These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 12 March 2012.

1 DOMICILE AND ACTIVITIES

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

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

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

The consolidated financial statements for the year ended 31 December 2011 relate to the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's interests in associates and jointly-controlled entities.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except that financial instruments at fair value through profit or loss and certain equity investments available for sale are stated at fair value. The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information has been rounded to the nearest thousand, unless otherwise stated.

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

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

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

Note 2.2	Assessment of ability to control or exert significant influence over partly-owned investments
Note 2.18	Measurement of profit attributable to properties under development
Note 2.21	Estimation of provisions for current and deferred taxation
Notes 3 and 4	Measurement of recoverable amounts of property, plant and equipment and investment properties
Note 5	Measurement of recoverable amounts of investments in and balances with subsidiaries
Note 8	Impairment of available-for-sale equity investments
Note 10	Measurement of realisable amounts of development properties
Note 23	Valuation of defined benefit obligations
Note 37	Valuation of financial instruments that are not actively traded

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

Changes in accounting policies

(i) Agreements for the construction of real estate

The Group has adopted INT FRS 115 *Agreements for the Construction of Real Estate* and the *Accompanying Note on Application of INT FRS 115 in Singapore* (AN) in its accounting for revenue from sales of development properties for the year ended 31 December 2011.

Prior to the adoption of INT FRS 115 and the AN, revenue from sales of development properties was recognised using the percentage of completion (POC) method as allowed under Recommended Accounting Practice 11 *Pre-Completion Contracts For The Sale Of Development Property* (RAP 11). RAP 11 was withdrawn with effect from 1 January 2011 following the adoption of INT FRS 115.

Under INT FRS 115 and the AN, revenue from sales of Singapore residential properties within the scope of the AN continues to be recognised using the POC method. However, for the sale of other development properties, revenue is now recognised only upon the transfer of control and significant risks and rewards of ownership of the property to the buyer. This generally coincides with the point in time when the development unit is delivered to the buyer. The change in accounting policy was applied retrospectively.

The following table summarises the adjustments made to the statement of financial position upon implementation of the new accounting policy:

	Development properties $'000	Investment in jointly-controlled entities $'000	Accumulated profits $'000	Deferred tax liabilities $'000
Group				
Balance as reported at 1 January 2010	3,278,635	675,702	3,891,201	433,797
Effect of change in accounting policy	(157,146)	(37,876)	(168,767)	(26,255)
Restated balance at 1 January 2010	3,121,489	637,826	3,722,434	407,542
Balance as reported at 31 December 2010	3,470,992	537,110	4,555,278	449,158
Effect of change in accounting policy	(159,830)	–	(133,753)	(26,077)
Restated balance at 31 December 2010	3,311,162	537,110	4,421,525	423,081

	Development properties $'000	Accumulated profits $'000	Deferred tax liabilities $'000
Company			
Balance as reported at 1 January 2010	1,157,075	2,543,326	81,889
Effect of change in accounting policy	(47,268)	(38,986)	(8,282)
Restated balance at 1 January 2010	1,109,807	2,504,340	73,607
Balance as reported at 31 December 2010	1,214,471	2,826,404	103,190
Effect of change in accounting policy	(75,744)	(62,522)	(13,222)
Restated balance at 31 December 2010	1,138,727	2,763,882	89,968

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

Changes in accounting policies (cont'd)

(i) Agreements for the construction of real estate (cont'd)

The effects on the income statement and earnings per share were as follows:

	2011 $'000	2010 $'000
Group		
Increase/(Decrease) in revenue	**326,739**	(25,164)
(Increase)/Decrease in cost of sales	**(166,909)**	22,480
Increase in share of after-tax profit of jointly-controlled entities	**–**	37,876
Increase in income tax expense	**(26,077)**	(178)
Increase in profit for the year	**133,753**	35,014
Increase in basic earnings per share (cents)	**14.7**	3.9
Increase in diluted earnings per share (cents)	**14.0**	3.7

(ii) Identification of related party relationships and related party disclosures

From 1 January 2011, the Group has applied the revised FRS 24 *Related Party Disclosures* (2010) to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) has resulted in additional parties being identified as related to the Group. Transactions and outstanding balances, including commitments, with these related parties for the current and comparative years have been disclosed accordingly in note 34 to the financial statements.

The adoption of FRS 24 (2010) affects only the disclosures made in the financial statements.

There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of FRS 24 (2010) has no impact on earnings per share.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained above, which addresses changes in accounting policies.

2.2 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of consolidation (cont'd)

Business combinations (cont'd)

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

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

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

Associates and jointly-controlled entities

Associates are companies in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly-controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly-controlled entities are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction cost.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates and jointly-controlled entities, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an associate or a jointly-controlled entity, the carrying amount of that interest (including any long-term interests that, in substance, form part of the Group's net investment in the associate or jointly-controlled entity) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Jointly-controlled assets

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of consolidation (cont'd)

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore the carrying amounts of assets and liabilities are not changed and goodwill is not recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.

Transactions eliminated on consolidation

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

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

Investments in subsidiaries, associates and jointly-controlled entities are stated in the Company's statement of financial position at cost less accumulated impairment losses.

2.3 Foreign currencies

Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currencies at the exchange rates at the date on which their fair values were determined. Foreign currency differences arising on translation are recognised in the income statement, except for differences arising on the translation 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, a financial liability designated as a hedge of the net investment in a foreign operation (see below) or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, 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 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 translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Foreign currencies (cont'd)

Net investment in a foreign operation

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve. When the foreign operation is disposed of, the cumulative amount in the foreign currency translation reserve is transferred to the income statement as part of profit or loss on disposal.

Hedge of net investment in a foreign operation

Foreign currency differences arising on the translation of a financial liability designated as a hedge of the Group's net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation reserve. 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 the foreign currency translation reserve is transferred to the income statement as an adjustment to the profit or loss on disposal.

2.4 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets 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, and capitalised borrowing costs.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net in the income statement.

Subsequent expenditure

Subsequent expenditure is recognised in the carrying amount of the asset if it is probable that future economic benefits embodied within the expenditure will flow to the Group, and its cost can be measured reliably. All other subsequent expenditure are recognised in the income statement when incurred.

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.

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 for the current and comparative periods 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
• Leasehold land (other than 999-year leasehold land)	-	Lease term
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 represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree.

Goodwill and negative goodwill on acquisitions were written off against 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 occurring between 1 January 2005 and 31 December 2009

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

Goodwill 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 accumulated impairment losses, and tested for impairment (Note 2.12). Negative goodwill is recognised immediately in the income statement.

Acquisition on or after 1 January 2010

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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 accumulated 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 Investment properties

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

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

Depreciation

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

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

The estimated useful lives are as follows:

Freehold and leasehold properties	-	50 years, or lease term if shorter
Leasehold land (other than 999-year leasehold land)	-	Lease term ranging from 85 to 97 years
Furniture, fittings, plant and equipment and improvements	-	3 to 20 years

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

Transfers

Transfers to, or from, investment properties are made where there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment properties to property, plant and equipment;
- commencement of development with a view to sell, for a transfer from investment properties to development properties; and
- end of owner-occupation, for a transfer from property, plant and equipment to investment properties.

2.7 Leased assets

Leases in which the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases, and except for investment properties and lease premium prepayment, the leased assets are not recognised in the statement of financial position.

Lease premium prepayment relates to upfront premium paid in respect of long leasehold land where substantially all risks and rewards of ownership are not anticipated to pass to the Group. It is classified appropriately between current and non-current assets and is charged to the income statement on a straight-line basis over the term of the lease.

2.8 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Financial instruments (cont'd)

Non-derivative financial assets (cont'd)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following categories of non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables excluding prepayments, and tax recoverable and other non-current assets excluding deferred tax assets, deferred expenditure, prepayment and intangible assets.

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and 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 statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. The Group's investments in certain equity securities and certain debt securities are classified as available-for-sale financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 2.12) and foreign currency differences on available-for-sale monetary items (see note 2.3), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to the income statement.

Where an investment in equity securities 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.

Non-derivative financial liabilities

The Group initially recognises all financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: borrowings, other liabilities and trade and other payables excluding deferred income and derivatives financial liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Financial instruments (cont'd)

Non-derivative financial liabilities (cont'd)

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments, including hedging activities

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

Derivatives are recognised initially at fair value; 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

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified to the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (i.e. when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. The ineffective part of any gain or loss is recognised immediately in the income statement.

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

Separable embedded derivatives

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

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the income statement.

2.9 Interest-free intercompany loans

Loans to subsidiaries

Intercompany loans to subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future and are, in substance, a part of the Company's net investment in those subsidiaries, are stated at cost less accumulated impairment losses.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 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.

2.11 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 principle. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

2.12 Impairment

Impairment of non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more loss events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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 asset's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the income statement.

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. Impairment losses on available-for-sale financial asset are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, 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 debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, an impairment loss once recognised in the income statement is not reversed through the income statement. Any subsequent increase in fair value of such assets is recognised in other comprehensive income.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than development properties, 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, then 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Impairment (cont'd)

Impairment of non-financial assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated 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.

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

2.13 Non-current assets classified as held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to consumable stocks, financial assets, deferred tax assets and investment properties, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

2.14 Share capital

Ordinary shares

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

Preference shares

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

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

2.15 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. 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 the 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 reporting date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Employee benefits (cont'd)

Defined benefit plans (cont'd)

The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. 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 in other comprehensive income and all expenses related to defined benefit plans in the income statement.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits, other than pension plans is the amount of future benefit that employees have earned in return for their service in current and prior periods. 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 reporting date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations. Any actuarial gains and losses are recognised in the income statement in the period in which they arise.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Group receives goods or services as consideration for its equity instruments of the Group entities are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employees as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 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. The unwinding of the discount is recognised as finance cost.

Beijing Indemnity

A provision for tax indemnity to the former shareholders of Grand Millennium Beijing which the Group acquired an additional 40% interest in 2010.

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 that 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.

Legal

Provision for legal fees is recognised in relation to disputes in several United States hotels, credit card issues and management contract disagreement.

Rental guarantee

A provision for rental guarantee is recognised for the Group's contractual obligation to compensate the buyer for any shortfall in net rental income under the sale and purchase agreement for the sales of the Group's investment properties.

2.17 Financial guarantee contracts

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Revenue recognition

Development properties for sale

Revenue from sales of development properties is recognised using the percentage of completion method when the Group determines that (a) control and the significant risks and rewards of ownership of the work-in-progress transfer to the buyer in its current state as construction progresses, (b) sales price is fixed and collectible, (c) the percentage of completion can be measured reliably, (d) there is no significant uncertainty as to the ability of the Group to complete the development, and (e) costs incurred or to be incurred can be measured reliably.

In all other instances, revenue from sales of development properties is only recognised upon the transfer of control and significant risks and rewards of ownership of the property to the buyer. This generally coincides with the point in time when the development unit is delivered to the buyer.

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. Profits are recognised only in respect of finalised sales contracts to the extent that such profits relate to the progress of the construction work.

Rental and car park income

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

Car park income is recognised on an accrual basis.

Hotel income

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

Dividends

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

2.19 Operating leases

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

2.20 Finance income and costs

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Income tax

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

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

Deferred tax is recognised in respect of temporary differences 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 or loss, and differences relating to investments in subsidiaries, jointly-controlled entities and associates to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

2.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the dilutive effect arising from the conversion of the non-redeemable convertible non-cumulative preference shares.

2.23 Segment reporting

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

3 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings $'000	Leasehold land and buildings $'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 2010	3,079,064	747,124	122,399	978,042	2,021	4,928,650
Acquisition through business combination (Note 35)	–	93,079	–	35,575	–	128,654
Additions	1,089	13,492	36,890	26,583	8,917	86,971
Disposals	(13)	–	(378)	(26,154)	–	(26,545)
Written off during the year	–	(8)	–	(2,548)	–	(2,556)
Reclassifications and transfers	434	21,510	(40,326)	22,585	(4,203)	–
Translation differences on consolidation	(270,762)	(59,801)	(822)	(56,058)	(222)	(387,665)
At 31 December 2010	2,809,812	815,396	117,763	978,025	6,513	4,727,509
Additions	3,466	(255)*	144,847	27,709	24,078	199,845
Disposals	(2,395)	(78,911)	–	(75,495)	–	(156,801)
Disposal of subsidiaries (Note 35)	–	–	–	(164)	–	(164)
Written off during the year	–	–	(310)	(115,792)	–	(116,102)
Reclassifications and transfers	2,793	(18,669)	(1,832)	36,971	(19,263)	–
Transfers to development properties	(69,210)	–	–	(9,975)	–	(79,185)
Transfer from investment properties	–	3,328	–	–	–	3,328
Translation differences on consolidation	(59,367)	14,931	(135)	1,086	153	(43,332)
At 31 December 2011	2,685,099	735,820	260,333	842,365	11,481	4,535,098
Accumulated depreciation and impairment losses						
At 1 January 2010	422,139	158,129	3,861	727,753	–	1,311,882
Charge for the year	19,637	7,513	–	51,779	–	78,929
Disposals	–	(6)	–	(25,954)	–	(25,960)
Written off during the year	–	(8)	–	(2,409)	–	(2,417)
Impairment losses	30,414	426	–	–	–	30,840
Translation differences on consolidation	(21,675)	3,957	(314)	(58,181)	–	(76,213)
At 31 December 2010	450,515	170,011	3,547	692,988	–	1,317,061
Charge for the year	16,072	3,317	–	51,747	–	71,136
Disposals	(2,395)	(177)	–	(55,478)	–	(58,050)
Disposal of subsidiaries (Note 35)	–	–	–	(137)	–	(137)
Written off during the year	–	–	–	(115,760)	–	(115,760)
Impairment losses	7,389	20,477	2,471	2,101	–	32,438
Reversal of impairment loss	(2,313)	–	–	–	–	(2,313)
Reclassifications and transfers	1,265	(70)	–	(1,195)	–	–
Transfers to development properties	(23,690)	–	–	–	–	(23,690)
Transfer from investment properties	–	1,551	–	–	–	1,551
Translation differences on consolidation	(617)	(6,118)	18	6,397	–	(320)
At 31 December 2011	446,226	188,991	6,036	580,663	–	1,221,916
Carrying amount						
At 1 January 2010	2,656,925	588,995	118,538	250,289	2,021	3,616,768
At 31 December 2010	2,359,297	645,385	114,216	285,037	6,513	3,410,448
At 31 December 2011	2,238,873	546,829	254,297	261,702	11,481	3,313,182

* Relates to excess accruals written back.

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land and buildings $'000	Furniture, fittings and equipment $'000	Total $'000
Company			
Cost			
At 1 January 2010	3,794	24,388	28,182
Additions	–	2,827	2,827
Disposals	–	(1,431)	(1,431)
Written off during the year	–	(659)	(659)
At 31 December 2010	3,794	25,125	28,919
Additions	–	2,431	2,431
Disposals	–	(532)	(532)
Written off during the year	–	(344)	(344)
At 31 December 2011	3,794	26,680	30,474
Accumulated depreciation			
At 1 January 2010	–	20,172	20,172
Charge for the year	–	2,142	2,142
Disposals	–	(1,431)	(1,431)
Written off during the year	–	(659)	(659)
At 31 December 2010	–	20,224	20,224
Charge for the year	–	1,791	1,791
Disposals	–	(411)	(411)
Written off during the year	–	(322)	(322)
At 31 December 2011	–	21,282	21,282
Carrying amount			
At 1 January 2010	3,794	4,216	8,010
At 31 December 2010	3,794	4,901	8,695
At 31 December 2011	3,794	5,398	9,192

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

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Furniture, fittings and equipment	4	–	–	–

In 2011, upon the Group 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 $32,438,000 (2010: $30,840,000). The impairment losses were included in "other operating expenses".

The impairment losses of $32,438,000 were recognised in respect of one hotel located in United Kingdom, four hotels in United States of America and a land in India, all held by a subsidiary. The land in India was impaired following a decision by the management of the subsidiary not to proceed with building two hotels as a result of changing market conditions. For the remaining hotels, the estimates of recoverable amounts were based on the value-in-use of the said properties determined by either professional valuers or management of the subsidiary using discount rates ranging from 10.5% to 14.0%.

In 2010, the impairment losses of $30,840,000 were recognised in respect of six hotels each in United States of America and United Kingdom, held by a subsidiary. The estimates of recoverable amounts were based on the value-in-use of the said properties determined by either professional valuers or management of the subsidiary using discount rates ranging from 10.25% to 14.00%.

In addition, the Group reversed impairment loss of $2,313,000 (2010: $Nil) recognised in prior years in respect of one hotel in United States of America held by the aforesaid subsidiary due to improved trading performances. The estimate of the recoverable amount was determined by management of the subsidiary using discount rate of 13.5%.

Included in property, plant and equipment are certain hotel properties of the Group with carrying value totalling $374,542,000 (2010: $286,950,000) which are mortgaged to certain financial institutions to secure credit facilities (refer to Notes 20 and 21 for more details of the facilities).

