying amount of Basslink's receivables as at December 31, 2017 approximates the recoverable amount to be reasonable.

We have also assessed the adequacy and appropriateness of the disclosures made in the consolidated financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Trustee-Manager is responsible for the other information. The other information comprises the Key Figures for 2017, Financial Highlights, Chairman's Statement, composition of Board of Directors, The Trustee-Manager, Operations Review, Financial Review, Keppel Infrastructure Trust's Unit Price Performance, Significant Events for year ended 2017, Trust Structure, Corporate Information, Sustainability Report, Trustee-Manager's Statement, Statement by the Chief Executive Officer, Corporate Governance, Risk Management and Financial Calendar, which we obtained prior to the date of this audit report, and the Statistic of Unitholdings which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not 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 the Trustee-Manager and the Directors of the Trustee-Manager for the Financial Statements

The Trustee-Manager of the Trust 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 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, the Trustee-Manager 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 the Trustee-Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors of the Trustee-Manager's responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee-Manager.
- Conclude on the appropriateness of Trustee-Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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 of the Trustee-Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of the Trustee-Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

to the Unitholders of Keppel Infrastructure Trust
(Constituted under a Trust Deed in the Republic of Singapore)

From the matters communicated with the directors of the Trustee-Manager, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Trust and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Patrick Tan Hak Pheng.



Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

February 21, 2018

Statement of Financial Position

December 31, 2017

		Group		Trust	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-Current Assets					
Property, plant and equipment	6	2,255,920	2,379,600	–	–
Intangibles	7	527,145	537,165	–	–
Investment in subsidiaries	8	–	–	851,892	951,030
Investment in and advances to joint venture	9	20,752	23,432	–	–
Notes receivables	10	–	–	775,712	775,712
Amount receivable from a subsidiary	11	–	–	20,187	22,028
Service concession receivables	12	378,758	424,025	–	–
Finance lease receivables	13	105,139	114,823	–	–
Other assets	14	180,548	122,874	–	–
Total non-current assets		3,468,262	3,601,919	1,647,791	1,748,770
Current Assets					
Cash and bank deposits	15	213,956	266,859	31,054	51,969
Trade and other receivables	16	143,266	118,866	4,979	4,717
Service concession receivables	12	45,267	44,034	–	–
Finance lease receivables	13	9,684	9,319	–	–
Derivative financial instruments	17	–	1,055	–	–
Inventories	18	54,174	54,456	–	–
Other current assets	14	21,807	22,134	47	55
Total current assets		488,154	516,723	36,080	56,741
Current Liabilities					
Borrowings	19	722,377	752,106	–	–
Loan from a subsidiary	20	–	–	–	43,335
Trade and other payables	21	174,843	160,193	3,588	4,122
Derivative financial instruments	17	18,380	19,571	–	–
Income tax payable		3,410	5,454	10	19
Total current liabilities		919,010	937,324	3,598	47,476
Net Current (Liabilities)/Assets		(430,856)	(420,601)	32,482	9,265
Non-Current Liabilities					
Borrowings	19	1,071,904	1,058,576	145,500	122,612
Notes payable to non-controlling interests	23	260,000	260,000	–	–
Derivative financial instruments	17	100,551	85,976	859	986
Other payables	24	242,012	268,838	–	–
Provisions	22	32,886	31,280	–	–
Deferred tax liabilities	25	18,159	22,678	–	–
Total non-current liabilities		1,725,512	1,727,348	146,359	123,598
Net Assets		1,311,894	1,453,970	1,533,914	1,634,437
Represented by:					
Unitholders' Funds					
Units in issue	26	2,137,538	2,137,389	2,137,538	2,137,389
Hedging reserve	27	(210,861)	(204,478)	(859)	(986)
Translation reserve		(26,946)	(26,587)	–	–
Capital reserve	28	38,710	38,710	–	–
Accumulated losses		(785,506)	(689,644)	(602,765)	(501,966)
Total Unitholders' Funds		1,152,935	1,255,390	1,533,914	1,634,437
Non-controlling interests		158,959	198,580	–	–
		1,311,894	1,453,970	1,533,914	1,634,437

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Financial year ended December 31, 2017

	Note	2017 \$'000	2016 \$'000
Revenue	30	632,476	581,117
Other income	31	3,593	27,534
Other losses - net	32	(8,855)	(9,539)
Expenses			
Fuel and electricity costs		(126,008)	(97,775)
Gas transportation costs		(93,109)	(90,670)
Depreciation and amortisation		(104,969)	(113,712)
Staff costs	33	(26,717)	(25,971)
Operation and maintenance costs		(82,425)	(95,847)
Finance costs	34	(124,949)	(116,970)
Trustee-Manager's fees	35	(9,762)	(9,669)
Other operating expenses		(47,872)	(42,672)
Total expenses		(615,811)	(593,286)
Profit before joint venture		11,403	5,826
Share of results of joint venture		2,715	710
Profit before tax	36	14,118	6,536
Income tax expense	37	(342)	(415)
Profit for the year		13,776	6,121
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Cash flow hedges:			
- Fair value losses		(37,360)	(26,872)
- Transfer to profit or loss		28,877	20,058
- Share of net change in fair value of cash flow hedges of a joint venture		(1,080)	(430)
Currency translation differences relating to consolidation of foreign operations		(488)	549
Other comprehensive income, net of tax		(10,051)	(6,695)
Total comprehensive income		3,725	(574)
Profit/(Loss) attributable to:			
Unitholders of the Trust		47,613	41,188
Non-controlling interests		(33,837)	(35,067)
		13,776	6,121
Total comprehensive income attributable to:			
Unitholders of the Trust		40,871	39,017
Non-controlling interests		(37,146)	(39,591)
		3,725	(574)
Earnings per unit attributable to unitholders of the Trust, expressed in cents			
- basic and diluted	38	1.23	1.07

See accompanying notes to financial statements.

Statements of Changes in Unitholders' Funds

Financial year ended December 31, 2017

	Attributable to Unitholders of the Trust							
Note	Units in issue (Note 26) \$'000	Hedging reserve (Note 27) \$'000	Translation reserve \$'000	Capital reserve (Note 28) \$'000	Accumulated losses \$'000	Total unitholders' funds \$'000	Non- controlling interests \$'000	Total \$'000
Group								
At January 1, 2017	2,137,389	(204,478)	(26,587)	38,710	(689,644)	1,255,390	198,580	1,453,970
<u>Total comprehensive income</u>								
Profit/(Loss) for the year	-	-	-	-	47,613	47,613	(33,837)	13,776
Other comprehensive income for the year	-	(6,383)	(359)	-	-	(6,742)	(3,309)	(10,051)
Total	-	(6,383)	(359)	-	47,613	40,871	(37,146)	3,725
<u>Transactions with owners, recognised directly in equity</u>								
Units issued	26	149	-	-	-	149	-	149
Unclaimed distributions written back		-	-	-	15	15	-	15
Distributions paid	29	-	-	-	(143,490)	(143,490)	(2,475)	(145,965)
Total		149	-	-	(143,475)	(143,326)	(2,475)	(145,801)
At December 31, 2017		2,137,538	(210,861)	(26,946)	38,710	(785,506)	1,152,935	158,959
At January 1, 2016		2,137,322	(201,772)	(27,122)	38,710	(587,350)	240,998	1,600,786
<u>Total comprehensive income</u>								
Profit/(Loss) for the year		-	-	-	41,188	41,188	(35,067)	6,121
Other comprehensive income for the year		-	(2,706)	535	-	(2,171)	(4,524)	(6,695)
Total		-	(2,706)	535	-	41,188	39,017	(574)
<u>Transactions with owners, recognised directly in equity</u>								
Units issued	26	67	-	-	-	67	-	67
Distributions paid	29	-	-	-	(143,482)	(143,482)	(2,827)	(146,309)
Total		67	-	-	(143,482)	(143,415)	(2,827)	(146,242)
At December 31, 2016		2,137,389	(204,478)	(26,587)	38,710	(689,644)	198,580	1,453,970

See accompanying notes to financial statements.

Statements of Changes in Unitholders' Funds

	Note	Units in issue (Note 26) \$'000	Hedging reserve (Note 27) \$'000	Accumulated losses \$'000	Total unitholders' funds \$'000
Trust					
At January 1, 2017		2,137,389	(986)	(501,966)	1,634,437
Total comprehensive income					
Profit for the year		–	–	42,676	42,676
Other comprehensive income for the year		–	127	–	127
Total		–	127	42,676	42,803
Transactions with owners, recognised directly in equity					
Units issued	26	149	–	–	149
Unclaimed distributions written back		–	–	15	15
Distributions paid	29	–	–	(143,490)	(143,490)
Total		149	–	(143,475)	(143,326)
At December 31, 2017		2,137,538	(859)	(602,765)	1,533,914
At January 1, 2016		2,137,322	–	(420,925)	1,716,397
Total comprehensive income					
Profit for the year		–	–	62,441	62,441
Other comprehensive income for the year		–	(986)	–	(986)
Total		–	(986)	62,441	61,455
Transactions with owners, recognised directly in equity					
Units issued	26	67	–	–	67
Distributions paid	29	–	–	(143,482)	(143,482)
Total		67	–	(143,482)	(143,415)
At December 31, 2016		2,137,389	(986)	(501,966)	1,634,437

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Financial year ended December 31, 2017

	Note	2017 \$'000	2016 \$'000
Operating activities			
Profit before tax		14,118	6,536
Adjustments for:			
Depreciation and amortisation		104,969	113,712
Finance costs	34	124,949	116,970
Interest income	31	(1,664)	(1,911)
Allowance for doubtful trade and other receivables	16	573	310
Fair value loss on derivative financial instruments	32	8,523	9,199
Property, plant and equipment written off	36	2	486
Gain on construction of assets		–	(773)
(Gain)/Loss on disposal of property, plant and equipment		(6)	17
Share of results of joint venture		(2,715)	(710)
Unrealised foreign exchange gain		(126)	(29)
Management fees paid in units		149	67
Operating cash flows before movements in working capital		248,772	243,874
Trade and other receivables		(82,524)	(115,847)
Service concession receivables		44,034	42,257
Finance lease receivables		9,319	8,995
Trade and other payables		(27,882)	21,170
Inventories		(341)	830
Cash generated from operations		191,378	201,279
Interest received		1,865	1,682
Interest paid		(105,602)	(110,236)
Income tax paid		(5,425)	(8,553)
Net cash from operating activities		82,216	84,172
Investing activities			
Dividend received from joint venture		2,177	–
Advances to joint venture		–	(2,738)
Repayment of advances from joint venture		2,138	1,020
Purchase of property, plant and equipment		(1,727)	(947)
Proceeds from sale of property, plant and equipment		56	7
Construction of assets		–	(17,487)
Proceeds from sale of inventories		623	704
Net cash from/(used in) investing activities		3,267	(19,441)
Financing activities			
Decrease/(Increase) in restricted cash		2,592	(8,774)
Proceeds from borrowings		44,807	122,848
Repayment of related parties' loans		–	(4,541)
Repayment of borrowings		(37,149)	(13,130)
Unclaimed distributions written back		15	–
Payment of loan upfront fees		–	(326)
Distributions paid to unitholders of the Trust	29	(143,490)	(143,482)
Distributions paid by subsidiaries to non-controlling interests		(2,475)	(2,827)
Net cash used in financing activities		(135,700)	(50,232)
Net (decrease)/increase in cash and cash equivalents		(50,217)	14,499
Cash and cash equivalents at beginning of year		214,513	200,064
Effects of currency translation on cash and cash equivalents		(94)	(50)
Cash and cash equivalents at end of year	15	164,202	214,513

See accompanying notes to financial statements.

Notes to the Financial Statements

December 31, 2017

1. General

Keppel Infrastructure Trust, (the "Trust") is a business trust registered with the Monetary Authority of Singapore and domiciled in Singapore. The Trust was constituted by a trust deed dated January 5, 2007 and is regulated by the Singapore Business Trusts Act, Chapter 31A.

In 2015, the Trust changed its Trustee-Manager from CitySpring Infrastructure Management Pte. Ltd. to Keppel Infrastructure Fund Management Pte. Ltd. Under the trust deed, Keppel Infrastructure Fund Management Pte. Ltd. (the "Trustee-Manager") will hold the assets (including businesses) acquired in trust for the unitholders as the Trustee-Manager. The registered address and principal place of business of the Trustee-Manager is at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 and 230 Victoria Street, #05-08 Bugis Junction Towers, Singapore 188024 respectively.

The Trust has been established with the principal objective of investing in infrastructure assets and providing unitholders with regular and predictable distributions and the potential for long-term capital growth. The principal activities of the subsidiaries of the Trust are set out in Note 8.

The Trust was admitted to the Official List of the Main Board of Singapore Exchange Securities Trading Limited on February 12, 2007.

The consolidated financial statements of the Group and statement of financial position and statement of changes in unitholders' funds of the Trust for the financial year were authorised for issue by the Board of Directors of the Trustee-Manager on February 21, 2018.

2. Summary of Significant Accounting Policies

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with Financial Reporting Standards in Singapore ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2017, the Group and Trust adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Trust's accounting policies and has no material effect on the amounts reported for the current or prior years.

Adoption of a new financial reporting framework in 2018 - In December 2017, the Accounting Standards Council ("ASC") has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)", which is to be adopted by Singapore Business Trusts listed on the Singapore Exchange ("SGX"), for annual periods beginning on or after January 1, 2018. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Group and the Trust will be adopting the new framework for the first time for financial year ending December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

As a first-time adopter, the Group and the Trust are to apply retrospectively, accounting policies based on each SFRS(I) effective as at the end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending December 31, 2018, an additional opening statement of financial position as at the date of transition (January 1, 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for Unitholder's Funds as at the date of transition (January 1, 2017) and as at the end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the Group's and the Trust's current accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below), and the election of certain transition options available under SFRS(I) 1.

Management will be electing the following transition options that will result in material adjustments on transition to the new framework:

- Option to reset the translation reserve to zero as at date of transition

As a result, the Group expects to reclassify cumulative translation losses of \$26,587,000 from foreign exchange translation account to revenue reserves as at January 1, 2017. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), it is not possible to know all possible effects as at date of authorisation of the current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at December 31, 2018, they may impact the disclosures of estimated effects described below.

New SFRS(I) that may have impact - The following SFRS(I) pronouncements are expected to have an impact to the Group and the Trust in the periods of their initial application under the new SFRS(I) framework:

Effective for annual periods beginning on or after January 1, 2018

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 *Leases*

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms. Under SFRS(I) 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The adoption of SFRS(I) 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

SFRS(I) 9 Financial Instruments (continued)

The Group anticipates that the initial application of the new SFRS(I) 9 will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. The Group will consider whether a lifetime or 12-month expected credit losses on financial assets and liabilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of SFRS(I) 9. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the Group is currently finalising the transition adjustments.

SFRS(I) 15 Revenue from Contracts with Customers

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

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

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

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

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

The Group does not expect the adoption of the above SFRS(I) to have a material impact on the financial statements of the Group and Trust in the period of their initial adoption. However, additional disclosures for trade receivables and revenue may be required including any significant judgement and estimation made. The Group is currently finalising the transition adjustments.

SFRS(I) 16 Leases

The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The standard maintains substantially the lessor accounting approach under the existing framework.

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

The standard will affect primarily the accounting for the Group's operating leases. The future minimum rental expense payable under significant non-cancellable leases is disclosed in Note 39. The Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit or loss and classification of cash flows. The Group does not plan to early adopt SFRS(I) 16 for financial year ending December 31, 2018.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Trust and entities controlled by the Trust (its subsidiaries). Control is achieved when the Trust:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Trust reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Trust has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Trust considers all relevant facts and circumstances in assessing whether or not the Trust's voting rights in an investee are sufficient to give it power, including:

- The size of the Trust's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Trust, other vote holders or other parties;

- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Trust has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Trust obtains control over the subsidiary and ceases when the Trust loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Trust gains control until the date when the Trust ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Trust and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Trust and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the Trust's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

BUSINESS COMBINATIONS (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income or expense is recognised on an effective interest basis for debt instruments other than those financial instruments at "fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified category: financial assets "at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

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

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in 'other gains and losses' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

Loans and receivables

Trade and other receivables and notes receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, notes receivables, cash and bank deposits) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Service concession arrangements

The Group has entered into service concession arrangements with governing agencies (the grantors) of the Government of Singapore to operate a water treatment plant and two waste-to-energy plants in Singapore. Under the concession arrangements, the Group will operate the plants for agreed original concession periods of between 15 to 25 years and transfer the plants to the grantors at the end of the concession periods. Such a concession arrangements fall within the scope of INT FRS 112 *Service Concession Arrangements* and are accounted for as service concession receivables.

The Group recognises a finance receivable arising from a service concession arrangement when it has a right to receive a fixed and determinable amount of payments during the concession period irrespective of the usage of the concession infrastructure. When the Group receives a payment during the concession period, it will apportion such payment between (i) a repayment of the finance receivable (if any), which will be used to reduce the carrying amount of the finance receivable on its statement of financial position, (ii) interest income, which will be recognised as finance income in profit or loss and (iii) revenue from operating and maintaining the infrastructure, which will be recognised in profit or loss.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been impacted.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Units in issue and unit proceeds from issuance of units are recognised as units in issue in equity

Issue expenses are expenses incurred in issuance of units in the Trust. Expenses which are directly attributable to the issuance of units are deducted directly from the net assets attributable to the unitholders. Expenses which are not directly attributable to the issuance of units are recognised in the profit or loss.

Distributions to the Trust's unitholders

Distributions to the Trust's unitholders are recorded in equity in the period in which they are approved for payment.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- On initial recognition, the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as interest rate swaps and foreign currency forwards to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently carried at fair value.

The fair values of the derivative financial instruments are determined by reference to market values quoted by banks at the balance sheet date. The fair value of interest rate swaps embedded in an operating contract is calculated as the present value of the estimated future cash flow discounted at actively quoted interest rates.

For the purpose of hedge accounting, the Group classifies its hedges as cash flow hedges.

Cash flow hedges

Cash flow hedges refer to hedges against exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The fair value changes on the effective portion of the hedging instruments designated as cash flow hedges are recognised in the hedging reserve, while the ineffective portion are recognised immediately in the profit or loss. The amount taken to hedging reserve are transferred to the profit or loss when the hedged transaction affects profit or loss.

Derivatives that are not designated or do not qualify for hedge accounting

Certain derivative instruments are not designated or do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the profit or loss and are included in other gains/ (losses) - net.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Trust and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee**Operating leases**

Payments made under operating leases (net of any incentives received from the lessor) are recognised in the profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor**Finance leases**

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

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance lease 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 receivable. 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 finance lease income.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment acquired as part of a business combination are recognised initially at their fair values at the date of acquisition and subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of an item includes its purchase price and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Trustee-Manager. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purposes other than to produce inventories.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

PROPERTY, PLANT AND EQUIPMENT (continued)

Freehold land has an unlimited useful life and stand-by equipment and assets under construction are not yet available for use and therefore are not depreciated. Depreciation on other property, plant and equipment is calculated using a straight line method to allocate their depreciable amounts over their estimated useful lives as follows:

Building and leasehold land	Over the leasehold period of 30 years
Easements	38.67 years
Interconnector and related plant and machinery	3 to 63.67 years
Power plant	25 years
Other plant and machinery	3 to 25 years
Computers, vehicles, furniture, fittings and equipment	1 to 12 years or lease term, whichever is shorter

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of a property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS EXCLUDING GOODWILL

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Concession arrangements, customer relationship and customer contracts acquired as part of business combination are initially recognised at their fair values at the acquisition date and subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses.

These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of:

Concession arrangements	9.26 to 19.42 years
Customer contracts	18.85 to 38.69 years
Customer relationship	10.01 years

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's Cash Generating Units ("CGU") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years, unless a longer period can be justified. For longer periods, a long-term justified growth rate is applied to project future cash flows.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

JOINT VENTURE – A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning liabilities

The provision for decommissioning costs arose on construction of plant and equipment due to contractual obligation. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the costs of that particular asset. The cash flows are discounted at current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

SHARE-BASED PAYMENT - Management fees due to the Trustee-Manager can be settled either in cash or by the issue of units in the Trust or by a combination of both cash and units at the option of the Trustee-Manager. The fair values of the settlement choices are identical as the number of units to be issued to the Trustee-Manager is based on the cash liability at the settlement date. The Group measures and re-measures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in the profit or loss. If the Group issues equity instruments on settlement rather than paying cash, the liability shall be transferred direct to equity, as the consideration for the equity instruments issued. If the Group pays in cash on settlement rather than issuing equity instruments, payment shall be applied to settle the liability in full.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income

Service income is recognised at the time when the services are rendered.

Finance income from service concession arrangements

Finance income from service concession arrangement represents the interest income on the service concession receivables arising from a service concession arrangement, and is recognised using the effective interest method.

Finance lease income

Accounting policy for recognising finance lease income is stated separately above.

Operation and maintenance income

Revenue from provision of operation and maintenance service is recognised when the services are rendered.

Construction revenue

Revenue from construction or upgrade services under service concession arrangements is recognised based on the percentage of completion method in proportion to the stage of completion and the outcome of such contract can be reliably estimated. The percentage of completion is measured by reference to the proportion of the contract cost incurred to date to the estimated total contract costs.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Other income

Other income represents the sale of scrap, rental income and insurance compensation. Sale of scrap is recognised upon delivery of the scrap materials and rental income is recognised on a straight line basis over the term of the relevant lease. Insurance compensation is recognised in profit or loss to the extent of the amount received from the insurer.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

DEFINED CONTRIBUTION PLANS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Trust and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from 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 assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Trust are presented in Singapore dollars, which is the functional currency of the Trust and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents comprise cash on hand, fixed deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents is stated at cash and bank deposits less restricted cash.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Trustee-Manager is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, Trustee-Manager has not made any judgements that will have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations as discussed below.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 4(a) to the financial statements.

(ii) Impairment of non-financial assets

The Group assesses at each reporting date whether there are any indicators of impairment for all non-financial assets, other than goodwill.

Where such indicators exist, determining whether the carrying values of investments in joint venture, subsidiaries, property, plant and equipment and intangibles are impaired requires an estimation of the value in use of the asset or the CGU. This requires the Group to estimate the future cash flows expected from the asset or the CGU, the growth rate and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of property, plant and equipment, intangibles, investments in subsidiaries and joint venture at the end of the reporting period are disclosed in Notes 6, 7, 8 and 9 respectively.

(iii) Allocation and impairment of goodwill

The Group completed the acquisition of the Crystal Assets on May 18, 2015 (see Note 8). An independent valuer was engaged by the Group to identify and measure the fair values of the identifiable assets and liabilities and goodwill on acquisition.

Goodwill arising from the business combination is allocated, based on the relative fair value approach, to the CGUs that are expected to benefit from that business combination, specifically, the Group's Gas and Transmission business segments. This requires the Group to estimate the additional future benefit to be derived by the CGUs.

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. The recoverable values of the CGUs are determined based on value in use calculations. This requires the Group to estimate the future cash flows expected from the asset or the CGU, the growth rate and an appropriate discount rate in order to calculate the present value of the future cash flows.

The carrying amounts of goodwill at the end of the reporting period are disclosed in Note 7.

4. Financial Instruments, Financial Risks and Capital Management

(a) Categories of financial instruments

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial Assets				
Loans and receivables (including cash, bank and deposit balances)	896,145	978,674	831,722	854,247
Derivative instruments:				
In designated hedge accounting relationships	–	5	–	–
Not designated in hedge accounting relationships	–	1,050	–	–
Total	896,145	979,729	831,722	854,247
Financial Liabilities				
Payables, at amortised cost	2,214,395	2,227,862	149,215	170,305
Fair value through profit or loss				
Derivative instruments:				
In designated hedge accounting relationships	118,923	105,547	859	986
Not designated in hedge accounting relationships	8	–	–	–
Total	2,333,326	2,333,409	150,074	171,291

The Group and Trust do not have any financial instruments which are subject to enforceable master netting arrangements or similar netting arrangements, other than those disclosed in the financial statements.

(b) Financial risk management policies and objectives

The Group's activities expose it to a variety of financial risks, including the effects of credit, interest rate, liquidity, and foreign currency exchange rate. Risk management is integral to the whole business of the Group. The Group's overall risk management programme seeks to minimise potential adverse effects of the unpredictability of financial markets on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps, forward currency contracts and commodity swaps to hedge certain financial risk exposures.

The Board of Directors of the Trustee-Manager is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Trustee-Manager then establishes and implements the detailed financial risk management policies such as authority levels, oversight responsibilities, risk identification, exposure limits and hedging strategies in accordance with the objectives and underlying principles approved by the Board of Directors of the Trustee-Manager.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(i) Foreign exchange risk management

The Group operates mainly in Singapore and Australia. The Group entities transact predominantly in their respective functional currency except for two subsidiaries.

One subsidiary, whose functional currency is the Singapore dollar ("SGD"), is partially exposed to United States dollar ("USD") currency risk. The subsidiary's exposure to USD feedstock purchases for its town gas production is mainly passed through. However, it has USD currency risk in respect of purchases of natural gas for retail and retail sales in USD.

Another subsidiary, whose functional currency is the USD, is exposed to currency risk from receipts denominated in SGD. This subsidiary also holds cash and cash equivalents denominated in SGD for working capital purposes.

The Group reviews these balances periodically to ensure that the net exposure is kept at an acceptable level.

The Group is exposed to currency translation risk on net assets in foreign operations. Currency exposure to the net assets in Australia is managed predominantly by having a significant amount of borrowings denominated in the functional currency.

The Trust pays quarterly distributions to its unitholders in SGD whilst its Australian subsidiaries' distributions, if any, are in Australian dollar ("AUD"). The Group was not exposed to AUD foreign currency risk in 2017 and 2016 as there were no distribution from its Australian subsidiaries during the year.

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Management (continued)

(b) Financial risk management policies and objectives (continued)

(i) Foreign exchange risk management (continued)

At the end of the financial year, the carrying amounts of monetary assets and liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Liabilities		Assets	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Group				
USD	3,115	2,700	2,279	2,683
AUD	–	–	1,158	1,191
SGD	660	353	6,044	4,278
Trust				
AUD	–	–	858	884

Sensitivity analysis

The following table details the sensitivity to a 5% (2016 : 5%) increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to the Trustee-Manager and represents the Trustee-Manager's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjust their translations at the period end for a 5% change in foreign currency rates.

If the relevant foreign currency strengthens by 5% (2016 : 5%) against the functional currency of each Group entity, profit or loss will increase or decrease by:

	Increase/(Decrease) Profit or loss	
	2017 \$'000	2016 \$'000
Group		
USD	(42)	(1)
AUD	58	60
SGD	269	196
Trust		
AUD	43	44

A 5% (2016 : 5%) weakening of the foreign currencies above against the respective functional currencies at the reporting date would have the equal impact but opposite effect.

(ii) Interest rate risk management

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.

The Group and the Trust have no significant variable interest-bearing assets.

The Group's exposure to interest rate risks arises mainly from its borrowings. Borrowings at variable rates expose the Group to interest rate risk. The Group's policy is to manage its interest cost using a mix of fixed and floating interest rate debts. The Group enters into interest rate swaps which allow the Group to raise long term borrowings at floating rates and swap them into fixed rates, with the objective to reduce variability in cash flows arising from interest rate fluctuations.

Details of the various derivative financial instruments held by the Group and Trust are disclosed in Note 17. Assuming all other variables are held constant, a 50 basis points change in Singapore or Australia interest rate has the following impact on profit or loss as a result of higher or lower finance cost or fair value changes to derivative financial instruments. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Sensitivity analysis

	Decrease of 50 basis points		Increase of 50 basis points	
	Increase/(Decrease)		Increase/(Decrease)	
	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000	Equity \$'000
Group				
For the year ended December 31, 2017				
Borrowings at floating interest rate	797	–	(797)	–
Interest rate swaps accounted for under cash flow hedge	–	(43,374)	–	43,374
For the year ended December 31, 2016				
Borrowings at floating interest rate	1,327	–	(1,327)	–
Interest rate swaps accounted for under cash flow hedge	–	(58,648)	–	58,648

(iii) Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the customer profile of its trade receivables, based on the operating segments, on an ongoing basis. The credit risk concentration profile of the Group's third-party trade receivables, grossed up for any allowances for losses, at the end of the financial year is as follows:

	2017		2016	
	\$'000	%	\$'000	%
Group				
By operating segments				
Gas ¹	35,444	26	31,147	35
Concessions ²	25,780	19	25,478	28
Transmission ³	60,032	45	28,991	32
Power ⁴	11,754	9	2,815	3
Others	1,190	1	1,064	2
	134,200	100	89,495	100

¹ There is no significant concentration of credit risk due to the nature and the significant number of its customer base. To mitigate credit risk, deposits or bankers guarantees are obtained from customers upon the opening of a utilities account. Included in the refundable customer deposits disclosed in Note 21, is an amount of \$36,028,000 (2016 : \$34,785,000), which can, subject to certain conditions, be used to set off against the corresponding outstanding receivables when the circumstances warrant.

² There is a significant concentration of credit risk with their customers, which are agencies of the Government of Singapore, for the duration of the service contract entered into.

³ There is a significant concentration of credit risk with the major customer, a wholly-owned entity of the State of Tasmania, which represents 99% (2016 : 98%) of the total trade receivables from the Transmission segment. The higher balance in 2017 is because the customer did not pay the full facility fees from September 2016 to August 2017 and had instead given so-called "good faith payments" from December 2016 to July 2017. Since September 2017, the customer had resumed the contractual payment of the full facility fees (and accordingly discontinued the good faith payments).

⁴ There is a significant concentration of credit risk with its sole customer, which is a related party. Billing in arrears to its sole customer commenced from August 2017 after the prepaid tolling fees have been fully depleted.

Each Group entity monitors the credit risk by ensuring that payments are received by the contractual date.

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

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Management (continued)

(b) Financial risk management policies and objectives (continued)

(iv) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations due to a shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Trust can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Effective interest rate %	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000	Adjustment \$'000	Total \$'000
Group						
2017						
Non-interest bearing	–	127,616	–	–	–	127,616
Variable interest rate instruments *	1.47 – 3.66	68,329	1,776,281	16,064	(59,112)	1,801,562
Fixed interest rate instruments	5.87 – 17.50	43,850	175,400	1,063,238	(997,271)	285,217
		<u>239,795</u>	<u>1,951,681</u>	<u>1,079,302</u>	<u>(1,056,383)</u>	<u>2,214,395</u>
2016						
Non-interest bearing	–	121,107	–	–	–	121,107
Variable interest rate instruments *	2.03 – 4.75	56,439	1,860,952	24,240	(119,599)	1,822,032
Fixed interest rate instruments	5.87 – 17.50	43,850	175,400	1,110,344	(1,044,871)	284,723
		<u>221,396</u>	<u>2,036,352</u>	<u>1,134,584</u>	<u>(1,164,470)</u>	<u>2,227,862</u>
Trust						
2017						
Non-interest bearing	–	3,588	–	–	–	3,588
Variable interest rate instruments	1.66	2,621	146,064	–	(3,058)	145,627
		<u>6,209</u>	<u>146,064</u>	<u>–</u>	<u>(3,058)</u>	<u>149,215</u>
2016						
Non-interest bearing	–	4,122	–	–	–	4,122
Fixed interest rate instruments	2.36	43,537	–	–	(202)	43,335
Variable interest rate instruments	2.35	2,882	126,149	–	(6,183)	122,848
		<u>50,541</u>	<u>126,149</u>	<u>–</u>	<u>(6,385)</u>	<u>170,305</u>

* Included under the variable interest rate instruments category is the undiscounted cash flows of Basslink bank borrowings with a carrying amount of \$711,955,000 (2016: \$741,688,000) as at December 31, 2017. The timing of the cash flow payments have been categorised above based on the remaining contractual maturity. These bank borrowings have been classified as current liabilities on the statement of financial position (Note 19).

Non-derivative financial assets

The following tables detail the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Trust anticipate that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

	Effective interest rate %	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000	Adjustment \$'000	Total \$'000
Group						
2017						
Non-interest bearing	-	170,264	-	-	-	170,264
Fixed interest rate instruments	0.34 - 4.68	258,998	287,898	284,231	(105,246)	725,881
		<u>429,262</u>	<u>287,898</u>	<u>284,231</u>	<u>(105,246)</u>	<u>896,145</u>
2016						
Non-interest bearing	-	172,092	30	-	-	172,122
Fixed interest rate instruments	0.21 - 4.68	286,316	287,898	356,196	(123,858)	806,552
		<u>458,408</u>	<u>287,928</u>	<u>356,196</u>	<u>(123,858)</u>	<u>978,674</u>
Trust						
2017						
Non-interest bearing	-	10,692	-	-	-	10,692
Fixed interest rate instruments	0.37 - 17.50	114,862	358,928	1,974,045	(1,646,991)	800,844
Variable interest rate instruments	1.66	335	1,340	20,748	(2,237)	20,186
		<u>125,889</u>	<u>360,268</u>	<u>1,994,793</u>	<u>(1,649,228)</u>	<u>831,722</u>
2016						
Non-interest bearing	-	19,784	-	-	-	19,784
Fixed interest rate instruments	0.21 - 17.50	126,456	358,931	2,063,351	(1,736,303)	812,435
Variable interest rate instruments	1.21	263	1,051	22,729	(2,015)	22,028
		<u>146,503</u>	<u>359,982</u>	<u>2,086,080</u>	<u>(1,738,318)</u>	<u>854,247</u>

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Management (continued)

(b) Financial risk management policies and objectives (continued)

(iv) Liquidity risk management (continued)

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period.

