Notes to the Financial Statements

Year ended 31 December 2007

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 7 March 2008.

1 Domicile and activities

City Developments Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 36 Robinson Road, #04-01 City House, Singapore 068877.

The principal activities of the Company are those of a property developer and owner and investment holding.

The principal activities of the subsidiaries are those of property developers and owners, hotel owners and operators, a club operator and owner, investment in properties and in shares, property management, project management and consultancy services and providers of information technology and procurement services.

The consolidated financial statements for the year ended 31 December 2007 relate to the Company and its subsidiaries (together referred to as the Group) and the Group's interests in associates and jointly-controlled entities.

The directors consider the immediate and ultimate holding company to be Hong Leong Investment Holdings Pte. Ltd., a company incorporated in the Republic of Singapore.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis, except that certain financial assets and financial liabilities are stated at fair value. The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information has been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

Note 2.2	Assessment of ability to control or exert significant influence over partly-owned investments
Note 2.17	Measurement of profit attributable to properties under development
Note 2.20	Estimation of provisions for current and deferred taxation
Note 3 and 4	Measurement of recoverable amounts of hotel and investment properties
Note 5	Measurement of recoverable amounts of investments in subsidiaries
Note 24	Valuation of defined benefit employee obligations
Note 38	Valuation of financial instruments that are not actively traded

Except as set out in Note 2.6, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2 Summary of significant accounting policies (cont'd)

2.2 Consolidation

Business combinations

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account, as is the extent to which the Group benefits from the activities of the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where the accounting policies of subsidiaries are different from those adopted by the Group, adjustments have been made to their financial statements in order that accounting policies are consistently applied in the consolidated financial statements.

Associates and jointly-controlled entities

Associates are companies in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly-controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly-controlled entities are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of associates and jointly-controlled entities, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an associate or a jointly-controlled entity, the carrying amount of that interest (including any long-term interests that, in substance, form part of the Group's net investment in the associate or jointly-controlled entity) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Jointly-controlled assets

Joint venture arrangements which involve the use of the assets that are jointly controlled (whether or not owned jointly), without the establishment of a separate entity, are referred to as jointly-controlled assets. The Group recognises its interests in jointly-controlled assets using proportionate consolidation.

The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the jointly-controlled assets.

Transactions eliminated on consolidation

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

Accounting for subsidiaries, associates and jointly-controlled entities by the Company

Investments in subsidiaries, associates and jointly-controlled entities are stated in the Company's balance sheet at cost less impairment losses.

2 Summary of significant accounting policies (cont'd)

2.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currencies at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below), available-for-sale equity instruments and financial liabilities designated as hedges of the net investment in a foreign operation (see Note 2.7).

Foreign operations

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

Foreign currency differences are recognised in the exchange fluctuation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the exchange translation reserve is transferred to the income statement as part of the gain or loss on disposal.

Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Group's net investment in a foreign operation are recognised in equity in the consolidated financial statements. When the hedged net investment is disposed of, the cumulative amount in equity is transferred to the income statement as an adjustment to the profit or loss arising on disposal.

2.4 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until the end of the construction or development, at which time it is transferred to investment properties.

Leased assets

Leases whereby the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the income statement. Capitalised leased assets are depreciated over the shorter of the economic useful life of the asset and the lease term.

2 Summary of significant accounting policies (cont'd)

2.4 Property, plant and equipment (cont'd)

Depreciation

No depreciation is provided on freehold and 999-year leasehold land. For freehold and leasehold properties under development and renovation-in-progress, no depreciation is provided until these items have been completed. Freehold and leasehold properties under development are transferred to other asset categories at the carrying value on the date of transfer.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

Freehold and leasehold land and buildings		
• Core component of hotel buildings	-	50 years, or lease term if shorter
• Surface finishes and services of hotel buildings	-	30 years, or lease term if shorter
Furniture, fittings, plant and equipment and improvements	-	3 to 20 years

Residual values ascribed to the core component of hotel buildings depend on the nature, location and tenure of each hotel property. No residual values are ascribed to surface finishes and services of hotel buildings.

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

2.5 Intangible assets

Goodwill

Goodwill and negative goodwill arise on the acquisition of subsidiaries, associates and jointly-controlled entities.

Acquisitions prior to 1 January 2001

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

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

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

Acquisitions occurring between 1 January 2001 and 1 January 2005

There was no goodwill arising from acquisition of subsidiaries occurring between 1 January 2001 and 1 January 2005.

Acquisitions on or after 1 January 2005

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

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. Goodwill arising on the acquisition of associates and jointly-controlled entities is presented together with investments in associates and jointly-controlled entities.

Goodwill is measured at cost less impairment losses. Goodwill is tested for impairment as described in Note 2.12. Negative goodwill is recognised immediately in the income statement.

2 Summary of significant accounting policies (cont'd)

2.5 Intangible assets (cont'd)

Goodwill (cont'd)

Acquisitions of minority interest

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised in the income statement on a straight-line basis over their estimated useful lives of 15 years, from the date on which they are available for use.

2.6 Investment properties

Investment properties are properties held either to earn rental income or capital appreciation or both. These do not include properties for sale in the ordinary course of business, or used in the production nor those used for the supply of goods or services or for administrative purposes.

Investment properties are stated at cost less accumulated depreciation and impairment losses.

Depreciation

No depreciation is provided on freehold and 999-year leasehold land included in the investment properties.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each component investment properties.

The estimated useful lives are as follows:-

Freehold and leasehold properties	-	50 years, or lease term if shorter
Leasehold land	-	Lease term between 85 to 96 years
Furniture, fittings, plant and equipment and improvements	-	3 to 20 years

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

Transfers

Transfers to, or from, investment property shall be made where there is a change in use, evidenced by:

(a) commencement of owner-occupation, for a transfer from investment properties to property, plant and equipment;

(b) commencement of development with a view to sell, for a transfer from investment properties to development properties; and

(c) end of owner-occupation, for a transfer from property, plant and equipment to investment properties.

Change in accounting policy

The Group and the Company adopted FRS 40 *Investment Property* on 1 January 2007. On adoption of FRS 40, the Group and the Company reclassified the carrying values of their investment properties and related plant and equipment and improvements to investment properties. However, these properties continue to be stated at cost less accumulated depreciation and impairment losses, which was the policy in use before 1 January 2007, when investment properties and related plant and equipment and improvements were accounted for under FRS 16 *Property, Plant and Equipment*.

The change in accounting policy, which in the current financial statements was limited to a change in the descriptions of the properties, has been applied retrospectively in accordance to FRS 8 *Accounting Policies, Changes* in *Accounting Estimates and Errors.*

Except as disclosed above, the change in accounting policy had no impact on the opening accumulated profits of the Group and the Company, other financial statement line items and earnings per share.

2 Summary of significant accounting policies (cont'd)

2.7 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, interest-bearing borrowings, other liabilities and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Available-for-sale financial assets

The Group's investments in certain equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, and foreign exchange gains and losses on available-for-sale monetary items (see Note 2.3), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Where an investment in an equity security classified as available-for-sale does not have a quoted market price in an active market and other methods of determining fair value do not result in a reasonable estimate, the investment is measured at cost less impairment losses.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is acquired principally for the purpose of selling in the short term or is designated as such upon initial recognition. Financial instruments are designated as financial assets at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the income statement when incurred. Financial instruments designated as financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

Others

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments and hedging activities

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

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

2 Summary of significant accounting policies (cont'd)

2.7 Financial instruments (cont'd)

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects profit or loss.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

Hedge of net investment in a foreign operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of the Group's net investment in a foreign operation are recognised in the exchange fluctuation reserve, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the income statement. When the hedged net investment is disposed of, the cumulative amount in equity is transferred to the income statement as an adjustment to the profit or loss on disposal.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in the income statement as part of foreign currency gains and losses.

Separable embedded derivatives

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

2.8 Interest-free intercompany loans

Loans to subsidiaries

In the Company's financial statements, interest-free intercompany loans to subsidiaries are stated at fair value at inception. The difference between the fair values and the loan amounts at inception is recognised as additional investments in the Company's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest method.

Such balances are eliminated in full in the consolidated financial statements.

Loans from subsidiaries

In the Company's financial statements, interest-free intercompany loans from subsidiaries are stated at fair value at inception. The difference between the fair values and the loan amounts at inception is recognised as distribution income in the Company's income statement. Subsequently, these loans are measured at amortised cost using the effective interest method.

Such balances are eliminated in full in the Group's consolidated financial statements.

2 Summary of significant accounting policies (cont'd)

2.9 Development properties

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost plus, where appropriate, a portion of attributable profit, and estimated net realisable value, net of progress billings. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

2.10 Consumable stocks

Consumable stocks comprise principally food and beverage and other hotel related consumable stocks. Stocks are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

2.12 Impairment

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities and measured at amortised cost, the reversal is recognised directly in equity. For available-for-sale financial assets that are equity securities and measured at cost less impairment losses, an impairment loss is not reversed.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than consumable stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

2 Summary of significant accounting policies (cont'd)

2.12 Impairment (cont'd)

Impairment of non-financial assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.13 Share capital

Ordinary share capital

Ordinary shares are classified as equity.

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

Preference share capital

Preference shares are classified as equity if they are non-redeemable or are redeemable but only at the option of the Company and dividend payments are discretionary. Dividends on preference shares classified as equity are recognised as distributions within equity.

Dividends on non-redeemable preference shares are recognised as a liability in the period in which they are incurred.

2.14 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Defined benefit plans

The Group's net obligation in respect of defined benefit post-employment plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

The Group recognises all actuarial gains and losses arising from defined benefit plans directly in equity immediately.

Long-term service benefits

The Group's net obligation in respect of long-term service benefits, other than post-employment plans, is the amount of future benefit that employees have earned in return for their service in current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations.

2 Summary of significant accounting policies (cont'd)

2.14 Employee benefits (cont'd)

Short-term benefits

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

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans where the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The share-based incentive schemes allow the Group's employees to acquire shares of one of the Company's listed subsidiaries. The fair value of options and awards granted are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to exercise options granted or for share awards to vest. The fair value of the share awards or grants are measured using a stochastic model, taking into account the performance conditions applying to the share options and awards. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest except where forfeiture is due to share prices not achieving the threshold for vesting.

2.15 Provisions

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

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

Capital expenditure

A provision for capital expenditure is recognised for the Group's contractual obligation to incur capital expenditure under the terms of the hotel operating agreements.

2.16 Financial guarantee contracts

Financial guarantees are financial instruments issued by the Group that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts entered into before 1 January 2006

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

Financial guarantee contracts entered into on or after 1 January 2006

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the income statement.

2 Summary of significant accounting policies (cont'd)

2.17 Revenue recognition

Development properties for sale

The Group recognises income on property development projects when the risks and rewards of ownership have been transferred to the buyer through either the transfer of legal title or equitable interest in a property. In cases where the Group is obliged to perform any significant acts after the transfer of legal title or an equitable interest, revenue is recognised as the acts are performed based on the percentage of completion method under Recommended Accounting Practice (RAP) 11 *Pre-completion Contracts for the Sale of Development Property* issued by the Institute of Certified Public Accountants of Singapore in October 2005. Under RAP 11, when (a) construction is beyond a preliminary stage, (b) minimum down payment criterion is met, (c) sale prices are collectible, and (d) aggregate sales proceeds and costs can be reasonably estimated, the percentage of completion method is an allowed alternative. If any of the above criteria are not met, pre-completion proceeds received are accounted for as deposits until such criteria are met.

Under the percentage of completion method, the percentage of completion is measured by reference to the work performed, based on the ratio of costs incurred to date to the estimated total costs for each contract. Profits are recognised only in respect of finalised sales agreements to the extent that such profits relate to the progress of the construction work.

The Group's current policy of recognising revenue using the percentage of completion method on its development projects in Singapore is an allowed alternative under RAP 11. The impact on the financial statements, had revenue on the Singapore projects been recognised using the completion of construction method, is as follows:

	Group	
	2007	**2006**
	$'000	**$'000**
Decrease in revenue	283,396	124,366
Decrease in profit for the year	341,872	67,916
Decrease in opening accumulated profits	144,114	76,198
Decrease in development properties as at 1 January	71,422	31,918
Decrease in development properties as at 31 December	239,884	71,422
Decrease in investments in jointly-controlled entities as at 1 January	87,942	51,102
Decrease in investments in jointly-controlled entities as at 31 December	292,912	87,942

Rental and car park income

Rental income (net of any lease incentives) is recognised on a straight-line basis over the lease term. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on a receipt basis.

Car park income are recognised on an accrual basis.

Hotel income

Revenue from hotel operations is recognised on an accrual basis, upon rendering of the relevant services.

Dividends

Dividend income is recognised in the income statement when the shareholder's right to receive payment is established.

2.18 Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

2 Summary of significant accounting policies (cont'd)

2.19 Finance income and expense

Finance income comprises mainly interest income on funds invested, mark-to-market gain on financial assets at fair value through profit or loss and gain on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprise interest expense on borrowings, amortisation of transactions costs capitalised, mark-to-market loss on financial assets at fair value through profit or loss and loss on hedging instruments that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

2.20 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and current tax liabilities and assets are intended to be settled on a net basis.

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

2.21 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group comprises three principal business segments, namely hotel operations, property development and rental properties. These segments operate in three principal geographical areas, namely, Asia, North America and Europe and Australia and New Zealand.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location where the services are rendered and the products are sold. Segment assets are based on the geographical location of the assets.

3 Property, Plant and Equipment

	Freehold land and buildings $'000	Leasehold land and buildings $'000	Freehold properties $'000	Leasehold properties $'000	Freehold and leasehold properties under development $'000	Furniture, fittings, plant and equipment and improvements $'000	Renovation-in-progress $'000	Total $'000
Group								
Cost								
At 1 January 2006,								
as previously reported	4,036,962	2,045,225	402,475	1,034,197	48,310	1,378,296	164,925	9,110,390
Transfers to investment properties								
on the adoption of FRS 40	(628,714)	(998,115)	(402,475)	(1,034,197)	–	(57,873)	(142,178)	(3,263,552)
At 1 January 2006, restated	3,408,248	1,047,110	–	–	48,310	1,320,423	22,747	5,846,838
Additions	1,584	3,706	–	–	54,744	68,348	36,505	164,887
Acquisition of subsidiaries	146,204	–	–	–	–	–	–	146,204
Disposals	(515,399)	(9,271)	–	–	–	(272,831)	(114)	(797,615)
Written off during the year	(20)	–	–	–	–	(25,665)	(6)	(25,691)
Reclassifications and transfers	13,323	1,214	–	–	–	15,693	(30,230)	–
Transfers from investment properties	–	2,131	–	–	–	–	–	2,131
Transfers to development properties	(72,971)	–	–	–	–	(2,634)	–	(75,605)
Translation differences on								
consolidation	(73,825)	(8,616)	–	–	–	(23,422)	446	(105,417)
At 31 December 2006, restated	2,907,144	1,036,274	–	–	103,054	1,079,912	29,348	5,155,732
At 1 January 2007,								
as previously reported	3,651,447	2,032,262	429,481	846,503	103,054	1,137,287	29,348	8,229,382
Transfers to investment properties								
on the adoption of FRS 40	(744,303)	(995,988)	(429,481)	(846,503)	–	(57,375)	–	(3,073,650)
At 1 January 2007, restated	2,907,144	1,036,274	–	–	103,054	1,079,912	29,348	5,155,732
Additions	38,906	9,151	–	–	283,943	56,091	19,008	407,099
Disposals	(1,749)	(114)	–	–	–	(28,652)	–	(30,515)
Written off during the year	–	–	–	–	–	(25,218)	–	(25,218)
Reclassifications and transfers	13,934	(872)	–	–	–	17,851	(30,913)	–
Transfers to development properties	(716)	–	–	–	–	–	–	(716)
Translation differences on								
consolidation	(93,896)	(35,329)	–	–	71	(32,524)	(249)	(161,927)
At 31 December 2007	2,863,623	1,009,110	–	–	387,068	1,067,460	17,194	5,344,455

3 Property, Plant and Equipment (cont'd)

	Freehold land and buildings $'000	Leasehold land and buildings $'000	Freehold properties $'000	Leasehold properties $'000	Freehold and leasehold properties under development $'000	Furniture, fittings, plant and equipment and improvements $'000	Renovation-in-progress $'000	Total $'000
Group								
Accumulated depreciation and impairment losses								
At 1 January 2006, as previously reported	564,777	263,630	116,093	280,596	–	823,254	–	2,048,350
Transfers to investment properties on the adoption of FRS 40	(83,497)	(153,701)	(116,093)	(280,596)	–	(40,517)	–	(674,404)
At 1 January 2006, restated	481,280	109,929	–	–	–	782,737	–	1,373,946
Charge for the year	19,855	6,191	–	–	–	78,014	–	104,060
Disposals	(97,625)	(23,368)	–	–	–	(89,163)	–	(210,156)
Written off during the year	–	–	–	–	–	(22,262)	–	(22,262)
Impairment losses	1,591	–	–	–	–	8,451	–	10,042
Transfers from investment properties	–	748	–	–	–	–	–	748
Transfers to development properties	(840)	–	–	–	–	(1,139)	–	(1,979)
Translation differences on consolidation	3,874	3,081	–	–	–	1,337	–	8,292
At 31 December 2006, restated	408,135	96,581	–	–	–	757,975	–	1,262,691
At 1 January 2007, as previously reported	491,543	257,362	139,787	231,672	–	790,189	–	1,910,553
Transfers to investment properties on the adoption of FRS 40	(83,408)	(160,781)	(139,787)	(231,672)	–	(32,214)	–	(647,862)
At 1 January 2007, restated	408,135	96,581	–	–	–	757,975	–	1,262,691
Charge for the year	18,932	5,278	–	–	–	66,705	–	90,915
Disposals	–	–	–	–	–	(27,704)	–	(27,704)
Written off during the year	–	–	–	–	–	(3,055)	–	(3,055)
Impairment losses	6,075	11,539	–	–	–	2,706	–	20,320
Reclassifications	(4,345)	4,543	–	–	–	(198)	–	–
Translation differences on consolidation	(7,894)	(7,207)	–	–	–	(21,926)	–	(37,027)
At 31 December 2007	420,903	110,734	–	–	–	774,503	–	1,306,140
Carrying amount								
At 1 January 2006, restated	2,926,968	937,181	–	–	48,310	537,686	22,747	4,472,892
At 31 December 2006, restated	2,499,009	939,693	–	–	103,054	321,937	29,348	3,893,041
At 31 December 2007	2,442,720	898,376	–	–	387,068	292,957	17,194	4,038,315

During the financial year, interest capitalised as cost of property, plant and equipment amounted to $2,589,000 (2006: $526,000).