4 INVESTMENT PROPERTIES

	Group $'000	Company $'000
Cost		
At 1 January 2010	3,802,539	607,561
Additions	13,733	972
Disposals	(183,257)	–
Transfers to assets classified as held for sale	(86,808)	–
Written off during the year	(470)	(195)
Translation differences on consolidation	(5,899)	–
At 31 December 2010	3,539,838	608,338
Additions	194,952	4,469
Disposals	(29)	–
Transfers to property, plant and equipment	(3,328)	–
Written off during the year	(436)	(18)
Translation differences on consolidation	6,303	–
At 31 December 2011	3,737,300	612,789
Accumulated depreciation and impairment losses		
At 1 January 2010	738,773	67,349
Charge for the year	61,725	10,150
Disposals	(63,527)	–
Transfers to assets classified as held for sale	(4,836)	–
Written off during the year	(323)	(69)
Impairment losses	23,863	–
Translation differences on consolidation	(744)	–
At 31 December 2010	754,931	77,430
Charge for the year	59,413	10,207
Disposals	(15)	–
Transfers to property, plant and equipment	(1,551)	–
Written off during the year	(428)	(12)
Impairment losses	14,056	–
Translation differences on consolidation	3,713	–
At 31 December 2011	830,119	87,625
Carrying amounts		
At 1 January 2010	3,063,766	540,212
At 31 December 2010	2,784,907	530,908
At 31 December 2011	2,907,181	525,164
Fair value		
At 31 December 2010	6,213,907	1,104,553
At 31 December 2011	6,480,627	1,167,331

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

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

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

In 2011, upon the Group and the Company identifying indications of impairment and thereafter assessing the carrying values of their investment properties, the Group recognised impairment losses of $14,056,000 (2010: $23,863,000).

4 INVESTMENT PROPERTIES (CONT'D)

The impairment loss of $14,056,000 (2010: $12,899,000) was in relation to a property in Japan. The estimate of recoverable amount of the said property was based on its fair value as determined by an independent licensed appraiser.

The remaining impairment losses of $10,964,000 recognised in 2010 were in respect of two properties in United States of America. The estimate of recoverable amount of one of them was based on value-in-use of the property which comprised two blocks of office buildings, determined by professional appraiser using discount rate of 8.5% to 9.5% per annum. For the other property, which is a freehold land, its estimate of recoverable amount was based on direct comparison to recent land sales of similar locations.

Investment properties of the Group with a total carrying amount of $1,063,797,000 (2010: $1,170,779,000) are mortgaged to certain financial institutions to secure credit facilities (refer to Notes 20 and 21 for more details of the facilities).

5 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES

	Note	Company 2011 $'000	Company 2010 $'000
Investments in subsidiaries			
Unquoted shares, at cost		2,278,068	2,262,257
Discount implicit in non-current inter-company balances		7,095	7,095
Impairment losses		(63,358)	(6,546)
		2,221,805	2,262,806
Balances with subsidiaries			
Amounts owing by subsidiaries			
- trade, interest-free		6,890	3,300
- non-trade, interest-free		1,884,187	1,191,145
- non-trade, interest-bearing		2,215,992	2,555,600
		4,107,069	3,750,045
Impairment losses		(55,017)	(55,647)
		4,052,052	3,694,398
Receivable within 1 year	12	3,818,904	3,278,527
Receivable after 1 year	9	233,148	415,871
		4,052,052	3,694,398
Amounts owing to subsidiaries			
- trade, interest-free		1,070	1,353
- non-trade, interest-free		823,548	993,742
- non-trade, interest-bearing		200,695	150,304
		1,025,313	1,145,399
Repayable within 1 year	27	875,313	995,399
Repayable after 1 year	24	150,000	150,000
		1,025,313	1,145,399

5 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES (CONT'D)

During the year, the Company assessed the carrying amount of its investments in subsidiaries for indications of impairment. Based on this assessment, the Company recognised impairment losses of $56,812,000 on its investments in three subsidiaries.

Impairment losses of $40,512,000 were made in relation to its investment in two of the subsidiaries as a result of dividend payments made by these subsidiaries to the Company during the year following the disposal of their underlying investments.

The remaining impairment loss of $16,300,000 was made in relation to its investment in one wholly-owned subsidiary, which had proceeded with voluntary liquidation during the year. Prior to the liquidation, the Company forgave the loan provided and recognised the waiver of the loan as an increase in its cost of investment.

In 2010, the Company reversed impairment loss of $862,000 on its investment in a subsidiary which had disposed of a strata-unit in Chinatown Point and recognised a profit from the sale, and accordingly the impairment loss was reversed fully.

The non-trade amounts owing by and to subsidiaries are unsecured. In respect of interest-bearing amounts owing by and to subsidiaries, interest was charged at 0.42% to 13.00% (2010: 0.51% to 13.00%) and at 1.34% to 3.57% (2010: 1.34% to 3.57%) per annum respectively. The non-trade balances with subsidiaries that are presented as receivable or repayable within one year are receivable or repayable on demand.

Included in amounts owing by subsidiaries receivable after one year are loans to subsidiaries with carrying amounts of $227,657,000 (2010: $397,167,000) for which settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are in substance a part of the Company's net investment in subsidiaries, they are stated at cost less accumulated impairment losses. The remaining non-current receivables from subsidiaries are not expected to be repaid within the next one year.

Impairment losses

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

	Company	
	2011	**2010**
	$'000	**$'000**
At 1 January	55,647	44,363
(Write-back)/Charge of impairment losses	(630)	11,284
At 31 December	55,017	55,647

Further details regarding subsidiaries are set out in Note 41.

6 INVESTMENTS IN AND BALANCES WITH ASSOCIATES

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Investments in associates		420,966	398,367	–	–
Balances with associates					
Amounts owing by associates:					
- trade, interest-free		660	506	–	–
- non-trade, interest-bearing		139,428	–	–	–
- non-trade, interest-free		747	20	–	–
		140,835	526	–	–
Receivable:					
- within 1 year	12	37,555	526	–	–
- after 1 year	9	103,280	–	–	–
		140,835	526	–	–
Amounts owing to an associate					
- trade, interest-free		7,434	6,443	3	10
- non-trade, interest-bearing		23,908	–	–	–
		31,342	6,443	3	10
Payable:					
- within 1 year	27	7,434	6,443	3	10
- after 1 year	24	23,908	–	–	–
		31,342	6,443	3	10

The non-trade amounts owing by and to associates are unsecured. In respect of the amounts owing by an associate, interest was charged at 2.75% to 3.01%. For the amounts owing to an associate, interest was charged at 7.54%.

The non-trade balances with associates that are presented as receivable within one year are receivable on demand.

The non-current receivable from associates are not expected to be repaid within the next one year.

Included in the Group's investments in associates is an investment in the quoted equity of an associate with a carrying value of $284,702,000 (2010: $304,333,000) and whose fair value as at the reporting date based on published price quotations is $522,332,000 (2010: $695,556,000).

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

	2011 $'000	2010 $'000
Total assets	2,206,667	1,723,628
Total liabilities	1,046,672	588,932
Revenue	157,733	165,506
Profit after tax	85,091	48,724

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

7 INVESTMENTS IN AND BALANCES WITH JOINTLY-CONTROLLED ENTITIES

	Group			Company		
	2011	2010 (Restated)	2009 (Restated)	2011	2010 (Restated)	2009 (Restated)
	$'000	$'000	$'000	$'000	$'000	$'000
Investments in jointly-controlled entities						
Investments in jointly-controlled entities	**674,272**	537,110	637,826	**37,360**	37,360	37,360
Impairment losses	**–**	–	–	**(1,000)**	(1,000)	(1,000)
	674,272	537,110	637,826	**36,360**	36,360	36,360

	Note	Group		Company	
		2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Balances with jointly-controlled entities					
Amounts owing by jointly-controlled entities					
- trade, interest-free		**2,861**	1,660	**218**	207
- non-trade, interest-bearing		**725,995**	462,197	**280,731**	179,495
- non-trade, interest-free		**214,643**	11,594	**–**	–
		943,499	475,451	**280,949**	179,702
Impairment losses		**(36,935)**	(35,740)	**(16,365)**	(15,174)
		906,564	439,711	**264,584**	164,528
Receivable:					
- within 1 year	12	**712,600**	330,199	**264,584**	164,528
- after 1 year	9	**193,964**	109,512	**–**	–
		906,564	439,711	**264,584**	164,528
Amounts owing to jointly-controlled entities payable within 1 year					
- trade, interest-free		**2**	–	**–**	–
- non-trade, interest-free		**28,676**	18,661	**28,676**	–
	27	**28,678**	18,661	**28,676**	–

The non-trade amounts owing by and to jointly-controlled entities are unsecured. In respect of interest-bearing amounts, interest at rates ranging from 0.75% to 8.50% (2010: 0.75% to 4.75%) per annum and 1.50% to 4.75% (2010: 1.50% to 2.50%) per annum were charged by the Group and the Company respectively.

The non-trade amounts presented as receivable or repayable within one year are receivable or repayable on demand. Included in non-current amounts owing by jointly-controlled entity are loans to jointly-controlled entity with carrying amounts of $57,172,000 (2010: $57,172,000) for which settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are in substance a part of the Group's net investment in the entities, they are stated at cost less accumulated impairment losses. The remaining non-current receivables from jointly-controlled entities are not expected to be repaid within the next one year.

7 INVESTMENTS IN AND BALANCES WITH JOINTLY-CONTROLLED ENTITIES (CONT'D)

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

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
At 1 January	**35,740**	71,610	**15,174**	46,797
Charge/(Write-back) of impairment losses	**959**	1,188	**1,191**	(31,060)
Reversal of impairment losses against investments in jointly-controlled entities	**–**	(31,060)	**–**	–
Impairment losses utilised	**–**	(4,349)	**–**	–
Translation differences on consolidation	**236**	(1,649)	**–**	(563)
At 31 December	**36,935**	35,740	**16,365**	15,174

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

	Group		
	2011 $'000	2010 (Restated) $'000	2009 (Restated) $'000
Results			
Revenue and other operating income	**199,553**	319,497	
Cost of sales and other expenses	**(156,826)**	(202,005)	
Profit before income tax	**42,727**	117,492	
Income tax expense	**(3,621)**	(16,255)	
Non-controlling interests	**(8,862)**	(7,925)	
Profit for the year	**30,244**	93,312	
Assets and liabilities			
Non-current assets	**418,832**	390,394	587,185
Current assets	**2,211,583**	1,614,098	1,675,636
Total assets	**2,630,415**	2,004,492	2,262,821
Current liabilities	**(359,927)**	(544,246)	(423,233)
Non-current liabilities	**(1,596,216)**	(923,136)	(1,201,762)
Total liabilities	**(1,956,143)**	(1,467,382)	(1,624,995)
Commitments			
Development expenditure contracted but not provided for in the financial statements	**521,189**	136,144	
Capital expenditure contracted but not provided for in the financial statements	**2,451**	317	
Non-cancellable operating lease payables	**20,778**	29,817	
Non-cancellable operating lease receivables	**15,543**	14,546	

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

8 FINANCIAL ASSETS

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Non-current financial assets				
Unquoted equity investments available for sale				
- fellow subsidiaries	3,289	3,363	3,290	3,290
- other related parties	100,340	95,480	–	–
- non-related companies	19,283	19,280	1,340	1,340
Impairment losses	(3,339)	(3,366)	–	–
	119,573	114,757	4,630	4,630
Financial assets designated at fair value through profit or loss				
- unquoted convertible notes of a jointly-controlled entity	–	211,379	–	–
	119,573	326,136	4,630	4,630
Quoted equity investments available for sale				
- fellow subsidiaries	22,739	32,970	19,122	27,723
- non-related companies	14,427	20,794	–	–
	37,166	53,764	19,122	27,723
Total	156,739	379,900	23,752	32,353

	Group 2011 $'000	Group 2010 $'000
Current financial assets		
Equity investments held for trading		
- quoted	24,888	33,872
- unquoted	1,400	2,013
	26,288	35,885

Included in quoted equity investments held for trading are investments in shares of listed subsidiaries with a total carrying value of $9,719,000 (2010: $13,516,000) which are held by the Group for trading purposes.

Included in unquoted investments available for sale of the Group and the Company are investments with total carrying amounts of $110,266,000 (2010: $105,616,000) and $4,630,000 (2010: $4,630,000) respectively, which are measured at cost less impairment losses as the fair values cannot be determined reliably. As a result, the variability in the range of reasonable fair value estimates derived from valuation techniques is expected to be significant. The Group does not intend to dispose of these investments in the foreseeable future.

Impairment losses on available-for-sale equity investments are recognised when there is a significant or prolonged decline in the fair value of such investments below their cost.

The Group has not reclassified any investments between various categories during the year.

Impairment losses

The change in impairment losses in respect of non-current financial assets during the year is as follows:

	Group 2011 $'000	Group 2010 $'000
At 1 January	3,366	5,204
Impairment losses utilised	(27)	(1,688)
Translation differences on consolidation	–	(150)
At 31 December	3,339	3,366

9 OTHER NON-CURRENT ASSETS

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Amounts owing by:					
- subsidiaries	5	–	–	**233,148**	415,871
- jointly-controlled entities	7	**193,964**	109,512	–	–
- associates	6	**103,280**	–	–	–
Deferred tax assets	26	**3,655**	3,392	–	–
Deferred expenditure		**617**	–	–	–
Deposits and prepayment		**6,395**	4,721	–	–
Intangible assets		**6**	7	–	–
Interest receivables		**2,321**	50,093	–	–
Other receivables		**3,882**	4,740	–	–
		314,120	172,465	**233,148**	415,871

10 DEVELOPMENT PROPERTIES

	Group 2011 $'000	Group 2010 (Restated) $'000	Group 2009 (Restated) $'000	Company 2011 $'000	Company 2010 (Restated) $'000	Company 2009 (Restated) $'000
Properties in the course of development, at cost	**2,511,983**	3,315,822	3,374,831	**557,996**	1,080,365	1,347,312
Attributable profit	**121,433**	599,884	499,195	**62,848**	364,333	259,686
	2,633,416	3,915,706	3,874,026	**620,844**	1,444,698	1,606,998
Progress billings	**(943,372)**	(1,279,098)	(1,181,969)	**(357,005)**	(724,287)	(728,866)
	1,690,044	2,636,608	2,692,057	**263,839**	720,411	878,132
Properties for development and resale representing mainly land, at cost	**438,646**	135,827	123,406	–	–	–
Completed units, at cost	**916,844**	300,062	238,830	**203,677**	102,732	87,551
	3,045,534	3,072,497	3,054,293	**467,516**	823,143	965,683
Allowance for foreseeable losses	**(35,511)**	(77,201)	(76,919)	**(1,185)**	(282)	–
	3,010,023	2,995,296	2,977,374	**466,331**	822,861	965,683
Share of jointly-controlled assets						
Properties in the course of development, at cost	**315,550**	474,080	161,448	**315,550**	474,080	161,448
Attributable profit	**63,818**	57,391	16,965	**63,818**	57,391	16,965
	379,368	531,471	178,413	**379,368**	531,471	178,413
Progress billings	**(145,516)**	(215,605)	(95,995)	**(145,516)**	(215,605)	(95,995)
	233,852	315,866	82,418	**233,852**	315,866	82,418
Properties for development and resale representing mainly land, at cost	–	–	57,936	–	–	57,936
Completed units, at cost	–	–	3,761	–	–	3,770
	233,852	315,866	144,115	**233,852**	315,866	144,124
Total development properties	**3,243,875**	3,311,162	3,121,489	**700,183**	1,138,727	1,109,807

10 DEVELOPMENT PROPERTIES (CONT'D)

Included in the above are development properties under construction where revenue is recognised as construction progresses, which are set out below:

	Group			Company		
	2011	2010	2009	2011	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Properties in the course of development, at cost	**2,615,096**	3,629,934	3,357,900	**873,546**	1,472,026	1,430,451
Attributable profit	**185,251**	657,275	516,160	**126,666**	421,724	276,651
	2,800,347	4,287,209	3,874,060	**1,000,212**	1,893,750	1,707,102
Progress billings	**(1,020,623)**	(1,424,463)	(1,184,122)	**(502,521)**	(905,645)	(786,407)

The allowance for foreseeable losses is estimated taking into account estimated selling prices and estimated total construction costs. The estimated selling prices are based on recent selling prices for the development project or comparable projects and prevailing property market conditions. The estimated total construction costs are based on contracted amounts and, in respect of amounts not contracted for, management's estimates of the amounts to be incurred taking into consideration historical trends of the amounts incurred.

Development properties of the Group and the Company with carrying amounts of $609,796,000 (2010: $1,110,039,000) and $176,471,000 (2010: $315,867,000) respectively are mortgaged to financial institutions to secure credit facilities (refer to Note 20).

11 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In 2010, the Group entered into sale and purchase contracts to sell two of its investment properties and a strata-unit of an investment property. The transactions were completed in 2011. The investment properties relate to the rental properties segment.

At 31 December 2010, the assets and liabilities associated with the above investment properties of the Group have been presented in the statement of financial position as "Assets classified as held for sale" and "Liabilities classified as held for sale".