	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000
Group			
2017			
Net settled:			
Interest rate swaps	(26,864)	(78,519)	(103,163)
Foreign currency forward	(94)	–	–
2016			
Net settled:			
Interest rate swaps	(32,213)	(85,148)	(58,160)
Foreign currency forward	5	–	–
Commodity swap	1,050	–	–
Trust			
2017			
Net settled:			
Interest rate swaps	(947)	(158)	–
2016			
Net settled:			
Interest rate swaps	(1,267)	(1,710)	–

The Group and the Trust manage their liquidity risk by maintaining a sufficient level of cash and cash equivalents deemed adequate by the Trustee-Manager to finance the Group's and Trust's operations including servicing of financial obligations and to mitigate the effects of fluctuations in cash flows. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted.

The Group is in a net current liability position of \$430,856,000 (2016 : \$420,601,000) as at the end of the reporting period as a result of the classification of Basslink bank borrowings of \$711,955,000 (2016 : \$741,688,000) as current liabilities (Note 19). The financial statements of the Group have been prepared on a going concern basis on the following basis:

- The Basslink bank borrowings are non-recourse to the Group;
- The breach in the loan covenant in the Basslink loan agreement does not result in any cross default on other borrowings within the Group; and
- The Group is not dependent on Basslink's cash flow for its operations and distributions to unitholders for at least the 12-month period from the date of the financial statements.

Accordingly, the Trustee-Manager has assessed that the implications of the bank borrowings above do not impact the going concern assumption of the Group.

The Group maintains \$107.3 million (2016 : \$151.8 million) undrawn facilities as at end of the financial year.

(v) Fair value of financial assets and financial liabilities

(i) Assets and liabilities measured at fair value

The Group and Trust's derivative financial instruments as at December 31, 2017 and 2016 are measured at fair value under Level 2 of the fair value hierarchy. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at				Fair value hierarchy	Valuation technique(s) and key input(s)
	2017 Assets \$'000	2017 Liabilities \$'000	2016 Assets \$'000	2016 Liabilities \$'000		
Group						
Interest rate swaps	–	(118,837)	–	(105,547)	Level 2	The Group uses a variety of methods and makes assumptions that are based on market conditions existing at end of each reporting period. Techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The models incorporate various inputs including the credit quality of counterparties and interest rate curves. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
Foreign currency forward	–	(94)	5	–	Level 2	
Commodity swap	–	–	1,050	–	Level 2	
Trust						
Interest rate swaps	–	(859)	–	(986)	Level 2	The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at end of each reporting period. Techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The models incorporate various inputs including the credit quality of counterparties and interest rate curves. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

There were no transfer between the different levels of the fair value hierarchy during the financial years ended December 31, 2017 and 2016.

(ii) Fair value of the Group and Trust's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Trustee-Manager considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate their fair values, unless otherwise stated in the respective notes to the financial statements.

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Management (continued)

(c) Capital management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to support its businesses and maximise unitholders' value.

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of distribution payment, return capital to unitholders, issue new units, buy back issued units, obtain new borrowings or sell assets to reduce borrowings. The Group may also issue new units to finance future growth.

The Group seeks to raise non-recourse debt structured specifically to match the cash flow profile of its underlying assets. The Group's general philosophy on leverage is to ensure that its subsidiaries have sufficient financial flexibility to meet their capital expenditure and operational needs, and at the same time, service their debt obligations promptly and reliably.

In addition to bank covenants, debt service coverage ratios and other tests, the Trustee-Manager also monitors capital based on the ratio of the Group's net borrowings to total assets. Net borrowings are calculated as total borrowings less cash and bank deposits excluding notes payable to non-controlling interest. For the Trust, the Trustee-Manager monitors capital based on ratio of the Trust's net borrowings to total assets.

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Net borrowings	1,580,325	1,543,823	114,446	113,978
Total assets	3,956,416	4,118,642	1,683,871	1,805,511
Ratio	40%	37%	7%	6%

There are no externally imposed capital requirements for the financial years ended December 31, 2017 and 2016, other than the loan covenants disclosed in Note 19.

5. Related Party Transactions

Some of the Group's transactions and arrangements are with (a) the Trustee-Manager; and (b) the significant corporate unitholders, Keppel Corporation Limited and Temasek Holdings (Private) Limited, and their associates. The effect of these on the basis determined between the parties is reflected in these financial statements.

The following significant transactions between the Group and its related parties took place at terms agreed between the parties during the year:

	Note	Group	
		2017 \$'000	2016 \$'000
Sale of goods and services	(i)	126,759	130,023
Purchases of goods and services	(i)	(268,699)	(257,986)
Operating lease expense	(i)	(2,651)	(2,269)
Interest income	(i)	439	391
Professional fees	(i)	(69)	(81)
Trustee-Manager's fees	(ii)	(9,762)	(9,669)

- (i) Received/receivable from and/or paid/payable to subsidiaries of the substantial unitholders of the Trust.
- (ii) The Trust Deed sets out the management fee arrangements between the Trust and the Trustee-Manager in relation to the management of the Trust. The fee structure for these services is disclosed in Note 35.

6. Property, Plant and Equipment

	Freehold land \$'000	Building and leasehold land \$'000	Easements \$'000	Inter-connector and related plant and machinery ² \$'000	Power plant \$'000	Other plant and machinery ³ \$'000	Computers, vehicles, furniture, fittings and equipment \$'000	Stand-by equipment and assets under construction \$'000	Total \$'000
Group									
Cost:									
At January 1, 2016	1,457	10,870	1,686	1,044,880	1,624,252	80,918	11,701	12,890	2,788,654
Additions	-	-	-	-	-	837	110	-	947
Written off	-	-	-	(5)	(552)	(1,451)	(75)	-	(2,083)
Disposals	-	-	-	-	-	(67)	(8)	-	(75)
Currency translation differences	57	-	66	40,665	-	-	65	-	40,853
Reclassification	-	-	-	-	-	(2)	(23)	(1)	(26)
Other movement ¹	-	-	-	(9,093)	-	-	-	-	(9,093)
At December 31, 2016	1,514	10,870	1,752	1,076,447	1,623,700	80,235	11,770	12,889	2,819,177
Additions	-	-	-	-	-	902	608	217	1,727
Written off	-	-	-	(3)	-	(678)	(2,621)	-	(3,302)
Disposals	-	-	-	-	-	-	(127)	-	(127)
Currency translation differences	(57)	-	(66)	(40,690)	-	(2)	(65)	(7)	(40,887)
Reclassification	-	-	-	-	1	-	2	-	3
Other movement ¹	-	-	-	1,796	-	-	-	-	1,796
At December 31, 2017	1,457	10,870	1,686	1,037,550	1,623,701	80,457	9,567	13,099	2,778,387
Accumulated depreciation:									
At January 1, 2016	-	5,001	364	216,374	37,695	64,170	9,291	-	332,895
Depreciation charge	-	563	44	17,099	75,479	5,016	990	-	99,191
Written off	-	-	-	(5)	(66)	(1,451)	(75)	-	(1,597)
Disposals	-	-	-	-	-	(45)	(6)	-	(51)
Currency translation differences	-	-	16	9,069	-	-	54	-	9,139
At December 31, 2016	-	5,564	424	242,537	113,108	67,690	10,254	-	439,577
Depreciation charge	-	563	45	17,517	75,465	1,756	823	-	96,169
Written off	-	-	-	(2)	-	(678)	(2,620)	-	(3,300)
Disposals	-	-	-	-	-	-	(78)	-	(78)
Currency translation differences	-	-	(18)	(9,829)	-	-	(54)	-	(9,901)
At December 31, 2017	-	6,127	451	250,223	188,573	68,768	8,325	-	522,467
Carrying amount:									
At December 31, 2017	1,457	4,743	1,235	787,327	1,435,128	11,689	1,242	13,099	2,255,920
At December 31, 2016	1,514	5,306	1,328	833,910	1,510,592	12,545	1,516	12,889	2,379,600

¹ This relates to the movement in the provision for decommissioning costs during the financial year (Note 22).

² Included in this category is an amount of \$3,828,000 (2016 : \$4,827,000) which pertains to plant and machinery related to the interconnector with useful lives ranging from 3 to 40 years.

³ Included in this category is an amount of \$9,117,000 (2016 : \$10,292,000) which pertains to plant and machinery under the gas segment with useful lives ranging from 14 to 25 years.

Certain property, plant and equipment with carrying amount of \$806,862,000 (2016 : \$854,815,000) are pledged as security for borrowings (Note 19).

Notes to the Financial Statements

7. Intangibles

	Group	
	2017 \$'000	2016 \$'000
Goodwill arising on consolidation	437,300	437,300
Concession arrangements	29,815	33,074
Customer contracts	60,030	66,042
Customer relationship	–	749
	89,845	99,865
	527,145	537,165

Movements during the year are as follow:

	Goodwill \$'000	Concession arrangements \$'000	Customer contracts \$'000	Customer relationship \$'000	Total \$'000
Cost:					
At January 1, 2016	440,426	38,234	111,215	65,100	654,975
Currency translation differences	–	–	1,668	–	1,668
Adjustment	(3,126)	–	–	–	(3,126)
At December 31, 2016	437,300	38,234	112,883	65,100	653,517
Currency translation differences	–	–	(1,668)	–	(1,668)
At December 31, 2017	437,300	38,234	111,215	65,100	651,849
Accumulated amortisation:					
At January 1, 2016	–	1,901	41,691	57,841	101,433
Amortisation	–	3,259	4,752	6,510	14,521
Currency translation differences	–	–	398	–	398
At December 31, 2016	–	5,160	46,841	64,351	116,352
Amortisation	–	3,259	4,792	749	8,800
Currency translation differences	–	–	(448)	–	(448)
At December 31, 2017	–	8,419	51,185	65,100	124,704
Carrying amount:					
At December 31, 2017	437,300	29,815	60,030	–	527,145
At December 31, 2016	437,300	33,074	66,042	749	537,165

(a) Goodwill arising on consolidation

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGU") that are expected to benefit from that business combination. The Group is structured into four business segments, Gas, Concessions, Power and Transmission. Based on the relative fair value approach, the goodwill arising from the Crystal Assets Acquisition was allocated to the Gas and Transmission business segments.

Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

Group	Carrying amount \$'000	Terminal growth rate %	Post-tax discount rate %
December 31, 2017			
Gas segment	379,497	2.0	7.1
Transmission segment	57,803	N/A	5.6
December 31, 2016			
Gas segment	379,497	2.0	7.7
Transmission segment	57,803	N/A	5.5

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

The recoverable values of the CGUs are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, terminal value and expected changes to selling prices and direct costs and ability to secure adequate banking facilities during the period. The Trustee-Manager estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on the industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Trustee-Manager covering a period of more than five years for both the Gas and Transmission business segments as its Gas business is currently the sole producer and retailer of town gas and its Transmission business has a long-term contract with its major customer.

Sensitivity analysis

Based on the value in use calculations as determined by the Trustee-Manager, an increase or decrease by 1 percentage point to the discount rates used in the assessment will affect the value in use as follows:

	2017		2016	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Gas segment	(98,094)	145,353	(129,712)	143,681
Transmission segment	(153,242)	203,565	(176,230)	233,846

Any reasonable possible change to the key assumptions applied, including the discount rates used as detailed above, is not likely to cause the recoverable amounts to be below the carrying amounts of the CGUs.

No impairment was considered necessary for the current and prior year.

(b) Concession arrangements, customer contracts and customer relationship

The intangible assets recognised on concession arrangements represent the rights to charge users of the public service under the Group's operating concessions. They have remaining amortisation period of 6.67 to 16.84 years (2016 : 7.67 to 17.84 years).

The intangible assets recognised on customer contracts were in relation to contractual agreements that two of the subsidiaries have with their sole customer. These have remaining amortisation period of 7.96 to 28.35 years (2016 : 8.96 to 29.35 years).

Customer relationship relates to the value of customer loyalty and commitment from its broad base of customers and was fully amortised in FY2017 (2016 : 0.12 years).

Notes to the Financial Statements

8. Investment in Subsidiaries

	Trust	
	2017 \$'000	2016 \$'000
Investments, at cost	844,787	844,787
Advances to subsidiaries	540,605	542,743
Less: Allowance for impairment	(533,500)	(436,500)
	851,892	951,030
Movement in allowance accounts:		
Beginning of year	436,500	356,000
Charge for the year	97,000	80,500
End of year	533,500	436,500

Advances to subsidiaries are quasi-equity loans which represent an extension of investment in the subsidiaries. They are unsecured and interest-free. Settlements are neither planned nor likely to occur in the foreseeable future.

Details of the Group's significant subsidiaries at end of financial year are as follows:

Name of subsidiaries	Principal activities (Country of incorporation or residence)	Proportion of ownership interest and voting power held	
		2017 %	2016 %
(a) Held by Keppel Infrastructure Fund Management Pte. Ltd. in its capacity as Trustee-Manager of, and for the benefit of the Trust			
City Gas Pte Ltd ⁽¹⁾	Trustee of City Gas Trust (Singapore)	100	100
City Gas Trust ⁽¹⁾	Production and retail of town gas, retail of natural gas and sales of gas appliances (Singapore)	100	100
SingSpring Pte Ltd ⁽¹⁾	Trustee of SingSpring Trust (Singapore)	100	100
SingSpring Trust ⁽¹⁾	Operation of a seawater desalination plant (Singapore)	70	70
CityLink Investments Pte Ltd ⁽¹⁾	Investment holding (Singapore)	100	100
CityNet Infrastructure Management Pte Ltd ("CityNet") ⁽¹⁾	Trustee-Manager (Singapore) ⁽⁴⁾	100	100
CitySpring Capital Pte Ltd ⁽¹⁾	Provision of financial and treasury services (Singapore)	100	100
CityDC Pte. Ltd. ⁽¹⁾	Investment holding (Singapore)	100	100
Keppel Merlimau Cogen Pte Ltd ⁽¹⁾	Tolling arrangement for a power plant (Singapore)	51	51
Senoko Waste-To-Energy Plant Pte Ltd ⁽¹⁾	Trustee of Senoko Trust (Singapore)	100	100
Senoko Trust ⁽¹⁾	Collection and treatment of solid waste to generate green energy (Singapore)	100	100
Keppel Seghers NEWater Development Co Pte Ltd ⁽¹⁾	Trustee of Ulu Pandan Trust (Singapore)	100	100
Ulu Pandan Trust ⁽¹⁾	Collection, purification and distribution of water (Singapore)	100	100
Keppel Seghers Tuas Waste-To-Energy Plant Pte Ltd ⁽¹⁾	Trustee of Tuas DBOO Trust (Singapore)	100	100

Name of subsidiaries	Principal activities (Country of incorporation or residence)	Proportion of ownership interest and voting power held	
		2017 %	2016 %
Tuas DBOO Trust ⁽¹⁾	Collection and treatment of solid waste to generate green energy (Singapore)	100	100
(b) Held by City Gas Pte Ltd in its capacity as Trustee of, and for the benefit of City Gas Trust			
City-OG Gas Energy Services Pte Ltd ⁽¹⁾	Retailing of natural gas and related activities (Singapore)	51	51
(c) Held by Nexus Australia Management Pty Ltd in its capacity as Trustee of, and for the benefit of CityLink Investments Pte Ltd			
Premier Finance Trust Australia ^{*(2)}	Finance trust (Australia)	100	100
(d) Held by CityLink Investments Pte Ltd			
Nexus Australia Management Pty Ltd ^{*(2)}	Trustee (Australia)	100	100
Coral Holdings Australia Pty Ltd ^{*(2)}	Investment holding (Australia)	100	100
(e) Held by Coral Holdings Australia Pty Ltd			
Nexus Investments Australia Pty Ltd ^{*(2)}	Investment holding (Australia)	100	100
(f) Held by Nexus Investments Australia Pty Ltd			
Basslink Australia GP Pty Ltd ^{*(2)}	Investment holding (Australia)	100	100
(g) Held by Nexus Investments Australia Pty Ltd for 99% and Basslink Australia GP Pty Ltd for 1%			
Basslink Australia LLP ^{*(2)}	Investment holding (Australia)	100	100
(h) Held by Basslink Australia LLP			
Basslink Holdings Pty Ltd ^{*(3)}	Investment holding (Cayman Islands)	100	100
(i) Held by Basslink Holdings Pty Ltd			
Basslink Pty Ltd ^{*(2)}	Operation of subsea electricity interconnector (Australia)	100	100
(j) Held by Basslink Pty Ltd			
Basslink Telecoms Pty Ltd ^{*(2)}	Operation of telecom business (Australia)	100	100

* Collectively known as Basslink.

⁽¹⁾ Audited by Deloitte & Touche LLP, Singapore.

⁽²⁾ Audited by Deloitte Touche Tohmatsu, Australia.

⁽³⁾ Not required to be audited under the laws of the country of incorporation.

⁽⁴⁾ CityNet is undergoing liquidation

Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by NCI	
		2017 %	2016 %
SingSpring Trust	Singapore	30	30
Keppel Merlimau Cogen Pte Ltd	Singapore	49	49

Notes to the Financial Statements

8. Investment in Subsidiaries (continued)

Summarised financial information of subsidiaries with material NCI

Summarised financial information and consolidation adjustments but before intragroup eliminations are as follows:

SingSpring Trust

Summarised statement of financial position

	2017 \$'000	2016 \$'000
Current assets	24,078	24,020
Current liabilities	(14,476)	(14,973)
Net current assets	9,602	9,047
Non-current assets	134,091	147,434
Non-current liabilities	(120,747)	(129,571)
Net non-current assets	13,344	17,863
Net assets	22,946	26,910
Equity attributable to unitholders of the Trust	16,062	18,837
NCI	6,884	8,073

Summarised statement of profit or loss and other comprehensive income

	2017 \$'000	2016 \$'000
Revenue	32,244	32,122
Profit before tax	5,397	4,089
Income tax expense	(922)	(700)
Profit after tax	4,475	3,389
Profit attributable to unitholders of the Trust	3,132	2,372
Profit attributable to NCI	1,343	1,017
Profit after tax	4,475	3,389
Other comprehensive income attributable to unitholders of the Trust	(133)	1,079
Other comprehensive income attributable to NCI	(57)	462
Other comprehensive income for the year	(190)	1,541
Total comprehensive income attributable to unitholders of the Trust	2,999	3,451
Total comprehensive income attributable to NCI	1,286	1,479
Total comprehensive income for the year	4,285	4,930
Dividends paid to NCI	2,475	2,430
Other summarised information		
Net cash from operating activities	18,430	18,184

Keppel Merlimau Cogen Pte Ltd**Summarised statement of financial position**

	2017 \$'000	2016 \$'000
Current assets	68,798	136,261
Current liabilities	(28,712)	(29,090)
Net current assets	40,086	107,171
Non-current assets	1,624,092	1,645,554
Non-current liabilities	(1,353,675)	(1,362,173)
Net non-current assets	270,417	283,381
Net assets	310,503	390,552
Equity attributable to unitholders of the Trust	160,922	201,873
NCI	149,581	188,679

Summarised statement of profit or loss and other comprehensive income

	2017 \$'000	2016 \$'000
Revenue	129,949	128,714
Loss before tax	(76,706)	(76,971)
Income tax credit	3,036	3,067
Loss after tax	(73,670)	(73,904)
Loss attributable to unitholders of the Trust	(37,697)	(37,816)
Loss attributable to NCI	(35,973)	(36,088)
Loss after tax	(73,670)	(73,904)
Other comprehensive income attributable to unitholders of the Trust	(3,253)	(5,203)
Other comprehensive income attributable to NCI	(3,125)	(4,999)
Other comprehensive income for the year	(6,378)	(10,202)
Total comprehensive income attributable to unitholders of the Trust	(40,950)	(43,019)
Total comprehensive income attributable to NCI	(39,098)	(41,087)
Total comprehensive income for the year	(80,048)	(84,106)
Other summarised information		
Net cash used in operating activities	(72,718)	(84,028)

Impairment testing of investment in subsidiaries

The Trustee-Manager performed an impairment assessment for the Trust's investments in its subsidiaries and no impairment was recognised except for the following:

Senoko Trust, Ulu Pandan Trust and Tuas DBOO Trust ("subtrusts") and Keppel Merlimau Cogen Pte Ltd ("KMC")

On May 18, 2015, the Trust acquired the businesses of collection, purification and distribution of water and waste incineration and electricity generation from Crystal Trust through the acquisition of Ulu Pandan Trust, Keppel Seghers NEWater Development Co Pte Ltd, Senoko Trust, Senoko Waste-To-Energy Plant Pte Ltd, Tuas DBOO Trust and Keppel Seghers Tuas Waste-To-Energy Pte Ltd, collectively known as the Crystal Assets, for a total purchase consideration of \$729 million via the issue of 1,326,319,374 new units for acquisition ("Crystal Assets Acquisition"). The purchase consideration was determined based on (a) the fixed exchange ratio of 2.106 units of the Trust for every unit in Crystal Trust; and (b) the quoted unit price of the Trust as at the completion date.

On June 30, 2015, the Trust acquired a 51% equity stake in KMC which owns the Keppel Merlimau Cogen power plant, a combined cycle gas turbine generation facility at Jurong Island. The total purchase consideration of \$510 million was financed by an equity fund raising, of which \$255 million was paid to the vendor and \$255 million was injected via Qualifying Project Debt Securities ("QPDS") Notes.

Notes to the Financial Statements

8. Investment in Subsidiaries (continued)

Impairment testing of investment in subsidiaries (continued)

The service concessions of the subtrusts (Note 12) and KMC's plant have finite lives and the recoverable amounts of the Trust's investments are expected to decrease in tandem with the remaining service concession periods and plant life, respectively.

The Trustee-Manager performed an impairment assessment on the costs of investment in the subtrusts and KMC against their recoverable amounts and allowances for impairment of \$32.5 million (2016 : \$20.0 million), \$8.5 million (2016 : \$6.0 million), \$4.5 million (2016 : \$1.0 million) and \$51.5 million (2016 : \$53.5 million) were recognised in profit or loss for the investments in Senoko Trust, Tuas DBOO Trust, Ulu Pandan Trust and KMC respectively.

The recoverable amount was determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to tariffs and direct costs during the period. The Trustee-Manager estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the subtrusts and KMC. The growth rates of 2.0% (2016 : 2.0%) per annum used are based on the industry growth forecasts. Changes in tariffs and direct costs are based on past practices and current contractual agreements.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Trustee-Manager covering a period of 6.67 to 16.84 years (2016 : 7.67 to 17.84 years) for the subtrusts and 22.5 years (2016 : 23.5 years) for KMC based on the current contractual agreements with the major customers. The discount rates used were 5.10% (2016 : 4.90%) per annum for the subtrusts and 4.90% (2016 : 4.90%) per annum for KMC.

Sensitivity analysis

Based on the value in use calculations as determined by Trustee-Manager, an increase or decrease by 1 percentage point to the discount rates used in the assessment will affect the value in use as follows:

	2017		2016	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Senoko Trust	(7,992)	8,416	(9,836)	10,411
Ulu Pandan Trust	(2,136)	2,279	(2,798)	3,008
Tuas DBOO Trust	(8,404)	9,378	(9,092)	10,188
Keppel Merlimau Cogen Pte Ltd	(123,624)	142,204	(129,407)	149,396

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2017	2016
Collection and treatment of solid waste to generate green energy	Singapore	2	2
Collection, purification and distribution of water	Singapore	1	1
Investment holding	Singapore	2	2
Production and retail of town gas, retail of natural gas and sales of gas appliances	Singapore	1	1
Provision of financial and treasury services	Singapore	1	1
Trustee	Singapore	5	5
Trustee-Manager	Singapore	1	1
Investment holding	Australia	4	4
Operation of subsea electricity interconnector	Australia	1	1
Operation of telecom business	Australia	1	1
Finance trust	Australia	1	1
Trustee	Australia	1	1
Investment holding	Cayman Islands	1	1
		22	22

9. Investment in and Advances to Joint Venture

	Group	
	2017 \$'000	2016 \$'000
Cost of investment in joint venture ¹	510	510
Advances to joint venture ²	20,842	22,980
	21,352	23,490
Share of post-acquisition reserves, net of dividend received	(600)	(58)
Total	20,752	23,432

¹ The Group has 51% (2016 : 51%) interest in the ownership and voting rights in a joint venture, DataCentre One Pte Ltd that is held through a subsidiary. This joint venture is incorporated in Singapore and is in the business of developing and owning data centres. The Group jointly controls the venture with another partner under the contractual agreement which requires unanimous consent for all major decisions over the relevant activities.

The joint venture is accounted for using the equity method in the consolidated financial statements and is audited by Deloitte & Touche LLP Singapore.

² Advances to the joint venture are quasi-equity loans which represent an extension of investment in the joint venture. It is unsecured and interest-free. Settlements are neither planned nor likely to occur in the foreseeable future.

Summarised financial information in respect of DataCentre One Pte Ltd based on its financial statements prepared in accordance with FRS, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised statement of financial position

	2017 \$'000	2016 \$'000
Current assets	9,561	9,793
Non-current assets	111,037	116,270
Current liabilities	(9,536)	(9,010)
Non-current liabilities	(70,372)	(71,108)
Net assets	40,690	45,945
Proportion of the Group's ownership	51%	51%
Group's share of net assets	20,752	23,432

The above amount of assets and liabilities include the following:

	2017 \$'000	2016 \$'000
Cash and cash equivalents	7,866	8,622
Current financial liabilities (excluding trade and other payables and provisions)	(5,726)	(5,414)
Non-current financial liabilities (excluding trade and other payables and provisions)	(69,733)	(70,322)

Summarised statement of profit or loss and other comprehensive income

	2017 \$'000	2016 \$'000
Revenue	15,682	8,237
Profit before tax	6,767	2,090
Income tax expense	(1,444)	(698)
Profit after tax	5,323	1,392
Other comprehensive income	(2,118)	(843)
Total comprehensive income	3,205	549
The above profit for the year include the following:		
Interest income	23	5
Depreciation	(4,845)	(3,485)
Interest expense	(3,006)	(2,138)

Notes to the Financial Statements

10. Notes Receivables

	Trust	
	2017 \$'000	2016 \$'000
Notes issued by subsidiaries	775,712	775,712
(a) The notes receivable of \$195,570,000 (2016 : \$195,570,000) from a subsidiary matures in Year 2037 and bears interest payable quarterly in arrears with a one-time option for the subsidiary, on any interest payment date, to switch to a floating rate per annum equal to three-months Singapore Dollar Swap Offer Rate plus 2.5% per annum. The fixed interest rate for the notes is 13.0% (2016 : 13.0%) per annum.		
(b) The notes receivable of \$35,000,000 (2016 : \$35,000,000) from a subsidiary matures in Year 2025 and bears interest payable quarterly in arrears with a one-time option for the subsidiary, on any interest payment date, to switch to a floating rate per annum equal to three-months Singapore Dollar Swap Offer Rate plus 2.5% per annum. The fixed interest rate for the notes is 6.5% (2016 : 6.5%) per annum.		
(c) The notes receivables of \$152,398,000 (2016 : \$152,398,000), \$91,473,000 (2016 : \$91,473,000) and \$46,271,000 (2016 : \$46,271,000) from subsidiaries mature in Year 2024, 2028 and 2023 respectively. The fixed interest rate for the notes is 6.0% (2016 : 6.0%) per annum, payable semi-annually.		
(d) The notes receivable of \$255,000,000 (2016 : \$255,000,000) from a subsidiary mature in Year 2040, with fixed interest rate of 17.5% (2016 : 17.5%) per annum, payable quarterly.		

The above notes are direct, unsecured and subordinated obligations of the subsidiaries, and can be redeemed at par by the subsidiaries prior to their maturity dates.

The Trustee-Manager estimates that the carrying value of the notes receivables approximate their fair value as these notes may be redeemed at par prior to their maturity dates on any interest payment date.

11. Amount Receivable from a Subsidiary

Amount receivable from a subsidiary is non-trade related, unsecured, repayable in 2024, and bears interest at floating rates. The weighted average effective interest rate on the amount receivable approximates 1.50% (2016 : 1.21%) per annum. The Trustee-Manager estimates that the carrying value of the amount receivable from a subsidiary approximate its fair value as the loan amount receivable bears interest at floating rates.

12. Service Concession Receivables

	Group	
	2017 \$'000	2016 \$'000
Service concession receivables	424,025	468,059
Less: Due within 12 months	(45,267)	(44,034)
Due after 12 months	378,758	424,025

This relates to service concession receivables from the following plants:

(a) Senoko Plant

A 15-year contract commencing on September 1, 2009 to own and operate an incinerator plant with a requirement to carry out the Flue Gas Treatment Upgrade, which has contracted incineration capacity of 2,100 tonnes per day with six incinerator-boiler units and two condensing turbine-generators with a power generation capacity of 2x28MW. On September 26, 2014, the subtrust entered into a supplemental agreement to progressively increase the incineration capacity of the plant by up to 10% and the upgrading work was completed in September 2016, increasing capacity to 2,310 tonnes per day. The subtrust has a contractual right under the concession arrangement to receive fixed and determinable amounts of payment during the concession period irrespective of usage of the plant.

(b) Tuas DBOO Plant

A 25-year Design-Build-Own-Operate ("DBOO") contract commencing on October 30, 2009 to design, build, own and operate a waste-to-energy plant, which has contracted incineration capacity of 800 tonnes per day with two incinerator-boiler units and one condensing turbine-generator with a power generation capacity of 22MW. The subtrust has a contractual right under the concession arrangement to receive fixed and determinable amounts of payment during the concession period irrespective of usage of the plant.

(c) Ulu Pandan Plant

A 20-year DBOO contract commencing on March 28, 2007 to design, build, own and operate a water treatment plant, which has the capacity to produce 148,000m³ of NEWater daily. The subtrust has a contractual right under the concession arrangement to receive fixed and determinable amounts of payment during the concession period irrespective of the output produced.

In arriving at the carrying value of the service concession arrangements as at the end of the reporting period, weighted average interest rates ranging from 2.50% to 4.68% (2016 : 2.50% to 4.68%) per annum were used to discount the future expected cash flows.

13. Finance Lease Receivables

Future minimum finance lease receivables under finance leases together with the present value of the net minimum finance lease receivables are as follows:

	Group	
	2017 \$'000	2016 \$'000
Minimum finance lease receivables:		
Not later than one year	13,147	13,147
Later than one year but not later than five years	52,622	52,622
Later than five years	38,984	52,131
Total minimum lease receivables	104,753	117,900
Less: Future finance income	(16,192)	(20,020)
Present value of minimum lease receivables	88,561	97,880
Unguaranteed residual value	26,262	26,262
Net investment in finance lease	114,823	124,142
Less: Present value of finance lease receivables not later than one year	(9,684)	(9,319)
Non-current finance lease receivables	105,139	114,823

The present value of the finance lease receivables is analysed as follows:

	Group	
	2017 \$'000	2016 \$'000
Not later than one year	9,684	9,319
Later than one year but not later than five years	42,715	41,107
Later than five years	36,162	47,454
Present value of minimum lease receivables	88,561	97,880

The finance lease receivables relate to the lease arrangement under a Water Purchase Agreement ("WPA").

A subsidiary of the Group had signed a WPA with Singapore PUB to supply treated water to PUB from a seawater desalination plant which the subsidiary owns. On the date of acquisition of the subsidiary, the WPA had a remaining term of approximately 18 years ending on December 15, 2025. The desalination plant is located on a piece of leasehold land with lease period expiring in January 2034.

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate was 3.91% (2016 : 3.91%) per annum.

In accordance with INT FRS 104 *Determining whether an Arrangement contains a Lease*, the WPA is a lease arrangement and is classified as a finance lease in accordance with FRS 17 (Revised) *Leases*.

The desalination plant is pledged for certain borrowings (Note 19).

Notes to the Financial Statements

14. Other Assets

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deposits	268	997	–	–
Prepayments	197,415	142,913	47	55
Deferred lease expenses	459	859	–	–
Others	4,213	239	–	–
	202,355	145,008	47	55
Less: Current portion	(21,807)	(22,134)	(47)	(55)
Non-current portion	180,548	122,874	–	–

Included in the prepayments balance is an amount of \$194,476,000 (2016 : \$139,758,000) arising from the prepaid tolling fees in relation to the Capacity Tolling Arrangement ("CTA") with a related party. The prepaid tolling fee is amortised to profit or loss over the CTA period of 15 years.

