These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 9 March 2007.

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, 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 2006 relate to the Company and its subsidiaries (together referred to as the Group) and the Group's interests in an associate 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 are prepared in accordance with Singapore Financial Reporting Standards (FRS).

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 financial statements have been prepared on the historical cost basis, except that certain financial assets and financial liabilities are stated at fair value.

The preparation of financial statements 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 2.11	Measurement of recoverable amounts of hotel and rental properties
Note 2.16	Measurement of profit attributable to properties under development
Note 2.19	Estimation of provisions for current and deferred taxation
Note 34	Valuation of properties acquired in business combinations, and deferred taxes thereon
Note 38	Valuation of financial instruments that are not actively traded

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.

Associates and jointly-controlled entities

Associates are companies in which the Group has significant influence, but not control, over their financial and operating policies. 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 (collectively referred to as "equity accounted investees") 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 investments) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Consolidation (cont'd)

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 equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for 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.

2.3 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 transaction. 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.

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 2.6).

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 and loss arising on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

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 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
• Non-hotel buildings	–	50 years, or lease term if shorter
• Non-hotel leasehold land	–	Lease term of 85 to 96 years
Freehold and leasehold properties	–	50 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 2.11. Negative goodwill is recognised immediately in the income statement.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 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, except 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.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt 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 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.

Held-for-trading investments

Financial instruments are designated as held for trading 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 held for trading are measured at fair value, and changes therein are recognised in the income statement.

Other

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Financial instruments (cont'd)

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.

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 hedge 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 hedge 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 also is 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 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 value and the loan amount 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.

2.8 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.

2.9 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.

2.10 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Impairment

Impairment of financial assets

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 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.

Preference share capital

Preference shares are classified as equity if they are non-redeemable 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.

2.13 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 cost 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 employee 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 the terms of the Group's obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 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 payments

The share option programme allows the Group's employees to acquire shares of one of the Company's listed subsidiaries. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a stochastic model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to share prices not achieving the threshold for vesting.

2.14 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. The liability is expected to be incurred over 5 years.

2.15 Financial guarantee contracts

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 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	
	2006 **$'000**	**2005** **$'000**
Increase in revenue	**124,366**	177,900
Decrease in profit for the year	**47,985**	39,489
Decrease in opening accumulated profits	**76,198**	36,709
Decrease in development properties as at 1 January	**31,918**	37,884
Decrease in development properties as at 31 December	**81,531**	31,918
Decrease in investments in jointly-controlled entities as at 1 January	**64,044**	8,403
Decrease in investments in jointly-controlled entities as at 31 December	**72,816**	64,044

Rental and car park income

Rental and car park income are recognised on an accrual basis. Lease incentives are recognised as an integral part of the total rental income to be received. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on a receipt basis. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Operating leases

Where entities within the Group are lessees of an operating lease

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.

Where entities within the Group are lessors of an operating lease

Assets leased out under operating leases are included in property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.18 Finance income and expense

Finance income comprises mainly interest income on funds invested, marked-to-market gain on financial assets held for trading 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 and losses 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 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, associates and jointly-controlled entities to the extent that they probably 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.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit 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.

2.20 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, East and South East 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 2005	4,067,576	2,090,434	434,263	1,034,665	106,420	1,313,212	25,886	9,072,456
Additions	7,442	2,413	270	–	11,125	78,407	180,981	280,638
Disposals	(45,802)	–	(25,660)	(448)	(36,937)	(28,236)	(345)	(137,428)
Written off during the year	–	–	–	–	–	(33,605)	–	(33,605)
Reclassifications and transfers	(37,135)	1,316	–	–	–	76,725	(40,906)	–
Acquisition by foreclosure on collateralised property	12,476	–	–	–	–	–	–	12,476
Transfers to development properties	(15,378)	–	–	–	(37,605)	–	–	(52,983)
Translation differences on consolidation	47,783	(48,938)	(6,398)	(20)	5,307	(28,207)	(691)	(31,164)
At 31 December 2005	4,036,962	2,045,225	402,475	1,034,197	48,310	1,378,296	164,925	9,110,390
Additions	1,873	3,706	15	–	54,744	81,362	36,457	178,157
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	124,735	1,214	39,894	–	–	11,116	(176,959)	–
Transfers to development properties	(61,284)	–	(11,687)	(187,689)	–	(11,568)	–	(272,228)
Translation differences on consolidation	(81,624)	(8,612)	(1,216)	(5)	–	(23,423)	5,045	(109,835)
At 31 December 2006	3,651,447	2,032,262	429,481	846,503	103,054	1,137,287	29,348	8,229,382

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 2005	584,339	242,656	112,782	261,963	–	759,616	–	1,961,356
Charge for the year	24,842	21,661	6,391	17,953	–	91,383	–	162,230
Disposals	(4,226)	–	(4,852)	–	–	(24,303)	–	(33,381)
Impairment losses	7,440	3,869	–	713	–	19,715	–	31,737
Reversal of impairment losses	(5,994)	(1,200)	–	(13)	–	–	–	(7,207)
Written off during the year	–	–	–	–	–	(32,847)	–	(32,847)
Reclassifications	(13,596)	–	–	–	–	13,596	–	–
Translation differences on consolidation	(28,028)	(3,356)	1,772	(20)	–	(3,906)	–	(33,538)
At 31 December 2005	564,777	263,630	116,093	280,596	–	823,254	–	2,048,350
Charge for the year	26,224	18,019	6,765	17,364	–	81,372	–	149,744
Disposals	(97,625)	(23,368)	–	–	–	(89,163)	–	(210,156)
Written off during the year	–	–	–	–	–	(22,262)	–	(22,262)
Impairment losses	1,591	–	10,064	–	–	8,451	–	20,106
Reversal of impairment losses	(4,052)	(3,980)	–	(2,854)	–	–	–	(10,886)
Reclassifications	(1,790)	–	5,249	–	–	(3,459)	–	–
Transfers to development properties	(840)	–	–	(63,428)	–	(9,347)	–	(73,615)
Translation differences on consolidation	3,258	3,061	1,616	(6)	–	1,343	–	9,272
At 31 December 2006	491,543	257,362	139,787	231,672	–	790,189	–	1,910,553
Carrying amount								
At 1 January 2005	3,483,237	1,847,778	321,481	772,702	106,420	553,596	25,886	7,111,100
At 31 December 2005	3,472,185	1,781,595	286,382	753,601	48,310	555,042	164,925	7,062,040
At 31 December 2006	3,159,904	1,774,900	289,694	614,831	103,054	347,098	29,348	6,318,829

During the financial year, interest capitalised as cost of property, plant and equipment amounted to $526,000 (2005: $1,744,000).

3 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	FREEHOLD LAND AND BUILDINGS $'000	LEASEHOLD LAND AND BUILDING $'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 2005	462,360	96,163	11,238	8,359	45,999	47,939	672,058
Additions	–	–	–	–	2,311	9,871	12,182
Disposals	(9,049)	(2,431)	–	–	–	(1,566)	(13,046)
Written off during the year	–	–	–	–	–	(1,667)	(1,667)
Reclassifications	(44,883)	–	–	–	–	44,883	–
At 31 December 2005	408,428	93,732	11,238	8,359	48,310	99,460	669,527
Additions	–	–	–	–	8,806	8,571	17,377
Disposals	(191,594)	–	–	–	–	(71,610)	(263,204)
Written off during the year	–	–	–	–	–	(304)	(304)
Reclassifications	(21,328)	–	29,484	–	–	(8,156)	–
At 31 December 2006	195,506	93,732	40,722	8,359	57,116	27,961	423,396
Accumulated depreciation and impairment losses							
At 1 January 2005	47,738	11,862	3,084	2,419	–	29,755	94,858
Charge for the year	4,047	1,702	242	167	–	10,021	16,179
Disposals	(518)	(387)	–	–	–	(590)	(1,495)
Written off during the year	–	–	–	–	–	(1,015)	(1,015)
Reclassifications	(13,596)	–	–	–	–	13,596	–
At 31 December 2005	37,671	13,177	3,326	2,586	–	51,767	108,527
Charge for the year	3,253	1,653	443	167	–	6,400	11,916
Impairment loss	–	–	10,064	–	–	–	10,064
Disposals	(15,638)	–	–	–	–	(33,792)	(49,430)
Written off during the year	–	–	–	–	–	(33)	(33)
Reclassifications	(1,790)	–	5,249	–	–	(3,459)	–
At 31 December 2006	23,496	14,830	19,082	2,753	–	20,883	81,044
Carrying amount							
At 1 January 2005	414,622	84,301	8,154	5,940	45,999	18,184	577,200
At 31 December 2005	370,757	80,555	7,912	5,773	48,310	47,693	561,000
At 31 December 2006	172,010	78,902	21,640	5,606	57,116	7,078	342,352

During the financial year, interest capitalised as cost of property, plant and equipment amounted to $281,000 (2005: $251,000).

3 PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

	GROUP		COMPANY	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Freehold buildings	**19,332**	32,035	**–**	–
Furniture, fittings, plant and equipment and improvements	**318**	27	**21**	25
	19,650	32,062	**21**	25

During the year, the Group and the Company acquired property, plant and equipment under finance leases amounting to $306,000 (2005: $Nil) and $Nil (2005: $28,000) respectively.

In 2006, upon the Group and the Company assessing the carrying value of its property, plant and equipment for indications of impairment, the carrying amounts of certain property, plant and equipment were written down by $20,106,000 (2005: $31,737,000) and $10,064,000 (2005: $Nil) respectively. In addition, the Group reversed impairment losses of $10,886,000 (2005: $7,207,000) recognised in prior years for freehold and leasehold land and buildings, and a leasehold property. The net amount written down is included in "other operating expenses".

In respect of an impairment loss reversed of $4,052,000 (2005: $5,994,000), the estimate of recoverable amount was based on the value of freehold land and a freehold building, located in Japan, determined by an external valuer based on the open market value.

In respect of the remaining impairment losses reversed, the estimates of recoverable amounts were based on the value of the freehold land and buildings, leasehold land and buildings and leasehold properties on the value-in-use basis using management's estimates of cash flows and discount rates ranging from 3.0% to 14.0% (2005: 3.8% to 10.0%) per annum as applicable to the nature and location of the asset in question.

The reversal of the impairment losses was a result of a recovery of the property markets in Japan and Singapore.

An impairment loss of $8,451,000 on a leasehold hotel located in the United Kingdom held by a subsidiary was charged 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 7.8%.

In relation to the remaining impairment losses charged of $11,655,000 (2005: $31,737,000), the estimates of recoverable amount were based on value of freehold land and buildings, leasehold land and buildings, freehold properties, leasehold properties and furniture, fittings, plant and equipment and improvements, on the value-in-use basis using management's estimates of cash flows and discount rates ranging from 4.5% to 14.0% (2005: 7.0% to 10.0%) per annum as applicable to the nature and location of the asset in question. Most of the impairment loss relates to a retail property in Singapore.

Included in property, plant and equipment are certain hotel properties and land and buildings of the Group with carrying value totalling $2,539,854,000 (2005: $2,815,840,000) which are mortgaged to certain financial institutions to secure credit facilities (refer to Notes 20 and 22 for more details of the facilities).

Property, plant and equipment comprise a number of commercial properties that are leased to external customers. Generally, each of the leases contains an initial non-cancellable period of 2 to 3 years.

4 INTANGIBLE ASSETS

	GROUP $'000
Cost	
At 1 January 2005	218
Additions	1
Translation differences on consolidation	2
At 31 December 2005	221
Additions	5
Translation differences on consolidation	(17)
At 31 December 2006	209
Accumulated amortisation	
At 1 January 2005	130
Charge for the year	14
Translation differences on consolidation	4
At 31 December 2005	148
Charge for the year	14
Translation differences on consolidation	(13)
At 31 December 2006	149
Carrying amount	
At 1 January 2005	88
At 31 December 2005	73
At 31 December 2006	60

Intangible assets of the Group relate to trademarks. The amortisation charge is included in "other operating expenses" in the consolidated income statement.