3 Property, Plant and Equipment (cont'd)

	Freehold land and buildings $'000	Leasehold land and buildings $'000	Freehold properties $'000	Leasehold property $'000	Freehold properties under development $'000	Furniture, fittings, plant and equipment and improvements $'000	Total $'000
Company							
Cost							
At 1 January 2006, as previously reported	408,428	93,732	11,238	8,359	48,310	99,460	669,527
Transfers to investment properties on the adoption of FRS 40	(214,264)	(93,732)	(11,238)	(8,359)	–	(9,367)	(336,960)
At 1 January 2006, restated	194,164	–	–	–	48,310	90,093	332,567
Additions	–	–	–	–	8,806	8,425	17,231
Disposals	(191,594)	–	–	–	–	(71,610)	(263,204)
Written off during the year	–	–	–	–	–	(304)	(304)
At 31 December 2006, restated	2,570	–	–	–	57,116	26,604	86,290
At 1 January 2007, as previously reported	195,506	93,732	40,722	8,359	57,116	27,961	423,396
Transfers to investment properties on the adoption of FRS 40	(192,936)	(93,732)	(40,722)	(8,359)	–	(1,357)	(337,106)
At 1 January 2007, restated	2,570	–	–	–	57,116	26,604	86,290
Additions	–	–	–	–	39,109	1,211	40,320
Disposals	–	–	–	–	–	(482)	(482)
Written off during the year	–	–	–	–	–	(1,098)	(1,098)
At 31 December 2007	2,570	–	–	–	96,225	26,235	125,030
Accumulated depreciation and impairment losses							
At 1 January 2006, as previously reported	37,671	13,177	3,326	2,586	–	51,767	108,527
Transfers to investment properties on the adoption of FRS 40	(22,536)	(13,177)	(3,326)	(2,586)	–	(4,175)	(45,800)
At 1 January 2006, restated	15,135	–	–	–	–	47,592	62,727
Charge for the year	866	–	–	–	–	6,237	7,103
Disposals	(16,001)	–	–	–	–	(33,429)	(49,430)
Written off during the year	–	–	–	–	–	(33)	(33)
At 31 December 2006, restated	–	–	–	–	–	20,367	20,367
At 1 January 2007, as previously reported	23,496	14,830	19,082	2,753	–	20,883	81,044
Transfers to investment properties on the adoption of FRS 40	(23,496)	(14,830)	(19,082)	(2,753)	–	(516)	(60,677)
At 1 January 2007, restated	–	–	–	–	–	20,367	20,367
Charge for the year	–	–	–	–	–	1,963	1,963
Disposals	–	–	–	–	–	(443)	(443)
Written off during the year	–	–	–	–	–	(1,059)	(1,059)
At 31 December 2007	–	–	–	–	–	20,828	20,828
Carrying amount							
At 1 January 2006, restated	179,029	–	–	–	48,310	42,501	269,840
At 31 December 2006, restated	2,570	–	–	–	57,116	6,237	65,923
At 31 December 2007	2,570	–	–	–	96,225	5,407	104,202

During the financial year, interest capitalised as cost of property, plant and equipment amounted to $419,000 (2006: $281,000).

3 Property, Plant and Equipment (cont'd)

Property, plant and equipment with the following carrying values were acquired under finance lease arrangements:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Freehold buildings	**–**	19,332	**–**	–
Furniture, fittings, plant and equipment and improvements	**216**	318	**14**	21
	216	19,650	**14**	21

There is no acquisition by the Group of property, plant and equipment under finance leases during the year (2006: $306,000).

In 2007, upon the Group and the Company assessing the carrying value of their property, plant and equipment for indications of impairment, the carrying amounts of certain property, plant and equipment of the Group were written down by $20,320,000 (2006: $10,042,000). The impairment losses were included in "other operating expenses".

An impairment loss of $2,706,000 (2006: $8,451,000) on a leasehold hotel located in the United Kingdom held by a subsidiary was recognised following an assessment by the subsidiary's management that there is a likelihood of exiting the lease when it expires in 2011 due to deterioration in the hotel business. The estimate of recoverable amount was based on the value-in-use of the said property using management's estimates of cash flows in the period to the expiry of the lease and a discount rate of 8.0% (2006: 7.8%) per annum. The 2007 impairment losses recognised relates to additions to property, plant and equipment capitalised during the year.

The remaining impairment losses charged of $17,614,000 (2006: $1,591,000) were in relation to hotel properties. The estimates of recoverable amount were based on the value of hotel properties on the value-in-use basis determined by external valuers using discount rates ranging from 10.8% to 12.0% (2006: 14.0%) per annum as applicable to the nature and location of the assets in question.

Included in property, plant and equipment are certain hotel properties of the Group with carrying value totalling $541,516,000 (2006: $1,576,760,000) which are mortgaged to certain financial institutions to secure credit facilities (refer to Notes 20 and 22 for more details of the facilities).

4 Investment properties

	Group $'000
Cost	
At 1 January 2006, as previously reported	–
Transfers from property, plant and equipment on the adoption of FRS 40	3,263,552
At 1 January 2006, restated	3,263,552
Additions	13,270
Transfer to development properties	(196,623)
Transfers to property, plant and equipment	(2,131)
Translation differences on consolidation	(4,418)
At 31 December 2006, restated	3,073,650
At 1 January 2007, as previously reported	–
Transfers from property, plant and equipment on the adoption of FRS 40	3,073,650
At 1 January 2007, restated	3,073,650
Additions	10,471
Translation differences on consolidation	(3,072)
At 31 December 2007	3,081,049
Accumulated depreciation and impairment losses	
At 1 January 2006, as previously reported	–
Transfers from property, plant and equipment on the adoption of FRS 40	674,404
At 1 January 2006, restated	674,404
Charge for the year	45,684
Transfer to development properties	(69,202)
Transfers to property, plant and equipment	(748)
Impairment loss	10,064
Write-back of impairment losses	(10,886)
Translation differences on consolidation	(1,454)
At 31 December 2006, restated	647,862
At 1 January 2007, as previously reported	–
Transfers from property, plant and equipment on the adoption of FRS 40	647,862
At 1 January 2007, restated	647,862
Charge for the year	42,989
Write-back of impairment losses	(75,017)
Translation differences on consolidation	(3,038)
At 31 December 2007	612,796
Carrying amount	
At 1 January 2006, restated	2,589,148
At 31 December 2006, restated	2,425,788
At 31 December 2007	2,468,253
Fair value	
At 31 December 2006	4,179,014
At 31 December 2007	6,334,488

4 Investment properties (cont'd)

	Company $'000
Cost	
At 1 January 2006, as previously reported	–
Transfers from property, plant and equipment on the adoption of FRS 40	336,960
At 1 January 2006, restated	336,960
Additions	146
At 31 December 2006, restated	337,106
At 1 January 2007, as previously reported	–
Transfers from property, plant and equipment on the adoption of FRS 40	337,106
At 1 January 2007, restated	337,106
Additions	302
At 31 December 2007	337,408
Accumulated depreciation and impairment losses	
At 1 January 2006, as previously reported	–
Transfers from property, plant and equipment on the adoption of FRS 40	45,800
At 1 January 2006, restated	45,800
Charge for the year	4,813
Impairment loss	10,064
At 31 December 2006, restated	60,677
At 1 January 2007, as previously reported	–
Transfers from property, plant and equipment on the adoption of FRS 40	60,677
At 1 January 2007, restated	60,677
Charge for the year	4,853
Write-back of impairment loss	(10,064)
At 31 December 2007	55,466
Carrying amount	
At 1 January 2006, restated	291,160
At 31 December 2006, restated	276,429
At 31 December 2007	281,942
Fair value	
At 31 December 2006	520,080
At 31 December 2007	776,354

4 Investment properties (cont'd)

Investment properties comprise commercial, residential and industrial properties that are leased to external customers. Generally, each of the leases is fixed for a period of 2 to 3 years or more, and subsequent renewals are negotiated at prevailing market rate and terms.

The fair value of investment properties located in Singapore is based on in-house valuations conducted by a licensed appraiser who is also an officer of the Company. The licensed appraiser has appropriate recognised professional qualifications and has recent experience in the location and category of the investment properties being valued. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The valuation is based on the income method which takes into consideration the estimated net rent (using the current and projected average rental rates and occupancy), and a capitalisation rate applicable to the nature and type of asset in question. As a check, a comparison is made against relevant market transactions.

The fair value of investment properties located overseas is determined by independent licenced appraisers who have appropriate recognised professional qualification and recent experience in the location and category of the investment properties being valued. Fair values are determined having regard to recent market transactions for similar properties in the same locations.

In 2007, upon the Group and the Company assessing the carrying values of their investment properties for indications of impairment, the Group and the Company reversed impairment losses of $75,017,000 (2006: $10,886,000) and $10,064,000 (2006: $Nil) respectively recognised in prior years as a result of an improvement in the property market in Singapore and Japan. The impairment losses reversed are reflected as reductions of "other operating expenses". In 2006, both the Group and Company recognised an impairment loss of $10,064,000 which was included in "other operating expenses".

Investment properties of the Group with a total carrying amount of $953,660,000 (2006: $963,094,000) are mortgaged to certain financial institutions to secure credit facilities (refer to Notes 20 and 22 for more details of the facilities).

5 Investments in and balances with subsidiaries

	Note	Company 2007 $'000	Company 2006 $'000
Investments in subsidiaries			
Unquoted shares, at cost		**2,257,512**	2,257,512
Discount implicit in non-current inter-company balances		**9,269**	9,441
Impairment losses		**(8,026)**	(47,271)
		2,258,755	2,219,682
Balances with subsidiaries			
Amounts owing by subsidiaries			
- trade, interest-free		**1,475**	1,484
- non-trade, interest-free		**840,662**	812,416
- non-trade, interest-bearing		**1,234,106**	387,456
		2,076,243	1,201,356
Impairment losses		**(35,029)**	(43,784)
		2,041,214	1,157,572
Receivable within 1 year	11	**1,913,317**	1,020,370
Receivable after 1 year	9	**127,897**	137,202
		2,041,214	1,157,572
Amounts owing to subsidiaries			
- trade, interest-free		**482**	314
- non-trade, interest-free		**89,925**	383,014
Repayable within 1 year	28	**90,407**	383,328

5 Investments in and balances with subsidiaries (cont'd)

The amounts owing by and to subsidiaries are unsecured. In respect of interest-bearing amounts, interest at 0.70% to 4.75% (2006: 0.47% to 4.02%) per annum was charged. The balances with subsidiaries that are presented as receivable or repayable within 1 year are receivable or repayable on demand.

Included in amounts owing by subsidiaries receivable after 1 year is $48,975,000 (2006: $49,973,000) which form part of the Company's net investment in subsidiaries. Settlement of the loans is neither planned nor likely to occur in the foreseeable future.

The change in impairment losses in respect of amounts owing by subsidiaries during the year is as follows:

	Company	
	2007 $'000	**2006 $'000**
At 1 January	**43,784**	22,960
(Write-back)/Charge of impairment losses	**(8,755)**	20,824
At 31 December	**35,029**	43,784

During the year, the Company assessed the recoverable amount of its investments in subsidiaries. Based on this assessment, the Company reversed impairment losses of $39,245,000 (2006: $29,110,000) on its investments in certain subsidiaries. Impairment losses were quantified under the value-in-use method using management's estimates of the future underlying cash flows in the subsidiaries expected in the future, and discount rates ranging from 3.8% to 4.3% (2006: 3.8% to 4.0%) per annum. The reversal of the impairment losses was a result of a recovery of the Singapore property market.

Further details regarding subsidiaries are set out in Note 41.

6 Investments in and balances with associates

		Group		Company	
	Note	**2007 $'000**	**2006 $'000**	**2007 $'000**	**2006 $'000**
Investments in associates		**277,615**	116,990	**–**	–
Balances with associates					
Amounts owing by associates					
- trade		**505**	195	**9**	–
- non-trade		**2,244**	–	**–**	–
		2,749	195	**9**	–
Receivable:					
- Within 1 year	11	**505**	195	**9**	–
- After 1 year	9	**2,244**	–	**–**	–
		2,749	195	**9**	–
Amounts owing to an associate payable within 1 year					
- trade	28	**6,067**	5,222	**–**	8

6 Investments in and balances with associates (cont'd)

The amounts owing by and to associates were unsecured and interest free.

The amounts presented as receivable or repayable within 1 year are repayable on demand.

The non-current amount owing by associates of $2,244,000 (2006: $Nil) comprises a foreign currency denominated loan to an associate for which settlement is neither planned nor likely to occur in the foreseeable future. As the amount is in substance a part of the Group's net investment in the entity, it is stated at cost.

Included in the Group's investments in associates is an investment in the quoted equity of an associate whose fair value as at balance sheet date based on published price quotations is $744,750,000 (2006: $459,792,000).

Further details regarding the associates are set out in Note 41.

Summarised financial information relating to the associates, which is not adjusted for the percentage of ownership held by the Group, is as follows:

	2007 $'000	2006 $'000
Total assets	**1,172,900**	973,303
Total liabilities	**370,753**	397,564
Revenue	**91,519**	28,189
Profit after tax	**41,145**	15,035

7 Investments in and balances with jointly-controlled entities

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Investments in jointly-controlled entities					
Investments in jointly-controlled entities		**553,213**	289,014	**37,385**	52,495
Impairment losses		**–**	–	**(3,226)**	(2,441)
		553,213	289,014	**34,159**	50,054
Balances with jointly-controlled entities					
Amounts owing by jointly-controlled entities:					
- trade, interest-free		**2,217**	6,890	**820**	5,683
- non-trade, interest-bearing		**494,588**	460,434	**370,618**	384,981
- non-trade, interest-free		**360,930**	108,006	**–**	–
		857,735	575,330	**371,438**	390,664
Impairment losses		**(48,793)**	(92,700)	**(43,630)**	(92,700)
		808,942	482,630	**327,808**	297,964
Receivable:					
- Within 1 year	11	**787,880**	391,928	**327,808**	297,964
- After 1 year	9	**21,062**	90,702	**–**	–
		808,942	482,630	**327,808**	297,964

7 Investments in and balances with jointly-controlled entities (cont'd)

	Note	Group		Company	
		2007	**2006**	**2007**	**2006**
		$'000	**$'000**	**$'000**	**$'000**
Amounts owing to jointly-controlled entities:					
- trade, interest-free		**1**	–	**–**	–
- non-trade, interest-free		**23,772**	40,479	**–**	15,475
	28	**23,773**	40,479	**–**	15,475

The change in impairment losses in respect of balances with jointly-controlled entities is as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**92,700**	60,000	**92,700**	60,000
(Write-back)/Charge of impairment losses	**(43,578)**	32,700	**(49,070)**	32,700
Translation differences on consolidation	**(329)**	–	**–**	–
At 31 December	**48,793**	92,700	**43,630**	92,700

The amounts owing by and to jointly-controlled entities are unsecured. In respect of interest-bearing amounts, interest at rates ranging from 0.6% to 4.8% (2006: 0.6% to 4.5%) per annum and 1.5% to 2.5% (2006: 1.5% to 3.5%) per annum were charged by the Group and the Company respectively.

The amounts presented as receivable or repayable within 1 year are repayable on demand. Included in the non-current amounts owing by jointly-controlled entities are foreign currency denominated loans to jointly-controlled entities amounting to $21,062,000 (2006: $10,879,000) for which settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are in substance a part of the Group's net investment in the entities, they are stated at cost. The remaining non-current receivables from jointly-controlled entities are repayable on demand but are not expected to be repaid within the next 1 year.

Further details regarding jointly-controlled entities are set out in Note 41.

In total, the Group's share of the jointly-controlled entities' results, assets, liabilities and commitments is as follows:

	2007	**2006**
	$'000	**$'000**
Results		
Revenue and other operating income	**795,127**	381,494
Cost of sales and other expenses	**(464,244)**	(245,031)
Profit before income tax	**330,883**	136,463
Income tax expense	**(50,744)**	(18,469)
Minority interest	**(9,683)**	(9,082)
Profit for the year	**270,456**	108,912

7 Investments in and balances with jointly-controlled entities (cont'd)

	2007 $'000	2006 $'000
Assets and liabilities		
Non-current assets	**583,423**	516,879
Current assets	**2,004,598**	855,035
Total assets	**2,588,021**	1,371,914
Current liabilities	**(932,920)**	(474,772)
Non-current liabilities	**(1,101,888)**	(608,128)
Total liabilities	**(2,034,808)**	(1,082,900)
Commitments		
Development expenditure contracted but not provided for in the financial statements:		
- land purchases for which deposits have been paid	**129,285**	136,468
- construction costs	**130,793**	202,603
	260,078	339,071
Capital expenditure contracted but not provided for in the financial statements	**1,867**	–
Non-cancellable operating lease payables	**1,700**	16
Non-cancellable operating lease receivables	**11,191**	8,428

8 Financial assets

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Non-current financial assets				
Unquoted equity investments available for sale				
- fellow subsidiaries	**3,388**	3,372	**3,290**	3,290
- non-related companies	**118,623**	91,529	**1,340**	1,340
	122,011	94,901	**4,630**	4,630
Impairment losses	**(5,249)**	(5,956)	**–**	–
	116,762	88,945	**4,630**	4,630
Quoted equity investments available for sale				
- fellow subsidiaries	**41,238**	41,566	**34,677**	34,952
- non-related companies	**25,880**	22,347	**–**	–
	67,118	63,913	**34,677**	34,952
Total	**183,880**	152,858	**39,307**	39,582

8 Financial assets (cont'd)

	Group 2007 $'000	Group 2006 $'000
Current financial assets		
Quoted investments held for trading		
- equity investments	**32,589**	32,267
- debt securities	**150**	12,270
Unquoted investments held for trading		
- equity investments	**8,650**	4,603
- bond funds	**26,120**	21,563
	67,509	70,703

The unquoted investments available for sale and held for trading are measured at cost less impairment losses as the fair value cannot be determined reliably as there are restrictions in the ability to transfer these shares. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is expected to be significant. The Group does not intend to dispose off these investments in the foreseeable future.

