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made by the dealers or such affiliate on behalf of City Developments Limited in such jurisdiction. The attached information memorandum may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

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**CITY DEVELOPMENTS LIMITED**

(Incorporated in the Republic of Singapore on 7 September 1963)

(Company Registration No. 196300316Z)

S\$5,000,000,000**Medium Term Note Programme
(the "MTN Programme")**

This Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of notes (the "**Notes**") to be issued from time to time by City Developments Limited (the "**Issuer**") pursuant to the MTN Programme may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the increase in the MTN Programme limit from S\$1,500,000,000 to S\$5,000,000,000. Application will be made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and quotation for any Notes which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies (if any), the MTN Programme or such Notes.

Arranger



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NOTICE

DBS Bank Ltd. (the “**Arranger**”) has been appointed pursuant to the Supplemental Programme Agreement (as defined herein) by the Issuer as the arranger of the MTN Programme described herein following the retirement of Citicorp Investment Bank (Singapore) Limited as the arranger of the MTN Programme under the Programme Agreement on 12 December 2008. Under the MTN Programme, the Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue Notes denominated in Singapore dollars and/or any other currencies.

The Issuer, having made all reasonable enquiries, confirms that this Information Memorandum contains all information with regard to the Issuer and its subsidiaries which is material in the context of the MTN Programme and the issue and offering of the Notes, the information contained in this Information Memorandum is true and accurate in all material respects and there are no other facts the omission of which in the context of the issue and offer of the Notes would make any such information misleading in any material respect.

Notes may be issued in series having one or more issue dates and the same maturity date, bearing interest on the same basis and on identical terms, except in relation to interest commencement dates, issue prices and related matters. Each series may be issued in one or more tranches on the same or different issue dates. The Notes may be issued in bearer or registered form and may be listed on a stock exchange. Subject to compliance with all relevant laws, regulations and directives, the Notes may have maturities from three months to 10 years (or such other longer period as may be agreed between the Issuer and the relevant Dealers (as defined herein)) from their respective issue dates and may be subject to redemption or purchase in whole or in part. The Notes will bear interest at a fixed, floating or variable rate and may be repayable at par, at a specified amount above or below par or at an amount determined by reference to a formula, in each case with terms as specified in the Pricing Supplement (as defined herein) issued in relation to each series or tranche of Notes. Details applicable to each series or tranche of Notes will be specified in the applicable Pricing Supplement which is to be read in conjunction with this Information Memorandum.

The maximum aggregate principal amount of the Notes to be issued, when added to the aggregate principal amount of all Notes outstanding (as defined in the Trust Deed referred to below) shall be S\$5,000,000,000 (or its equivalent in any other currencies) or such higher amount as may be agreed between the Issuer and the Arranger.

No person has been authorised to give any information or to make any representation other than those contained in this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or any of the Dealers. The delivery or dissemination of this Information Memorandum at any time after the date of this Information Memorandum does not imply that the information contained in this Information Memorandum or any part of this Information Memorandum is correct at any time after such date. Save as expressly stated in this Information Memorandum, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Issuer or any of its subsidiaries or associated companies (if any). Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the MTN Programme may be used for the purpose of, and does not constitute an offer of, or solicitation or invitation by or on behalf of the Issuer, the Arranger or any of the Dealers to subscribe for or purchase, the Notes in any jurisdiction or under any circumstances in which such offer, solicitation or invitation is unlawful, or not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. The distribution and publication of this Information Memorandum or any such other document or information and the offer of the Notes in certain jurisdictions may be restricted by law. Persons who distribute or publish this Information Memorandum or any such other document or information or into whose possession this Information Memorandum or any such other document or information comes are required to inform themselves about and to observe any such restrictions and all applicable laws, orders, rules and regulations.

The Notes have not been, and will not be, registered under the Securities Act (as defined herein) and includes Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

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

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

Neither the delivery of this Information Memorandum (or any part thereof) or the issue, offering, purchase or sale of the Notes shall, under any circumstances, constitute a representation, or give rise to any implication, that there has been no change in the prospects, results of operations or general affairs of the Issuer or any of its subsidiaries or associated companies (if any) or in the information herein since the date hereof or the date on which this Information Memorandum has been most recently amended or supplemented.

The Arranger and the Dealers have not separately verified the information contained in this Information Memorandum. None of the Issuer, the Arranger, any of the Dealers or any of their respective officers or employees is making any representation or warranty expressed or implied as to the merits of the Notes or the subscription for, purchase or acquisition thereof, the creditworthiness or financial condition or otherwise of the Issuer or its subsidiaries or associated companies (if any). Further, none of the Arranger and the Dealers makes any representation or warranty as to the Issuer, its subsidiaries or associated companies (if any) or as to the accuracy, reliability or completeness of the information set out herein (including the legal and regulatory requirements pertaining to Sections 274, 275 and 276 or any other provisions of the SFA) and the documents which are incorporated by reference in, and form part of, this Information Memorandum.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the MTN Programme or the issue of the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arranger or any of the Dealers that any recipient of this Information Memorandum or such other document or information (or such part thereof) should subscribe for or purchase any of the Notes. A prospective purchaser shall make its own assessment of the foregoing and other relevant matters including the financial condition and affairs and the creditworthiness of the Issuer and its subsidiaries and associated companies (if any), and obtain its own independent legal or other advice thereon, and its investment shall be deemed to be based on its own independent investigation of the financial condition and affairs and its appraisal of the creditworthiness of the Issuer, its subsidiaries and associated companies (if any). Accordingly, notwithstanding anything herein, none of the Issuer, the Arranger, any of the Dealers or any of their respective officers, employees or agents shall be held responsible for any loss or damage suffered or incurred by the recipients of this Information Memorandum or such other document or information (or such part thereof) as a result of or arising from anything expressly or implicitly contained in or referred to in this Information Memorandum or such other document or information (or such part thereof) and the same shall not constitute a ground for rescission of any purchase or acquisition of any of the Notes by a recipient of this Information Memorandum or such other document or information (or such part thereof).

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated by reference in, and to form part of, this Information Memorandum: (1) any annual reports or audited consolidated accounts and any publicly available unaudited consolidated interim financial statements of the Issuer and its subsidiaries and associated companies (if any), (2) any supplement or amendment to this Information Memorandum issued by the Issuer and (3) any public announcements by the Issuer on the SGX-ST. This Information Memorandum is to be read in conjunction with all such documents which are incorporated by reference herein and, with respect to any series or tranche of Notes, any Pricing Supplement in respect of such series or tranche. Any statement contained in this

Information Memorandum or in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in this Information Memorandum or in such subsequent document that is also deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum. Copies of all documents deemed incorporated by reference herein are available for inspection at the specified office of the Issuing and Paying Agent (as defined herein).

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

The attention of recipients of this Information Memorandum is drawn to the restrictions on resale of the Notes set out under "Subscription, Purchase and Distribution" on pages 82 to 83 of this Information Memorandum.

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

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

FORWARD-LOOKING STATEMENTS

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

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

Neither the delivery of this Information Memorandum nor the issue of any Notes by the Issuer shall under any circumstances constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of the Issuer, the Group or any statement of fact or information contained in this Information Memorandum since the date of this Information Memorandum.

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

DEFINITIONS

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

“Agency Agreement”	:	In relation to a Series or Tranche, the agency agreement made between (1) the Issuer, as issuer, (2) the Issuing and Paying Agent, the Agent Bank and the Registrar, and (3) the Trustee, as trustee, as amended, varied or supplemented from time to time.
“Agent Bank”	:	In relation to a Series or Tranche, the person specified as such in the relevant Pricing Supplement and who has executed an agency agreement with the Issuer and the Trustee or any successor Agent Bank.
“Arranger”	:	DBS Bank Ltd.
“business day”	:	A day (other than Saturday or Sunday) on which commercial banks in Singapore are open for business.
“CDP”	:	The Central Depository (Pte) Limited.
“Certificate”	:	A registered certificate representing one or more Notes (in registered form) of the same Series and, save as provided in the Conditions, comprising the entire holding by a Noteholder of his Registered Notes of that Series.
“Citicorp”	:	Citicorp Investment Bank (Singapore) Limited.
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time.
“Couponholders”	:	The holders of the Coupons.
“Coupons”	:	The interest coupons appertaining to an interest bearing definitive Note and includes any replacement Coupons issued pursuant to Condition 12.
“Dealers”	:	Australia and New Zealand Banking Group Limited, Citigroup Global Markets Singapore Pte. Ltd., DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank and The Hongkong and Shanghai Banking Corporation Limited and such other persons appointed as dealers under the MTN Programme.
“Directors”	:	The directors (including alternate directors, if any) of the Issuer as at the date of this Information Memorandum.
“FY”	:	Financial Year ending or ended 31 December.
“Global Certificate”	:	A Certificate representing Notes (in registered form) of a Series or one or more Tranches of the same Series.
“Global Note”	:	A global Note representing Notes (in bearer form) of a Series or one or more Tranches of the same Series, being a Temporary Global Note and/or, as the context may require, a Permanent Global Note, in each case without Coupons.