5 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES

	NOTE	COMPANY 2006 $'000	COMPANY 2005 $'000
Investments in subsidiaries			
Unquoted shares, at cost		**2,257,512**	2,261,289
Discount implicit in non-current inter-company balances		**9,441**	2,417
Impairment losses		**(47,271)**	(76,381)
		2,219,682	2,187,325
Balances with subsidiaries			
Amounts owing by subsidiaries			
– trade, interest-free		**1,484**	1,495
– non-trade, interest-free		**812,416**	702,690
– non-trade, interest-bearing		**387,456**	122,009
		1,201,356	826,194
Allowance for doubtful receivables		**(43,784)**	(22,960)
		1,157,572	803,234
Receivable within 12 months	11	**1,020,370**	695,496
Receivable after 12 months	9	**137,202**	107,738
		1,157,572	803,234
Amounts owing to subsidiaries			
– trade, interest-free		**314**	3,752
– non-trade, interest-free		**383,014**	590,093
		383,328	593,845
Repayable within 12 months	28	**383,328**	593,845

The amounts owing by and to subsidiaries are unsecured. In respect of interest-bearing amounts, interest at 0.47% to 4.02% (2005: 0.29% to 3.99%) per annum was charged.

Included in amounts owing by subsidiaries receivable after 12 months is $49,973,000 (2005: $54,461,000) 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 balances with subsidiaries that are presented as receivable or repayable within 12 months are receivable or repayable on demand.

The currencies in which these balances with subsidiaries are denominated are disclosed in Notes 9, 11 and 28, together with similar information for receivables and payables.

During the year, the Company assessed the recoverable amount of its investments in subsidiaries. Based on this assessment, the Company reversed impairment losses of $29,110,000 (2005: impairment losses recognised: $15,534,000) 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 4.0% (2005: 3.8% to 5.0%) 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 INVESTMENT IN AND BALANCES WITH AN ASSOCIATE

	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Investment in an associate		**116,990**	–	**–**	–
Balances with an associate					
Amounts owing by an associate (trade, current, interest-free)	11	**195**	–	**–**	–
Amounts owing to an associate (trade, current, interest-free)	28	**5,222**	–	**8**	–

As at 31 December 2006, the amounts owing by and to an associate were unsecured. The currencies in which the amounts owing by and to an associate are denominated are disclosed in Notes 11 and 28, together with similar information for receivables and payables.

The fair value of the investment in the associate based on published price quotations is $459,792,000.

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

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

	2006 $'000	2005 $'000
Total assets	**973,303**	–
Total liabilities	**397,564**	–
Revenue (from 8 June 2006 (the date of constitution) to 31 December 2006)	**28,189**	–
Profit after taxation (from 8 June 2006 (the date of constitution) to 31 December 2006)	**15,035**	–

7 INVESTMENTS IN AND BALANCES WITH JOINTLY-CONTROLLED ENTITIES

	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Investments in jointly-controlled entities					
Investments in jointly-controlled entities		**289,014**	139,270	**52,495**	52,495
Impairment losses		**–**	–	**(2,441)**	(3,841)
		289,014	139,270	**50,054**	48,654
Balances with jointly-controlled entities					
Amounts owing by jointly-controlled entities					
– trade, interest-free		**6,890**	2,456	**5,683**	1,244
– non-trade, interest-bearing		**460,434**	522,007	**384,981**	418,566
– non-trade, interest-free		**108,006**	174,274	**–**	–
		575,330	698,737	**390,664**	419,810
Allowance for doubtful receivables		**(92,700)**	(60,000)	**(92,700)**	(60,000)
		482,630	638,737	**297,964**	359,810
Receivable:					
– Within 12 months	11	**391,928**	540,733	**297,964**	359,810
– After 12 months	9	**90,702**	98,004	**–**	–
		482,630	638,737	**297,964**	359,810

Included in the Group's share of after-tax profits of jointly-controlled entities is a gain of $5,251,000 (2005: $2,262,000) recognised on ordinary shares and non-redeemable convertible non-cumulative preference shares of the Company which are held by a jointly-controlled entity for trading purposes.

	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Amounts owing to jointly-controlled entities (non-trade, current, interest-free)	28	**40,479**	72,701	**15,475**	15,475

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 4.5% (2005: 0.6% to 5.0%) per annum and 1.5% to 3.5% (2005: 1.5% to 2.5%) per annum were charged by the Group and the Company respectively.

The amounts presented as receivable or repayable within 12 months 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 $10,879,000 (2005: $11,862,000) which form part of the Group's net investment in jointly-controlled entities. Settlement of the loans is neither planned nor likely to occur in the foreseeable future. The remaining non-current receivables from jointly-controlled entities is repayable on demand but is not expected to be repaid within the next 12 months.

The currencies in which the balances with jointly-controlled entities are denominated are disclosed in Notes 9, 11 and 28, together with similar information for receivables and payables.

7 INVESTMENTS IN AND BALANCES WITH JOINTLY-CONTROLLED ENTITIES (cont'd)

Balances with jointly-controlled entities (cont'd)

During the financial year, the Company assessed the recoverable amount of its investments in jointly-controlled entities. Based on this assessment, the Company reversed impairment losses of $1,400,000 (2005: impairment losses recognised: $2,226,000) on its investments in jointly-controlled entities. Impairment losses were quantified under the value-in-use method using management's estimates of the future underlying cash flows in the jointly-controlled entities expected in the future, and a discount rate of 5.0% (2005: ranging from 3.8% to 5.0%) per annum. The reversal of the impairment losses was a result of the recovery of the Singapore property market on the value of development properties held by these jointly-controlled entities.

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:

	2006 $'000	2005 $'000
Results		
Revenue and other operating income	**381,494**	279,104
Cost of sales and other expenses	**(245,031)**	(186,448)
Profit before income tax	**136,463**	92,656
Income tax expenses	**(18,469)**	(27,364)
Minority interest	**(9,082)**	(6,667)
Profit for the year	**108,912**	58,625
Assets and liabilities		
Non-current assets	**516,879**	735,633
Current assets	**855,035**	771,257
Current liabilities	**(474,772)**	(897,175)
Non-current liabilities	**(608,128)**	(470,445)
Net assets	**289,014**	139,270
Commitments		
Development expenditure contracted but not provided for in the financial statements:		
– land purchases for which deposits have been paid	**136,468**	–
– construction costs	**202,603**	229,057
	339,071	229,057
Capital expenditure contracted but not provided for in the financial statements	**–**	4,817
Non-cancellable operating lease payables	**16**	2
Non-cancellable operating lease receivables	**8,428**	6,790

8 FINANCIAL ASSETS

	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Non-current financial assets				
Unquoted equity investments available for sale				
– fellow subsidiaries	**3,372**	3,297	**3,290**	3,290
– non-related companies	**85,573**	46,448	**1,340**	1,340
	88,945	49,745	**4,630**	4,630
Quoted equity investments available for sale				
– fellow subsidiaries	**41,566**	39,390	**34,952**	33,122
– non-related companies	**22,347**	20,181	**–**	–
	63,913	59,571	**34,952**	33,122
	152,858	109,316	**39,582**	37,752

	GROUP 2006 $'000	GROUP 2005 $'000
Current financial assets		
Quoted investments held for trading		
– equity investments	**32,267**	22,018
– debt securities	**12,270**	41
Unquoted investments held for trading		
– equity investments	**4,603**	12,901
– bond funds	**21,563**	17,109
	70,703	52,069

Unquoted equity investments that are available for sale or held for trading are measured at cost less impairment losses as there is no active market for these investments and other methods of determining fair value do not result in a reliable estimate. The carrying values of such investments are set out in the table above.

Held-for-trading debt securities have interest rates of 1.6% to 6.0% (2005: 6.0%) per annum and mature within 50 months (2005: 25 months).

8 FINANCIAL ASSETS (cont'd)

Financial assets are denominated in the following currencies:

	GROUP		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
United States Dollar	**90,523**	38,670	**–**	–
Singapore Dollar	**76,492**	69,772	**39,582**	37,752
New Zealand Dollar	**21,563**	–	**–**	–
Sterling Pound	**19,039**	24,664	**–**	–
Hong Kong Dollar	**9,387**	28,279	**–**	–
Others	**6,557**	–	**–**	–
	223,561	161,385	**39,582**	37,752

9 OTHER NON-CURRENT ASSETS

		GROUP		COMPANY	
	NOTE	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Amounts owing by:					
– subsidiaries	5	**–**	–	**137,202**	107,738
– jointly-controlled entities	7	**90,702**	98,004	**–**	–
Deferred tax assets	27	**4,800**	–	**–**	–
Deposit receivables		**3,993**	–	**–**	–
Lease premium prepayments		**177,799**	189,222	**–**	–
		277,294	287,226	**137,202**	107,738

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. Amounts owing by subsidiaries, jointly-controlled entities and deposit receivables are denominated in the following currencies:

	GROUP		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Singapore Dollar	**70,061**	71,722	**106,526**	74,274
Thai Baht	**13,755**	4,164	**–**	–
United States Dollar	**10,879**	22,118	**–**	–
Japanese Yen	**–**	–	**30,676**	33,464
	94,695	98,004	**137,202**	107,738

10 DEVELOPMENT PROPERTIES

	GROUP		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Properties in the course of development, at cost	**1,482,940**	612,628	**1,052,360**	612,628
Attributable profit	**66,646**	26,485	**66,646**	26,485
	1,549,586	639,113	**1,119,006**	639,113
Progress billings	**(182,671)**	(107,056)	**(154,581)**	(107,056)
	1,366,915	532,057	**964,425**	532,057
Joint development properties, at cost	**468,460**	574,268	**469,223**	575,105
Attributable profit	**9,552**	6,847	**9,552**	6,847
	478,012	581,115	**478,775**	581,952
Progress billings	**(160,681)**	(43,765)	**(160,681)**	(43,764)
	317,331	537,350	**318,094**	538,188
Contributions from other participants	**(39,194)**	(43,747)	**(39,194)**	(43,747)
	278,137	493,603	**278,900**	494,441
Joint development properties in which the Group participates through contributions	**10,723**	10,898	**10,723**	10,898
Properties for development and resale representing mainly land	**258,764**	528,020	**–**	218,752
Completed units	**459,619**	447,697	**221,110**	284,313
	2,374,158	2,012,275	**1,475,158**	1,540,461
Allowance for foreseeable losses	**(92,300)**	(125,787)	**(5,223)**	(55,903)
Total development properties	**2,281,858**	1,886,488	**1,469,935**	1,484,558
During the year, interest capitalised (net of interest income) as cost of development properties amounted to	**17,741**	12,297	**15,414**	12,306

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 2.16.