Held-for-trading debt securities have interest rates of 8.5% (2006: 1.6% to 6.0%) per annum and mature within 1 year (2006: 50 months).

9 Other non-current assets

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Amounts owing by:					
- subsidiaries	5	**–**	–	**127,897**	137,202
- jointly-controlled entities	7	**21,062**	90,702	**–**	–
- associates	6	**2,244**	–	**–**	–
Deferred tax assets	27	**3,158**	4,800	**–**	–
Deposit receivables		**4,472**	3,993	**–**	–
Intangible assets		**45**	60	**–**	–
Lease premium prepayments		**217,343**	177,799	**–**	–
		248,324	277,354	**127,897**	137,202

Lease premium prepayments relate to the non-current portion of upfront premiums paid in respect of long leasehold land of hotel properties where land title is not anticipated to be passed to the Group.

10 Development properties

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Properties in the course of development, at cost	**2,351,166**	1,482,940	**1,422,570**	1,052,360
Attributable profit	**221,150**	66,646	**186,819**	66,646
	2,572,316	1,549,586	**1,609,389**	1,119,006
Progress billings	**(643,202)**	(182,671)	**(438,511)**	(154,581)
	1,929,114	1,366,915	**1,170,878**	964,425
Properties for development and resale representing mainly land, at cost	**269,315**	258,764	**–**	–
Completed units, at cost	**207,600**	348,586	**7,897**	109,823
	2,406,029	1,974,265	**1,178,775**	1,074,248
Allowance for foreseeable losses	**(76,919)**	(88,109)	**–**	(1,032)
	2,329,110	1,886,156	**1,178,775**	1,073,216
Share of jointly-controlled assets				
Properties in the course of development, at cost	**280,411**	428,869	**281,413**	429,632
Attributable profit	**18,734**	9,619	**18,734**	9,619
	299,145	438,488	**300,147**	439,251
Progress billings	**(61,818)**	(160,681)	**(61,818)**	(160,681)
	237,327	277,807	**238,329**	278,570
Properties for development and resale representing mainly land, at cost	**–**	11,053	**–**	11,053
Completed units, at cost	**11,578**	111,033	**11,586**	111,287
	248,905	399,893	**249,915**	400,910
Allowance for foreseeable losses	**–**	(4,191)	**–**	(4,191)
	248,905	395,702	**249,915**	396,719
Total development properties	**2,578,015**	2,281,858	**1,428,690**	1,469,935
During the year, interest capitalised (net of interest income) as cost of development properties amounted to	**36,453**	17,741	**18,105**	15,414

The Group uses the percentage of completion method to recognise revenue on its development projects in Singapore. The impact on the financial statements, had revenue on the Singapore development projects been recognised using the completion of construction method, is set out in Note 2.17.

Development properties of the Group with a carrying amount of $155,614,000 (2006: $257,073,000) is mortgaged to a financial institution to secure a credit facility (refer to Note 20).

11 Trade and other receivables

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Trade receivables		**149,707**	173,913	**29,676**	41,650
Impairment losses		**(4,319)**	(4,831)	**(2)**	(27)
		145,388	169,082	**29,674**	41,623
Other receivables		**30,571**	41,394	**8,361**	7,840
Impairment losses		**(302)**	(304)	**(1,512)**	(1,514)
		30,269	41,090	**6,849**	6,326
Deposits, prepayments and tax recoverable		**102,848**	84,797	**352**	221
Derivative financial instruments		**–**	94	**–**	–
Lease premium prepayments		**2,141**	2,252	**–**	–
Accrued receivables	12	**7,789**	6,398	**273**	228
Amounts owing by:					
- subsidiaries	5	**–**	–	**1,913,317**	1,020,370
- associates	6	**505**	195	**9**	–
- jointly-controlled entities	7	**787,880**	391,928	**327,808**	297,964
- fellow subsidiaries	13	**127**	9,492	**13**	9,409
		1,076,947	705,328	**2,278,295**	1,376,141

The maximum exposure to credit risk for trade receivables, other receivables and amounts owing by subsidiaries, associates, jointly-controlled entities and fellow subsidiaries at the balance sheet date by business segment is:

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Property development	**816,325**	427,354	**1,766,961**	913,508
Hotel operations	**135,835**	141,298	**249**	317
Rental properties	**2,758**	27,945	**327,208**	297,155
Others	**9,251**	15,190	**183,252**	164,712
	964,169	611,787	**2,277,670**	1,375,692

11 Trade and other receivables (cont'd)

Impairment losses

The ageing of trade receivables at the balance sheet date is:

	Gross 2007 $'000	Impairment losses 2007 $'000	Gross 2006 $'000	Impairment losses 2006 $'000
Group				
Not past due	**79,396**	**59**	113,003	57
Past due 0 – 30 days	**41,240**	**65**	38,432	12
Past due 31 – 60 days	**12,412**	**603**	8,570	1,122
Past due 61 – 90 days	**3,706**	**1,527**	4,193	1,244
More than 90 days	**12,953**	**2,065**	9,715	2,396
	149,707	**4,319**	173,913	4,831
Company				
Not past due	**26,293**	**–**	37,321	–
Past due 0 – 30 days	**1,463**	**–**	3,156	–
Past due 31 – 60 days	**1,418**	**–**	130	–
Past due 61 – 90 days	**120**	**–**	956	–
More than 90 days	**382**	**2**	87	27
	29,676	**2**	41,650	27

The change in impairment losses in respect of trade and other receivables during the year is as follows:

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
At 1 January	**5,135**	7,723	**1,541**	1,631
Charge/(Write-back) of impairment losses	**50**	(795)	**–**	(67)
Impairment losses utilised	**(412)**	(1,608)	**(25)**	(4)
Translation differences on consolidation	**(152)**	(185)	**(2)**	(19)
At 31 December	**4,621**	5,135	**1,514**	1,541

The Group's historical experience in the collection of trade and other receivables falls within the recorded allowances. Due to this factor, management believes that no additional credit risks beyond amount provided for collection losses is inherent in the Group's trade and other receivables.

Trade receivables that were not past due relate to a wide range of customers for whom there has not been a significant change in the credit quality.

12 Accrued receivables

Accrued receivables represent mainly the remaining balances of sales consideration to be billed. In accordance with the Group's accounting policy, income is recognised on the sale of certain development properties on the progress of the construction work. Upon receipt of the Temporary Occupation Permit, the balance of sales consideration to be billed is included as accrued receivables.

13 Amounts owing by and to fellow subsidiaries

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Amounts owing by fellow subsidiaries					
- trade		**60**	32	**13**	6
- non-trade		**67**	9,460	**–**	9,403
	11	**127**	9,492	**13**	9,409
Amounts owing to fellow subsidiaries					
- trade		**17**	–	**17**	–
- non-trade		**426**	210	**–**	–
	28	**443**	210	**17**	–

Fellow subsidiaries are subsidiaries of the immediate holding company which are subject to common control. The amounts owing by and to fellow subsidiaries are interest-free, unsecured and repayable on demand.

14 Cash and cash equivalents

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Amounts held under the Singapore development project rules, withdrawals from which are restricted to project-related payments		**95,192**	43,055	**86,117**	41,061
Fixed deposits placed with financial institutions which are:					
- fellow subsidiaries		**38,051**	21,054	**–**	–
- others		**207,882**	509,365	**13,000**	51,976
		245,933	530,419	**13,000**	51,976
Cash at banks and in hand		**370,477**	203,450	**3,910**	6,704
Cash and cash equivalents		**711,602**	776,924	**103,027**	99,741
Bank overdrafts	19	**(1,036)**	(2,319)		
Cash and cash equivalents in the consolidated cash flow statement		**710,566**	774,605		

15 Share capital

	Company			
	2007		2006	
	Number of shares	$'000	Number of shares	$'000
Issued and fully paid ordinary share capital with no par value:				
At 1 January	**909,301,330**	**1,661,179**	888,801,058	444,400
Issue of shares during the year	**–**	**–**	20,500,272	50,848
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	**–**	**–**	–	1,165,931
At 31 December	**909,301,330**	**1,661,179**	909,301,330	1,661,179
Issued and fully paid non-redeemable convertible non-cumulative preference share capital with no par value:				
At 1 January	**330,874,257**	**330,218**	330,874,257	16,544
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	**–**	**–**	–	313,674
At 31 December	**330,874,257**	**330,218**	330,874,257	330,218
Total share capital		**1,991,397**		1,991,397

Ordinary share capital

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

On 11 May 2004, the Company issued 82,718,564 bonus warrants, which were subsequently listed on the Official List of the Singapore Exchange Securities Trading Limited on 13 May 2004. Each bonus warrant carried the right to subscribe in cash for one ordinary share of the Company at the exercise price of $2.50, subject to adjustments under certain circumstances in accordance with the terms and conditions of the bonus warrants as set out in a Deed Poll dated 6 May 2004.

As at 31 December 2007, there were no outstanding bonus warrants as bonus warrants which were not exercised as at 10 May 2006 (date of expiry of the subscription rights comprised in the bonus warrants) had lapsed. In 2006, the Company issued 20,500,272 new ordinary shares arising from the exercise of subscription rights by bonus warrants holders.

Preference share capital

On 9 June 2004, the Company issued 330,874,257 non-redeemable convertible non-cumulative preference shares (Preference Shares), then of par value of $0.05 each, at an issue price of $1.00 each, which were subsequently listed on the Official List of the Singapore Exchange Securities Trading Limited on 14 June 2004. The Preference Shares are convertible at the sole option of the Company at any time on or after the second anniversary of the date of issue of the Preference Shares, into fully-paid ordinary shares of the Company at the conversion ratio of 0.136 ordinary share for each Preference Share.

15 Share capital (cont'd)

In the event the Company exercises its right of conversion, the Company shall pay to preference shareholders a one-off preference cash dividend at the fixed rate of 64% (net) of the issue price for each Preference Share (Additional Preference Dividend) and any preference dividend accrued but unpaid.

As at 31 December 2007, a maximum number of 44,998,898 (2006: 44,998,898) ordinary shares are issuable upon full conversion at the sole option of the Company of all the Preference Shares.

Holders of Preference Shares have no voting rights, except under certain circumstances provided for in the Companies Act as set out in the Company's Articles of Association.

The Preference Shares rank:

(i) *pari passu* without any preference or priority among themselves; and

(ii) in priority over the ordinary shares in respect of (a) payment of the Preference Dividend (when, as and if declared) and the Additional Preference Dividend; and (b) in the event of a winding-up of or return of capital by the Company, payment of any Preference Dividend that has accrued to holders of Preference Shares and is unpaid, the Additional Preference Dividend (whether or not then due) as well as the amount paid up on the Preference Shares (including the premium paid thereon).

Capital management

The Group's primary objective in capital management is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to continue to maintain its future development and growth of the business.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares or other financial instruments.

The Group monitors capital using a net debt equity ratio, which is defined as net borrowings divided by total capital employed (including minority interests).

	Group	
	2007	**2006**
	$'000	**$'000**
Total borrowings	**4,039,498**	3,356,061
Cash and cash equivalents	**(711,602)**	(776,924)
Net debt	**3,327,896**	2,579,137
Total capital employed	**6,916,397**	6,380,099
Net debt equity ratio	**0.48**	0.40

No changes were made to the above objectives, policies or process during the years ended 31 December 2006 and 2007.

16 Reserves

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserve	**147,132**	147,132	**63,743**	63,743
Hedging reserve	**(189)**	(189)	**–**	–
Fair value reserve	**26,857**	25,448	**19,483**	19,228
Share option reserve	**4,964**	2,757	**–**	–
Exchange fluctuation reserve	**36,166**	81,748	**–**	–
Accumulated profits	**2,992,457**	2,486,242	**2,260,223**	1,831,990
	3,207,387	2,743,138	**2,343,449**	1,914,961

The capital reserve comprises mainly negative goodwill on the consolidation of subsidiaries.

Hedging reserve comprises the Group's share of the hedging reserve of an associate which relates to the effective portion of the cumulative net change in fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised.

The share option reserve comprises the cumulative value of employee services received for the issue of share options.

The exchange fluctuation reserve comprises:

(a) foreign exchange differences arising from the translation of the financial statements of foreign entities whose functional currencies are different from the presentation currency of the Company;

(b) the gain or loss on instruments used to hedge the Group's net investment in foreign entities that are determined to be effective hedges; and

(c) exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

The accumulated profits of the Group include profits of $333,901,000 (2006: $102,110,000) attributable to associates and jointly-controlled entities.

17 Total equity

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000
Group				
At 1 January 2006		460,944	1,492,324	148,143
Translation differences arising on consolidation of foreign subsidiaries		–	–	–
Exchange differences on hedges of net investment in foreign entities		–	–	–
Exchange differences on monetary items forming part of net investment in foreign entities		–	–	–
Change in fair value of equity investments available for sale		–	–	–
Share of other reserve movements of an associate		–	–	(3,351)
Actuarial losses on defined benefit plans		–	–	–
Net (losses)/gains recognised directly in equity		–	–	(3,351)
Profit for the year		–	–	–
Total recognised income and expenses for the year		–	–	(3,351)
Issue of ordinary shares	15	50,848	403	–
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	15	1,479,605	(1,492,727)	–
Change of interest in subsidiaries		–	–	2,340
Value of employee services received for issue of share options		–	–	–
Dividends	33	–	–	–
At 31 December 2006		1,991,397	–	147,132

Hedging reserve $'000	Fair value reserve $'000	Share option reserve $'000	Exchange fluctuation reserve $'000	Accumulated profits $'000	Total attributable to equity holders of the Company $'000	Minority interests $'000	Total equity $'000
–	21,403	1,792	142,075	2,281,135	4,547,816	1,527,445	6,075,261
–	–	–	(54,861)	–	(54,861)	(55,272)	(110,133)
–	–	–	(1,324)	–	(1,324)	(113)	(1,437)
–	–	–	(4,142)	–	(4,142)	(3,739)	(7,881)
–	4,045	–	–	–	4,045	–	4,045
(189)	–	–	–	–	(3,540)	(3,198)	(6,738)
–	–	–	–	(1,367)	(1,367)	(1,388)	(2,755)
(189)	4,045	–	(60,327)	(1,367)	(61,189)	(63,710)	(124,899)
–	–	–	–	351,659	351,659	211,307	562,966
(189)	4,045	–	(60,327)	350,292	290,470	147,597	438,067
–	–	–	–	–	51,251	–	51,251
–	–	–	–	13,122	–	–	–
–	–	7	–	–	2,347	9,487	11,834
–	–	958	–	–	958	864	1,822
–	–	–	–	(158,307)	(158,307)	(39,829)	(198,136)
(189)	25,448	2,757	81,748	2,486,242	4,734,535	1,645,564	6,380,099

17 Total equity (cont'd)

	Note	Share capital $'000	Capital reserve $'000
Group			
At 1 January 2007		1,991,397	147,132
Translation differences arising on consolidation of foreign subsidiaries		–	–
Exchange differences on hedges of net investment in foreign entities		–	–
Exchange differences on monetary items forming part of net investment in foreign entities		–	–
Change in fair value of equity investments available for sale		–	–
Actuarial losses on defined benefit plans		–	–
Net gains/(losses) recognised directly in equity		–	–
Profit for the year		–	–
Total recognised income and expenses for the year		–	–
Net return of capital to minority interests		–	–
Value of employee services received for issue of share options		–	–
Dividends	33	–	–
At 31 December 2007		1,991,397	147,132

Hedging reserve $'000	Fair value reserve $'000	Share option reserve $'000	Exchange fluctuation reserve $'000	Accumulated profits $'000	Total attributable to equity holders of the Company $'000	Minority interests $'000	Total equity $'000
(189)	25,448	2,757	81,748	2,486,242	4,734,535	1,645,564	6,380,099
–	–	–	(37,017)	–	(37,017)	(27,094)	(64,111)
–	–	–	(407)	–	(407)	(368)	(775)
–	–	–	(8,158)	–	(8,158)	(6,693)	(14,851)
–	1,409	–	–	–	1,409	–	1,409
–	–	–	–	(826)	(826)	(747)	(1,573)
–	1,409	–	(45,582)	(826)	(44,999)	(34,902)	(79,901)
–	–	–	–	724,993	724,993	164,226	889,219
–	1,409	–	(45,582)	724,167	679,994	129,324	809,318
–	–	–	–	–	–	(23,735)	(23,735)
–	–	2,207	–	–	2,207	1,993	4,200
–	–	–	–	(217,952)	(217,952)	(35,533)	(253,485)
(189)	26,857	4,964	36,166	2,992,457	5,198,784	1,717,613	6,916,397

18 Equity compensation benefits

By the Company

Under the terms of the City Developments Share Option Scheme 2001 (CDL Scheme), offers of the grant of options may be made to:

(i) Group Employees and Parent Group Employees (both as defined in the CDL Scheme) which may be exercisable during an option exercise period commencing from the date that the option vests and expiring on the day preceding the tenth anniversary of its date of grant; and

(ii) Non-Executive Directors, Parent Group Non-Executive Directors and Associated Company Employees (all three as defined in the CDL Scheme) which may be exercisable during an option exercise period commencing from the date that the option vests and expiring on the day preceding the fifth anniversary of its date of grant.

Options granted under the CDL Scheme may have subscription prices that are, at the Scheme Committee's discretion, (i) Market Price Options; or (ii) Discount Price Options; or (iii) Incentive Price Options (all three as defined in the CDL Scheme).