“Group”	:	The Issuer and its subsidiaries.
“Initial Agency Agreement”	:	The Agency Agreement dated 25 May 1999 made between (1) the Issuer, as issuer, (2) Citicorp, as issuing and paying agent, agent bank and registrar for certain Series or Tranches of Notes, and (3) the Trustee, as trustee, as amended, varied or supplemented from time to time.
“Issuer”	:	City Developments Limited.
“Issuing and Paying Agent”	:	In relation to a Series or Tranche, the person specified as such in the relevant Pricing Supplement and who has executed an agency agreement with the Issuer and the Trustee or any successor Issuing and Paying Agent.
“Listing Manual”	:	The Listing Manual of the SGX-ST.
“MAS”	:	Monetary Authority of Singapore.
“MTN Programme”	:	The S\$5,000,000,000 (or such higher amount as may be agreed between the Issuer and the Arranger) Medium Term Note Programme of the Issuer.
“Noteholders”	:	The holders of the Notes.
“Notes”	:	The notes to be issued by the Issuer in either bearer form or in registered form under the MTN Programme.
“Permanent Global Note”	:	A Global Note representing Notes (in bearer form) of a Series or one or more Tranches of the same Series, either on issue or upon exchange of interests in a Temporary Global Note.
“Pounds Sterling”	:	Pounds sterling.
“PRC”	:	People’s Republic of China.
“Pricing Supplement”	:	In relation to a Tranche or Series, a pricing supplement, to be read in conjunction with this Information Memorandum, specifying the relevant issue details in relation to such Tranche or, as the case may be, Series.
“Programme Agreement”	:	The Programme Agreement dated 25 May 1999 made between (1) the Issuer, as issuer, (2) Citicorp, as arranger and dealer, relating to the MTN Programme, as amended and supplemented by the Supplemental Programme Agreement and as further amended, varied or supplemented from time to time.
“Registrar”	:	In relation to a Series or Tranche, the person specified as such in the relevant Pricing Supplement and who has executed an agency agreement with the Issuer and the Trustee or any successor Registrar.
“RMB” or “Renminbi” or “CNY”	:	Renminbi, the lawful currency of the PRC.
“RMB Notes”	:	Notes denominated in RMB.
“Securities Act”	:	Securities Act of 1933 of the United States, as amended.

“Series”	:	A series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the date of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number.
“SFA”	:	Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time.
“SGX-ST”	:	Singapore Exchange Securities Trading Limited.
“Shares”	:	Ordinary shares in the capital of the Issuer.
“subsidiary”	:	Any company which is for the time being a subsidiary (within the meaning of Section 5 of the Companies Act, Chapter 50 of Singapore) of the Issuer.
“Supplemental Programme Agreement”	:	The Supplemental Programme Agreement dated 29 December 2008 made between (1) the Issuer, as issuer, (2) the Arranger, as arranger and dealer, and (3) the Dealers, as dealers.
“Supplemental Trust Deed”	:	The Supplemental Trust Deed dated 9 May 2000 made between (1) the Issuer, as issuer, and (2) the Trustee, being supplemental to the Trust Deed.
“Temporary Global Note”	:	A Global Note representing Notes (in bearer form) of a Series or one or more Tranches of the same Series on issue.
“Tranche”	:	In relation to a Series, those Notes of such Series that are issued on the same date and in respect of which the first interest payment is identical and at the same issue price.
“Trust Deed”	:	The Trust Deed dated 25 May 1999 made between (1) the Issuer, as issuer, and (2) the Trustee, as trustee, as amended and supplemented by the Supplemental Trust Deed and as further amended, varied or supplemented from time to time.
“Trustee”	:	HSBC Institutional Trust Services (Singapore) Limited (formerly known as Bermuda Trust (Singapore) Limited).
“United States” or “U.S.”	:	United States of America.
“S\$” or “\$” and “cents”	:	Singapore dollars and cents respectively.
“US\$” or “US dollars”	:	United States dollars.
“£” or “p”	:	Pounds sterling and pence respectively.
“%”	:	Per cent.

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

CORPORATE INFORMATION

Board of Directors	: Kwek Leng Beng Kwek Leng Joo Chee Keng Soon Foo See Juan Kwek Leng Peck Tang See Chim Yeo Liat Kok Philip Tan Poay Seng Chan Soon Hee Eric
Company Secretaries	: Shufen Loh @ Catherine Shufen Loh Enid Ling Peek Fong
Registered Office	: 36 Robinson Road #04-01 City House Singapore 068877
Auditors to the Issuer	: KPMG LLP 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581
Arranger of the MTN Programme	: DBS Bank Ltd. 12 Marina Boulevard, Level 42 Marina Bay Financial Centre Tower 3 Singapore 018982
Dealers	: Australia and New Zealand Banking Group Limited 10 Collyer Quay #21-00 Ocean Financial Centre Singapore 049315 Citigroup Global Markets Singapore Pte. Ltd. 8 Marina View, #21-00 Asia Square Tower 1 Singapore 018960 DBS Bank Ltd. 12 Marina Boulevard, Level 42 Marina Bay Financial Centre Tower 3 Singapore 018982 Oversea-Chinese Banking Corporation Limited 63 Chulia Street #03-05 OCBC Centre East Singapore 049514 Standard Chartered Bank Marina Bay Financial Centre, Tower 1 8 Marina Boulevard, Level 20 Singapore 018981 The Hongkong and Shanghai Banking Corporation Limited 21 Collyer Quay #11-01 HSBC Building Singapore 049320

Legal Advisers to the Arranger and the Trustee (as at the date of the establishment of the MTN Programme) and to the Trustee	:	Lee & Lee 50 Raffles Place, #06-00 Singapore 048623
Legal Advisers to the Issuer	:	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Issuing and Paying Agent, Agent Bank and Registrar under the Initial Agency Agreement for the Notes	:	Citicorp Investment Bank (Singapore) Limited 8 Marina View, #21-00 Asia Square Tower 1 Singapore 018960
Trustee for the Noteholders	:	HSBC Institutional Trust Services (Singapore) Limited (formerly known as Bermuda Trust (Singapore) Limited) 20 Pasir Panjang Road (East Lobby) #12-21 Mapletree Business City Singapore 117439

SUMMARY OF THE MTN PROGRAMME

The following summary is derived from, and should be read in conjunction with, the full text of this Information Memorandum (and any relevant supplement to this Information Memorandum), the Programme Agreement, the Trust Deed, the Agency Agreement and the relevant Pricing Supplement.

Issuer	:	City Developments Limited.
Arranger	:	DBS Bank Ltd.
Dealers	:	Australia and New Zealand Banking Group Limited, Citigroup Global Markets Singapore Pte. Ltd., DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank and The Hongkong and Shanghai Banking Corporation Limited and/or such other Dealers as may be appointed by the Issuer in accordance with the Programme Agreement.
Issuing and Paying Agent, Agent Bank and Registrar	:	In relation to a Series or Tranche, the person specified as such in the relevant Pricing Supplement and who have executed an agency agreement with the Issuer and the Trustee.
Trustee	:	HSBC Institutional Trust Services (Singapore) Limited (formerly known as Bermuda Trust (Singapore) Limited).
Description	:	Medium Term Note Programme.
Programme Size	:	The maximum aggregate principal amount of the Notes outstanding at any time shall be S\$5,000,000,000 (or its equivalent in other major convertible currencies) or such higher amount as may be agreed between the Issuer and the Arranger.
Currency	:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in Singapore dollars or any other major convertible currency agreed between the Issuer and the relevant Dealer(s).
Method of Issue	:	Notes may be issued from time to time under the MTN Programme on a syndicated or non-syndicated basis and may be distributed by way of private placement. Each Series may be issued in one or more Tranches, on the same or different issue dates. The specific terms of each Series or Tranche will be specified in the relevant Pricing Supplement.
Issue Price	:	Notes may be issued at par or at a discount, or premium, to par.
Maturities	:	Subject to compliance with all relevant laws, regulations and directives, Notes may have maturities from three months to 10 years (or such longer period as may be agreed between the Issuer and the relevant Dealer) from their respective issue dates.
Mandatory Redemption	:	Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount on the maturity date shown on its face.
Interest Basis	:	Notes may bear interest at fixed, floating or variable rates.

Fixed Rate Notes	:	Fixed Rate Notes will bear a fixed rate of interest which will be payable in arrear on specified dates and at maturity.
Floating Rate Notes	:	<p>Floating Rate Notes which are denominated in Singapore dollars will bear interest to be determined separately for each Series by reference to S\$ SIBOR or S\$ SWAP RATE (or such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin. Interest periods in relation to the Floating Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue.</p> <p>Floating Rate Notes which are denominated in other currencies will bear interest to be determined separately for each Series by reference to such other benchmark as may be agreed between the Issuer and the relevant Dealer(s).</p>
Variable Rate Notes	:	Variable Rate Notes will bear interest at a variable rate determined in accordance with the terms and conditions of the Notes. Interest periods in relation to the Variable Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue.
Form and Denomination of Notes	:	The Notes will be issued in bearer form or in registered form only and in such denominations as may be agreed between the Issuer and the relevant Dealer(s). Each Tranche or Series of Notes may initially be represented either (a) by a Temporary Global Note exchangeable for definitive Notes or for a Permanent Global Note which will be exchangeable as described therein for definitive Notes, (b) by a Permanent Global Note which will be exchangeable as described therein for definitive Notes or (c) by a Global Certificate exchangeable for further Certificates against transfers of the underlying Notes in registered form.
Custody of the Notes	:	Notes which are to be listed on the SGX-ST may be cleared through CDP. Notes which are to be cleared through CDP are required to be kept with CDP as authorised depository.
Status of the Notes	:	The Notes and Coupons of all Series will constitute direct, unconditional and unsecured obligations of the Issuer and will rank <i>pari passu</i> as a single class, without any preference or priority among themselves, and <i>pari passu</i> with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law or by the Trust Deed (if any)) of the Issuer from time to time outstanding.
Redemption and Purchase	:	If so provided on the face of the Note and the relevant Pricing Supplement, Notes may be redeemed (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the Noteholders. Further, if so provided on the face of the Note and the relevant Pricing Supplement, Notes may be purchased by the Issuer (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the Noteholders.