11 TRADE AND OTHER RECEIVABLES

	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Trade receivables		**173,913**	137,844	**41,650**	28,434
Allowance for doubtful receivables		**(4,831)**	(5,247)	**(27)**	(98)
		169,082	132,597	**41,623**	28,336
Other receivables, deposits and prepayments		**129,325**	78,127	**8,061**	10,773
Allowance for doubtful receivables		**(3,438)**	(2,476)	**(1,514)**	(1,533)
		125,887	75,651	**6,547**	9,240
Derivative financial instruments		**94**	–	**–**	–
Lease premium prepayments		**2,252**	2,393	**–**	–
Accrued receivables	12	**6,398**	14,838	**228**	6,845
Amounts owing by:					
– subsidiaries	5	**–**	–	**1,020,370**	695,496
– an associate	6	**195**	–	**–**	–
– jointly-controlled entities	7	**391,928**	540,733	**297,964**	359,810
– fellow subsidiaries	13	**9,492**	4,965	**9,409**	4,853
		705,328	771,177	**1,376,141**	1,104,580

Trade and other receivables (excluding lease premium prepayments) are denominated in the following currencies:

	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Singapore Dollar	**547,811**	600,870	**1,332,283**	1,070,025
United States Dollar	**48,369**	65,804	**768**	835
Sterling Pound	**45,504**	51,278	**–**	352
Others	**61,392**	50,832	**43,090**	33,368
	703,076	768,784	**1,376,141**	1,104,580

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 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Amounts owing by fellow subsidiaries					
– trade		**32**	59	**6**	23
– non-trade		**9,460**	4,906	**9,403**	4,830
	11	**9,492**	4,965	**9,409**	4,853
Amounts owing to fellow subsidiaries					
– trade		**–**	772	**–**	299
– non-trade		**210**	191	**–**	–
	28	**210**	963	**–**	299

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 and unsecured. The currencies in which the amounts owing by and to fellow subsidiaries are denominated are disclosed in Notes 11 and 28, together with similar information for receivables and payables.

14 CASH AND CASH EQUIVALENTS

	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Amounts held under the Singapore development project rules, withdrawals from which are restricted to project-related payments	**43,055**	34,849	**41,061**	34,806
Fixed deposits placed with financial institutions which are:				
– fellow subsidiaries	**21,054**	19,579	**–**	2,704
– others	**509,365**	405,579	**51,976**	91,770
	530,419	425,158	**51,976**	94,474
Cash at banks and in hand	**203,450**	113,601	**6,704**	8,446
	776,924	573,608	**99,741**	137,726
Bank overdrafts	**(2,319)**	(2,815)	**–**	–
	774,605	570,793	**99,741**	137,726
Fixed deposits (pledged)	**–**	(1,026)		
Cash and cash equivalents in the consolidated cash flow statement	**774,605**	569,767		

Included in cash and cash equivalents as at 31 December 2005 was a deposit of $1,026,000 placed by the Group with a related financial institution which was a fellow subsidiary. This deposit was pledged to the financial institution as collateral for facilities granted to a third party.

14 CASH AND CASH EQUIVALENTS (cont'd)

Cash and cash equivalents are denominated in the following currencies:

	GROUP		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
United States Dollar	**261,534**	145,506	**6,097**	9,141
Singapore Dollar	**164,813**	186,428	**91,787**	127,944
Australian Dollar	**144,089**	–	**–**	–
Sterling Pound	**54,855**	34,331	**–**	–
New Zealand Dollar	**51,104**	149,996	**–**	–
Others	**98,210**	54,532	**1,857**	641
	774,605	570,793	**99,741**	137,726

15 SHARE CAPITAL

	COMPANY			
	2006		2005	
	NUMBER OF SHARES	$'000	NUMBER OF SHARES	$'000
Issued and fully paid ordinary share capital:				
At 1 January	**888,801,058**	**444,400**	871,994,508	435,997
Issue of shares during the year	**20,500,272**	**50,848**	16,806,550	8,403
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	**–**	**1,479,605**	–	–
At 31 December	**909,301,330**	**1,974,853**	888,801,058	444,400
Issued and fully paid preference share capital:				
Non-redeemable convertible non-cumulative preference shares	**330,874,257**	**16,544**	330,874,257	16,544
Total share capital		**1,991,397**		460,944

On the date of commencement of the Companies (Amendment) Act 2005 on 30 January 2006:

(i) the concept of par value and authorised share capital was abolished; and

(ii) the amount standing to the credit of the Company's share premium account become part of the Company's share capital.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

15 SHARE CAPITAL (cont'd)

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.

During the financial year, the Company issued 20,500,272 (2005: 16,806,550) new ordinary shares arising from the exercise of subscription rights by bonus warrant holders. As at 31 December 2006, 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) have lapsed (2005: 21,103,149 bonus warrants outstanding).

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.

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 2006, a maximum number of 44,998,898 (2005: 44,998,898) ordinary shares may be issued upon full conversion at the sole option of the Company of all the Preference Shares.

Holders of Preference Shares shall 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).

16 RESERVES

	GROUP		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Share premium	**–**	1,492,324	**–**	1,479,202
Capital reserve	**147,132**	148,143	**63,743**	63,743
Hedging reserve	**(189)**	–	**–**	–
Fair value reserve	**25,448**	21,403	**19,228**	17,764
Share option reserve	**2,757**	1,792	**–**	–
Exchange fluctuation reserve	**81,748**	142,075	**–**	–
Accumulated profits	**2,486,242**	2,281,135	**1,831,990**	1,738,879
	2,743,138	4,086,872	**1,914,961**	3,299,588

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 $102,110,000 (2005: $5,908,000) attributable to associates and jointly-controlled entities.

17 TOTAL EQUITY

	NOTE	SHARE CAPITAL $'000	SHARE PREMIUM $'000	CAPITAL RESERVE $'000
Group				
At 1 January 2005		452,541	1,458,711	148,143
Translation differences arising on consolidation of foreign subsidiaries		–	–	–
Exchange differences on hedges of net investments in foreign entities		–	–	–
Exchange differences on monetary items forming part of net investments 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		–	–	–
Issue of ordinary shares	15	8,403	33,613	–
Change of interest in subsidiaries		–	–	–
Value of employee services received for issue of share options	30	–	–	–
Transfer of hedging reserve on realisation		–	–	–
Dividends	33	–	–	–
At 31 December 2005		460,944	1,492,324	148,143

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

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
(6,454)	15,253	878	145,330	2,149,646	4,364,048	1,460,761	5,824,809
–	–	–	(3,836)	–	(3,836)	8,282	4,446
–	–	–	(2,084)	–	(2,084)	(1,391)	(3,475)
–	–	–	2,665	–	2,665	1,944	4,609
–	6,150	–	–	–	6,150	3,937	10,087
–	–	–	–	(3,218)	(3,218)	(3,229)	(6,447)
–	6,150	–	(3,255)	(3,218)	(323)	9,543	9,220
–	–	–	–	200,397	200,397	108,725	309,122
–	6,150	–	(3,255)	197,179	200,074	118,268	318,342
–	–	–	–	–	42,016	–	42,016
–	–	–	–	–	–	2,072	2,072
–	–	914	–	–	914	875	1,789
6,454	–	–	–	–	6,454	5,994	12,448
–	–	–	–	(65,690)	(65,690)	(60,525)	(126,215)
–	21,403	1,792	142,075	2,281,135	4,547,816	1,527,445	6,075,261

17 TOTAL EQUITY (cont'd)

	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 investments in foreign entities		–	–	–
Exchange differences on monetary items forming part of net investments 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	30	–	–	–
Dividends	33	–	–	–
At 31 December 2006		1,991,397	–	147,132

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

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

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 issued 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.

18 EQUITY COMPENSATION BENEFITS (cont'd)

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 following the exercise of the subscription rights set out in 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.

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

18 EQUITY COMPENSATION BENEFITS (cont'd)

Millennium & Copthorne Hotels plc (cont'd)

(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 represents 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. Executives may be granted options to replace those which have been exercised.

18 EQUITY COMPENSATION BENEFITS (cont'd)

Millennium & Copthorne Hotels plc (cont'd)

(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.

(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.

During the financial year under review, Performance Share Awards were made over 266,152 ordinary shares of £0.30 each in M&C.

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, Millennium & Copthorne Hotels plc, 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

2005

DATE OF GRANT OF OPTIONS	EXERCISE PRICE PER SHARE £	OPTIONS OUTSTANDING AS AT 1 JANUARY 2005	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 2005	OPTIONS EXERCISABLE AS AT 31 DECEMBER 2005	EXERCISE PERIOD
Part I									
10.03.2003	1.9350	79,325	–	–	(15,503)	–	63,822	63,822	10.03.2006 – 09.03.2013
16.03.2004	2.9167	62,049	–	–	–	–	62,049	–	16.03.2007 – 15.03.2014
24.03.2005	3.9842	–	52,703	–	–	–	52,703	–	24.03.2008 – 23.03.2015
Part II									
10.03.2003	1.9350	1,198,465	–	(52,697)	(19,639)	–	1,126,129	1,126,129	10.03.2006 – 09.03.2013
16.03.2004	2.9167	669,109	–	(34,960)	(39,429)	–	594,720	–	16.03.2007 – 15.03.2014
24.03.2005	3.9842	–	705,613	–	(29,365)	–	676,248	–	24.03.2008 – 23.03.2015
		2,008,948	758,316	(87,657)	(103,936)	–	2,575,671	1,189,951	

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	

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

18 EQUITY COMPENSATION BENEFITS (cont'd)

(ii) Millennium & Copthorne Hotels Executive Share Option Scheme

2005

DATE OF GRANT OF OPTIONS	EXERCISE PRICE PER SHARE £	OPTIONS OUTSTANDING AS AT 1 JANUARY 2005	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 2005	OPTIONS EXERCISABLE AS AT 31 DECEMBER 2005	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	7,526	19.11.2002 – 18.11.2009
17.03.2000	3.3500	8,955	–	–	–	–	8,955	8,955	17.03.2003 – 16.03.2010
23.10.2000	3.9500	7,594	–	–	–	–	7,594	7,594	23.10.2003 – 22.10.2010
20.03.2001	4.3500	55,168	–	–	(6,896)	–	48,272	48,272	20.03.2004 – 19.03.2011
15.03.2002	3.2250	96,583	–	(68,110)	(2,117)	–	26,356	26,356	15.03.2005 – 14.03.2012
		182,335	–	(68,110)	(9,013)	–	105,212	105,212	

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	

18 EQUITY COMPENSATION BENEFITS (cont'd)

(ii) Millennium & Copthorne Hotels Executive Share Option Scheme (cont'd)

2005

DATE OF GRANT OF OPTIONS	EXERCISE PRICE PER SHARE £	OPTIONS OUTSTANDING AS AT 1 JANUARY 2005	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 2005	OPTIONS EXERCISABLE AS AT 31 DECEMBER 2005	EXERCISE PERIOD
Part B									
05.03.1998	4.60875	15,186	–	–	–	(15,186)	–	–	05.03.2001 – 04.03.2005
02.04.1998	4.9527	27,830	–	–	(7,278)	(20,552)	–	–	02.04.2001 – 01.04.2005
05.03.1999	4.8321	40,436	–	–	–	–	40,436	40,436	05.03.2002 – 04.03.2006
19.11.1999	3.9856	47,670	–	–	–	–	47,670	47,670	19.11.2002 – 18.11.2006
17.03.2000	3.3500	122,625	–	(104,256)	–	–	18,369	18,369	17.03.2003 – 16.03.2007
23.10.2000	3.9500	5,570	–	–	–	–	5,570	5,570	23.10.2003 – 22.10.2007
14.03.2001	4.3250	120,231	–	–	–	–	120,231	120,231	14.03.2004 – 13.03.2008
20.03.2001	4.3500	133,151	–	–	(1,437)	–	131,714	131,714	20.03.2004 – 19.03.2008
04.12.2001	2.7350	153,787	–	(153,787)	–	–	–	–	04.12.2004 – 03.12.2008
15.03.2002	3.2250	395,639	–	(221,684)	(23,537)	–	150,418	150,418	15.03.2005 – 14.03.2009
		1,062,125	–	(479,727)	(32,252)	(35,738)	514,408	514,408	