The aggregate number of ordinary shares over which options may be granted under the CDL Scheme on any date, when added to the number of ordinary shares issued and issuable in respect of all options granted under the CDL Scheme, shall not exceed 8% of the total number of issued ordinary shares in the capital of the Company on the day preceding the relevant date of grant. The aggregate number of ordinary shares which may be offered by way of grant of options to Parent Group Employees and Parent Group Non-Executive Directors collectively under the CDL Scheme shall not exceed 20% of the total number of ordinary shares available under the CDL Scheme.

No options have been granted since the commencement of the CDL Scheme.

There were no unissued shares of the Company under option as at the end of the financial year.

The CDL Scheme shall continue to be in force at the discretion of the CDL Scheme Committee for a maximum period of 10 years commencing from its adoption on 30 January 2001.

By Subsidiaries

City e-Solutions Limited

The City e-Solutions Limited Share Option Scheme (CES Scheme) was adopted by the shareholders of CES at the Annual General Meeting of CES held on 27 April 2005.

The subscription price of the CES shares under the CES Scheme shall be a price determined by the CES Scheme Committee at its absolute discretion which may require the achievement of performance targets by the Grantee as specified by the CES Scheme Committee. The subscription price shall not be less than the highest of:

(i) the official closing price of the CES shares as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the Offer Date;

(ii) the average of the official closing price of the CES shares as stated in the daily quotations sheets of the Hong Kong Stock Exchange for the five business days immediately preceding the Offer Date; and

(iii) the nominal value of a CES share.

During the financial year under review, (i) no options were granted to subscribe for ordinary shares of HK$1.00 each in CES; and (ii) no ordinary shares of HK$1.00 each in CES were issued pursuant to the CES Scheme.

As at the end of the financial year, there were no unissued shares under options pursuant to the CES Scheme.

The options granted by CES do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

18 Equity compensation benefits (cont'd)

By Subsidiaries (cont'd)

Millennium & Copthorne Hotels plc

Millennium & Copthorne Hotels plc (M&C) has the following share option schemes:

(i) Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme;

(ii) Millennium & Copthorne Hotels Executive Share Option Scheme;

(iii) Millennium & Copthorne Hotels Sharesave Schemes 1996 and 2006; and

(iv) Millennium & Copthorne Hotels Long-Term Incentive Plan.

(i) Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme

(a) The Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme (M&C 2003 Scheme) was approved by the shareholders at the Annual General Meeting of M&C held on 21 May 2002. There are 2 parts of the M&C 2003 Scheme, namely the "Approved" part for which approval from the United Kingdom Inland Revenue has been obtained, and the "Unapproved" part which is not designed for the United Kingdom Inland Revenue approval and which is used primarily where employees have more than £30,000 worth of outstanding approved options or are not based in the United Kingdom. Except to the extent required to obtain the United Kingdom Inland Revenue approval, the Approved and Unapproved parts of the M&C 2003 Scheme are in all material aspects identical.

(b) Under the terms of the M&C 2003 Scheme,

(i) All employees of M&C, its subsidiaries and joint ventures (including directors who are required to devote substantially the whole of their working time to the business of the M&C Group who are not within 6 months of contractual retirement ages) will be eligible to participate in the M&C 2003 Scheme.

(ii) No option may be granted to an individual if it would cause the aggregate exercise price of options granted to him in any year under the M&C 2003 Scheme to exceed 200% of his basic salary, other than in exceptional circumstances (where the limit is 400% of basic salary).

(iii) No payment will be required for the grant of an option. Acquisition price upon the exercise of an option will not be less than the higher of:

- the average of the middle-market quotations of a share on the London Stock Exchange on the 3 dealing days immediately prior to grant date, provided that no such dealing day may fall prior to the date on which M&C last announced its results for any period; and

- the nominal value of a share (unless the option is expressed to relate only to existing shares).

(c) No options may be granted which would cause the number of shares issued or issuable pursuant to options granted in the previous 10 years under the M&C 2003 Scheme or under any other share option scheme, or issued in that period under any employee share scheme (other than an option scheme) to exceed 10% of M&C's issued ordinary share capital from time to time. Not more than 5% of M&C's issued ordinary share capital from time to time may relate to discretionary share schemes.

18 Equity compensation benefits (cont'd)

Millennium & Copthorne Hotels plc (cont'd)

(ii) Millennium & Copthorne Hotels Executive Share Option Scheme

(a) The Millennium & Copthorne Hotels Executive Share Option Scheme (M&C 1996 Scheme) is divided into two parts, Part A which was approved by the United Kingdom Inland Revenue under Schedule 9 of the United Kingdom Income and Corporation Taxes Act 1988 on 12 April 1996 and Part B, which was an unapproved executive share option scheme designed for the United Kingdom (UK) and non-UK executives of M&C.

(b) Under the terms of Part A of the M&C 1996 Scheme, the board may offer any full time director or employee of M&C and its subsidiaries (M&C Group) (other than anyone within two years of retirement, or anyone who has a material interest in a close company and is thereby rendered ineligible under Paragraph 8, Schedule 9 of the United Kingdom Income and Corporation Taxes Act 1988), to participate in Part A of the M&C 1996 Scheme.

A person is eligible to be granted an option under Part B if he is a director or employee of any member of the M&C Group which is required to devote the whole or substantially the whole of his working time to the service of any member of the M&C Group.

Where an option has been exercised under Part B, the board may elect to pay cash to the executive concerned instead of issuing ordinary shares.

(c) No option shall be granted under the M&C 1996 Scheme in the period of 5 calendar years beginning with the year 1996 which would, at the time they are granted, cause the number of shares in M&C which shall have been or may be issued in pursuance of options granted in that period, or shall have been issued in that period otherwise than in pursuance of options, under the M&C 1996 Scheme or under any other employees' share option scheme adopted by M&C to exceed such number as representing 5% of the ordinary share capital of M&C in issue at that time.

(d) No option shall be granted under the M&C 1996 Scheme in any year which would, at the time they are granted, cause the number of shares in M&C which shall have been or may be issued in pursuance of options granted in the period of 10 calendar years ending with that year, or have been issued in that period otherwise than in pursuance of options, under the M&C 1996 Scheme or under any other employees' share scheme adopted by M&C to exceed such number as representing 10% of the ordinary share capital of M&C in issue at that time.

(e) The total subscription price payable for ordinary shares under options granted in any 10-year period (leaving out of account options which have been exercised) to any person under the M&C 1996 Scheme may not exceed four times the higher of the executive's total annual remuneration at that time and the total remuneration paid by the M&C Group to the executive in the preceding 12 months.

(iii) Millennium & Copthorne Hotels Sharesave Schemes 1996 and 2006

(a) The Millennium & Copthorne Hotels Sharesave Schemes 1996 and 2006 (M&C Sharesave Schemes) are the United Kingdom Inland Revenue approved schemes under which the executive directors of M&C and the M&C Group employees are eligible to participate.

(b) Under the terms of the M&C Sharesave Schemes, M&C Group employees were to enter into a 3-year or 5-year savings contract, with an option to purchase shares at a pre-determined exercise price on maturity of the savings contract. The first such scheme was introduced in 1996 with a life of ten years. A replacement scheme was approved by the shareholders at M&C's Annual General Meeting on 4 May 2006.

(c) No payment is required for the grant of an option.

18 Equity compensation benefits (cont'd)

Millennium & Copthorne Hotels plc (cont'd)

(iii) Millennium & Copthorne Hotels Sharesave Schemes 1996 and 2006 (cont'd)

(d) The options may be exercised upon maturity provided that the monies agreed under the savings contract are fully paid and the participant continues to hold office or employment with M&C. The M&C Sharesave Schemes provide that shares in M&C can be purchased at the option price up to the value of the accrued savings and interests in the event of retirement at normal retirement age, redundancy, injury, disability or by the employees' estate in the event of their death.

(e) M&C may grant options up to the value of a savings contract at maturity. Participants cannot enter into contracts where their savings, in aggregate, would exceed £250 per month.

(iv) Millennium & Copthorne Hotels Long-Term Incentive Plan

The Millennium & Copthorne Hotels Long-Term Incentive Plan (LTIP) was approved at the M&C Annual General Meeting held on 4 May 2006. Under the terms of the LTIP, M&C is permitted to make both Performance Share Awards and Deferred Share Bonus Awards to an employee (including an executive director) of M&C or its subsidiaries. The level of awards made under the terms of the LTIP are determined by M&C's Remuneration Committee.

Vesting of Performance Share Awards is subject to the achievement of stretching performance targets. Consistent with the performance measures for M&C's executive share options schemes, earnings per share (EPS) targets have been chosen so that participants are incentivised to deliver significant earnings growth which, in turn, should return substantial shareholder value.

The performance condition applying to Performance Share Awards require M&C's EPS to grow, in real terms, over a period of three consecutive financial years after award. Performance Share Awards will vest on the third anniversary of the award being made, subject to the EPS growth targets being met. Awards will not be subject to re-testing.

18 Equity compensation benefits (cont'd)

Details of the options granted under the M&C option schemes on the unissued ordinary shares of £0.30 each in a subsidiary, M&C, as at the end of the financial year, presented in Sterling Pound, are as follows:

(i) Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme

2006

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2006	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 December 2006	Options exercisable as at 31 December 2006	Exercise period
Part I									
10.03.2003	1.9350	63,822	–	(23,255)	(1,292)	–	39,275	39,275	10.03.2006 – 09.03.2013
16.03.2004	2.9167	62,049	–	(10,284)	(1)	–	51,764	–	16.03.2007 – 15.03.2014
24.03.2005	3.9842	52,703	–	(7,529)	(7,529)	–	37,645	–	24.03.2008 – 23.03.2015
Part II									
10.03.2003	1.9350	1,126,129	–	(125,657)	(453,230)	–	547,242	547,242	10.03.2006 – 09.03.2013
16.03.2004	2.9167	594,720	–	(41,143)	(220,658)	–	332,919	–	16.03.2007 – 15.03.2014
24.03.2005	3.9842	676,248	–	(143,065)	(180,458)	–	352,725	–	24.03.2008 – 23.03.2015
		2,575,671	–	(350,933)	(863,168)	–	1,361,570	586,517	

2007

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2007	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 December 2007	Options exercisable as at 31 December 2007	Exercise period
Part I									
10.03.2003	1.9350	39,275	–	(20,837)	(3,801)	–	14,637	14,637	10.03.2006 – 09.03.2013
16.03.2004	2.9167	51,764	–	(31,195)	(10,284)	–	10,285	10,285	16.03.2007 – 15.03.2014
24.03.2005	3.9842	37,645	–	–	(7,529)	–	30,116	–	24.03.2008 – 23.03.2015
Part II									
10.03.2003	1.9350	547,242	–	(97,669)	(20,258)	–	429,315	429,315	10.03.2006 – 09.03.2013
16.03.2004	2.9167	332,919	–	(273,361)	–	–	59,558	59,558	16.03.2007 – 15.03.2014
24.03.2005	3.9842	352,725	–	(20,993)	(96,549)	–	235,183	–	24.03.2008 – 23.03.2015
		1,361,570	–	(444,055)	(138,421)	–	779,094	513,795	

18 Equity compensation benefits (cont'd)

(ii) Millennium & Copthorne Hotels Executive Share Option Scheme

2006

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2006	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 December 2006	Options exercisable as at 31 December 2006	Exercise period
Part A									
05.03.1998	4.6087	6,509	–	–	–	–	6,509	6,509	05.03.2001 – 04.03.2008
19.11.1999	3.9856	7,526	–	(7,526)	–	–	–	–	19.11.2002 – 18.11.2009
17.03.2000	3.3500	8,955	–	–	(8,955)	–	–	–	17.03.2003 – 16.03.2010
23.10.2000	3.9500	7,594	–	(7,594)	–	–	–	–	23.10. 2003 – 22.10.2010
20.03.2001	4.3500	48,272	–	(41,376)	(6,896)	–	–	–	20.03.2004 – 19.03.2011
15.03.2002	3.2250	26,356	–	(17,829)	–	–	8,527	8,527	15.03.2005 – 14.03.2012
		105,212	–	(74,325)	(15,851)	–	15,036	15,036	

2007

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2007	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 December 2007	Options exercisable as at 31 December 2007	Exercise period
Part A									
05.03.1998	4.6087	6,509	–	–	–	–	6,509	6,509	05.03.2001 – 04.03.2008
15.03.2002	3.2250	8,527	–	(8,527)	–	–	–	–	15.03.2005 – 14.03.2012
		15,036	–	(8,527)	–	–	6,509	6,509	

2006

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2006	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 December 2006	Options exercisable as at 31 December 2006	Exercise period
Part B									
05.03.1999	4.8321	40,436	–	–	–	(40,436)	–	–	05.03.2002 – 04.03.2006
19.11.1999	3.9856	47,670	–	(47,670)	–	–	–	–	19.11.2002 – 18.11.2006
17.03.2000	3.3500	18,369	–	(10,414)	(7,955)	–	–	–	17.03.2003 – 16.03.2007
23.10.2000	3.9500	5,570	–	(5,570)	–	–	–	–	23.10.2003 – 22.10.2007
14.03.2001	4.3250	120,231	–	–	(50,867)	–	69,364	69,364	14.03.2004 – 13.03.2008
20.03.2001	4.3500	131,714	–	(74,190)	(30,810)	(20,690)	6,024	6,024	20.03.2004 – 19.03.2008
15.03.2002	3.2250	150,418	–	(33,119)	(28,358)	–	88,941	88,941	15.03.2005 – 14.03.2009
		514,408	–	(170,963)	(117,990)	(61,126)	164,329	164,329	

2007

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2007	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 December 2007	Options exercisable as at 31 December 2007	Exercise period
Part B									
14.03.2001	4.3250	69,364	–	–	–	–	69,364	69,364	14.03.2004 – 13.03.2008
20.03.2001	4.3500	6,024	–	(6,024)	–	–	–	–	20.03.2004 – 19.03.2008
15.03.2002	3.2250	88,941	–	–	–	–	88,941	88,941	15.03.2005 – 14.03.2009
		164,329	–	(6,024)	–	–	158,305	158,305	

18 Equity compensation benefits (cont'd)

(iii) Millennium & Copthorne Hotels Sharesave Schemes 1996 and 2006

2006

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2006	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 December 2006	Options exercisable as at 31 December 2006	Exercise period
09.05.2000	3.1000	4,134	–	–	–	(4,134)	–	–	01.07.2005 – 31.12.2005
08.05.2001	3.1360	22,161	–	(10,435)	(5,811)	–	5,915	5,915	01.07.2006 – 31.12.2006
21.05.2002	2.9200	10,341	–	–	–	(10,341)	–	–	01.07.2005 – 31.12.2005
21.05.2002	2.9200	21,074	–	–	(1,586)	–	19,488	–	01.07.2007 – 31.12.2007
28.04.2003	1.5040	122,244	–	(98,000)	(10,302)	–	13,942	13,942	01.07.2006 – 31.12.2006
28.04.2003	1.5040	109,417	–	(12,679)	(36,461)	–	60,277	–	01.07.2008 – 31.12.2008
20.04.2004	2.3400	49,363	–	–	(4,347)	–	45,016	–	01.07.2007 – 31.12.2007
20.04.2004	2.3400	28,499	–	–	(2,933)	–	25,566	–	01.07.2009 – 31.12.2009
23.03.2005	3.0800	67,407	–	–	(16,236)	–	51,171	–	01.07.2008 – 31.12.2008
23.03.2005	3.0800	39,479	–	–	(8,368)	–	31,111	–	01.07.2010 – 31.12.2010
19.06.2006	3.2500	–	73,728	–	(1,840)	–	71,888	–	01.08.2009 – 31.01.2010
19.06.2006	3.2500	–	43,677	–	(4,953)	–	38,724	–	01.08.2011 – 31.01.2012
		474,119	117,405	(121,114)	(92,837)	(14,475)	363,098	19,857	

2007

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2007	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options expired during the year	Options outstanding as at 31 December 2007	Options exercisable as at 31 December 2007	Exercise period
08.05.2001	3.1360	5,915	–	–	–	(5,915)	–	–	01.07.2006 – 31.12.2006
21.05.2002	2.9200	19,488	–	(17,221)	–	–	2,267	2,267	01.07.2007 – 31.12.2007
28.04.2003	1.5040	13,942	–	–	–	(13,942)	–	–	01.07.2006 – 31.12.2006
28.04.2003	1.5040	60,277	–	(1,840)	(2,528)	–	55,909	–	01.07.2008 – 31.12.2008
20.04.2004	2.3400	45,016	–	(40,507)	–	(805)	3,704	3,704	01.07.2007 – 31.12.2007
20.04.2004	2.3400	25,566	–	–	(139)	–	25,427	–	01.07.2009 – 31.12.2009
23.03.2005	3.0800	51,171	–	–	(19,006)	–	32,165	–	01.07.2008 – 31.12.2008
23.03.2005	3.0800	31,111	–	–	(2,146)	–	28,965	–	01.07.2010 – 31.12.2010
19.06.2006	3.2500	71,888	–	–	(24,385)	–	47,503	–	01.08.2009 – 31.01.2010
19.06.2006	3.2500	38,724	–	–	(4,953)	–	33,771	–	01.08.2011 – 31.01.2012
26.03.2007	5.2000	–	31,919	–	(2,178)	–	29,741	–	01.07.2010 – 31.12.2010
26.03.2007	5.2000	–	22,094	–	(3,149)	–	18,945	–	01.07.2012 – 31.12.2012
		363,098	54,013	(59,568)	(58,484)	(20,662)	278,397	5,971	

18 Equity compensation benefits (cont'd)

(iv) Millennium & Copthorne Hotels plc Long-Term Incentive Plan

Date of award	Balance at beginning of year	Awards awarded during the year	Awards vested during the year	Awards forfeited during the year	Awards expired during the year	Balance at end of year	Vesting date
2006							
01.09.2006	–	266,152	–	–	–	266,152	01.09.2009
2007							
01.09.2006	266,152	–	(4,984)	(60,313)	–	200,855	01.09.2009
27.03.2007	–	360,015	–	(176,007)	–	184,008	27.03.2010
18.09.2007	–	75,012	–	–	–	75,012	18.09.2010
	266,152	435,027	(4,984)	(236,320)	–	459,875	

For options exercised during 2007, the weighted average share price at the date of exercise is £6.66 (2006: £4.70). Options were exercised on a regular basis throughout the year. The options outstanding as at 31 December 2007 have an exercise price in the range of £1.504 to £5.20 and a weighted average contractual life of 4 years (2006: 6 years).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a stochastic model.