15. Cash and Cash Equivalents

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash and bank deposits	213,956	266,859	31,054	51,969
Less: Restricted cash	(49,754)	(52,346)	–	–
Cash and cash equivalents in the consolidated statement of cash flows	164,202	214,513	–	–

Included in the restricted cash is the amount of cash and bank deposits to be set aside to meet interest and principal repayments for loans extended to the subsidiaries and also for secured bank guarantees for the Group and Trust.

Also included in the Group's restricted cash is the insurance proceeds in relation to Basslink cable outage, the usage of which is subject to the consent of the lenders.

Short-term deposits are made for an average period of 2 months (2016 : 2 months). The weighted average effective interest rate as at December 31, 2017 for the Group and Trust were 0.79% (2016 : 0.71%) and 0.67% (2016 : 0.53%) per annum respectively.

16. Trade and Other Receivables

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables:				
- Third parties	57,749	46,294	–	–
- Related parties	1,198	3,867	–	–
Unbilled receivables	76,451	43,201	–	–
Less: Allowance for impairment (third parties)	(979)	(867)	–	–
Trade receivables - net	134,419	92,495	–	–
Other receivables	8,507	25,729	507	226
Interest receivable	239	441	6	7
Amounts due from related parties (non-trade)	101	201	–	–
Amounts due from subsidiaries (non-trade)	–	–	4,466	4,484
	143,266	118,866	4,979	4,717

Trade receivables

Trade receivables are non-interest bearing and are generally receivable on 30 to 60 (2016 : 30 to 60) days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables

In 2016, included in other receivables was an amount of \$2,208,000 receivable from a government agency on behalf of a customer. A corresponding non-trade payable amount was recognised in Note 21 under other payables.

Also included in other receivables is a portion of costs incurred to repair the Basslink Interconnector which the Group expects to recover from the insurer.

Amounts due from related parties and subsidiaries (non-trade)

These amounts are unsecured, interest-free, repayable on demand and expected to be settled in cash.

Financial assets that are neither past due nor impaired

Financial assets that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially from individuals and companies with a good collection track record with the Group.

Financial assets that are past due but not impaired

The age analysis of trade receivables past due but not individually impaired is as follows:

	Group	
	2017 \$'000	2016 \$'000
Past due but not impaired		
Past due 0 to 3 months	5,473	4,990
Past due 3 to 6 months	149	7,621
Past due over 6 months	7,249	95
	12,871	12,706

The carrying amount of trade receivables collectively determined to be impaired are fully impaired and the movement in the related allowance for impairment is as follows:

	Group	
	2017 \$'000	2016 \$'000
Beginning of year	867	908
Charge to profit or loss	573	310
Allowance utilised	(461)	(351)
End of year	979	867

The allowance for impairment of \$573,000 (2016 : \$310,000) was recognised in profit or loss and included in "other operating expenses".

Notes to the Financial Statements

17. Derivative Financial Instruments

	Average contracted rate	Notional contract amount	Asset \$'000	Liability \$'000
Group				
2017				
Cash flow hedges				
- Foreign currency forward	US\$1.3383	US\$13.1 million	-	86
- Interest rate swaps	1.68% – 4.85%	\$1,627.5 million	-	118,837
			-	118,923
Less: Current portion			-	(18,372)
Non-current portion			-	100,551
Fair value through profit or loss				
- Foreign currency forward	JPY82.35	JPY388.4 million	-	8
Less: Current portion			-	(8)
Non-current portion			-	-
2016				
Cash flow hedges				
- Foreign currency forward	US\$ 1.3784	US\$78,800	5	-
- Interest rate swaps	1.68% – 4.85%	\$1,549 million	-	105,547
			5	105,547
Less: Current portion			(5)	(19,571)
Non-current portion			-	85,976
Fair value through profit or loss				
- Commodity Swap	US\$ 228/mt	7,450 mt	1,050	-
Less: Current portion			(1,050)	-
Non-current portion			-	-
Trust				
2017				
Cash flow hedges				
- Interest rate swap	1.70%	\$145.6 million	-	859
			-	859
Less: Current portion			-	-
Non-current portion			-	859
2016				
Cash flow hedges				
- Interest rate swap	1.70%	\$100.8 million	-	986
			-	986
Less: Current portion			-	-
Non-current portion			-	986

Interest rate swaps

Interest rate swaps including the interest rate swap contract embedded in an operating agreement acquired through a business combination, were entered into to hedge floating interest payments on borrowings. The interest rate swaps entitle the Group and Trust to receive interest at floating rates on notional principal amounts and oblige the Group and Trust to pay interest at fixed rates on the same notional principal amounts. Fair value gains and losses on the effective hedge portion of the interest rate swaps are recognised in the hedging reserve and are transferred to profit or loss when the finance cost on the borrowings is recognised in profit or loss. The fair value gain or loss on the portion not designated for hedging is recognised in profit or loss. The period when the cash flows on cash flow hedges is expected to occur or affect profit or loss is Year 2018 to Year 2031. The Group and Trust have entered into interest rate swaps to manage the Group's exposure to cash flow interest rate risk on its borrowings.

Commodity swaps

This relates to a fuel swap contract entered into by a subsidiary to hedge a fixed price contract offered to a customer. Fair value gains and losses on the fuel hedge derivative liability and derivative asset are recognised in profit or loss.

Foreign currency forward

This relates to a 4-year forward contract to swap USD for SGD. The contract is entered into by a subsidiary to hedge its exposure to cash flow foreign currency risk against its USD service contract. Fair value gains and losses on the effective hedge portion of the forward contract is recognised in the hedging reserve and are transferred to profit or loss over the contract period.

18. Inventories

	Group	
	2017 \$'000	2016 \$'000
Fuel	11,287	11,968
Spare parts and accessories	42,778	42,380
Pipes and fittings	109	108
	54,174	54,456

Inventories written-down recognised as an expense and included in other operating expenses amounted to \$44,000 (2016 : \$65,000).

Inventories of \$18,446,000 (2016 : \$17,843,000) are pledged for certain borrowings (Note 19).

19. Borrowings

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current	722,377	752,106	–	–
Non-current	1,071,904	1,058,576	145,500	122,612
Total borrowings	1,794,281	1,810,682	145,500	122,612

The weighted average effective interest rates at the end of the reporting period were as follows:

	Group		Trust	
	2017 %	2016 %	2017 %	2016 %
Borrowings	4.40	3.56	2.35	2.03

- (a) A subsidiary has an A\$717 million five-year senior, secured loan facility, provided by a group of lenders. Repayments commenced in Year 2014 and will continue until 2019. The bank loan is secured by a charge over all the assets of, and the units and shares in, all of the entities in the subsidiary group. The carrying amount of the loan at the end of the financial year is \$711,955,000 (2016 : \$741,688,000).
- (b) A subsidiary has a term loan of \$700 million. The term loan is repayable in 2020 and secured by a first ranking charge over its receivable and related rights under the Capacity Tolling Agreement. The carrying amount of the loan at the end of the financial year is \$698,785,000 (2016 : \$698,312,000).
- (c) Bank loans of \$177,555,000 (2016 : \$177,165,000) obtained by a subsidiary are secured by a first ranking charge over its assets and business undertakings and repayable in 2019.
- (d) The bank loans of \$60,486,000 (2016 : \$70,905,000) obtained by a subsidiary are secured by a first ranking charge over its assets and business undertakings. In addition, the loan is secured by a charge over the units in the subsidiary (inclusive of the units held by the non-controlling interest) and a charge over the shares in the trustee-manager of the subsidiary. Repayments commenced in 2007 and will continue until 2024.

Notes to the Financial Statements

19. Borrowings (continued)

- (e) The Trust has a \$200 million term loan and revolving credit facility. The bank loan of \$145,500,000 (2016 : \$122,612,000) is repayable in 2019 and is unsecured.

All borrowings impose certain covenants. These covenants include having to maintain sufficient funds to pay principal, interest and retention of additional amounts. Total assets of the Group with carrying amount of \$1,577 million (2016 : \$1,612 million) are pledged for certain borrowings.

As disclosed in Note 41, as a result of the Basslink cable outage, a subsidiary within the Basslink group was unable to meet its minimum debt service coverage ratio on its loan covenant which constituted an event of default in the loan agreement. As a condition of waiver, the subsidiary was required to agree with the lenders a long term financing plan ("LTFP"). The subsidiary has been in discussions with its lenders on the LTFP which was not agreed as at December 31, 2017. Accordingly, the bank borrowings of \$711,955,000 has been classified as current liabilities as at December 31, 2017.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	January 1, 2017 \$'000	Financing cash flows ⁽¹⁾ \$'000	Foreign exchange movement \$'000	Other changes ⁽²⁾ \$'000	December 31, 2017 \$'000
Borrowings	1,810,682	7,658	(27,918)	3,859	1,794,281

⁽¹⁾ The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

⁽²⁾ Other changes include unamortised upfront fee.

20. Loan from a subsidiary

The loan from a subsidiary was obtained in October 2015. Repayments commenced from February 2016 until May 2017. The loan was unsecured and bore effective interest at 2.36% (2016 : 2.36%) per annum.

21. Trade and other payables

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables:				
- Third parties	19,255	18,494	-	-
- Related parties	5,203	5,290	-	-
Other payables:				
- Third parties	3,850	8,477	84	-
- Trustee-Manager	2,189	2,600	2,189	2,569
- Subsidiaries	-	-	1,078	233
- Related parties	6,660	11,761	12	17
Accruals	42,243	40,388	225	75
Interest payable	18,147	5,096	-	1,228
Deferred income (Note 24)	1,561	1,622	-	-
Advance payments received	39,696	31,669	-	-
Refundable customer deposits	36,039	34,796	-	-
	174,843	160,193	3,588	4,122

Trade and other payables

Trade and other payables are non-interest bearing and are normally settled on 30 to 60 (2016 : 30 to 60) days' terms.

22. Provisions

	Group	
	2017 \$'000	2016 \$'000
Provision for decommissioning costs	32,886	31,280
Movements in the provision are as follows:		
Beginning of year	31,280	38,143
Addition/(Reversal) (Note 6)	1,796	(9,093)
Unwinding of discounts (Note 34)	953	1,147
Currency translation differences	(1,143)	1,083
End of year	32,886	31,280

Provision for decommissioning costs

This relates to provision made by two subsidiaries in respect of costs to decommission, restore and rehabilitate (i) the interconnector sites, and (ii) the land where the combined cycle gas turbine generation facility operates, at the end of the operating life of the assets, based on the net present value of estimated future costs, expected to be required to settle the obligation.

Change in discount rate in provision for decommissioning costs

At the end of the reporting period, the Group conducted a review on the decommissioning costs and adjusted the discount rates used in determining the fair value of the provision to reflect the current best estimate.

The effects of the revision on depreciation charge and finance costs are as follows:

	2018 \$'000	2019 \$'000	2020 and beyond \$'000
Increase in depreciation charge	31	31	1,630
Decrease in finance costs	(49)	(52)	(14,745)
Total	(18)	(21)	(13,115)

23. Notes Payable to Non-Controlling Interests

This relates to notes denominated in Singapore dollars issued by subsidiaries to their non-controlling interests.

- The notes of \$15,000,000 (2016 : \$15,000,000) mature in Year 2025 and bear interest payable quarterly in arrears at a fixed rate of 6.5% (2016 : 6.5%) per annum with a one-time option for the subsidiary, on any interest payment date, to switch to a floating rate per annum equal to three-months Singapore Dollar Swap Offer Rate plus 2.5% per annum.
- The notes of \$245,000,000 (2016 : \$245,000,000) mature in Year 2040, with a fixed rate of 17.5% (2016 : 17.5%) per annum, payable quarterly.

The notes are direct, unsecured, subordinated obligations of the subsidiaries and can be redeemed at par by the subsidiaries prior to their maturity date.

The Trustee-Manager estimates that the carrying value of the notes payable to non-controlling interests approximate their fair value as these notes may be redeemed at par prior to its maturity date on any interest payment date.

24. Other Payables (Non-Current)

	Group	
	2017 \$'000	2016 \$'000
Long term customer deposit	25,218	24,722
Deferred income	19,181	21,555
Advance payments received	157,983	167,849
Other payables	39,630	54,712
	242,012	268,838

Long term customer deposit and deferred income

Long term customer deposit represents the A\$50 million (2016 : A\$50 million) deposit equivalent to \$51 million (2016 : \$53 million) placed by a customer which has been recognised as a liability. The deposit received is interest-free and is repayable in 12 quarterly payments commencing in Year 2028.

Notes to the Financial Statements

24. Other Payables (Non-Current) (continued)

Long term customer deposit and deferred income (continued)

Deferred income represents the difference between the fair value of this liability and the amount of the A\$50 million deposit to be repaid, computed based on the present value of future payment discounted at the applicable interest rate of 5.87% (2016 : 5.87%) per annum. This is amortised to profit or loss, using the effective interest rate method, over the life of the agreement. The current portion of deferred income is included in Note 21.

Advance payments received

This relates to amounts that have been received but services have not yet been rendered.

25. Deferred Tax Liabilities

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

	Group	
	2017 \$'000	2016 \$'000
Movement in deferred tax account is as follows:		
Beginning of year	22,678	29,596
Credited to		
- Profit or loss (Note 37)	(3,048)	(4,546)
- Equity (Note 37)	(1,471)	(2,372)
End of year	18,159	22,678

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year were as follows:

Deferred tax liabilities

	Accelerated tax depreciation \$'000	Fair value of intangible assets \$'000	Derivative financial instruments \$'000	Others \$'000	Total \$'000
At January 1, 2016	18,324	23,565	1,517	14,006	57,412
Currency translation differences	634	381	-	58	1,073
(Credited)/Charged to					
- Profit or loss	(465)	(2,612)	-	1,705	(1,372)
- Equity	-	-	(1,517)	-	(1,517)
At December 31, 2016	18,493	21,334	-	15,769	55,596
Currency translation differences	(827)	(366)	-	(60)	(1,253)
(Credited)/Charged to					
- Profit or loss	3,769	(1,645)	-	1,092	3,216
At December 31, 2017	21,435	19,323	-	16,801	57,559

Deferred tax assets

	Allowances against assets \$'000	Derivative financial instruments \$'000	Recognised unutilised tax losses \$'000	Others \$'000	Total \$'000
At January 1, 2016	(54)	(270)	(16,779)	(10,713)	(27,816)
Currency translation differences	-	-	(738)	(335)	(1,073)
Charged/(Credited) to					
- Profit or loss	(28)	-	(5,656)	2,510	(3,174)
- Equity	-	(855)	-	-	(855)
At December 31, 2016	(82)	(1,125)	(23,173)	(8,538)	(32,918)
Currency translation differences	-	-	917	336	1,253
Charged/(Credited) to					
- Profit or loss	1	-	(5,847)	(418)	(6,264)
- Equity	-	(1,471)	-	-	(1,471)
At December 31, 2017	(81)	(2,596)	(28,103)	(8,620)	(39,400)

Net deferred tax liabilities

2017	18,159
2016	22,678

Unrecognised tax losses

The Group has unrecognised tax losses of approximately \$323,137,000 (2016 : \$374,792,000) to set off against future taxable income, for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to meeting certain statutory requirements by those subsidiaries with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry dates.

Tax consequences of proposed distributions

There are no income tax consequences attached to the distributions to the unitholders proposed by the Trust but not recognised as a liability in the financial statements for both 2017 and 2016 (Note 29).

26. Units in Issue

	Group and Trust			
	2017 Units	2016 Units	2017 \$'000	2016 \$'000
Beginning of year	3,857,063,631	3,856,931,931	2,137,389	2,137,322
Units issued at \$0.475 (2016: \$0.506) per unit as Trustee-Manager's fees	315,100	131,700	149	67
End of year	3,857,378,731	3,857,063,631	2,137,538	2,137,389

- a) Each unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:
- (i) Receive income and other distributions attributable to the units held;
 - (ii) Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust; and
 - (iii) Receive audited accounts and the annual reports of the Trust.
- b) The restrictions of a Unitholder include the following:
- (i) A Unitholder has no right to request the Trustee-Manager to transfer to him any asset of the Trust; and
 - (ii) A Unitholder cannot give any directions to the Trustee-Manager (whether at a meeting of Unitholders or otherwise) if it would require the Trustee-Manager to do or omit doing anything which may result in:
 - the Trust ceasing to comply with applicable laws and regulations; or
 - the exercise of any discretion expressly conferred to the Trustee-Manager by the Trust Deed.
- c) A Unitholder's liability is limited to the amount paid or payable for any units in the Trust. The provisions of the Trust Deed provide that no Unitholder will be personally liable to indemnify the Trustee-Manager or any creditor of the Trustee-Manager in the event the liabilities of the Trust exceeded its assets.

27. Hedging reserve

Hedging reserve records the portion of the fair value changes on derivatives that are designated as hedging instruments in cash flow hedges that are determined to be effective.

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Beginning of year	(204,478)	(201,772)	(986)	-
Fair value loss:				
Fair value loss	(41,791)	(28,407)	(1,113)	(1,702)
Tax on fair value loss	3,351	1,366	-	-
	(38,440)	(27,041)	(1,113)	(1,702)
Transfer to profit or loss:				
Finance cost (Note 34)	30,761	21,903	1,240	716
Tax on transfers	(1,886)	(2,104)	-	-
	28,875	19,799	1,240	716
Non-controlling interests (net of tax)	3,182	4,536	-	-
	(210,861)	(204,478)	(859)	(986)

Notes to the Financial Statements

28. Capital Reserve

In prior years, the Group's subsidiary, City Gas Trust, disposed 49% of its equity interest in City-OG Gas Energy Services Pte Ltd ("City-OG Gas") to Osaka Gas Co., Ltd ("Osaka Gas") for a consideration of \$39.2 million. The Group retained control in the remaining 51% equity interest in City-OG Gas. With the disposal of the equity interest in City-OG Gas, the Group recorded a capital reserve of \$38.7 million.

29. Distributions Paid to the Unitholders of the Trust

Tax exempt distributions paid during the financial year are as follows:

	Group and Trust	
	2017 \$'000	2016 \$'000
For the period from October 1, 2015 to December 31, 2015 - 0.93 cents per unit	-	35,869
For the period from January 1, 2016 to March 31, 2016 - 0.93 cents per unit	-	35,871
For the period from April 1, 2016 to June 30, 2016 - 0.93 cents per unit	-	35,871
For the period from July 1, 2016 to September 30, 2016 - 0.93 cents per unit	-	35,871
For the period from October 1, 2016 to December 31, 2016 - 0.93 cents per unit	35,871	-
For the period from January 1, 2017 to March 31, 2017 - 0.93 cents per unit	35,873	-
For the period from April 1, 2017 to June 30, 2017 - 0.93 cents per unit	35,873	-
For the period from July 1, 2017 to September 30, 2017 - 0.93 cents per unit	35,873	-
	143,490	143,482
The following distributions have been declared after the financial year end but not recognised as a liability		
Distribution of 0.93 cents per unit for the period from October 1, 2016 to December 31, 2016	-	35,871
Distribution of 0.93 cents per unit for the period from October 1, 2017 to December 31, 2017	35,873	-

30. Revenue

	Group	
	2017 \$'000	2016 \$'000
Sale of goods	313,544	281,188
Service income	250,582	210,425
Finance income from service concession arrangements	14,786	15,633
Finance lease income	3,827	4,188
Operation and maintenance income	48,566	49,316
Construction revenue	-	16,231
Management fee income	1,171	4,136
	632,476	581,117

31. Other Income

	Group	
	2017 \$'000	2016 \$'000
Interest income	1,664	1,911
Other miscellaneous income	1,929	25,623
	3,593	27,534

In 2016, other miscellaneous income comprised mainly insurance compensation to cover the loss of income arising from business interruption in relation to the Basslink cable outage.

32. Other Losses - Net

	Group	
	2017 \$'000	2016 \$'000
Fair value loss on derivative financial instruments	8,523	9,199
Exchange differences	338	(163)
Others	(6)	503
	8,855	9,539

33. Staff Costs

	Group	
	2017 \$'000	2016 \$'000
Salaries and wages	22,437	21,626
Employer's contribution to defined contribution plans, including Central Provident Fund	2,630	2,502
Other short-term benefits	1,650	1,843
	26,717	25,971

34. Finance Costs

	Group	
	2017 \$'000	2016 \$'000
Interest expense		
- Bank borrowings	47,785	48,343
- Notes payable to non-controlling interests	43,850	43,972
- Related party	-	42
Unwinding of discounts		
- Provision for decommissioning costs (Note 22)	953	1,147
- Interest-free customer deposits	1,485	1,346
Cash flow hedges, transfer from hedging reserve (Note 27)	30,761	21,903
Others	115	217
	124,949	116,970

Notes to the Financial Statements

35. Trustee-Manager's Fees

	Group	
	2017 \$'000	2016 \$'000
Base fee	2,566	2,767
Performance fee	7,196	6,902
	9,762	9,669

Subsequent to the change in the trustee-manager in 2015, the Trustee-Manager's fees comprise:

- 1) A Base fee of \$2.0 million per annum subject to increase each year by such percentage increase (if any) in the average of the monthly Singapore CPI for the 12 calendar months immediately preceding the beginning of each financial year over the average of the monthly Singapore CPI for 2010.
- 2) Performance fee is charged at 4.5% per annum on all the cash inflows received by the Trust from subsidiaries, associates, subtrusts and its investments (including but not limited to dividends, distributions, interest earned, revenues earned, principal repayment of debt securities and all other receipts).
- 3) In addition to the Base Fee and the Performance Fee, the Trustee-Manager (in its personal capacity) is also entitled to receive an Acquisition Fee in respect of any investment acquired by the Trust or special purpose vehicles holding or constituted to hold the Trust's investment and a Divestment Fee in respect of any investment sold or divested by the Trust or its special purpose vehicles.

36. Profit Before Tax

The following items have been included in arriving at profit before tax:

	Group	
	2017 \$'000	2016 \$'000
Auditors' remuneration		
- auditors of the Group	379	398
Non-audit fees to		
- auditors of the Group	14	14
Property, plant and equipment written off (Note 6)	2	486

37. Income Tax Expense

Major components of income tax expense

The major components of income tax expense for the years ended December 31, 2017 and 2016 are:

	Group	
	2017 \$'000	2016 \$'000
Consolidated profit or loss:		
Current tax	3,390	4,961
Deferred tax (Note 25)	(3,048)	(4,546)
Income tax expense recognised in profit or loss	342	415
Consolidated statement of other comprehensive income:		
Deferred tax expense related to other comprehensive income:		
- Fair value loss and reclassification adjustments on cash flow hedges (Note 25)	(1,471)	(2,372)

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended December 31, 2017 and 2016 are as follows:

	Group	
	2017 \$'000	2016 \$'000
Profit before tax	14,118	6,536
Tax calculated at a tax rate of 17%	2,400	1,111
Effect of:		
- Different tax rates in other countries	(264)	(1,468)
- Expenses not deductible for tax purposes	6,519	6,391
- Income not subject to tax	(9,733)	(8,094)
- Deferred tax assets not recognised	6,555	7,774
- Recognition of future deductible amounts allowable under overseas tax regime	(4,950)	(5,875)
- Adjustment recognised in the current year in relation to the current tax for prior year	709	447
- Tax relief	(259)	(136)
- Others	(635)	265
	342	415

38. Earnings Per Unit

The calculation of basic and diluted earnings per unit is based on the weighted average number of units outstanding during the financial year and profit after tax attributable to the unitholders of the Trust.

	Group	
	2017 \$'000	2016 \$'000
Profit for the financial year attributable to unitholders of the Trust (\$'000)	47,613	41,188
Weighted average number of units during the financial year	3,857,328,660	3,857,044,200
Basic and diluted earnings per unit (cents)	1.23	1.07

Diluted earnings per unit is the same as the basic earnings per unit as there are no dilutive instruments in issue during the financial year.

39. Operating Lease Arrangements and Capital Commitments**(a) Operating lease arrangements**

The Group leases office premises and pipe rack under non-cancellable operating lease agreements. Minimum lease payments recognised as an expense in profit or loss for the financial year ended December 31, 2017 amounted to \$2,861,000 (2016 : \$3,015,000). The future minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as payable, are as follows:

	Group	
	2017 \$'000	2016 \$'000
Not later than one year	3,960	3,999
Later than one year but not later than five years	9,922	11,458
Later than five years	64,628	66,212
	78,510	81,669

Included in the future minimum lease payments under non-cancellable operating leases comprise future minimum lease payments with related parties which amounted to \$14,324,000 (2016 : \$16,284,000).

Operating lease payments represent rentals payable by the Group for certain of its office properties and pipe racks. Rentals are negotiated for an average term of 1 to 47 years (2016 : 1 to 48 years).

Notes to the Financial Statements

39. Operating Lease Arrangements and Capital Commitments (continued)

(b) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2017 \$'000	2016 \$'000
Property, plant and equipment	2,264	2,756

40. Segment Information

The Trustee-Manager monitors the results of the Trust based on the following reportable segments for the purpose of making decisions in resource allocation and performance assessment:

- Gas: production and retailing of town gas and retailing of natural gas in Singapore;
- Concessions: concessions in relation to the desalination plant, water treatment plant and waste-to-energy plants in Singapore;
- Power: tolling arrangement for the power plant in Singapore;
- Transmission (previously known as Electricity): operator of subsea electricity interconnector in Australia; and
- Corporate: investment holding, asset management and business development.

Information regarding the Trust's reportable segments for the years ended December 31, 2017 and 2016 are set out below:

	Gas (Singapore) \$'000	Concessions (Singapore) \$'000	Power (Singapore) \$'000	Transmission (Australia) \$'000	Corporate (Singapore) \$'000	Total Group \$'000
2017						
Revenue	320,372	95,597	129,949	85,387	1,171	632,476
Profit/(Loss) before tax	41,515	20,952	(32,082)	(2,032)	(14,235)	14,118
Funds from operations ¹	40,669	75,758	45,717	23,999	(8,471)	177,672
Other segment items:						
Depreciation and amortisation	(3,477)	(7,052)	(75,598)	(18,842)	–	(104,969)
Fair value loss on derivative financial instruments	(1,058)	–	–	(7,465)	–	(8,523)
Allowance for trade and other receivables	(573)	–	–	–	–	(573)
Share of results of joint venture	–	–	–	–	2,715	2,715
Finance costs ²	(4,889)	(3,649)	(62,964)	(50,174)	(3,273)	(124,949)

A reconciliation of funds from operations to profit before tax is provided as follows:

	2017 \$'000
Funds from operations	177,672
Reduction in concession/lease receivables	(53,353)
Non-cash finance cost	(6,297)
Other non-cash items	(2,039)
Depreciation and amortisation	(104,969)
Maintenance capital expenditure	1,727
Finance cost attributable to NCI	(43,850)
Funds from operations of joint venture	(6,006)
Funds from operations attributable to NCI	51,233
Profit before tax	14,118

	Gas (Singapore) \$'000	Concessions (Singapore) \$'000	Power (Singapore) \$'000	Transmission (Australia) \$'000	Corporate (Singapore) \$'000	Total Group \$'000
2017						
Segment and consolidated total assets	559,106	656,304	1,692,894	995,544	52,568	3,956,416
Segment liabilities	314,233	102,314	965,919	931,465	309,022	2,622,953
Unallocated liabilities:						
Current tax liabilities						3,410
Deferred tax liabilities						18,159
Consolidated total liabilities						2,644,522
Other segment items						
<u>Additions to non-current assets</u>						
Capital expenditure						
- property, plant and equipment	1,313	3	-	411	-	1,727
2016						
Revenue	287,982	113,303	128,714	46,982	4,136	581,117
Profit/(Loss) before tax	35,158	23,801	(32,225)	(11,289)	(8,909)	6,536
Funds from operations¹	40,558	77,480	44,580	20,160	(5,553)	177,225
Other segment items:						
Depreciation and amortisation	(12,598)	(7,050)	(75,668)	(18,396)	-	(113,712)
Fair value gain/(loss) on derivative financial instruments	1,050	-	-	(10,249)	-	(9,199)
Allowance for trade and other receivables	(310)	-	-	-	-	(310)
Share of results of joint venture	-	-	-	-	710	710
Finance costs ²	(4,824)	(5,181)	(63,125)	(42,399)	(1,441)	(116,970)

A reconciliation of funds from operations to profit before tax is provided as follows:

	2016 \$'000
Funds from operations	177,225
Reduction in concession / lease receivables	(51,252)
Non-cash finance cost	(7,757)
Other non-cash items	(1,743)
Depreciation and amortisation	(113,712)
Maintenance capital expenditure	947
Finance cost attributable to NCI	(43,972)
Funds from operations of joint venture	(2,916)
Funds from operations attributable to NCI	49,716
Profit before tax	6,536

Notes to the Financial Statements

40. Segment Information (continued)

	Gas (Singapore) \$'000	Concessions (Singapore) \$'000	Power (Singapore) \$'000	Transmission (Australia) \$'000	Corporate (Singapore) \$'000	Total Group \$'000
2016						
Segment and consolidated total assets	<u>569,494</u>	<u>714,757</u>	<u>1,737,256</u>	<u>1,018,470</u>	<u>78,665</u>	<u>4,118,642</u>
Segment liabilities	316,752	105,451	961,373	947,998	304,966	2,636,540
Unallocated liabilities:						
Current tax liabilities						5,454
Deferred tax liabilities						<u>22,678</u>
Consolidated total liabilities						<u>2,664,672</u>
Other segment items						
Additions to non-current assets						
Investment in and advances to joint venture	–	–	–	–	1,717	1,717
Capital expenditure						
- property, plant and equipment	<u>912</u>	<u>27</u>	<u>8</u>	<u>–</u>	<u>–</u>	<u>947</u>

¹ Funds from operations is defined as profit after tax adjusted for reduction in concession/lease receivables, transaction costs, non-cash interest and current cash tax, maintenance capital expenditure, non-cash adjustments and non-controlling interests adjustments.

² Excludes interest payable on notes issued by subsidiaries to the Trust.

The Group's Gas, Concessions and Power business segments operate in Singapore whilst the Transmission segment operates in Australia. Revenue is based on the country in which the customer is located. Total non-current assets are shown by the geographical area where the assets are located.

	Revenue		Non-current assets *	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Singapore	547,089	534,135	1,924,369	2,011,858
Australia	85,387	46,982	879,448	928,339
	<u>632,476</u>	<u>581,117</u>	<u>2,803,817</u>	<u>2,940,197</u>

* Comprise property, plant and equipment, intangibles and investment in and advances to joint venture.

Revenue from Concessions segment of \$95,597,000 (2016 : \$113,303,000) was solely derived from the only customer of the respective subtrunks. For the Power segment, revenue of \$129,949,000 (2016 : \$128,714,000) was derived from its only customer. For Transmission segment, revenue from its major customer was \$83,371,000 (2016 : \$44,866,000).

41. Contingent Liability

Basslink Pty Ltd ("Basslink"), a wholly-owned subsidiary of the Group, operates a subsea electricity interconnector ("Interconnector") between the electricity grids of the States of Tasmania and Victoria in Australia.

On December 20, 2015, the Interconnector was taken out of service due to a cable fault incident. The cable returned to service on June 13, 2016. The customer, Hydro Tasmania ("HT"), has not paid Basslink full facility fees from September 2016 to August 2017 as HT disagrees with Basslink that the outage was a force majeure event. In December 2016, an independent investigation undertaken by Cable Consulting International (CCI), one of the world's leading submarine power cable experts, was completed and CCI concluded that the cause of the cable fault is "cause unknown".

No legal claims have been received by the Group as at the date of this report.

APPENDIX III

AUDITED FINANCIAL STATEMENTS OF KIT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The information in this Appendix III has been reproduced from the annual report of KIT for the financial year ended 31 December 2018 and has not been specifically prepared for inclusion in this Information Memorandum.

Trustee-Manager's Statement & Financial Statements

Trustee-Manager's Statement

Keppel Infrastructure Fund Management Pte. Ltd. was appointed as the Trustee-Manager of Keppel Infrastructure Trust (the "Trust") on May 18, 2015.

The directors of the Trustee-Manager present their statement, together with the audited consolidated financial statements of the Trust and its subsidiaries (collectively the "Group") and statement of financial position and statement of changes in unitholders' funds of the Trust for the financial year ended December 31, 2018.

Opinion of the Directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in unitholders' funds of the Trust as set out on pages 65 to 129 are drawn up so as to give a true and fair view of the financial position of the Group and of the Trust as at December 31, 2018, and the financial performance, changes in unitholders' funds and cash flows of the Group and changes in unitholders' funds of the Trust for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Trust will be able to pay its debts when they fall due.

In accordance with Section 86(2) of the Singapore Business Trusts Act, Chapter 31A (the "Act"), we further certify:

- (a) the fees or charges paid or payable out of the trust property of the Trust to the Trustee-Manager are in accordance with the Trust Deed;
- (b) the interested person transactions entered into by the Group during the financial year ended December 31, 2018 are not detrimental to the interests of all the unitholders of the Trust as a whole based on the circumstances at the time of the relevant transactions; and
- (c) the Board of Directors of the Trustee-Manager is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.