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	

18 EQUITY COMPENSATION BENEFITS (cont'd)

(iii) Millennium & Copthorne Hotels Sharesave Scheme

2005

DATE OF GRANT OF OPTIONS	EXERCISE PRICE PER SHARE £	OPTIONS OUTSTANDING AS AT 1 JANUARY 2005	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 2005	OPTIONS EXERCISABLE AS AT 31 DECEMBER 2005	EXERCISE PERIOD
05.05.1999	3.86748	13,626	–	–	–	(13,626)	–	–	01.07.2004 – 01.01.2005
09.05.2000	3.10000	16,845	–	(11,275)	(1,436)	–	4,134	4,134	01.07.2005 – 01.01.2006
08.05.2001	3.13600	28,897	–	–	–	(28,897)	–	–	01.07.2004 – 01.01.2005
08.05.2001	3.13600	22,806	–	–	(645)	–	22,161	–	01.07.2006 – 01.01.2007
21.05.2002	2.92000	41,037	–	(23,346)	(7,350)	–	10,341	10,341	01.07.2005 – 01.01.2006
21.05.2002	2.92000	24,247	–	–	(3,173)	–	21,074	–	01.07.2007 – 01.01.2008
28.04.2003	1.50400	126,637	–	–	(4,393)	–	122,244	–	01.07.2006 – 01.01.2007
28.04.2003	1.50400	143,050	–	–	(33,633)	–	109,417	–	01.07.2008 – 01.01.2009
20.04.2004	2.34000	64,019	–	–	(14,656)	–	49,363	–	01.07.2007 – 01.01.2008
20.04.2004	2.34000	31,152	–	–	(2,653)	–	28,499	–	01.07.2009 – 01.01.2010
23.03.2005	3.08000	–	74,112	–	(6,705)	–	67,407	–	01.07.2008 – 01.01.2009
23.03.2005	3.08000	–	43,341	–	(3,862)	–	39,479	–	01.07.2010 – 01.01.2011
		512,316	117,453	(34,621)	(78,506)	(42,523)	474,119	14,475	

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	3.10000	4,134	–	–	–	(4,134)	–	–	01.07.2005 – 31.12.2005
08.05.2001	3.13600	22,161	–	(10,435)	(5,811)	–	5,915	5,915	01.07.2006 – 31.12.2006
21.05.2002	2.92000	10,341	–	–	–	(10,341)	–	–	01.07.2005 – 31.12.2005
21.05.2002	2.92000	21,074	–	–	(1,586)	–	19,488	–	01.07.2007 – 31.12.2007
28.04.2003	1.50400	122,244	–	(98,000)	(10,302)	–	13,942	13,942	01.07.2006 – 31.12.2006
28.04.2003	1.50400	109,417	–	(12,679)	(27,300)	(9,161)	60,277	–	01.07.2008 – 31.12.2008
20.04.2004	2.34000	49,363	–	–	(4,347)	–	45,016	–	01.07.2007 – 31.12.2007
20.04.2004	2.34000	28,499	–	–	(139)	(2,794)	25,566	–	01.07.2009 – 31.12.2009
23.03.2005	3.08000	67,407	–	–	(16,236)	–	51,171	–	01.07.2008 – 31.12.2008
23.03.2005	3.08000	39,479	–	–	(8,368)	–	31,111	–	01.07.2010 – 31.12.2010
19.06.2006	3.25000	–	73,728	–	(1,840)	–	71,888	–	01.08.2009 – 31.01.2010
19.06.2006	3.25000	–	43,677	–	(4,953)	–	38,724	–	01.08.2011 – 31.01.2012
		474,119	117,405	(121,114)	(80,882)	(26,430)	363,098	19,857	

(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	BALANCE AT END OF YEAR	EXERCISE PERIOD
01.09.2006	–	266,152	–	266,152	01.09.2009 – 31.08.2010

18 EQUITY COMPENSATION BENEFITS (cont'd)

For options exercised during 2006, the weighted average share price at the date of exercise is £4.70 (2005: £3.86). Options were exercised on a regular basis throughout the year. The options outstanding as at 31 December 2006 have an exercise price in the range of £1.504 to £3.25 and a weighted average contractual life of 6 years (2005: 8 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	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
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	4.120	3.250	1.283	3.25	24.6%	1.87%	4.74%
Sharesave Scheme (5 year)	01.08.2006	43,677	4.120	3.250	1.620	5.25	32.3%	1.87%	4.71%
2005									
2003 Executive Share Option Scheme (directors)	24.03.2005	175,693	3.960	3.984	1.454	Note (b)	33.2%	1.58%	4.79%
2003 Executive Share Option Scheme (non-directors)	24.03.2005	582,623	3.960	3.984	1.276	Note (b)	33.2%	1.58%	4.79%
Sharesave Scheme (3 year)	23.03.2005	74,112	3.955	3.080	1.414	3.25	31.5%	1.58%	4.79%
Sharesave Scheme (5 year)	23.05.2005	43,341	3.955	3.080	1.659	5.25	33.6%	1.58%	4.79%

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 reviewed commensurate with 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 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Term loans	20	**1,707,042**	2,173,722	**606,711**	530,845
Finance lease creditors	21	**6,561**	11,812	**20**	25
Bonds and notes	22	**1,557,215**	1,393,588	**517,799**	550,635
Bank loans	23	**75,281**	11,226	**75,281**	11,226
		3,346,099	3,590,348	**1,199,811**	1,092,731
Repayable:					
– Within 1 year		**1,029,152**	910,422	**610,427**	175,264
– After 1 year but within 5 years		**2,316,947**	2,679,926	**589,384**	917,467
		3,346,099	3,590,348	**1,199,811**	1,092,731

Interest-bearing borrowings are denominated in the following currencies:

	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Singapore Dollar	**2,015,278**	2,050,867	**1,170,280**	1,060,532
United States Dollar	**611,385**	741,055	**–**	–
Sterling Pound	**340,402**	428,571	**–**	–
Others	**379,034**	369,855	**29,531**	32,199
	3,346,099	3,590,348	**1,199,811**	1,092,731

20 TERM LOANS

	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Secured		**682,277**	1,114,112	**–**	–
Unsecured		**1,024,765**	1,059,610	**606,711**	530,845
	19	**1,707,042**	2,173,722	**606,711**	530,845
Repayable:					
– Within 1 year		**533,767**	611,123	**277,169**	131,040
– After 1 year but within 5 years		**1,173,275**	1,562,599	**329,542**	399,805
		1,707,042	2,173,722	**606,711**	530,845

The term loans are obtained from banks and financial institutions.

	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Secured term loans				
Repayable:				
– Within 1 year	**256,083**	405,099	**–**	–
– After 1 year but within 5 years	**426,194**	709,013	**–**	–
	682,277	1,114,112	**–**	–

The secured term loans are generally secured by:
- mortgages on the borrowing subsidiaries' land and buildings and hotel properties; and
- assignment of all rights and benefits to sale, lease and insurance proceeds.

The Group's secured term loans bear interest at rates ranging from 3.38% to 8.17% (2005: 1.96% to 8.15%) per annum during the year.

	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Unsecured term loans				
Repayable:				
– Within 1 year	**277,684**	206,024	**277,169**	131,040
– After 1 year but within 5 years	**747,081**	853,586	**329,542**	399,805
	1,024,765	1,059,610	**606,711**	530,845

The Group's unsecured term loans bear interest at rates ranging from 0.41% to 7.42% (2005: 0.41% to 5.29%) per annum during the year. The Company's unsecured term loans bear interest at rates ranging from 0.54% to 4.77% (2005: 0.54% to 4.81%) 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:

	PRINCIPAL $'000	INTEREST $'000	PAYMENTS $'000
Group			
2006			
Repayable:			
– Within 1 year	6,351	1,109	7,460
– After 1 year but within 5 years	210	22	232
	6,561	1,131	7,692
2005			
Repayable:			
– Within 1 year	5,104	377	5,481
– After 1 year but within 5 years	6,708	374	7,082
	11,812	751	12,563
Company			
2006			
Repayable:			
– Within 1 year	5	1	6
– After 1 year but within 5 years	15	1	16
	20	2	22
2005			
Repayable:			
– Within 1 year	5	2	7
– After 1 year but within 5 years	20	2	22
	25	4	29

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 2.70% to 7.96% (2005: 2.70% to 7.96%) and 6.51% (2005: 6.51%) per annum respectively during the year.

22 BONDS AND NOTES

	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Secured		**475,194**	382,376	**–**	–
Unsecured		**1,082,021**	1,011,212	**517,799**	550,635
	19	**1,557,215**	1,393,588	**517,799**	550,635
Repayable:					
– Within 1 year		**413,753**	282,969	**257,972**	32,993
– After 1 year but within 5 years		**1,143,462**	1,110,619	**259,827**	517,642
		1,557,215	1,393,588	**517,799**	550,635
Secured bonds and notes					
Repayable:					
– Within 1 year		**125,780**	249,976	**–**	–
– After 1 year but within 5 years		**349,414**	132,400	**–**	–
		475,194	382,376	**–**	–

Secured bonds and notes comprise the following:

(i) KRW76 billion (approximately S$125 million) (2005: KRW80 billion (approximately S$132 million)) non-guaranteed secured notes (Notes) issued by a subsidiary bearing interest at rates of 4.95% to 5.69% (2005: 4.90%) per annum during the year are redeemable at their principal amounts in February 2007. These Notes 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 (2005: $250 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 3.73% to 3.88% (2005: 4.815%) 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 (2005: in January 2006).

	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Unsecured bonds and notes				
Repayable:				
– Within 1 year	**287,973**	32,993	**257,972**	32,993
– After 1 year but within 5 years	**794,048**	978,219	**259,827**	517,642
	1,082,021	1,011,212	**517,799**	550,635

22 BONDS AND NOTES (cont'd)

Unsecured bonds and notes comprise:

(i) $518 million (2005: $551 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% (2005: 2.01% 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 2007 to June 2010 (2005: from August 2006 to June 2010);

(ii) $564 million (2005: $460 million) MTNs which comprise 10 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 2.70% to 6.37% (2005: 2.70% to 5.72%) per annum. Unless previously redeemed or purchased and cancelled, the MTNs are redeemable at their principal amounts on their respective maturity dates from June 2007 to April 2011 (2005: from June 2007 to June 2010).

23 BANK LOANS

	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Bank loans (unsecured)					
repayable within 1 year	19	**75,281**	11,226	**75,281**	11,226

Interest is charged at 0.31% to 3.96% (2005: 0.25% to 4.11%) per annum during the year.

24 EMPLOYEE BENEFITS

	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Net liability for:				
– defined benefit obligations	**45,178**	45,877	**–**	–
– short-term accumulating compensated absences	**15,988**	15,245	**1,477**	1,191
– long service leave	**348**	357	**–**	–
	61,514	61,479	**1,477**	1,191
Repayable:				
– Within 12 months	**16,336**	15,602	**1,477**	1,191
– After 12 months	**45,178**	45,877	**–**	–
	61,514	61,479	**1,477**	1,191

24 EMPLOYEE BENEFITS (cont'd)

Net liability for defined benefit obligations

	GROUP		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Present value of unfunded obligations	**19,867**	567	**–**	–
Present value of funded obligations	**112,352**	122,496	**–**	–
Fair value of plan assets	**(87,041)**	(77,186)	**–**	–
Liability for defined benefit obligations	**45,178**	45,877	**–**	–

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 The Frank Russell Company 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.

The contributions required are determined by a qualified actuary on the basis of triennial valuations using the projected unit cost 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 2006. The contributions of the Group were 20.6% of pensionable salary until April 2006 when the contribution rate reduced to 20.5% of pensionable salary (2005: 20.6%). In addition, during the year the Group agreed an enhanced contribution to address the plan's deficit that resulted in an additional S$3.2 million (£1.1 million) per annum to be paid commencing April 2006. The contributions of employees were from 3% to 5% (2005: 3% to 5%) of pensionable salary.