	Group 2010 $'000
Assets classified as held for sale	
Investment properties	81,972
Liabilities classified as held for sale	
Rental and other deposits	1,655

12 TRADE AND OTHER RECEIVABLES

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Trade receivables		195,687	189,562	92,636	90,364
Impairment losses		(11,044)	(2,372)	(7,741)	(41)
		184,643	187,190	84,895	90,323
Other receivables		28,610	184,667	3,506	2,632
Impairment losses		(1,103)	(1,406)	(1,713)	(1,751)
		27,507	183,261	1,793	881
Deposits and prepayments		61,384	112,103	646	445
Tax recoverable		1,996	6,257	–	–
Accrued receivables	13	175,188	56,987	53,648	39,690
Amounts owing by:					
- subsidiaries	5	–	–	3,818,904	3,278,527
- associates	6	37,555	526	–	–
- jointly-controlled entities	7	712,600	330,199	264,584	164,528
- fellow subsidiaries	14	45	69	8	12
		1,200,918	876,592	4,224,478	3,574,406

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

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Property development	930,142	615,955	3,065,086	2,483,970
Hotel operations	150,274	96,628	79,351	–
Rental properties	22,960	25,686	570,062	744,634
Others	34,162	19,963	509,333	345,357
	1,137,538	758,232	4,223,832	3,573,961

12 TRADE AND OTHER RECEIVABLES (CONT'D)

Impairment losses

The aging of trade receivables at the reporting date is:

	Gross 2011 $'000	Impairment losses 2011 $'000	Gross 2010 $'000	Impairment losses 2010 $'000
Group				
Not past due	154,903	48	134,942	36
Past due 0 – 30 days	17,939	11	26,870	20
Past due 31 – 60 days	6,476	1,178	9,714	531
Past due 61 – 90 days	2,706	649	2,976	743
More than 90 days	13,663	9,158	15,060	1,042
	195,687	11,044	189,562	2,372
Company				
Not past due	81,086	5	76,598	–
Past due 0 – 30 days	745	6	1,202	2
Past due 31 – 60 days	1,039	–	670	–
Past due 61 – 90 days	823	4	161	–
More than 90 days	8,943	7,726	11,733	39
	92,636	7,741	90,364	41

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

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
At 1 January	3,778	3,862	1,792	1,711
Charge of impairment losses	8,899	290	7,728	50
Impairment losses utilised	(204)	(6)	(27)	–
Translation differences on consolidation	(326)	(368)	(39)	31
At 31 December	12,147	3,778	9,454	1,792

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

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

13 ACCRUED RECEIVABLES

Accrued receivables represent mainly the remaining balances of sales consideration for development properties to be billed. In accordance with the Group's accounting policy, income is recognised on the sale of development properties based 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.

14 AMOUNTS OWING BY AND TO FELLOW SUBSIDIARIES

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Amounts owing by fellow subsidiaries:					
- trade, interest-free	12	45	69	8	12
Amounts owing to fellow subsidiaries:					
- trade, interest-free		1	7	1	19
- non-trade, interest-free		–	177	–	–
- non-trade, interest-bearing		61,634	28,359	–	–
	27	61,635	28,543	1	19

Fellow subsidiaries are subsidiaries of the immediate holding company which are subject to common control. The non-trade amounts owing to fellow subsidiaries are unsecured. In respect of interest-bearing amounts, interest is charged at 2.50% (2010: 2.50%) per annum.

15 CASH AND CASH EQUIVALENTS

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Amounts held under the Singapore development project rules, withdrawals from which are restricted to project-related payments		362,034	351,900	179,341	219,501
Fixed deposits placed with financial institutions which are:					
- fellow subsidiaries		38,778	33,510	–	–
- others		1,710,242	1,195,335	1,274,524	757,398
		1,749,020	1,228,845	1,274,524	757,398
Cash at banks and in hand		491,951	293,081	118,255	4,191
Cash and cash equivalents		2,603,005	1,873,826	1,572,120	981,090
Bank overdrafts	19	(115,425)	(852)		
Cash and cash equivalents in the consolidated statement of cash flows		2,487,580	1,872,974		

16 SHARE CAPITAL

	Company			
	2011		2010	
	Number of shares	$'000	Number of shares	$'000
Issued and fully paid ordinary share capital with no par value:				
At 1 January and 31 December	**909,301,330**	**1,661,179**	909,301,330	1,661,179
Issued and fully paid non-redeemable convertible non-cumulative preference share capital with no par value:				
At 1 January and 31 December	**330,874,257**	**330,218**	330,874,257	330,218
Total share capital		**1,991,397**		1,991,397

Ordinary share capital

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

Preference share capital

The Company has in issue 330,874,257 non-redeemable convertible non-cumulative preference shares (Preference Shares), listed on the Official List of Singapore Exchange Securities Trading Limited. The Preference Shares are convertible only at the option of the Company, 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 2011, a maximum number of 44,998,898 (2010: 44,998,898) ordinary shares are issuable upon full conversion at the sole option of the Company of all the Preference Shares.

Holders of Preference Shares have no voting rights, except under certain circumstances provided for in the Singapore Companies Act and 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 SHARE CAPITAL (CONT'D)

Capital management policy

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. For this purpose, the Group defines "capital" as including all components of equity, including non-controlling interests. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares or other financial instruments.

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

	Group	
	2011	2010 (Restated)
	$'000	$'000
Gross borrowings	4,418,876	4,219,929
Cash and cash equivalents	(2,603,005)	(1,873,826)
Net debt	1,815,871	2,346,103
Total capital employed	8,696,004	7,980,259
Net debt equity ratio	0.21	0.29

No changes were made to the above objectives, policies and processes during the years ended 31 December 2011 and 2010.

17 RESERVES

	Group			Company		
	2011	2010 (Restated)	2009 (Restated)	2011	2010 (Restated)	2009 (Restated)
	$'000	$'000	$'000	$'000	$'000	$'000
Capital reserve	148,962	148,140	147,589	63,743	63,743	63,743
Hedging reserve	(705)	(1,201)	–	–	–	–
Fair value reserve	3,067	15,680	17,548	6,810	13,948	14,936
Other reserve	(4,459)	(268)	(268)	5,664	–	–
Share option reserve	9,470	9,693	8,096	–	–	–
Foreign currency translation reserve	(320,267)	(322,456)	(83,089)	–	–	–
Accumulated profits	4,999,340	4,421,525	3,722,434	3,308,384	2,763,882	2,504,340
	4,835,408	4,271,113	3,812,310	3,384,601	2,841,573	2,583,019

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

The hedging reserve comprises the effective portions of the cumulative net changes in the fair values of cash flow hedging instruments related 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.

Other reserve comprises the share of other reserves of associates and a jointly-controlled entity.

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

17 RESERVES (CONT'D)

The foreign currency translation 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 $129,014,000 (2010: $150,426,000) attributable to associates and jointly-controlled entities.

18 EQUITY COMPENSATION BENEFITS

By Subsidiaries

Millennium & Copthorne Hotels plc

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

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

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

(iii) Millennium & Copthorne Hotels 2006 Long-Term Incentive Plan.

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

(a) The Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme (M&C 2003 Scheme) was approved by the shareholders at the Annual General Meeting of M&C held on 21 May 2002. There are two 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 six 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 three 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).

18 EQUITY COMPENSATION BENEFITS (CONT'D)

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

(c) No options may be granted which would cause the number of shares issued or issuable pursuant to options granted in the previous ten 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.

(ii) 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 three-year or five-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.

(iii) Millennium & Copthorne Hotels 2006 Long-Term Incentive Plan

The Millennium & Copthorne Hotels 2006 Long-Term Incentive Plan (LTIP) was approved at M&C's 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 stretch performance targets. For awards made in 2006 to 2010, earnings per share (EPS) targets were chosen so that participants are incentivised to deliver significant earnings growth.

In 2011, the Remuneration Committee amended the performance conditions so that half of the awards are subject to EPS growth targets and half are subject to Total Shareholder Return (TSR) targets. The revised performance targets are designed to incentivise management to deliver significant earnings growth and align the interests of management with shareholders.

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 the award. Performance Share Awards will vest on the third anniversary of the award being made, subject to the EPS growth targets being met. TSR targets measure M&C's relative TSR performance over a three-year period against a comparator group comprising companies in the FTSE 250 index participating companies (excluding investment trusts). Awards will not be subject to re-testing.

18 EQUITY COMPENSATION BENEFITS (CONT'D)

City e-Solutions Limited (CES)

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

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

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

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

(iii) the nominal value of a CES share.

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

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

The options granted by CES and M&C 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.

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

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

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2010	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 2010	Options exercisable as at 31 December 2010	Exercise period
2010									
Part I									
10.03.2003	1.9350	10,708	–	–	–	–	10,708	10,708	10.03.2006 – 09.03.2013
16.03.2004	2.9167	10,285	–	–	–	–	10,285	10,285	16.03.2007 – 15.03.2014
24.03.2005	3.9842	15,058	–	–	–	–	15,058	15,058	24.03.2008 – 23.03.2015
Part II									
10.03.2003	1.9350	177,711	–	(53,680)	–	–	124,031	124,031	10.03.2006 – 09.03.2013
16.03.2004	2.9167	59,558	–	(5,144)	–	–	54,414	54,414	16.03.2007 – 15.03.2014
24.03.2005	3.9842	189,990	–	(14,645)	–	–	175,345	175,345	24.03.2008 – 23.03.2015
		463,310	–	(73,469)	–	–	389,841	389,841	

18 EQUITY COMPENSATION BENEFITS (CONT'D)

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

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2011	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 2011	Options exercisable as at 31 December 2011	Exercise period
2011									
Part I									
10.03.2003	1.9350	10,708	–	(3,000)	–	–	7,708	7,708	10.03.2006 – 09.03.2013
16.03.2004	2.9167	10,285	–	–	–	–	10,285	10,285	16.03.2007 – 15.03.2014
24.03.2005	3.9842	15,058	–	(7,529)	–	–	7,529	7,529	24.03.2008 – 23.03.2015
Part II									
10.03.2003	1.9350	124,031	–	(124,031)	–	–	–	–	10.03.2006 – 09.03.2013
16.03.2004	2.9167	54,414	–	(44,999)	–	–	9,415	9,415	16.03.2007 – 15.03.2014
24.03.2005	3.9842	175,345	–	(95,377)	–	–	79,968	79,968	24.03.2008 – 23.03.2015
		389,841	–	(274,936)	–	–	114,905	114,905	

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

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2010	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 2010	Options exercisable as at 31 December 2010	Exercise period
2010									
20.04.2004	2.3400	13,133	–	–	–	(13,133)	–	–	01.07.2009 – 31.12.2009
23.03.2005	3.0800	11,155	–	(4,503)	(1,073)	–	5,579	5,579	01.07.2010 – 31.12.2010
19.06.2006	3.2500	19,839	–	–	–	(19,839)	–	–	01.08.2009 – 31.01.2010
19.06.2006	3.2500	22,382	–	–	(1,188)	(1,981)	19,213	–	01.08.2011 – 31.01.2012
26.03.2007	5.2000	9,184	–	(581)	–	(726)	7,877	7,877	01.07.2010 – 31.12.2010
26.03.2007	5.2000	6,798	–	–	–	–	6,798	–	01.07.2012 – 31.12.2012
20.03.2008	3.2800	36,976	–	–	(7,372)	–	29,604	–	01.07.2011 – 31.12.2011
20.03.2008	3.2800	6,143	–	–	(614)	–	5,529	–	01.07.2013 – 31.12.2013
01.04.2009	1.5400	181,179	–	(423)	(7,365)	(765)	172,626	–	01.08.2012 – 31.01.2013
01.04.2009	1.5400	59,950	–	–	(8,535)	–	51,415	–	01.08.2014 – 31.01.2015
01.04.2010	3.3000	–	47,025	(151)	(8,305)	(2,599)	35,970	–	01.08.2013 – 31.01.2014
01.04.2010	3.3000	–	18,088	–	(9,517)	–	8,571	–	01.08.2015 – 31.01.2016
		366,739	65,113	(5,658)	(43,969)	(39,043)	343,182	13,456	

18 EQUITY COMPENSATION BENEFITS (CONT'D)

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

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2011	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 2011	Options exercisable as at 31 December 2011	Exercise period
2011									
23.03.2005	3.0800	5,579	–	–	–	(5,579)	–	–	01.07.2010 – 31.12.2010
19.06.2006	3.2500	19,213	–	(18,388)	–	(33)	792	792	01.08.2011 – 31.01.2012
26.03.2007	5.2000	7,877	–	–	–	(7,877)	–	–	01.07.2010 – 31.12.2010
26.03.2007	5.2000	6,798	–	–	–	(629)	6,169	–	01.07.2012 – 31.12.2012
20.03.2008	3.2800	29,604	–	(22,037)	(351)	(2,184)	5,032	5,032	01.07.2011 – 31.12.2011
20.03.2008	3.2800	5,529	–	(589)	–	(435)	4,505	–	01.07.2013 – 31.12.2013
01.04.2009	1.5400	172,626	–	(5,570)	(13,425)	(5,717)	147,914	–	01.08.2012 – 31.01.2013
01.04.2009	1.5400	51,415	–	(1,096)	(4,064)	(3,781)	42,474	–	01.08.2014 – 31.01.2015
01.04.2010	3.3000	35,970	–	(181)	(9,130)	(2,129)	24,530	–	01.08.2013 – 31.01.2014
01.04.2010	3.3000	8,571	–	(109)	(3,956)	(456)	4,050	–	01.08.2015 – 31.01.2016
19.04.2011	4.1800	–	37,411	–	(2,157)	–	35,254	–	01.08.2014 – 31.01.2015
19.04.2011	4.1800	–	9,120	–	–	–	9,120	–	01.08.2016 – 31.01.2017
		343,182	46,531	(47,970)	(33,083)	(28,820)	279,840	5,824	

(iii) Millennium & Copthorne Hotels 2006 Long-Term Incentive Plan

Date of award	Balance at beginning of year	Awards awarded during the year	Awards vested during the year	Awards forfeited during the year	Awards expired during the year	Balance at end of year	Vesting date
2010							
27.03.2007	105,057	–	–	(105,057)	–	–	27.03.2010
18.09.2007	28,675	–	–	(28,675)	–	–	18.09.2010
25.06.2008	588,344	–	–	(80,758)	–	507,586	25.06.2011
30.03.2009	1,497,206	–	–	(288,399)	–	1,208,807	30.03.2012
16.09.2010	–	700,212	–	(45,170)	–	655,042	16.09.2013
	2,219,282	700,212	–	(548,059)	–	2,371,435	
2011							
25.06.2008	507,586	–	–	(507,586)	–	–	25.06.2011
30.03.2009	1,208,807	–	–	(133,061)	–	1,075,746	30.03.2012
16.09.2010	655,042	–	(1,452)	(135,825)	–	517,765	16.09.2013
28.11.2011	–	941,126	–	–	–	941,126	28.11.2014
	2,371,435	941,126	(1,452)	(776,472)	–	2,534,637	

18 EQUITY COMPENSATION BENEFITS (CONT'D)

(iii) Millennium & Copthorne Hotels 2006 Long-Term Incentive Plan (cont'd)

For options exercised during 2011, the weighted average share price at the date of exercise is £5.09 (2010: £4.65). Options were exercised on a regular basis throughout the year. The options outstanding as at 31 December 2011 had an exercise price in the range of £1.54 to £5.20 and a weighted average contractual life of 1.62 years (2010: 1.82 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 LTIP awards which are subject to a share price related performance condition (i.e. TSR) were valued using the Monte Carlo valuation method.

The share option pricing model involves six variables, namely the exercise price, share price at grant date, expected life of option, expected volatility of share price, risk-free interest rate and expected dividend yield.

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

	Date of grant	Awards/ options granted	Share price prevailing on date of grant £	Exercise price £	Fair value £	Expected term (years)	Expected volatility	Expected dividend yield	Risk free interest rate
2010									
LTIP – EPS element (directors)	16.09.2010	56,936	5.25	–	5.07	3.00	–	1.19%	–
LTIP – EPS element (non-directors)	16.09.2010	643,276	5.25	–	5.07	3.00	–	1.19%	–
Sharesave Scheme (3 year)	01.04.2010	47,025	4.90	3.30	2.24	3.25	48.0%	1.27%	1.91%
Sharesave Scheme (5 year)	01.04.2010	18,088	4.90	3.30	2.33	5.25	39.8%	1.27%	2.76%
2011									
LTIP – EPS element (directors)	28.11.2011	128,215	3.91	–	3.63	3.00	–	2.55%	–
LTIP – EPS element (non-directors)	28.11.2011	342,348	3.91	–	3.63	3.00	–	2.55%	–
LTIP – TSR element (directors)*	28.11.2011	128,215	3.91	–	1.28	3.00	31.0%	2.55%	0.60%
LTIP – TSR element (non-directors)*	28.11.2011	342,348	3.91	–	1.28	3.00	31.0%	2.55%	0.60%
Sharesave Scheme (3 year)	19.04.2011	37,411	5.32	4.18	2.03	3.25	46.0%	1.88%	1.72%
Sharesave Scheme (5 year)	19.04.2011	9,120	5.32	4.18	2.18	5.25	41.0%	1.88%	2.50%

* 50% of the new LTIP options granted in 2011 are conditional upon the market performance of M&C.

19 INTEREST-BEARING BORROWINGS

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Term loans	20	**2,416,278**	2,105,129	**1,488,739**	1,403,901
Finance lease creditors		**3**	–	**–**	–
Bonds and notes	21	**1,819,133**	2,031,553	**1,097,634**	1,096,745
Bank loans	22	**54,991**	67,767	**54,991**	47,536
Bank overdrafts	15	**115,425**	852	**–**	–
		4,405,830	4,205,301	**2,641,364**	2,548,182
Repayable:					
- Within 1 year		**1,476,508**	780,002	**1,135,304**	277,404
- After 1 year but within 5 years		**2,879,331**	3,325,965	**1,506,060**	2,270,778
- After 5 years		**49,991**	99,334	**–**	–
		4,405,830	4,205,301	**2,641,364**	2,548,182

20 TERM LOANS

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Secured		**837,803**	727,977	**161,965**	232,535
Unsecured		**1,578,475**	1,377,152	**1,326,774**	1,171,366
	19	**2,416,278**	2,105,129	**1,488,739**	1,403,901
Repayable:					
- Within 1 year		**902,213**	392,642	**812,425**	229,868
- After 1 year but within 5 years		**1,514,065**	1,613,153	**676,314**	1,174,033
- After 5 years		**–**	99,334	**–**	–
		2,416,278	2,105,129	**1,488,739**	1,403,901

The term loans are obtained from banks and financial institutions.