The share option pricing model involves six variables, namely the exercise price, share price at grant date, expected life of option (note (a) below), expected volatility of share price (note (b) below), risk free interest rate and expected dividend yield (note (c) below).

The variables used in estimating the fair value of options and awards granted under the M&C option schemes, presented in Sterling Pound, are as follows:

	Date of grant	Awards/ Options granted	Share price prevailing on date of grant £	Exercise price £	Fair value £	Expected term (years)	Expected volatility	Expected dividend yield	Risk free interest rates
2007									
LTIP (directors)	27.03.2007	360,015	6.7850	–	6.535	3	–	1.25%	–
LTIP (non-directors)	18.09.2007	75,012	4.9025	–	4.655	3	–	1.73%	–
Sharesave Scheme (3 year)	26.03.2007	31,919	6.7250	5.200	2.238	3.25	20.5%	1.26%	5.31%
Sharesave Scheme (5 year)	26.03.2007	22,094	6.7250	5.200	2.789	5.25	28.1%	1.26%	5.21%
2006									
LTIP (directors)	01.09.2006	67,834	4.5175	Nil	4.293	3	–	1.70%	–
LTIP (non-directors)	01.09.2006	198,318	4.5175	Nil	4.293	3	–	1.70%	–
Sharesave Scheme (3 year)	01.08.2006	73,728	4.1200	3.250	1.283	3.25	24.6%	1.87%	4.74%
Sharesave Scheme (5 year)	01.08.2006	43,677	4.1200	3.250	1.620	5.25	32.3%	1.87%	4.71%

Note (a)

Directors: 30% exercise after 3 years if gain; 25% of the remainder in following years using reducing balance method; 1% exercise in years 4 to 10 (on reducing balance method) and the balance of options exercised at maturity (year 10) if "in the money".

Non-directors: 45% after 3 years if gain; 25% of the remainder in following years using reducing balance method; 10% exercise in years 1 to 3 (straight-line); 5% exercise on third anniversary; 5% exercise in years 4 to 10 (on reducing balance method) and the balance of options exercised at maturity (year 10) if "in the money".

Note (b)

The expected volatility is based upon the movement in the share price over a certain period until the grant date. The length of the period is close to the expected term of the option granted.

Note (c)

The expected dividend yield is based upon dividends announced in the 12 months prior to grant calculated as a percentage of the share price on the date of grant.

19 Interest-bearing borrowings

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Term loans	20	**2,281,369**	1,707,042	**1,289,116**	606,711
Finance lease creditors	21	**213**	6,561	**15**	20
Bonds and notes	22	**1,597,367**	1,557,215	**529,643**	517,799
Bank loans	23	**151,682**	75,281	**151,682**	75,281
Bank overdrafts	14	**1,036**	2,319	**–**	–
		4,031,667	3,348,418	**1,970,456**	1,199,811
Repayable:					
- Within 1 year		**796,290**	1,031,471	**351,647**	610,427
- After 1 year but within 5 years		**3,180,132**	2,316,947	**1,566,887**	589,384
- After 5 years		**55,245**	–	**51,922**	–
		4,031,667	3,348,418	**1,970,456**	1,199,811

20 Term loans

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Secured		**423,951**	682,277	**–**	–
Unsecured		**1,857,418**	1,024,765	**1,289,116**	606,711
	19	**2,281,369**	1,707,042	**1,289,116**	606,711
Repayable:					
- Within 1 year		**418,802**	533,767	**50,000**	277,169
- After 1 year but within 5 years		**1,859,244**	1,173,275	**1,239,116**	329,542
- After 5 years		**3,323**	–	**–**	–
		2,281,369	1,707,042	**1,289,116**	606,711

The term loans are obtained from banks and financial institutions.

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Secured term loans				
Repayable:				
- Within 1 year	**1,086**	256,083	**–**	–
- After 1 year but within 5 years	**419,542**	426,194	**–**	–
- After 5 years	**3,323**	–	**–**	–
	423,951	682,277	**–**	–

20 Term loans (cont'd)

The secured term loans are generally secured by:

- mortgages on the borrowing subsidiaries' development, investment and hotel properties (see Notes 10, 4 and 3); and

- assignment of all rights and benefits to sale, lease and insurance proceeds in respect of development, investment and hotel properties.

The Group's secured term loans bear interest at rates ranging from 2.33% to 9.37% (2006: 3.38% to 8.17%) per annum during the year.

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Unsecured term loans				
Repayable:				
- Within 1 year	**417,716**	277,684	**50,000**	277,169
- After 1 year but within 5 years	**1,439,702**	747,081	**1,239,116**	329,542
	1,857,418	1,024,765	**1,289,116**	606,711

The Group's unsecured term loans bear interest at rates ranging from 1.14% to 7.42% (2006: 0.41% to 7.42%) per annum during the year. The Company's unsecured term loans bear interest at rates ranging from 1.85% to 4.57% (2006: 0.54% to 4.77%) per annum during the year.

21 Finance lease creditors

At the balance sheet date, the Group and the Company had obligations under finance leases that are repayable as follows:

	Note	Principal $'000	Interest $'000	Payments $'000
Group				
2007				
Repayable:				
- Within 1 year		70	4	74
- After 1 year but within 5 years		143	6	149
	19	213	10	223
2006				
Repayable:				
- Within 1 year		6,351	1,109	7,460
- After 1 year but within 5 years		210	22	232
	19	6,561	1,131	7,692
Company				
2007				
Repayable:				
- Within 1 year		6	1	7
- After 1 year but within 5 years		9	–	9
	19	15	1	16
2006				
Repayable:				
- Within 1 year		5	1	6
- After 1 year but within 5 years		15	1	16
	19	20	2	22

Under the terms of the lease agreements, no contingent rents are payable. The Group's and the Company's finance lease obligations bear interest at rates ranging from 3.33% to 8.00% (2006: 2.70% to 7.96%) and 6.51% (2006: 6.51%) per annum respectively during the year.

22 Bonds and notes

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Secured		**454,947**	475,194	**–**	–
Unsecured		**1,142,420**	1,082,021	**529,643**	517,799
	19	**1,597,367**	1,557,215	**529,643**	517,799
Repayable:					
- Within 1 year		**224,700**	413,753	**149,959**	257,972
- After 1 year but within 5 years		**1,320,745**	1,143,462	**327,762**	259,827
- After 5 years		**51,922**	–	**51,922**	–
		1,597,367	1,557,215	**529,643**	517,799
Secured bonds and notes					
Repayable:					
- Within 1 year		**–**	125,780	**–**	–
- After 1 year but within 5 years		**454,947**	349,414	**–**	–
		454,947	475,194	**–**	–

Secured bonds and notes comprise the following:

(i) $105 million (2006: $125 million) non-guaranteed secured notes (Notes) issued by a subsidiary bearing interest at rates of 5.49% to 6.11% (2006: 4.95% to 5.69%) per annum during the year. The Notes are redeemable at their principal amounts in February 2010 and are secured by a mortgage on the land and hotel building of a subsidiary and an assignment of insurance proceeds in respect of insurance over the said property; and

(ii) $350 million (2006: $350 million) medium term notes (MTNs) which comprise 4 series of notes issued by a subsidiary as part of a $700 million secured MTN programme established in 2001. The MTNs bear interest at rates ranging from 3.73% to 3.88% (2006: 3.73% to 3.88%) per annum and are secured by a mortgage over the commercial building and land jointly owned by two subsidiaries, as well as rental and insurance proceeds to be derived from the said properties. Unless previously redeemed or purchased and cancelled, the MTNs are redeemable at their principal amounts on their respective maturity dates from January 2009 to October 2011 (2006: January 2009 to October 2011).

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Unsecured bonds and notes				
Repayable:				
- Within 1 year	**224,700**	287,973	**149,959**	257,972
- After 1 year but within 5 years	**865,798**	794,048	**327,762**	259,827
- After 5 years	**51,922**	–	**51,922**	–
	1,142,420	1,082,021	**529,643**	517,799

Unsecured bonds and notes comprise:

(i) $530 million (2006: $518 million) MTNs which comprise 10 series of notes issued by the Company at various interest rates as part of a $700 million unsecured MTN programme established in 1999. The MTNs bear interest at rates ranging from 2.35% to 5.50% (2006: 2.35% to 5.50%) per annum. Unless previously redeemed or purchased and cancelled, the MTNs are redeemable at their principal amounts on their respective maturity dates from February 2008 to November 2014 (2006: from February 2007 to June 2010);

(ii) $613 million (2006: $564 million) MTNs which comprise 12 series of notes issued by a subsidiary as part of a $1 billion unsecured MTN programme established in 2002 bearing interest at rates ranging from 3.02% to 7.12% (2006: 2.70% to 6.37%) per annum. Unless previously redeemed or purchased and cancelled, the MTNs are redeemable at their principal amounts on their respective maturity dates from December 2008 to September 2012 (2006: from June 2007 to April 2011).

23 Bank loans

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Bank loans (unsecured)					
repayable within 1 year	19	**151,682**	75,281	**151,682**	75,281

Interest is charged at 0.66% to 3.79% (2006: 0.31% to 3.96%) per annum during the year.

24 Employee benefits

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Net liability for:				
- defined benefit obligations	**36,785**	45,178	**–**	–
- short-term accumulating compensated absences	**15,472**	15,988	**1,625**	1,477
- long service leave	**460**	348	**–**	–
	52,717	61,514	**1,625**	1,477
Repayable:				
- Within 1 year	**15,718**	16,336	**1,625**	1,477
- After 1 year	**36,999**	45,178	**–**	–
	52,717	61,514	**1,625**	1,477

Net liability for defined benefit obligations

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Present value of unfunded obligations	**14,789**	19,867	**–**	–
Present value of funded obligations	**110,891**	112,352	**–**	–
Fair value of plan assets	**(88,895)**	(87,041)	**–**	–
Liability for defined benefit obligations	**36,785**	45,178	**–**	–

The Group operates various funded pension schemes which are established in accordance with local conditions and practices within the countries concerned. The most significant funds are described below:

United Kingdom (UK)

The Group makes contributions to a pension scheme (the Millennium & Copthorne Pension Plan) for its UK employees, which was set up in 1993. The scheme is a funded defined benefit arrangement with different categories of membership. The Trustees of the Plan have appointed Russell Investments Ltd (formerly known as The Frank Russell Company Limited) and Legal and General Investment Management Limited as the investment managers of the Millennium & Copthorne Pension Plan. The assets of the Millennium & Copthorne Pension Plan are held separately from those of the Group.

24 Employee benefits (cont'd)

United Kingdom (UK) (cont'd)

The contributions required are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 6 April 2005 and this has been updated on an approximate basis to 31 December 2007. The contributions of the Group during the year were 20.5% (2006: 20.5%) of pensionable salary, plus enhanced contributions of $3.3 million (£1.1 million) per annum to remove the plan's deficit. The same rate of contribution is expected to be paid during 2008.

As the defined benefit section is closed to new entrants, the current service cost, as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll. The assumptions which have the most significant effect on the results of the valuation are those relating to mortality, the discount rate and the rates of increase in salaries and pensions.

Korea

The Group makes contributions to a defined benefit pension plan for its employees. The contributions required are determined by an external qualified actuary using the projected unit credit method. The most recent valuation was carried out on 31 December 2007. The contributions of the Group were 10.9% (2006: 17.0%) of the employees' earnings. The assumptions which have the most significant effect on the results of the valuations are those relating to the discount rate and the rate of increase in salaries.

Taiwan

The Group makes contributions to a defined benefit pension plan for its employees. The contributions required are determined by an external qualified actuary using the projected unit credit method. The most recent valuation was carried out on 31 December 2007. The contributions of the Group were 6% (2006: 6%) of the employees' earnings. The assumptions which have the most significant effect on the results of the valuations are those relating to the discount rate and the rate of increase in salaries.

The assets of each scheme have been taken at market value and the liabilities have been calculated using the following principal assumptions:

	2007 UK	**2007 Korea**	**2007 Taiwan**	**2006 UK**	**2006 Korea**	**2006 Taiwan**
Inflation rate	3.20%	2.50%	–	3.10%	2.30%	–
Discount rate*	5.90%	7.00%	2.75%	5.23%	5.00%	2.50%
Rate of salary increase	3.70%	5.00%	3.00%	3.60%	5.00%	3.00%
Rate of pension increases	3.20%	–	–	3.10%	–	–
Annual expected return on plan assets	7.24%	5.00%	2.75%	6.17%	4.00%	2.50%

The life expectancies underlying the value of the accrued liabilities for the Millennium & Copthorne Pension Plan, based on retirement age of 65, are as follows:

	2007 years	**2006 years**
Males	**25**	22
Females	**28**	25

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily borne out in practice. The present value of the schemes' liabilities are derived from cash flow projections over long periods and are inherently uncertain. The expected annual return on UK plan assets for 2007 of 7.24% (2006: 6.17%) has been calculated using a 7.70% (2006: 6.48%) return on equity (representing 75% (2006: 75%) of the plan assets) and a 5.90% (2006: 5.23%) return on bonds (representing 25% (2006: 25%) of the plan assets).

* The discount rate used in respect of the UK pension scheme of 5.90% (2006: 5.23%) was based on the yield of the Merrill Lynch over-15 year AA rated corporate bond index.

24 Employee benefits (cont'd)

	Group 2007 $'000	Group 2006 $'000
Expense recognised in the income statement		
Current service costs	**5,754**	5,503
Interest on obligations	**6,214**	5,833
Expected return on plan assets	**(4,868)**	(4,104)
Defined benefit obligation expenses	**7,100**	7,232
The expense is recognised in the following line items in the income statement:		
Cost of sales	**3,201**	2,342
Administrative expenses	**3,275**	4,690
Other operating expenses	**624**	200
Defined benefit obligation expenses	**7,100**	7,232
Actual return on plan assets	**3,152**	5,235
Actuarial losses recognised directly in equity		
Cumulative amount at 1 January	**22,176**	17,724
Recognised during the year	**(1,988)**	4,452
Cumulative amount at 31 December	**20,188**	22,176
Changes in the present value of defined benefit obligations		
Defined benefit obligations as at 1 January	**132,219**	123,063
Actuarial (gains)/losses	**(3,703)**	5,583
Benefits paid	**(9,060)**	(10,248)
Contributions received	**304**	325
Interest cost	**6,214**	5,833
Service cost	**5,754**	5,503
Translation differences on consolidation	**(6,048)**	2,160
Defined benefit obligations at 31 December	**125,680**	132,219
Changes in the fair value of plan assets		
Fair value of plan assets at 1 January	**87,041**	77,186
Expected return	**4,868**	4,104
Actuarial (losses)/gains	**(1,715)**	1,131
Contributions by employees	**304**	325
Contributions by employer	**12,057**	12,342
Benefits paid	**(8,750)**	(9,923)
Translation differences on consolidation	**(4,910)**	1,876
Fair value of plan assets at 31 December	**88,895**	87,041

24 Employee benefits (cont'd)

The fair values of plan assets in each category are as follows:

	Group	
	2007	**2006**
	$'000	**$'000**
Equity	**49,190**	48,067
Bonds	**16,278**	15,465
Cash	**23,427**	23,509
Fair value of plan assets	**88,895**	87,041

Trend analysis

Amounts for the current and previous four periods are as follows:

	2003	**2004**	**2005**	**2006**	**2007**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Present value of defined benefit obligations	(93,141)	(112,989)	(123,063)	(132,219)	(125,680)
Fair value of plan assets	61,993	71,252	77,186	87,041	88,895
Deficit in the plan	(31,148)	(41,737)	(45,877)	(45,178)	(36,785)
Experience adjustments on plan liabilities	(2,950)	(597)	(714)	2,158	(1,871)
Changes in assumptions underlying the present value of plan liabilities	1,812	(10,248)	(12,955)	(7,741)	5,574
Actual return less expected return on plan assets	3,479	402	6,388	1,131	(1,716)

25 Other liabilities

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Advances from minority shareholders of subsidiaries (unsecured and interest charged at 1.5% per annum for 2006)	**–**	125	**–**	–
Deferred real estate tax payable in 10 equal annual instalments commencing in July 1999	**3,892**	6,115	**–**	–
Miscellaneous (principally deposits received and payables)	**14,051**	14,619	**–**	–
Rental deposits	**38,902**	27,313	**4,198**	2,957
Non-current retention sums payable	**20,130**	7,649	**17,138**	7,113
	76,975	55,821	**21,336**	10,070
Repayable:				
- Within 1 year	**2,236**	2,498	**–**	–
- After 1 year	**74,739**	53,323	**21,336**	10,070
	76,975	55,821	**21,336**	10,070

26 Provisions

	Onerous contracts $'000	Capital expenditure $'000	Total $'000
Group			
At 1 January 2007	5,119	2,785	7,904
Provisions made	75	10,152	10,227
Provisions utilised	(990)	(3,917)	(4,907)
Translation differences on consolidation	(174)	36	(138)
At 31 December 2007	4,030	9,056	13,086
Current			9,622
Non-current			3,464
			13,086

The onerous contracts relate to an onerous lease and the balance will be released over the life of the lease until 2014.

The provisions for capital expenditure relate to the Group's obligations to incur capital expenditure under the term of the hotel operating agreements.