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 cost method. The most recent valuation was carried out on 31 December 2006. The contributions of the Group were 17% (2005: 13%) 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.

24 EMPLOYEE BENEFITS (cont'd)

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 cost method. The most recent valuation was carried out on 31 December 2006. The contributions of the Group were 6% (2005: 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:

	2006 UK %	2006 KOREA %	2006 TAIWAN %	2005 UK %	2005 KOREA %	2005 TAIWAN %
Inflation rate	3.10	2.30	–	2.90	3.00	–
Discount rate	5.23	5.00	2.50	4.80	5.70	3.50
Rate of salary increase	3.60	5.00	3.00	3.40	5.00	3.00
Rate of pension increases	3.10	–	–	2.90	–	–
Annual expected return on plan assets	6.17	4.00	2.50	5.77	4.00	3.50

The assumptions used by the actuary 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 2006 of 6.17% has been calculated using a 6.48% return on equity (representing 75% of the plan assets) and a 5.23% return on bonds (representing 25% of the plan assets).

	GROUP 2006 $'000	GROUP 2005 $'000
Expense recognised in the income statement		
Current service costs	**5,503**	6,491
Interest on obligations	**5,833**	5,461
Expected return on plan assets	**(4,104)**	(3,689)
Defined benefit obligation expenses	**7,232**	8,263

The expense is recognised in the following line items in the income statement:

	GROUP 2006 $'000	GROUP 2005 $'000
Cost of sales	**2,342**	3,938
Administrative expenses	**4,690**	2,565
Other operating expenses	**200**	1,760
Defined benefit obligation expenses	**7,232**	8,263
Actual return on plan asset	**5,235**	10,077

24 EMPLOYEE BENEFITS (cont'd)

	GROUP 2006 $'000	GROUP 2005 $'000
Actuarial losses recognised directly in equity		
Cumulative amount at 1 January	**17,724**	10,443
Recognised during the year	**4,452**	7,281
Cumulative amount at 31 December	**22,176**	17,724
Changes in the present value of the defined benefit obligations		
Defined benefit obligations as at 1 January	**123,063**	112,989
Actuarial losses	**5,583**	13,669
Benefit paid	**(9,923)**	(10,095)
Interest cost	**5,833**	5,461
Service cost	**5,503**	6,491
Translation differences on consolidation	**2,160**	(5,452)
Defined benefit obligations at 31 December	**132,219**	123,063
Changes in the fair value of plan assets		
Fair value of plan assets at 1 January	**77,186**	71,252
Expected return	**4,104**	3,689
Actuarial gains	**1,131**	6,388
Contributions by employer	**12,667**	9,287
Benefits paid	**(9,923)**	(10,095)
Translation differences on consolidation	**1,876**	(3,335)
Fair value of plan assets at 31 December	**87,041**	77,186

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

	GROUP 2006 $'000	GROUP 2005 $'000
Equity	**48,067**	42,788
Bonds	**15,465**	12,023
Cash	**23,509**	22,375
Fair value of plan assets	**87,041**	77,186

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

24 EMPLOYEE BENEFITS (cont'd)

Trend analysis

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

	2002 $'000	2003 $'000	2004 $'000	2005 $'000	2006 $'000
Present value of defined benefit obligations	(81,193)	(93,141)	(112,989)	(123,063)	**(132,219)**
Fair value of plan assets	49,991	61,993	71,252	77,186	**87,041**
Deficit in the plan	(31,202)	(31,148)	(41,737)	(45,877)	**(45,178)**
Experience adjustments on plan liabilities	2,728	(2,950)	(597)	(714)	**2,158**
Changes in assumptions underlying the present value of plan liabilities	(11,283)	1,812	(10,248)	(12,955)	**(7,741)**
Actual return less expected return on plan assets	(3,684)	3,479	402	6,388	**1,131**

25 OTHER LIABILITIES

	GROUP		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Advances from minority shareholders of subsidiaries (unsecured and interest charged at 1.5% (2005: 1.5%) per annum)	**125**	122	**–**	–
Deferred real estate tax payable in 10 equal annual instalments commencing in July 1999	**6,115**	8,728	**–**	–
Miscellaneous (principally deposits received and payables)	**14,619**	13,203	**–**	–
Rental deposits	**27,313**	20,666	**2,957**	2,037
Non-current retention sums payable	**7,649**	6,626	**7,113**	6,626
	55,821	49,345	**10,070**	8,663
Repayable:				
– Within 12 months	**2,498**	2,394	**–**	–
– After 12 months	**53,323**	46,951	**10,070**	8,663
	55,821	49,345	**10,070**	8,663

25 OTHER LIABILITIES (cont'd)

Other liabilities are denominated in the following currencies:

	GROUP		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Singapore Dollar	**33,428**	24,473	**10,070**	8,663
Korean Won	**12,589**	10,937	**–**	–
United States Dollar	**8,145**	10,995	**–**	–
Others	**1,659**	2,940	**–**	–
	55,821	49,345	**10,070**	8,663

26 PROVISIONS

	ONEROUS CONTRACTS $'000	CAPITAL EXPENDITURE $'000	TOTAL $'000
Group			
At 1 January 2006	5,868	4,367	10,235
Provisions made during the year	–	3,251	3,251
Provisions utilised during the year	(968)	(4,608)	(5,576)
Translation differences on consolidation	219	(225)	(6)
At 31 December 2006	5,119	2,785	7,904
Current			2,356
Non-current			5,548
			7,904

27 DEFERRED TAX LIABILITIES

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

	AT 1 JANUARY 2005 $'000	RECOGNISED IN INCOME STATEMENT $'000	RECOGNISED IN EQUITY $'000	TRANSFER TO PROVISION FOR TAXATION $'000
Group				
Deferred tax liabilities				
Property, plant and equipment	470,399	40,655	–	(2,647)
Financial assets	–	–	4,953	–
Development properties	(10,103)	5,484	–	–
Others	(5,057)	(5,123)	15	–
	455,239	41,016	4,968	(2,647)
Deferred tax assets				
Property, plant and equipment	–	–	–	–
Tax losses	(58,631)	(56)	–	–
Others	(9,086)	171	(329)	–
	(67,717)	115	(329)	–
	387,522	41,131	4,639	(2,647)

TRANSLATION DIFFERENCES ON CONSOLIDATION $'000	AT 31 DECEMBER 2005 $'000	RECOGNISED IN INCOME STATEMENT $'000	RECOGNISED IN EQUITY $'000	TRANSFER TO PROVISION FOR TAXATION $'000	TRANSFER TO INVESTMENT IN AN ASSOCIATE $'000	TRANSLATION DIFFERENCES ON CONSOLIDATION $'000	AT 31 DECEMBER 2006 $'000
(6,117)	502,290	6,590	–	–	(840)	(15,130)	492,910
–	4,953	–	962	–	–	–	5,915
–	(4,619)	18,124	–	–	–	–	13,505
3,407	(6,758)	7,940	–	(36)	–	–	1,146
(2,710)	495,866	32,654	962	(36)	(840)	(15,130)	513,476
–	–	(35)	–	–	–	1	(34)
4,922	(53,765)	20,929	–	–	–	3,059	(29,777)
692	(8,552)	(12,884)	–	–	–	238	(21,198)
5,614	(62,317)	8,010	–	–	–	3,298	(51,009)
2,904	433,549	40,664	962	(36)	(840)	(11,832)	462,467

27 DEFERRED TAX LIABILITIES (cont'd)

	AT 1 JANUARY 2005 $'000	RECOGNISED IN INCOME STATEMENT $'000	RECOGNISED IN EQUITY $'000	AT 31 DECEMBER 2005 $'000	RECOGNISED IN INCOME STATEMENT $'000	RECOGNISED IN EQUITY $'000	AT 31 DECEMBER 2006 $'000
Company							
Deferred tax liabilities							
Property, plant and equipment	20,162	(544)	–	19,618	(16,104)	–	3,514
Financial assets	–	–	4,442	4,442	–	366	4,808
Development properties	(10,103)	5,484	–	(4,619)	18,124	–	13,505
Others	847	134	15	996	132	–	1,128
	10,906	5,074	4,457	20,437	2,152	366	22,955

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:

	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Deferred tax assets	9	**4,800**	–	**–**	–
Deferred tax liabilities		**(467,267)**	(433,549)	**(22,955)**	(20,437)
		(462,467)	(433,549)	**(22,955)**	(20,437)

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 2006 $'000	GROUP 2005 $'000
Deductible temporary differences	**103,007**	102,270
Tax losses	**116,581**	135,448
	219,588	237,718

The deductible temporary differences do not expire under current tax legislation. 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 2006 $'000	GROUP 2005 $'000
Expiry dates		
– Within 1 to 5 years	**902**	4,329
– After 5 years	**–**	8,369
	902	12,698

28 TRADE AND OTHER PAYABLES

	NOTE	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Trade payables		**137,050**	100,271	**9,278**	7,768
Accruals		**286,332**	295,109	**109,451**	135,810
Other payables		**54,685**	57,405	**2,869**	825
Rental and other deposits		**38,851**	32,545	**12,755**	6,854
Retention sums payable		**9,812**	31,486	**9,089**	9,914
Amounts owing to:					
– subsidiaries	5	**–**	–	**383,328**	593,845
– an associate	6	**5,222**	–	**8**	–
– jointly-controlled entities	7	**40,479**	72,701	**15,475**	15,475
– fellow subsidiaries	13	**210**	963	**–**	299
		572,641	590,480	**542,253**	770,790

Trade and other payables are denominated in the following currencies:

	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Singapore Dollar	**289,429**	319,956	**461,664**	685,641
United States Dollar	**107,718**	115,739	**67,251**	71,834
Sterling Pound	**62,229**	56,808	**54**	53
Others	**113,265**	97,977	**13,284**	13,262
	572,641	590,480	**542,253**	770,790

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 of sale proceeds of commercial and residential properties and projects under development.