Negative Pledge	:	The Issuer has covenanted with the Trustee in the Trust Deed that so long as any of the Notes remains outstanding, it shall not, and shall procure that none of its subsidiaries (other than a subsidiary whose shares are listed on any stock exchange (“Listed Subsidiary”) and any subsidiaries of such Listed Subsidiary) shall, create or permit to subsist or be created any mortgage, charge, pledge or other security interest (collectively “Charge”) over the whole or any part of its or their respective undertakings, assets, properties or revenues, present or future, where such Charge is given, or is intended to be given, to secure the Issuer’s indebtedness in respect of any freely transferable securities (which are or are to be listed on any stock exchange) of, or guaranteed by, the Issuer unless such Charge is forthwith extended equally and rateably to the indebtedness of the Issuer in respect of the Notes.
Events of Default	:	See Condition 8 of the Notes, subject to amendment and variation as provided in the relevant Pricing Supplement for each Tranche or Series of Notes.
Taxation	:	Payments of principal and interest on the Notes will be made after withholding or deduction for or on account of any taxes or duties of whatever nature imposed by Singapore and which are required by applicable law to be deducted or withheld. The Issuer will not pay any additional amount in respect of any such withholding or deduction. For further details, please see the section on “Singapore Taxation” herein.
Listing	:	Each Series of the Notes may, if so agreed between the Issuer and the relevant Dealer(s), be listed on the SGX-ST or any stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s), subject to all necessary approvals having been obtained.
Selling Restrictions	:	For a description of certain restrictions on offers, sales and deliveries of Notes and the distribution of offering material relating to the Notes, see the section on “Subscription, Purchase and Distribution” below. Further restrictions may apply in connection with any particular Series or Tranche of Notes.
Governing Law	:	The MTN Programme and any Notes issued under the MTN Programme will be governed by, and construed in accordance with, the laws of Singapore.

VARIATION IN TERMS FOR FUTURE TRANCHEs OR SERIES OF NOTES

It is intended that with effect from the date of this Information Memorandum, all Tranches or Series of Notes to be issued by the Issuer will contain terms and conditions which are amended (by way of the relevant Pricing Supplement for such Tranche or Series) to reflect the following:

- (i) (in the case of a Tranche or Series of RMB Notes only) the settlement of payments in Singapore dollars at the Singapore dollar equivalent of Renminbi denominated amounts, where the Issuer is not able to satisfy such payments of principal and interest by reason of inconvertibility, non-transferability or illiquidity;
- (ii) an increase in the cross default threshold appearing in Condition 8(c) and Condition 8(d) of the terms and conditions of the Notes to S\$100,000,000;
- (iii) the amendment of the definition of "Principal Subsidiary" to subsidiaries (excluding subsidiaries whose shares are listed on any stock exchange and any subsidiaries of such listed subsidiaries) which account for a certain percentage of the Group's assets; and
- (iv) the deletion of the non-disposal and financial covenants appearing in Condition 10(a) and Condition 10(c) respectively of the terms and conditions of the Notes and the corresponding waiver of the same covenants appearing in Clause 14.01(k) and Clause 14.03 respectively of the Trust Deed.

Accordingly:

- (a) a new Condition 5(f) shall be inserted into all Tranches or Series of RMB Notes to be issued by the Issuer with effect from the date of this Information Memorandum:

"(f) Payment of Singapore Dollar Equivalent

Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest (in whole or in part) in respect of the Notes when due in Renminbi, the Issuer may, on giving not less than five nor more than 30 days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment (in whole or in part) in Singapore dollars on the due date at the Singapore Dollar Equivalent of any such Renminbi denominated amount. Any payment made under such circumstances in Singapore dollars will constitute valid payment and will not constitute a default in respect of the Notes.

All determinations made for the purposes of the provisions of this Condition 5(f) by the Agent Bank will (in the absence of manifest error) be final and binding on all parties.

For the purposes of this Condition 5(f):

"Determination Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Singapore;

"Determination Date" means the day which is two Determination Business Days before the due date of the relevant amount under these Conditions;

"Exchange Rate" means the Renminbi/Singapore dollar exchange rate as determined by the Issuer in its sole discretion;

"Governmental Authority" means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the Monetary Authority of Singapore) of Singapore;

"Illiquidity" means the general Renminbi exchange market in Singapore becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two Renminbi Dealers;

"Inconvertibility" means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in Singapore, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date of the agreement for the issue of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"Non-transferability" means the occurrence of any event that makes it impossible for the Issuer to deliver Renminbi between accounts inside Singapore or from an account inside Singapore to an account outside Singapore, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date of the agreement for the issue of the Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"Renminbi Dealer" means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Singapore; and

"Singapore Dollar Equivalent" means the relevant Renminbi amount converted into Singapore dollars using the Exchange Rate for the relevant Determination Date.";

- (b) the amended Condition 8(c) and Condition 8(d) of all Tranches or Series of Notes to be issued by the Issuer with effect from the date of this Information Memorandum shall be as follows:

"(c) any liability or indebtedness of the Issuer exceeding in aggregate S\$100,000,000 (or its equivalent in any other currency or currencies), being repayable prior to its stated maturity by reason of default and the due date for payment thereof not being extended or any such liability or indebtedness of the Issuer not being repaid at its stated maturity as extended by any grace period permitted under the agreement or other documents evidencing or constituting such indebtedness; or

(d) any default by the Issuer in making any payment due under any guarantee or any indemnity given by the Issuer in respect of any obligation, liability or indebtedness having an aggregate outstanding principal amount exceeding S\$100,000,000 (or the respective equivalent in any other currency or currencies) provided always that it shall not be an event of default if such refusal or failure is by reason of the Issuer in good faith contesting or disputing any liability under such guarantee or indemnity";

- (c) the amended definition of "Principal Subsidiaries" in Condition 8 of all Tranches or Series of Notes to be issued by the Issuer with effect from the date of this Information Memorandum shall be as follows:

"For the purposes of these Conditions, **"subsidiary"** has the meaning ascribed to it in Section 5 of the Companies Act (Cap. 50) of Singapore. **"Principal Subsidiary"** means, at any time, any subsidiary of the Issuer (excluding subsidiaries whose shares are listed on any stock exchange (**"Listed Subsidiaries"**) and any subsidiaries of such Listed Subsidiaries), whose total assets or (in the case of a subsidiary which itself has subsidiaries) total consolidated assets, as shown by the then latest audited accounts of such subsidiary, are at least 15 per cent. of the total assets of the Group as shown by the then latest audited consolidated accounts of the Issuer Provided That:

- (i) if a Principal Subsidiary transfers or otherwise disposes of any part of its assets to another subsidiary of the Issuer or any other person, the total assets of such subsidiaries shall be calculated by reference to the then latest audited balance sheet of each of the transferor and

transferee subsidiary (as the case may be) adjusted as appropriate with effect from the date of transfer to reflect the transfer of such assets after the end of the financial period to which the balance sheet relates; and

- (ii) if any subsidiary acquires any assets, the total assets of such subsidiary shall be calculated by reference to its then latest audited balance sheet adjusted as appropriate with effect from the date of acquisition to reflect the acquisition of such assets after the end of the financial period to which the balance sheet relates.”; and
- (d) Condition 10(a) and Condition 10(c) of the terms and conditions of the Notes are deleted from all Tranches or Series of Notes to be issued by the Issuer with effect from the date of this Information Memorandum and Clause 14.01(k) and Clause 14.03 of the Trust Deed are not applicable.

TERMS AND CONDITIONS OF THE NOTES

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

The Notes are constituted by a Trust Deed (the “**Trust Deed**”) dated 25 May 1999 made between City Developments Limited (the “**Issuer**”) and Bermuda Trust (Singapore) Limited (the “**Trustee**”, which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed) as trustee for the Noteholders (as defined below) and (where applicable) with the benefit of a Deed of Covenant (the “**Deed of Covenant**”) dated 25 May 1999 executed by the Issuer in relation to Notes which are represented by Global Notes or Global Certificates that are deposited with The Central Depository (Pte) Limited (the “**Depository**”). The Issuer has entered into an Agency Agreement (the “**Agency Agreement**”) dated 25 May 1999 made between the Issuer, Citicorp Investment Bank (Singapore) Limited as issuing and paying agent (in such capacity, the “**Issuing and Paying Agent**”), as agent bank (in such capacity, the “**Agent Bank**”) and as registrar (in such capacity, the “**Registrar**”) and the Trustee. If a person other than Citicorp Investment Bank (Singapore) Limited is specified in the relevant Pricing Supplement as the Registrar, Issuing and Paying Agent and/or Agent Bank, all references herein to “**Registrar**”, “**Issuing and Paying Agent**” and “**Agent Bank**” shall refer to such other person and all references herein to “**Agency Agreement**” shall refer to the agency agreement entered into between such other person, the Issuer and the Trustee as specified in the relevant Pricing Supplement. The provisions in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. The Noteholders and the holders of the coupons (the “**Coupons**”) appertaining to interest-bearing Notes in bearer form (the “**Couponholders**”) are deemed to have notice of all of the provisions of the Trust Deed and those provisions applicable to them of the Deed of Covenant and the Agency Agreement.