27 Deferred tax liabilities

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

	At 1 January 2006, as previously reported $'000	Effect on the adoption of FRS 40 $'000	At 1 January 2006, restated $'000	Recognised in income statement (Note 31) $'000	Recognised in equity $'000	Transfer to provision for taxation $'000	Transfer to investments in associates $'000	Translation differences on consolidation $'000	At 31 December 2006, restated $'000
Group									
Deferred tax liabilities									
Property, plant and equipment	502,290	(34,821)	467,469	6,537	–	–	(840)	(14,676)	458,490
Investment properties	–	34,821	34,821	53	–	–	–	(454)	34,420
Financial assets	4,953	–	4,953	–	962	–	–	–	5,915
Development properties	(4,619)	–	(4,619)	18,124	–	–	–	–	13,505
Others	(6,758)	–	(6,758)	7,940	–	(36)	–	–	1,146
	495,866	–	495,866	32,654	962	(36)	(840)	(15,130)	513,476
Deferred tax assets									
Property, plant and equipment	–	–	–	(35)	–	–	–	1	(34)
Tax losses	(53,765)	–	(53,765)	20,929	–	–	–	3,059	(29,777)
Others	(8,552)	–	(8,552)	(12,884)	–	–	–	238	(21,198)
	(62,317)	–	(62,317)	8,010	–	–	–	3,298	(51,009)
	433,549	–	433,549	40,664	962	(36)	(840)	(11,832)	462,467

27 Deferred tax liabilities (cont'd)

	At 1 January 2007, as previously reported $'000	Effect on the adoption of FRS 40 $'000	At 1 January 2007, restated $'000	Recognised in income statement (Note 31) $'000	Recognised in equity $'000	Transfer to investments in associates $'000	Translation differences on consolidation $'000	At 31 December 2007 $'000
Group								
Deferred tax liabilities								
Property, plant and equipment	492,910	(34,420)	458,490	(50,212)	–	864	(19,742)	389,400
Investment properties	–	34,420	34,420	(635)	–	–	(309)	33,476
Financial assets	5,915	–	5,915	–	(437)	–	–	5,478
Development properties	13,505	–	13,505	29,932	–	–	–	43,437
Others	1,146	–	1,146	2,213	36	–	–	3,395
	513,476	–	513,476	(18,702)	(401)	864	(20,051)	475,186
Deferred tax assets								
Property, plant and equipment	(34)	–	(34)	26	–	–	–	(8)
Tax losses	(29,777)	–	(29,777)	7,385	–	–	622	(21,770)
Others	(21,198)	–	(21,198)	(11,203)	1,704	–	943	(29,754)
	(51,009)	–	(51,009)	(3,792)	1,704	–	1,565	(51,532)
	462,467	–	462,467	(22,494)	1,303	864	(18,486)	423,654

	At 1 January 2006, as previously reported $'000	Effect on the adoption of FRS 40 $'000	At 1 January 2006, restated $'000	Recognised in income statement $'000	Recognised in equity $'000	At 31 December 2006, restated $'000
Company						
Deferred tax liabilities						
Property, plant and equipment	19,618	(3,200)	16,418	(16,240)	–	178
Investment properties	–	3,200	3,200	136	–	3,336
Financial assets	4,442	–	4,442	–	366	4,808
Development properties	(4,619)	–	(4,619)	18,124	–	13,505
Others	996	–	996	132	–	1,128
	20,437	–	20,437	2,152	366	22,955

	At 1 January 2007, as previously reported $'000	Effect on the adoption of FRS 40 $'000	At 1 January 2007, restated $'000	Recognised in income statement $'000	Recognised in equity $'000	At 31 December 2007 $'000
Deferred tax liabilities						
Property, plant and equipment	3,514	(3,336)	178	277	–	455
Investment properties	–	3,336	3,336	(298)	–	3,038
Financial assets	4,808	–	4,808	–	(530)	4,278
Development properties	13,505	–	13,505	23,562	–	37,067
Others	1,128	–	1,128	33	–	1,161
	22,955	–	22,955	23,574	(530)	45,999

27 Deferred tax liabilities (cont'd)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts, determined after appropriate offsetting, are as follows:

		Group		Company	
	Note	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Deferred tax assets	9	**3,158**	4,800	**–**	–
Deferred tax liabilities		**(426,812)**	(467,267)	**(45,999)**	(22,955)
		(423,654)	(462,467)	**(45,999)**	(22,955)

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom:

	Group	
	2007 $'000	2006 $'000
Deductible temporary differences	**47,821**	103,007
Tax losses	**120,351**	116,581
	168,172	219,588

The deductible temporary differences do not expire under current tax legislations. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate.

The tax losses with expiry dates are as follows:

	Group	
	2007 $'000	2006 $'000
Expiry dates		
- Within 1 to 5 years	**6,917**	902

28 Trade and other payables

		Group		Company	
	Note	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade payables		**103,184**	94,358	**18,113**	8,638
Deferred income		**42,408**	42,692	**581**	640
Accruals		**329,832**	286,332	**131,642**	109,451
Other payables		**42,331**	54,685	**883**	2,869
Rental and other deposits		**29,575**	38,851	**2,545**	12,755
Retention sums payable		**7,389**	9,812	**5,744**	9,089
Amounts owing to:					
- subsidiaries	5	**–**	–	**90,407**	383,328
- an associate	6	**6,067**	5,222	**–**	8
- jointly-controlled entities	7	**23,773**	40,479	**–**	15,475
- fellow subsidiaries	13	**443**	210	**17**	–
		585,002	572,641	**249,932**	542,253

29 Revenue

Revenue of the Group includes property development income, income from owning and operating hotels, gross rental income, income from provision of information technology and procurement services, dividend income, project management and consultancy fees, property management fees, club income and net results from sale of investments but excludes intra-group transactions.

Property development income consists mainly of sale proceeds of commercial and residential properties and projects under development.

	Group	
	2007	**2006**
	$'000	**$'000**
Dividends from investments:		
- fellow subsidiaries		
- quoted	**4,243**	2,502
- unquoted	**3,375**	2,532
- others		
- quoted equity investments	**6,406**	2,901
- unquoted equity investments	**126**	1,712
Hotel operations	**1,986,513**	1,846,378
Property development	**861,791**	484,980
Rental and car park income from investment properties	**201,467**	168,066
Others	**42,185**	37,733
	3,106,106	2,546,804

30 Profit for the year

The following items have been included in arriving at profit for the year:

	Group	
	2007	**2006**
	$'000	**$'000**
Other operating income		
Business interruption insurance proceeds	**–**	15,928
Exchange gain (net)	**–**	6,043
Gain on dilution and disposal of investment in an associate	**8,228**	–
Management fees and miscellaneous income	**18,852**	11,762
Profit on sale of investments	**310**	205
Profit on sale of property, plant and equipment and long leasehold interests in hotels	**1,812**	153,581
	29,202	187,519
Staff costs		
Wages and salaries	**771,402**	734,790
Contributions to defined contribution plans	**27,469**	16,340
Increase in liability for defined benefit plans	**7,100**	7,232
Value of employee services received for issue of share options	**2,340**	1,822
Increase/(Decrease) in liability for long service leave	**32**	(23)
Increase in liability for short-term accumulating compensated absences	**65**	164
	808,408	760,325
Less:		
Staff costs capitalised in:		
- development properties	**(1,026)**	(1,039)
- property, plant and equipment	**(197)**	(73)
	807,185	759,213

30 Profit for the year (cont'd)

	Group 2007 $'000	Group 2006 $'000
Other expenses		
Allowance for foreseeable losses on development properties made/(written back)	**16,783**	(38,561)
Amortisation of intangible assets	**12**	14
Amortisation of upfront premiums on long leasehold land of hotel properties	**2,223**	2,314
Depreciation of:		
- investment properties	**42,989**	45,684
- property, plant and equipment	**90,915**	104,060
Direct operating expenses arising from rental of investment properties (excluding depreciation)	**74,308**	63,352
Exchange loss (net)	**8,711**	–
Write-back of impairment losses on investment properties (net)	**(75,017)**	(822)
Impairment losses on property, plant and equipment	**20,320**	10,042
Charge/(Write-back) of impairment losses on:		
- trade and other receivables	**50**	(795)
- deposits	**–**	3,133
- amounts owing by jointly-controlled entities	**(43,578)**	32,700
Loss on liquidation of a jointly-controlled entity	**24**	1,247
Non-audit fees		
- auditors of the Company	**827**	503
- other auditors of the subsidiaries	**2,300**	1,801
Operating lease expenses	**113,161**	37,944
Property, plant and equipment written off	**22,163**	3,429
Finance income		
Interest income		
- associates	**150**	–
- fellow subsidiaries	**578**	721
- fixed deposits with financial institutions	**33,604**	24,827
- jointly-controlled entities	**7,304**	6,093
- others	**104**	1,303
Mark-to-market gain on financial assets held for trading (net)	**7,427**	8,919
Others	**51**	605
Total finance income carried forward	**49,218**	42,468

30 Profit for the year (cont'd)

	Group 2007 $'000	Group 2006 $'000
Total finance income brought forward	**49,218**	42,468
Finance costs		
Interest expense		
- banks	**87,048**	82,174
- bonds and notes	**65,760**	66,278
- others	**588**	4,619
Amortisation of transaction costs capitalised	**3,639**	3,633
Mark-to-market loss on financial assets held for trading	**3,264**	–
Others	**105**	–
Total finance costs	**160,404**	156,704
Finance costs capitalised in development properties and property, plant and equipment	**(40,918)**	(17,986)
Finance costs charged to income statement	**119,486**	138,718
Net finance costs	**70,268**	96,250

Included in the mark-to-market loss on financial assets held for trading is a loss of $6,299,000 (2006: gain of $5,998,000) recognised on shares of a listed subsidiary which are held by the Group for trading purposes. As these shares are held for trading purposes, and not as part of the controlling block of shares held in the subsidiary, the relevant portion of equity represented is not consolidated.

Finance costs of the Group and the Company have been capitalised at rates ranging from 0.37% to 6.27% (2006: 0.37% to 6.00%) and 0.37% to 4.57% (2006: 0.37% to 4.77%) per annum respectively for development properties and property, plant and equipment.

31 Income tax expense

	Note	Group 2007 $'000	Group 2006 $'000
Current tax expense			
Current year		**97,116**	96,378
Overprovision in respect of prior years		**(9,228)**	(7,730)
		87,888	88,648
Deferred tax expense			
Movements in temporary differences		**58,684**	39,853
Effect of changes in tax rates and legislations		**(59,421)**	18
(Over)/Underprovision in respect of prior years		**(21,757)**	5,575
Recognition of previously unrecognised deferred tax assets		**–**	(4,782)
	27	**(22,494)**	40,664
Total income tax expense		**65,394**	129,312

31 Income tax expenses (cont'd)

	Group 2007 $'000	Group 2006 $'000
Reconciliation of effective tax rate		
Profit before income tax	**954,613**	692,278
Income tax using Singapore tax rate of 18% (2006: 20%)	**171,830**	138,456
Income not subject to tax	**(67,879)**	(62,893)
Expenses not deductible for tax purposes		
- expenses	**33,003**	25,288
- write-back	**(14,130)**	–
Effect of changes in tax rates and legislations	**(59,421)**	18
Effect of different tax rates in other countries	**19,186**	28,596
Effect of share of results of jointly-controlled entities	**9,135**	2,646
Unrecognised deferred tax assets	**4,086**	7,388
Tax effect of losses not allowed to be set off against future taxable profits	**1,808**	2,425
Tax incentives	**(131)**	(32)
Utilisation of previously unrecognised deferred tax assets	**(1,108)**	(5,643)
Overprovision in respect of prior years	**(30,985)**	(2,155)
Recognition of previously unrecognised deferred tax assets	**–**	(4,782)
	65,394	129,312

32 Earnings per share

Basic earnings per share is calculated based on:

	Group 2007 $'000	Group 2006 $'000
Profit attributable to shareholders	**724,993**	351,659
Less:		
Dividends on non-redeemable convertible non-cumulative preference shares	**(12,904)**	(12,904)
Profit attributable to ordinary shareholders after adjustment of non-redeemable convertible non-cumulative preference dividends	**712,089**	338,755

	Group 2007 Number of shares	Group 2006 Number of shares
Weighted average number of ordinary shares outstanding during the year	**909,301,330**	903,756,707
Bonus element of warrants exercised in 2006	**–**	11,657,443
Weighted average number of ordinary shares	**909,301,330**	915,414,150
Basic earnings per share	**78.3 cents**	37.0 cents

32 Earnings per share (cont'd)

Diluted earnings per share is based on:

	Group	
	2007	**2006**
	$'000	**$'000**
Profit attributable to shareholders after adjustment of non-redeemable convertible non-cumulative preference dividends	**712,089**	338,755
Add:		
Dividends on non-redeemable convertible non-cumulative preference shares	**12,904**	12,904
Net profit used for computing diluted earnings per share	**724,993**	351,659

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding bonus warrants and conversion of the non-redeemable convertible non-cumulative preference shares, with the potential ordinary shares weighted for the period outstanding.

The effect of the potential ordinary shares on the weighted average number of ordinary shares in issue is as follows:

	Group	
	2007 Number of shares	**2006 Number of shares**
Weighted average number of ordinary shares issued used in the calculation of basic earnings per share	**909,301,330**	915,414,150
Potential ordinary shares issuable under non-redeemable convertible non-cumulative preference shares	**44,998,898**	44,998,898
Weighted average number of ordinary shares issued and potential shares assuming full conversion	**954,300,228**	960,413,048
Diluted earnings per share	**76.0 cents**	36.6 cents

33 Dividends

	Company	
	2007	**2006**
	$'000	**$'000**
Special final ordinary dividend paid of 10.0 cents (2006: 5.0 cents) per ordinary share less tax at 18% (2006: 20%) in respect of financial year ended 31 December 2006	**74,563**	36,338
Final ordinary dividend paid of 7.5 cents (2006: 7.5 cents) per ordinary share less tax at 18% (2006: 20%) in respect of financial year ended 31 December 2006	**55,922**	54,507
Special interim ordinary dividend paid of 10.0 cents (2006: 7.5 cents) per ordinary share less tax at 18% (2006: 20%) in respect of financial year ended 31 December 2007	**74,563**	54,558
Non-cumulative preference dividend paid of 2.35 cents (2006: 2.41 cents) per preference share less tax at 18% (2006: 20%)	**6,386**	6,386
Non-cumulative preference dividend paid of 2.40 cents (2006: 2.46 cents declared) per preference share less tax at 18% (2006: 20%)	**6,518**	6,518
	217,952	158,307

33 Dividends (cont'd)

After the balance sheet date, the directors proposed the following ordinary dividends, which have not been provided for:

	Company	
	2007	**2006**
	$'000	**$'000**
Final tax exempt (one-tier) ordinary dividend of 7.5 cents per ordinary share (2006: 7.5 cents per ordinary share less tax at 18%)	**68,198**	55,922
Special final tax exempt (one-tier) ordinary dividend of 12.5 cents per ordinary share (2006: 10.0 cents per ordinary share less tax at 18%)	**113,663**	74,563
	181,861	130,485

34 Acquisition of subsidiaries

There were no acquisitions in the year ended 31 December 2007.

On 30 November 2006, the Group acquired the remaining 50% interest in three foreign jointly-controlled entities in the business of hotel operations for a consideration of $51,934,000. In December 2006, these entities contributed an additional net loss of $1,289,000 to the consolidated profit for the year. If the acquisition had occurred on 1 January 2006, the Group's revenue and profit for the year would have been $2,563,956,000 and $559,384,000 respectively.

There are no revisions to the purchase price allocation numbers that were included in the financial statements for the year ended 31 December 2006.

The effect of the acquisition of the subsidiaries is set out below:

	Carrying amounts 2006 $'000	**Fair value adjustments 2006 $'000**	**Recognised values 2006 $'000**
Property, plant and equipment (Note 3)	126,145	20,059	146,204
Consumable stocks	464	–	464
Trade debtors	1,712	–	1,712
Other current assets	4,621	–	4,621
Cash at bank	3,260	–	3,260
Trade and other payables	(10,067)	–	(10,067)
Amount owing to shareholder	(39,680)	–	(39,680)
Long term loan (secured)	(59,284)	–	(59,284)
Net identifiable assets	27,171	20,059	47,230
Amounts previously accounted for as jointly-controlled entities			4,704
Cash consideration paid, satisfied in cash			51,934
Cash acquired			(3,260)
Net cash outflow			48,674

35 Commitments

The Group and the Company had the following commitments as at the balance sheet date:

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Development expenditure contracted but not provided for in the financial statements	**1,100,209**	634,480	**679,896**	410,608
Capital expenditure contracted but not provided for in the financial statements	**161,600**	13,727	**–**	–
Commitment in respect of purchase of properties for which deposits have been paid	**8,025**	382,097	**–**	–
Capital contribution to an associate and a jointly-controlled entity	**86,679**	–	**–**	–

In addition, the Group and the Company had the following commitments:

(a) The Group holds a number of office facilities and hotel properties under operating leases. The leases typically run for an initial period of 1 to 30 years. The Group's and the Company's commitments for future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Within 1 year	**81,488**	85,064	**6,271**	3,509
After 1 year but within 5 years	**266,745**	275,509	**8,932**	2,147
After 5 years	**734,434**	642,956	**–**	–
	1,082,667	1,003,529	**15,203**	5,656

Contingent rents, generally determined based on a percentage of gross revenue and gross operating profit, of $43,727,000 (2006: $25,798,000) for the Group have been recognised as an expense in the income statement during the year.

(b) The Group and the Company lease out some of their investment properties. Non-cancellable operating lease rentals are receivable as follows:

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Within 1 year	**190,497**	137,161	**20,435**	13,722
After 1 year but within 5 years	**196,813**	169,364	**13,648**	12,879
After 5 years	**34,197**	11,283	**–**	–
	421,507	317,808	**34,083**	26,601

Contingent rents, generally determined based on a percentage of tenants' revenue, of $35,000 (2006: $77,000) and $Nil (2006: $42,000) have been recognised as income by the Group and the Company respectively in the income statement during the year.

(c) Certain subsidiaries of the Group have obligations with the relevant authorities in Malaysia to reduce their present 100% interest in two hotel-owning subsidiaries to 51%, by sale of equity to Malaysians by 31 December 2008.