	GROUP	
	2006	**2005**
	$'000	**$'000**
Hotel operations	**1,846,378**	1,803,256
Property development	**484,980**	365,045
Rental and car park income	**168,066**	160,072
Gross dividends from investments		
– fellow subsidiaries		
– quoted	**2,502**	4,214
– unquoted	**2,532**	3,375
– others		
– quoted equity investments	**2,901**	854
– unquoted equity investments	**1,712**	693
Others	**37,733**	36,770
	2,546,804	2,374,279

30 PROFIT BEFORE INCOME TAX

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

	GROUP	
	2006	**2005**
	$'000	**$'000**
Other operating income		
Business interruption insurance proceeds	**15,928**	39,788
Exchange gain (net)	**6,043**	–
Management fees and miscellaneous income	**11,762**	7,286
Profit on sale of investments	**205**	–
Profit on sale of long leasehold interests in hotels and property, plant and equipment	**153,581**	21,507
	187,519	68,581

30 PROFIT BEFORE INCOME TAX (cont'd)

	GROUP 2006 $'000	GROUP 2005 $'000
Staff costs		
Wages and salaries	**734,790**	717,006
Contributions to defined contribution plans	**16,340**	18,087
Increase in liability for defined benefit plans	**7,232**	8,263
Value of employee services received for issue of share options	**1,822**	1,789
(Decrease)/Increase in liability for long service leave	**(23)**	237
Increase in liability for short-term accumulating compensated absences	**164**	799
	760,325	746,181
Less:		
Staff costs capitalised in:		
– development properties	**(1,039)**	(1,371)
– property, plant and equipment	**(73)**	(67)
	759,213	744,743
Other expenses		
Allowance for doubtful receivables made		
– trade	**796**	420
– non-trade	**3,133**	1,546
Allowance for foreseeable losses on development properties written back	**(38,561)**	(7,296)
Amortisation of intangible assets	**14**	14
Amortisation of upfront premiums on long leasehold land of hotel properties	**2,314**	2,490
Depreciation of property, plant and equipment	**149,744**	162,230
Exchange loss (net)	**–**	1,557
Impairment losses for property, plant and equipment	**9,220**	24,530
Loss on liquidation of a jointly-controlled entity	**1,247**	–
Non-audit fees		
– auditors of the Company	**503**	314
– other auditors of the subsidiaries	**1,801**	1,789
Operating lease expenses	**37,944**	11,952
Property, plant and equipment written off	**3,429**	758

30 PROFIT BEFORE INCOME TAX (cont'd)

	GROUP	
	2006 $'000	2005 $'000
Finance income		
Interest income		
– fellow subsidiaries	**721**	226
– fixed deposits with financial institutions	**24,827**	19,386
– jointly-controlled entities	**6,093**	6,065
– others	**1,303**	1,249
Marked-to-market gain on financial assets held for trading (net)	**8,919**	1,286
Others	**605**	57
Total finance income	**42,468**	28,269
Finance costs		
Interest expense		
– banks	**82,174**	97,960
– bonds and notes	**66,278**	59,920
– others	**4,619**	1,925
Amortisation of transaction costs capitalised	**3,633**	5,971
Total finance costs	**156,704**	165,776
Finance costs capitalised in development properties and property, plant and equipment	**(17,986)**	(14,498)
Finance costs charged to income statement	**138,718**	151,278
Net finance costs	**(96,250)**	(123,009)

Included in marked-to-market gain on financial assets held for trading is a gain of $5,998,000 (2005: loss of $1,141,000) 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 6.00% (2005: 0.29% to 3.79%) and 0.37% to 4.77% (2005: 0.29% to 3.79%) per annum respectively for development properties and property, plant and equipment.

31 INCOME TAX EXPENSE

	GROUP	
	2006 $'000	**2005 $'000**
Current tax expense		
Current year	**96,378**	78,526
Overprovision in respect of prior years	**(7,730)**	(24,917)
	88,648	53,609
Deferred tax expense		
Movements in temporary differences	**39,853**	35,180
Effect of change in tax rates	**18**	4,247
Underprovision in respect of prior years	**5,575**	1,704
Recognition of previously unrecognised deferred tax assets	**(4,782)**	–
	40,664	41,131
Income tax expense	**129,312**	94,740

Reconciliation of effective tax rate

	2006 $'000	2005 $'000
Profit before taxation	**692,278**	403,862
Income tax using Singapore tax rate of 20% (2005: 20%)	**138,456**	80,772
Income not subject to tax	**(59,720)**	(24,426)
Expenses not deductible for tax purposes	**25,288**	33,742
Effect of changes in tax rates	**18**	4,247
Effect of different tax rates in other countries	**28,596**	27,682
Effect of share of results of jointly-controlled entities	**2,646**	4,631
Tax exempt income	**(3,173)**	(962)
Unrecognised deferred tax assets	**7,388**	7,953
Tax effect of losses not allowed to be set off against future taxable profits	**2,425**	136
Tax incentives	**(32)**	(9,671)
Utilisation of previously unrecognised deferred tax assets	**(5,643)**	(6,151)
Overprovision in respect of prior years	**(2,155)**	(23,213)
Recognition of previously unrecognised deferred tax assets	**(4,782)**	–
	129,312	94,740

32 EARNINGS PER SHARE

Basic earnings per share is calculated based on:

	GROUP 2006 $'000	GROUP 2005 $'000
Profit attributable to shareholders	**351,659**	200,397
Less:		
Dividends on non-redeemable preference shares	**(12,904)**	(12,904)
Profit attributable to ordinary shareholders after deduction of non-cumulative preference dividends	**338,755**	187,493

	GROUP 2006 NUMBER OF SHARES	GROUP 2005 (RESTATED) NUMBER OF SHARES
Weighted average number of ordinary shares outstanding during the year	**903,756,707**	882,753,739
Bonus element of warrants exercised in 2006	**11,657,443**	15,197,217
Bonus element of warrants exercised in 2005	**–**	4,142,362
Weighted average number of ordinary shares	**915,414,150**	902,093,318
Basic earnings per share	**37.0 cents**	20.8 cents

Diluted earnings per share is based on:

	GROUP 2006 $'000	GROUP 2005 $'000
Profit attributable to shareholders after deduction of non-cumulative preference dividends	**338,755**	187,493
Add:		
Dividends on non-redeemable preference shares	**12,904**	–
Net profit used for computing diluted earnings per share	**351,659**	187,493

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.

32 EARNINGS PER SHARE (cont'd)

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

	GROUP	
	2006 NUMBER OF SHARES	2005 (RESTATED) NUMBER OF SHARES
Weighted average number of ordinary shares issued used in the calculation of basic earnings per share	**915,414,150**	902,093,318
Potential ordinary shares issuable under warrants	**–**	14,346,249
Potential ordinary shares issuable under non-redeemable convertible non-cumulative preference shares	**44,998,898**	–
Weighted average number of ordinary shares issued and potential shares assuming full conversion	**960,413,048**	916,439,567
Diluted earnings per share	**36.6 cents**	20.5 cents

For 2005, the non-redeemable convertible non-cumulative preference shares were anti-dilutive and were excluded in the calculation of diluted earnings per share.

33 DIVIDENDS

	COMPANY	
	2006 $'000	2005 $'000
Special final ordinary dividend paid of 5.0 cents per ordinary share less tax at 20% in respect of financial year ended 31 December 2005	**36,338**	–
Final ordinary dividend paid of 7.5 cents (2005: 7.5 cents) per ordinary share less tax at 20% (2005: 20%) in respect of financial year ended 31 December 2005	**54,507**	52,786
Special interim ordinary dividend paid of 7.5 cents per ordinary share less tax at 20% in respect of financial year ended 31 December 2006	**54,558**	–
Non-cumulative preference dividend paid of 2.41 cents (2005: 2.41 cents) per preference share less tax at 20% (2005: 20%)	**6,386**	6,399
Non-cumulative preference dividend declared of 2.46 cents (2005: 2.46 cents) per preference share less tax at 20% (2005: 20%)	**6,518**	6,505
	158,307	65,690

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

	COMPANY	
	2006 $'000	2005 $'000
Final ordinary dividend of 7.5 cents (2005: 7.5 cents) per ordinary share less tax at 18% (2005: 20%)	**55,922**	53,328
Special final ordinary dividend of 10.0 cents (2005: 5.0 cents) per ordinary share less tax at 18% (2005: 20%)	**74,563**	35,552
	130,485	88,880

34 ACQUISITION OF SUBSIDIARIES

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 a 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.

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	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 shareholders*	(79,359)	–	(79,359)
Long term loan (secured)	(59,284)	–	(59,284)
Net identifiable (liabilities)/assets	(12,508)	20,059	7,551
Amounts previously accounted for as jointly-controlled entities			4,704
Additional shareholder's loan acquired			39,679
Cash consideration paid, satisfied in cash			51,934
Cash acquired			(3,260)
Net cash outflow			48,674

* This amount is eliminated on consolidations. Since the Group ultimately owns 100% of the shareholders' loans, there is no shareholders' loan on consolidation.

34 ACQUISITION OF SUBSIDIARIES (cont'd)

On 20 August 2005, the Group acquired the remaining 50% interest in its jointly-controlled entity, Edenspring Properties Pte Ltd, for a consideration of $1. In the four months to 31 December 2005, the company contributed a net profit of $25,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2005, the Group's revenue and profit for that year would have been $2,374,579,000 and $308,841,000 respectively.

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

	CARRYING AMOUNTS AND FAIR VALUE 2005 $'000
Property, plant and equipment	9
Development property	26,601
Other current assets	54
Cash at bank	74
Other current liabilities	(302)
Amount owing to shareholders*	(10,854)
Bank loan (secured)	(17,250)
Net identifiable assets and liabilities	(1,668)
Amounts previously accounted for as jointly-controlled entity	834
Additional shareholder's loan acquired	5,427
	4,593
Cash consideration paid, satisfied in cash	–
Cash acquired	(74)
Net cash outflow	4,519

* This amount is eliminated on consolidations. Since the Group ultimately owns 100% of the shareholders' loan, there is no shareholders' loan on consolidation.

The carrying amount of identifiable assets and liabilities immediately before the combination approximates the fair value at the date of acquisition.

35 COMMITMENTS

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

	GROUP		COMPANY	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Development expenditure contracted but not provided for in the financial statements	**634,480**	216,172	**410,608**	210,979
Capital expenditure contracted but not provided for in the financial statements	**13,727**	31,017	**–**	–
Commitment in respect of purchase of properties for which deposits have been paid	**382,097**	55,031	**–**	55,031

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	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Within 1 year	**85,064**	41,689	**3,509**	6,533
After 1 year but within 5 years	**275,509**	131,488	**2,147**	8,488
After 5 years	**642,956**	131,858	**–**	–
	1,003,529	305,035	**5,656**	15,021

Contingent rents, generally determined based on a percentage of gross revenue and gross operating profit, of $25,798,000 (2005: $9,146,000) for the Group have been recognised as an expense in the income statement during the year.

35 COMMITMENTS (cont'd)

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

	GROUP		COMPANY	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Within 1 year	**137,161**	105,445	**13,722**	11,680
After 1 year but within 5 years	**169,364**	111,697	**12,879**	6,148
After 5 years	**11,283**	–	**–**	–
	317,808	217,142	**26,601**	17,828

Contingent rents, generally determined based on a percentage of tenants' revenue, of $77,000 (2005: $79,000) and $42,000 (2005: $31,000) 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 June 2006 in one case and June 2007 in the other. A further extension for former divestment to 31 December 2007 has been obtained on 7 August 2006.

(d) A subsidiary leases land, on which a hotel building stands, from the Ministry of Economic Affairs (MOEA) in Taiwan, for 50 years starting from 7 March 1990 and extendible up to 80 years. The lease rental to be paid is based on a percentage of the published land value in Taiwan and will be adjusted when land value tax and related levies are changed. Upon expiry of the lease, the subsidiary is required to unconditionally transfer the building and its contents to the government.

The subsidiary has also committed to the MOEA:

– to spend in each year not less than 4% to 5% of the annual gross revenue of the hotel to maintain and improve the hotel's furniture and fixtures, equipment and building, and its environment.

– to pay an annual royalty to the MOEA at 6.25% of the annual gross revenue of the hotel, with a minimum sum of NT$195 million (approximately S$9.4 million) (2005: NT$195 million (approximately S$9.9 million)). In the event that the subsidiary terminates the hotel assistance and management agreement, the royalty is to be increased to 8.25% of the annual gross revenue of the hotel, subject to a minimum sum of NT$257.4 million (approximately S$12.4 million) (2005: NT$257.4 million (approximately S$13.1 million)).

(e) In the previous financial year, a subsidiary, CDL Hotels (Korea) Ltd., had entered into a hotel lease agreement for the period from 1 January 2006 to 31 December 2015. Under the terms of the lease agreement, the subsidiary has committed to incur capital expenditure for an amount up to KRW1.96 billion (approximately S$3.2 million) (2006: KRW1.4 billion (approximately S$2.3 million)).