Copies of the Trust Deed, the Deed of Covenant and the Agency Agreement are available for inspection at the specified office of the Issuing and Paying Agent.

1. FORM, DENOMINATION, TITLE AND TRANSFER

(a) Form and Denomination

- (i) The Notes of the Series of which this Note forms part (in these Conditions, the “**Notes**”) are issued in bearer form (the “**Bearer Notes**”) or in registered form (the “**Registered Notes**”) in each case in the Denomination Amount(s) shown hereon.
- (ii) This Note is a Fixed Rate Note, a Floating Rate Note or a Variable Rate Note (depending upon the Interest Basis shown on its face).
- (iii) Bearer Notes are serially numbered and are issued with Coupons attached, save in the case of Notes that do not bear interest in which case references to interest (other than in relation to default interest referred to in Conditions 3(I)(a) and 3(II)(a)) in these Conditions are not applicable.
- (iv) Registered Notes are represented by registered certificates (the “**Certificates**”) and, save as provided in Condition 1 (c)(ii) below, each Certificate shall represent the entire holding of Registered Notes by the same holder.

(b) Title

- (i) Subject as set out below, title to the Bearer Notes and the Coupons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register (the “**Register**”) to be kept by the Registrar on behalf of the Issuer.
- (ii) Except as ordered by a court of competent jurisdiction or as required by law, the Issuer, the Trustee, the Issuing and Paying Agent and the Registrar may deem and treat the holder of any Note or Coupon as the absolute owner (whether or not such Note or Coupon shall be overdue and notwithstanding any notice of ownership thereof (or that of the related Certificate) or any writing on it (or on the Certificate representing it) or notice of any loss or theft or forgery of the relevant Note or Coupon (or of the related Certificate) or any express notice to the Issuer, the Trustee, the Issuing and Paying Agent or the Registrar) for the purpose of receiving payment thereof and for all other purposes and no person shall be liable for so treating the holder.
- (iii) For so long as any of the Notes is represented by a Global Note or, as the case may be, a Global Certificate and such Global Note or, as the case may be, Global Certificate is held by the Depository, each person who is for the time being shown in the records of the Depository as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by the Depository as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Registrar, the Issuing and Paying Agent, the Agent Bank and all other agents of the Issuer as the holder of such principal amount of Notes for all purposes (including, but without limitation, for the purposes of giving notice to the Issuer pursuant to Condition 8) other than with respect to the payment of principal, interest and any other amounts in respect of the Notes, for which purpose the bearer of the Global Note or, as the case may be, the person(s) shown on the Register at the close of business on the Record Date (as defined below) shall be treated by the Issuer, the Trustee, the Registrar, the Issuing and Paying Agent, the Agent Bank and all other agents of the Issuer as the holder of such Notes in accordance with and subject to the terms of the Global Note or, as the case may be, the Global Certificate (and the expressions “**Noteholder**” and “**holder of the Notes**” and related expressions shall be construed accordingly). Notes which are represented by the Global Note or, as the case may be, the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the Depository.
- (iv) In these Conditions, “**Global Note**” means the relevant Temporary Global Note representing each Series or the relevant Permanent Global Note representing each Series, “**Global Certificate**” means the relevant Global Certificate representing each Series, “**Series**” means a series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number, “**Tranche**” means, in relation to any Series, those Notes of such Series which are issued on the same Issue Date and in respect of which the first interest payment is identical, “**Noteholder**” means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be) and “**holder**” means the bearer of any Bearer Note or Coupon or the person in whose name a Registered Note is registered (as the case may be).
- (v) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

(c) Transfer of Registered Notes

- (i) One or more Registered Notes may be transferred in whole or in part, by the transferee depositing the Certificate representing such Registered Notes for transfer and registration with the Registrar or its agent, together with the form of transfer endorsed on such Certificate duly completed and executed and any other evidence as the Issuer may reasonably require

and subject to the regulations relating to, *inter alia*, the registration and transfer of Registered Notes set out in the Trust Deed or such other regulations as the Issuer may from time to time reasonably prescribe with the approval of the Trustee (such approval not to be unreasonably withheld). In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

- (ii) In the case of an exercise of any option by the Issuer or any Noteholder in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Issuer. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (iii) Each new Certificate to be issued pursuant to paragraph (c)(i) or (c)(ii) above shall be available for delivery within 30 business days of receipt of the request for exchange, form of transfer or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the registered office of the Registrar or at the specified office of its agent or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Issuer the costs of such other method of delivery and/or such insurance as it may specify.
- (iv) Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected at a fee of S\$30 for each registration, transfer, redemption or exercise and the Issuer may require the payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Issuer may require).
- (v) No Noteholder may require the transfer of a Registered Note to be registered (1) during the period of seven business days ending on the due date for redemption of that Note, (2) during the period of seven business days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 4(d), (3) after any such Note has been called for redemption, or (4) during the period of seven days ending on (and including) any Record Date.

2. STATUS

The Notes and Coupons of all Series constitute direct, unconditional and unsecured obligations of the Issuer ranking *pari passu* as a single class without any preference or priority among themselves and ranking *pari passu* with all other present and future unsecured obligations (other than any subordinated obligations and priorities created by law or the Trust Deed (if any)) of the Issuer from time to time outstanding.

3. INTEREST AND OTHER CALCULATIONS

(I) Interest on Fixed Rate Notes

(a) Interest Rate and Accrual

Each Fixed Rate Note bears interest on its Calculation Amount (as defined in Condition 3(I)(h)) from the Interest Commencement Date in respect thereof and as shown on the face of such Note at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each

Reference Date or Reference Dates shown on the face of such Note in each year and on the Maturity Date shown on the face of such Note if that date does not fall on a Reference Date.

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

Interest will cease to accrue on each Fixed Rate Note from the due date for redemption thereof unless, upon due presentation, payment of principal is improperly withheld or refused or the Notes have been declared due and payable pursuant to Condition 8, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 3(I) to (but excluding) the Relevant Date (as defined in Condition 7).

If the Issuer fails to pay any sum (including without limitation, any sum payable pursuant to this Condition 3) under or in respect of the Fixed Rate Notes on its due date for payment then the Issuer shall pay interest on such sum from the due date at the rate per annum equivalent to two per cent. above the Interest Rate applicable to such Note (both before and after any judgment) until whichever is the earlier of (i) the date on which all sums due in respect of such Notes up to that day are received by or on behalf of the relevant Noteholders and/or Couponholders and (ii) the day seven days after the Trustee or the Issuing and Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(b) Calculations

In the case of a Fixed Rate Note, interest in respect of a period of less than one year will be calculated on the actual number of days lapsed as from and including the Issue Date or the last Reference Date or the due date for payment (as applicable) on the Fixed Rates Day Basis shown on the face of such Note and rounded upward to the nearest smallest divisible unit of the Relevant Currency (if not already a multiple or such unit) for each Note.

(II) Interest on Floating Rate Notes or Variable Rate Notes and other Calculations

(a) Interest Payment Dates

Each Floating Rate Note or Variable Rate Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note, and such interest will be payable in arrear on each date ("**Interest Payment Date**") which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period (as defined below) on the face of such Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (and which corresponds numerically with such preceding Interest Payment Date or the Interest Commencement Date, as the case may be), provided that the Agreed Yield (as defined in Condition 3(II)(c)) in respect of any Variable Rate Note for any Interest Period relating to that Variable Rate Note shall be payable on the first day of that Interest Period.

If any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month. In any such case as aforesaid or if there is no date in the relevant month which corresponds numerically with the preceding

Interest Payment Date or, as the case may be, the Interest Commencement Date (i) the Interest Payment Date shall be brought forward to the immediately preceding business day and (ii) each subsequent Interest Payment Date shall be the last business day of the month which is the last of the Specified Number of Months after the month in which the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall have fallen.

The period beginning on the Interest Commencement Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is herein called an **"Interest Period"**.

Interest will cease to accrue on each Floating Rate Note or Variable Rate Note from the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused or the Notes have been declared due and payable pursuant to Condition 8, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 3(II) to (but excluding) the Relevant Date.