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Secured term loans				
Repayable:				
- Within 1 year	**59,496**	135,686	**–**	–
- After 1 year but within 5 years	**778,307**	492,957	**161,965**	232,535
- After 5 years	**–**	99,334	**–**	–
	837,803	727,977	**161,965**	232,535

20 TERM LOANS (CONT'D)

The secured term loans are generally secured by:

- a mortgage on a development property of the Company;
- mortgages on the borrowing subsidiaries' hotel, investment and development properties (see Notes 3, 4 and 10); and
- assignment of all rights and benefits to sale, lease and insurance proceeds in respect of hotel, investment and development properties.

The Group's secured term loans bear interest at rates ranging from 0.47% to 7.90% (2010: 0.60% to 7.72%) per annum during the year. The Company's secured term loan bears interest at rates ranging from 0.47% to 1.55% (2010: 0.60% to 1.48%) per annum during the year.

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Unsecured term loans				
Repayable:				
- Within 1 year	842,717	256,956	812,425	229,868
- After 1 year but within 5 years	735,758	1,120,196	514,349	941,498
	1,578,475	1,377,152	1,326,774	1,171,366

The Group's unsecured term loans bear interest at rates ranging from 0.49% to 6.12% (2010: 0.52% to 5.87%) per annum during the year. The Company's unsecured term loans bear interest at rates ranging from 0.49% to 1.72% (2010: 0.52% to 2.71%) per annum during the year.

21 BONDS AND NOTES

	Note	Group		Company	
		2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Secured		154,780	299,784	–	–
Unsecured		1,664,353	1,731,769	1,097,634	1,096,745
	19	1,819,133	2,031,553	1,097,634	1,096,745
Repayable:					
- Within 1 year		403,876	318,741	267,888	–
- After 1 year but within 5 years		1,365,266	1,712,812	829,746	1,096,745
- After 5 years		49,991	–	–	–
		1,819,133	2,031,553	1,097,634	1,096,745

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Secured bonds and notes				
Repayable:				
- Within 1 year	–	199,968	–	–
- After 1 year but within 5 years	154,780	99,816	–	–
	154,780	299,784	–	–

21 BONDS AND NOTES (CONT'D)

Secured bonds and notes comprise the following:

(i) $155 million (2010: $300 million) medium term notes (MTNs) which comprise 2 series (2010: 3 series) of notes issued by a subsidiary as part of a $700 million secured MTN programme established in 2001. The MTNs bear interest at rates ranging from 2.0% to 3.88% (2010: 2.95% to 3.88%) per annum and are secured by a mortgage over the commercial building and land jointly owned by two subsidiaries, as well as rental and insurance proceeds to be derived from the said properties. Unless previously redeemed or purchased and cancelled, the MTNs are redeemable at their principal amounts on their respective maturity dates in March 2014 and June 2015 (2010: January 2011 to June 2015).

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Unsecured bonds and notes				
Repayable:				
- Within 1 year	403,876	118,773	267,888	–
- After 1 year but within 5 years	1,210,486	1,612,996	829,746	1,096,745
- After 5 years	49,991	–	–	–
	1,664,353	1,731,769	1,097,634	1,096,745

Unsecured bonds and notes comprise the following:

(i) $1,100 million (2010: $1,100 million) MTNs which comprise 9 series (2010: 9 series) of notes issued by the Company at various interest rates as part of a $1,500 million (2010: $1,500 million) unsecured MTN programme established in 1999. The MTNs bear interest at rates ranging from 2.48% to 4.85% (2010: 2.48% 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 April 2012 to September 2015 (2010: April 2012 to September 2015);

(ii) $368 million (2010: $488 million) MTNs which comprise 7 series (2010: 9 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 0.39% to 1.27% (2010: 0.73% to 1.25%) per annum. Unless previously redeemed or purchased and cancelled, the MTNs are redeemable at their principal amounts on their respective maturity dates from May 2012 to December 2013 (2010: April 2011 to December 2013); and

(iii) $200 million (2010: $150 million) Islamic Trust Certificates (Certificates) which comprise 4 series (2010: 3 series) of certificates issued by a subsidiary (Issuer) under the *Shariah* financing principle of *Ijarah* as part of a $1 billion unsecured Islamic Trust Certificate Programme established in 2008. *Ijarah* financing is a scheme of financing using the leasing concept. The Issuer purchases investment properties and development properties from certain Group entities and provides these assets on leases. The Group has accounted for the transactions as a financing arrangement. The Group's properties under *Ijarah* financing continue to be accounted for as investment properties and development properties. The amounts paid and payable to the Certificate holders have been recorded as finance costs in the income statement.

The Certificates bear coupon rates ranging from 1.34% to 3.57% (2010: 1.34% to 3.57%) per annum. Unless previously redeemed or purchased and cancelled, the Certificates are redeemable at their principal amounts on their respective maturity dates from June 2012 to September 2018 (2010: June 2012 to December 2013).

22 BANK LOANS

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Bank loans repayable within 1 year					
- secured		–	20,231	–	–
- unsecured		54,991	47,536	54,991	47,536
	19	54,991	67,767	54,991	47,536

In 2010, the Group's secured bank loans bear interest at rates ranging from 5.95% to 6.65% per annum during the year. The Group's and the Company's unsecured bank loans bear interest at rates ranging from 0.60% to 0.89% (2010: 0.52% to 1.25%) per annum during the year.

23 EMPLOYEE BENEFITS

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Net liability for:				
- defined benefit obligations	35,989	33,201	–	–
- short-term accumulating compensated absences	15,314	14,439	2,479	2,097
- long service leave	393	456	–	–
	51,696	48,096	2,479	2,097
Repayable:				
- Within 1 year	15,707	14,895	2,479	2,097
- After 1 year	35,989	33,201	–	–
	51,696	48,096	2,479	2,097

	Group 2011 $'000	Group 2010 $'000
Net liability for defined benefit obligations		
Present value of unfunded obligations	2,180	1,644
Present value of funded obligations	117,971	100,969
Fair value of plan assets	(84,162)	(69,412)
Liability for defined benefit obligations	35,989	33,201
Changes in the present value of defined benefit obligations		
Defined benefit obligations as at 1 January	102,613	108,035
Actuarial losses	3,884	2,484
Benefits paid	(4,090)	(6,876)
Interest cost	4,641	5,219
Service cost	4,315	3,868
Curtailment loss	255	–
Settlement	(8,062)	–
Other #	15,290	–
Translation differences on consolidation	1,305	(10,117)
Defined benefit obligations at 31 December	120,151	102,613

Refer to details on United Kingdom pension arrangements on page 138.

23 EMPLOYEE BENEFITS (CONT'D)

	Group	
	2011 $'000	2010 $'000
Changes in the fair value of plan assets		
Fair value of plan assets at 1 January	69,412	67,353
Expected return	3,941	3,865
Actuarial (losses)/gains	(906)	4,713
Contributions by employees	269	211
Contributions by employer	7,424	7,497
Benefits paid	(4,090)	(6,876)
Settlement	(8,062)	–
Other #	15,290	–
Translation differences on consolidation	884	(7,351)
Fair value of plan assets at 31 December	84,162	69,412

Refer to details on United Kingdom pension arrangements on page 138.

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

Equity	48,769	37,325
Bonds	22,312	14,277
Cash	13,081	17,810
Fair value of plan assets	84,162	69,412

Expense recognised in the income statement		
Current service costs	4,315	3,868
Interest on obligations	4,641	5,219
Expected return on plan assets	(3,941)	(3,865)
Curtailment loss	255	–
Defined benefit obligation expenses	5,270	5,222

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

Cost of sales	2,461	2,123
Administrative expenses	2,313	2,646
Other operating expenses	496	453
Defined benefit obligation expenses	5,270	5,222
Actual return on plan assets	3,035	8,578

Actuarial losses/(gains) recognised in other comprehensive income		
Cumulative amount at 1 January	29,996	32,225
Recognised during the year (Note 30)	4,790	(2,229)
Cumulative amount at 31 December	34,786	29,996

The principal causes for the Millennium & Copthorne Pension Plan (UK Plan) actuarial loss in 2011 were positive impacts from reduced inflation and a change to Consumer Prices Index net of unfavourable fall in equities and taking into account the £2.4 million impact of guaranteed minimum pension (GMP) underpin from the defined contribution scheme, refer below. The principal cause for actuarial gains in 2010 was an increase in inflation, and falls in bond yields and equity values. Mortality rates used reflect an industry wide recognition that life expectancy has increased.

23 EMPLOYEE BENEFITS (CONT'D)

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

	2011 Years	2010 Years
Males	25	25
Females	27	28

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 for its UK employees, which was set up in 1993. The plan operates a funded defined benefit arrangement together with a defined contribution plan, both with different categories of membership. The defined benefit section of the plan was closed to new entrants in 2001 and at the same time rights to a GMP under the defined contribution scheme also ceased.

The contributions required are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 6 April 2008 and this has been updated on an approximate basis to 31 December 2011. The contributions of the Group during the year were 21.6% (2010: 21.6%) of pensionable salary, plus enhanced contributions of £1.4 million (approximately $2.8 million) (2010: £1.4 million (approximately $3.0 million)) per annum to reduce the UK Plan's deficit.

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 rate of increase in salaries and pensions.

Until the last actuarial valuation, the defined contribution plan section relating to GMP underpin had sufficient assets to meet the GMP liabilities and has not been accounted for as a defined benefit scheme for periods up to and including 31 December 2010. At 31 December 2011, there is a £2.4 million (approximately $4.8 million) deficit on the £7.5 million (approximately $15.3 million) of defined contribution plan assets relating to those members with a GMP. This section of the plan is now accounted for as a defined benefit scheme as it exhibits the traits of a defined benefit plan. The impact of this is shown in the analysis above which in summary is to introduce £7.5 million (approximately $15.3 million) into both UK plan assets and UK Plan liabilities and additionally to record a £2.4 million (approximately $4.8 million) actuarial loss within defined benefit losses. No prior year adjustment has been made as amounts involved are not significant to the Group.

Korea

The Group makes contributions to a defined benefit pension plan for its employees in Korea. The contributions required are determined by an external qualified actuary using the projected unit credit method. The most recent valuation was carried out on 31 December 2011. The contributions of the Group were 11.5% (2010: 9.9%) 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.

As at 31 December 2011, 319 members of the plan, representing approximately 60% of the total membership, chose to opt for a new defined contribution plan alternative. This resulted in £4.0 million (approximately $8.0 million) reduction in plan assets, a £3.9 million (approximately $7.8 million) reduction in plan liabilities and a curtailment loss of £0.1 million (approximately $0.3 million).

23 EMPLOYEE BENEFITS (CONT'D)

Taiwan

The Group makes contributions to a defined benefit pension plan for its employees in Taiwan. The contributions required are determined by an external qualified actuary using the projected unit credit method. The most recent valuation was carried out on 31 December 2011. The contributions of the Group were 6% (2010: 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:

	2011 UK	2011 Korea	2011 Taiwan	2010 UK	2010 Korea	2010 Taiwan
Inflation rate	3.10%	–	–	3.60%	–	–
Discount rate*	4.70%	4.75%	1.90%	5.40%	5.00%	1.75%
Rate of salary increase	3.60%	4.00%	2.50%	4.10%	4.00%	2.50%
Rate of pension increases	3.10%	–	–	3.60%	–	–
Annual expected return on plan assets	5.10%	4.15%	1.80%	6.40%	5.00%	1.75%

* The discount rate used in respect of the UK Plan of 4.7% (2010: 5.4%) was based on the yield of the Merrill Lynch over-15 year AA rated corporate bond index.

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily borne out in practice. The present values of the schemes' liabilities are derived from cash flow projections over long periods and are inherently uncertain. The expected annual return on UK defined benefit plan assets for 2011 of 5.1% (2010: 6.4%) has been calculated using a 5.4% (2010: 6.8%) return on equity representing 63.0% (2010: 72.0%) of plan assets and a 4.7% (2010: 5.4%) return on cash and bonds representing 37.0% (2010: 28.0%) of plan assets.

Historical information

Trend analysis

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

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Present value of defined benefit obligations	(120,151)	(102,613)	(108,035)	(86,554)	(125,680)
Fair value of plan assets	84,162	69,412	67,353	59,290	88,895
Deficit in the plan	(35,989)	(33,201)	(40,682)	(27,264)	(36,785)
Experience adjustments on plan liabilities	(3,851)	1,401	(1,125)	3,347	(1,871)
Changes in assumptions underlying the present value of plan liabilities	(33)	(3,885)	(15,289)	15,357	5,574
Actual return less expected return on plan assets	(906)	4,713	1,970	(16,297)	(1,716)

24 OTHER LIABILITIES

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Miscellaneous (principally deposits received and payables)		9,540	9,760	–	–
Rental deposits		39,218	43,651	5,488	10,963
Non-current retention sums payable		24,307	23,604	11,337	10,240
Amount owing to a subsidiary	5	–	–	150,000	150,000
Amount owing to an associate	6	23,908	–	–	–
		96,973	77,015	166,825	171,203
Repayable:					
- Within 1 year		75	135	–	–
- After 1 year		96,898	76,880	166,825	171,203
		96,973	77,015	166,825	171,203

25 PROVISIONS

	Beijing Indemnity $'000	Onerous contracts $'000	Capital expenditure $'000	Legal $'000	Rental guarantee $'000	Total $'000
Group						
At 1 January 2011	–	1,254	12,971	–	4,919	19,144
Provisions made	–	–	6,994	5,274	538	12,806
Provisions utilised	–	(432)	(9,911)	(250)	(1,730)	(12,323)
Reclassification from/(to) trade and other payables	15,653	–	(3,344)	9,857	–	22,166
Unwind of discount	–	–	–	–	44	44
Translation differences on consolidation	(162)	19	87	(41)	–	(97)
At 31 December 2011	15,491	841	6,797	14,840	3,771	41,740
Current						24,037
Non-current						17,703
						41,740

The provision for Beijing indemnity relates to tax indemnity provided to the former shareholders of Grand Millennium Beijing which the Group acquired an additional 40% interest in 2010.

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

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

The provision for legal fees relates to provision made in relation to disputes in several United States hotels, credit card issues and management contract disagreement.

The provision for rental guarantee was made in conjunction with the sale of an investment property by a subsidiary during the year. Under the sale and purchase agreement, the Group is obliged to compensate the buyer for any shortfall in net rental income over a period of 3 years from November 2010.