36 SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Rental received and receivable from:				
– subsidiaries	**–**	–	**982**	1,208
– fellow subsidiaries	**772**	751	**38**	29
– an associate	**189**	–	**189**	–
	961	751	**1,209**	1,237
Management services fees received and receivable from:				
– subsidiaries	**–**	–	**1,785**	2,017
– fellow subsidiaries	**1,347**	1,122	**1,071**	1,076
– jointly-controlled entities	**11,800**	8,763	**10,608**	5,242
– an associate	**3,531**	–	**19**	–
	16,678	9,885	**13,483**	8,335

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

	GROUP		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Maintenance services fees received and receivable from:				
– fellow subsidiaries	**109**	79	**–**	–
– jointly-controlled entities	**608**	597	**–**	–
	717	676	**–**	–
Rental paid and payable to:				
– subsidiaries	**–**	–	**3,745**	5,322
– jointly-controlled entities	**460**	376	**–**	–
– an associate	**26,408**	–	**–**	–
	26,868	376	**3,745**	5,322
Management services fees paid and payable to:				
– immediate and ultimate holding company	**447**	–	**–**	–
– subsidiaries	**–**	–	**1,583**	2,229
– a fellow subsidiary	**–**	316	**–**	–
	447	316	**1,583**	2,229
Maintenance services fees paid and payable to subsidiaries	**–**	–	**1,941**	1,762
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	**1,993**	–	**1,993**	–
– a key management personnel and his immediate family	**–**	651	**–**	651
	29,513	651	**29,513**	651

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'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**	–
Short-term employee benefits paid and payable to key management personnel	**12,281**	14,086	**11,618**	7,875
Professional fees paid and payable to firms of which directors of the Company are members:				
– charged to income statement	**147**	131	**8**	120
– included as cost of property, plant and equipment and cost of development properties	**333**	70	**329**	67
	480	201	**337**	187

37 CONTINGENT LIABILITIES (UNSECURED)

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

	GROUP 2006 $'000	GROUP 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Guarantee issued on behalf of a subsidiary which will expire in 2008	**–**	–	**37,112**	43,026
Indemnities given to financial institutions for performance guarantees issued on behalf of:				
– subsidiaries	**–**	–	**120,710**	78,358
– a jointly-controlled entity	**4,391**	17,565	**4,391**	17,565
	4,391	17,565	**162,213**	138,949

38 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate and currency risks arise in the normal course of the Group's business activities. The Group's overall objectives and policies focus on managing financial risks by using financial instruments, where appropriate. Use of derivatives is for hedging purposes only against specific exposures and are entered into in a manner consistent with the overall policies of the Group. The Group does not enter into derivative transactions for speculative purposes.

Credit risk

Management 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.

In relation to the financial guarantee contracts 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. The intra-group financial guarantees are eliminated in preparing the consolidated financial statements.

There are no terms and conditions attached to the 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 deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

38 FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk

The Group's exposure to market risk changes in interest rates 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 rates of interest. Where appropriate, the Group uses interest rate derivatives to hedge its interest rate exposure for specific underlying debt obligations.

At 31 December 2006, the Group did not have interest rate swaps.

Effective interest rates and repricing analysis

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

	NOTE	EFFECTIVE INTEREST RATE PER ANNUM %	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING WITHIN 1 YEAR $'000	1 TO 2 YEARS $'000	2 TO 3 YEARS $'000	3 TO 4 YEARS $'000	4 TO 5 YEARS $'000	AFTER 5 YEARS $'000	TOTAL $'000
Group										
2006										
Financial assets										
Cash and cash equivalents		0.50 to 7.70	38,463	672,914	–	–	–	–	–	711,377
Amounts owing by jointly-controlled entities	7	0.60 to 4.50	–	446,679	–	–	–	–	13,755	460,434
Investments in debt securities held for trading	8	2.62 to 6.00	–	2,837	6,972	1,133	489	839	–	12,270
Balance carried forward			38,463	1,122,430	6,972	1,133	489	839	13,755	1,184,081

38 FINANCIAL INSTRUMENTS (cont'd)

	NOTE	EFFECTIVE INTEREST RATE PER ANNUM %	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING WITHIN 1 YEAR $'000	1 TO 2 YEARS $'000	2 TO 3 YEARS $'000	3 TO 4 YEARS $'000	4 TO 5 YEARS $'000	AFTER 5 YEARS $'000	TOTAL $'000
Group										
2006										
Balance brought forward			38,463	1,122,430	6,972	1,133	489	839	13,755	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	–	(6,351)	(8)	(7)	(195)	–	–	(6,561)
Bonds and notes	22									
– secured		3.73 to 5.64	(125,780)	–	–	(149,817)	–	(199,597)	–	(475,194)
– unsecured		2.35 to 6.37	(602,214)	(219,981)	(49,986)	(49,947)	(159,893)	–	–	(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)	(226,457)	(49,994)	(199,771)	(160,088)	(199,597)	–	(3,348,543)
Total			(2,474,173)	895,973	(43,022)	(198,638)	(159,599)	(198,758)	13,755	(2,164,462)
2005										
Financial assets										
Cash and cash equivalents		0.10 to 7.53	60,029	368,190	–	–	–	–	–	428,219
Amounts owing by jointly-controlled entities	7	0.60 to 4.50	–	522,007	–	–	–	–	–	522,007
Investments in debt securities held for trading	8	6.00	–	41	–	–	–	–	–	41
Balance carried forward			60,029	890,238	–	–	–	–	–	950,267

38 FINANCIAL INSTRUMENTS (cont'd)

	NOTE	EFFECTIVE INTEREST RATE PER ANNUM %	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING WITHIN 1 YEAR $'000	1 TO 2 YEARS $'000	2 TO 3 YEARS $'000	3 TO 4 YEARS $'000	4 TO 5 YEARS $'000	AFTER 5 YEARS $'000	TOTAL $'000
<u>Group</u>										
2005										
Balance										
brought forward			60,029	890,238	–	–	–	–	–	950,267
Financial liabilities										
Bank overdrafts	14	7.50 to 8.00	(2,815)	–	–	–	–	–	–	(2,815)
Term loans	20									
– secured		3.30 to 8.15	(1,114,112)	–	–	–	–	–	–	(1,114,112)
– unsecured		0.43 to 5.29	(1,059,610)	–	–	–	–	–	–	(1,059,610)
Finance lease										
creditors	21	2.70 to 7.96	–	(5,104)	(6,688)	(9)	(7)	(4)	–	(11,812)
Bonds and notes	22									
– secured		4.82 to 4.90	(132,400)	(249,976)	–	–	–	–	–	(382,376)
– unsecured		2.35 to 5.50	(518,554)	(12,997)	(219,898)	(49,973)	(49,929)	(159,861)	–	(1,011,212)
Bank loans										
(unsecured)	23	0.34 to 0.38	(11,226)	–	–	–	–	–	–	(11,226)
Advances from minority										
shareholders of										
subsidiaries	25	1.50	–	(122)	–	–	–	–	–	(122)
			(2,838,717)	(268,199)	(226,586)	(49,982)	(49,936)	(159,865)	–	(3,593,285)
Total			(2,778,688)	622,039	(226,586)	(49,982)	(49,936)	(159,865)	–	(2,643,018)

38 FINANCIAL INSTRUMENTS (cont'd)

	NOTE	EFFECTIVE INTEREST RATE PER ANNUM %	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING							
				WITHIN 1 YEAR $'000	1 TO 2 YEARS $'000	2 TO 3 YEARS $'000	3 TO 4 YEARS $'000	4 TO 5 YEARS $'000	AFTER 5 YEARS $'000	TOTAL $'000
Company										
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	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 creditor	21	6.51	–	(5)	(6)	(6)	(3)	–	–	(20)
Bonds and notes (unsecured)	22	2.35 to 5.50	(67,992)	(189,980)	(49,986)	(49,947)	(159,894)	–	–	(517,799)
Bank loans (unsecured)	23	0.66 to 3.71	(75,281)	–	–	–	–	–	–	(75,281)
			(749,984)	(189,985)	(49,992)	(49,953)	(159,897)	–	–	(1,199,811)
Total			(689,231)	608,755	(49,992)	(49,953)	(159,897)	–	–	(340,318)

38 FINANCIAL INSTRUMENTS (cont'd)

	NOTE	EFFECTIVE INTEREST RATE PER ANNUM %	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING WITHIN 1 YEAR $'000	1 TO 2 YEARS $'000	2 TO 3 YEARS $'000	3 TO 4 YEARS $'000	4 TO 5 YEARS $'000	AFTER 5 YEARS $'000	TOTAL $'000
Company										
2005										
Financial assets										
Cash and cash equivalents		2.06 to 4.27	–	127,495	–	–	–	–	–	127,495
Amounts owing by:										
– subsidiaries	5	0.48 to 3.36	44,285	77,724	–	–	–	–	–	122,009
– jointly-controlled entities	7	1.50 to 2.50	–	418,566	–	–	–	–	–	418,566
			44,285	623,785	–	–	–	–	–	668,070
Financial liabilities										
Term loans (unsecured)	20	0.54 to 4.24	(530,845)	–	–	–	–	–	–	(530,845)
Finance lease creditor	21	6.51	–	(5)	(5)	(6)	(6)	(3)	–	(25)
Bonds and notes (unsecured)	22	2.35 to 5.50	(87,960)	(12,997)	(189,915)	(49,973)	(49,929)	(159,861)	–	(550,635)
Bank loans (unsecured)	23	0.34 to 0.38	(11,226)	–	–	–	–	–	–	(11,226)
			(630,031)	(13,002)	(189,920)	(49,979)	(49,935)	(159,864)	–	(1,092,731)
Total			(585,746)	610,783	(189,920)	(49,979)	(49,935)	(159,864)	–	(424,661)

38 FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk

The Group manages its foreign exchange exposure by a policy of matching receipts and payments, and asset purchases and borrowings in each individual currency. Forward foreign exchange contracts are used purely as a hedging tool, where an active market for the relevant currencies exists, to minimise the Group's exposure to movements in exchange rates on firm commitments and specific transactions.

Wherever necessary, the Group finances its property, plant and equipment purchases by using the relevant local currency cash resources and arranging for bank facilities denominated in the same currency. This enables the Group to limit translation exposure to its balance sheet arising from consolidation of the Group's overseas net assets.

As at 31 December 2006, a subsidiary has outstanding forward exchange contracts with notional amounts of approximately HK$107 million (approximately S$21 million) (2005: $Nil).

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 2.6). 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 2006 was HK$475,000 (approximately S$94,000) (2005: $Nil). 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 or held for trading is their quoted bid price at the balance sheet date. The fair values of unquoted securities classified as available for sale or held for trading 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.