If the Issuer fails to pay any sum (including without limitation, any sum payable pursuant to this Condition 3(II)(a)) under or in respect of the Floating Rate Notes or Variable Rate Notes on its due date for payment then the Issuer shall pay interest on such sum from the due date at the rate per annum equivalent to two per cent. above (in the case of a Floating Rate Note) the Rate of Interest applicable to such Note or (in the case of a Variable Rate Note) the variable rate by which the Agreed Yield applicable to such Note is determined or, as the case may be, the Rate of Interest applicable to such Note (both before and after any judgment) until whichever is the earlier of (i) the date on which all sums due in respect of such Notes up to that day are received by or on behalf of the relevant Noteholders and/or Couponholders and (ii) the day seven days after the Trustee or the Issuing and Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). Interest at the rate(s) determined in accordance with this paragraph shall be calculated on the FRN Day Basis (in the case of a Floating Rate Note) or the VRN Day Basis (in the case of a Variable Rate Note) and the actual number of days elapsed and rounded upward to the nearest smallest divisible unit of the Relevant Currency (if not already a multiple of such unit) for each Note.

(b) Rate of Interest – Floating Rate Notes

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

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

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

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

- (1) in the case of Floating Rate Notes which are SIBOR Notes:-
- (A) the Agent Bank will, at or about the Relevant Time (as defined below) on the relevant Interest Determination Date (as defined below) in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen MASX Page (or such other replacement page thereof) and as adjusted by the Spread (if any);
 - (B) if no such rate appears on the Reuters Screen MASX Page (or such other replacement page thereof), the Agent Bank will, at or about the Relevant Time on such Interest Determination Date, determine the Rate of Interest for such Interest Period which shall be the rate which appears on Telerate Page 7310 of the Dow Jones Telerate Service (or such other replacement page thereof), being the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period;
 - (C) if no such rate appears on Telerate Page 7310 (or such other replacement page thereof) or such other Screen Page (as defined below) as may be provided hereon or if Telerate Page 7310 (or such other replacement page thereof) or such other Screen Page as may be provided hereon is unavailable for any reason, the Agent Bank will request the principal Singapore offices of each of the Reference Banks (as defined below) to provide the Agent Bank with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore inter-bank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of such offered quotations and as adjusted by the Spread (if any), as determined by the Agent Bank;
 - (D) if on any Interest Determination Date two but not all the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (C) above on the basis of the quotations of those Reference Banks providing such quotations; and
 - (E) if on any Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Agent Bank at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes by whatever means they determine to be most appropriate and as adjusted by the Spread (if any) or if on such Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with such quotation, the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any);

(2) in the case of Floating Rate Notes which are Swap Rate Notes:-

- (A) the Agent Bank will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the Average Swap Rate for such Interest Period (determined by the Agent Bank as being the rate which appears under the caption "ASIAN CURRENCY SWAP OFFER RATE FIXING AT 11 A.M. SINGAPORE TIME" and the row headed "SGD" on Telerate Page 44178 of the Dow Jones Telerate Service (or such other page as may replace Telerate Page 44178 for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period) and as adjusted by the Spread (if any);
- (B) if on any Interest Determination Date, no such rate is quoted on Telerate Page 44178 (or such other replacement page as aforesaid) or Telerate Page 44178 (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will determine the Average Swap Rate (which shall be rounded up, if necessary, to the nearest four decimal places) for such Interest Period in accordance with the following formula:-

In the case of Premium:-

$$\begin{aligned} \text{Average Swap Rate} &= \frac{365}{360} \times \text{SIBOR} + \frac{(\text{Premium} \times 36500)}{(T \times \text{Spot Rate})} \\ &+ \frac{(\text{SIBOR} \times \text{Premium})}{(\text{Spot Rate})} \times \frac{365}{360} \end{aligned}$$

In the case of Discount:-

$$\begin{aligned} \text{Average Swap Rate} &= \frac{365}{360} \times \text{SIBOR} - \frac{(\text{Discount} \times 36500)}{(T \times \text{Spot Rate})} \\ &- \frac{(\text{SIBOR} \times \text{Discount})}{(\text{Spot Rate})} \times \frac{365}{360} \end{aligned}$$

where:-

SIBOR = the rate which appears under the caption "SINGAPORE INTERBANK OFFER RATES (US\$)" and the column headed "Fixing" on Telerate Page 7311 of the Dow Jones Telerate Service (or such other page as may replace Telerate Page 7311 for the purpose of displaying Singapore inter-bank United States dollar offered rates of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned;

Spot Rate = the rate (determined by the Agent Bank) to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks and which appear under the caption "SINGAPORE BANKS RATES AT 11 A.M. SGP TIME" and the column headed "Spot" on Telerate Page 44173 of the Dow Jones Telerate Service (or such other page as may replace Telerate Page 44173 for the purpose of displaying the spot rates and swap points of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned;

Premium = the rate (determined by the Agent Bank) to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks for a period equal to the duration of the Interest Period concerned which appear under the caption "SINGAPORE BANKS RATES AT 11 A.M. SGP TIME" on Telerate Page 44173 of the Dow Jones Telerate Service (or such other page as may replace Telerate Page 44173 for the purpose of displaying the spot rates and swap points of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Period concerned; and

T = the number of days in the Interest Period concerned.

The Rate of Interest for such Interest Period shall be the Average Swap Rate (as determined by the Agent Bank) and as adjusted by the Spread (if any);

- (C) if on any Interest Determination Date any one of the components for the purposes of calculating the Average Swap Rate under (B) above is not quoted on the relevant Telerate Page (or such other replacement page as aforesaid) or the relevant Telerate Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will request the principal Singapore offices of the Reference Banks to provide the Agent Bank with quotations of their Swap Rates for the Interest Period concerned at or about the Relevant Time on that Interest Determination Date and the Rate of Interest for such Interest Period shall be the Average Swap Rate for such Interest Period (which shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the Swap Rates quoted by the Reference Banks to the Agent Bank) and as adjusted by the Spread (if any). The Swap Rate of a Reference Bank means the rate at which that Reference Bank can generate Singapore dollars for the Interest Period concerned in the Singapore inter-bank market at or about the Relevant Time on the relevant Interest Determination Date and shall be determined as follows:-

In the case of Premium:-

$$\begin{aligned} \text{Average Swap Rate} &= \frac{365}{360} \times \text{SIBOR} + \frac{(\text{Premium} \times 36500)}{(T \times \text{Spot Rate})} \\ &+ \frac{(\text{SIBOR} \times \text{Premium})}{(\text{Spot Rate})} \times \frac{365}{360} \end{aligned}$$

In the case of Discount:-

$$\begin{aligned} \text{Average Swap Rate} &= \frac{365}{360} \times \text{SIBOR} - \frac{(\text{Discount} \times 36500)}{(T \times \text{Spot Rate})} \\ &- \frac{(\text{SIBOR} \times \text{Discount})}{(\text{Spot Rate})} \times \frac{365}{360} \end{aligned}$$

where:-

SIBOR = the rate per annum at which United States dollar deposits for a period equal to the duration of the Interest Period concerned are being offered by that Reference Bank to prime banks in the Singapore inter-bank market at or about the Relevant Time on the relevant Interest Determination Date;

Spot Rate = the rate at which that Reference Bank sells United States dollars spot in exchange for Singapore dollars in the Singapore inter-bank market at or about the Relevant Time on the relevant Interest Determination Date;

Premium = the premium that would have been paid by that Reference Bank in buying United States dollars forward in exchange for Singapore dollars on the last day of the Interest Period concerned in the Singapore inter-bank market;

Discount the discount that would have been received by that Reference Bank in buying United States dollars forward in exchange for Singapore dollars on the last day of the Interest Period concerned in the Singapore inter-bank market; and

T = the number of days in the Interest Period concerned; and

- (D) if on any Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with quotations of their Swap Rate(s), the Average Swap Rate shall be determined by the Agent Bank to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Agent Bank at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes by whatever means they determine to be most appropriate and the Rate of Interest for the relevant Interest Period shall be the Average Swap Rate (as so determined by the Agent Bank) and as adjusted by the Spread (if any), or if on such Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any); and

- (3) in the case of Floating Rate Notes which are not SIBOR Notes or Swap Rate Notes or which are denominated in a currency other than Singapore dollars, the Agent Bank will determine the Rate of Interest in respect of any Interest Period at or about the Relevant Time on the Interest Determination Date in respect of such Interest Period as follows:-
- (A) if the Primary Source for the Floating Rate as stated on the face of such Note is a Screen Page, subject as provided below, the Rate of Interest in respect of such Interest Period shall be:-
- (aa) the Relevant Rate (as defined below) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or
- (bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page,
- in each case appearing on such Screen Page at the Relevant Time on the Interest Determination Date;
- (B) if the Primary Source for the Floating Rate as stated on the face of such Note is Reference Banks or if paragraph (b)(ii)(3)(A)(aa) applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Interest Determination Date or if paragraph (b)(ii)(3)(A)(bb) applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined below) at the Relevant Time on the Interest Determination Date; and
- (C) if paragraph (b)(ii)(3)(B) applies and the Agent Bank determines that fewer than two Reference Banks are so quoting Relevant Rates, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date.
- (iii) On the last day of each Interest Period, the Issuer will pay interest on each Floating Rate Note to which such Interest Period relates at the Rate of Interest for such Interest Period.