26 DEFERRED TAX LIABILITIES

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

	At 1 January 2010 $'000	Effect of adoption of INT FRS 115 $'000	Restated balance at 1 January 2010 $'000	Recognised in the income statement (Note 30) $'000	Recognised in the statement of comprehensive income (Note 30) $'000	Recognised directly in equity $'000	Acquisition of a subsidiary (Note 35) $'000	Translation differences on consolidation $'000	At 31 December 2010 $'000
Group									
Deferred tax liabilities									
Property, plant and equipment	320,994	–	320,994	19,796	–	–	7,921	(25,890)	322,821
Investment properties	30,583	–	30,583	(2,051)	–	–	–	(469)	28,063
Financial assets	3,595	–	3,595	–	(381)	–	–	–	3,214
Development properties	126,502	(26,255)	100,247	9,109	–	–	–	–	109,356
Others	1,872	–	1,872	3,259	–	–	–	–	5,131
	483,546	(26,255)	457,291	30,113	(381)	–	7,921	(26,359)	468,585
Deferred tax assets									
Property, plant and equipment	(559)	–	(559)	(527)	–	–	–	73	(1,013)
Tax losses	(23,462)	–	(23,462)	(8,020)	–	–	–	2,897	(28,585)
Employee benefits	(14,261)	–	(14,261)	186	1,021	(4,703)	–	1,887	(15,870)
Others	(13,806)	–	(13,806)	7,054	556	–	–	2,768	(3,428)
	(52,088)	–	(52,088)	(1,307)	1,577	(4,703)	–	7,625	(48,896)
	431,458	(26,255)	405,203	28,806	1,196	(4,703)	7,921	(18,734)	419,689

26 DEFERRED TAX LIABILITIES (CONT'D)

	At 1 January 2011 $'000	Effect of adoption of INT FRS 115 $'000	Restated balance at 1 January 2011 $'000	Recognised in the income statement (Note 30) $'000	Recognised in the statement of comprehensive income (Note 30) $'000	Recognised directly in equity $'000	Disposal of a subsidiary (Note 35) $'000	Translation differences on consolidation $'000	At 31 December 2011 $'000
Group									
Deferred tax liabilities									
Property, plant and equipment	322,821	–	322,821	(12,886)	–	–	–	1,047	310,982
Investment properties	28,063	–	28,063	10,707	–	–	–	69	38,839
Financial assets	3,214	–	3,214	–	(1,784)	–	–	–	1,430
Development properties	135,433	(26,077)	109,356	(47,197)	–	–	–	–	62,159
Others	5,131	–	5,131	(1,699)	–	–	–	11	3,443
	494,662	(26,077)	468,585	(51,075)	(1,784)	–	–	1,127	416,853
Deferred tax assets									
Property, plant and equipment	(1,013)	–	(1,013)	733	–	–	–	24	(256)
Tax losses	(28,585)	–	(28,585)	734	–	–	–	28	(27,823)
Employee benefits	(15,870)	–	(15,870)	–	(1,189)	3,238	–	981	(12,840)
Others	(3,428)	–	(3,428)	(3,900)	191	–	15	(5,163)	(12,285)
	(48,896)	–	(48,896)	(2,433)	(998)	3,238	15	(4,130)	(53,204)
	445,766	(26,077)	419,689	(53,508)	(2,782)	3,238	15	(3,003)	363,649

26 DEFERRED TAX LIABILITIES (CONT'D)

	At 1 January 2010 $'000	Effect of adoption of INT FRS 115 $'000	Restated balance at 1 January 2010 $'000	Recognised in the income statement $'000	Recognised in the statement of comprehensive income $'000	Recognised directly in equity $'000	At 31 December 2010 $'000
Company							
Deferred tax liabilities							
Property, plant and equipment	228	–	228	(219)	–	–	9
Investment properties	2,631	–	2,631	(89)	–	–	2,542
Financial assets	3,060	–	3,060	–	–	(202)	2,858
Development properties	74,132	(8,282)	65,850	15,352	–	–	81,202
Others	1,838	–	1,838	1,519	–	–	3,357
	81,889	(8,282)	73,607	16,563	–	(202)	89,968

	At 1 January 2011 $'000	Effect of adoption of INT FRS 115 $'000	Restated balance at 1 January 2011 $'000	Recognised in the income statement $'000	Recognised in the statement of comprehensive income $'000	Recognised directly in equity $'000	At 31 December 2011 $'000
Company							
Deferred tax liabilities							
Property, plant and equipment	9	–	9	120	–	–	129
Investment properties	2,542	–	2,542	9,496	–	–	12,038
Financial assets	2,858	–	2,858	–	–	(1,462)	1,396
Development properties	94,424	(13,222)	81,202	(50,181)	–	–	31,021
Others	3,357	–	3,357	(3,357)	–	–	–
	103,190	(13,222)	89,968	(43,922)	–	(1,462)	44,584
Deferred tax asset							
Others	–	–	–	(2,964)	–	–	(2,964)
	–	–	–	(2,964)	–	–	(2,964)
	103,190	(13,222)	89,968	(46,886)	–	(1,462)	41,620

26 DEFERRED TAX LIABILITIES (CONT'D)

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

	Note	Group 2011 $'000	Group 2010 (Restated) $'000	Group 2009 (Restated) $'000	Company 2011 $'000	Company 2010 (Restated) $'000	Company 2009 (Restated) $'000
Deferred tax assets	9	3,655	3,392	2,339	–	–	–
Deferred tax liabilities		(367,304)	(423,081)	(407,542)	(41,620)	(89,968)	(73,607)
		(363,649)	(419,689)	(405,203)	(41,620)	(89,968)	(73,607)

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 2011 $'000	Group 2010 $'000
Deductible temporary differences	91,737	85,020
Tax losses	166,831	174,176
	258,568	259,196

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 2011 $'000	Group 2010 $'000
Expiry dates		
- Within 1 to 5 years	36,462	35,408
- After 5 years	3,150	3,952
	39,612	39,360

27 TRADE AND OTHER PAYABLES

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Trade payables		**113,867**	101,167	**11,631**	11,064
Accruals		**539,190**	556,130	**203,186**	197,568
Deferred income		**109,005**	87,775	**34**	43
Other payables		**36,023**	41,746	**858**	776
Rental and other deposits		**49,606**	59,747	**14,022**	9,745
Retention sums payable		**34,537**	40,953	**14,863**	26,588
Derivative financial liabilities		**1,870**	2,685	**–**	–
Amounts owing to:					
- subsidiaries	5	**–**	–	**875,313**	995,399
- an associate	6	**7,434**	6,443	**3**	10
- jointly-controlled entities	7	**28,678**	18,661	**28,676**	–
- fellow subsidiaries	14	**61,635**	28,543	**1**	19
		981,845	943,850	**1,148,587**	1,241,212

28 REVENUE

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

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

	Group 2011 $'000	Group 2010 (Restated) $'000
Dividends from investments:		
- fellow subsidiaries		
- quoted	**1,536**	1,243
- unquoted	**3,550**	9,816
- others		
- quoted equity investments	**4,671**	2,734
- unquoted equity investments	**280**	267
Hotel operations	**1,563,486**	1,577,419
Property development (recognised on a percentage of completion basis)	**981,645**	1,006,777
Property development (recognised on completion)	**362,099**	118,017
Rental and car park income from investment properties	**280,767**	332,495
Others	**82,431**	54,648
	3,280,465	3,103,416

29 PROFIT FOR THE YEAR

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

	Note	Group 2011 $'000	Group 2010 $'000
Other operating income			
Gain arising in respect of step up acquisition of a jointly-controlled entity		–	17,662
Gain on dilution of investment in an associate		418	25,470
Gain on dilution, disposal and liquidation of jointly-controlled entities		5,901	966
Gain on disposal of a subsidiary	35	3,546	–
Gain on liquidation of subsidiaries		21	–
Insurance proceeds received		6,972	–
Management fees and miscellaneous income		6,405	6,171
Profit on sale of investment, property, plant and equipment and investment properties		230,722	241,045
		253,985	291,314
Staff costs			
Contributions to defined contribution plans		29,831	27,772
Equity settled share-based transactions		2,704	(1,716)
Increase in liability for defined benefit plans		5,270	5,237
Increase in liability for short-term accumulating compensated absences		914	398
Decrease in liability for long service leave		(70)	(28)
Wages and salaries		612,862	634,821
		651,511	666,484
Less:			
Staff costs capitalised in:			
- development properties		(3,450)	(2,092)
- investment properties		(242)	(98)
- property, plant and equipment		(321)	(108)
		647,498	664,186
Other expenses			
Amortisation of intangible assets		311	12
Amortisation of lease premium prepayment		2,481	–
Audit fees paid to:			
- auditors of the Company		2,039	1,792
- other auditors of the subsidiaries		3,010	3,031
Non-audit fees:			
- auditors of the Company		990	580
- other auditors of the subsidiaries		1,604	1,364
Charge of impairment losses on:			
- amounts owing by a jointly-controlled entity		959	1,188
- investment properties (net)		14,056	23,863
- property, plant and equipment (net)		30,125	30,840
- trade and other receivables		8,899	290
Depreciation of:			
- investment properties		59,413	61,725
- property, plant and equipment		71,136	78,929
Direct operating expenses arising from investment properties which are not leased		102	86
Direct operating expenses arising from rental of investment properties (excluding depreciation)		81,705	97,703
Exchange loss/(gain) (net)		9,907	(5,792)
Goodwill written off in respect of additional interest acquired in a jointly-controlled entity to become a subsidiary		–	17,042
Loss on disposal of a jointly-controlled entity		–	1,644
Loss on disposal of subsidiaries	35	6,328	–
Operating lease expenses		116,430	109,092
Property, plant and equipment and investment properties written off		350	286
(Write-back of allowance)/Allowance for foreseeable losses on development properties (net)		(41,644)	282

29 PROFIT FOR THE YEAR (CONT'D)

	Group	
	2011	**2010**
	$'000	**$'000**
Finance income		
Change in fair value of financial assets designated at fair value through profit or loss	145	6,343
Discount on rental guarantee provision	–	282
Interest income		
- associates	1,159	–
- fellow subsidiaries	85	24
- fixed deposits with financial institutions	10,314	6,077
- jointly-controlled entities	12,157	10,828
- unquoted convertible notes of a jointly-controlled entity (financial assets designated at fair value through profit or loss)	3,835	10,259
- others	476	207
Mark-to-market gain on financial assets held for trading (net)	–	1,620
Total finance income	28,171	35,640
Finance costs		
Amortisation of transaction costs capitalised	6,740	7,975
Interest expense		
- banks	40,031	36,247
- bonds and notes	47,503	47,894
- fellow subsidiaries	843	688
- associates	427	–
- others	596	1,973
Mark-to-market loss on financial assets held for trading (net)	9,622	1,156
Unwind of discount on rental guarantee provision	44	–
Total finance costs	105,806	95,933
Finance costs capitalised in:		
- development properties	(23,855)	(26,555)
- investment properties	(135)	(180)
- property, plant and equipment	(752)	(490)
Finance costs charged to the income statement	81,064	68,708
Net finance costs	52,893	33,068
The above finance income and finance costs (including amounts capitalised) include the following interest income and expense in respect of assets and liabilities not at fair value through profit or loss:		
- Total interest income on financial assets	24,023	16,954
- Total finance costs on financial liabilities	64,165	57,671
Recognised in other comprehensive income		
Loss in fair value of equity investments available for sale	(12,613)	(1,868)

Included in the mark-to-market loss on financial assets held for trading is a loss of $4,013,000 (2010: mark-to-market gain of $5,381,000) recognised on shares of listed subsidiaries 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 subsidiaries, the relevant portion of equity represented is not consolidated.

Finance costs of the Group and the Company have been capitalised at rates ranging from 0.31% to 5.50% (2010: 0.31% to 3.57%) and 0.31% to 1.72% (2010: 0.31% to 2.08%) per annum for development properties, investment properties and property, plant and equipment respectively.

30 INCOME TAX EXPENSE

	Note	Group 2011 $'000	Group 2010 (Restated) $'000
Current tax expense			
Current year		239,437	183,869
Overprovision in respect of prior years		(11,206)	(10,564)
		228,231	173,305
Deferred tax expense			
Movements in temporary differences		(41,299)	3,504
Effect of changes in tax rates and legislation		(2,234)	23,741
(Over)/Under provision in respect of prior years		(9,975)	1,561
	26	(53,508)	28,806
Total income tax expense		174,723	202,111

Income tax recognised in other comprehensive income

	2011 Before tax $'000	2011 Tax (expense)/ benefit $'000	2011 Net of tax $'000	2010 Before tax $'000	2010 Tax (expense)/ benefit $'000	2010 Net of tax $'000
Group						
Actuarial (losses)/ gains on defined benefit plans	(4,790)	1,189	(3,601)	2,229	(1,021)	1,208
Change in fair value of equity investments available for sale	(14,397)	1,784	(12,613)	(2,249)	381	(1,868)
Effective portion of changes in fair value of cash flow hedges	1,110	(191)	919	(1,690)	(556)	(2,246)
Exchange differences on hedges of net investment in foreign entities	(688)	–	(688)	(34,028)	–	(34,028)
Exchange differences on monetary items forming part of net investments in foreign entities	5,771	–	5,771	(26,218)	–	(26,218)
Exchange differences realised on dilution of investment in an associate	–	–	–	487	–	487
Exchange differences realised on disposal of a subsidiary and a jointly-controlled entity	131	–	131	980	–	980
Realisation of share of other reserve of an associate on dilution of investment in the associate	–	–	–	1,032	–	1,032
Share of other reserve movement of associates and a jointly-controlled entity	(9,795)	–	(9,795)	–	–	–
Translation differences arising on consolidation of foreign entities	(16,978)	–	(16,978)	(246,240)	–	(246,240)
	(39,636)	2,782	(36,854)	(305,697)	(1,196)	(306,893)

30 INCOME TAX EXPENSE (CONT'D)

Reconciliation of effective tax rate

	Group	
	2011	2010 (Restated)
	$'000	$'000
Profit before income tax	1,136,443	1,067,499
Income tax using the Singapore tax rate of 17% (2010: 17%)	193,195	181,475
Income not subject to tax	(47,640)	(38,452)
Expenses not deductible for tax purposes		
- expenses	45,477	35,578
- write-back	(12,589)	(2,465)
Effect of changes in tax rates and legislation	(2,234)	23,741
Effect of different tax rates in other countries	19,220	7,588
Effect of share of results of jointly-controlled entities	1,559	(4,124)
Unrecognised deferred tax assets	357	8,874
Tax effect of losses not allowed to be set off against future taxable profits	2,391	691
Tax incentives	(945)	(1,041)
Utilisation of previously unrecognised deferred tax assets	(2,887)	(751)
Overprovision in respect of prior years	(21,181)	(9,003)
	174,723	202,111

31 EARNINGS PER SHARE

Basic earnings per share is calculated based on:

	Group	
	2011	2010 (Restated)
	$'000	$'000
Profit attributable to shareholders	798,555	783,988
Less:		
Dividends on non-redeemable convertible non-cumulative preference shares	(12,904)	(12,904)
Profit attributable to ordinary shareholders after adjustment of non-redeemable convertible non-cumulative preference dividends	785,651	771,084

	Group	
	2011 Number of shares	2010 Number of shares
Weighted average number of ordinary shares	909,301,330	909,301,330
Basic earnings per share	86.4 cents	84.8 cents

Diluted earnings per share is based on:

	2011	2010 (Restated)
	$'000	$'000
Profit attributable to ordinary shareholders after adjustment for non-redeemable convertible non-cumulative preference dividends	785,651	771,084
Dividends on non-redeemable convertible non-cumulative preference shares	12,904	12,904
Net profit used for computing diluted earnings per share	798,555	783,988

31 EARNINGS PER SHARE (CONT'D)

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 conversion of the non-redeemable convertible non-cumulative preference shares, with the potential ordinary shares weighted for the period outstanding.

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

	Group	
	2011	**2010**
	Number of shares	**Number of shares**
Weighted average number of ordinary shares issued used in the calculation of basic earnings per share	909,301,330	909,301,330
Potential ordinary shares issuable under non-redeemable convertible non-cumulative preference shares	44,998,898	44,998,898
Weighted average number of ordinary shares issued and potential shares assuming full conversion	954,300,228	954,300,228
Diluted earnings per share	83.7 cents	82.2 cents

32 DIVIDENDS

	Company	
	2011	**2010**
	$'000	**$'000**
Final tax exempt (one-tier) ordinary dividend paid of 8.0 cents (2010: 8.0 cents) per ordinary share in respect of financial year ended 31 December 2010	72,744	72,745
Special final tax exempt (one-tier) ordinary dividend paid of 10.0 cents (2010: Nil cents) per ordinary share in respect of financial year ended 31 December 2010	90,930	–
Special interim tax exempt (one-tier) ordinary dividend paid of 5.0 cents (2010: Nil cents) per ordinary share in respect of financial year ended 31 December 2011	45,465	–
Non-cumulative tax exempt (one-tier) preference dividend paid of 1.93 cents (2010: 1.93 cents) per preference share	6,399	6,399
Non-cumulative tax exempt (one-tier) preference dividend paid of 1.97 cents (2010: 1.97 cents) per preference share	6,505	6,505
	222,043	85,649

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

	Company	
	2011	**2010**
	$'000	**$'000**
Final tax exempt (one-tier) ordinary dividend of 8.0 cents (2010: 8.0 cents) per ordinary share	72,744	72,744
Special final tax exempt (one-tier) ordinary dividend of 5.0 cents (2010: 10.0 cents) per ordinary share	45,465	90,930
	118,209	163,674

33 COMMITMENTS

The Group and the Company have the following commitments as at the reporting date:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Development expenditure contracted but not provided for in the financial statements	948,149	639,271	250,073	345,866
Capital expenditure contracted but not provided for in the financial statements	151,005	159,860	6,807	–
Commitments in respect of purchase of properties for which deposits have been paid	96,433	45,615	–	–

In addition, the Group and the Company have 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 commitments of the Group and the Company for future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Within 1 year	66,475	74,470	5,098	6,117
After 1 year but within 5 years	207,026	226,980	5,278	6,815
After 5 years	610,061	576,510	–	–
	883,562	877,960	10,376	12,932

Contingent rents, generally determined based on a percentage of gross revenue and gross operating profit of the relevant properties, of $55,734,000 (2010: $47,280,000) for the Group have been recognised as an expense in the income statement during the year.

Included in the non-cancellable operating lease rental payables above are commitments with an associate amounting to $484,124,000 (2010: $410,642,000).

33 COMMITMENTS (CONT'D)

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Within 1 year	231,461	244,731	45,145	52,176
After 1 year but within 5 years	302,476	353,106	21,812	43,082
After 5 years	33,503	46,395	–	–
	567,440	644,232	66,957	95,258

Included in the above non-cancellable operating lease rental receivables are amounts relating to the investment properties classified as held for sale (Note 11) as set out below.

The leases for these properties will be assigned or novated to the purchasers on completion of the sale. Consequently, there will be no operating lease rental receivable by the Group for these investment properties classified as held for sale in the future after the sales are completed.

	Group	
	2011	2010
	$'000	$'000
Within 1 year	–	5,707
After 1 year but within 5 years	–	4,687
	–	10,394

Contingent rents, generally determined based on a percentage of tenants' revenue, of $4,822,000 (2010: $4,600,000) and $640,000 (2010: $414,000) have been recognised as income by the Group and the Company, respectively, in the income statement during the year.

Included in the non-cancellable operating lease rental receivables above are commitments with related parties which are set out below.

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Non-cancellable operating lease rental receivables from:				
- an associate	3,435	249	3,435	249
- a jointly-controlled entity	163	38	–	–
- a fellow subsidiary	5,355	6,053	221	501
- an associate of ultimate holding company	159	318	–	–
- a related entity controlled by a key management personnel of ultimate holding company	863	252	–	–
- subsidiaries	–	–	1,730	1,482
	9,975	6,910	5,386	2,232

(c) As at 31 December 2011, the Group has capital commitments of US$102,291,000 (approximately $132,058,000) (2010: US$86,170,000 (approximately $111,418,000)) in relation to investment in financial assets with related parties.