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 listed market price, if available. If a listed 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 reporting date. For finance leases, the market rate of interest is determined by reference to similar agreements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

38 FINANCIAL INSTRUMENTS (cont'd)

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:

	2006 CARRYING AMOUNT $'000	2006 FAIR VALUE $'000	2005 CARRYING AMOUNT $'000	2005 FAIR VALUE $'000
Group				
Financial assets				
Amounts owing by jointly-controlled entities	**13,755**	**8,859**	–	–
Deposit receivables	**3,993**	**3,883**	–	–
	17,748	**12,742**	–	–
Financial liabilities				
Term loans				
– secured	**–**	**–**	(669,137)	(668,173)
– unsecured	**–**	**–**	(439,906)	(438,300)
Finance lease creditors	**(6,535)**	**(6,427)**	(11,778)	(12,349)
Bonds and notes				
– secured	**(349,414)**	**(350,040)**	–	–
– unsecured	**(259,827)**	**(255,568)**	(923,252)	(915,293)
– long-term deposits	**(14,339)**	**(11,351)**	(13,204)	(10,545)
	(630,115)	**(623,386)**	(2,057,277)	(2,044,660)
	(612,367)	**(610,644)**	(2,057,277)	(2,044,660)
Unrecognised gains		**1,723**		12,617

38 FINANCIAL INSTRUMENTS (cont'd)

	2006 CARRYING AMOUNT $'000	2006 FAIR VALUE $'000	2005 CARRYING AMOUNT $'000	2005 FAIR VALUE $'000
Company				
Financial asset				
Amounts owing by subsidiaries	**48,031**	**44,603**	–	–
Financial liability				
Bonds and notes (unsecured)	**(259,827)**	**(255,568)**	(462,675)	(458,673)
	(211,796)	**(210,965)**	(462,675)	(458,673)
Unrecognised gains		**831**		4,002

39 SEGMENT REPORTING

Business Segments

	PROPERTY DEVELOPMENT $'000	HOTEL OPERATIONS $'000	RENTAL PROPERTIES $'000	OTHERS $'000	TOTAL $'000
2006					
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	–	10,042	(822)	–	9,220

39 SEGMENT REPORTING (cont'd)

	PROPERTY DEVELOPMENT $'000	HOTEL OPERATIONS $'000	RENTAL PROPERTIES $'000	OTHERS $'000	TOTAL $'000
2005					
Revenue	365,045	1,803,256	160,072	45,906	2,374,279
Segment results	103,842	204,416	24,913	12,066	345,237
Share of after-tax profit of jointly-controlled entities	47,385	8,587	2,653	–	58,625
Profit before income tax	151,227	213,003	27,566	12,066	403,862
Income tax expense					(94,740)
Profit for the year					309,122
Significant Non-Cash Transactions					
Depreciation	1,737	112,604	46,178	1,711	162,230
Amortisation	336	6,969	1,093	77	8,475
Impairment losses	–	31,661	(7,131)	–	24,530

39 SEGMENT REPORTING (cont'd)

	PROPERTY DEVELOPMENT $'000	HOTEL OPERATIONS $'000	RENTAL PROPERTIES $'000	OTHERS $'000	TOTAL $'000
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
2005					
Assets and Liabilities					
Segment assets	2,471,009	5,051,595	2,829,868	403,400	10,755,872
Investments in jointly-controlled entities	(4,636)	71,689	11,154	61,063	139,270
Total assets	2,466,373	5,123,284	2,841,022	464,463	10,895,142
Segment liabilities	984,790	2,257,139	968,057	94,716	4,304,702
Deferred tax liabilities					433,549
Provision for taxation					81,630
Total liabilities					4,819,881
Capital expenditure	10,354	173,756	92,290	4,239	280,639

39 SEGMENT REPORTING (cont'd)

Geographical Segments

	EAST AND SOUTH EAST ASIA $'000	NORTH AMERICA AND EUROPE $'000	AUSTRALIA AND NEW ZEALAND $'000	TOTAL $'000
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
2005				
Revenue	1,023,500	1,171,627	179,152	2,374,279
Segment assets	7,637,658	3,175,939	81,545	10,895,142
Capital expenditure	185,960	72,356	22,323	280,639

40 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

- FRS 40 *Investment Property*
- FRS 107 *Financial Instruments*: Disclosures and the Amendment to FRS 1 *Presentation of Financial Statements: Capital Disclosures*
- INT FRS 107 *Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies*
- INT FRS 108 *Scope of FRS 102 Share-based Payment*
- INT FRS 109 *Reassessment of Embedded Derivatives*
- INT FRS 110 *Interim Financial Reporting and Impairment*

FRS 40, which becomes mandatory for the financial statements of the Group from the year commencing 1 January 2007, permits investment properties (currently included in property, plant and equipment) to be stated at either fair value or cost less accumulated depreciation and accumulated impairment losses. Currently, investment properties are accounted for under FRS 16 *Property, Plant and Equipment* at cost less accumulated depreciation and accumulated impairment losses. With the adoption of FRS 40 from 1 January 2007, the Group will reclassify the carrying value of its investment properties from property, plant and equipment to investment properties, which will continue to be stated at cost less accumulated depreciation and accumulated impairment losses.

FRS 107 and amended FRS 1, which become mandatory for the Group's 2007 financial statements, will require extensive additional disclosures with respect to the Group's financial instruments and share capital. This standard does not have any impact on the recognition and measurement of the Group's financial statements.

INT FRS 110 prohibits the reversal of an impairment loss recognised in an interim period during the financial year in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. INT FRS 110 will become mandatory for the Group's 2007 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the Group first applied the measurement criteria of FRS 36 and FRS 39 respectively (i.e. 1 January 2005).

The initial application of these standards 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

41 SIGNIFICANT INVESTMENTS

The following are the Group's significant investments:

		PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	EFFECTIVE GROUP INTEREST 2006 %	EFFECTIVE GROUP INTEREST 2005 %
	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
*	CDL Land Pte Ltd	Property owner	Singapore	100	100
*	CDL Management Services Pte. Ltd. (formerly known as City Project & Property Management 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 Building Management Pte Ltd	Building maintenance, security, cleaning, car park and related services to commercial and residential buildings	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
*	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. (formerly known as Tagore Warehouse Holdings Pte. Ltd.)	Property owner and developer	Singapore	100	100
*	Darfera Pte. Ltd.	Property owner and developer	Singapore	100	100

41 SIGNIFICANT INVESTMENTS (cont'd)

		PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	EFFECTIVE GROUP INTEREST 2006 %	EFFECTIVE GROUP INTEREST 2005 %
Subsidiaries (cont'd)					
Direct / Indirect Subsidiaries of the Company (cont'd)					
*	Eccott Pte Ltd	Investment holding and property owner	Singapore	100	100
*	Edenspring Properties Pte Ltd	Property sales and ownership	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
*	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	52
*	North Bridge Commercial Complex Pte Ltd	Property holding	Singapore	99	99
**	Pacific Height Enterprises Company Limited	Property investment	Hong Kong	100	100
**	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 clubs	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
*	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

41 SIGNIFICANT INVESTMENTS (cont'd)

		PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	EFFECTIVE GROUP INTEREST 2006 %	EFFECTIVE GROUP INTEREST 2005 %
Subsidiaries (cont'd)					
Direct / Indirect Subsidiaries of Millennium & Copthorne Hotels plc					
**	Anchorage-Lakefront Limited Partnership	Hotel owner and operator	United States of America	53	52
**	Bostonian Hotel Limited Partnership	Hotel owner and operator	United States of America	53	52
**	CDL (New York) LLC	Hotel owner	United States of America	53	52
**	CDL Hotels (Chelsea) Limited	Hotel owner and operator	United Kingdom	53	52
**	CDL Hotels (Korea) Ltd.	Hotel owner and operator	Republic of Korea	53	52
**	CDL Hotels (Malaysia) Sdn. Bhd	Hotel owner and operator	Malaysia	53	52
**	CDL Hotels (U.K.) Limited	Hotel owner and operator	United Kingdom	53	52
**	CDL Hotels USA Inc.	Hotel investment holding company	United States of America	53	52
**	CDL Investments New Zealand Limited	Investment and property/management company	New Zealand	24	23
**	CDL West 45th Street LLC	Hotel owner	United States of America	53	52
**	Chicago Hotel Holdings, Inc.	Hotel owner and operator	United States of America	53	52
*	City Hotels Pte. Ltd.	Hotel owner and operator	Singapore	53	52
**	Copthorne Hotel (Birmingham) Limited	Hotel owner and operator	United Kingdom	53	52
**	Copthorne Hotel (Gatwick) Limited	Hotel owner and operator	United Kingdom	53	52
**	Copthorne Hotel (Manchester) Limited	Hotel owner and operator	United Kingdom	53	52
**	Copthorne Hotel (Newcastle) Limited	Hotel owner and operator	United Kingdom	50	49
**	Copthorne Hotel (Slough) Limited	Hotel owner and operator	United Kingdom	53	52
**	Copthorne Hotel Holdings Limited	Hotel investment holding company	United Kingdom	53	52
**	Copthorne Hotels Limited	Hotel investment holding company	United Kingdom	53	52
*	Copthorne Orchid Hotel Singapore Pte Ltd	Hotel owner and operator	Singapore	53	52
**	Gateway Regal Holdings LLC	Hotel owner and operator	United States of America	53	52
**	Grand Plaza Hotel Corporation	Hotel owner and operator and investment holding company	Philippines	35	34

41 SIGNIFICANT INVESTMENTS (cont'd)

		PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	EFFECTIVE GROUP INTEREST 2006 %	EFFECTIVE GROUP INTEREST 2005 %
Subsidiaries (cont'd)					
Direct / Indirect Subsidiaries of Millennium & Copthorne Hotels plc (cont'd)					
*	Harbour View Hotel Pte. Ltd.	Hotel owner	Singapore	53	52
**	Hong Leong Hotel Development Limited	Hotel owner and operator	Taiwan	42	42
*	Hong Leong Hotels Pte Ltd.	Hotel owner and operator	Cayman Islands	53	52
**	Hospitality Group Limited	Hotel investment holding company	New Zealand	26	26
*	King's Tanglin Shopping Pte. Ltd.	Property owner	Singapore	53	52
**	Kingsgate Hotel Pty. Ltd.	Property owner	Australia	23	23
**	London Britannia Hotel Limited	Hotel owner and operator	United Kingdom	53	52
**	London Tara Hotel Limited	Hotel owner and operator	United Kingdom	53	52
**	M&C Crescent Interests, LLC	Property owner	United States of America	53	52
**	M&C Hotels France SAS	Hotel owner	France	53	52
**	Millennium & Copthorne Hotels New Zealand Limited	Hotel investment holding company	New Zealand	37	37
*	Millennium & Copthorne International Limited	Hotels and resorts management	Singapore	53	52
**	RHM-88, LLC	Hotel owner and operator	United States of America	53	52
**	WHB Biltmore LLC	Hotel owner and operator	United States of America	53	52
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
Associate					
Associate of Millennium & Copthorne Hotels plc					
*	CDL Hospitality Trusts	Real Estate Investment Trust	Singapore	21	–

41 SIGNIFICANT INVESTMENTS (cont'd)

		PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	EFFECTIVE GROUP INTEREST 2006 %	EFFECTIVE GROUP INTEREST 2005 %
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
*	Camborne Developments Pte Ltd	Property owner and developer	Singapore	50	50
*	City Sunshine Holdings Pte. Ltd.	Property owner	Singapore	50	100
*	Cuscaden Investment Pte Ltd	Real estate developer and investment holding company	Singapore	25	25
**	Exchange Tower Ltd.	Investment holding	Thailand	39	39
*	Glengary Pte. Ltd.	Property owner and developer	Singapore	50	50
*	Granmil Holdings Pte Ltd	Property owner and developer	Singapore	40	40
**	Krungthep Rimnam Ltd.	Hotel business	Thailand	49	25
**	P.T. City Island Utama	Property owner and developer	Indonesia	30	30
*	Richmond Hotel Pte Ltd	Property owner and developer	Singapore	33	33
*	TC Development Pte. Ltd.	Property owner and developer	Singapore	50	50
*	Tomlinson Hotel Pte. Ltd.	Hotel owner	Singapore	33	33
*	Tripartite Developers Pte. Limited	Property developer	Singapore	33	33
Jointly-controlled Entity of Millennium & Copthorne Hotels plc					
^	New Unity Holdings Limited	Investment holding company	British Virgin Islands	26	26

* Audited by KPMG Singapore
** Audited by other member firms of KPMG International
*** Audited by S.Y. Yang & Company, Hong Kong
^ Not subject to audit by law of country of incorporation
\# Name of City Building Management Pte Ltd was changed to CBM Pte. Ltd. on 1 January 2007

42 COMPARATIVE FIGURES

The Group has modified the presentation of the income statement by reclassifying finance income from other operating income to net finance costs. In addition, the Group has also reclassified the non-current portion of the rental deposits to non-current liabilities. Accordingly, the comparative amounts were reclassified to conform with the current year's presentation.