In accordance with Regulation 12(6) of the Singapore Business Trust Regulations ("BTR"), the Board of Directors of the Trustee-Manager may determine that a director who is not considered to be independent from management and business relationships with the Trustee-Manager under Regulation 3; or not considered to be independent from a substantial shareholder of the Trustee-Manager under Regulation 4, is nonetheless independent from management and business relationships with the Trustee-Manager or independent from a substantial shareholder of the Trustee-Manager, if the Board of Directors is satisfied that the director's independent judgment and ability to act with regard to the interests of all the unitholders of the Trust as a whole will not be interfered with, despite the relationships.

The details of the Board of Directors' review and determination under Regulation 12(7) of the BTR are disclosed in the Corporate Governance section of the Annual Report of the Trust in accordance to Regulations 12(8) and 12(9) of the BTR.

Directors

The directors of the Trustee-Manager in office at the date of this statement are:

Koh Ban Heng (Chairman)
 Thio Shen Yi
 Mark Andrew Yeo Kah Chong
 Daniel Cuthbert Ee Hock Huat
 Kunnasagaran Chinniah
 Christina Tan Hua Mui
 Cindy Lim Joo Ling (Appointed on July 18, 2018)

Arrangements to Enable Directors to Acquire Units and Debentures

Neither at the end of the financial year nor at any time during the financial year was the Trustee-Manager a party to any arrangement whose object was to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units in, or debentures of the Trust.

Directors' Interests in Units or Debentures

The directors of the Trustee-Manager at the end of the financial year had no interests in the unit capital and debentures of the Trust as recorded in the register kept by the Trustee-Manager for the purposes of Sections 13 and 76 of the Act except as follows:

Name of directors and corporation in which interests are held	Direct interest		Deemed interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
Interests in Keppel Infrastructure Trust (Units)				
Koh Ban Heng	—	36,100	—	—
Thio Shen Yi	906	26,206	—	—
Mark Andrew Yeo Kah Chong	—	28,500	—	—
Daniel Cuthbert Ee Hock Huat	—	27,900	—	—
Kunnasagaran Chinniah	513,600	536,300	421,346	421,346

The unitholdings of the above directors as at January 21, 2019 were the same as those at December 31, 2018.

Unit Options

(a) Options to take up unissued units

During the financial year, there were no options granted by the Trustee-Manager to any person to take up unissued units in the Trust.

(b) Options exercised

During the financial year, there were no units of the Trust issued by virtue of the exercise of an option to take up unissued units.

(c) Unissued units under options

At the end of the financial year, there were no unissued units of the Trust under options.

Audit and Risk Committee

The members of the Audit and Risk Committee of the Trustee-Manager during the financial year and as at the date of this report are:

Mark Andrew Yeo Kah Chong (Chairman)
Koh Ban Heng
Daniel Cuthbert Ee Hock Huat

All members of the Audit and Risk Committee are independent and are non-executive directors.

The Audit and Risk Committee carried out its functions in accordance with Regulation 13(6) of the Singapore Business Trusts Regulations 2005 and the SGX Listing Manual.

In performing its functions, the Audit and Risk Committee met with the Trust's external and internal auditors to discuss the scope and results of their audits and the internal auditors' evaluation of the Group's internal accounting control system.

The Audit and Risk Committee also reviewed the following:

- (a) The audit plan and results of the internal auditor's examination and evaluation of the Group's systems of internal accounting controls;
- (b) The Group's financial and operating results and accounting policies;
- (c) The financial statements of the Trust and the consolidated financial statements of the Group before their submission to the directors of the Trustee-Manager and external auditor's report on those financial statements;
- (d) The adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- (e) The quarterly, half-yearly and annual announcements on the results and financial position of the Trust and the Group;
- (f) The co-operation and assistance given by the Trustee-Manager's officers to the Group's external auditors; and
- (g) The re-appointment of the external auditors of the Group.

The Audit and Risk Committee has full access to and had the co-operation of the Trustee-Manager and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officers of the Trustee-Manager to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee has recommended to the directors of the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the unitholders.

Auditors

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors of the Trustee-Manager



Koh Ban Heng
Chairman



Christina Tan Hua Mui
Director

Singapore
February 28, 2019

Statement by the Chief Executive Officer

In accordance with Section 86(3) of the Act, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.



Matthew Rupert Pollard
Chief Executive Officer

Singapore
February 28, 2019

Independent Auditor's Report

to the Unitholders of Keppel Infrastructure Trust
(Constituted under a Trust Deed in the Republic of Singapore)

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Keppel Infrastructure Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Trust as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in unitholders' funds and consolidated statement of cash flows of the Group and the statement of changes in unitholders' funds of the Trust for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 129.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in unitholders' funds of the Trust are properly drawn up in accordance with the provisions of Singapore Business Trusts Act, Chapter 31A (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Trust as at December 31, 2018 and of the consolidated financial performance, consolidated changes in unitholders' funds and consolidated cash flows of the Group and changes in unitholders' funds of the Trust 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 *Auditor's 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 ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Our audit performed and responses thereon

Impairment of Assets – property, plant and equipment, finite-lived intangible assets, investments in and advances to subsidiaries and goodwill

Under SFRS(I) 1-36 *Impairment of Assets*, the Group is required to test goodwill for impairment annually and for other assets, where there are indicators of impairment. This assessment requires the exercise of significant judgement in determining the recoverable values of the cash generating units ("CGUs"), including growth rates, discount rates, terminal values and expected changes to selling prices and direct costs.

These assets represent a significant portion of the Group's and Trust's total assets and their proportion as at December 31, 2018 are as follows:

- Property, plant and equipment (56.6% of Group's total assets);
- Goodwill (11.5% of Group's total assets)
- Finite-lived intangible assets (2.1% of Group's total assets)
- Investments in and advances to subsidiaries, which are quasi-equity loans (49.1% of Trust's total assets)

The key assumptions to the impairment tests and the sensitivity of changes in these assumptions to the risk of impairment are disclosed in Notes 7 and 8 to the financial statements.

Basslink cable outage (the "outage")

As detailed in Note 41 to the financial statements, the Basslink Interconnector experienced an unplanned outage on December 20, 2015.

The Basslink operations represent the Group's Distribution & Network segment, which is further disclosed in Note 40 to the financial statements.

Our audit procedures focused on evaluating and challenging the key assumptions used by the Trustee-Manager in concluding the impairment review. These procedures included:

- Using our valuation specialists to review key assumptions used in the impairment analysis, in particular the discount rates and terminal values;
- Challenging the cash flow forecasts used, with comparison to recent performance, trend analysis and market expectations; and
- By reference to prior years' forecasts, where relevant, assessing whether the Group has achieved them.

Based on our procedures, we noted the Trustee-Manager's key assumptions to be within a reasonable range of our expectations.

We have also assessed the adequacy and appropriateness of the disclosures made in the consolidated financial statements.

We evaluated the Trustee-Manager's assessment of the implications of the outage to the Group, in particular, the following:

- The breach of loan covenant and the impact to the Group's going concern assumption;
- Recoverability of Basslink's receivables; and
- Disputes with the State of Tasmania and Hydro Tasmania ("HT").

Independent Auditor's Report

to the Unitholders of Keppel Infrastructure Trust
(Constituted under a Trust Deed in the Republic of Singapore)

Key Audit Matters

Basslink cable outage (the "outage") (continued)

The implications of the outage include, *inter alia*, the following:

- **Breach of minimum debt service coverage ratio on loan covenant**

As disclosed in Note 19 to the financial statements, the Basslink bank borrowings of S\$700.1m, being repayable in November 2019, has been classified as current liabilities as at December 31, 2018. Basslink's ability to continue as a going concern is highly dependent on the lenders not demanding repayment of the loan and withdrawing the credit facility.

The Trustee-Manager is in discussions with the lenders to refinance the bank borrowings and the Trustee-Manager continues to hold the view that the lenders remain supportive of Basslink and its operations and do not intend to exercise their rights to recall the bank borrowings in the near term if the liquidity and stability of Basslink are maintained.

Furthermore:

- The Basslink bank borrowings are non-recourse to the Group;
- The breach in the loan covenant in the Basslink loan agreement does not result in any cross default on other borrowings within the Group; and
- The Group is not dependent on Basslink's cash flow for its operations and distributions to unitholders for at least the 12-month period from the date of the auditor's report.

Accordingly, the Trustee-Manager has assessed that the implications of the outage detailed above do not impact the going concern assumption of the Group.

- **Recoverability of Basslink's receivables**

As disclosed in Note 41 to the financial statements, Basslink's customer, Hydro Tasmania ("HT"), disputed the claim that the outage was a "*force majeure*" event and has not paid Basslink facility fees for the period from September 2016 to August 2017 and had instead given "good faith payments" to Basslink from December 2016 to July 2017.

In 2016, Cable Consulting International ("CCI"), an independent submarine power cable expert engaged by Basslink concluded in its report (the "outage investigation report"), amongst others, that the cause of the cable outage is unknown. The Trustee-Manager is of the view that the outage investigation report supported Basslink's claim that the cause of the cable fault was a "*force majeure*" event.

From September 2017, HT had resumed the usual contractual payment of the full facility fees to Basslink.

In December 2017, based on the reports from DNV GL, an international engineering consultancy firm engaged by HT, HT alleged that the outage was caused by the interconnector exceeding its design limit.

Under the Basslink Services Agreement ("BSA"), an unknown cause of the cable fault falls under the definition of a "*force majeure*" event. As such, the Trustee-Manager is of the view that the outage investigation report supported Basslink's claim that the cause of the cable fault was a "*force majeure*" event.

The Trustee-Manager is of the view that the carrying amount of Basslink's receivables, included under unbilled receivables (Note 16), as at December 31, 2018 approximates the recoverable amount.

Our audit performed and responses thereon

We reviewed the Group's loan agreements and noted that the aforesaid default under the Basslink loan agreement does not result in any cross default on other borrowings within the Group. We have also sought legal representation that the Basslink bank borrowings are non-recourse to the Group.

We reviewed the cash flow contribution of Basslink to the Group to corroborate the Trustee-Manager's view that the Group is not dependent on Basslink's cash flow for its operations and distributions to unitholders for at least the 12-month period from the date of the auditor's report.

We reviewed the Basslink Services Agreement ("BSA") with HT, the outage investigation report and the external solicitor's confirmation supporting the outage as a "*force majeure*" event, and also verified the "good faith payments" made by HT. The Trustee-Manager has assessed that:

- the carrying amount of Basslink's receivables as at December 31, 2018 approximates the recoverable amount; and
- no provision for disputed claims from the State is required.

Based on our procedures, we found the Trustee-Manager's basis of assessment to be reasonable.

We have also assessed the appropriateness of the disclosures made in the consolidated financial statements.

Basslink cable outage (the "outage") (continued)

- **Disputes with the State of Tasmania and Hydro Tasmania**

In March 2018, the State of Tasmania (the "State") issued a Notice of Dispute to Basslink, which was referred to arbitration, under the Basslink Operations Agreement ("BOA"), and alleged that Basslink should indemnify the State for its losses which amounts to over A\$100.0m (S\$100.7m).

In September 2018, Basslink issued a Notice of Dispute to HT, which was referred to arbitration, under the BSA, to recover the withheld receivables from HT.

In October 2018, HT issued a Notice of Dispute to Basslink, which was referred to arbitration, under the BSA, based upon the allegations in the DNV GL reports commissioned by the lawyers for HT.

In relation to the State's claim against Basslink, Basslink engaged CCI to perform a further investigation. In November 2018, CCI concluded in its report (the "CCI report"), amongst others, that the cause of the cable outage continues to be unknown.

As at December 31, 2018, no provision has been made for the claim by the State as based on the outage investigation report and CCI report, the Trustee-Manager is of the view that the cause of the cable fault was a "*force majeure*" event.

Information Other than the Financial Statements and Auditor's Report Thereon

Trustee-Manager is responsible for the other information. The other information comprises the Key Figures for 2018, Financial Highlights, Chairman's Statement, composition of Board of Directors, The Trustee-Manager, Operations Review, Financial Review, Keppel Infrastructure Trust's Unit Price Performance, Significant Events for year ended 2018, Trust Structure, Corporate Information, Sustainability Report, Trustee-Manager's Statement, Statement by the Chief Executive Officer, Corporate Governance, Risk Management and Financial Calendar, which we obtained prior to the date of this auditor's report, and the Statistic of Unitholdings which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not 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 the Trustee-Manager and the Directors of the Trustee-Manager for the Financial Statements

The Trustee-Manager of the Trust is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide 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, the Trustee-Manager 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 the Trustee-Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors of the Trustee-Manager's responsibilities include overseeing the Group's financial reporting process.

Independent Auditor's Report

to the Unitholders of Keppel Infrastructure Trust
(Constituted under a Trust Deed in the Republic of Singapore)

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee-Manager.
- (d) Conclude on the appropriateness of Trustee-Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) 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.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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 of the Trustee-Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of the Trustee-Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors of the Trustee-Manager, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Trust and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Patrick Tan Hak Pheng.



Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

February 28, 2019

Statements of Financial Position

December 31, 2018

		Group			Trust		
	Note	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Non-Current Assets							
Property, plant and equipment	6	2,152,479	2,255,920	2,379,600	–	–	–
Intangibles	7	518,758	527,145	537,165	–	–	–
Investment in subsidiaries	8	–	–	–	801,231	851,892	951,030
Investment in and advances to joint venture	9	20,009	20,752	23,432	–	–	–
Notes receivables	10	–	–	–	775,712	775,712	775,712
Amount receivable from a subsidiary	11	–	–	–	15,387	20,187	22,028
Service concession receivables	12	332,221	378,758	424,025	–	–	–
Finance lease receivables	13	95,070	105,139	114,823	–	–	–
Derivative financial instruments	17	69	–	–	–	–	–
Other assets	14	164,785	180,548	122,874	–	–	–
Total non-current assets		3,283,391	3,468,262	3,601,919	1,592,330	1,647,791	1,748,770
Current Assets							
Cash and bank deposits	15	231,603	213,956	266,859	26,116	31,054	51,969
Trade and other receivables	16	151,787	143,266	118,866	13,784	4,979	4,717
Service concession receivables	12	46,537	45,267	44,034	–	–	–
Finance lease receivables	13	10,069	9,684	9,319	–	–	–
Derivative financial instruments	17	202	–	1,055	31	–	–
Inventories	18	59,236	54,174	54,456	–	–	–
Other current assets	14	22,182	21,807	22,134	14	47	55
Total current assets		521,616	488,154	516,723	39,945	36,080	56,741
Current Liabilities							
Borrowings	19	1,034,565	722,377	752,106	147,609	–	–
Loan from a subsidiary	20	–	–	–	–	–	43,335
Trade and other payables	21	177,905	174,843	160,193	3,648	3,588	4,122
Derivative financial instruments	17	16,772	18,380	19,571	–	–	–
Income tax payable		4,356	3,410	5,454	15	10	19
Total current liabilities		1,233,598	919,010	937,324	151,272	3,598	47,476
Net Current (Liabilities)/Assets		(711,982)	(430,856)	(420,601)	(111,327)	32,482	9,265
Non-Current Liabilities							
Borrowings	19	740,383	1,071,904	1,058,576	–	145,500	122,612
Notes payable to non-controlling interests	23	260,000	260,000	260,000	–	–	–
Derivative financial instruments	17	99,491	100,551	85,976	–	859	986
Other payables	24	250,732	242,012	268,838	–	–	–
Provisions	22	26,935	32,886	31,280	–	–	–
Deferred tax liabilities	25	15,612	18,159	22,678	–	–	–
Total non-current liabilities		1,393,153	1,725,512	1,727,348	–	146,359	123,598
Net Assets		1,178,256	1,311,894	1,453,970	1,481,003	1,533,914	1,634,437
Represented by:							
Unitholders' Funds							
Units in issue	26	2,138,066	2,137,538	2,137,389	2,138,066	2,137,538	2,137,389
Hedging reserve	27	(200,226)	(210,861)	(204,478)	31	(859)	(986)
Translation reserve		(492)	(359)	–	–	–	–
Capital reserve	28	38,710	38,710	38,710	–	–	–
Accumulated losses		(923,582)	(812,093)	(716,231)	(657,094)	(602,765)	(501,966)
Total Unitholders' Funds		1,052,476	1,152,935	1,255,390	1,481,003	1,533,914	1,634,437
Non-controlling interests		125,780	158,959	198,580	–	–	–
		1,178,256	1,311,894	1,453,970	1,481,003	1,533,914	1,634,437

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Financial year ended December 31, 2018

	Note	2018 \$'000	2017 \$'000
Revenue	30	637,387	632,476
Other income	31	9,169	3,593
Other losses - net	32	(13,650)	(8,855)
Expenses			
Fuel and electricity costs		(155,601)	(126,008)
Gas transportation costs		(93,873)	(93,109)
Depreciation and amortisation		(103,480)	(104,969)
Staff costs	33	(27,378)	(26,717)
Operation and maintenance costs		(77,859)	(82,425)
Finance costs	34	(123,669)	(124,949)
Trustee-Manager's fees	35	(9,742)	(9,762)
Other operating expenses		(47,459)	(47,872)
Total expenses		(639,061)	(615,811)
(Loss)/Profit before joint venture		(6,155)	11,403
Share of results of joint venture		3,840	2,715
(Loss)/Profit before tax	36	(2,315)	14,118
Income tax expense	37	(43)	(342)
(Loss)/Profit for the year		(2,358)	13,776
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Cash flow hedges:			
- Fair value losses		(14,560)	(37,360)
- Transfer to profit or loss		28,025	28,877
- Share of net change in fair value of cash flow hedges of a joint venture		502	(1,080)
Currency translation differences relating to consolidation of foreign operations		(91)	(488)
Other comprehensive income, net of tax		13,876	(10,051)
Total comprehensive income		11,518	3,725
(Loss)/Profit attributable to:			
Unitholders of the Trust		32,023	47,613
Non-controlling interests		(34,381)	(33,837)
		(2,358)	13,776
Total comprehensive income attributable to:			
Unitholders of the Trust		42,525	40,871
Non-controlling interests		(31,007)	(37,146)
		11,518	3,725
Earnings per unit attributable to unitholders of the Trust, expressed in cents			
- basic and diluted	38	0.83	1.23

See accompanying notes to financial statements.

Statements of Changes in Unitholders' Funds

Financial year ended December 31, 2018

Group	Note	Attributable to Unitholders of the Trust					Non-controlling interests	Total
		Units in issue (Note 26) \$'000	Hedging reserve (Note 27) \$'000	Translation reserve \$'000	Capital reserve (Note 28) \$'000	Accumulated losses \$'000	Total unitholders' funds \$'000	\$'000
At January 1, 2018		2,137,538	(210,861)	(359)	38,710	(812,093)	1,152,935	158,959
<u>Total comprehensive income</u>								
Profit/(Loss) for the year		–	–	–	–	32,023	32,023	(34,381)
Other comprehensive income for the year		–	10,635	(133)	–	–	10,502	3,374
Total		–	10,635	(133)	–	32,023	42,525	(31,007)
<u>Transactions with owners, recognised directly in equity</u>								
Units issued	26	528	–	–	–	–	528	–
Unclaimed distributions written back		–	–	–	–	6	6	–
Distributions paid	29	–	–	–	–	(143,518)	(143,518)	(2,172)
Total		528	–	–	–	(143,512)	(142,984)	(2,172)
At December 31, 2018		2,138,066	(200,226)	(492)	38,710	(923,582)	1,052,476	125,780
At January 1, 2017		2,137,389	(204,478)	–	38,710	(716,231)	1,255,390	198,580
<u>Total comprehensive income</u>								
Profit/(Loss) for the year		–	–	–	–	47,613	47,613	(33,837)
Other comprehensive income for the year		–	(6,383)	(359)	–	–	(6,742)	(3,309)
Total		–	(6,383)	(359)	–	47,613	40,871	(37,146)
<u>Transactions with owners, recognised directly in equity</u>								
Units issued	26	149	–	–	–	–	149	–
Unclaimed distributions written back		–	–	–	–	15	15	–
Distributions paid	29	–	–	–	–	(143,490)	(143,490)	(2,475)
Total		149	–	–	–	(143,475)	(143,326)	(2,475)
At December 31, 2017		2,137,538	(210,861)	(359)	38,710	(812,093)	1,152,935	158,959

See accompanying notes to financial statements.

Statements of Changes in Unitholders' Funds

	Note	Units in issue (Note 26) \$'000	Hedging reserve (Note 27) \$'000	Accumulated losses \$'000	Total unitholders' funds \$'000
Trust					
At January 1, 2018		2,137,538	(859)	(602,765)	1,533,914
<u>Total comprehensive income</u>					
Profit for the year		–	–	89,183	89,183
Other comprehensive income for the year		–	890	–	890
Total		–	890	89,183	90,073
<u>Transactions with owners, recognised directly in equity</u>					
Units issued	26	528	–	–	528
Unclaimed distributions written back		–	–	6	6
Distributions paid	29	–	–	(143,518)	(143,518)
Total		528	–	(143,512)	(142,984)
At December 31, 2018		2,138,066	31	(657,094)	1,481,003
At January 1, 2017		2,137,389	(986)	(501,966)	1,634,437
<u>Total comprehensive income</u>					
Profit for the year		–	–	42,676	42,676
Other comprehensive income for the year		–	127	–	127
Total		–	127	42,676	42,803
<u>Transactions with owners, recognised directly in equity</u>					
Units issued	26	149	–	–	149
Unclaimed distributions written back		–	–	15	15
Distributions paid	29	–	–	(143,490)	(143,490)
Total		149	–	(143,475)	(143,326)
At December 31, 2017		2,137,538	(859)	(602,765)	1,533,914

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Financial year ended December 31, 2018

	Note	2018 \$'000	2017 \$'000
Operating activities			
(Loss)/Profit before tax		(2,315)	14,118
Adjustments for:			
Depreciation and amortisation		103,480	104,969
Finance costs	34	123,669	124,949
Interest income	31	(2,022)	(1,664)
Impairment loss on financial assets	16	757	573
Fair value loss on derivative financial instruments	32	13,275	8,523
Property, plant and equipment written off	36	3	2
Gain on disposal of property, plant and equipment		(2)	(6)
Share of results of joint venture		(3,840)	(2,715)
Unrealised foreign exchange gain		(349)	(126)
Management fees paid in units		528	149
Operating cash flows before movements in working capital		233,184	248,772
Trade and other receivables		6,108	(82,524)
Service concession receivables		45,267	44,034
Finance lease receivables		9,684	9,319
Trade and other payables		3,725	(27,882)
Inventories		(5,375)	(341)
Cash generated from operations		292,593	191,378
Interest received		2,028	1,865
Interest paid		(110,923)	(105,602)
Income tax paid		(3,221)	(5,425)
Net cash from operating activities		180,477	82,216
Investing activities			
Dividend received from joint venture		3,723	2,177
Repayment of advances from joint venture		1,362	2,138
Purchase of property, plant and equipment		(8,502)	(1,727)
Proceeds from sale of property, plant and equipment		14	56
Proceeds from sale of inventories		313	623
Net cash (used in)/from investing activities		(3,090)	3,267
Financing activities			
(Increase)/Decrease in restricted cash		(2,144)	2,592
Proceeds from borrowings		2,000	44,807
Repayment of borrowings		(16,134)	(37,149)
Unclaimed distributions written back		6	15
Distributions paid to unitholders of the Trust	29	(143,518)	(143,490)
Distributions paid by subsidiaries to non-controlling interests		(2,172)	(2,475)
Net cash used in financing activities		(161,962)	(135,700)
Net increase/(decrease) in cash and cash equivalents		15,425	(50,217)
Cash and cash equivalents at beginning of year		164,202	214,513
Effects of currency translation on cash and cash equivalents		78	(94)
Cash and cash equivalents at end of year	15	179,705	164,202

See accompanying notes to financial statements.

Notes to the Financial Statements

December 31, 2018

1. General

Keppel Infrastructure Trust, (the "Trust") is a business trust registered with the Monetary Authority of Singapore and domiciled in Singapore. The Trust was constituted by a trust deed dated January 5, 2007 and is regulated by the Singapore Business Trusts Act, Chapter 31A.

In 2015, the Trust changed its Trustee-Manager from CitySpring Infrastructure Management Pte. Ltd. to Keppel Infrastructure Fund Management Pte. Ltd. Under the trust deed, Keppel Infrastructure Fund Management Pte. Ltd. (the "Trustee-Manager") will hold the assets (including businesses) acquired in trust for the unitholders as the Trustee-Manager. The registered address and principal place of business of the Trustee-Manager is at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632.

The Trust has been established with the principal objective of investing in infrastructure assets and providing unitholders with regular and predictable distributions and the potential for long-term capital growth. The principal activities of the subsidiaries of the Trust are set out in Note 8.

The Trust was admitted to the Official List of the Main Board of Singapore Exchange Securities Trading Limited on February 12, 2007.

The consolidated financial statements of the Group and statement of financial position and statement of changes in unitholders' funds of the Trust for the financial year ended December 31, 2018 were authorised for issue by the Board of Directors of the Trustee-Manager on February 28, 2019.

For all periods up to and including the year ended December 31, 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended December 31, 2018 are the first set that the Group and the Trust have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 43.

2. Summary of Significant Accounting Policies

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Trust and entities controlled by the Trust (its subsidiaries). Control is achieved when the Trust:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Trust reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Trust has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Trust considers all relevant facts and circumstances in assessing whether or not the Trust's voting rights in an investee are sufficient to give it power, including:

- The size of the Trust's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Trust, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Trust has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous unitholders' meetings.

Consolidation of a subsidiary begins when the Trust obtains control over the subsidiary and ceases when the Trust loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Trust gains control until the date when the Trust ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Trust and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Trust and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the Trust's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

BUSINESS COMBINATIONS (continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I)2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I)5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss under "other income" line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other losses-net" line item. Fair value is determined in the manner described in Note 4.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other losses-net" line item;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other losses-net" line items.

Service concession arrangements

The Group has entered into service concession arrangements with governing agencies (the grantors) of the Government of Singapore to operate a water treatment plant and two waste-to-energy plants in Singapore. Under the concession arrangements, the Group will operate the plants for agreed original concession periods of between 15 to 25 years and transfer the plants to the grantors at the end of the concession periods. Such a concession arrangements fall within the scope of SFRS(I) INT 12 *Service Concession Arrangements* and are accounted for as service concession receivables.

The Group recognises a finance receivable arising from a service concession arrangement when it has a right to receive a fixed and determinable amount of payments during the concession period irrespective of the usage of the concession infrastructure. When the Group receives a payment during the concession period, it will apportion such payment between (i) a repayment of the finance receivable (if any), which will be used to reduce the carrying amount of the finance receivable on its statement of financial position, (ii) interest income, which will be recognised as finance income in profit or loss and (iii) revenue from operating and maintaining the infrastructure, which will be recognised in profit or loss.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost, lease receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognised lifetime ECL for trade receivables and lease receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely the production and sale of gas, water desalination, water treatment, waste incineration and electricity generation and electricity transmission business.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 360 days past due, whichever occurs sooner, excluding trade receivables in dispute. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with SFRS(I) 1-17 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Measurement and recognition of expected credit losses (continued)

The grouping is regularly reviewed by Trustee-Manager to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Trust's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Trust's own equity instruments.

Units in issue and unit proceeds from issuance of units are recognised as units in issue in equity

Issue expenses are expenses incurred in issuance of units in the Trust. Expenses which are directly attributable to the issuance of units are deducted directly from the net assets attributable to the unitholders. Expenses which are not directly attributable to the issuance of units are recognised in profit or loss.

Distributions to the Trust's unitholders

Distributions to the Trust's unitholders are recorded in equity in the period in which they are approved for payment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL when the financial liability is i) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, ii) held for trading, or iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other losses-net" line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

Fair value is determined in the manner described in Note 4.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

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

Financial guarantee contracts issued by a Group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other losses-net" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit and loss.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 17.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value as at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of SFRS(I) 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of SFRS(I) 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or FVTPL as appropriate. See above for the Group's policy on classification of financial assets.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in cash flow hedges as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Note 17 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other losses-net' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Trust and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating leases

Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor

Finance leases

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

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance lease 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 receivable. 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 finance lease income.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment acquired as part of a business combination are recognised initially at their fair values at the date of acquisition and subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of an item includes its purchase price and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Trustee-Manager. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purposes other than to produce inventories.

Freehold land has an unlimited useful life and stand-by equipment and assets under construction are not yet available for use and therefore are not depreciated. Depreciation on other property, plant and equipment is calculated using a straight line method to allocate their depreciable amounts over their estimated useful lives as follows:

Building and leasehold land	Over the leasehold period of 30 years
Easements	38.67 years
Interconnector and related plant and machinery	3 to 63.67 years
Power plant	25 years
Other plant and machinery	3 to 25 years
Computers, vehicles, furniture, fittings and equipment	1 to 12 years or lease term, whichever is shorter

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

PROPERTY, PLANT AND EQUIPMENT (continued)

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of a property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS EXCLUDING GOODWILL

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Concession arrangements, customer relationship and customer contracts acquired as part of business combination are initially recognised at their fair values at the acquisition date and subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses.

These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of:

Concession arrangements	9.26 to 19.42 years
Customer contracts	18.85 to 38.69 years
Customer relationship	10.01 years

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's Cash Generating Units ("CGU") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years, unless a longer period can be justified. For longer periods, a long-term justified growth rate is applied to project future cash flows.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

JOINT VENTURE - A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of SFRS (I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning liabilities

The provision for decommissioning costs arose on construction of plant and equipment due to contractual obligation. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the costs of that particular asset. The cash flows are discounted at current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

SHARE-BASED PAYMENT - Management fees due to the Trustee-Manager can be settled either in cash or by the issue of units in the Trust or by a combination of both cash and units at the option of the Trustee-Manager. The fair values of the settlement choices are identical as the number of units to be issued to the Trustee-Manager is based on the cash liability at the settlement date. The Group measures and re-measures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in the profit or loss. If the Group issues equity instruments on settlement rather than paying cash, the liability shall be transferred direct to equity, as the consideration for the equity instruments issued. If the Group pays in cash on settlement rather than issuing equity instruments, payment shall be applied to settle the liability in full.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

REVENUE RECOGNITION – The Group recognises revenue from the following major sources:

- Sale of goods
- Service income
- Finance income from service concession arrangements
- Finance lease income
- Operation and maintenance income
- Management fee income

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

The Group sells town gas, natural gas and gas appliances to residential, commercial and industrial customers in Singapore. Revenue is measured based on the consideration in accordance with the price regulation framework (for town gas) and consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group's town gas business in Singapore is regulated under the Gas License issued by Energy Market Authority ("EMA") of Singapore. The Group sells town gas to residential, commercial and industrial customers. The amount of revenue recognised is based on the gas consumption derived from meter readings and when control of the town gas has transferred to its customer, being when the town gas is delivered to the customer's specific location (delivery). A receivable is recognised by the Group upon delivery as this represents the point in time at which the right to the consideration becomes unconditional, as only the passage of time is required before payment.

The Group sells natural gas to commercial and industrial customers. Revenue is recognised upon completion of the gas filling transaction and when control of the natural gas has transferred to its customer, being when the natural gas is delivered to the customer's specific location (delivery). A receivable is recognised by the Group upon delivery as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment.

Under the Group's standard contract terms, customers do not have a right of return.

Service income

The Group provides availability and capacity targets of its power plant to a related party. Such service is recognised as a performance obligation satisfied over-time based on an availability-based tolling fees and a monthly fixed fee indexed to the Singapore Consumer Price Index.

The Group has entered into service concession arrangements with governing agencies (the grantors) of the Government of Singapore to operate a water treatment plant and two waste-to-energy plants in Singapore. Revenue related to construction or upgrade services under a service concession arrangement is recognised over time. Service income is recognised in the period in which the services are provided by the Group. If the service concession arrangement contains more than one performance obligation, then the consideration is allocated with reference to the relative stand-alone selling prices of the services delivered.

The Group provides the availability of its interconnector asset to a governing agency of the State of Tasmania. Such service is recognised as a performance obligation satisfied over-time based on an availability-based facility fees indexed to the Australian Consumer Price Index.

Finance income from service concession arrangements

The Group has entered into service concession arrangements with governing agencies (the grantors) of the Government of Singapore to operate a water treatment plant and two waste-to-energy plants in Singapore. Under the service concession arrangements, the Group will operate the plants for agreed original concession periods of between 15 and 25 years and transfer the plants to the grantors at the end of the concession period. Revenue related to finance income under a service concession arrangement is recognised over time.

The Group receives finance income from the service concession arrangements which represents the interest income on the service concession receivables arising from the service concession arrangements, and is recognised using the effective interest method.

Finance lease income

Accounting policy for recognising finance lease income is stated separately above.

Operation and maintenance income

The Group provides operation and maintenance services for the plants against a well identified fixed and variable cost structure. The operation and maintenance work are required to be carried out on the plants in line with the length of the respective service period. Revenue from provision of operation and maintenance service is recognised as a performance obligation satisfied over time, in the period in which the services are provided by the Group.