(c) Rate of Interest – Variable Rate Notes

- (i) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this paragraph (c). The interest payable in respect of a Variable Rate Note on the first day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the “Agreed Yield” and the rate of interest payable in respect of a Variable Rate Note on the last day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the “Rate of Interest”.
- (ii) The Agreed Yield or, as the case may be, the Rate of Interest payable from time to time in respect of each Variable Rate Note for each Interest Period shall, subject as referred to in paragraph (c)(iv) below, be determined as follows:-
- (1) not earlier than 9.00 a.m. (Singapore time) on the ninth business day nor later than 3.00 p.m. (Singapore time) on the third business day prior to the commencement of each Interest Period, the Issuer and the Relevant Dealer (as defined below) shall endeavour to agree on the following:-

- (A) whether interest in respect of such Variable Rate Note is to be paid on the first day or the last day of such Interest Period;
 - (B) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the first day of such Interest Period, an Agreed Yield in respect of such Variable Rate Note for such Interest Period (and, in the event of the Issuer and the Relevant Dealer so agreeing on such Agreed Yield, the Interest Amounts (as defined below) for such Variable Rate Note for such Interest Period shall be zero); and
 - (C) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the last day of such Interest Period, a Rate of Interest in respect of such Variable Rate Note for such Interest Period (an "Agreed Rate") and, in the event of the Issuer and the Relevant Dealer so agreeing on an Agreed Rate, such agreed Rate shall be the Rate of Interest for such Variable Rate Note for such Interest Period; and
- (2) if the Issuer and the Relevant Dealer shall not have agreed either an Agreed Yield or an Agreed Rate in respect of such Variable Rate Note for such Interest Period by 3.00 p.m. (Singapore time) on the third business day prior to the commencement of such Interest Period, or if there shall be no Relevant Dealer during the period for agreement referred to in (1) above, the Rate of Interest for such Variable Rate Note for such Interest Period shall automatically be the rate per annum equal to the Fall Back Rate (as defined below) for such Interest Period.
- (iii) The Issuer has undertaken to the Issuing and Paying Agent, the Agent Bank and the Trustee that it will as soon as possible after the Agreed Yield or, as the case may be, the Agreed Rate in respect of any Variable Rate Note is determined but not later than 10.30 a.m. (Singapore time) on the next following business day:-
 - (1) notify the Issuing and Paying Agent and the Agent Bank of the Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note for such Interest Period; and
 - (2) cause such Agreed Yield or, as the case may be, Agreed Rate for such Variable Rate Note to be notified by the Agent Bank to the relevant Noteholder and the Trustee upon request.
- (iv) For the purposes of sub-paragraph (ii) above, the Rate of Interest for each Interest Period for which there is neither an Agreed Yield nor Agreed Rate in respect of any Variable Rate Note(s) or no Relevant Dealer in respect of the Variable Rate Note(s) shall be the rate (the "Fall Back Rate") determined by reference to a benchmark as stated on the face of such Variable Rate Note(s), being (in the case of Variable Rate Notes which are denominated in Singapore dollars) SIBOR (in which case such Variable Rate Note(s) will be SIBOR Note(s)) or Swap Rate (in which case such Variable Rate Note(s) will be Swap Rate Note(s)) or (in any other case or in the case of Variable Rate Notes which are denominated in a currency other than Singapore dollars) such other benchmark as is set out on the face of such Variable Rate Note(s).

Such rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Variable Rate Note(s). The "Spread" is the percentage rate per annum specified on the face of such Variable Rate Note(s) as being applicable to the rate of interest for such Variable Rate Note(s). The rate of interest so calculated shall be subject to paragraph (d) below.

The Fall Back Rate payable from time to time in respect of each Variable Rate Note will be determined by the Agent Bank in accordance with the provisions of Condition 3(II)(b)(ii) above (*mutatis mutandis*) and references therein to “Rate of Interest” shall mean “Fall Back Rate”.

- (v) If interest is payable in respect of a Variable Rate Note on the first day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Agreed Yield applicable to such Variable Rate Note for such Interest Period on the first day of such Interest Period. If interest is payable in respect of a Variable Rate Note on the last day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Interest Amounts for such Variable Rate Note for such Interest Period on the last day of such Interest Period.

(d) Determination of Rate of Interest and Calculation of Interest Amounts and Redemption Amounts

The Agent Bank will, as soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Agent Bank may be required to calculate any Redemption Amount in respect of any Notes, determine the Rate of Interest and calculate the amount of interest payable (the “Interest Amounts”) in respect of each Calculation Amount of the relevant Floating Rate Notes or Variable Rate Notes for the relevant Interest Period or calculate the Redemption Amount in respect of such Notes. The Interest Amounts shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying such product by the actual number of days in the Interest Period concerned (including the first, but excluding the last, day of such Interest Period), divided by the FRN Day Basis or, as the case may be, VRN Day Basis shown on the face of such Note and rounding the resultant figure upward to the nearest smallest divisible unit of the Relevant Currency (if not already a multiple of such unit). The determination of the Rate of Interest, the Interest Amounts and the Redemption Amount by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(e) Notification of Rate of Interest and Interest Amounts

The Agent Bank will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount to be notified to the Issuing and Paying Agent, the Issuer and the Trustee and (in the case of Floating Rate Notes) to be notified to Noteholders in accordance with Condition 15 as soon as possible after their determination but in no event later than the second business day thereafter.

The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period in accordance with the provisions hereof, with similar arrangements, *mutatis mutandis*, for notification. If the Floating Rate Notes or, as the case may be, Variable Rate Notes become due and payable under Condition 8, the Rate of Interest and Interest Amounts payable in respect of the Floating Rate Notes or, as the case may be, Variable Rate Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest and Interest Amounts need to be made (other than to the Noteholders at their request).

(f) Determination or Calculation by the Trustee

The Trustee shall (if the Agent Bank does not at any material time determine the Rate of Interest or calculate any Interest Amounts or Redemption Amount), without liability on its part, determine or procure the determination or calculation of such Rate of Interest, Interest Amounts or Redemption amount in accordance with the provisions of this Condition 3. In doing so, the Trustee shall apply the foregoing provisions of this

Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(g) Agent Bank and Reference Banks

The Issuer will procure that, so long as any Floating Rate Note or Variable Rate Note remains outstanding, there shall for the purpose of determining the Rate of Interest applicable to such Notes and calculating the Interest Amounts at all times be three Reference Banks and an Agent Bank. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Agent Bank is unable or unwilling to act as such or if the Agent Bank fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts or the Redemption Amount, the Issuer will, with the prior approval of the Trustee (such approval not to be unreasonably withheld), appoint the Singapore office of some other reputable bank, merchant bank or financial institution to act as such in its place. The Agent Bank may not resign its duties without a successor having been appointed as aforesaid.

(h) Definitions

As used in these Conditions:-

“Benchmark” means the rate specified as such in the relevant pricing Supplement;

“business day” means:-

- (i) (in the case of Notes denominated in Singapore dollars) a day (other than a Saturday or Sunday) on which commercial banks are open for business in Singapore; and
- (ii) (in the case Notes denominated in a currency other than Singapore dollars), a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in the principal financial centre for that currency;

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

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

“Interest Determination Date” means, in respect of any Interest Period, the day falling such number of business days prior to the first day of such Interest Period as is set out in the applicable Pricing Supplement or on the face of the relevant Note;

“Reference Banks” means the institutions specified as such hereon or, if none, three major banks selected by the Agent Bank in consultation with the Issuer in the inter-bank market that is most closely connected with the Benchmark;

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

“Relevant Dealer” means, in respect of any Variable Rate Note, the Dealer party to the Programme Agreement referred to in the Trust Deed with whom the Issuer has concluded an agreement for the issue of such Variable Rate Note pursuant to the Programme Agreement;

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

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

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

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

4. REDEMPTION AND PURCHASE

(a) Final Redemption

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

(b) Purchase at the Option of Issuer

If so provided hereon, the Issuer shall have the option to purchase all or any of the Fixed Rate Notes, Floating Rate Notes or Variable Rate Notes at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Noteholders shall be bound to sell such Notes to the Issuer accordingly. To exercise such option, the Issuer shall give irrevocable notice to the Noteholders within the Issuer's Purchase Option Period shown on the face hereof. Such Notes may be held, resold or surrendered to the Issuing and Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer or any of its related corporations, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 8 and 11.

(c) Purchase at the Option of Noteholders

- (i) Each Noteholder shall have the option to have all or any of his Variable Rate Notes purchased by the Issuer at their Redemption Amount on any Interest Payment Date and the Issuer will purchase such Variable Rate Notes accordingly. To exercise such option, a Noteholder shall deposit any Variable Rate Notes to be purchased with the Issuing and Paying Agent at its specified office (in the case of Bearer Notes) or the Certificate representing such Variable Rate Notes with the Issuer at its registered office or at the specified office of its agent (in the case of Registered Notes) together with all Coupons relating to such Variable Rate Notes which mature after the date fixed for purchase (in the case of Bearer Notes), together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent or the Issuer (as applicable) within the Noteholders' VRN Purchase Option Period shown on the face hereof. Any Variable Rate Notes or Certificates so deposited may not be withdrawn (except as provided in the Trust Deed) without the prior consent of the Issuer. Such Variable Rate Notes may be held, resold or surrendered to the Issuing and Paying

Agent for cancellation. The Variable Rate Notes so purchased, while held by or on behalf of the Issuer or any of its related corporations, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 8 and 11.