34 RELATED PARTIES

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

	Group	
	2011	2010 (Restated)
	$'000	$'000
Insurance premium paid and payable to an associate of ultimate holding company	613	240
Management services fees received and receivable from:		
- fellow subsidiaries	2,101	1,457
- an associate	13,287	12,440
- jointly-controlled entities	4,007	4,875
- a related entity controlled by a key management personnel	191	396
	19,586	19,168
Maintenance services fees received and receivable from:		
- fellow subsidiaries	269	206
- an associate	107	–
- jointly-controlled entities	737	703
	1,113	909
Recovery of costs from jointly-controlled entities	115	63
Rental and rental-related income received and receivable from:		
- fellow subsidiaries	820	688
- an associate	590	453
- an associate of ultimate holding company	163	159
- a jointly-controlled entity	130	–
- related entities controlled by a close family member of a key management personnel of ultimate holding company	307	274
	2,010	1,574
Sale of a motor vehicle to a jointly-controlled entity	–	485
Management services fees paid and payable to a fellow subsidiary	3,607	1,088

34 RELATED PARTIES (CONT'D)

	Group 2011 $'000	Group 2010 (Restated) $'000
Professional fees paid and payable to firms of which directors of the Company are members:		
- charged to the income statement	–	3
- included as cost of property, plant and equipment and cost of development properties	785	198
	785	201
Rental and rental-related expenses paid and payable to:		
- fellow subsidiaries	175	148
- an associate	85,373	73,312
- a jointly-controlled entity	750	689
	86,298	74,149
Compensation paid and payable to key management personnel:		
- short-term employee benefits	36,258	37,787
- other long-term benefits	192	217
- share-based payment of a subsidiary	2,630	(1,689)
	39,080	36,315
Amounts owing to a key management personnel	214	376

In 2010, certain key management personnel (including close family members) of the Group and ultimate holding company entered into sale and purchase agreements with the Group to purchase residential properties with total sales value amounting to $7,730,000 and $6,511,000 respectively. Revenue from these sales will be recognised by the Group progressively based on the percentage of completion of the residential projects.

35 DISPOSAL AND ACQUISITION OF SUBSIDIARIES

During the year, there were the following disposals of subsidiaries:

(a) On 18 April 2011, the Group via CDL Entertainment & Leisure Pte Ltd, an indirect wholly-owned subsidiary held by its 55% owned subsidiary, Millennium & Copthorne Hotels plc (M&C), disposed of its 100% shareholding in CDL Hotels (Phils.) Corporation for a nominal consideration of US$1.00.

(b) On 9 May 2011, the Group's wholly-owned subsidiary, Ace Venture Limited, disposed of its 100% shareholding in Allventure Limited (Allventure), to Scottsdale Properties Pte. Ltd., a company in which the Group has an indirect shareholding of 50.1%. The consideration for the sale was $5,814,000.

(c) On 1 September 2011, the Group via Millennium Hotel Stuttgart GmbH, an indirect wholly-owned subsidiary held by M&C, disposed of its 100% shareholding in SI-Erlebnis-Centrum Stuttgart GmbH for a consideration of Euro25,000 (approximately $44,000).

35 DISPOSAL AND ACQUISITION OF SUBSIDIARIES (CONT'D)

The effect of the disposal of subsidiaries on the cashflow of the Group was as follow:

	Note	Carrying Amount $'000
Property, plant and equipment	3	27
Financial assets	37	211,524
Deferred tax assets		15
Other non-current assets		60,905
Trade and other receivables		1,380
Cash at bank		1,992
Trade and other payables		(260,709)
Provisions		(4,957)
Provision for taxation		(1,668)
Net assets disposed		8,509
Transfer from foreign currency translation reserve		131
Net loss on disposal of subsidiaries	29	(2,782)
Cash proceeds from disposal		5,858
Repayment of shareholders' loan		260,459
Cash of disposed subsidiaries		(1,992)
Net cash inflow		264,325

There were the following acquisitions of subsidiaries in 2010:

(a) On 15 November 2010, Beijing Fortune Co., Ltd. (Beijing Fortune) which owns and operates the Grand Millennium Beijing became a 70% owned subsidiary following the Group's 54% owned subsidiary, Millennium & Copthorne Hotels plc (M&C) exercising an option to buy an additional 40% interest from Beijing Xiangjiang Xinli Real Estate Development Co., Ltd. for a consideration of RMB189,257,000. Beijing Fortune was previously a jointly-controlled entity which M&C held a 30% interest. From 15 November 2010 to 31 December 2010, Beijing Fortune contributed revenue of $4,236,000 and a net loss of $1,406,000 to the consolidated profit for the year. If the acquisition had occurred on 1 January 2010, management estimates the Group's revenue and profit for the year would have been $3,159,905,000 and $819,389,000 respectively.

(b) On 31 December 2010, the Group acquired the remaining 50% interest in its jointly-controlled entity, Glengary Pte. Ltd. for a consideration of $9,039,000. If the acquisition had occurred on 1 January 2010, management estimates the Group's profit for the year would have been $830,163,000. There is however, no effect on the Group's revenue.

No further adjustments was made during 2011 to the fair value of the assets and liabilities acquired on the above acquisitions.

35 DISPOSAL AND ACQUISITION OF SUBSIDIARIES (CONT'D)

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition dates:

	Pre-acquisition carrying amount $'000	Finalised fair value adjustment $'000	Fair value on acquisition $'000
Property, plant and equipment	128,031	623	128,654
Lease premium prepayment - non-current	57,502	30,198	87,700
Lease premium prepayment - current	1,622	860	2,482
Consumable stocks	387	–	387
Trade and other receivables	2,528	–	2,528
Cash at bank	36,952	–	36,952
Trade and other payables	(40,299)	4,499	(35,800)
Interest-bearing borrowings	(32,276)	–	(32,276)
Non-current term loan	(93,071)	–	(93,071)
Deferred taxation	–	(7,921)	(7,921)
	61,376	28,259	89,635
Non-controlling interests (based on share of net assets)	(15,689)	(7,128)	(22,817)
Net assets acquired	45,687	21,131	66,818
Amount previously accounted for as jointly-controlled entities			(4,539)
Goodwill (*)			17,042
Gain arising in respect of step up acquisition (**)			(17,662)
Fair value of the tax indemnity to former shareholders (***)			(15,578)
Cash consideration paid, satisfied in cash			46,081
Cash acquired			(36,952)
Net cash outflow			9,129

The transaction costs incurred for the above acquisitions amounted to $417,000.

* This arose from acquisition of Beijing Fortune. In 2006 when the initial 30% interest in Bejing Fortune was acquired and in 2007 when the option price for the additional 40% interest and the subsequent tax indemnity (refer***) was agreed, the ultimate value of M&C's interest in the hotel was expected to be considerably in excess of its cost. However, after the opening of the hotel in April 2008 and the difficult economic conditions and over supplied hotel situation in Beijing post 2008 Olympics, the trading and value of the hotel fell. Although the value of the hotel increased subsequently, as reflected in the gain on step acquisition (refer **), it has not yet attained the level originally anticipated. Upon completion of the acquisition, management of M&C conducted an impairment review on the goodwill which is allocated to the hotel. It was determined that the recoverable value of the acquired business should be based on the aggregate of the fair value of Beijing Fortune's identifiable assets and liabilities as shown on the above table which supported their carrying value. The goodwill reflects the strategic development opportunities in this region and is not supported by the recoverable value of Beijing Fortune. The goodwill had accordingly been written-off to the income statement.

** This was derived by applying 30% to the fair value of the net assets acquired, adjusted to exclude a control premium, less the carrying cost of the original investment. This amount has been credited to the income statement under "other operating income".

*** This represents the fair value of a liability for additional costs of securing the land on which Grand Millennium Beijing is sited. The transfer of land attracts land appreciation tax and foreign enterprise income not originally factored into the land sale price. A definitive framework agreement to purchase the original 30% interest and then take up an option to purchase an additional 40% interest was later supplemented in September 2007 with a deed of indemnity to remedy the tax issue. Under the terms of that indemnity, it is only applicable in the event that M&C's interest steps up to 70% and this represents 70% of the total tax liability.

36 FINANCIAL INSTRUMENTS BY CATEGORY

Set out below is an analysis of the Group's financial instruments:

	Note	Loans and receivables $'000	Available-for-sale financial assets $'000	Financial assets at fair value through profit or loss $'000	Fair value – hedging instruments $'000	Liabilities at amortised cost $'000	Total $'000
Group							
2011							
Assets							
Financial assets	8	–	156,739	26,288	–	–	183,027
Other non-current assets*		252,745	–	–	–	–	252,745
Trade and other receivables excluding prepayments and tax recoverable		1,160,189	–	–	–	–	1,160,189
Cash and cash equivalents	15	2,603,005	–	–	–	–	2,603,005
		4,015,939	156,739	26,288	–	–	4,198,966
Liabilities							
Interest-bearing borrowings	19	–	–	–	–	4,405,830	4,405,830
Trade and other payables excluding deferred income	27	–	–	–	1,870	870,970	872,840
Other liabilities	24	–	–	–	–	96,973	96,973
		–	–	–	1,870	5,373,773	5,375,643

* Excluding deferred tax assets, intangible assets, deferred expenditure, prepayment and certain loans to a jointly-controlled entity for which settlement is neither planned nor likely to occur in the foreseeable future.

	Note	Loans and receivables $'000	Available-for-sale financial assets $'000	Financial assets at fair value through profit or loss $'000	Fair value – hedging instruments $'000	Liabilities at amortised cost $'000	Total $'000
Group							
2010							
Assets							
Financial assets	8	–	168,521	247,264	–	–	415,785
Other non-current assets**		111,894	–	–	–	–	111,894
Trade and other receivables excluding prepayments and tax recoverable		826,946	–	–	–	–	826,946
Cash and cash equivalents	15	1,873,826	–	–	–	–	1,873,826
		2,812,666	168,521	247,264	–	–	3,228,451
Liabilities							
Interest-bearing borrowings	19	–	–	–	–	4,205,301	4,205,301
Trade and other payables excluding deferred income	27	–	–	–	2,685	853,390	856,075
Other liabilities	24	–	–	–	–	77,015	77,015
		–	–	–	2,685	5,135,706	5,138,391

** Excluding deferred tax assets, intangible assets, prepayment and certain loans to a jointly-controlled entity for which settlement is neither planned nor likely to occur in the foreseeable future.

36 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

	Note	Loans and receivables $'000	Available-for-sale financial assets $'000	Liabilities at amortised cost $'000	Total $'000
Company					
2011					
Assets					
Financial assets	8	–	23,752	–	23,752
Other non-current assets#		5,491	–	–	5,491
Trade and other receivables excluding prepayments		4,224,210	–	–	4,224,210
Cash and cash equivalents	15	1,572,120	–	–	1,572,120
		5,801,821	23,752	–	5,825,573
Liabilities					
Interest-bearing borrowings	19	–	–	2,641,364	2,641,364
Trade and other payables excluding deferred income	27	–	–	1,148,553	1,148,553
Other liabilities	24	–	–	166,825	166,825
		–	–	3,956,742	3,956,742
2010					
Assets					
Financial assets	8	–	32,353	–	32,353
Other non-current assets#		18,704	–	–	18,704
Trade and other receivables excluding prepayments		3,574,271	–	–	3,574,271
Cash and cash equivalents	15	981,090	–	–	981,090
		4,574,065	32,353	–	4,606,418
Liabilities					
Interest-bearing borrowings	19	–	–	2,548,182	2,548,182
Trade and other payables excluding deferred income	27	–	–	1,241,169	1,241,169
Other liabilities	24	–	–	171,203	171,203
		–	–	3,960,554	3,960,554

Excluding certain loans to subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future.

37 FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

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

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

Credit risk

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

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

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

At the reporting 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 at the reporting date.

Liquidity risk

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

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

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
Group					
2011					
Term loans	2,416,278	2,521,984	939,489	1,582,495	–
Bonds and notes	1,819,133	1,931,831	436,438	1,444,018	51,375
Bank loans	54,991	55,011	55,011	–	–
Trade and other payables*	872,840	873,582	871,712	1,870	–
Bank overdrafts	115,425	116,184	116,184	–	–
Other liabilities	96,973	102,057	1,878	98,888	1,291
	5,375,640	5,600,649	2,420,712	3,127,271	52,666
2010					
Term loans	2,105,129	2,207,206	417,280	1,674,200	115,726
Bonds and notes	2,031,553	2,179,887	355,881	1,824,006	–
Bank loans	67,767	67,823	67,823	–	–
Trade and other payables*	856,075	856,792	854,411	2,381	–
Bank overdrafts	852	852	852	–	–
Other liabilities	77,015	77,015	135	76,880	–
	5,138,391	5,389,575	1,696,382	3,577,467	115,726

* Excluding deferred income.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000
Company				
2011				
Term loans	1,488,739	1,524,484	825,406	699,078
Bonds and notes	1,097,634	1,176,263	289,410	886,853
Bank loans	54,991	55,011	55,011	–
Trade and other payables*	1,148,553	1,148,890	1,148,890	–
Other liabilities	166,825	171,165	4,341	166,824
	3,956,742	4,075,813	2,323,058	1,752,755
2010				
Term loans	1,403,901	1,439,052	242,203	1,196,849
Bonds and notes	1,096,745	1,209,100	23,688	1,185,412
Bank loans	47,536	47,576	47,576	–
Trade and other payables*	1,241,169	1,241,169	1,241,169	–
Other liabilities	171,203	174,827	3,624	171,203
	3,960,554	4,111,724	1,558,260	2,553,464

* Excluding deferred income.

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

Market risk

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

Interest rate risk

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

Interest rate derivatives are used to manage interest rate risk, to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable rate borrowings, and the Group actively monitors the need and timing for such derivatives.

Where used, interest rate derivatives are classified as cash flow hedges and stated at fair value within the Group's statement of financial position. Further details of interest rate derivatives in place at 31 December 2011 are provided below:

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

Cash flow hedges

A subsidiary of the Group has entered into a number of interest rate swaps in 2010 to fix the interest relating to the payment of quarterly interest charges arising on floating rate unsecured bonds totalling US$50 million, and designated these as cash flow hedges. The risk being hedged is the variability of cash flows arising from movements in interest rates. The hedges are in place until the bonds mature in March 2013. The fair value of the interest rate swaps as at 31 December 2011 was a £0.3 million (approximately $674,000) liability (2010: £0.4 million (approximately $845,000)).

The cash flows occur on a quarterly basis until the loan balance matures in March 2013 and the hedges are designated as cash flow hedges, which are considered to be highly effective. The carrying value of the hedging instruments is restated to its fair value at each reporting date, with the effective portion of changes in fair value since inception being taken to the hedging reserve. The gain recognised in other comprehensive income during the year in respect of the change in fair value of these hedging instruments was £0.1 million (approximately $255,000) (2010: £0.4 million (approximately $845,000) loss). There was no ineffectiveness recognised in the income statement that arose from this cash flow hedge.