Revenue from operating and maintaining the infrastructure under a service concession arrangement is recognised over time.

Interest income

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

Other income

Other income represents the sale of scrap, rental income and insurance compensation. Sale of scrap is recognised upon delivery of the scrap materials and rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight line basis over the term of the relevant lease. Insurance compensation is recognised in profit or loss to the extent of the amount received from the insurer.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

DEFINED CONTRIBUTION PLANS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Trust and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from 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 assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Trust are presented in Singapore dollars, which is the functional currency of the Trust and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents comprise cash on hand, fixed deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents is stated at cash and bank deposits less restricted cash.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Trustee-Manager is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, Trustee-Manager has not made any judgements that will have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations as discussed below.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Details of the loss allowance on aged trade receivables are disclosed in Note 16 to the financial statements.

(ii) Impairment of non-financial assets

The Group assesses at each reporting date whether there are any indicators of impairment for all non-financial assets, other than goodwill.

Where such indicators exist, determining whether the carrying values of investments in joint venture, subsidiaries, property, plant and equipment and intangibles are impaired requires an estimation of the value in use of the asset or the CGU. This requires the Group to estimate the future cash flows expected from the asset or the CGU, the growth rate and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of property, plant and equipment, intangibles, investments in subsidiaries and joint venture at the end of the reporting period are disclosed in Notes 6, 7, 8 and 9 respectively.

(iii) Allocation and impairment of goodwill

The Group completed the acquisition of the Crystal Assets on May 18, 2015 (see Note 8). An independent valuer was engaged by the Group to identify and measure the fair values of the identifiable assets and liabilities and goodwill on acquisition.

Goodwill arising from the business combination is allocated, based on the relative fair value approach, to the CGUs that are expected to benefit from that business combination, specifically, City Gas and Basslink of the Distribution & Network business segment. This requires the Group to estimate the additional future benefit to be derived by the CGUs.

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. The recoverable values of the CGUs are determined based on value in use calculations. This requires the Group to estimate the future cash flows expected from the asset or the CGU, the growth rate and an appropriate discount rate in order to calculate the present value of the future cash flows.

The carrying amounts of goodwill at the end of the reporting period are disclosed in Note 7.

4. Financial Instruments, Financial Risks and Capital Management

(a) Categories of financial instruments

	Group			Trust		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Financial Assets						
Financial assets at amortised cost	867,342	896,145	978,674	830,800	831,722	854,247
Derivative instruments:						
Designated in hedge accounting relationships	121	–	5	31	–	–
Not designated in hedge accounting relationships	150	–	1,050	–	–	–
Total	867,613	896,145	979,729	830,831	831,722	854,247
Financial Liabilities						
Financial liabilities, at amortised cost	2,209,219	2,214,395	2,227,862	151,275	149,215	170,305
Derivative instruments:						
Designated in hedge accounting relationships	116,113	118,923	105,547	–	859	986
Not designated in hedge accounting relationships	150	8	–	–	–	–
Total	2,325,482	2,333,326	2,333,409	151,275	150,074	171,291

The Group and Trust do not have any financial instruments which are subject to enforceable master netting arrangements or similar netting arrangements, other than those disclosed in the financial statements.

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Management (continued)

(b) Financial risk management policies and objectives

The Group's activities expose it to a variety of financial risks, including the effects of credit, interest rate, liquidity, and foreign currency exchange rate. Risk management is integral to the whole business of the Group. The Group's overall risk management programme seeks to minimise potential adverse effects of the unpredictability of financial markets on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps, forward currency contracts and commodity swaps to hedge certain financial risk exposures.

The Board of Directors of the Trustee-Manager is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Trustee-Manager then establishes and implements the detailed financial risk management policies such as authority levels, oversight responsibilities, risk identification, exposure limits and hedging strategies in accordance with the objectives and underlying principles approved by the Board of Directors of the Trustee-Manager.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(i) Foreign exchange risk management

The Group operates mainly in Singapore and Australia. The Group entities transact predominantly in their respective functional currency except for two subsidiaries.

One subsidiary, whose functional currency is the Singapore dollar ("SGD"), is partially exposed to United States dollar ("USD") currency risk. The subsidiary's exposure to USD feedstock purchases for its town gas production is mainly passed through. However, it has USD currency risk in respect of purchases of natural gas for retail and retail sales in USD.

Another subsidiary, whose functional currency is the USD, is exposed to currency risk from receipts denominated in SGD. This subsidiary also holds cash and cash equivalents denominated in SGD for working capital purposes.

The Group reviews these balances periodically to ensure that the net exposure is kept at an acceptable level.

The Group is exposed to currency translation risk on net assets in foreign operations. Currency exposure to the net assets in Australia is managed predominantly by having a significant amount of borrowings denominated in the functional currency.

The Trust pays quarterly distributions to its unitholders in SGD whilst its Australian subsidiaries' distributions, if any, are in Australian dollar ("AUD"). The Group was not exposed to AUD foreign currency risk in 2018 and 2017 as there were no distribution from its Australian subsidiaries during the year.

At the end of the financial year, the carrying amounts of monetary assets and liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Liabilities			Assets		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Group						
USD	6,925	3,115	2,700	2,094	2,279	2,683
AUD	–	–	–	359	1,158	1,191
JPY	–	–	–	60	–	–
SGD	1,018	660	353	8,220	6,044	4,278
Trust						
AUD	–	–	–	55	858	884

Sensitivity analysis

The following table details the sensitivity to a 5% (2017 : 5%) increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to the Trustee-Manager and represents the Trustee-Manager's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjust their translations at the period end for a 5% change in foreign currency rates.

If the relevant foreign currency strengthens by 5% (2017 : 5%) against the functional currency of each Group entity, profit or loss will increase (decrease) by:

	Increase/(Decrease) Profit or loss	
	2018 \$'000	2017 \$'000
Group		
USD	(242)	(42)
AUD	18	58
JPY	3	–
SGD	360	269
Trust		
AUD	3	43

A 5% (2017 : 5%) weakening of the foreign currencies above against the respective functional currencies at the reporting date would have the equal impact but opposite effect.

(ii) **Interest rate risk management**

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.

The Group and the Trust have no significant variable interest-bearing assets.

The Group's exposure to interest rate risks arises mainly from its borrowings. Borrowings at variable rates expose the Group to interest rate risk. The Group's policy is to manage its interest cost using a mix of fixed and floating interest rate debts. The Group enters into interest rate swaps which allow the Group to raise long term borrowings at floating rates and swap them into fixed rates, with the objective to reduce variability in cash flows arising from interest rate fluctuations.

Details of the various derivative financial instruments held by the Group and Trust are disclosed in Note 17. Assuming all other variables are held constant, a 50 basis point change in Singapore or Australia interest rate has the following impact on profit or loss and equity as a result of higher/lower finance cost or fair value changes to derivative financial instruments. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the Trustee-Manager's assessment of the reasonably possible change in interest rates.

	Decrease of 50 basis points		Increase of 50 basis points	
	Increase/(Decrease)		Increase/(Decrease)	
	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000	Equity \$'000
Group				
For the year ended December 31, 2018				
Borrowings at floating interest rate	836	–	(836)	–
Interest rate swaps accounted for under cash flow hedge	–	(37,064)	–	37,064
For the year ended December 31, 2017				
Borrowings at floating interest rate	797	–	(797)	–
Interest rate swaps accounted for under cash flow hedge	–	(43,374)	–	43,374
For the year ended January 1, 2017				
Borrowings at floating interest rate	1,327	–	(1,327)	–
Interest rate swaps accounted for under cash flow hedge	–	(58,648)	–	58,648

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Management (continued)

(b) Financial risk management policies and objectives (continued)

(iii) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at December 31, 2018, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group manages these risks by monitoring credit-worthiness and limiting the aggregate risk to any individual counterparty. Therefore, the Group does not expect to incur material credit losses on its financial instruments. The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Trade receivables and lease receivables: Lifetime ECL – not credit-impaired Other financial assets: 12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >120 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The table below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Group						
December 31, 2018						
Trade receivables	16	Performing	Lifetime ECL	140,772	-	140,772
Trade receivables	16	Doubtful	Lifetime ECL	1,235	(1,235)	-
Other receivables	16	Performing	12-month ECL	10,816	-	10,816
Service concession receivables	12	Performing	12-month ECL	378,758	-	378,758
Finance lease receivables	13	Performing	Lifetime ECL	105,139	-	105,139
					(1,235)	
December 31, 2017						
Trade receivables	16	Performing	Lifetime ECL	134,419	-	134,419
Trade receivables	16	Doubtful	Lifetime ECL	979	(979)	-
Other receivables	16	Performing	12-month ECL	8,637	-	8,637
Service concession receivables	12	Performing	12-month ECL	424,025	-	424,025
Finance lease receivables	13	Performing	Lifetime ECL	114,823	-	114,823
					(979)	

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Group						
January 1, 2017						
Trade receivables	16	Performing	Lifetime ECL	92,495	-	92,495
Trade receivables	16	Doubtful	Lifetime ECL	867	(867)	-
Other receivables	16	Performing	12-month ECL	26,192	-	26,192
Service concession receivables	12	Performing	12-month ECL	468,059	-	468,059
Finance lease receivables	13	Performing	Lifetime ECL	124,142	-	124,142
					(867)	
Trust						
December 31, 2018						
Trade receivables	16	Doubtful	Lifetime ECL	309	(309)	-
Other receivables	16	Performing	12-month ECL	13,585	-	13,585
Notes receivables	10	Performing	12-month ECL	775,712	-	775,712
Amount receivable from a subsidiary	11	Performing	12-month ECL	15,387	-	15,387
					(309)	
December 31, 2017						
Other receivables	16	Performing	12-month ECL	4,769	-	4,769
Notes receivables	10	Performing	12-month ECL	775,712	-	775,712
Amount receivable from a subsidiary	11	Performing	12-month ECL	20,187	-	20,187
					-	
January 1, 2017						
Other receivables	16	Performing	12-month ECL	4,538	-	4,538
Notes receivables	10	Performing	12-month ECL	775,712	-	775,712
Amount receivable from a subsidiary	11	Performing	12-month ECL	22,028	-	22,028
					-	

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Management (continued)

(b) Financial risk management policies and objectives (continued)

(iv) Credit risk management

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the customer profile of its trade receivables, based on the operating segments, on an ongoing basis. The credit risk concentration profile of the Group's third-party trade receivables, grossed up for any allowances for losses, at the end of the financial year is as follows:

	December 31, 2018		December 31, 2017		January 1, 2017	
	\$'000	%	\$'000	%	\$'000	%
Group						
<u>By operating segments</u>						
Distribution & Network						
- City Gas ¹ (Performing)	39,118	31	34,465	28	30,280	35
- City Gas ¹ (Doubtful)	926	1	979	1	867	1
- Basslink ² (Performing)	59,902	47	60,032	49	28,991	33
Waste & Water ³ (Performing)	25,868	21	25,780	21	25,478	29
Others (Performing)	16	-	1,190	1	1,064	2
Others (Doubtful)	309	-	-	-	-	-
	126,139	100	122,446	100	86,680	100
<u>By geographic distribution</u>						
Singapore	66,237	53	62,414	51	57,689	67
Australia	59,902	47	60,032	49	28,991	33
	126,139	100	122,446	100	86,680	100

¹ There is no significant concentration of credit risk due to the nature and the significant number of its customer base. To mitigate credit risk, deposits or bankers guarantees are obtained from customers upon the opening of a utilities account. Included in the refundable customer deposits disclosed in Note 21, is an amount of \$41,703,000 (December 31, 2017 : \$36,028,000, January 1, 2017 : \$34,785,000), which can, subject to certain conditions, be used to set off against the corresponding outstanding receivables when the circumstances warrant.

² There is a significant concentration of credit risk with the major customer, a wholly-owned entity of the State of Tasmania, which represents 60% (December 31, 2017 : 63%, January 1, 2017 : 48%) of the total trade receivables from the Distribution & Network segment. The higher balance in 2018 and 2017 is because the customer did not pay the full facility fees from September 2016 to August 2017 and had instead given so-called "good faith payments" from December 2016 to July 2017. Since September 2017, the customer had resumed the contractual payment of the full facility fees (and accordingly discontinued the good faith payments).

³ There is a significant concentration of credit risk with their customers, which are agencies of the Government of Singapore, for the duration of the service contract entered into.

Each Group entity monitors the credit risk by ensuring that payments are received by the contractual date.

The credit risk on cash and fixed deposits is limited because the counterparties are banks and financial institutions which are regulated and with high credit ratings.

Collateral held as security and other credit enhancements

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with trade receivables is mitigated because they are secured over deposits collected from customers amounting to \$41,714,000 as at December 31, 2018 (December 31, 2017 : \$36,039,000, January 1, 2017 : \$34,796,000), which can be used to offset the impaired receivables when the circumstances warrant.

(v) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations due to a shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Trust can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

Group	Effective interest rate %	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000	Adjustment \$'000	Total \$'000
December 31, 2018						
Non-interest bearing	–	144,453	–	–	–	144,453
Variable interest rate instruments *	1.46 – 3.83	1,053,265	744,378	7,358	(33,479)	1,771,522
Fixed interest rate instruments	5.87 – 17.50	43,850	175,400	1,019,388	(945,394)	293,244
		<u>1,241,568</u>	<u>919,778</u>	<u>1,026,746</u>	<u>(978,873)</u>	<u>2,209,219</u>
December 31, 2017						
Non-interest bearing	–	127,616	–	–	–	127,616
Variable interest rate instruments *	1.47 – 3.66	68,329	1,776,281	16,064	(59,112)	1,801,562
Fixed interest rate instruments	5.87 – 17.50	43,850	175,400	1,063,238	(997,271)	285,217
		<u>239,795</u>	<u>1,951,681</u>	<u>1,079,302</u>	<u>(1,056,383)</u>	<u>2,214,395</u>
January 1, 2017						
Non-interest bearing	–	121,107	–	–	–	121,107
Variable interest rate instruments *	2.03 – 4.75	56,439	1,860,952	24,240	(119,599)	1,822,032
Fixed interest rate instruments	5.87 – 17.50	43,850	175,400	1,110,344	(1,044,871)	284,723
		<u>221,396</u>	<u>2,036,352</u>	<u>1,134,584</u>	<u>(1,164,470)</u>	<u>2,227,862</u>
Trust						
December 31, 2018						
Non-interest bearing	–	3,648	–	–	–	3,648
Variable interest rate instruments	2.09	148,209	–	–	(582)	147,627
		<u>151,857</u>	<u>–</u>	<u>–</u>	<u>(582)</u>	<u>151,275</u>
December 31, 2017						
Non-interest bearing	–	3,588	–	–	–	3,588
Variable interest rate instruments	1.66	2,621	146,064	–	(3,058)	145,627
		<u>6,209</u>	<u>146,064</u>	<u>–</u>	<u>(3,058)</u>	<u>149,215</u>
January 1, 2017						
Non-interest bearing	–	4,122	–	–	–	4,122
Fixed interest rate instruments	2.36	43,537	–	–	(202)	43,335
Variable interest rate instruments	2.35	2,882	126,149	–	(6,183)	122,848
		<u>50,541</u>	<u>126,149</u>	<u>–</u>	<u>(6,385)</u>	<u>170,305</u>

* Included under the variable interest rate instruments category is the undiscounted cash flows of Basslink bank borrowings with a carrying amount of \$700,056,000 (December 31, 2017 : \$711,955,000, January 1, 2017 : \$741,688,000) as at December 31, 2018. The timing of the cash flow payments have been categorised above based on the remaining contractual maturity. These bank borrowings have been classified as current liabilities on the statement of financial position (Note 19).

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Management (continued)

(b) Financial risk management policies and objectives (continued)

(v) Liquidity risk management (continued)

Non-derivative financial assets

The following tables detail the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Trust anticipate that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

	Effective interest rate %	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000	Adjustment \$'000	Total \$'000
Group						
December 31, 2018						
Non-interest bearing	–	161,074	–	–	–	161,074
Fixed interest rate instruments	0.80 – 4.68	270,937	290,959	214,744	(94,536)	682,104
Variable interest rate instruments	0.60 – 0.75	24,164	–	–	–	24,164
		<u>456,175</u>	<u>290,959</u>	<u>214,744</u>	<u>(94,536)</u>	<u>867,342</u>
December 31, 2017						
Non-interest bearing	–	170,264	–	–	–	170,264
Fixed interest rate instruments	0.34 – 4.68	258,998	287,898	284,231	(105,246)	725,881
		<u>429,262</u>	<u>287,898</u>	<u>284,231</u>	<u>(105,246)</u>	<u>896,145</u>
January 1, 2017						
Non-interest bearing	–	172,092	30	–	–	172,122
Fixed interest rate instruments	0.21 – 4.68	286,316	287,898	356,196	(123,858)	806,552
		<u>458,408</u>	<u>287,928</u>	<u>356,196</u>	<u>(123,858)</u>	<u>978,674</u>
Trust						
December 31, 2018						
Non-interest bearing	–	13,668	–	–	–	13,668
Fixed interest rate instruments	0.80 – 17.50	115,058	358,928	1,884,313	(1,557,261)	801,038
Variable interest rate instruments	2.07	962	1,022	15,561	(1,451)	16,094
		<u>129,688</u>	<u>359,950</u>	<u>1,899,874</u>	<u>(1,558,712)</u>	<u>830,800</u>
December 31, 2017						
Non-interest bearing	–	10,692	–	–	–	10,692
Fixed interest rate instruments	0.37 – 17.50	114,862	358,928	1,974,045	(1,646,991)	800,844
Variable interest rate instruments	1.50	335	1,340	20,748	(2,237)	20,186
		<u>125,889</u>	<u>360,268</u>	<u>1,994,793</u>	<u>(1,649,228)</u>	<u>831,722</u>
January 1, 2017						
Non-interest bearing	–	19,784	–	–	–	19,784
Fixed interest rate instruments	0.21 – 17.50	126,456	358,931	2,063,351	(1,736,303)	812,435
Variable interest rate instruments	1.21	263	1,051	22,729	(2,015)	22,028
		<u>146,503</u>	<u>359,982</u>	<u>2,086,080</u>	<u>(1,738,318)</u>	<u>854,247</u>

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period.

	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000
Group			
December 31, 2018			
Net settled:			
Interest rate swaps	(19,501)	(61,747)	(84,163)
Foreign currency forward	73	(4)	–
December 31, 2017			
Net settled:			
Interest rate swaps	(26,864)	(78,519)	(103,163)
Foreign currency forward	9	(103)	–
January 1, 2017			
Net settled:			
Interest rate swaps	(32,213)	(85,148)	(58,160)
Foreign currency forward	5	–	–
Commodity Swap	1,050	–	–
Trust			
December 31, 2018			
Net settled:			
Interest rate swaps	31	–	–
December 31, 2017			
Net settled:			
Interest rate swaps	(947)	(158)	–
January 1, 2017			
Net settled:			
Interest rate swaps	(1,267)	(1,710)	–

The Group and the Trust manage their liquidity risk by maintaining a sufficient level of cash and cash equivalents deemed adequate by the Trustee-Manager to finance the Group's and Trust's operations including servicing of financial obligations and to mitigate the effects of fluctuations in cash flows. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted.

The Group is in a net current liability position of \$711,982,000 (December 31, 2017 : \$430,856,000, January 1, 2017 : \$420,601,000) as at the end of the reporting period as a result of the classification of Basslink bank borrowings of \$700,056,000 (December 31, 2017 : \$711,955,000, January 1, 2017 : \$741,688,000) as current liabilities (Note 19). As at December 31, 2018, the Trust's bank borrowings of \$147,609,000 and City Gas Trust's ("CGT") bank borrowings of \$177,952,000 are repayable in 2019. Accordingly, these bank borrowings are classified as current liabilities (Note 19). The financial statements of the Group have been prepared on a going concern basis on the following basis:

- The bank borrowings of the Trust and CGT were successfully refinanced before the date of the auditor's report;
- The Basslink bank borrowings, as detailed in Note 19, are non-recourse to the Group;
- The breach in the loan covenant in the Basslink loan agreement does not result in any cross default on other borrowings within the Group; and
- The Group is not dependent on Basslink's cash flows for its operations and distributions to unitholders for at least the 12-month period from the date of the financial statements.

Accordingly, the Trustee-Manager has assessed that the implications of the bank borrowings above do not impact the going concern assumption of the Group.

The Group maintains \$102.9 million (December 31, 2017 : \$107.3 million, January 1, 2017 : \$151.8 million) undrawn facilities as at end of the financial year.

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Management (continued)

(b) Financial risk management policies and objectives (continued)

(vi) Fair value of financial assets and financial liabilities

(i) Assets and liabilities measured at fair value

The Group and Trust's derivative financial instruments as at December 31, 2018, December 31, 2017, and January 1, 2017 are measured at fair value under Level 2 of the fair value hierarchy. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	December 31, 2018 Assets \$'000	Liabilities \$'000	Fair value as at December 31, 2017		January 1, 2017 Assets \$'000	Liabilities \$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Group								
Interest rate swaps	52	(116,113)	–	(118,837)	–	(105,547)	Level 2	The Group uses a variety of methods and makes assumptions that are based on market conditions existing at end of each reporting period. Techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The models incorporate various inputs including the credit quality of counterparties and interest rate curves. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
Foreign currency forward	69	–	–	(94)	5	–	Level 2	
Commodity swap	150	(150)	–	–	1,050	–	Level 2	
Trust								
Interest rate swaps	31	–	–	(859)	–	(986)	Level 2	The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at end of each reporting period. Techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The models incorporate various inputs including the credit quality of counterparties and interest rate curves. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

There were no transfer between the different levels of the fair value hierarchy during the financial years ended December 31, 2018 and 2017.

- (ii) Fair value of the Group and Trust's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Trustee-Manager considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate their fair values, unless otherwise stated in the respective notes to the financial statements.

(c) Capital management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to support its businesses and maximise unitholders' value.

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of distribution payment, return capital to unitholders, issue new units, buy back issued units, obtain new borrowings or sell assets to reduce borrowings. The Group may also issue new units to finance future growth.

The Group seeks to raise non-recourse debt structured specifically to match the cash flow profile of its underlying assets. The Group's general philosophy on leverage is to ensure that its subsidiaries have sufficient financial flexibility to meet their capital expenditure and operational needs, and at the same time, service their debt obligations promptly and reliably.

In addition to bank covenants, debt service coverage ratios and other tests, the Trustee-Manager also monitors capital based on the ratio of the Group's net borrowings to total assets. Net borrowings are calculated as total borrowings less cash and bank deposits excluding notes payable to non-controlling interest. For the Trust, the Trustee-Manager monitors capital based on ratio of the Trust's net borrowings to total assets.

	Group			Trust		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Net borrowings	1,543,345	1,580,325	1,543,823	121,493	114,446	113,978
Total assets	3,805,007	3,956,416	4,118,642	1,632,275	1,683,871	1,805,511
Ratio	41%	40%	37%	7%	7%	7%

There are no externally imposed capital requirements for the financial years ended December 31, 2018 and 2017, other than the loan covenants disclosed in Note 19.

5. Related Party Transactions

Some of the Group's transactions and arrangements are with (a) the Trustee-Manager; and (b) the significant corporate unitholders, Keppel Corporation Limited and Temasek Holdings (Private) Limited, and their associates. The effect of these on the basis determined between the parties is reflected in these financial statements.

The following significant transactions between the Group and its related parties took place at terms agreed between the parties during the year:

	Note	Group	
		2018 \$'000	2017 \$'000
Sale of goods and services	(i)	127,392	126,759
Purchases of goods and services	(i)	(266,933)	(268,699)
Operating lease expense	(i)	(1,791)	(2,651)
Interest income	(i)	433	439
Professional fees	(i)	(45)	(69)
Trustee-Manager's fees	(ii)	(9,742)	(9,762)

- (i) Received/receivable from and/or paid/payable to subsidiaries of the substantial unitholders of the Trust.
- (ii) The Trust Deed sets out the management fee arrangements between the Trust and the Trustee-Manager in relation to the management of the Trust. The fee structure for these services is disclosed in Note 35.

Notes to the Financial Statements

6. Property, Plant and Equipment

	Freehold land \$'000	Building and leasehold land \$'000	Easements \$'000	Inter-connector and related plant and machinery ² \$'000	Power plant \$'000	Other plant and machinery ³ \$'000	Computers, vehicles, furniture, fittings and equipment \$'000	Stand-by equipment and assets under construction \$'000	Total \$'000
Group									
Cost:									
At January 1, 2017	1,514	10,870	1,752	1,076,447	1,623,700	80,235	11,770	12,889	2,819,177
Additions	–	–	–	–	–	902	608	217	1,727
Written off	–	–	–	(3)	–	(678)	(2,621)	–	(3,302)
Disposals	–	–	–	–	–	–	(127)	–	(127)
Currency translation differences	(57)	–	(66)	(40,690)	–	(2)	(65)	(7)	(40,887)
Reclassification	–	–	–	–	1	–	2	–	3
Other movement ¹	–	–	–	1,796	–	–	–	–	1,796
At December 31, 2017	1,457	10,870	1,686	1,037,550	1,623,701	80,457	9,567	13,099	2,778,387
Additions	–	–	–	7,008	–	472	322	700	8,502
Written off	–	–	–	(2)	–	(3)	(55)	–	(60)
Disposals	–	–	–	–	–	–	(53)	–	(53)
Currency translation differences	(19)	–	(21)	(13,124)	–	–	(21)	(5)	(13,190)
Reclassification	–	–	–	–	–	–	9	(13)	(4)
Other movement ¹	–	–	–	(6,496)	–	–	–	–	(6,496)
At December 31, 2018	1,438	10,870	1,665	1,024,936	1,623,701	80,926	9,769	13,781	2,767,086
Group									
Accumulated depreciation:									
At January 1, 2017	–	5,564	424	242,537	113,108	67,690	10,254	–	439,577
Depreciation charge	–	563	45	17,517	75,465	1,756	823	–	96,169
Written off	–	–	–	(2)	–	(678)	(2,620)	–	(3,300)
Disposals	–	–	–	–	–	–	(78)	–	(78)
Currency translation differences	–	–	(18)	(9,829)	–	–	(54)	–	(9,901)
At December 31, 2017	–	6,127	451	250,223	188,573	68,768	8,325	–	522,467
Depreciation charge	–	563	43	16,739	75,620	1,807	712	–	95,484
Written off	–	–	–	(2)	–	(3)	(52)	–	(57)
Disposals	–	–	–	–	–	–	(41)	–	(41)
Currency translation differences	–	–	(6)	(3,221)	–	–	(19)	–	(3,246)
At December 31, 2018	–	6,690	488	263,739	264,193	70,572	8,925	–	614,607
Carrying amount:									
At December 31, 2018	1,438	4,180	1,177	761,197	1,359,508	10,354	844	13,781	2,152,479
At December 31, 2017	1,457	4,743	1,235	787,327	1,435,128	11,689	1,242	13,099	2,255,920
At January 1, 2017	1,514	5,306	1,328	833,910	1,510,592	12,545	1,516	12,889	2,379,600

¹ This relates to the movement in the provision for decommissioning costs during the financial year (Note 22).

² Included in this category is a carrying amount of \$2,827,000 (December 31, 2017 : \$3,828,000, January 1, 2017 : \$4,827,000) which pertains to plant and machinery related to the interconnector with useful lives ranging from 3 to 40 years.

³ Included in this category is a carrying amount of \$8,292,000 (December 31, 2017 : \$9,117,000, January 1, 2017 : \$10,292,000) which pertains to plant and machinery under the gas segment with useful lives ranging from 14 to 25 years.

Certain property, plant and equipment with carrying amount of \$779,250,000 (December 31, 2017 : \$806,862,000, January 1, 2017 : \$854,815,000) are pledged as security for borrowings (Note 19).

7. Intangibles

	Group		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Goodwill arising on consolidation	437,300	437,300	437,300
Concession arrangements	26,556	29,815	33,074
Customer contracts	54,902	60,030	66,042
Customer relationship	–	–	749
	81,458	89,845	99,865
	518,758	527,145	537,165

Movements during the year are as follow:

	Goodwill \$'000	Concession arrangements \$'000	Customer contracts \$'000	Customer relationship \$'000	Total \$'000
Cost:					
At January 1, 2017	437,300	38,234	112,883	65,100	653,517
Currency translation differences	–	–	(1,668)	–	(1,668)
At December 31, 2017	437,300	38,234	111,215	65,100	651,849
Currency translation differences	–	–	(538)	–	(538)
At December 31, 2018	437,300	38,234	110,677	65,100	651,311
Accumulated amortisation:					
At January 1, 2017	–	5,160	46,841	64,351	116,352
Amortisation	–	3,259	4,792	749	8,800
Currency translation differences	–	–	(448)	–	(448)
At December 31, 2017	–	8,419	51,185	65,100	124,704
Amortisation	–	3,259	4,737	–	7,996
Currency translation differences	–	–	(147)	–	(147)
At December 31, 2018	–	11,678	55,775	65,100	132,553
Carrying amount:					
At December 31, 2018	437,300	26,556	54,902	–	518,758
At December 31, 2017	437,300	29,815	60,030	–	527,145
At January 1, 2017	437,300	33,074	66,042	749	537,165

(a) Goodwill arising on consolidation

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGU") that are expected to benefit from that business combination. The Group is structured into three business segments, Distribution & Network, Waste & Water and Energy. Based on the relative fair value approach, the goodwill arising from the Crystal Assets Acquisition was allocated to Distribution & Network business segment. In 2015, the Trust acquired the business of collection, purification and distribution of water and waste incineration and electricity generation from Crystal Trust through the acquisition of Ulu Pandan Trust, Keppel Seghers NWater Development Co Pte Ltd, Senoko Trust, Senoko Waste-To-Energy Pte Ltd, Tuas DBOO Trust and Keppel Seghers Tuas Waste-To-Energy Plant Pte Ltd, collectively known as the Crystal Assets.

Notes to the Financial Statements

7. Intangibles (continued)

(a) Goodwill arising on consolidation (continued)

Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

Group	Carrying amount \$'000	Terminal growth rate %	Pre-tax discount rate %
December 31, 2018			
Distribution & Network:			
City Gas	379,497	2.0	8.0
Basslink	57,803	N/A	6.9
December 31, 2017			
Distribution & Network:			
City Gas	379,497	2.0	7.5
Basslink	57,803	N/A	7.1
January 1, 2017			
Distribution & Network:			
City Gas	379,497	2.0	8.1
Basslink	57,803	N/A	6.2

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

The recoverable values of the CGUs are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, terminal value and expected changes to selling prices and direct costs and ability to secure adequate banking facilities during the period. The Trustee-Manager estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on the industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Trustee-Manager covering a period of more than five years for the Distribution & Network business segment as City Gas is currently the sole producer and retailer of town gas and Basslink has a long-term contract with its major customer.

Sensitivity analysis

Based on the value in use calculations as determined by the Trustee-Manager, an increase or decrease by 1 percentage point to the discount rates used in the assessment will affect the value in use as follows:

	December 31, 2018		December 31, 2017		January 1, 2017	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Distribution & Network:						
City Gas	(87,060)	124,194	(98,094)	145,353	(129,712)	143,681
Basslink	(170,568)	228,192	(153,242)	203,565	(176,230)	233,846

Any reasonable possible change to the key assumptions applied, including the discount rates used as detailed above, is not likely to cause the recoverable amounts to be below the carrying amounts of the CGUs.

No impairment was considered necessary for the current and prior years.

(b) Concession arrangements, customer contracts and customer relationship

The intangible assets recognised on concession arrangements represent the rights to charge users of the public service under the Group's operating concessions. They have remaining amortisation period of 5.67 to 15.84 years (2017 : 6.67 to 16.84 years).

The intangible assets recognised on customer contracts were in relation to contractual agreements that two of the subsidiaries have with their sole customer. These have remaining amortisation period of 6.96 to 27.35 years (2017 : 7.96 to 28.35 years).

Customer relationship relates to the value of customer loyalty and commitment from its broad base of customers and was fully amortised in FY2017.

8. Investment in Subsidiaries

	Trust		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Investments, at cost	844,287	844,787	844,787
Advances to subsidiaries	539,244	540,605	542,743
Less: Allowance for impairment	(582,300)	(533,500)	(436,500)
	801,231	851,892	951,030
Movement in allowance account:			
Beginning of year	533,500	436,500	356,000
Charge for the year	48,800	97,000	80,500
End of year	582,300	533,500	436,500

Advances to subsidiaries are quasi-equity loans which represent an extension of investment in the subsidiaries. They are unsecured and interest-free. Settlements are neither planned nor likely to occur in the foreseeable future.