36 Related parties

Other than as disclosed elsewhere in the financial statements, the transactions with related parties based on terms agreed between the parties are as follows:

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Interest received and receivable from:				
- subsidiaries	**–**	–	**18,627**	3,563
- jointly-controlled entities	**7,304**	6,093	**6,201**	6,904
	7,304	6,093	**24,828**	10,467
Management services fees received and receivable from:				
- subsidiaries	**–**	–	**1,628**	1,785
- fellow subsidiaries	**1,489**	1,347	**1,296**	1,071
- jointly-controlled entities	**7,353**	11,800	**5,821**	10,608
- an associate	**9,802**	3,531	**49**	19
	18,644	16,678	**8,794**	13,483
Maintenance services fees received and receivable from:				
- fellow subsidiaries	**112**	109	**–**	–
- jointly-controlled entities	**109**	608	**–**	–
	221	717	**–**	–
Recovery of costs from:				
- subsidiaries	**–**	–	**3,750**	2,520
- jointly-controlled entities	**235**	398	**235**	398
	235	398	**3,985**	2,918
Rental received and receivable from:				
- subsidiaries	**–**	–	**1,410**	982
- fellow subsidiaries	**814**	772	**1**	38
- an associate	**453**	189	**453**	189
- a related party	**127**	–	**–**	–
	1,394	961	**1,864**	1,209
Sale of properties to:				
- key management personnel and their immediate families by jointly-controlled entities	**–**	27,520	**–**	27,520
- key management personnel and their immediate families by a joint venture in which the Company is a venturer	**1,266**	1,993	**1,266**	1,993
- a key management personnel and his immediate family	**15,050**	–	**15,050**	–
	16,316	29,513	**16,316**	29,513

36 Related parties (cont'd)

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Sale of long leasehold interests in hotels and property, plant and equipment to:				
- a subsidiary	**–**	–	**–**	1,504
- an associate	**–**	846,300	**–**	234,100
	–	846,300	**–**	235,604
Interest paid and payable to a subsidiary	**–**	–	**814**	–
Management services fees paid and payable to:				
- immediate and ultimate holding company	**915**	447	**–**	–
- subsidiaries	**–**	–	**192**	1,583
	915	447	**192**	1,583
Maintenance services fees paid and payable to subsidiaries	**–**	–	**1,916**	1,941
Professional fees paid and payable to firms of which directors of the Company are members:				
- charged to income statement	**127**	147	**2**	8
- included as cost of property, plant and equipment and cost of development properties	**1,169**	333	**1,169**	329
	1,296	480	**1,171**	337
Rental paid and payable to:				
- subsidiaries	**–**	–	**3,753**	3,745
- a jointly-controlled entity	**739**	460	**–**	–
- an associate	**67,442**	26,408	**–**	–
	68,181	26,868	**3,753**	3,745
Short-term employee benefits paid and payable to key management personnel	**20,519**	12,281	**19,852**	11,618

37 Contingent liabilities (unsecured)

As at the balance sheet date, the Group and the Company have the following indemnities and guarantees in issue:

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Guarantee issued on behalf of a subsidiary which will expire in 2008	**–**	–	**33,287**	37,112
Indemnities given to financial institutions for performance guarantees issued on behalf of:				
- subsidiaries	**–**	–	**155,089**	120,710
- jointly-controlled entities	**18,756**	4,391	**18,756**	4,391
	18,756	4,391	**207,132**	162,213

38 Financial risk management

Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and market risk, including interest rate risk, foreign currency risk and equity price risk. The exposure to equity price risks is, however, insignificant to the Group.

The Group has a system of controls in place to maintain an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken for speculative purposes except for its use as hedging instruments where appropriate and cost efficient.

Credit risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of these financial assets.

Transactions involving financial instruments are entered into only with counterparties that are of acceptable credit quality. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The Group establishes an allowance for impairment that represents its estimate of the specific loss component in respect of trade and other receivables. The allowance account in respect of trade receivables and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

In relation to financial guarantees issued by the Company on behalf of its subsidiaries or jointly-controlled entities, the credit risk, being the principal risk to which the Company is exposed, represents the loss that would be recognised upon a default by the subsidiary or jointly-controlled entity.

There are no terms and conditions attached to the financial guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

At the balance sheet date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents, and credit facilities deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

38 Financial risk management (cont'd)

Liquidity risk (cont'd)

The following are the expected contractual undiscounted cash inflows/(outflows) of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Cash flows			
		Contractual cash flows	Within 1 year	Within 1 to 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
Group					
2007					
Non-derivative financial liabilities					
Term loans	2,281,369	2,521,389	484,153	2,033,384	3,852
Finance lease creditors	213	223	74	149	–
Bonds and notes	1,597,367	1,766,030	290,926	1,419,132	55,972
Bank loans	151,682	152,075	152,075	–	–
Trade and other payables (*)	212,762	212,762	212,762	–	–
Bank overdrafts	1,036	1,036	1,036	–	–
Other liabilities	76,975	76,975	2,236	73,260	1,479
	4,321,404	4,730,490	1,143,262	3,525,925	61,303
2006					
Non-derivative financial liabilities					
Term loans	1,707,042	1,904,795	607,978	1,296,817	–
Finance lease creditors	6,561	7,692	7,460	232	–
Bonds and notes	1,557,215	1,737,106	472,653	1,264,453	–
Bank loans	75,281	75,434	75,434	–	–
Trade and other payables (*)	243,617	243,617	243,617	–	–
Bank overdrafts	2,319	2,420	2,420	–	–
Other liabilities	55,821	55,821	2,498	41,531	11,792
	3,647,856	4,026,885	1,412,060	2,603,033	11,792
Company					
2007					
Non-derivative financial liabilities					
Term loans	1,289,116	1,434,510	85,110	1,349,400	–
Finance lease creditors	15	16	7	9	–
Bonds and notes	529,643	579,778	167,386	356,420	55,972
Bank loans	151,682	152,075	152,075	–	–
Trade and other payables (*)	117,709	117,709	117,709	–	–
Other liabilities	21,336	21,336	–	21,336	–
	2,109,501	2,305,424	522,287	1,727,165	55,972
2006					
Non-derivative financial liabilities					
Term loans	606,711	663,563	297,573	365,990	–
Finance lease creditors	20	22	6	16	–
Bonds and notes	517,799	551,588	272,063	279,525	–
Bank loans	75,281	75,434	75,434	–	–
Trade and other payables (*)	432,162	432,162	432,162	–	–
Other liabilities	10,070	10,070	–	10,070	–
	1,642,043	1,732,839	1,077,238	655,601	–

38 Financial risk management (cont'd)

Market risk

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

Interest rate risk

The Group's exposure to interest rate risk relates primarily to its interest-bearing financial assets and debt obligations. The Group adopts a policy of managing its interest rate exposure by maintaining a debt portfolio with both fixed and floating interest rates. Where appropriate, the Group uses interest rate derivatives to hedge its interest rate exposure for specific underlying debt obligations.

At 31 December 2007, the Group did not have interest rate swaps.

Interest rates analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, their nominal interest rates at the balance sheet date and carrying amounts are illustrated as below:

		Interest rates per annum		**Carrying amount**		
	Note	**Floating rate %**	**Fixed rate %**	**Floating rate $'000**	**Fixed rate $'000**	**Total $'000**
Group						
2007						
Financial assets						
Cash and cash equivalents		3.50 to 5.28	0.13 to 8.80	6,594	651,641	658,235
Amounts owing by jointly-controlled entities	7	–	0.60 to 4.75	–	494,588	494,588
Investments in debt securities held for trading	8	–	8.00	–	150	150
				6,594	1,146,379	1,152,973
Financial liabilities						
Bank overdrafts	14	9.20	–	(1,036)	–	(1,036)
Term loans	20					
- secured		2.33 to 9.37	–	(423,951)	–	(423,951)
- unsecured		1.14 to 6.66	–	(1,857,418)	–	(1,857,418)
Finance lease creditors	21	–	3.33 to 8.00	–	(213)	(213)
Bonds and notes	22					
- secured		6.04 to 6.11	3.73 to 3.88	(105,357)	(349,590)	(454,947)
- unsecured		3.02 to 7.12	2.92 to 5.50	(562,817)	(579,603)	(1,142,420)
Bank loans (unsecured)	23	1.24 to 2.85	–	(151,682)	–	(151,682)
				(3,102,261)	(929,406)	(4,031,667)
Total				(3,095,667)	216,973	(2,878,694)

38 Financial risk management (cont'd)

Interest rate risk (cont'd)

Interest rates analysis (cont'd)

	Note	Interest rates per annum Floating rate %	Interest rates per annum Fixed rate %	Carrying amount Floating rate $'000	Carrying amount Fixed rate $'000	Total $'000
Group						
2006						
Financial assets						
Cash and cash equivalents		0.50 to 7.20	0.50 to 7.70	38,463	672,914	711,377
Amounts owing by jointly-controlled entities	7	–	0.60 to 4.50	–	460,434	460,434
Investments in debt securities held for trading	8	–	2.62 to 6.00	–	12,270	12,270
				38,463	1,145,618	1,184,081
Financial liabilities						
Bank overdrafts	14	7.90 to 8.30	–	(2,319)	–	(2,319)
Term loans	20					
- secured		3.97 to 8.17	–	(682,277)	–	(682,277)
- unsecured		0.49 to 7.42	–	(1,024,765)	–	(1,024,765)
Finance lease creditors	21	–	2.70 to 7.96	–	(6,561)	(6,561)
Bonds and notes	22					
- secured		5.64	3.73 to 3.88	(125,780)	(349,414)	(475,194)
- unsecured		2.70 to 6.37	2.35 to 5.50	(602,214)	(479,807)	(1,082,021)
Bank loans (unsecured)	23	0.66 to 3.71	–	(75,281)	–	(75,281)
Advances from minority shareholders of subsidiaries	25	–	1.50	–	(125)	(125)
				(2,512,636)	(835,907)	(3,348,543)
Total				(2,474,173)	309,711	(2,164,462)

38 Financial risk management (cont'd)

Interest rate risk (cont'd)

Interest rates analysis (cont'd)

	Note	Interest rates per annum Floating rate %	Interest rates per annum Fixed rate %	Carrying amount Floating rate $'000	Carrying amount Fixed rate $'000	Total $'000
Company						
2007						
Financial assets						
Cash and cash equivalents		–	0.42 to 4.92	–	97,549	97,549
Amounts owing by:						
- subsidiaries	5	1.20 to 2.96	1.00 to 1.75	664,452	569,654	1,234,106
- jointly-controlled entities	7	–	1.50 to 2.50	–	370,618	370,618
				664,452	1,037,821	1,702,273
Financial liabilities						
Term loans (unsecured)	20	2.26 to 3.39	–	(1,289,116)	–	(1,289,116)
Finance lease creditors	21	–	6.51	–	(15)	(15)
Bonds and notes (unsecured)	22	–	2.92 to 5.50	–	(529,643)	(529,643)
Bank loans (unsecured)	23	1.24 to 2.85	–	(151,682)	–	(151,682)
				(1,440,798)	(529,658)	(1,970,456)
Total				(776,346)	508,163	(268,183)
2006						
Financial assets						
Cash and cash equivalents		–	2.95 to 5.26	–	87,056	87,056
Amounts owing by:						
- subsidiaries	5	0.67 to 3.97	1.00 to 1.75	60,753	326,703	387,456
- jointly-controlled entities	7	–	1.50 to 2.50	–	384,981	384,981
				60,753	798,740	859,493
Financial liabilities						
Term loans (unsecured)	20	3.96 to 4.57	–	(606,711)	–	(606,711)
Finance lease creditors	21	–	6.51	–	(20)	(20)
Bonds and notes (unsecured)	22	4.18 to 4.25	2.35 to 5.50	(67,992)	(449,807)	(517,799)
Bank loans (unsecured)	23	0.66 to 3.71	–	(75,281)	–	(75,281)
				(749,984)	(449,827)	(1,199,811)
Total				(689,231)	348,913	(340,318)

38 Financial risk management (cont'd)

Interest rate risk (cont'd)

Sensitivity analysis

For the variable rate financial assets and liabilities, a 100 bp increase at the balance sheet date would have the impact as shown below. A decrease in 100 bp in interest rate would have an equal but opposite effect. This analysis, which is based on average balance for the year of each interest-bearing financial asset and liability, assumes that all other variables, in particular foreign currency rates, remain constant and does not take into account effect of qualifying borrowing costs allowed for capitalisation.

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
100 basis points increase				
Profit before income tax (and accumulated profits)	**(22,840)**	(20,871)	**(10,844)**	(5,169)

There is no impact on other components of equity.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currency of the Group's entities. The currencies giving rise to this risk are primarily Singapore dollar, Euro, Japanese Yen, Sterling pound and United States dollar.

The Group has a decentralized approach to the management of foreign exchange risk. The Group manages its foreign exchange exposure by adopting a policy of matching receipts and payments, and asset purchases and borrowings, in the currency of the relavant entity, where possible. Entities in the Group may have different approaches to the identification and management of this risk. Entities in the Group may borrow in currencies other than their functional currencies to fund investments that are denominated in their borrowing currencies. As at the balance sheet date, there are such borrowings denominated in Singapore dollar and United States dollar. Forward foreign exchange contracts are used purely as a hedging tool, where an active market for the relevant currency exists, to minimise the Group's exposure to movements in exchange rates on firm commitments and specific transactions.

38 Financial risk management (cont'd)

Foreign currency risk (cont'd)

The Group's and Company's exposure to foreign currencies are as follows:

	Singapore dollar $'000	Sterling pound $'000	United States dollar $'000	Euro $'000	Japanese yen $'000	Others $'000
Group						
2007						
Financial assets	–	14,645	–	–	–	1,401
Other non-current assets [1]	–	–	5,397	–	–	–
Trade and other receivables [2]	268	237	2,330	27	–	–
Cash and cash equivalents	1,683	30,472	26,077	12,129	64	3,324
Interest-bearing borrowings	(408,863)	–	(289,509)	–	(28,902)	–
Trade and other payables	(136)	(12)	(1,614)	–	(3,987)	(87)
	(407,048)	45,342	(257,319)	12,156	(32,825)	4,638
2006						
Financial assets	–	19,037	–	5,105	839	817
Other non-current assets [1]	–	–	10,879	–	–	–
Trade and other receivables [2]	269	84	1,046	–	–	1,211
Cash and cash equivalents	3,779	15,080	15,490	2,821	89	2,301
Interest-bearing borrowings	(287,064)	–	(343,772)	–	(29,531)	–
Trade and other payables	(97)	(12)	(1,292)	–	(4,039)	(140)
	(283,113)	34,189	(317,649)	7,926	(32,642)	4,189

Note:
[1] Excluding deferred tax assets, intangible assets and lease premium prepayments.
[2] Excluding lease premium prepayments.

	United States dollar $'000	Hong Kong dollar $'000	Thai baht $'000	Japanese yen $'000	Others $'000
Company					
2007					
Other non-current assets	–	–	–	30,391	–
Trade and other receivables	15,739	(45)	–	110	(6)
Cash and cash equivalents	311	165	–	–	–
Interest-bearing borrowings	–	–	–	(28,902)	–
Trade and other payables	(26,786)	(11,409)	–	(29)	(62)
	(10,736)	(11,289)	–	1,570	(68)
2006					
Other non-current assets	–	–	–	30,676	–
Trade and other receivables	768	(19)	42,888	29	192
Cash and cash equivalents	6,097	1,765	–	–	92
Interest-bearing borrowings	–	–	–	(29,531)	–
Trade and other payables	(67,251)	(13,272)	–	(6)	(60)
	(60,386)	(11,526)	42,888	1,168	224

38 Financial risk management (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of the following major currencies against the functional currency of each of the Group's entities at the balance sheet date held by the Group and Company would increase/(decrease) profit or loss (and accumulated profits) and other components of equity (before any tax effect) by the amounts shown below. Similarly, a 10% weakening would have had the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2007		2006	
	Profit before income tax $'000	**Equity $'000**	**Profit before income tax $'000**	**Equity $'000**
Group				
Singapore dollar	**(40,705)**	**–**	(28,311)	–
Sterling pound	**4,315**	**220**	3,419	–
United States dollar	**(26,271)**	**540**	(32,852)	1,088
Euro	**1,216**	**–**	793	–
Japanese yen	**(3,283)**	**–**	(3,264)	–
Company				
United States dollar	**(1,074)**	**–**	(6,038)	–
Hong Kong dollar	**(1,129)**	**–**	(1,152)	–
Japanese yen	**157**	**–**	117	–

As at 31 December 2007, the Group has no outstanding forward exchange contracts (2006: $21 million).

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies are recognised in the income statement (see Note 2.7). The net fair value of forward exchange contracts used by the subsidiary as economic hedges of monetary assets and liabilities in foreign currencies at 31 December 2007 was $Nil (2006: $94,000). These amounts are recognised as derivative financial instruments in the balance sheet.

Estimation of fair values

Investments in equity and debt securities

The fair value of quoted investments that are classified as available for sale as well as quoted and unquoted investments held for trading are their quoted bid price at the balance sheet date. The fair values of unquoted securities classified as available for sale have not been determined as there is no quoted market price in an active market and other methods of determining fair value do not result in a reliable estimate.

38 Financial risk management (cont'd)

Estimation of fair values (cont'd)

Amounts owing by subsidiaries, associates and jointly-controlled entities

The fair values of amounts owing by subsidiaries, associates and jointly-controlled entities are estimated as the present value of future cash flows, discounted at market interest rates.