Interest rates analysis

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

		Interest rates per annum		Carrying amount		
	Note	**Floating rate %**	**Fixed rate %**	**Floating rate $'000**	**Fixed rate $'000**	**Total $'000**
Group						
2011						
Financial assets						
Cash and cash equivalents		–	0.0035 to 5.90	–	2,318,519	2,318,519
Amounts owing by jointly-controlled entities*		–	1.50 to 8.50	–	689,060	689,060
Amounts owing by associates	6	2.87 to 3.01	–	139,428	–	139,428
				139,428	3,007,579	3,147,007
Financial liabilities						
Bank overdrafts	15					
- secured		3.00	–	(868)	–	(868)
- unsecured		0.15 to 0.90	–	(114,557)	–	(114,557)
Term loans	20					
- secured		0.73 to 7.65	–	(837,803)	–	(837,803)
- unsecured		0.65 to 4.35	1.61	(1,503,569)	(74,906)	(1,578,475)
Bank loans	22					
- unsecured		0.68 to 0.82	–	(54,991)	–	(54,991)
Bonds and notes	21					
- secured		–	2.00 to 3.02	–	(154,780)	(154,780)
- unsecured		0.40 to 1.30	1.34 to 4.85	(367,419)	(1,296,934)	(1,664,353)
Amounts owing to an associate	6	7.54	–	(23,908)	–	(23,908)
Amount owing to a fellow subsidiary	14	–	2.50	–	(61,634)	(61,634)
				(2,903,115)	(1,588,254)	(4,491,369)
Total				(2,763,687)	1,419,325	(1,344,362)

* Carrying amount is net of impairment losses.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

		Interest rates per annum		Carrying amount		
	Note	Floating rate %	Fixed rate %	Floating rate $'000	Fixed rate $'000	Total $'000
Group						
2010						
Financial assets						
Cash and cash equivalents		–	0.01 to 6.00	–	1,645,671	1,645,671
Amounts owing by jointly-controlled entities*		–	0.75 to 4.75	–	426,457	426,457
Financial assets designated at fair value through profit or loss		–	15.00	–	211,379	211,379
				–	2,283,507	2,283,507
Financial liabilities						
Bank overdrafts	15	3.54	–	(852)	–	(852)
Term loans	20					
- secured		0.68 to 7.17	–	(727,977)	–	(727,977)
- unsecured		0.62 to 5.75	–	(1,377,152)	–	(1,377,152)
Bank loans	22					
- secured		5.95 to 6.65	–	(20,231)	–	(20,231)
- unsecured		0.52 to 0.81	–	(47,536)	–	(47,536)
Bonds and notes	21					
- secured		–	3.01 to 3.88	–	(299,784)	(299,784)
- unsecured		0.96 to 1.25	1.34 to 4.85	(367,143)	(1,364,626)	(1,731,769)
Amounts owing to a fellow subsidiary	14	–	2.50	–	(28,359)	(28,359)
				(2,540,891)	(1,692,769)	(4,233,660)
Total				(2,540,891)	590,738	(1,950,153)

* Carrying amount is net of impairment losses.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

	Note	Interest rates per annum Floating rate %	Fixed rate %	Carrying amount Floating rate $'000	Fixed rate $'000	Total $'000
Company						
2011						
Financial assets						
Cash and cash equivalents		–	0.01 to 0.81	–	1,447,562	1,447,562
Amounts owing by:						
- subsidiaries*		0.51 to 1.85	1.00 to 3.57	996,311	1,170,231	2,166,542
- jointly-controlled entities*		–	1.50 to 2.00	–	264,366	264,366
				996,311	2,882,159	3,878,470
Financial liabilities						
Amounts owing to a subsidiary	5	–	1.34 to 3.57	–	(200,695)	(200,695)
Term loans	20					
- secured		0.73 to 1.55	–	(161,965)	–	(161,965)
- unsecured		0.65 to 1.66	1.61	(1,251,868)	(74,906)	(1,326,774)
Bonds and notes (unsecured)	21	–	2.48 to 4.85	–	(1,097,634)	(1,097,634)
Bank loans	22	0.68 to 0.82	–	(54,991)	–	(54,991)
				(1,468,824)	(1,373,235)	(2,842,059)
Total				(472,513)	1,508,924	1,036,411
2010						
Financial assets						
Cash and cash equivalents		–	0.03 to 0.50	–	971,731	971,731
Amounts owing by:						
- subsidiaries*		0.51 to 2.40	1.00 to 13.00	822,720	1,699,199	2,521,919
- jointly-controlled entities*		–	1.50	–	164,321	164,321
				822,720	2,835,251	3,657,971
Financial liabilities						
Amounts owing to a subsidiary	5	–	1.34 to 3.57	–	(150,304)	(150,304)
Term loans	20					
- secured		0.68 to 1.43	–	(232,535)	–	(232,535)
- unsecured		0.62 to 1.71	–	(1,171,366)	–	(1,171,366)
Bonds and notes (unsecured)	21	–	2.48 to 4.85	–	(1,096,745)	(1,096,745)
Bank loans	22	0.60 to 0.61	–	(47,536)	–	(47,536)
				(1,451,437)	(1,247,049)	(2,698,486)
Total				(628,717)	1,588,202	959,485

* Carrying amount is net of impairment losses.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

Sensitivity analysis

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
100 bp increase				
Reduction in profit before income tax and on accumulated profits	(29,119)	(25,309)	(4,328)	(6,071)

There is no impact on other components of equity.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group's entities. The currencies giving rise to this risk are primarily the United States Dollar, Singapore Dollar ,Thai Bhat, Hong Kong Dollar, Japanese Yen, Sterling Pound and Renminbi.

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

Hedging of transaction exposure is undertaken with approved counterparties and within designated limits, using spot or short-term forward contracts to buy or sell the currency concerned, once the timing and the underlying amount of exposure have been determined. Foreign exchange derivatives may also be used to hedge specific transaction exposure where appropriate. Further details of foreign exchange derivatives in place at 31 December 2011 are provided below:

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

Cash flow hedges

A number of forward cross currency swaps were executed in February 2010 by a subsidiary of the Group to hedge the foreign currency risk in respect of the repayment in February 2013 of a US$30 million loan using Korean Won. This loan was extended to a subsidiary in Korea, whose functional currency is Korean Won. The proceeds of the US dollar loan were converted into Korean Won on inception, and the risk being hedged is the variability of the cash flow associated with the repayment of the US$30 million loan principal on its maturity date in February 2013, arising from movement of Korean Won against the US dollar over that 3-year period.

The hedges are designated as cash flow hedges, which are considered to be highly effective.

The carrying value of the hedging instruments is restated to its fair value at each reporting date, with the effective portion of changes in fair value since inception being taken to the hedging reserve. The gain recognised in other comprehensive income during the year in respect of the change in fair value of these hedging instruments was £0.2 million (approximately $551,000) (2010: £0.4 million (approximately $845,000) loss).

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

	United States Dollar $'000	Singapore Dollar $'000	Thai Baht $'000	Hong Kong Dollar $'000	Japanese Yen $'000	Sterling Pound $'000	Renminbi $'000	Others $'000
Group								
2011								
Financial assets	1,333	–	–	253	–	9,471	–	729
Trade and other receivables*	39,148	297,870	1,266	–	–	–	3,539	6
Cash and cash equivalents	64,761	76,118	–	1,619	–	25,024	16,140	207
Amount owing (to)/ by subsidiaries (net)	(26,364)	(358,579)	108,339	129,980	51,234	5,137	1,247	(58)
Interest-bearing borrowings	(351,754)	(136,000)	–	(67,578)	(103,089)	–	–	–
Trade and other payables**	(319)	(737)	–	(30)	(19)	–	(74)	(8)
	(273,195)	(121,328)	109,605	64,244	(51,874)	39,632	20,852	876

* Excluding prepayments.
** Excluding deferred income.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

	United States Dollar $'000	Singapore Dollar $'000	Thai Baht $'000	Sterling Pound $'000	Others $'000
Group					
2010					
Financial assets	3,348	–	–	15,548	370
Trade and other receivables*	707	236	1,307	–	1,527
Cash and cash equivalents	66,009	77,213	–	27,355	2,957
Amount owing (to)/by subsidiaries (net)	99,036	(343,561)	111,071	4,902	52,061
Interest-bearing borrowings	(458,601)	(216,000)	–	–	(47,536)
Trade and other payables**	(1,010)	(2,868)	–	(2)	(508)
	(290,511)	(484,980)	112,378	47,803	8,871

* Excluding prepayments.
** Excluding deferred income.

	United States Dollar $'000	Hong Kong Dollar $'000	Japanese Yen $'000	Others $'000
Company				
2011				
Trade and other receivables*	–	–	–	6
Cash and cash equivalents	461	230	–	10
Amount owing (to)/by subsidiaries (net)	(21,919)	(11,459)	51,227	(6)
Interest-bearing borrowings	(57,406)	(67,578)	(103,089)	–
Trade and other payables	(11)	(17)	(18)	(7)
	(78,875)	(78,824)	(51,880)	3
2010				
Trade and other receivables*	84	–	–	2
Cash and cash equivalents	3,546	72	–	15
Amount owing (to)/by subsidiaries (net)	(21,952)	(11,472)	61,509	(6)
Interest-bearing borrowings	(46,134)	–	(47,536)	–
Trade and other payables	(125)	–	(72)	(5)
	(64,581)	(11,400)	13,901	6

* Excluding prepayments.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

Sensitivity analysis

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

	Profit before income tax $'000	Equity $'000
Group		
2011		
United States Dollar	(15,717)	(22,593)
Singapore Dollar	22,765	(20,200)
Thai Baht	10,961	–
Hong Kong Dollar	(7,621)	–
Japanese Yen	(5,188)	–
Sterling Pound	3,963	–
Renminbi	2,086	–
2010		
United States Dollar	(21,985)	(27,568)
Singapore Dollar	(14,529)	(20,580)
Thai Baht	11,238	–
Sterling Pound	4,781	–
Company		
2011		
United States Dollar	(7,887)	–
Hong Kong Dollar	(7,882)	–
Japanese Yen	(5,188)	–
2010		
United States Dollar	(6,458)	–
Hong Kong Dollar	(1,140)	–
Japanese Yen	1,390	–

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Equity price risk

The Group and the Company are exposed to equity price changes arising from quoted equity investments available for sale and held for trading, and unquoted investments held for trading. An increase in the underlying equity prices of the above investments at the reporting date by 10% (2010: 5%) and 5% (2010: 5%) for the Group and the Company, respectively, would increase profit, and accumulated profits, and other components of equity before any tax effect by the amounts shown below. Similarly, a decrease in the underlying equity prices by 10% (2010: 5%) and 5% (2010: 5%) for the Group and the Company respectively would have an equal but opposite effect. This analysis assumes that all other variables remain constant.

	Group $'000	Company $'000
2011		
Quoted equity investments available for sale and held for trading		
Equity	3,708	956
Profit before income tax	2,403	–
Unquoted investments held for trading		
Profit before income tax	140	–
2010		
Quoted equity investments available for sale and held for trading		
Equity	2,685	1,386
Profit before income tax	1,640	–
Unquoted investments held for trading		
Profit before income tax	101	–

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair values

Fair values versus carrying amounts

The carrying amounts of the financial instruments of the Group and the Company carried at cost or amortised cost are not materially different from their fair values as at the reporting date except as follows:

	2011 Carrying amount $'000	2011 Fair value $'000	2010 Carrying amount $'000	2010 Fair value $'000
Group				
Assets carried at amortised cost				
Deposit receivables	5,762	7,628	4,628	6,119
Interest receivables	–	–	48,777	43,115
	5,762	7,628	53,405	49,234
Liabilities carried at amortised cost				
Bonds and notes				
- secured	(154,780)	(158,952)	(99,816)	(100,403)
- unsecured	(979,050)	(1,004,669)	(1,245,853)	(1,256,919)
Long-term deposits	(9,466)	(9,187)	(9,625)	(8,050)
Term loans (unsecured)	(74,906)	(75,224)	–	–
	(1,218,202)	(1,248,032)	(1,355,294)	(1,365,372)
Company				
Liabilities carried at amortised cost				
Bonds and notes (unsecured)	(829,746)	(853,697)	(1,096,745)	(1,105,554)
Term loans (unsecured)	(74,906)	(75,224)	–	–
	(904,652)	(928,921)	(1,096,745)	(1,105,554)

Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investments in equity and convertible notes

The fair values of quoted investments that are classified as available for sale and held for trading are their quoted bid prices at the reporting date.

The fair values of unquoted equity investments held for trading are estimated using the applicable price to earnings ratios for similar listed companies adjusted for the specific circumstances of the issuer.

The fair values of unquoted equity investments available for sale (except as described below) are estimated using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions. Instead, they are based on unobservable inputs reflecting assumptions about the way assets would be priced.

The fair values of certain unquoted equity investments available for sale have not been determined as the fair value cannot be determined reliably. As a result, the variability in the range of recoverable fair value estimates derived from valuation techniques is expected to be significant.

The fair value of convertible notes is determined using the Black-Scholes model. Measurement inputs include the fair value of the convertible notes issuer's shares on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility of publicly available information), weighted average expected life of the instrument (based on general noteholder behaviour), expected dividends, and the risk-free interest rate.

Amounts owing by and to subsidiaries, associates and jointly-controlled entities

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

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair values (cont'd)

Fair values versus carrying amounts (cont'd)

Non-derivative financial assets and liabilities

The fair values of borrowings which reprice after six months and other non-derivative financial assets and liabilities, determined for disclosure purposes, are 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.

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 interest-bearing borrowings) or those which reprice within six months are assumed to approximate their fair values because of the short period to maturity or repricing. All other financial assets and liabilities are discounted to determine their fair values.

Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps, bank valuations are used.

Fair value hierarchy

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

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

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group					
2011					
Available-for-sale financial assets		37,166	–	9,307	46,473
Financial assets at fair value through profit or loss		24,888	–	1,400	26,288
		62,054	–	10,707	72,761
Derivative financial liabilities	27	–	(1,870)	–	(1,870)
		62,054	(1,870)	10,707	70,891
2010					
Available-for-sale financial assets		53,764	–	9,141	62,905
Financial assets at fair value through profit or loss		33,872	–	213,392	247,264
		87,636	–	222,533	310,169
Derivative financial liabilities	27	–	(2,685)	–	(2,685)
		87,636	(2,685)	222,533	307,484
Company					
2011					
Available-for-sale financial assets		19,122	–	–	19,122
2010					
Available-for-sale financial assets		27,723	–	–	27,723

During the financial year ended 31 December 2011, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value hierarchy (cont'd)

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3:

	Note	Available-for-sale financial assets $'000	Financial assets at fair value through profit or loss $'000	Total $'000
Group				
At 1 January 2011		9,141	213,392	222,533
Total gains or losses recognised in the income statement		–	(448)	(448)
Disposal of subsidiaries	35	–	(211,524)	(211,524)
Purchases		205	–	205
Translation differences on consolidation		(39)	(20)	(59)
At 31 December 2011		9,307	1,400	10,707
Total gains or losses for the year included in the income statement for assets held at the end of the reporting period		–	(448)	(448)
At 1 January 2010		9,842	205,365	215,207
Total gains or losses recognised in the income statement		–	2,006	2,006
Purchases		55	–	55
Issues		–	6,338	6,338
Translation differences on consolidation		(756)	(317)	(1,073)
At 31 December 2010		9,141	213,392	222,533
Total gains or losses for the year included in the income statement for assets held at the end of the reporting period		–	2,006	2,006

The financial instruments that are recorded in the Level 3 category comprise unquoted equity investments and investment in unquoted convertible notes. The fair value of these financial instruments are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions. Instead, they are based on 'unobservable' inputs reflecting management's 'own assumptions' about the way assets would be priced.

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value hierarchy (cont'd)

Although the Group believes that its estimate of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

		Effect on fair value	
	Fair value	Favourable changes	Unfavourable changes
	$'000	$'000	$'000
Group			
2010			
Financial assets at fair value through profit or loss	211,379	5,893	(7,377)

For 2011, the Group has no significant exposure to the effect on fair value changes.

For 2010, the favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the model values. The most significant unobservable input in relation to financial assets at fair value through profit or loss relates to risk-adjusted discount rate. The discount rate was increased/decreased by 1% from the discount rate as at reporting date to arrive at the possible favourable/unfavourable effects.

38 OPERATING SEGMENTS

Information reported to the Board of Directors for the purposes of resource allocation and assessment of segment performances is specifically focused on the functionality of services provided. The following summary describes the operations in each of the Group's reportable segments:

- Property development – *develops and purchases residential properties for sale*
- Hotel operations – *owns and manages hotels*
- Rental properties – *develops and purchases investment properties for lease*
- Others – *comprises club operator and owner, investment in shares, property management, project management and consultancy services and provider of information technology and procurement services. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2011 and 2010.*

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

38 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Property development $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total $'000
2011					
Total revenue (including inter-segment revenue)	1,343,744	1,563,486	290,047	152,314	3,349,591
Inter-segment revenue	–	–	(9,280)	(59,846)	(69,126)
External revenues	1,343,744	1,563,486	280,767	92,468	3,280,465

The hotel operations are operated in the following geographical segments and revenue is set out as follows:

	2011 $'000
United States	438,532
Europe	377,712
Singapore	300,754
Rest of Asia	349,090
New Zealand	97,398
	1,563,486

	Property development $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total $'000
2011					
Profit from operating activities	530,520	284,844	309,248	2,757	1,127,369
Share of after-tax profit of associates and jointly-controlled entities	7,323	14,622	39,214	808	61,967
Finance income	15,939	7,133	2,530	2,569	28,171
Finance costs	(17,753)	(24,392)	(25,351)	(13,568)	(81,064)
Net finance costs	(1,814)	(17,259)	(22,821)	(10,999)	(52,893)
Reportable segment profit before income tax	536,029	282,207	325,641	(7,434)	1,136,443

38 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total $'000
2011					
Depreciation and amortisation	355	67,321	64,357	1,308	133,341
Other material non-cash items					
Net loss on disposal and dilution of subsidiaries	–	3,504	–	(6,265)	(2,761)
Gain on dilution of investment in an associate	–	–	418	–	418
Gain on dilution, disposal and liquidation of jointly-controlled entities	–	–	1,678	4,223	5,901
Impairment losses on:					
- amounts owing by a jointly-controlled entity	–	959	–	–	959
- property, plant and equipment and investment properties	–	30,125	14,056	–	44,181
Investments in associates and jointly-controlled entities	255,794	293,983	520,914	24,547	1,095,238
Other segment assets	5,931,304	4,168,162	3,253,138	508,973	13,861,577
Reportable segment assets	6,187,098	4,462,145	3,774,052	533,520	14,956,815
Tax recoverable					1,996
Deferred tax assets					3,655
Total assets					14,962,466
Reportable segment liabilities	2,650,352	1,336,125	1,403,401	188,206	5,578,084
Deferred tax liabilities					367,304
Provision for taxation					321,074
Total liabilities					6,266,462
Additions to non-current assets*	72,598	307,092	298,249	40,688	718,627

* Non-current assets include investment properties, property, plant and equipment, lease premium prepayment, investments in associates and jointly-controlled entities, and intangible assets.