Details of the Group's significant subsidiaries at the end of financial year are as follows:

Name of subsidiaries	Principal activities (Country of incorporation or residence)	Proportion of ownership interest and voting power held		
		December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
(a) Held by Keppel Infrastructure Fund Management Pte. Ltd. in its capacity as Trustee-Manager of, and for the benefit of the Trust				
City Gas Pte Ltd ⁽¹⁾	Trustee of City Gas Trust (Singapore)	100	100	100
City Gas Trust ⁽¹⁾	Production and retail of town gas, retail of natural gas and sales of gas appliances (Singapore)	100	100	100
SingSpring Pte Ltd ⁽¹⁾	Trustee of SingSpring Trust (Singapore)	100	100	100
SingSpring Trust ⁽¹⁾	Operation of a seawater desalination plant (Singapore)	70	70	70
CityLink Investments Pte Ltd ⁽¹⁾	Investment holding (Singapore)	100	100	100
CityNet Infrastructure Management Pte Ltd ("CityNet") ⁽⁴⁾	Trustee-Manager (Singapore)	-	100	100
CitySpring Capital Pte Ltd ⁽¹⁾	Provision of financial and treasury services (Singapore)	100	100	100
CityDC Pte. Ltd. ⁽¹⁾	Investment holding (Singapore)	100	100	100
Keppel Merlimau Cogen Pte Ltd ⁽¹⁾	Tolling arrangement for a power plant (Singapore)	51	51	51
Senoko Waste-To-Energy Pte Ltd ⁽¹⁾	Trustee of Senoko Trust (Singapore)	100	100	100
Senoko Trust ⁽¹⁾	Collection and treatment of solid waste to generate green energy (Singapore)	100	100	100
Keppel Seghers NEWater Development Co Pte Ltd ⁽¹⁾	Trustee of Ulu Pandan Trust (Singapore)	100	100	100
Ulu Pandan Trust ⁽¹⁾	Collection, purification and distribution of water (Singapore)	100	100	100
Keppel Seghers Tuas Waste-To-Energy Plant Pte Ltd ⁽¹⁾	Trustee of Tuas DBOO Trust (Singapore)	100	100	100
Tuas DBOO Trust ⁽¹⁾	Collection and treatment of solid waste to generate green energy (Singapore)	100	100	100

Notes to the Financial Statements

8. Investment in Subsidiaries (continued)

Name of subsidiaries		Principal activities (Country of incorporation or residence)	Proportion of ownership interest and voting power held		
			December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
(b) Held by City Gas Pte Ltd in its capacity as Trustee of, and for the benefit of City Gas Trust					
	City-OG Gas Energy Services Pte Ltd ⁽¹⁾	Retailing of natural gas and related activities (Singapore)	51	51	51
(c) Held by CityLink Investments Pte Ltd					
	Nexus Australia Management Pty Ltd ^{*(2)}	Trustee (Australia)	100	100	100
	Coral Holdings Australia Pty Ltd ^{*(2)}	Investment holding (Australia)	100	100	100
	Premier Finance Trust Australia ^{*(2)}	Finance trust (Australia)	100	100	100
	IX Holdings Pte Ltd ⁽⁵⁾	Investment holding (Singapore)	100	-	-
(d) Held by IX Holdings Pte Ltd					
	IX Infrastructure Pty Ltd ⁽⁵⁾	Investment holding (Australia)	100	-	-
(e) Held by Coral Holdings Australia Pty Ltd					
	Nexus Investments Australia Pty Ltd ^{*(2)}	Investment holding (Australia)	100	100	100
(f) Held by Nexus Investments Australia Pty Ltd					
	Basslink Australia GP Pty Ltd ^{*(2)}	Investment holding (Australia)	100	100	100
(g) Held by Nexus Investments Australia Pty Ltd for 99% and Basslink Australia GP Pty Ltd for 1%					
	Basslink Australia LLP ^{*(2)}	Investment holding (Australia)	100	100	100
(h) Held by Basslink Australia LLP					
	Basslink Holdings Pty Ltd ^{*(3)}	Investment holding (Cayman Islands)	100	100	100
(i) Held by Basslink Holdings Pty Ltd					
	Basslink Pty Ltd ^{*(2)}	Operation of subsea electricity interconnector (Australia)	100	100	100
	Basslink Telecoms Pty Ltd ^{*(2)}	Operation of telecom business (Australia)	100	100	100
* Collectively known as Basslink.					
⁽¹⁾ Audited by Deloitte & Touche LLP, Singapore.					
⁽²⁾ Audited by Deloitte Touche Tohmatsu, Australia.					
⁽³⁾ Not required to be audited under the laws of the country of incorporation.					
⁽⁴⁾ Liquidated during the year.					
⁽⁵⁾ Incorporated during the year.					

* Collectively known as Basslink.

⁽¹⁾ Audited by Deloitte & Touche LLP, Singapore.

⁽²⁾ Audited by Deloitte Touche Tohmatsu, Australia.

⁽³⁾ Not required to be audited under the laws of the country of incorporation.

⁽⁴⁾ Liquidated during the year.

⁽⁵⁾ Incorporated during the year.

Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by NCI		
		December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
SingSpring Trust	Singapore	30	30	30
Keppel Merlimau Cogen Pte Ltd	Singapore	49	49	49

Summarised financial information of subsidiaries with material NCI

Summarised financial information and consolidation adjustments but before intragroup eliminations are as follows:

SingSpring Trust

Summarised statement of financial position

	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Current assets	27,730	24,078	24,020
Current liabilities	(14,740)	(14,476)	(14,973)
Net current assets	12,990	9,602	9,047
Non-current assets	120,384	134,091	147,434
Non-current liabilities	(111,187)	(120,747)	(129,571)
Net non-current assets	9,197	13,344	17,863
Net assets	22,187	22,946	26,910
Equity attributable to unitholders of the Trust	15,531	16,062	18,837
NCI	6,656	6,884	8,073

Summarised statement of profit or loss and other comprehensive income

	2018 \$'000	2017 \$'000
Revenue	31,042	32,244
Profit before tax	5,638	5,397
Income tax expense	(962)	(922)
Profit after tax	4,676	4,475
Profit attributable to unitholders of the Trust	3,273	3,132
Profit attributable to NCI	1,403	1,343
Profit after tax	4,676	4,475
Other comprehensive income attributable to unitholders of the Trust	360	(133)
Other comprehensive income attributable to NCI	154	(57)
Other comprehensive income for the year	514	(190)
Total comprehensive income attributable to unitholders of the Trust	3,633	2,999
Total comprehensive income attributable to NCI	1,557	1,286
Total comprehensive income for the year	5,190	4,285
Dividends paid to NCI	1,785	2,475
Other summarised information		
Net cash from operating activities	19,625	18,430

Notes to the Financial Statements

8. Investment in Subsidiaries (continued)

Interest in subsidiaries with material non-controlling interest ("NCI") (continued)

Keppel Merlimau Cogen Pte Ltd

Summarised statement of financial position

	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Current assets	79,957	68,798	136,261
Current liabilities	(38,853)	(28,712)	(29,090)
Net current assets	41,104	40,086	107,171
Non-current assets	1,533,126	1,624,092	1,645,554
Non-current liabilities	(1,332,899)	(1,353,675)	(1,362,173)
Net non-current assets	200,227	270,417	283,381
Net assets	241,331	310,503	390,552
Equity attributable to unitholders of the Trust	125,520	160,922	201,873
NCI	115,811	149,581	188,679

Summarised statement of profit or loss and other comprehensive income

	2018 \$'000	2017 \$'000
Revenue	129,121	129,949
Loss before tax	(78,197)	(76,706)
Income tax credit	2,537	3,036
Loss after tax	(75,660)	(73,670)
Loss attributable to unitholders of the Trust	(38,712)	(37,697)
Loss attributable to NCI	(36,948)	(35,973)
Loss after tax	(75,660)	(73,670)
Other comprehensive income attributable to unitholders of the Trust	3,308	(3,253)
Other comprehensive income attributable to NCI	3,178	(3,125)
Other comprehensive income for the year	6,486	(6,378)
Total comprehensive income attributable to unitholders of the Trust	(35,404)	(40,950)
Total comprehensive income attributable to NCI	(33,770)	(39,098)
Total comprehensive income for the year	(69,174)	(80,048)
Other summarised information		
Net cash from/(used in) operating activities	8,284	(72,718)

Impairment testing of investment in subsidiaries

The Trustee-Manager performed an impairment assessment for the Trust's investments in its subsidiaries and no impairment was recognised except for the following:

Senoko Trust, Ulu Pandan Trust and Tuas DBOO Trust ("subtrusts") and Keppel Merlimau Cogen Pte Ltd ("KMC")

On May 18, 2015, the Trust acquired the businesses of collection, purification and distribution of water and waste incineration and electricity generation from Crystal Trust through the acquisition of Ulu Pandan Trust, Keppel Seghers NEWater Development Co Pte Ltd, Senoko Trust, Senoko Waste-To-Energy Pte Ltd, Tuas DBOO Trust and Keppel Seghers Tuas Waste-To-Energy Pte Ltd, collectively known as the Crystal Assets, for a total purchase consideration of \$729 million via the issue of 1,326,319,374 new units for acquisition (Crystal Assets Acquisition). The purchase consideration was determined based on (a) the fixed exchange ratio of 2.106 units of the Trust for every unit in Crystal Trust; and (b) the quoted unit price of the Trust as at the completion date.

On June 30, 2015, the Trust acquired a 51% equity stake in KMC which owns the Keppel Merlimau Cogen power plant, a combined cycle gas turbine generation facility at Jurong Island. The total purchase consideration of \$510 million was financed by an equity fund raising, of which \$255 million was paid to the vendor and \$255 million was injected via Qualifying Project Debt Securities ("QPDS") Notes.

The service concessions of the subtrusts (Note 12) and KMC's plant have finite lives and the recoverable amounts of the Trust's investments are expected to decrease in tandem with the remaining service concession periods and plant life, respectively.

The Trustee-Manager performed an impairment assessment on the costs of investment in the subtrusts and KMC against their recoverable amounts and allowances for impairment of \$21.2 million (2017 : \$32.5 million), \$4.1 million (2017 : \$8.5 million), \$5.0 million (2017 : \$4.5 million) and \$18.5 million (2017 : \$51.5 million) were recognised in profit or loss for the investments in Senoko Trust, Tuas DBOO Trust, Ulu Pandan Trust and KMC respectively.

The recoverable amount was determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to tariffs and direct costs during the period. The Trustee-Manager estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the subtrusts and KMC. The growth rates of 2.0% (December 31, 2017: 2.0%, January 1, 2017: 2.0%) per annum used are based on the industry growth forecasts. Changes in tariffs and direct costs are based on past practices and current contractual agreements.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Trustee-Manager covering a period of 5.67 to 15.84 years (December 31, 2017: 6.67 to 16.84 years, January 1, 2017: 7.67 to 17.84 years) for the subtrusts and 21.5 years (December 31, 2017: 22.5 years, January 1, 2017: 23.5 years) for KMC based on the current contractual agreements with the major customers. The discount rates used were between 5.10% to 5.85% (December 31, 2017: 5.10% to 5.42%, January 1, 2017: 5.05% to 5.26%) per annum for the subtrusts and 5.10% (December 31, 2017: 4.90%, January 1, 2017: 4.92%) per annum for KMC.

Sensitivity analysis

Based on the value in use calculations as determined by Trustee-Manager, an increase or decrease by 1 percentage point to the discount rates used in the assessment will affect the value in use as follows:

	December 31, 2018		December 31, 2017		January 1, 2017	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Senoko Trust	(6,500)	6,812	(7,992)	8,416	(9,836)	10,411
Ulu Pandan Trust	(1,845)	1,960	(2,136)	2,279	(2,798)	3,008
Tuas DBOO Trust	(7,736)	8,588	(8,404)	9,378	(9,092)	10,188
Keppel Merlimau Cogen Pte Ltd	(116,648)	133,468	(123,624)	142,204	(129,407)	149,396

Notes to the Financial Statements

8. Investment in Subsidiaries (continued)

Interest in subsidiaries with material non-controlling interest ("NCI") (continued)

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries		
		December 31, 2018	December 31, 2017	January 1, 2017
Collection and treatment of solid waste to generate green energy	Singapore	2	2	2
Collection, purification and distribution of water	Singapore	1	1	1
Investment holding	Singapore	3	2	2
Production and retail of town gas, retail of natural gas and sales of gas appliances	Singapore	1	1	1
Provision of financial and treasury services	Singapore	1	1	1
Trustee	Singapore	5	5	5
Trustee-Manager	Singapore	-	1	1
Investment holding	Australia	5	4	4
Operation of subsea electricity interconnector	Australia	1	1	1
Operation of telecom business	Australia	1	1	1
Finance trust	Australia	1	1	1
Trustee	Australia	1	1	1
Investment holding	Cayman Islands	1	1	1
		23	22	22

9. Investment in and Advances to Joint Venture

	Group		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Cost of investment in joint venture ¹	510	510	510
Advances to joint venture ²	19,480	20,842	22,980
	19,990	21,352	23,490
Share of post-acquisition reserves, net of dividend received	19	(600)	(58)
Total	20,009	20,752	23,432

¹ The Group has 51% (2017 : 51%) interest in the ownership and voting rights in a joint venture, DataCentre One Pte Ltd that is held through a subsidiary. This joint venture is incorporated in Singapore and is in the business of developing and owning data centres. The Group jointly controls the venture with another partner under the contractual agreement which requires unanimous consent for all major decisions over the relevant activities.

The joint venture is accounted for using the equity method in the consolidated financial statements and is audited by Deloitte & Touche LLP Singapore.

² Advances to the joint venture are quasi-equity loans which represent an extension of investment in the joint venture. It is unsecured and interest-free. Settlements are neither planned nor likely to occur in the foreseeable future.

Summarised financial information in respect of DataCentre One Pte Ltd based on its financial statements prepared in accordance with SFRS(I), and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised statement of financial position

	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Current assets	7,572	9,561	9,793
Non-current assets	106,184	111,037	116,270
Current liabilities	(6,896)	(9,536)	(9,010)
Non-current liabilities	(67,627)	(70,372)	(71,108)
Net assets	39,233	40,690	45,945
Proportion of the Group's ownership	51%	51%	51%
Group's share of net assets	20,009	20,752	23,432

The above amount of assets and liabilities include the following:

	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Cash and cash equivalents	5,707	7,866	8,622
Current financial liabilities (excluding trade and other payables and provisions)	(4,898)	(5,726)	(5,414)
Non-current financial liabilities (excluding trade and other payables and provisions)	(66,965)	(69,733)	(70,322)

Summarised statement of profit or loss and other comprehensive income

	2018 \$'000	2017 \$'000
Revenue	18,324	15,682
Profit before tax	9,500	6,767
Income tax expense	(1,971)	(1,444)
Profit after tax	7,529	5,323
Other comprehensive income/(loss)	984	(2,118)
Total comprehensive income	8,513	3,205
The above profit for the year include the following:		
Interest income	53	23
Depreciation	(4,852)	(4,845)
Interest expense	(2,867)	(3,006)

Notes to the Financial Statements

10. Notes Receivables

	Trust		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Notes issued by subsidiaries	775,712	775,712	775,712

- (a) The notes receivable of \$195,570,000 (December 31, 2017 : \$195,570,000, January 1, 2017 : \$195,570,000) from a subsidiary matures in Year 2037 and bears interest payable quarterly in arrears with a one-time option for the subsidiary, on any interest payment date, to switch to a floating rate per annum equal to three-months Singapore Dollar Swap Offer Rate plus 2.5% per annum. The fixed interest rate for the notes is 13.0% (December 31, 2017 : 13.0%, January 1, 2017 : 13.0%) per annum.
- (b) The notes receivable of \$35,000,000 (December 31, 2017 : \$35,000,000, January 1, 2017 : \$35,000,000) from a subsidiary matures in Year 2025 and bears interest payable quarterly in arrears with a one-time option for the subsidiary, on any interest payment date, to switch to a floating rate per annum equal to three-months Singapore Dollar Swap Offer Rate plus 2.5% per annum. The fixed interest rate for the notes is 6.5% (December 31, 2017 : 6.5%, January 1, 2017 : 6.5%) per annum.
- (c) The notes receivables of \$152,398,000 (December 31, 2017 : \$152,398,000, January 1, 2017 : \$152,398,000), \$91,473,000 (December 31, 2017 : \$91,473,000, January 1, 2017 : \$91,473,000) and \$46,271,000 (December 31, 2017 : \$46,271,000, January 1, 2017 : \$46,271,000) from subsidiaries mature in Year 2024, 2028 and 2023 respectively. The fixed interest rate for the notes is 6.0% (December 31, 2017 : 6.0%, January 1, 2017 : 6.0%) per annum, payable semi-annually.
- (d) The notes receivable of \$255,000,000 (December 31, 2017 : \$255,000,000, January 1, 2017 : \$255,000,000) from a subsidiary mature in Year 2040, with fixed interest rate of 17.5% (December 31, 2017 : 17.5%, January 1, 2017 : 17.5%) per annum, payable quarterly.

The above notes are direct, unsecured and subordinated obligations of the subsidiaries, and can be redeemed at par by the subsidiaries prior to their maturity dates.

The Trustee-Manager estimates that the carrying value of the notes receivables approximate their fair value as these notes may be redeemed at par prior to their maturity dates on any interest payment date.

For the purpose of impairment assessment, the notes receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowances is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, the Trustee-Manager has taken into account the historical default experience and the financial position of the subsidiaries, adjusted for the factors that are specific to the subsidiaries and general economic conditions of the industry in which the subsidiaries operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default of each case.

Accordingly, the Trustee-Manager believes that there is no loss allowance required.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

11. Amount Receivable from a Subsidiary

Amount receivable from a subsidiary is non-trade related, unsecured, repayable in 2024, and bears interest at margin plus 1-month SOR. The weighted average effective interest rate on the amount receivable approximates 2.07% (December 31, 2017: 1.50%, January 1, 2017: 1.21%) per annum. The Trustee-Manager estimates that the carrying value of the amount receivable from a subsidiary approximate its fair value as the loan amount receivable bears interest at floating rates.

For the purpose of impairment assessment, the amount receivable from a subsidiary is considered to have low credit risk as it is not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the amount receivable from a subsidiary since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowances is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, the Trustee-Manager has taken into account the historical default experience and the financial position of the subsidiary, adjusted for the factors that are specific to the subsidiary and general economic conditions of the industry in which the subsidiary operate, in estimating the probability of default of this financial asset occurring within its loss assessment time horizon, as well as the loss upon default.

Accordingly, the Trustee-Manager believes that there is no loss allowance required.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amount receivable.

12. Service Concession Receivables

	Group		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Service concession receivables	378,758	424,025	468,059
Less: Due within 12 months	(46,537)	(45,267)	(44,034)
Due after 12 months	332,221	378,758	424,025

This relates to service concession receivables from the following plants:

(a) Senoko Plant

A 15-year contract commencing on September 1, 2009 to own and operate an incinerator plant with a requirement to carry out the Flue Gas Treatment Upgrade, which has contracted incineration capacity of 2,100 tonnes per day with six incinerator-boiler units and two condensing turbine-generators with a power generation capacity of 2x28MW. On September 26, 2014, the subtrust entered into a supplemental agreement to progressively increase the incineration capacity of the plant by up to 10% and the upgrading work was completed in September 2016, increasing capacity to 2,310 tonnes per day. The subtrust has a contractual right under the concession arrangement to receive fixed and determinable amounts of payment during the concession period irrespective of usage of the plant.

(b) Tuas DBOO Plant

A 25-year Design-Build-Own-Operate ("DBOO") contract commencing on October 30, 2009 to design, build, own and operate a waste-to-energy plant, which has contracted incineration capacity of 800 tonnes per day with two incinerator-boiler units and one condensing turbine-generator with a power generation capacity of 22MW. The subtrust has a contractual right under the concession arrangement to receive fixed and determinable amounts of payment during the concession period irrespective of usage of the plant.

(c) Ulu Pandan Plant

A 20-year DBOO contract commencing on March 28, 2007 to design, build, own and operate a water treatment plant, which has the capacity to produce 148,000m³ of NEWater daily. The subtrust has a contractual right under the concession arrangement to receive fixed and determinable amounts of payment during the concession period irrespective of the output produced.

In arriving at the carrying value of the service concession arrangements as at the end of the reporting period, weighted average interest rates ranging from 2.50% to 4.68% (December 31, 2017: 2.50% to 4.68%, January 1, 2017: 2.50% to 4.68%) per annum were used to discount the future expected cash flows.

Service concession receivable balances are secured over the period of the service concession arrangements. For the purpose of impairment assessment, service concession receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, the Trustee-Manager has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

Accordingly, the Trustee-Manager believes that there is no loss allowance required.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for service concession receivables.

Notes to the Financial Statements

13. Finance Lease Receivables

Future minimum finance lease receivables under finance leases together with the present value of the net minimum finance lease receivables are as follows:

	Group		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Minimum finance lease receivables:			
Not later than one year	13,147	13,147	13,147
Later than one year but not later than five years	52,622	52,622	52,622
Later than five years	25,837	38,984	52,131
Total minimum lease receivables	91,606	104,753	117,900
Less: Future finance income	(12,729)	(16,192)	(20,020)
Present value of minimum lease receivables	78,877	88,561	97,880
Unguaranteed residual value	26,262	26,262	26,262
Net investment in finance lease	105,139	114,823	124,142
Less: Present value of finance lease receivables not later than one year	(10,069)	(9,684)	(9,319)
Non-current financial lease receivables	95,070	105,139	114,823

The present value of the finance lease receivables is analysed as follows:

	Group		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Not later than one year	10,069	9,684	9,319
Later than one year but not later than five years	44,383	42,715	41,107
Later than five years	24,425	36,162	47,454
Present value of minimum lease receivables	78,877	88,561	97,880

The finance lease receivables relate to the lease arrangement under a Water Purchase Agreement ("WPA").

A subsidiary of the Group had signed a WPA with Singapore PUB to supply treated water to PUB from a seawater desalination plant which the subsidiary owns. On the date of acquisition of the subsidiary, the WPA had a remaining term of approximately 18 years ending on December 15, 2025. The desalination plant is located on a piece of leasehold land with lease period expiring in January 2034.

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate was 3.91% (December 31, 2017: 3.91%, January 1, 2017: 3.91%) per annum.

In accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, the WPA is a lease arrangement and is classified as a finance lease in accordance with SFRS(I) 1-17 *Leases*.

The desalination plant is pledged for certain borrowings (Note 19).

Finance lease receivable balances are secured over the equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. However, in the event of default, the Group is entitled to sell the asset, and has rights to any proceeds from such a sale up to the total amount receivable from the lessee.

The loss allowance on finance lease receivables at the end of the reporting period is estimated at an amount equal lifetime expected credit losses (ECL). None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collaterals held over these finance lease receivables, the Group considers that no finance lease receivables is impaired.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

14. Other Assets

	Group			Trust		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Deposits	238	268	997	–	–	–
Prepayments	182,746	197,415	142,913	14	47	55
Deferred lease expenses	91	459	859	–	–	–
Others	3,892	4,213	239	–	–	–
	186,967	202,355	145,008	14	47	55
Less: Current portion	(22,182)	(21,807)	(22,134)	(14)	(47)	(55)
Non-current portion	164,785	180,548	122,874	–	–	–

Included in the prepayments balance is an amount of \$179,146,000 (December 31, 2017 : \$194,476,000, January 1, 2017 : \$139,758,000) arising from the prepaid tolling fees in relation to the Capacity Tolling Arrangement ("CTA") with a related party. The prepaid tolling fee is amortised to profit or loss over the CTA period of 15 years.

For the purpose of impairment assessment, other assets excluding prepayment are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, the Trustee-Manager has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

Accordingly, the Trustee-Manager believes that there is no loss allowance required.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

15. Cash and Bank Deposits

	Group			Trust		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Cash and bank deposits	231,603	213,956	266,859	26,116	31,054	51,969
Less: Restricted cash	(51,898)	(49,754)	(52,346)	–	–	–
Cash and cash equivalents in the consolidated statement of cash flows	179,705	164,202	214,513	–	–	–

Included in the restricted cash is the amount of cash and bank deposits to be set aside to meet interest and principal repayments for loans extended to the subsidiaries and also for secured bank guarantees for the Group and Trust.

Also included in the Group's restricted cash is the insurance proceeds in relation to Basslink cable outage, the usage of which is subject to the consent of the lenders.

Short-term deposits are made for an average period of 2 months (December 31, 2017 : 2 months, January 1, 2017 : 2 months). The weighted average effective interest rate as at December 31, 2018 for the Group and Trust were 0.87% (December 31, 2017 : 0.79%, January 1, 2017 : 0.71%) and 0.67% (December 31, 2017 : 0.67%, January 1, 2017 : 0.53%) per annum respectively.

Notes to the Financial Statements

16. Trade and Other Receivables

	Group			Trust		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Trade receivables:						
- Third parties	45,925	45,995	43,479	309	–	–
- Related parties	15,868	12,952	6,682	–	–	–
Unbilled receivables	80,214	76,451	43,201	–	–	–
Less: Allowance for impairment (third parties)	(1,235)	(979)	(867)	(309)	–	–
Trade receivables - net	140,772	134,419	92,495	–	–	–
Other receivables	10,757	8,507	25,729	1,733	507	226
Interest receivable	233	239	441	9	6	7
Amounts due from related parties (non-trade)	25	101	201	–	–	–
Amounts due from subsidiaries (non-trade)	–	–	–	12,042	4,466	4,484
	151,787	143,266	118,866	13,784	4,979	4,717

Trade receivables

Trade receivables are non-interest bearing and are generally receivable on 30 to 60 (December 31, 2017: 30 to 60, January 1, 2017: 30 to 60) days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

No interest is charged on the outstanding trade receivables. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). For the purpose of impairment assessment, the trade receivables excluding City Gas Trust's ("CGT") and the Trust's receivables, are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition.

For the trade receivables of CGT and the Trust, the ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable, excluding Basslink's receivables which are in dispute, of which the Trustee-Manager is of view that the receivables are recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Other receivables

Included in other receivables as at January 1, 2017, was an amount of \$2,208,000 receivable from a government agency on behalf of a customer. A corresponding non-trade payable amount was recognised in Note 21 under other payables.

Also included in other receivables is a portion of costs incurred to repair the Basslink Interconnector which the Group expects to recover from the insurer.

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL). In determining the ECL, the Trustee-Manager has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

Accordingly, the Trustee-Manager believes that there is no loss allowance required.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Amounts due from related parties and subsidiaries (non-trade)

These amounts are unsecured, interest-free, repayable on demand and expected to be settled in cash.

For purpose of impairment assessment, the amounts due from related parties and subsidiaries are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the amounts due from related parties and subsidiaries since initial recognition. Accordingly, for the purpose of impairment assessment for this loan, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, the Trustee-Manager has taken into account the financial position of the related parties and subsidiaries, adjusted for factors that are specific to the related parties and subsidiaries and general economic conditions of the industry in which the related parties and subsidiaries operate, in estimating the probability of default of the amounts due from related parties and subsidiaries as well as the loss upon default. The Trustee-Manager determines the amounts due from related parties and subsidiaries are subject to immaterial credit loss.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance to SFRS(I) 9:

	Lifetime ECL - credit-impaired \$'000
Group	
Balance as at January 1, 2017	867
Amounts written off as customers' accounts were 360 days past due as at December 31, 2017	(461)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	573
Balance as at December 31, 2017	979
Amounts written off as customers' accounts were 360 days past due as at December 31, 2018	(501)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	757
Balance as at December 31, 2018	1,235
Trust	
Change in loss allowance in 2018 due to new trade receivables originated, net of those derecognised due to settlement	309
Balance as at December 31, 2018	309

Notes to the Financial Statements

17. Derivative Financial Instruments

Group	Average contracted rate	Notional contract amount	Asset \$'000	Liability \$'000
December 31, 2018				
Cash flow hedges				
- Foreign currency forward	US\$1.3383	US\$13.1million	69	-
- Interest rate swaps	1.68% - 4.85%	\$1,650.1 million	52	116,113
			121	116,113
Less: Current portion			(52)	(16,622)
Non-current portion			69	99,491
Fair value through profit or loss				
- Commodity swap	US\$364/mt	2,048 mt	150	150
Less: Current portion			(150)	(150)
Non-current portion			-	-
December 31, 2017				
Cash flow hedges				
- Foreign currency forward	US\$1.3383	US\$13.1 million	-	86
- Interest rate swaps	1.68% - 4.85%	\$1,627.5 million	-	118,837
			-	118,923
Less: Current portion			-	(18,372)
Non-current portion			-	100,551
Fair value through profit or loss				
- Foreign currency forward	JPY82.35	JPY388.4 million	-	8
Less: Current portion			-	(8)
Non-current portion			-	-
January 1, 2017				
Cash flow hedges				
- Foreign currency forward	US\$1.3784	US\$78,800	5	-
- Interest rate swaps	1.68% - 4.85%	\$1,549 million	-	105,547
			5	105,547
Less: Current portion			(5)	(19,571)
Non-current portion			-	85,976
Fair value through profit or loss				
- Commodity swap	US\$228/mt	7,450 mt	1,050	-
Less: Current portion			(1,050)	-
Non-current portion			-	-

	Average contracted rate	Notional contract amount	Asset \$'000	Liability \$'000
Trust				
December 31, 2018				
Cash flow hedges				
- Interest rate swap	1.70%	\$145.6 million	31	-
			31	-
Less: Current portion			(31)	-
Non-current portion			-	-
December 31, 2017				
Cash flow hedges				
- Interest rate swap	1.70%	\$145.6 million	-	859
			-	859
Less: Current portion			-	-
Non-current portion			-	859
January 1, 2017				
Cash flow hedges				
- Interest rate swap	1.70%	\$100.8 million	-	986
			-	986
Less: Current portion			-	-
Non-current portion			-	986

Interest rate swaps

Interest rate swaps including the interest rate swap contract embedded in an operating agreement acquired through a business combination, were entered into to hedge floating interest payments on borrowings. The interest rate swaps entitle the Group and Trust to receive interest at floating rates on notional principal amounts and oblige the Group and Trust to pay interest at fixed rates on the same notional principal amounts. Fair value gains and losses on the effective hedge portion of the interest rate swaps are recognised in the hedging reserve and are transferred to profit or loss when the finance cost on the borrowings is recognised in profit or loss. The fair value gain or loss on the portion not designated for hedging is recognised in profit or loss. The period when the cash flows on cash flow hedges is expected to occur or affect profit or loss is Year 2019 to Year 2031. The Group and Trust have entered into interest rate swaps to manage the Group's exposure to cash flow interest rate risk on its borrowings.

Commodity swaps

This relates to a fuel swap contract entered into by a subsidiary to hedge a fixed price contract offered to a customer. Fair value gains and losses on the fuel hedge derivative liability and derivative asset are recognised in profit or loss.

Foreign currency forward

This relates to a 4-year forward contract to swap USD for SGD. The contract is entered into by a subsidiary to hedge its exposure to cash flow foreign currency risk against its USD service contract. Fair value gains and losses on the effective hedge portion of the forward contract is recognised in the hedging reserve and are transferred to profit or loss over the contract period.

Notes to the Financial Statements

18. Inventories

	Group		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Fuel	11,884	11,287	11,968
Spare parts and accessories	47,240	42,778	42,380
Pipes and fittings	112	109	108
	59,236	54,174	54,456

Inventories written-down recognised as an expense and included in other operating expenses amounted to \$2,000 (2017 : \$44,000).

Inventories of \$23,806,000 (2017 : \$18,446,000) are pledged for certain borrowings (Note 19).

19. Borrowings

	Group			Trust		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Current	1,034,565	722,377	752,106	147,609	–	–
Non-current	740,383	1,071,904	1,058,576	–	145,500	122,612
Total borrowings	1,774,948	1,794,281	1,810,682	147,609	145,500	122,612

The weighted average effective interest rates at the end of the reporting period were as follows:

	Group			Trust		
	December 31, 2018 %	December 31, 2017 %	January 1, 2017 %	December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
Borrowings	4.30	4.40	3.56	2.52	2.35	2.03

- A subsidiary has an A\$717 million five-year senior, secured loan facility, provided by a group of lenders. Repayments commenced in Year 2014 and will continue until 2019. The bank loan is secured by a charge over all the assets of, and the units and shares in, all of the entities in the subsidiary group. The carrying amount of the loan at the end of the financial year is \$700,056,000 (December 31, 2017 : \$711,955,000, January 1, 2017 : \$741,688,000).
- The term loan is repayable in 2020 and secured by a first ranking charge over its receivable and related rights under the Capacity Tolling Agreement. The carrying amount of the loan at the end of the financial year is \$699,266,000 (December 31, 2017 : \$698,785,000, January 1, 2017 : \$698,312,000).
- Bank loans of \$177,952,000 (December 31, 2017 : \$177,555,000, January 1, 2017 : \$177,165,000) obtained by a subsidiary are secured by a first ranking charge over its assets and business undertakings and repayable in February 2019. Subsequent to year end, the Group successfully refinanced the loan.
- The bank loans of \$50,065,000 (December 31, 2017 : \$60,486,000, January 1, 2017 : \$70,905,000) obtained by a subsidiary are secured by a first ranking charge over its assets and business undertakings. In addition, the loan is secured by a charge over the units in the subsidiary (inclusive of the units held by the non-controlling interest) and a charge over the shares in the Trustee-Manager of the subsidiary. Repayments commenced in 2007 and will continue until 2024.
- The Trust has a \$200 million term loan and revolving credit facility. The bank loan of \$147,609,000 (December 31, 2017 : \$145,500,000, January 1, 2017 : \$122,612,000) is repayable in February 2019 and is unsecured. Subsequent to year end, the Group successfully refinanced the loan.