- (ii) If so provided hereon, each Noteholder shall have the option to have all or any of his Fixed Rate Notes or Floating Rate Notes purchased by the Issuer at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Issuer will purchase such Notes accordingly. To exercise such option, a Noteholder shall deposit any Notes to be purchased with the Issuing and Paying Agent at its specified office (in the case of Bearer Notes) or the Certificate representing such Fixed Rate Notes or Floating Rate Notes with the Issuer at its registered office or at the specified office of its agent (in the case of Registered Notes) together with all Coupons relating to such Notes which mature after the date fixed for purchase (in the case of Bearer Notes), together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent or the Issuer (as applicable) within the Noteholders' Purchase Option Period shown on the face hereof. Any Notes or Certificates so deposited may not be withdrawn (except as provided in the Trust Deed) without the prior consent of the Issuer. Such Notes may be held, resold or surrendered to the Issuing and Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer or any of its related corporations, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 8 and 11.

(d) Redemption at the Option of the Issuer

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

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

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws. So long as the Notes are listed on the Stock Exchange of Singapore Limited and the rules of such Stock Exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in Singapore a notice specifying the aggregate principal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

(e) Redemption at the Option of Noteholders

If so provided hereon, the Issuer shall, at the option of the holder of any Note, redeem such Note on the date or dates so provided at its Redemption Amount, together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons) with the Issuing and Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Note with the Issuer at its registered office or at the specified office of its agent, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent or the Issuer (as applicable) within the Noteholders' Redemption Option Period shown on the face hereof. No Note or Certificate so deposited may be withdrawn (except as provided in the Trust Deed) without the prior consent of the Issuer.

(f) Purchases

The Issuer and any of its related corporations may at any time and from time to time purchase or otherwise acquire Notes at any price in the open market (provided that they are purchased together with all unmatured Coupons relating to them). The Issuer or any of its related corporations may, at their option, retain such Notes for their own account and/or resell or otherwise deal with them at their discretion.

The Issuer may cancel any Notes so acquired and any Notes so purchased and cancelled shall forthwith be surrendered to the Trustee or to its order.

(g) Cancellation

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

5. PAYMENTS

(a) Principal and Interest

- (i) Payments of principal and interest in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Notes or Coupons, as the case may be, at the specified office of the Issuing and Paying Agent by a cheque drawn in the currency in which payment is due on, or, at the option of the holders, by transfer to an account maintained by the payee in that currency with, a bank in the principal financial centre for that currency.
- (ii)
 - (1) Payment of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates representing such Notes at the registered office of the Registrar or its agent and in the manner provided in sub-paragraph (2) below.
 - (2) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the seventh business day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made in the currency in which such payments are due by cheque drawn on a bank in the principal financial centre for the currency concerned and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the registered office of the Registrar or its agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre for that currency.

(b) Payments subject to law etc.

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 6.

(c) Appointment of Agents

The Issuing and Paying Agent, the Agent Bank and the Registrar initially appointed by the Issuer and their respective specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of the Issuing and Paying Agent, the Agent Bank or the Registrar and to appoint additional or other Issuing and Paying Agents, Agent Banks and Registrars, provided that it will at all times maintain (i) an Issuing and Paying Agent, (ii) an Agent Bank and (iii) a Registrar where the Conditions so require.

Notice of any such change or any change of any specified office will promptly be given to the Noteholders in accordance with Condition 15.

The Agency Agreement may be amended by the Issuer, the Issuing and Paying Agent, the Agent Bank, the Registrar and the Trustee, without the consent of the Noteholders provided that such amendment is not, in the opinion of the Trustee, materially prejudicial to the interest of the Noteholders.

(d) Unmatured Coupons

- (i) Bearer Notes which are Fixed Rate Notes should be surrendered for payment together with all unmaturred Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unmaturred Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturred Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of five years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 7).
- (ii) Subject to the provisions of the relevant Pricing Supplement, upon the due date for redemption of any Bearer Note which is a Floating Rate Note or Variable Rate Note, unmaturred Coupons relating to such Bearer Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Where any Bearer Note which is a Floating Rate Note or Variable Rate Note is presented for redemption without all unmaturred Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iv) If the due date for redemption or repayment of any Note is not a due date for payment of interest, or if payment of principal is improperly withheld or refused in respect of such Note, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation and enfacement or surrender (as the case may be) of the relevant Note or Certificate representing it, as the case may be.

(e) Non-Business Days

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

6. TAXATION

Subject as provided below, all payments of principal and interest in respect of the Notes will be made by the Issuer to Noteholders or Couponholders (as the case may be) after deducting or withholding any amounts for or on account of any present or future taxes or duties of whatsoever nature imposed or levied by or on behalf of Singapore or any authority thereof or therein having power to tax, and which are required by applicable law to be deducted or withheld.

The Issuer will not pay any additional amount in respect of any such deduction or withholding from payments of principal or interest for or on account of any such taxes or duties. Where the Issuer is not permitted under applicable laws, regulations, directives, guidelines or policies to make payment in respect of the Notes or the Coupons without any such deduction or withholding for or on account of any such taxes, duties, assessments or charges, no payment of principal or interest shall be made by the Issuer to any Noteholder or Couponholder without any such deduction or withholding unless such Noteholder or, as the case may be, Couponholder shall have provided a statutory declaration or other evidence satisfactory to the Issuing and Paying Agent that the beneficial owner of such principal or interest is a resident in Singapore for tax purposes. If requested by

the Noteholder or Couponholder, the Issuer shall procure that such person shall be furnished with a certificate specifying the gross amount of principal or interest, the amount of tax withheld or deducted and the net amount of principal or interest.

7. PRESCRIPTION

The Notes and Coupons shall become void unless presented for payment within five years from the appropriate Relevant Date (as defined below) in respect of them.

As used in these Conditions, "Relevant Date" means whichever is later of (i) the date on which payment on the Note or Coupon first becomes due and payable; and (ii) if full payment of such monies has not been received by the Trustee or the Issuing and Paying Agent on or prior to such due date, the date on which full payment of such monies shall have been unconditionally made available to the Trustee or the Issuing and Paying Agent for payment to the Noteholders and notice to that effect shall have been given to the Noteholders in accordance with Condition 15, and references to "principal" shall be deemed to include any premium payable in respect of the Notes, all Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 4 and "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 3.

Any monies paid by the Issuer to the Issuing and Paying Agent or the Trustee for payment in respect of any Note or any Coupon and remaining unclaimed when such Note or Coupon becomes void shall then be repaid to the Issuer and upon such repayment, all liability of the Issuing and Paying Agent and the Trustee with respect to such monies shall cease.

8. EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the Noteholders holding not less than 30 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall, subject in the case of the happening of any of the events referred to in paragraphs (b), (c), (d), (f), (g) or (i) of this Condition 8, to the same having also been certified to the Issuer by the Trustee in writing to be in its opinion materially prejudicial to the interests of the Noteholders, by written notice to the Issuer declare the Notes to be, and upon such declaration the Notes shall become, immediately due and repayable at their Redemption Amounts together with accrued interest upon the happening of any of the following events:-

- (a) default being made by the Issuer for 15 days in the payment of the principal or interest due in respect of any of the Notes as and when the same ought to be paid in accordance with the terms and conditions of the Trust Deed; or
- (b) the Issuer failing to perform or observe any of its other obligations under the Trust Deed and (except where the Trustee considers that such default is not capable of remedy in which case no notice will be required) such failure continuing for a period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of a notice in writing requiring the same to be remedied; or
- (c) any liability or indebtedness of the Issuer or any of its subsidiaries exceeding in aggregate S\$30,000,000 (or its equivalent in any other currency or currencies), being repayable prior to its stated maturity by reason of default and the due date for payment thereof not being extended or any such liability or indebtedness of the Issuer or any of its subsidiaries not being repaid at its stated maturity as extended by any grace period permitted under the agreement or other documents evidencing or constituting such indebtedness; or
- (d) any default by the Issuer or any of its subsidiaries in making any payment due under any guarantee or any indemnity given by the Issuer or any of its subsidiaries in respect of any obligation, liability or indebtedness having an aggregate outstanding principal amount exceeding S\$30,000,000 (or the respective equivalent in any other currency or currencies)

provided always that it shall not be an event of default if such refusal or failure is by reason of the Issuer or the subsidiary, as the case may be, in good faith contesting or disputing any liability under such guarantee or indemnity; or