38 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development (Restated) $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total (Restated) $'000
2010					
Total revenue (including inter-segment revenue)	1,124,815	1,577,419	343,935	147,935	3,194,104
Inter-segment revenue	(21)	–	(11,440)	(79,227)	(90,688)
External revenues	1,124,794	1,577,419	332,495	68,708	3,103,416

The hotel operations are operated in the following geographical segments and revenue is set out as follows:

	2010 $'000
United States	460,880
Europe	396,962
Singapore	297,576
Rest of Asia	318,430
New Zealand	103,571
	1,577,419

	Property development (Restated) $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total (Restated) $'000
2010					
Profit from operating activities	366,984	212,200	389,451	21,508	990,143
Share of after-tax profit/(loss) of associates and jointly-controlled entities	48,673	7,504	55,632	(1,385)	110,424
Finance income	16,195	8,788	8,290	2,367	35,640
Finance costs	(10,770)	(23,745)	(30,919)	(3,274)	(68,708)
Net finance costs	5,425	(14,957)	(22,629)	(907)	(33,068)
Reportable segment profit before income tax	421,082	204,747	422,454	19,216	1,067,499

38 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development (Restated) $'000	Hotel operations $'000	Rental properties $'000	Others $'000	Total (Restated) $'000
2010					
Depreciation and amortisation	46	72,404	66,834	1,382	140,666
Other material non-cash items					
Gain arising in respect of step up acquisition of a jointly-controlled entity	–	17,662	–	–	17,662
Gain on dilution of investment in an associate	–	12,759	12,711	–	25,470
Goodwill written off in respect of additional interest acquired in a jointly-controlled entity to become a subsidiary	–	17,042	–	–	17,042
Impairment losses on:					
- amounts owing by a jointly-controlled entity	–	1,188	–	–	1,188
- property, plant and equipment and investment properties	–	30,840	23,863	–	54,703
Investments in associates and jointly-controlled entities	200,976	175,626	522,623	36,252	935,477
Other segment assets	5,089,376	4,197,132	3,153,467	577,657	13,017,632
Reportable segment assets	5,290,352	4,372,758	3,676,090	613,909	13,953,109
Tax recoverable					6,257
Deferred tax assets					3,392
Total assets					13,962,758
Reportable segment liabilities	2,465,336	1,410,026	1,336,506	83,193	5,295,061
Deferred tax liabilities					423,081
Provision for taxation					264,357
Total liabilities					5,982,499
Additions to non-current assets*	34,729	302,397	26,421	760	364,307

* Non-current assets include investment properties, property, plant and equipment, lease premium prepayment, investments in associates and jointly-controlled entities, and intangible assets.

38 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

Geographical segments

The property development, hotel operations and rental properties segments are managed on a worldwide basis.

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

	Singapore $'000	United States $'000	United Kingdom $'000	Other countries $'000	Total $'000
2011					
Revenue	1,876,546	449,895	296,329	657,695	3,280,465
Non-current assets #	3,294,428	1,081,553	923,798	2,106,288	7,406,067
Reportable segment assets	9,648,831	1,219,386	1,036,049	3,052,549	14,956,815
2010 (Restated)					
Revenue	1,772,611	469,769	299,084	561,952	3,103,416
Non-current assets #	3,236,566	1,125,806	908,293	1,948,253	7,218,918
Reportable segment assets	9,006,124	1,252,672	1,003,297	2,691,016	13,953,109

Include investment properties, property, plant and equipment, lease premium prepayment, investments in associates and jointly-controlled entities, and intangible assets.

39 SUBSEQUENT EVENTS

In January 2012, the Group via its indirect wholly-owned subsidiary, Vinemont Investments Pte. Ltd. acquired 100% equity interest in Thailand Shareholder Investments Limited (TSIL) from a related party for a cash consideration of US$147.1 million. TSIL holds 49% equity interest in Dolruetai Co., Ltd (Dolruetai) which in turns owns 95% equity interest in Phuket Square Company Limited (Phuket Square). Phuket Square owns a retail and hotel development in Phuket known as the Jungceylon Shopping Mall and Millenium Resort Patong Phuket respectively, and a piece of land at Sukhumvit, Bangkok that is currently being developed into a retail mall.

In March 2012, Dolruetai further increased its equity interest in Phuket Square from 95% to 99.99% with the acquisition of an additional 300,000 shares in Phuket Square for a cash consideration of Baht 200 million.

40 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

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

- Amended FRS 12 *Amendments to FRS 12 Income Taxes: Deferred Tax Recovery of Underlying Assets*
- Amendments to FRS 107 *Disclosures-Transfers of Financial Assets*
- FRS 110 *Consolidated Financial Statements*
- FRS 111 *Joint Arrangements*
- FRS 112 *Disclosures of Interests in Other Entities*
- FRS 113 *Fair Value Measurements*

The Group is presently assessing the impact of the adoption of these standards and its consequential amendments. The Group has not considered the impact of accounting standards issued after the balance sheet date.

41 SIGNIFICANT INVESTMENTS

The following are the Group's significant investments:

		Principal Activity	Country of Incorporation	Effective Group Interest 2011 %	2010 %
	Subsidiaries				
	Direct/Indirect Subsidiaries of the Company				
*	100G Pasir Panjang Road Pte Ltd	Property holding	Singapore	**99**	99
*	Allinvest Holding Pte Ltd	Property owner and investment holding	Singapore	**100**	100
*	Aston Properties Pte Ltd	Property owner, developer and investment holding	Singapore	**100**	100
*	Bloomsville Investments Pte Ltd	Property owner, developer and investment holding	Singapore	**100**	100
*	CBM Pte. Ltd.	Provision of building maintenance, security, cleaning and related services to commercial and residential buildings	Singapore	**100**	100
*	CBM Parking Pte. Ltd.	Provision of car park operation, management and related services	Singapore	**100**	100
*	CBM International Pte. Ltd.	Investment holding and provision of building maintenance, security, cleaning and related services to commercial and residential buildings	Singapore	**100**	100
*	CBM Security Pte. Ltd.	Provision of security services, consultancy services related to security matters, supply of equipment, security escort services and facilities management services	Singapore	**100**	–
*	CBM Solutions Pte. Ltd.	Advisors, consultants and service providers	Singapore	**100**	100
*	CDL Land Pte Ltd	Property owner and developer	Singapore	**100**	100
*	CDL Management Services Pte. Ltd.	Provision of project and property management and consultancy services	Singapore	**100**	100
*	CDL Properties Ltd	Property owner and investment holding	Singapore	**100**	100
*	Central Mall Pte Ltd	Property owner	Singapore	**100**	100
*	Chestnut Avenue Developments Pte. Ltd.	Property owner and developer	Singapore	**60**	60

41 SIGNIFICANT INVESTMENTS (CONT'D)

		Principal Activity	Country of Incorporation	Effective Group Interest 2011 %	Effective Group Interest 2010 %
	Subsidiaries (cont'd) **Direct/Indirect Subsidiaries of the Company (cont'd)**				
*	Cideco Pte. Ltd.	Property owner	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	53	53
*	City Serviced Offices Pte. Ltd.	Operating serviced offices	Singapore	100	100
*	City Sunshine Holdings Pte. Ltd.	Property owner and developer	Singapore	100	100
*	Citydev Investments Pte. Ltd.	Investment in shares and investment holding	Singapore	100	100
*	Citydev Nahdah Pte. Ltd.	To issue Islamic trust certificates and to act as trustee for the certificate holders	Singapore	100	100
*	Citydev Real Estate (Singapore) Pte Ltd	Property owner	Singapore	100	100
*	Cityview Place Holdings Pte. Ltd.	Property owner and developer	Singapore	100	100
^^	Chongqing Eling Property Development Co., Ltd.	Property owner and developer	People's Republic of China	100	100
*	Darfera Pte Ltd	Property owner and developer	Singapore	100	100
*	Eccott Pte Ltd	Investment holding and property owner	Singapore	100	100
**	Educado Company Limited	Investment holding and share dealing	Hong Kong	100	100
*	Elishan Investments Pte Ltd	Property owner	Singapore	100	100
*	Elite Holdings Private Limited	Property owner and developer	Singapore	100	100
*	Empire City Consultant Pte Ltd	Management of properties	Singapore	100	100
^	eMpire Investments Limited	Investment holding	Bermuda	100	100
*	Fairsteps Properties Pte. Ltd.	Property owner, developer and investment holding	Singapore	100	100

41 SIGNIFICANT INVESTMENTS (CONT'D)

		Principal Activity	Country of Incorporation	Effective Group Interest 2011 %	Effective Group Interest 2010 %
	Subsidiaries (cont'd) **Direct/Indirect Subsidiaries of the Company (cont'd)**				
*	Glades Properties Pte. Ltd.	Property owner, developer and investment holding	Singapore	**100**	100
*	Grande-Terre Properties Pte. Ltd.	Property owner, developer and investment holding	Singapore	**100**	100
*	Grand Isle Holdings Pte. Ltd.	Property owner and developer	Singapore	**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
*	Impac Holdings Pte. Ltd.	Property ownership and sales	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	England and Wales	**55**	54
*	New Vista Realty Pte. Ltd.	Property owner and developer	Singapore	**100**	–
*	Novel Developments Pte. Ltd.	Property owner and developer	Singapore	**100**	–
**	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

41 SIGNIFICANT INVESTMENTS (CONT'D)

		Principal Activity	Country of Incorporation	Effective Group Interest 2011 %	Effective Group Interest 2010 %
	Subsidiaries (cont'd) **Direct/Indirect Subsidiaries of the Company (cont'd)**				
^^	Suzhou Global City Genway Properties Co., Ltd.	Property owner and developer	People's Republic of China	100	–
*	Target Realty Limited	Property owner, developer and investment holding	Singapore	99	99
***	Tianjin Trophy Real Estate Co., Ltd.	Property investment	People's Republic of China	100	100
^	Wideachieve Holdings Limited	Investment holding	British Virgin Islands	100	100
	Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels plc				
**	Anchorage-Lakefront Limited Partnership	Hotel owner	USA	55	54
**	Beijing Fortune Hotel Co. Ltd.	Hotel owner and operator	People's Republic of China	38	38
**	Bostonian Hotel Limited Partnership	Hotel owner	USA	55	54
**	CDL (New York) LLC	Hotel owner	USA	55	54
**	CDL Hotels (Chelsea) Limited	Hotel owner and operator	England and Wales	55	54
**	CDL Hotels (Korea) Ltd.	Hotel owner and operator	Republic of Korea	55	54
**	CDL Hotels (Malaysia) Sdn. Bhd.	Hotel owner and operator	Malaysia	55	54
**	CDL Hotels (UK) Limited	Hotel owner and operator	England and Wales	55	54
**	CDL Hotels USA Inc.	Hotel investment holding company	USA	55	54
**	CDL Investments New Zealand Limited	Investment and property management company	New Zealand	26	25
**	CDL West 45th Street LLC	Hotel owner	USA	55	54
**	Chicago Hotel Holdings, Inc.	Hotel owner and operator	USA	55	54
*	City Hotels Pte. Ltd.	Hotel operator and investment holding company	Singapore	55	54

41 SIGNIFICANT INVESTMENTS (CONT'D)

		Principal Activity	Country of Incorporation	Effective Group Interest 2011 %	Effective Group Interest 2010 %
	Subsidiaries (cont'd) **Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels plc (cont'd)**				
**	Copthorne Hotel (Birmingham) Limited	Hotel owner and operator	England and Wales	**55**	54
**	Copthorne Hotel (Gatwick) Limited	Hotel owner and operator	England and Wales	**55**	54
**	Copthorne Hotel (Manchester) Limited	Hotel owner and operator	England and Wales	**55**	54
**	Copthorne Hotel (Newcastle) Limited	Hotel owner and operator	England and Wales	**52**	51
**	Copthorne Hotel (Slough) Limited	Hotel owner and operator	England and Wales	**55**	54
**	Copthorne Hotel Holdings Limited	Hotels investment holding company	England and Wales	**55**	54
**	Copthorne Hotels Limited	Hotels investment holding company	England and Wales	**55**	54
*	Copthorne Orchid Hotel Singapore Pte Ltd	Property owner and developer	Singapore	**55**	54
**	Gateway Regal Holdings LLC	Hotel owner and operator	USA	**55**	54
**	Grand Plaza Hotel Corporation	Hotel owner and operator and investment holding company	Philippines	**36**	35
*	Harbour View Hotel Pte. Ltd.	Hotel operator	Singapore	**55**	54
**	Hong Leong Ginza TMK	Property owner	Japan	**68**	–
**	Hong Leong Hotel Development Limited	Hotel owner and operator	Taiwan	**45**	44
^	Hong Leong Hotels Pte Ltd.	Investment holding company	Cayman Islands	**55**	54
**	Hospitality Group Limited	Holding company	New Zealand	**27**	27
*	Hospitality Holdings Pte. Ltd.	Investment holding company	Singapore	**55**	54
*	King's Tanglin Shopping Pte. Ltd.	Property owner	Singapore	**55**	54
**	London Britannia Hotel Limited	Hotel owner and operator	England and Wales	**55**	54

41 SIGNIFICANT INVESTMENTS (CONT'D)

		Principal Activity	Country of Incorporation	Effective Group Interest 2011 %	Effective Group Interest 2010 %
	Subsidiaries (cont'd)				
	Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels plc (cont'd)				
**	London Tara Hotel Limited	Hotel owner and operator	England and Wales	55	54
**	M&C Crescent Interests, LLC	Property owner	USA	55	54
**	M&C Hotel Interests, Inc	Hotel management services company	USA	55	54
**	M&C Hotels France SAS	Hotel owner	France	55	54
*	M&C REIT Management Limited	REIT investment management services	Singapore	55	54
**	Millennium & Copthorne Hotels New Zealand Limited	Hotel investment holding company	New Zealand	39	38
*	Millennium & Copthorne International Limited	Hotels and resorts management	Singapore	55	54
**	Millennium & Copthorne Middle East Holdings Limited	Hotel management service company	Hong Kong	28	28
**	Quantum Limited	Holding company	New Zealand	27	27
*	Republic Hotels & Resorts Limited	Hotel operator and investment holding company	Singapore	55	54
*	Republic Iconic Hotel Pte. Ltd.	Hotel owner and operator	Singapore	55	54
**	RHM-88, LLC	Hotel owner and operator	USA	55	54
**	WHB Biltmore LLC	Hotel owner and operator	USA	55	54
	Direct/Indirect Subsidiaries of City e-Solutions Limited				
**	Richfield Hospitality, Inc.	Investment holding and provision of hospitality related services	USA	53	53
**	Sceptre Hospitality Resources, Inc.	Provision of reservation system services	USA	53	53
^	SWAN Holdings Limited	Investment holding	Bermuda	53	53
**	SWAN USA, Inc.	Holding company	USA	53	53

41 SIGNIFICANT INVESTMENTS (CONT'D)

		Principal Activity	Country of Incorporation	Effective Group Interest 2011 %	Effective Group Interest 2010 %
	Associates				
	Associates of Millennium & Copthorne Hotels plc				
*	CDL Hospitality Trusts	See Note (1)	Singapore	19	19
*	First Sponsor Capital Limited	Investment holding company	British Virgin Islands	22	22
	Jointly-controlled Entities				
	Jointly-controlled Entities of the Company				
*	Aster Land Development Pte Ltd	Property development and investment dealing activities	Singapore	30	30
*	Bartley Development Pte. Ltd.	Property development	Singapore	30	–
*	Branbury Investments Ltd	Property owner	Singapore	43	43
*	Burlington Square Investment Pte Ltd	Holding of properties for long-term investment and rental purposes	Singapore	25	25
*	Burlington Square Properties Pte Ltd	Property trading	Singapore	25	25
*	Camborne Developments Pte Ltd	Property owner and developer	Singapore	50	50
****	CBM GISCO Integrated Facilities Management LLC	Provision of facilities management services	United Arab Emirates	49	49
**	CBM Qatar LLC (formerly known as CBM Afrina LLC)	Provision of facilities management services	State of Qatar	30	30
**	Exchange Tower Ltd.	Property owner and investment holding	Thailand	39	39
*	Freshview Developments Pte. Ltd.	Property owner and developer	Singapore	50	–
*	Grange 100 Pte. Ltd.	Property investment and owner	Singapore	40	40
*	Granmil Holdings Pte Ltd	Property owner and developer	Singapore	40	40
**	Krungthep Rimnam Ltd.	Hotel business	Thailand	49	49
*****	OOO "Soft-Project"	Hotel and property owner and developer	Russia	50	50
*	Richmond Hotel Pte Ltd	Property owner, developer and investment holding	Singapore	33	33
*	South Beach Consortium Pte. Ltd.	Property owner, developer and investment holding	Singapore	50.1	33

41 SIGNIFICANT INVESTMENTS (CONT'D)

		Principal Activity	Country of Incorporation	Effective Group Interest 2011 %	Effective Group Interest 2010 %
	Jointly-controlled Entities (cont'd)				
	Jointly-controlled Entities of the Company (cont'd)				
*	Summervale Properties Pte. Ltd.	Property owner and developer	Singapore	50	50
*	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 Entities of Millennium & Copthorne Hotels plc				
**	Fena Estate Company Limited	Hotel owner and operator	Thailand	27	27
^	New Unity Holdings Limited	Investment holding company	British Virgin Islands	27	27
	Jointly-controlled Entities of City e-Solutions Limited				
**	RSF Syracuse Partners, LLC	Provision of hospitality related services	USA	26	26
**	RSF Carolina Partners, LLC	Provision of hospitality related services	USA	26	–

* Audited by KPMG LLP Singapore

** Audited by other member firms of KPMG International

*** Audited by Ernst & Young Hua Ming

**** Audited by Deloitte & Touche LLP, Abu Dhabi

***** Audited by BDO Unicorn Inc

^ Not subject to audit by law of country of incorporation

^^ Auditors have not been appointed as at 31 December 2011

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

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