All borrowings impose certain covenants. These covenants include having to maintain sufficient funds to pay principal, interest and retention of additional amounts. Total assets of the Group with carrying amount of \$1,565 million (December 31, 2017 : \$1,577 million, January 1, 2017 : \$1,612 million) are pledged for certain borrowings.

As disclosed in Note 41, as a result of the Basslink cable outage, a subsidiary within the Basslink group was unable to meet its minimum debt service coverage ratio on its loan covenant which constituted an event of default in the loan agreement. As a condition of waiver, the subsidiary was required to agree with the lenders a long term financing plan ("LTFP"). The subsidiary has been in discussions with its lenders on the LTFP which was not agreed as at December 31, 2018. The Trustee-Manager has been in discussions with the lenders on the refinancing of the existing bank borrowings.

The bank borrowings of \$700,056,000 which are repayable in November 2019 has been classified as current liabilities as at December 31, 2018 and 2017.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	January 1, 2018 \$'000	Financing cash flows ⁽¹⁾ \$'000	Non-cash changes		December 31, 2018 \$'000
			Foreign exchange movement \$'000	Other changes ⁽²⁾ \$'000	
Borrowings	1,794,281	(14,134)	(8,994)	3,795	1,774,948

	January 1, 2017 \$'000	Financing cash flows (1) \$'000	Non-cash changes		December 31, 2017 \$'000
			Foreign exchange movement \$'000	Other changes (2) \$'000	
Borrowings	1,810,682	7,658	(27,918)	3,859	1,794,281

⁽¹⁾ The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

⁽²⁾ Other changes include unamortised upfront fee.

20. Loan from a Subsidiary

The loan from a subsidiary was obtained in October 2015. The loan was unsecured, bore effective interest at 2.36% per annum and was settled in May 2017.

21. Trade and Other Payables

	Group			Trust		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Trade payables:						
- Third parties	27,767	19,255	18,494	–	–	–
- Related parties	1,208	5,203	5,290	–	–	–
Other payables:						
- Third parties	4,334	3,850	8,477	43	84	–
- Trustee-Manager	2,207	2,189	2,600	2,146	2,189	2,569
- Subsidiaries	–	–	–	257	1,078	233
- Related parties	8,837	6,660	11,761	–	12	17
Accruals	47,155	42,243	40,388	1,202	225	75
Interest payable	17,508	18,147	5,096	–	–	1,228
Customer deposit (Note 24)	1,541	1,561	1,622	–	–	–
Advance payments received	25,634	39,696	31,669	–	–	–
Refundable customer deposits	41,714	36,039	34,796	–	–	–
	177,905	174,843	160,193	3,648	3,588	4,122

Trade and other payables

Trade and other payables are non-interest bearing and are normally settled on 30 to 60 (2017 : 30 to 60) days' terms.

Notes to the Financial Statements

22. Provisions

	Group		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Provision for decommissioning costs	26,935	32,886	31,280
Movements in the provision are as follows:			
Beginning of year	32,886	31,280	38,143
(Reversal)/Addition (Note 6)	(6,496)	1,796	(9,093)
Unwinding of discounts (Note 34)	895	953	1,147
Currency translation differences	(350)	(1,143)	1,083
End of year	26,935	32,886	31,280

Provision for decommissioning costs

This relates to provision made by two subsidiaries in respect of costs to decommission, restore and rehabilitate (i) the interconnector sites, and (ii) the land where the combined cycle gas turbine generation facility operates, at the end of the operating life of the assets, based on the net present value of estimated future costs, expected to be required to settle the obligation.

Change in discount rate in provision for decommissioning costs

At the end of the reporting period, the Group conducted a review on the decommissioning costs and adjusted the discount rates used in determining the fair value of the provision to reflect the current best estimate.

The effects of the revision on depreciation charge and finance costs are as follows:

	2019 \$'000	2020 \$'000	2021 and beyond \$'000
Decrease in depreciation charge	(122)	(122)	(6,253)
Decrease in finance costs	(167)	(172)	(16,790)
Total	(289)	(294)	(23,043)

23. Notes Payable to Non-Controlling Interests

This relates to notes denominated in Singapore Dollars issued by subsidiaries to their non-controlling interests.

- The notes of \$15,000,000 mature in Year 2025 and bear interest payable quarterly in arrears at a fixed rate of 6.5% per annum with a one-time option for the subsidiary, on any interest payment date, to switch to a floating rate per annum equal to three-months Singapore Dollar Swap Offer Rate plus 2.5% per annum.
- The notes of \$245,000,000 mature in Year 2040, with a fixed rate of 17.5% per annum, payable quarterly.

The notes are direct, unsecured, subordinated obligations of the subsidiaries and can be redeemed at par by the subsidiaries prior to their maturity date.

The Trustee-Manager estimates that the carrying value of the notes payable to non-controlling interests approximate their fair value as these notes may be redeemed at par prior to its maturity date on any interest payment date.

24. Other Payables (Non-Current)

	Group		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Long term customer deposit	43,789	44,399	46,277
Advance payments received	144,046	157,983	167,849
Other payables	62,897	39,630	54,712
	250,732	242,012	268,838

Long term customer deposit

Long term customer deposit represents the A\$50 million (2017 : A\$50 million) deposit equivalent to \$50 million (2017 : \$51 million) placed by a customer which has been recognised as a liability. The deposit received is interest-free and is repayable in 12 quarterly payments commencing in Year 2028.

Included in long term customer deposit is an amount of \$17,397,000 (2017: \$19,181,000) which represents the difference between the fair value of this liability and the amount of the A\$50.0 million deposit to be repaid, computed based on the present value of future payment discounted at the applicable interest rate of 5.87% (2017 : 5.87%) per annum. This is amortised to profit or loss, using the effective interest rate method, over the life of the agreement. The current portion of long term customer deposit is included in Note 21.

Advance payments received

This relates to amounts that have been received but services have not yet been rendered.

25. Deferred Tax Liabilities

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

	Group		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Movement in deferred tax account is as follows:			
Beginning of the year	18,159	22,678	29,596
Credited to			
- Profit or loss (Note 37)	(4,108)	(3,048)	(4,546)
- Equity (Note 37)	1,561	(1,471)	(2,372)
End of the year	15,612	18,159	22,678

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year were as follows:

Deferred tax liabilities

	Accelerated tax depreciation \$'000	Fair value of intangible assets \$'000	Others \$'000	Total \$'000
At January 1, 2017	18,493	21,334	15,769	55,596
Currency translation differences	(827)	(366)	(60)	(1,253)
(Credited)/Charged to Profit or loss	3,769	(1,645)	1,092	3,216
At December 31, 2017	21,435	19,323	16,801	57,559
Currency translation differences	(258)	(118)	(19)	(395)
(Credited)/Charged to Profit or loss	1,140	(1,501)	181	(180)
At December 31, 2018	22,317	17,704	16,963	56,984

Notes to the Financial Statements

25. Deferred Tax Liabilities (continued)

Deferred tax assets

	Allowances against assets \$'000	Derivative financial instruments \$'000	Recognised unutilised tax losses \$'000	Others \$'000	Total \$'000
At January 1, 2017	(82)	(1,125)	(23,173)	(8,538)	(32,918)
Currency translation differences	–	–	917	336	1,253
Charged/(Credited) to					
- Profit or loss	1	–	(5,847)	(418)	(6,264)
- Equity	–	(1,471)	–	–	(1,471)
At December 31, 2017	(81)	(2,596)	(28,103)	(8,620)	(39,400)
Currency translation differences	–	–	292	103	395
Charged/(Credited) to					
- Profit or loss	(6)	–	(5,279)	1,357	(3,928)
- Equity	–	1,561	–	–	1,561
At December 31, 2018	(87)	(1,035)	(33,090)	(7,160)	(41,372)
Net deferred tax liabilities					
December 31, 2018					15,612
December 31, 2017					18,159
January 1, 2017					22,678

Unrecognised tax losses

The Group has unrecognised tax losses of approximately \$352,962,000 (2017 : \$323,137,000) to set off against future taxable income, for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to meeting certain statutory requirements by those subsidiaries with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry dates.

Tax consequences of proposed distributions

There are no income tax consequences attached to the distributions to the unitholders proposed by the Trust but not recognised as a liability in the financial statements for both 2018 and 2017 (Note 29).

26. Units in Issue

	Group and Trust				
	December 31, 2018 Units	December 31, 2017 Units	January 1, 2017 Units	December 31, 2018 \$'000	December 31, 2017 \$'000
Beginning of year	3,857,378,731	3,857,063,631	3,856,931,931	2,137,538	2,137,389
Units issued at an average price of \$0.574 (December 31, 2017: \$0.475, January 1, 2017: \$0.506) per unit as Trustee-Manager's fees	919,334	315,100	131,700	528	149
End of year	3,858,298,065	3,857,378,731	3,857,063,631	2,138,066	2,137,389

- a) Each unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:
 - (i) Receive income and other distributions attributable to the units held;
 - (ii) Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust; and
 - (iii) Receive audited accounts and the annual reports of the Trust.
- b) The restrictions of a Unitholder include the following:
 - (i) A Unitholder has no right to request the Trustee-Manager to transfer to him any asset of the Trust; and
 - (ii) A Unitholder cannot give any directions to the Trustee-Manager (whether at a meeting of Unitholders or otherwise) if it would require the Trustee-Manager to do or omit doing anything which may result in:
 - the Trust ceasing to comply with applicable laws and regulations; or
 - the exercise of any discretion expressly conferred to the Trustee-Manager by the Trust Deed.
- c) A Unitholder's liability is limited to the amount paid or payable for any units in the Trust. The provisions of the Trust Deed provide that no Unitholder will be personally liable to indemnify the Trustee-Manager or any creditor of the Trustee-Manager in the event the liabilities of the Trust exceeded its assets.

27. Hedging Reserve

Hedging reserve records the portion of the fair value changes on derivatives that are designated as hedging instruments in cash flow hedges that are determined to be effective.

	Group			Trust		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Beginning of the year	(210,861)	(204,478)	(201,772)	(859)	(986)	–
Fair value (loss)/profit:						
Fair value (loss)/profit	(20,756)	(41,791)	(28,407)	359	(1,113)	(1,702)
Tax on fair value loss	2,364	3,351	1,366	–	–	–
	(18,392)	(38,440)	(27,041)	359	(1,113)	(1,702)
Transfer to profit or loss:						
Finance cost (Note 34)	26,785	30,761	21,903	531	1,240	716
Tax on transfers	(1,091)	(1,886)	(2,104)	–	–	–
	25,694	28,875	19,799	531	1,240	716
Non-controlling interests (net of tax)	3,333	3,182	4,536	–	–	–
	(200,226)	(210,861)	(204,478)	31	(859)	(986)

28. Capital Reserve

In prior years, the Group's subsidiary, City Gas Trust, disposed 49% of its equity interest in City-OG Gas Energy Services Pte Ltd ("City-OG Gas") to Osaka Gas Co., Ltd ("Osaka Gas") for a consideration of \$39.2 million. The Group retained control in the remaining 51% equity interest in City-OG Gas. With the disposal of the equity interest in City-OG Gas, the Group recorded a capital reserve of \$38.7 million.

29. Distributions Paid to the Unitholders of the Trust

Tax exempt distributions paid during the financial year are as follows:

	Group and Trust	
	2018 \$'000	2017 \$'000
For the period from October 1, 2016 to December 31, 2016 - 0.93 cents per unit	–	35,871
For the period from January 1, 2017 to March 31, 2017 - 0.93 cents per unit	–	35,873
For the period from April 1, 2017 to June 30, 2017 - 0.93 cents per unit	–	35,873
For the period from July 1, 2017 to September 30, 2017 - 0.93 cents per unit	–	35,873
For the period from October 1, 2017 to December 31, 2017 - 0.93 cents per unit	35,873	–
For the period from January 1, 2018 to March 31, 2018 - 0.93 cents per unit	35,881	–
For the period from April 1, 2018 to June 30, 2018 - 0.93 cents per unit	35,881	–
For the period from July 1, 2018 to September 30, 2018 - 0.93 cents per unit	35,883	–
	143,518	143,490
The following distributions have been declared after the financial year end but not recognised as a liability		
Distribution of 0.93 cents per unit for the period from October 1, 2017 to December 31, 2017	–	35,873
Distribution of 0.93 cents per unit for the period from October 1, 2018 to December 31, 2018	35,883	–

Notes to the Financial Statements

30. Revenue

	Group			
	Distribution & Network \$'000	Waste & Water \$'000	Energy \$'000	Corporate \$'000
2018				
Segment Revenue				
Sale of goods	341,403	–	–	–
Service income	73,349	10,498	104,004	–
Finance income from service concession arrangements	–	13,552	–	–
Finance lease income	–	3,463	–	–
Operation and maintenance income	–	66,001	25,117	–
	414,752	93,514	129,121	–
2017				
Segment Revenue				
Sale of goods	313,544	–	–	–
Service income	92,215	10,498	104,984	–
Finance income from service concession arrangements	–	14,786	–	–
Finance lease income	–	3,827	–	–
Operation and maintenance income	–	66,486	24,965	–
Management fee income	–	–	–	1,171
	405,759	95,597	129,949	1,171
2018				
Time of revenue recognition				
At a point in time:				
Sale of goods	341,403	–	–	–
Over time:				
Service income	73,349	10,498	104,004	–
Finance income from service concession arrangements	–	13,552	–	–
Finance lease income	–	3,463	–	–
Operation and maintenance income	–	66,001	25,117	–
	414,752	93,514	129,121	–
2017				
Time of revenue recognition				
At a point in time:				
Sale of goods	313,544	–	–	–
Over time:				
Service income	92,215	10,498	104,984	–
Finance income from service concession arrangements	–	14,786	–	–
Finance lease income	–	3,827	–	–
Operation and maintenance income	–	66,486	24,965	–
Management fee income	–	–	–	1,171
	405,759	95,597	129,949	1,171

There are no performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

31. Other Income

	Group	
	2018 \$'000	2017 \$'000
Interest income	2,022	1,664
Other miscellaneous income	7,147	1,929
	9,169	3,593

32. Other Losses - Net

	Group	
	2018 \$'000	2017 \$'000
Fair value loss on derivative financial instruments	13,275	8,523
Exchange differences	377	338
Others	(2)	(6)
	13,650	8,855

33. Staff Costs

	Group	
	2018 \$'000	2017 \$'000
Salaries and wages	22,887	22,437
Employer's contribution to defined contribution plans, including Central Provident Fund	2,706	2,630
Other short-term benefits	1,785	1,650
	27,378	26,717

34. Finance Costs

	Group	
	2018 \$'000	2017 \$'000
Interest expense		
- Bank borrowings	50,533	47,785
- Notes payable to non-controlling interests	43,850	43,850
Unwinding of discounts		
- Provision for decommissioning costs (Note 22)	895	953
- Interest-free customer deposits	1,499	1,485
Cash flow hedges, transfer from hedging reserve (Note 27)	26,785	30,761
Others	107	115
	123,669	124,949

35. Trustee-Manager's Fees

	Group	
	2018 \$'000	2017 \$'000
Base fee	2,579	2,566
Performance fee	7,163	7,196
	9,742	9,762

Subsequent to the change in the trustee-manager in 2015, the Trustee-Manager's fees comprise:

- 1) A Base fee of \$2.0 million per annum subject to increase each year by such percentage increase (if any) in the average of the monthly Singapore CPI for the 12 calendar months immediately preceding the beginning of each financial year over the average of the monthly Singapore CPI for 2010.
- 2) Performance fee is charged at 4.5% per annum on all the cash inflows received by the Trust from subsidiaries, associates, sub-trusts and its investments (including but not limited to dividends, distributions, interest earned, revenues earned, principal repayment of debt securities and all other receipts).
- 3) In addition to the Base Fee and the Performance Fee, the Trustee-Manager (in its personal capacity) is also entitled to receive an Acquisition Fee in respect of any investment acquired by the Trust or special purpose vehicles holding or constituted to hold the Trust's investment and a Divestment Fee in respect of any investment sold or divested by the Trust or its special purpose vehicles.

Notes to the Financial Statements

36. (Loss)/Profit Before Tax

The following items have been included in arriving at (loss)/profit before tax:

	Group	
	2018 \$'000	2017 \$'000
Auditors' remuneration		
- auditors of the Group	382	379
Non-audit fees to		
- auditors of the Group	77	14
Property, plant and equipment written off (Note 6)	3	2

37. Income Tax Expense

Major components of income tax expense

The major components of income tax expense for the years ended December 31, 2018 and 2017 are:

	Group	
	2018 \$'000	2017 \$'000
Consolidated profit or loss:		
Current tax	4,151	3,390
Deferred tax (Note 25)	(4,108)	(3,048)
Income tax expense recognised in profit or loss	43	342
Consolidated statement of other comprehensive income:		
Deferred tax expense related to other comprehensive income:		
- Fair value gain/(loss) and reclassification adjustments on cash flow hedges (Note 25)	1,561	(1,471)

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the year ended December 31, 2018 and 2017 are as follows:

	Group	
	2018 \$'000	2017 \$'000
(Loss)/Profit before tax	(2,315)	14,118
Tax calculated at a tax rate of 17%	(393)	2,400
Effect of:		
- Different tax rates in other countries	(2,065)	(264)
- Expenses not deductible for tax purposes	6,495	6,519
- Income not subject to tax	(8,898)	(9,733)
- Deferred tax assets not recognised	6,823	6,555
- Recognition of future deductible amounts allowable under overseas tax regime	(2,560)	(4,950)
- Adjustment recognised in the current year in relation to the current tax for prior year	262	709
- Tax relief	-	(259)
- Others	379	(635)
	43	342

38. Earnings Per Unit

The calculation of basic and diluted earnings per unit is based on the weighted average number of units outstanding during the financial year and profit after tax attributable to the unitholders of the Trust.

	Group	
	2018	2017
Profit for the financial year attributable to unitholders of the Trust (\$'000)	32,023	47,613
Weighted average number of units during the financial year	3,858,117,720	3,857,328,660
Basic and diluted earnings per unit (cents)	0.83	1.23

Diluted earnings per unit is the same as the basic earnings per unit as there are no dilutive instruments in issue during the financial year.

39. Operating Lease Arrangements and Capital Commitments

(a) Operating lease arrangements

The Group leases office premises and pipe rack under non-cancellable operating lease agreements. Minimum lease payments recognised as an expense in profit or loss for the financial year ended December 31, 2018 amounted to \$2,756,000 (2017 : \$2,861,000). The future minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as payable, are as follows:

	Group		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Not later than one year	3,813	3,960	3,999
Later than one year but not later than five years	9,125	9,922	11,458
Later than five years	62,726	64,628	66,212
	75,664	78,510	81,669

Included in the future minimum lease payments under non-cancellable operating leases comprise future minimum lease payments with related parties which amounted to \$14,039,000 (2017 : \$14,324,000).

Operating lease payments represent rentals payable by the Group for certain of its office properties and pipe racks. Rentals are negotiated for an average term of 1 to 46 years (2017 : 1 to 47 years).

(b) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2018 \$'000	2017 \$'000
Property, plant and equipment	5,827	2,264

Notes to the Financial Statements

40. Segment Information

The Trustee-Manager monitors the results of the Trust based on the following reportable segments for the purpose of making decisions in resource allocation and performance assessment:

- Distribution & Network (previously known as Gas and Transmission): production and retailing of town gas and retailing of natural gas in Singapore, operator of subsea electricity interconnector in Australia and leasing of a data centre;
- Waste & Water (previously known as Concessions): concessions in relation to the desalination plant, water treatment plant and waste-to-energy plants in Singapore;
- Energy (previously known as Power): tolling arrangement for the power plant in Singapore; and
- Corporate: investment holding, asset management and business development.

Information regarding the Trust's reportable segments for the years ended December 31, 2018, December 31, 2017 and January 1, 2017 are set out below:

	Energy KMC \$'000	City Gas \$'000	Distribution & Network Basslink \$'000	DC One \$'000	Waste & Water \$'000	Corporate \$'000	Total Group \$'000
2018							
Revenue	129,121	347,629	67,123	–	93,514	–	637,387
Profit/(Loss) before tax	(33,572)	37,043	(15,886)	–	22,611	(12,511)	(2,315)
Funds from operations ¹	45,141	35,257	10,397	7,419	78,653	(15,762)	161,105
Other segment items:							
Depreciation and amortisation	(75,699)	(2,764)	(17,962)	–	(7,055)	–	(103,480)
Fair value gain/(loss) on derivative financial instruments	–	8	(13,283)	–	–	–	(13,275)
Impairment loss on financial assets	–	(448)	–	–	–	(309)	(757)
Share of results of joint venture	–	–	–	3,840	–	–	3,840
Finance costs ²	(63,139)	(5,830)	(47,920)	–	(2,959)	(3,821)	(123,669)

A reconciliation of funds from operations to (loss)/profit before tax is provided as follows:

	2018 \$'000
Funds from operations	161,105
Reduction in concession/lease receivables	(54,951)
Non-cash finance cost	(6,190)
Other non-cash items	(7,444)
Depreciation and amortisation	(103,480)
Maintenance capital expenditure	8,490
Finance cost attributable to NCI	(43,850)
Funds from operations of joint venture	(7,419)
Funds from operations attributable to NCI	51,424
Loss before tax	(2,315)

	Energy KMC \$'000	City Gas \$'000	Distribution & Network Basslink \$'000	DC One \$'000	Waste & Water \$'000	Corporate \$'000	Total Group \$'000
December 31, 2018							
Segment and consolidated total assets	1,613,083	576,644	973,250	20,009	595,700	26,321	3,805,007
Segment liabilities	1,114,730	337,290	919,957	–	83,791	151,015	2,606,783
Unallocated liabilities:							
Current tax liabilities							4,356
Deferred tax liabilities							15,612
Consolidated total liabilities							2,626,751
Other segment items							
Additions to non-current assets							
Capital expenditure							
- property, plant and equipment	–	697	7,780	–	13	–	8,490
2017							
Revenue	129,949	320,372	85,387	–	95,597	1,171	632,476
Profit/(Loss) before tax	(32,082)	41,515	(2,032)	–	20,952	(14,235)	14,118
Funds from operations ¹	45,717	40,669	23,999	6,006	75,758	(14,477)	177,672
Other segment items:							
Depreciation and amortisation	(75,598)	(3,477)	(18,842)	–	(7,052)	–	(104,969)
Fair value loss on derivative financial instruments	–	(1,058)	(7,465)	–	–	–	(8,523)
Impairment loss on financial assets	–	(573)	–	–	–	–	(573)
Share of results of joint venture	–	–	–	2,715	–	–	2,715
Finance costs ²	(62,964)	(4,889)	(50,174)	–	(3,649)	(3,273)	(124,949)

A reconciliation of funds from operations to profit before tax is provided as follows:

	2017 \$'000
Funds from operations	177,672
Reduction in concession/lease receivables	(53,353)
Non-cash finance cost	(6,297)
Other non-cash items	(2,039)
Depreciation and amortisation	(104,969)
Maintenance capital expenditure	1,727
Finance cost attributable to NCI	(43,850)
Funds from operations of joint venture	(6,006)
Funds from operations attributable to NCI	51,233
Profit before tax	14,118

Notes to the Financial Statements

40. Segment Information (continued)

	Energy KMC \$'000	City Gas \$'000	Distribution & Network Basslink \$'000	DC One \$'000	Waste & Water \$'000	Corporate \$'000	Total Group \$'000
December 31, 2017							
Segment and consolidated total assets	1,692,894	559,106	995,544	20,752	656,304	31,816	3,956,416
Segment liabilities	1,131,650	314,233	931,465	–	96,672	148,933	2,622,953
Unallocated liabilities:							
Current tax liabilities							3,410
Deferred tax liabilities							18,159
Consolidated total liabilities							2,644,522
Other segment items							
<u>Additions to non-current assets</u>							
Capital expenditure							
- property, plant and equipment	–	1,313	411	–	3	–	1,727
January 1, 2017							
Segment and consolidated total assets	1,737,256	569,494	1,018,470	23,432	714,757	55,233	4,118,642
Segment liabilities	1,139,941	316,752	947,998	–	105,451	126,398	2,636,540
Unallocated liabilities:							
Current tax liabilities							5,454
Deferred tax liabilities							22,678
Consolidated total liabilities							2,664,672
Other segment items							
<u>Additions to non-current assets</u>							
Investment in and advances to joint venture	–	–	–	–	–	1,717	1,717
Capital expenditure							
- property, plant and equipment	8	912	–	–	27	–	947

¹ Funds from operations is defined as profit after tax adjusted for reduction in concession/lease receivables, transaction costs, non-cash interest and current cash tax, maintenance capital expenditure, non-cash adjustments and non-controlling interests adjustments.

² Excludes interest payable on notes issued by subsidiaries to the Trust.

The Group's Waste & Water, Energy and Corporate business segments operate in Singapore whilst the Distribution & Network segment operates in both Singapore and Australia. Revenue is based on the country in which the customer is located. Total non-current assets are shown by the geographical area where the assets are located.

	Revenue		Non-current assets *		
	December 31, 2018 \$'000	December 31, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Singapore	570,264	547,089	1,838,829	1,924,369	2,011,858
Australia	67,123	85,387	852,417	879,448	928,339
	637,387	632,476	2,691,246	2,803,817	2,940,197

* Comprise property, plant and equipment, intangibles and investment in and advances to joint venture.

Revenue from Waste & Water segment of \$93,514,000 (2017 : \$95,597,000) was solely derived from the only customer of the respective subtrustrs. For the Energy segment, revenue of \$129,121,000 (2017 : \$129,949,000) was derived from its only customer. For Distribution & Network segment, revenue from its major customer was \$64,946,000 (2017 : \$83,371,000).

41. Contingent Liability

Basslink Pty Ltd ("Basslink"), a wholly-owned subsidiary of the Group, operates a subsea electricity interconnector ("Interconnector") between the electricity grids of the States of Tasmania and Victoria in Australia.

On December 20, 2015, the Interconnector was taken out of service due to a cable fault incident. The cable returned to service on June 13, 2016. The customer, Hydro Tasmania ("HT"), has not paid Basslink full facility fees from September 2016 to August 2017 as HT disagrees with Basslink that the outage was a "*force majeure*" event. In December 2016, an independent investigation undertaken by Cable Consulting International ("CCI"), one of the world's leading submarine power cable experts, was completed and CCI concluded that the cause of the cable fault is "cause unknown".

In December 2017, based on the reports from DNV GL, an international engineering consultancy firm, HT alleged that the outage was caused by the interconnector exceeding its design limit. Under the Basslink Services Agreement ("BSA"), an unknown cause of the cable fault falls under the definition of a "*force majeure*" event. As such, the Trustee-Manager is of the view that the outage investigation report supported Basslink's claim that the cause of the cable fault was a "*force majeure*" event.

In March 2018, the State of Tasmania (the "State") issued a Notice of Dispute to Basslink, which was referred to arbitration, under the Basslink Operations Agreement ("BOA") and alleged that Basslink should indemnify the State for its losses which amounts to A\$100.0m (S\$100.7m).

In September 2018, Basslink issued a Notice of Dispute to HT, which was referred to arbitration, under the BSA, to recover the withheld receivables from HT.

In October 2018, HT issued a Notice of Dispute to Basslink, which was referred to arbitration, under the Basslink Services Agreement ("BSA") based upon the allegations in the DNV GL reports commissioned by the lawyers for HT.

Further to the State's claim against Basslink, Basslink engaged CCI to perform a further investigation. In November 2018, CCI concluded in its report (the "CCI report"), amongst others, that the cause of the cable outage continues to be unknown.

As at December 31, 2018, no provision has been made for the claim by the State as based on the findings of CCI, the Trustee-Manager is of the view that the cause of the cable fault was a "*force majeure*" event.

42. Events After the Reporting Period

On February 19, 2019, the Trustee-Manager announced that its wholly-owned subsidiary has completed the acquisition of 100% of the shares in Ixom HoldCo Pty Ltd and its subsidiaries ("Ixom Group") ("Acquisition") for a cash consideration of A\$770 million (S\$775 million). The Acquisition is funded via debt, of which a portion of the debt will be paid down with the proceeds from an equity fund raising.

Disclosures required by the revised SFRS(I) 1-3 *Business Combinations* have not been made as the acquisition occurred after the end of the reporting period. The valuation on the fair value of the consideration, identifiable assets, liabilities and contingent liabilities at the acquisition date will be performed by an independent and qualified professional valuer.

Notes to the Financial Statements

43. Adoption of a New Financial Reporting Framework

The Group and the Trust adopted the new financial reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended December 31, 2018 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Trust have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017). Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the Group's and the Trust's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the election of certain transition options available under SFRS(I) 1.

Management has elected the following transition exemption:

- SFRS(I) 3 *Business Combinations* has not been applied to acquisitions of subsidiaries that are considered businesses under SFRS(I) that occurred before January 1, 2017. The FRS carrying amounts of assets and liabilities determined in that business combination, that are required to be recognised under SFRS(I), are the deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SFRS(I). Assets and liabilities that do not qualify for recognition under SFRS(I) are excluded from the opening SFRS(I) statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of SFRS(I) recognition requirements.

SFRS(I) 1 also requires that the FRS carrying amount of goodwill must be used in the opening SFRS(I) statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SFRS(I) 1, the Group has tested goodwill for impairment at the date of transition to SFRS(I). No additional goodwill impairment was deemed necessary at January 1, 2017.

Management has elected the following transition option:

- The Group has applied the option to reset the cumulative translation differences for all foreign operations to zero at the date of transition to SFRS(I). The gain or loss on a subsequent disposal of any foreign operation shall exclude the translation differences that arose before January 1, 2017 and shall include later translation differences.

Reconciliations of equity

The effects of transition to SFRS(I) are presented and explained below.

(A) Impact on the equity as at January 1, 2017 (date of transition to SFRS(I))

	As previously reported under FRS \$'000	Application of SFRS(I) 1 \$'000	As adjusted under SFRS(I) \$'000
Group			
Units in issue	2,137,389	-	2,137,389
Hedging reserve	(204,478)	-	(204,478)
Translation reserve	(26,587)	26,587	-
Capital reserve	38,710	-	38,710
Accumulated losses	(689,644)	(26,587)	(716,231)
Total Unitholders' Funds	1,255,390	-	1,255,390

(B) Impact on the equity as at December 31, 2017 (end of last period reported under FRS)

	As previously reported under FRS \$'000	Application of SFRS(I) 1 \$'000	As adjusted under SFRS(I) \$'000
Group			
Units in issue	2,137,538	-	2,137,538
Hedging reserve	(210,861)	-	(210,861)
Translation reserve	(26,946)	26,587	(359)
Capital reserve	38,710	-	38,710
Accumulated losses	(785,506)	(26,587)	(812,093)
Total Unitholders' Funds	1,152,935	-	1,152,935

(C) Impact on the Statement of Profit or Loss and Other Comprehensive Income for the year ended December 31, 2017 (last financial year reported under FRS)

The transition to SFRS(I) does not have a material impact on the statement of profit or loss and other comprehensive income.

(D) Impact on the Statement of Cash Flows for the year ended December 31, 2017 (last financial year reported under FRS)

The transition to SFRS(I) does not have a material impact on the statement of cash flows.

44. Standards Issued But Not Yet Effective

At the date of authorisation of these financial statements, the following SFRS(I)s pronouncements were issued but not effective and are expected to have an impact to the Group and the Trust in the periods of their initial application.

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 *Leases*

SFRS(I) 16 *Leases*

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities are recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

SFRS(I) 1-17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases that the Group enters into. Under SFRS(I) 16, the Group may be required to recognise a right-of-use asset and a corresponding liability in respect of all leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists.

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

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

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

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

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases under SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

APPENDIX IV

UNAUDITED FINANCIAL STATEMENTS OF KIT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

The information in this Appendix IV has been reproduced from the unaudited results of KIT for the first quarter ended 31 March 2019 and has not been specifically prepared for inclusion in this Information Memorandum nor has it been audited or reviewed by independent auditors of KIT.

**KEPPEL INFRASTRUCTURE TRUST
FIRST QUARTER ENDED 31 MARCH 2019 FINANCIAL STATEMENTS
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INTRODUCTION

Keppel Infrastructure Trust ("KIT" or "Trust"), was originally listed on 12 February 2007 on the Singapore Exchange Securities Trading Limited as CitySpring Infrastructure Trust ("CIT").

KIT's portfolio as at 31 March 2019 included 100% interest in City Gas, Senoko Waste-to-Energy (WTE) Plant, Keppel Seghers Tuas WTE Plant, Keppel Seghers Ulu Pandan NEWater Plant, Basslink, and Ixom; 70% interest in SingSpring Desalination Plant and 51% in Keppel Merlimau Cogen, DataCentre One and City-OG Gas.