Derivatives

The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual period to maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. For finance leases, the market rate of interest is determined by reference to similar agreements.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and advances from minority shareholders of subsidiaries) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Recognised financial instruments

The aggregate net fair values of financial assets and liabilities which are not carried at fair values in the balance sheet as at 31 December are represented in the following table:

	2007 Carrying amount $'000	**2007 Fair value $'000**	**2006 Carrying amount $'000**	**2006 Fair value $'000**
Group				
Financial assets				
Amounts owing by jointly-controlled entities	**–**	**–**	13,755	8,859
Deposit receivables	**4,144**	**4,946**	3,993	3,883
	4,144	**4,946**	17,748	12,742
Financial liabilities				
Finance lease creditors	**–**	**–**	(6,535)	(6,427)
Bonds and notes				
- secured	**(349,590)**	**(355,647)**	(349,414)	(350,040)
- unsecured	**(529,606)**	**(526,880)**	(259,827)	(255,568)
Long-term deposits	**(13,794)**	**(10,587)**	(14,339)	(11,351)
	(892,990)	**(893,114)**	(630,115)	(623,386)
Total	**(888,846)**	**(888,168)**	(612,367)	(610,644)
Unrecognised gains		**678**		1,723

38 Financial risk management (cont'd)

Estimation of fair values (cont'd)

Recognised financial instruments (cont'd)

	2007 Carrying amount $'000	2007 Fair value $'000	2006 Carrying amount $'000	2006 Fair value $'000
Company				
Financial asset				
Amounts owing by subsidiaries				
- non-trade, interest free	**75,448**	**74,301**	48,031	44,603
- non-trade, interest bearing	**9,630**	**9,778**	–	–
	85,078	**84,079**	48,031	44,603
Financial liability				
Bonds and notes (unsecured)	**(479,644)**	**(481,202)**	(259,827)	(255,568)
Total	**(394,566)**	**(397,123)**	(211,796)	(210,965)
Unrecognised (losses)/ gains		**(2,557)**		831

39 Segment reporting

Business Segments

	Property development $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total $'000
2007					
Segment revenue	861,791	1,986,513	201,467	56,335	3,106,106
Segment results	247,332	274,261	116,242	30,068	667,903
Share of after-tax profit/(loss) of associates and jointly-controlled entities	258,989	11,161	17,326	(766)	286,710
Profit before income tax	506,321	285,422	133,568	29,302	954,613
Income tax expense					(65,394)
Profit for the year					889,219
Significant Non-Cash Transactions					
Depreciation	349	86,053	46,740	762	133,904
Amortisation	–	2,223	–	12	2,235
Impairment losses on property, plant and equitment and investment properties	–	20,320	(75,017)	–	(54,697)

39 Segment reporting (cont'd)

Business Segments (cont'd)

	Property development $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total $'000
2006					
Segment revenue	484,980	1,846,378	168,066	47,380	2,546,804
Segment results	132,430	387,796	22,535	34,649	577,410
Share of after-tax profit of an associate and jointly-controlled entities	93,381	8,802	7,512	5,173	114,868
Profit before income tax	225,811	396,598	30,047	39,822	692,278
Income tax expense					(129,312)
Profit for the year					562,966
Significant Non-Cash Transactions					
Depreciation	372	99,429	48,242	1,701	149,744
Amortisation	204	5,140	570	47	5,961
Impairment losses on property, plant and equitment and investment properties	–	10,042	(822)	–	9,220

39 Segment reporting (cont'd)

Business Segments (cont'd)

	Property development $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total $'000
2007					
Assets and Liabilities					
Segment assets	3,588,985	4,519,429	2,914,706	343,941	11,367,061
Investments in associates	–	(111,491)	341,926	47,180	277,615
Investments in jointly-controlled entities	355,987	185,916	11,454	(144)	553,213
	3,944,972	4,593,854	3,268,086	390,977	12,197,889
Tax recoverable					17,503
Deferred tax assets					3,158
Total assets					12,218,550
Segment liabilities	2,036,638	1,670,995	939,830	111,984	4,759,447
Deferred tax liabilities					426,812
Provision for taxation					115,894
Total liabilities					5,302,153
Capital expenditure	811	125,004	290,553	1,202	417,570
2006					
Assets and Liabilities					
Segment assets	2,663,888	4,968,210	2,622,923	338,540	10,593,561
Investment in an associate	–	(111,846)	228,836	–	116,990
Investments in jointly-controlled entities	188,395	98,104	12,237	(9,722)	289,014
	2,852,283	4,954,468	2,863,996	328,818	10,999,565
Deferred tax assets					4,800
Total assets					11,004,365
Segment liabilities	1,264,360	1,709,992	988,628	83,318	4,046,298
Deferred tax liabilities					467,267
Provision for taxation					110,701
Total liabilities					4,624,266
Capital expenditure	2,634	128,481	44,593	2,453	178,161

39 Segment reporting (cont'd)

Geographical Segments

	Asia $'000	North America and Europe $'000	Australia and New Zealand $'000	Total $'000
2007				
Revenue	1,676,282	1,243,230	186,594	3,106,106
Segment assets	8,595,421	3,085,467	517,001	12,197,889
Capital expenditure	342,349	43,524	31,697	417,570
2006				
Revenue	1,164,184	1,188,178	194,442	2,546,804
Segment assets	7,059,291	3,505,668	434,606	10,999,565
Capital expenditure	111,724	55,829	10,608	178,161

40 New accounting standards and interpretations not yet adopted

The Group has not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 23 *Borrowing Costs*
- FRS 108 *Operating Segments*
- INT FRS 111 *FRS 102 Group and Treasury Share Transactions*
- INT FRS 112 *Service Concession Arrangements*

FRS 23 will become effective for financial statements for the year ending 31 December 2009. FRS 23 removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group's current policy is consistent with the FRS 23 requirement to capitalise borrowing costs.

FRS 108 will become effective for financial statements for the year ending 31 December 2009. FRS 108, which replaces FRS 14 *Segment Reporting,* requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Currently, the Group presents segment information in respect of its business and geographical segments (see note 39). At this juncture, the Group is reviewing the presentation of segment disclosures in respect of operating segments as stipulated under FRS 108. As this is a disclosure standard, it will have no impact on the financial position of the Group when implemented in 2009.

Other than the change in disclosures relating to FRS 108, the initial application of these standards (and its consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

41 Significant investments

The following are the Group's significant investments:

	Principal Activity	Country of Incorporation	Effective Group Interest 2007 %	Effective Group Interest 2006 %
Subsidiaries				
Direct/Indirect Subsidiaries of the Company				
* 100G Pasir Panjang Road Pte Ltd	Property holding	Singapore	99	99
* Allinvest Holding Pte Ltd	Property owner	Singapore	100	100
* Aston Properties Pte Ltd	Property owner, developer and investment holding	Singapore	100	100
* Bloomsville Investments Pte Ltd	Property owner, developer and investment holding	Singapore	100	100
* CBM Pte. Ltd. (formerly known as City Building Management Pte Ltd)	Provision of building maintenance, security, cleaning and related services to commercial and residential buildings	Singapore	100	100
* CBM Parking Pte. Ltd.	Provision of carpark operation, management and related services	Singapore	100	100
* CDL Land Pte Ltd	Property owner and developer	Singapore	100	100
* CDL Management Services Pte. Ltd.	Provision of project and property management and consultancy services	Singapore	100	100
* CDL Properties Ltd	Property owner and investment holding	Singapore	100	100
* Central Mall Pte Ltd	Property owner	Singapore	100	100
* Cideco Pte. Ltd.	Property owner	Singapore	100	100
* City Capital Corporation Pte Ltd	Property owner	Singapore	100	100
* City Centrepoint Pte Ltd	Property owner and investment holding	Singapore	100	100
* City Condominiums Pte Ltd	Property owner, developer and investment holding	Singapore	100	100
* City Developments Realty Limited	Investment in shares and investment holding	Singapore	100	100
* City e-Solutions Limited	Investment holding and provision of consultancy services	Cayman Islands	52	52
* City Serviced Offices Pte. Ltd.	Operating serviced offices	Singapore	100	100

41 Significant investments (cont'd)

		Principal Activity	Country of Incorporation	Effective Group Interest 2007 %	Effective Group Interest 2006 %
Subsidiaries (cont'd)					
Direct/Indirect Subsidiaries of the Company (cont'd)					
*	Citydev Investments Pte. Ltd.	Investment in shares and investment holding	Singapore	100	100
*	Citydev Real Estate (Singapore) Pte Ltd	Property owner	Singapore	100	100
*	Cityview Place Holdings Pte. Ltd.	Property owner and developer	Singapore	100	100
*	Darfera Pte Ltd	Property owner and developer	Singapore	100	100
*	Eccott Pte Ltd	Investment holding and property owner	Singapore	100	100
***	Educado Company Limited	Investment in shares	Hong Kong	100	100
*	Elishan Investments Pte Ltd	Property owner	Singapore	100	100
*	Elite Holdings Private Limited	Property owner and developer	Singapore	100	100
*	Empire City Consultant Pte Ltd	Management of properties	Singapore	100	100
^	eMpire Investments Limited	Investment holding	Bermuda	100	100
*	Fairsteps Properties Pte. Ltd.	Property owner, developer and investment holding	Singapore	100	–
*	Glades Properties Pte. Ltd.	Property owner, developer and investment holding	Singapore	100	–
*	Guan Realty (Private) Limited	Property owner and developer	Singapore	100	100
*	Highgrove Investments Pte Ltd	Property owner	Singapore	100	100
*	Hong Leong Properties Pte. Limited	Property owner	Singapore	100	100
*	Island City Garden Development Pte. Ltd.	Property owner, developer and investment holding	Singapore	100	100
*	Land Equity Development Pte Ltd	Property owner	Singapore	100	100
**	Lingo Enterprises Limited	Property holding and property investment	Hong Kong	100	100
**	Millennium & Copthorne Hotels plc	Investment holding	United Kingdom	53	53
*	North Bridge Commercial Complex Pte Ltd	Property holding	Singapore	99	99
**	Pacific Height Enterprises Company Limited	Property investment	Hong Kong	100	100

41 Significant investments (cont'd)

	Principal Activity	Country of Incorporation	Effective Group Interest 2007 %	Effective Group Interest 2006 %
Subsidiaries (cont'd)				
Direct/Indirect Subsidiaries of the Company (cont'd)				
** Palmerston Holdings Sdn. Bhd.	Property owner and developer	Malaysia	51	51
^ Reach Across International Limited	Investment holding	British Virgin Islands	100	100
* Republic Plaza City Club (Singapore) Pte Ltd	Owner and operator of club	Singapore	100	100
* Singapura Developments (Private) Limited	Property owner, developer and investment holding	Singapore	100	100
* Sunshine Plaza Pte Ltd	Property owner, developer and investment holding	Singapore	100	100
* Target Realty Limited	Property owner, developer and investment holding	Singapore	99	99
**** Tianjin Trophy Real Estate Co., Ltd.	Property investment	People's Republic of China	100	–
* The Corporate Building Pte Ltd	Property holding	Singapore	99	99
* The Corporate Office Pte Ltd	Property holding	Singapore	99	99
* The Office Chamber Pte Ltd	Property holding	Singapore	99	99
^ Wideachieve Holdings Limited	Investment holding	British Virgin Islands	100	100
Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels plc				
** Anchorage-Lakefront Limited Partnership	Hotel owner	United States of America	53	53
** Bostonian Hotel Limited Partnership	Hotel owner	United States of America	53	53
** CDL (New York) LLC	Hotel owner	United States of America	53	53
** CDL Hotels (Chelsea) Limited	Hotel owner and operator	United Kingdom	53	53
** CDL Hotels (Korea) Ltd.	Hotel owner and operator	Republic of Korea	53	53
** CDL Hotels (Malaysia) Sdn. Bhd.	Hotel owner and operator	Malaysia	53	53
** CDL Hotels (U.K.) Limited	Hotel owner and operator	United Kingdom	53	53

41 Significant investments (cont'd)

	Principal Activity	Country of Incorporation	Effective Group Interest 2007 %	Effective Group Interest 2006 %
Subsidiaries (cont'd)				
Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels plc (cont'd)				
** CDL Hotels USA Inc.	Hotel investment holding company	United States of America	53	53
** CDL Investments New Zealand Limited	Investment and property/ management company	New Zealand	24	24
** CDL West 45th Street LLC	Hotel owner	United States of America	53	53
** Chicago Hotel Holdings, Inc.	Hotel owner and operator	United States of America	53	53
* City Hotels Pte. Ltd.	Hotel operator and investment holding company	Singapore	53	53
** Copthorne Hotel (Birmingham) Limited	Hotel owner and operator	United Kingdom	53	53
** Copthorne Hotel (Gatwick) Limited	Hotel owner and operator	United Kingdom	53	53
** Copthorne Hotel (Manchester) Limited	Hotel owner and operator	United Kingdom	53	53
** Copthorne Hotel (Newcastle) Limited	Hotel owner and operator	United Kingdom	50	50
** Copthorne Hotel (Slough) Limited	Hotel owner and operator	United Kingdom	53	53
** Copthorne Hotel Holdings Limited	Hotel investment holding company	United Kingdom	53	53
** Copthorne Hotels Limited	Hotel investment holding company	United Kingdom	53	53
* Copthorne Orchid Hotel Singapore Pte Ltd	Hotel owner and operator	Singapore	53	53
** Gateway Regal Holdings LLC	Hotel owner and operator	United States of America	53	53
** Grand Plaza Hotel Corporation	Hotel owner and operator and investment holding company	Philippines	35	35
* Harbour View Hotel Pte. Ltd.	Hotel operator	Singapore	53	53
** Hong Leong Hotel Development Limited	Hotel owner and operator	Taiwan	42	42
^ Hong Leong Hotels Pte Ltd.	Investment holding company	Cayman Islands	53	53

41 Significant investments (cont'd)

	Principal Activity	Country of Incorporation	Effective Group Interest 2007 %	Effective Group Interest 2006 %
Subsidiaries (cont'd)				
Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels plc (cont'd)				
** Hospitality Group Limited	Holding company	New Zealand	26	26
* Hospitality Holdings Pte. Ltd.	Investment holding company	Singapore	53	53
* King's Tanglin Shopping Pte. Ltd.	Property owner	Singapore	53	53
** London Britannia Hotel Limited	Hotel owner and operator	United Kingdom	53	53
** London Tara Hotel Limited	Hotel owner and operator	United Kingdom	53	53
** M&C Crescent Interests, LLC	Property owner	United States of America	53	53
** M&C Hotel Interest, Inc	Hotel management services company	United States of America	53	53
** M&C Hotels France SAS	Hotel owner	France	53	53
* M&C REIT Management Limited	REIT investment management services	Singapore	53	53
** Millennium & Copthorne Hotels New Zealand Limited	Hotel investment holding company	New Zealand	37	37
* Millennium & Copthorne International Limited	Hotels and resorts management	Singapore	53	53
** Quantum Limited	Holding company	New Zealand	26	26
* Republic Hotels & Resorts Limited	Hotel operator and investment holding company	Singapore	53	53
** RHM-88, LLC	Hotel owner and operator	United States of America	53	53
** WHB Biltmore LLC	Hotel owner and operator	United States of America	53	53
Direct/Indirect Subsidiaries of City e-Solutions Limited				
** Richfield Hospitality, Inc.	Investment holding and provision of hospitality related services	United States of America	52	52
** Sceptre Hospitality Resources, Inc.	Provision of reservation system services	United States of America	52	52
^ SWAN Holdings Limited	Investment holding	Bermuda	52	52
** SWAN USA, Inc.	Holding company	United States of America	52	52

41 Significant investments (cont'd)

	Principal Activity	Country of Incorporation	Effective Group Interest 2007 %	Effective Group Interest 2006 %
Associates				
Associate of Millennium & Copthorne Hotels plc				
* CDL Hospitality Trusts	See Note (1)	Singapore	20	21
Associate of City e-Solutions Limited				
# Tune Hospitality Investments FZCO	Developer and owner of a portfolio of "no-frills" limited service hotels in ASEAN	United Arab Emirates	21	-
Jointly-controlled Entities				
Jointly-controlled Entities of the Company				
* Aster Land Development Pte Ltd	Property development and investment dealing activities	Singapore	30	30
* Branbury Investments Ltd	Property owner	Singapore	43	43
* Burlington Square Investment Pte Ltd	Property owner	Singapore	25	25
* Burlington Square Properties Pte Ltd	Property sales and ownership	Singapore	25	25
* City Sunshine Holdings Pte. Ltd.	Property owner	Singapore	50	50
** Exchange Tower Ltd.	Investment holding	Thailand	39	39
* Glengary Pte. Ltd.	Property owner and developer	Singapore	50	50
# Grange 100 Pte. Ltd.	Property investment and owner	Singapore	40	–
* Granmil Holdings Pte Ltd	Property owner and developer	Singapore	40	40
** Krungthep Rimnam Ltd.	Hotel business	Thailand	49	49
** P.T. City Island Utama	Property owner and developer	Indonesia	30	30
* Richmond Hotel Pte Ltd	Property owner and developer	Singapore	33	33
# South Beach Consortium Pte. Ltd.	Investment holding	Singapore	33	–
* Summervale Properties Pte. Ltd.	Property owner and developer	Singapore	50	–
* TC Development Pte. Ltd.	Property developer and owner	Singapore	50	50
* Tomlinson Hotel Pte. Ltd.	Hotel owner	Singapore	33	33
* Tripartite Developers Pte. Limited	Property developer	Singapore	33	33

41 Significant investments (cont'd)

	Principal Activity	Country of Incorporation	Effective Group Interest 2007 %	Effective Group Interest 2006 %
Jointly-controlled Entities (cont'd)				
Jointly-controlled Entity of Millennium & Copthorne Hotels plc				
^ New Unity Holdings Limited	Investment holding company	British Virgin Islands	27	26
Jointly-controlled Entity of City e-Solutions Limited				
* Mindchamps Holdings Pte. Ltd.	Provision of education and learning related services	Singapore	26	-

* Audited by KPMG Singapore

** Audited by other member firms of KPMG International

*** Audited by S.Y. Yang & Company, Hong Kong

**** Audited by Sino-Reality Certified Public Accountants, People's Republic of China

^ Not subject to audit by law of country of incorporation

Auditors have not been appointed as at 31 December 2007

Note (1) CDL Hospitality Trusts is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("H-REIT"), a real estate investment trust, and CDL Hospitality Business Trust ("HBT"), a business trust. H-REIT has an investment strategy of investing directly or indirectly, in a diversified portfolio of income-producing real estate which is primarily used for hospitality and/or hospitality-related purposes, whether wholly or partially, and real-estate related assets in relation to the foregoing.

HBT is a business trust which is dormant. It exists primarily as a "master lessee of last resort" and will become active if H-REIT is unable to appoint a master lessee for any of the Singapore hotels in its portfolio at the expiry of the relevant master lease agreement or for a newly acquired hotel. HBT may also become active if it undertakes certain hospitality and hospitality-related development projects, acquisitions and investments which may not be suitable for H-REIT.

42 Comparative figures

Certain comparative figures have been restated due to the change in accounting policy as detailed in note 2.6. Certain items in the comparative figures have been reclassified to conform with the current year's presentation.