On 19 February 2019, KIT completed its acquisition of 100% of the shares in Ixom HoldCo Pty Ltd ("Ixom"), one of the leading industrial infrastructure businesses in Australia and New Zealand, supplying and distributing water treatment chemicals which are key to fundamental industries, as well as industrial and specialty chemicals.

The sponsor of KIT is Keppel Infrastructure Holdings Pte. Ltd., a wholly owned subsidiary of Keppel Corporation Limited ("KCL"). Keppel Infrastructure Fund Management Pte. Ltd. is the Trustee-Manager of KIT, and wholly owned by Keppel Capital Holdings Pte. Ltd., which is in turn a wholly owned subsidiary of KCL.

KIT is included in the FTSE ST Large/Mid Cap Index and FTSE ST Mid Cap Index.

KIT, being a business trust, is allowed to pay distributions to Unitholders out of its retained cash and residual cash flows, in accordance with its distribution policy. This is unlike companies, which are governed by the Companies Act, and can only make dividend payments out of accounting profits.

1. **UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019**

The Directors of **Keppel Infrastructure Fund Management Pte. Ltd., as Trustee-Manager of Keppel Infrastructure Trust**, advises the following unaudited results of the Group for the first quarter ended 31 March 2019.

1(a) **INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME**

(i) **Consolidated Income Statement**

	1Q FY19 S\$'000	<u>Group</u> 1Q FY18 S\$'000	Change %
Revenue	318,462	160,260	98.7
Other income	1,080	781	38.3
Other losses - net	(7,274)	(7,395)	(1.6)
Expenses			
Fuel and electricity costs	(36,349)	(34,456)	5.5
Gas transportation and freight costs	(27,053)	(23,310)	16.1
Depreciation and amortisation	(30,845)	(26,024)	18.5
Staff costs	(21,030)	(6,333)	>100.0
Operation and maintenance costs	(20,113)	(19,156)	5.0
Chemicals production and distribution costs	(107,899)	-	N/M
Finance costs	(34,054)	(31,330)	8.7
Trustee-Manager's fees	(13,293)	(2,631)	>100.0
Other operating expenses	(42,748)	(11,368)	>100.0
Total expenses	(333,384)	(154,608)	>100.0
Loss before joint venture	(21,116)	(962)	>100.0
Share of results of joint venture	1,018	861	18.2
Loss before tax	(20,098)	(101)	>100.0
Income tax expense	(4,661)	(967)	>100.0
Net loss after tax	(24,759)	(1,068)	>100.0
(Loss)/Profit attributable to:			
Unitholders	(16,211)	7,496	N/M
Non-controlling interests	(8,548)	(8,564)	(0.2)
	(24,759)	(1,068)	>100.0

Please refer to paragraph 8.2 for further details.

1(a) **INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME (CONT'D)**

(ii) **Consolidated Statement of Comprehensive Income**

	1Q FY19 S\$'000	<u>Group</u> 1Q FY18 S\$'000	Change %
Net loss after tax	(24,759)	(1,068)	>100.0
Other comprehensive income:			
<u>Items that may be reclassified</u>			
<u>subsequently to income statement</u>			
Cash flow hedges:			
- Fair value (losses)/gain	(18,752)	6,548	N/M
- Transfer to income statement	8,781	12,153	(27.7)
Share of net change in fair value of cash flow hedges of a joint venture	79	655	(87.9)
Currency translation differences relating to consolidation of foreign subsidiaries	(18,940)	(178)	>100.0
Other comprehensive income, net of tax	(28,832)	19,178	N/M
Total comprehensive income	(53,591)	18,110	N/M
Attributable to:			
Unitholders	(45,661)	24,586	N/M
Non-controlling interests	(7,930)	(6,476)	22.5
	(53,591)	18,110	N/M

N/M - Not meaningful

1(b)(i) STATEMENTS OF FINANCIAL POSITION

	Group		Trust	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
	S\$'000	S\$'000	S\$'000	S\$'000
Non-Current Assets				
Property, plant and equipment	2,374,530	2,152,479	-	-
Intangibles	1,132,092	518,758	-	-
Investment in subsidiaries	-	-	1,423,746	801,231
Investment in and advances to joint venture	19,781	20,009	-	-
Notes receivables	-	-	775,712	775,712
Amount receivable from a subsidiary	-	-	15,387	15,387
Service concession receivables	320,260	332,221	-	-
Finance lease receivables	92,462	95,070	-	-
Derivative financial instruments	55	69	46	-
Deferred tax assets	18,854	-	-	-
Right-of-use asset	77,443	-	-	-
Other assets	160,913	164,785	-	-
Total non-current assets	4,196,390	3,283,391	2,214,891	1,592,330
Current Assets				
Cash and bank deposits	309,391	231,603	40,809	26,116
Trade and other receivables	339,690	151,787	10,330	13,784
Service concession receivables	46,884	46,537	-	-
Finance lease receivables	10,194	10,069	-	-
Derivative financial instruments	1,201	202	-	31
Inventories	218,389	59,236	-	-
Current tax receivable	3,135	-	-	-
Other current assets	23,446	22,182	34	14
Total current assets	952,330	521,616	51,173	39,945
Current Liabilities				
Borrowings	1,028,440	1,034,565	353,923	147,609
Trade and other payables	358,010	177,905	3,285	3,648
Provisions	24,624	-	-	-
Derivative financial instruments	35,173	16,772	-	-
Finance lease payables	8,349	-	-	-
Income tax payable	5,898	4,356	16	15
Total current liabilities	1,460,494	1,233,598	357,224	151,272
Net Current Liabilities	(508,164)	(711,982)	(306,051)	(111,327)
Non-Current Liabilities				
Borrowings	1,563,141	740,383	148,336	-
Notes payable to non-controlling interests	260,000	260,000	-	-
Derivative financial instruments	92,427	99,491	-	-
Other payables	249,021	250,732	-	-
Provisions	48,623	26,935	-	-
Finance lease payables	70,265	-	-	-
Deferred tax liabilities	15,032	15,612	-	-
Total non-current liabilities	2,298,509	1,393,153	148,336	-
Net Assets	1,389,717	1,178,256	1,760,504	1,481,003
Represented by:				
Unitholders' Funds				
Units in issue	2,434,584	2,138,066	2,434,584	2,138,066
Hedging reserve	(210,982)	(200,226)	46	31
Translation reserve	(19,186)	(492)	-	-
Capital reserve	38,710	38,710	-	-
Accumulated losses	(975,675)	(923,582)	(674,126)	(657,094)
Total Unitholders' funds	1,267,451	1,052,476	1,760,504	1,481,003
Non-controlling interests	122,266	125,780	-	-
	1,389,717	1,178,256	1,760,504	1,481,003

Please refer to paragraphs 8.3 and 8.4 for further details.

1(b)(ii) AGGREGATE AMOUNT OF BORROWINGS AND DEBT SECURITIES

	Group	
	31 Mar 2019	31 Dec 2018
	S\$'000	S\$'000
Unsecured borrowings		
Amount repayable within one year	353,923	147,609
Amount repayable after one year	325,901	-
	679,824	147,609
Secured borrowings		
Amount repayable within one year	674,517	886,956
Amount repayable after one year	1,237,240	740,383
	1,911,757	1,627,339
Total borrowings	2,591,581	1,774,948

Details of collaterals

The bank borrowings are secured over the assets and business undertakings of SingSpring, Basslink Group and Ixom Group. The bank borrowings granted to SingSpring is also secured by a charge over the units in SingSpring held by the Trustee-Manager and Hyflux Ltd¹, and a charge over the shares held by the Trustee-Manager in SingSpring Pte Ltd. The bank borrowings granted to KMC is secured mainly by an assignment of KMC's rights under the Capacity Tolling Agreement.

On 20 December 2015, the Basslink interconnector experienced an unplanned outage caused by a cable fault. The interconnector returned to service on 13 June 2016. As previously announced on 18 July 2016 and 14 August 2017, Basslink was unable to meet the minimum debt service coverage ratio covenant in the project financing. As a condition of waiver of this event of default, Basslink was required to agree with the banking syndicate a Long Term Financing Plan ("LTFP") which has yet to be agreed as at 31 March 2019. There is no contractual recourse to KIT under the project financing. Discussions have been ongoing with the banking syndicate on the subsisting defaults.

Basslink is current on its debt payments under the project financing subsequent to the return to service of the interconnector on 13 June 2016. The event of default has no material financial impact on the distributions per unit of KIT for the year ending 31 December 2019 since KIT does not rely on Basslink's cash flows for its distributions.

¹ 30% unitholder of SingSpring Trust

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>Group</u>	
	1Q FY19	1Q FY18
	S\$'000	S\$'000
Operating activities		
Loss before tax	(20,098)	(101)
Adjustments for:		
Depreciation and amortisation	30,845	26,024
Finance costs	34,054	31,330
Interest income	(658)	(429)
Fair value loss on derivative financial instruments	7,409	7,390
Impairment loss on trade and other receivables (net)	222	441
Transaction cost related to acquisition of Ixom	35,125	-
Share of results of joint venture	(1,018)	(861)
Unrealised foreign exchange (gain)/loss	(137)	179
Management fees paid in units	128	451
Operating cash flows before working capital changes	85,872	64,424
Changes in working capital :		
Trade and other receivables	9,663	10,481
Trade and other payables	(3,741)	400
Inventories	(2,673)	(1,342)
Cash generated from operations	89,121	73,963
Interest received	450	371
Interest paid	(29,347)	(29,282)
Income tax paid	(6,873)	(877)
Net cash from operating activities	53,351	44,175
Investing activities		
Acquisition of subsidiary, net of cash acquired (Note b)	(1,096,707)	-
Dividend received from joint venture	1,027	910
Repayment of advances from joint venture	298	248
Purchase of property, plant and equipment and intangible assets	(3,755)	(41)
Proceeds from sale of inventories	34	69
Net cash (used in)/ from investing activities	(1,099,103)	1,186
Financing activities		
Decrease/(increase) in restricted cash	2,234	(2,077)
Proceeds from borrowings	1,504,165	-
Proceeds from issuance of units (net)	296,518	-
Repayment of obligations under finance leases	(1,261)	-
Repayment of borrowings	(626,070)	(3,866)
Payment of loan upfront fees	(13,179)	-
Distributions paid to Unitholders of the Trust	(35,882)	(35,874)
Distributions paid by subsidiaries to non-controlling interests	(705)	(586)
Net cash from/(used in) financing activities	1,125,820	(42,403)
Net increase in cash and cash equivalents	80,068	2,958
Cash and cash equivalents at beginning of the period	179,705	164,202
Effect of currency translation on cash and cash equivalents	(46)	(67)
Cash and cash equivalents at end of the period (Note a)	259,727	167,093

Note a:

	31 Mar 2019	31 Mar 2018
	S\$'000	S\$'000
Cash and bank deposits	309,391	218,923
Less: Restricted cash	(49,664)	(51,830)
Cash and cash equivalents	259,727	167,093

Restricted cash represents the amount of cash and cash equivalents required to be set aside to meet interest and principal repayments for loans extended to, and for secured bank guarantees of, the Group. Also included in the Group's restricted cash is the insurance proceeds received in relation to Basslink cable outage, the usage of which is subject to the consent of the lenders.

Refer to paragraph 8.1 for further details.

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

Note b:

During the year, the acquisition of 100% share in Ixom was completed on 19 February 2019. The fair values of the net assets of the subsidiary acquired were as follows:

	Fair value S\$'000
Property, plant and equipment	326,545
Intangible assets	15,875
Cash and bank deposits	58,964
Trade and other receivables and other assets	180,875
Inventories	164,295
Derivative financial instruments (net)	354
Current tax receivable	1,083
Deferred tax assets	19,856
Trade and other payables and provisions	(226,476)
Finance lease payables	(37,009)
Net identifiable assets acquired	504,362
Non-controlling interest measured at non-controlling interest's proportionate share of net assets	(5,121)
Provisional goodwill arising from acquisition	621,305
Net assets acquired	1,120,546
 Total purchase consideration	 1,120,546
Add: Transaction cost	35,125
Less: Cash and bank deposits acquired	(58,964)
Cashflow on acquisition	1,096,707

The purchase price allocation of the acquisition of Ixom for the quarter ended 31 March 2019 is provisional and the Group expects to complete the purchase price allocation exercise within 12 months from date of acquisition of Ixom.

1(d)(i) STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

Group	Attributable to Unitholders of the Trust							
	Units in Issue S\$'000	Hedging Reserve S\$'000	Translation Reserve S\$'000	Capital Reserve S\$'000	Accumulated Losses S\$'000	Total Unitholders' Funds S\$'000	Non-controlling Interests S\$'000	Total S\$'000
2019								
At 1 January 2019	2,138,066	(200,226)	(492)	38,710	(923,582)	1,052,476	125,780	1,178,256
Total comprehensive income								
Loss for the period	-	-	-	-	(16,211)	(16,211)	(8,548)	(24,759)
Acquisition of a subsidiary	-	-	-	-	-	-	5,121	5,121
Other comprehensive income for the period	-	(10,756)	(18,694)	-	-	(29,450)	618	(28,832)
Total	-	(10,756)	(18,694)	-	(16,211)	(45,661)	(2,809)	(48,470)
Transactions with owners, recognised directly in equity								
Units issued	300,128	-	-	-	-	300,128	-	300,128
Units issue cost	(3,610)	-	-	-	-	(3,610)	-	(3,610)
Distributions paid	-	-	-	-	(35,882)	(35,882)	(705)	(36,587)
Total	296,518	-	-	-	(35,882)	260,636	(705)	259,931
At 31 March 2019	2,434,584	(210,982)	(19,186)	38,710	(975,675)	1,267,451	122,266	1,389,717
2018								
At 1 January 2018	2,137,538	(210,861)	(359)	38,710	(812,093)	1,152,935	158,959	1,311,894
Total comprehensive income								
Profit/(Loss) for the period	-	-	-	-	7,496	7,496	(8,564)	(1,068)
Other comprehensive income for the period	-	17,221	(131)	-	-	17,090	2,088	19,178
Total	-	17,221	(131)	-	7,496	24,586	(6,476)	18,110
Transactions with owners, recognised directly in equity								
Units issued	451	-	-	-	-	451	-	451
Distributions paid	-	-	-	-	(35,874)	(35,874)	(586)	(36,460)
Total	451	-	-	-	(35,874)	(35,423)	(586)	(36,009)
At 31 March 2018	2,137,989	(193,640)	(490)	38,710	(840,471)	1,142,098	151,897	1,293,995

1(d)(i) STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS (CONT'D)

<u>Trust</u>	Units in Issue S\$'000	Hedging Reserve S\$'000	Accumulated Losses S\$'000	Total Unitholders' Funds S\$'000
2019				
At 1 January 2019	2,138,066	31	(657,094)	1,481,003
<u>Total comprehensive income</u>				
Profit for the period	-	-	18,850	18,850
Other comprehensive income for the period	-	15	-	15
Total	-	15	18,850	18,865
<u>Transactions with owners, recognised directly in equity</u>				
Units issued	300,128	-	-	300,128
Units issue cost	(3,610)			(3,610)
Distributions paid	-	-	(35,882)	(35,882)
Total	296,518	-	(35,882)	260,636
At 31 March 2019	2,434,584	46	(674,126)	1,760,504
2018				
At 1 January 2018	2,137,538	(859)	(602,765)	1,533,914
<u>Total comprehensive income</u>				
Profit for the period	-	-	39,684	39,684
Other comprehensive income for the period	-	319	-	319
Total	-	319	39,684	40,003
<u>Transactions with owners, recognised directly in equity</u>				
Units issued	451	-	-	451
Distributions paid	-	-	(35,874)	(35,874)
Total	451	-	(35,874)	(35,423)
At 31 March 2018	2,137,989	(540)	(598,955)	1,538,494

1(d)(ii) DETAILS OF ANY CHANGE IN THE UNITS

GROUP and TRUST	1 Jan 2019 to 31 Mar 2019	1 Jan 2018 to 31 Mar 2018
Issued units at the beginning of the period	3,858,298,065	3,857,378,731
Settlement of management fees ⁽¹⁾	269,707	778,834
Private placement	680,273,000	-
Issued units at the end of the period	4,538,840,772	3,858,157,565

Note:

(1) This relates to the payment of 5.9% of 4Q FY18 (20.6% of 4Q FY17) management fees in the form of units to the Trustee-Manager.

1(d)(iii) TOTAL NUMBER OF ISSUED UNITS EXCLUDING TREASURY UNITS AS AT THE END OF THE CURRENT FINANCIAL PERIOD, AND AS AT THE END OF THE IMMEDIATELY PRECEDING YEAR

The Group and Trust does not hold any treasury units as at 31 March 2019 and 31 December 2018.

The total number of issued units as at 31 March 2019 and 31 December 2018 were 4,538,840,772 and 3,858,298,065 respectively.

1(d)(iv) STATEMENT OF ALL SALES, TRANSFERS, DISPOSAL, CANCELLATION AND/OR USE OF TREASURY UNITS AS AT THE END OF THE CURRENT FINANCIAL PERIOD REPORTED ON

Not applicable.

2. AUDIT

The figures have not been audited nor reviewed by the auditors.

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation in the financial statements for the current financial period are consistent with those of the audited financial statements as at 31 December 2018.

5. CHANGES IN ACCOUNTING POLICIES

The Group has adopted all the new and revised SFRS(I) and SFRS(I) INT that are relevant to its operations and effective for annual periods beginning on or after 1 January 2019. The adoption of these new and revised SFRS(I) and SFRS(I) INT did not result in changes to the Group's and Trust's accounting policies except for the adoption of SFRS(I) 16 *Leases*.

SFRS(I) 16 *Leases* is effective for financial years beginning on or after 1 January 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and leases of low value assets. The accounting for lessors will not change significantly.

Right-of-use assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

The Group elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 *Leases* to all contracts that were previously identified as leases under SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*;
- on a lease-by-lease basis to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The adoption of SFRS(I) 16 resulted in adjustments to the balance sheet of the Group as at 1 January 2019. The differences from the balance sheet as previously reported at 31 December 2018 are as follows:

	Group	
	1 Jan 2019	31 Dec 2018
	S\$'000	S\$'000
Increase/(Decrease) in:		
<u>Statement of Financial Position</u>		
Right-of-use asset	43,989	-
Finance lease payables	43,989	-

Note:

The variance in right-of-use asset and finance lease payable balances between 1 January 2019 and 31 March 2019 is due to the consolidation of Ixom's leases.

6. EARNINGS PER UNIT ("EPU")

	<u>Group</u>		
	1Q FY19	1Q FY18	%
Weighted average number of units	3,910,384,749	3,857,655,650	1.4
EPU			
- based on the weighted average number of units in issue (cents)			
- basic and diluted	(0.41) ⁽¹⁾	0.19	N/M

KIT, being a business trust, is allowed to pay distributions to Unitholders out of its retained cash and residual cash flows, in accordance with its distribution policy. This is unlike companies, which are governed by the Companies Act, and can only make dividend payments out of accounting profits.

(1) The negative EPU for 1Q FY19 is mainly due to transaction cost incurred in relation to the Ixom acquisition. Excluding the transaction cost, EPU for 1Q FY19 would be 0.48 cents.

7. NET ASSET VALUE ("NAV") PER UNIT

	<u>Group</u>			<u>Trust</u>		
	31 Mar 2019	31 Dec 2018	%	31 Mar 2019	31 Dec 2018	%
NAV per unit (cents)	27.9	27.3	2.2	38.8	38.4	1.0
Adjusted NAV per unit (cents)						
- (after distribution payable to unitholders)	27.1	26.4	2.7	38.0	37.5	1.3

The Group NAV per unit before hedging and translation reserves was 33.0 cents as at 31 March 2019 and 32.5 cents as at 31 December 2018. The Trust NAV per unit before hedging reserves was 38.8 cents as at 31 March 2019 and 38.4 cents as at 31 December 2018.

The number of units used for computation of NAV per unit and adjusted NAV per unit were 4,538,840,772 and 3,858,298,065 which were the number of units in issue as at 31 March 2019 and 31 December 2018 respectively.

8. REVIEW OF PERFORMANCE

8.1 Cash flow

The Group's cash and bank deposits net of restricted cash were S\$259.7 million and S\$167.1 million as at 31 March 2019 and 31 March 2018, respectively.

Net cash generated from operating activities in 1Q FY19 was S\$53.4 million, S\$9.2 million higher than 1Q FY18, largely due to consolidation of Ixom from 19 February 2019 and timing difference in working capital.

Net cash used in investing activities of S\$1,099.1 million in 1Q FY19 relates to the acquisition of Ixom. In 1Q FY18 net cash from investing activities of S\$1.2 million arose mainly from receipt of dividend and repayment of advances from DataCentre One.

Net cash from financing activities of S\$1,125.8 million in 1Q FY19 mainly pertains to equity bridge facility and term loan drawn to fund the acquisition of Ixom. The equity bridge facility had been partially repaid by equity raised from the private placement announced on 14 March 2019. In 1Q FY18, net cash used in financing activities of S\$42.4 million mainly relates to payment of distributions to unitholders.

N/M - Not meaningful

8. REVIEW OF PERFORMANCE (CONT'D)

8.2 Income Statement

Revenue

Group revenue for 1Q FY19 was S\$318.5 million, 98.7% higher than that of 1Q FY18, largely driven by the consolidation of Ixom from 19 February 2019, which contributed revenue of S\$152.4 million.

At City Gas, revenue of S\$87.4 million in 1Q FY19 was higher than last year, largely due to higher town gas tariff. City Gas achieved 100% plant availability during the period.

The Concessions² contributed revenue of S\$24.4 million in 1Q FY19 comparable to that in 1Q FY18 of S\$23.3 million. All 4 plants fulfilled their contractual obligations during the period.

Basslink's revenue for 1Q FY19 of A\$22.6 million (approximately S\$21.8 million) was 6.1% higher than 1Q FY18 of A\$21.3 million (approximately S\$22.2 million) as it recorded higher positive CRSM in 1Q FY19.

Revenue from KMC for 1Q FY19 was comparable to 1Q FY18. The power plant fulfilled its contractual obligations during the period.

Other losses - net

Other losses comprised mainly the fair value movement of financial derivative instruments.

Expenses

Fuel and electricity costs of S\$36.3 million in 1Q FY19 was higher than 1Q FY18 due to higher fuel prices.

Higher gas transportation and freight costs, depreciation and amortization, staff costs, operation and maintenance, chemicals production and distribution costs, finance costs and other operating expenses in 1Q FY19 is mainly due to the consolidation of Ixom's expenses from 19 February 2019.

Other operating expenses and trustee-manager's fees were higher due to transaction cost and acquisition fee paid to the Trustee-Manager in relation to the acquisition of Ixom.

Share of results of joint venture relates to KIT's interest in DataCentre One. The higher contribution in 1Q FY19 of S\$1.0 million is mainly due to rental step-up from April 2018.

Profit attributable to Unitholders of the Trust

The Group recorded loss attributable to Unitholders of the Trust in 1Q FY19 as compared to profit last year mainly due to transaction cost incurred during the quarter in relation to Ixom acquisition. Excluding the transaction cost, profit attributable to Unitholders of the Trust would be higher than last year by S\$11.4 million mainly arising from higher contributions from City Gas and the consolidation of Ixom's results from 19 February 2019.

8.3 Balance Sheet – Group

The Group reported net current liabilities of S\$508.2 million as at 31 March 2019, S\$203.8 million lower than net current liabilities of S\$712.0 million as at 31 December 2018 as the Group successfully refinanced loans which matured in February 2019. The net current liabilities position was largely due to classification of S\$667.9 million borrowings as current liability as it matures in November 2019 and also due the event of default. Please refer to Paragraph 1(b)(ii) for further details.

Total assets as at 31 March 2019 of S\$5,148.7 million, higher than total assets of S\$3,805.0 million as at 31 December 2018 due to consolidation of Ixom.

Similarly, total liabilities as at 31 March 2019 of S\$3,759.0 million was higher than S\$2,626.8 million as at 31 December 2018 due to consolidation of Ixom.

² Concessions comprise Senoko WTE, Tuas WTE, SingSpring Desalination and Ulu Pandan NEWater plants

8. REVIEW OF PERFORMANCE (CONT'D)

8.3 Balance Sheet – Group (cont'd)

Total Unitholders' funds stood at S\$1,267.5 million as at 31 March 2019, higher than S\$1,052.5 million as at 31 December 2018 arising from new units issued from a private placement partially offset by distributions paid, hedging reserve and foreign currency translation loss and net loss recognised for the period.

8.4 Balance Sheet – Trust

Net assets as at 31 March 2019 of S\$1,760.5 million was higher compared to S\$1,481.0 million as at 31 December 2018 arising from new units issued from a private placement.

9. VARIANCE FROM FORECAST STATEMENT

No forecast statement for financial year 2019 has been disclosed.

10. PROSPECTS

KIT's assets typically generate stable cash flows, with repairs and maintenance of the plants provided for as scheduled outages.

However, if such an outage lasts longer than anticipated and causes the availabilities of the plants to fall below their respective contracted levels, the plants will not be able to receive full payments due under their contracts. In addition, if the plants incur significant downtime due to extraordinary or extensive repairs, it could also lead to termination of contracts and/or liabilities or compensation arising under such agreements. Similarly, reduced availability due to the foregoing reasons would also affect production levels and revenues at City Gas and Ixom.

The Trustee-Manager will evaluate asset enhancement opportunities in its portfolio, and will continue to identify and evaluate suitable acquisitions, including those from the Sponsor, under its investment mandate to further grow the Trust.

Keppel Merlimau Cogen

Under the capacity tolling agreement, KMC will receive a maximum annual capacity fee of S\$108 million (S\$55.1 million based on KIT's 51% interest in KMC) as long as it meets the availability and capacity test targets, with most of its operating costs being passed through.

City Gas

City Gas' performance could fluctuate depending on changes in economic conditions and time lag in the adjustments of gas tariffs in response to changes in fuel costs. The tariff adjustments mechanism is designed to ensure that City Gas fully recovers its fuel costs over the long run. Maintenance costs may fluctuate during the year depending on timing of the maintenance schedule.

Basslink

While intended to be neutral over the long-term, the CRSM in Basslink may fluctuate in the short-term and such fluctuations will affect the revenues of Basslink. Following a review in April 2016, the CRSM has been adjusted from a band of +25%/-20% to +12.5%/-12.5%, thus reducing the volatility in the facility fees to be received.

On 20 December 2015, the Basslink interconnector asset was taken out of service due to a cable failure (the "Incident"). The cable returned to service on 13 June 2016.

Following updates in the 4Q FY18 results announcement under the Prospect segment, Basslink continues to maintain its position that the Incident was a Force Majeure Event under the Basslink Operations Agreement and Basslink Service Agreement and strongly denies the allegations made by the State of Tasmania (the "State") and Hydro Tasmania ("HT"). Basslink is vigorously defending itself in the arbitration.

10. PROSPECTS (CONT'D)

Basslink (cont'd)

Discussions have been ongoing with the banking syndicate on the refinancing and the subsisting defaults under the project financing, which arose from the Incident, the arbitration with the State, and the arbitrations with HT. To-date, Basslink remains current on the debt payments and all outstanding payments under the project financing have been fulfilled. There is no contractual recourse to KIT under the project financing.

The foregoing does not have any material financial impact on the distributions per Unit of KIT for the financial year ending 31 December 2019, since KIT does not rely on Basslink's cash flows for its distributions.

DataCentre One

DataCentre One was handed over on 12 April 2016 and has commenced generating cash flows. The data centre obtained its Certificate of Statutory Completion on 7 February 2017.

Ixom

On 19 February 2019, KIT completed the acquisition of 100% interest in Ixom, one of the leading industrial infrastructure businesses in Australia and New Zealand, supplying and distributing water treatment chemicals which are key to fundamental industries, as well as industrial and specialty chemicals. Post acquisition, the performance of Ixom is on track with acquisition targets. Management is working with the company to drive further operational efficiency and synergies.

Concessions

Waste and water concessions have long-term contracts with Singapore statutory bodies and derive most of their cash flows from capacity and availability payments. As such, the underlying performance of these assets are expected to remain stable. In view of developments at Hyflux, KIT has increased its monitoring of operational performance at SingSpring Desalination Plant to ensure that its obligations under the Water Purchase Agreement are satisfactorily discharged. There has been no impact to operations at the SingSpring Desalination Plant, KIT continues to work to ensure operational continuity. KIT notified Hyflux of its intention to preserve its rights under the relevant agreement between parties to acquire Hyflux's 30% interest in SingSpring Desalination Plant. KIT will make the necessary announcements, if and when, there are material developments

11. DISTRIBUTIONS

11a. Current financial period reported on

Any distributions recommended for the current financial period reported on? Yes

Amount	: S\$3.6 million ⁽¹⁾
Distribution period	: 25 March 2019 to 31 March 2019
Distribution rate	: 0.0723 Singapore cents per unit ⁽¹⁾
Distribution type	: Cash, Tax-exempt Distribution
Tax rate	: Distributions to Unitholders are exempt from Singapore income tax, regardless of their nationality, corporate identity or tax residence status. No credit is allowed to Unitholders for the tax paid by the Trustee-Manager.

(1) Stub distributions from 1 January 2019 to 24 March 2019 of 0.8577 Singapore cents per unit, amounting to S\$33.1 million, was paid on 5 April 2019. The total distribution for the quarter is 0.93 Singapore cents per unit.

11b. Corresponding Period of the Immediately Preceding Financial Year

Any distributions recommended for the current financial period reported on? Yes

Amount	: S\$35.9 million
Distribution period	: 1 January 2018 to 31 March 2018
Distribution rate	: 0.93 Singapore cents per unit
Distribution type	: Cash, Tax-exempt Distribution
Tax rate	: Distributions to Unitholders are exempt from Singapore income tax, regardless of their nationality, corporate identity or tax residence status. No credit is allowed to Unitholders for the tax paid by the Trustee-Manager.

11c. Date Payable

17 May 2019

11d. Books Closure Date

Notice is hereby given that, the Unit Transfer Books and Register of Unitholders of KIT will be closed at 5.00 p.m. on 24 April 2019 for the purposes of determining each Unitholder's entitlement to the Distribution. Duly completed transfers in respect of Units in the capital of KIT received by the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd, 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623, up to 5.00 p.m. on 24 April 2019 will be registered to determine Unitholders' entitlement to the Distribution. Unitholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with Units at 5.00 p.m. on 24 April 2019 will be entitled to the Distribution.

12. INTERESTED PERSON TRANSACTIONS

The Group had obtained a general mandate pursuant to Rule 920 for interested person transactions as approved by independent unitholders at the annual general meeting held on 17 April 2018. The figures below are calculated based on the effective interest held by the Trust in each subsidiary. During the financial period, the following interested person transactions were entered into by the Group:

Name of Interested Person / Nature of Transaction	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions Conducted under unitholder's mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted during the financial period under review under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	1Q FY19 S\$'000	1Q FY18 S\$'000	1Q FY19 S\$'000	1Q FY18 S\$'000
1. Temasek Holdings (Private) Limited and its Associates				
General Transaction				
(a) Sales of Goods and Services	-	-	873	467
(b) Purchases	1,044	-	47,737	43,491
(c) Rental expense	-	-	84	164
Total	1,044	-	48,694	44,122
2. Keppel Corporation Group				
General Transaction				
(a) Management Fee Expense	-	-	13,602	2,935
(b) Purchases	-	-	10,428	12,452
(c) Reimbursement of expenses	-	-	136	-
Treasury Transactions	-	-	103,990	54,706
Total	-	-	128,156	70,093

CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)

The Trustee-Manager confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

By Order of the Board
Keppel Infrastructure Fund Management Pte. Ltd.
(Company Registration Number: 200803959H)
As Trustee-Manager of Keppel Infrastructure Trust

WINNIE MAK/JOYCE NG
Company Secretaries
15 April 2019

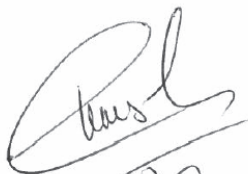
CONFIRMATION BY THE BOARD

Pursuant to Rule 705(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 1Q FY19 financial statements of Keppel Infrastructure Trust to be false or misleading, in any material aspect.

On behalf of the Board of Directors



KOH BAN HENG
Chairman



CHRISTINA TAN HUA MUI
Director

Singapore
15 April 2019

IMPORTANT NOTICE

The past performance of KIT is not necessarily indicative of its future performance. Certain statements made in this announcement may not be based on historical information or facts and may be "forward-looking" statements due to a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar businesses and governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business. Such forward-looking statements speak only as of the date on which they are made and KIT does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking statements.

Prospective investors and unitholders of KIT ("Unitholders") are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel Infrastructure Fund Management Pte. Ltd. (as trustee-manager of KIT) (the "Trustee-Manager") on future events. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained in this announcement. The information is subject to change without notice, its accuracy is not guaranteed, has not been independently verified and may not contain all material information concerning KIT. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, KIT, the Trustee-Manager or any of its affiliates and/or subsidiaries. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Trustee-Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited ("SGX-ST"). Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.