- (e) a resolution being passed or an order of court being made that the Issuer or any of its Principal Subsidiaries (as defined below) be wound up or similar resolutions or orders which are determined by the Trustee to be analogous in effect being made (otherwise than (i) for the purposes of an amalgamation, reorganisation, merger or reconstruction not involving insolvency where either (1) such event does not, in the reasonable opinion of the Trustee, materially and adversely affect the ability of the Issuer to perform or observe its obligations under the Notes and the Trust Deed or (2) the terms whereof have previously been approved by the Trustee (such approval not to be unreasonably withheld) or by an Extraordinary Resolution passed at a meeting of the Noteholders or (ii) in the case only of any Principal Subsidiary, by way of a voluntary winding-up where the surplus assets attributable to the Issuer and/or any other subsidiary are distributed to the Issuer and/or any other subsidiary) and, in the case only of the winding-up of a Principal Subsidiary, such winding-up being certified in writing to the Issuer by the Trustee to be, in its opinion, materially prejudicial to the interests of the Noteholders; or
- (f) an encumbrancer taking possession or a receiver, trustee, administrator or judicial manager or other similar official being appointed in relation to the whole or any substantial part of the assets or undertaking of the Issuer or any Principal Subsidiary; or
- (g) a distress or execution or other process being levied or enforced upon or sued out against the whole or any substantial part of the business, undertaking or assets of the Issuer or any Principal Subsidiary and not being discharged within twenty-one (21) days thereof; or
- (h) the Issuer or any of its Principal Subsidiaries stopping payment or threatening to stop payment of its debts generally or being unable to pay its debts generally or being unable to pay its debts within the meaning of Section 254 of the Companies Act (Cap. 50) of Singapore or admitting its inability to pay its debts or becoming bankrupt or insolvent or ceasing or threatening to cease to carry on its business or a substantial part of its business (other than for the purposes of an amalgamation, consolidation, merger, reorganisation or reconstruction not involving insolvency where either (1) such event does not, in the reasonable opinion of the Trustee, materially and adversely affect the ability of the Issuer to perform or observe its obligations under the Notes and the Trust Deed or (2) the terms of which have been approved by the Trustee, such approval not to be unreasonably withheld); or
- (i) the whole or a substantial part of the undertaking or assets of the Issuer or any of its Principal Subsidiaries, being requisitioned, nationalised, sequestered or compulsorily acquired by any competent authority where any such event has a material adverse effect on the financial position of the Group taken as a whole; or
- (j) any resolution being passed or any application being made to apply for judicial composition proceedings with its creditors or judicial management order; or an order being made by any competent court for such proceedings in relation to the Issuer or any of its Principal Subsidiaries; or
- (k) it is or will become unlawful at any time for the Issuer to perform all or any of its obligations under the Trust Deed, the Notes and the Coupons.

For the purposes of these Conditions, "subsidiary" has the meaning ascribed to it in Section 5 of the Companies Act (Cap. 50) of Singapore. "Principal Subsidiary" means, at any particular time, any subsidiary of the Issuer whose total assets, as shown by the then latest audited accounts of such subsidiary, exceed S\$300,000,000 Provided That:-

- (i) if a Principal Subsidiary transfers or otherwise disposes of any part of its assets to another subsidiary of the Issuer or any other person, the total assets of such subsidiaries shall be calculated by reference to the then latest audited balance sheet of each of the transferor and

transferee subsidiary (as the case may be) adjusted as appropriate with effect from the date of transfer to reflect the transfer of such assets after the end of the financial period to which the balance sheet relates; and

- (ii) if any subsidiary acquires any assets, the total assets of such subsidiary shall be calculated by reference to its then latest audited balance sheet adjusted as appropriate with effect from the date of acquisition to reflect the acquisition of such assets after the end of the financial period to which the balance sheet relates.

9. ENFORCEMENT

At any time after the Notes shall have become due and repayable in accordance with Condition 8, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce the payment obligations of the Issuer under the Notes, the Coupons or the Trust Deed, but it shall not be bound to take any such proceedings unless:-

- (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 30 per cent. in principal amount of the Notes then outstanding; and
- (b) it shall have been indemnified by the Noteholders to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within 45 days and such failure shall be continuing.

10. LIMITATION ON BORROWINGS AND NEGATIVE PLEDGE

- (a) The Issuer has covenanted with the Trustee that it shall not, and shall procure that none of its subsidiaries shall:-
 - (i) sell, transfer or otherwise dispose of any of the properties described in the Fifth Schedule of the Trust Deed (the "Properties") or any part thereof or any of the Group's interest in any subsidiary which has an interest in any of the Properties; or
 - (ii) create or permit to subsist or be created any mortgage, charge, pledge or other security interest over any of the Properties or any part thereof or any of the Group's interest in any subsidiary which has an interest in any of the Properties;

PROVIDED THAT the foregoing restrictions shall not apply to the following sale(s), transfer(s) or disposal(s) of any of the Properties or any part thereof (the "Sale Property") where compliance is made with the following terms and conditions:-

- (1) where the value of the Properties in aggregate (the "Properties' Value") at the time of the sale, transfer or disposal is less than S\$500,000,000 and the Issuer forthwith nominates a property owned by it or any of its subsidiaries in substitution for the Sale Property (the "Replacement Property") and the value of the Replacement Property shall be equal to or greater than the value of the Sale Property; or
- (2) where the Properties' Value at the time of the sale, transfer or disposal shall exceed S\$500,000,000 and:-
 - (A) the sale, transfer or disposal of the Sale Property shall not result in the Properties' Value after such sale, transfer or disposal being reduced to less than S\$500,000,000; or
 - (B) if the sale, transfer or disposal of the Sale Property shall result in the Properties' Value after such sale, transfer or disposal being reduced to less than S\$500,000,000, the Issuer forthwith nominates a Replacement Property such that the aggregate of the value of the Replacement Property and the Properties' Value after such sale, transfer or disposal shall be no less than S\$500,000,000;

and upon nomination of any Replacement Property in accordance herewith, the provisions of this covenant shall apply to such Replacement Property as if the same were named in the Fifth Schedule of the Trust Deed and comprised part of the Properties and upon any such sale, transfer or disposal, the Sale Property shall cease to form part of the Properties.

For the purpose of determining the Properties' Value or the value of the Sale Property or the Replacement Property, as the case may be, set out in the provisos (1) and (2) above:-

- (I) the Issuer shall, subject as hereinafter provided, be entitled to rely on the valuation thereof by the Issuer, signed on its behalf by a Director of the Issuer and certifying the estimated open market value of such property based on current market conditions. Such valuation by the Issuer shall include a copy of the professional valuation, if any, of such property upon which the valuation of the Issuer is based; and
- (II) the Trustee shall have the right to require a Professional Valuation to determine such values if the aggregate of the consideration for the sale, transfer or disposal, as the case may be, (the "Consideration") of the Sale Property and the Consideration of every other Sale Property previously sold pursuant to the provisions herein (the "Aggregate Consideration") shall be equal to or exceed S\$100,000,000 Provided That no Consideration of any Sale Property shall be included in the computation of the Aggregate Consideration more than once. For the aforesaid purpose, "Professional Valuation" in relation to any property, shall mean a desktop valuation of the open market value of such property by a reputable independent professional valuer appointed by (and at the expense of) the Issuer and approved by Trustee.

PROVIDED ALWAYS THAT the Issuer shall, within 14 Singapore Business Days of entering into an agreement for the sale, transfer or disposal of any Sale Property hereunder, notify the Trustee of such sale, transfer or disposal and provide the Trustee with the particulars of the Sale Property, the Consideration of the Sale Property and the dates of the agreement and completion of the sale, transfer or disposal, and the Issuer shall certify in the notification to the Trustee whether such sale, transfer or disposal is made pursuant to provisos (1), (2)(A), or (2)(B) above and shall furnish therewith the valuation(s) by the Issuer or the Professional Valuation(s), as the case may be, of the relevant property or properties; further the Issuer shall (upon request of the Trustee) furnish to the Trustee a copy of the announcement (if any) made by the Issuer in respect of the sale, transfer or disposal of the Sale Property.

AND PROVIDED FURTHER THAT this covenant shall not prevent the sale, transfer or disposal of any of the Properties or any of the Group's interest in any subsidiary which has an interest in any of the Properties to another subsidiary of the Issuer but, for the avoidance of doubt, such Properties and interest in subsidiaries shall remain subject to the provisions of this covenant notwithstanding the sale, transfer or disposal;

- (b) The Issuer also covenanted with the Trustee that it shall not, and shall procure that none of its subsidiaries (other than a subsidiary whose shares are listed on any stock exchange ("Listed Subsidiary") and any subsidiaries of such Listed Subsidiary) shall, create or permit to subsist or be created any mortgage, charge, pledge or other security interest (collectively "Charge") over the whole or any part of its or their respective undertakings, assets, properties or revenues, present or future, where such Charge is given, or is intended to be given, to secure the Issuer's indebtedness in respect of any freely transferable securities (which are or are to be listed on any stock exchange) of, or guaranteed by, the Issuer unless such Charge is forthwith extended equally and rateably to the indebtedness of the Issuer in respect of the Notes; and
- (c) The Issuer has also covenanted with the Trustee, *inter alia*, that so long as any of the Notes remains outstanding, the Issuer will procure that the aggregate amount from time to time outstanding in respect of all Borrowings of the Group (as defined in the Trust Deed) shall not exceed an amount equal to five times the Adjusted Total of Capital and Reserves (as defined in the Trust Deed) as calculated in accordance with the provisions of the Trust Deed.

11. MEETING OF NOTEHOLDERS AND MODIFICATIONS

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including modification by Extraordinary Resolution of these Conditions and the Trust Deed. Any resolution (including an Extraordinary Resolution) duly passed at any such meeting shall be binding on all the Noteholders, whether present or not, and on all the Couponholders.

In addition, such modifications as may be agreed between the Issuer and the Trustee may be made without the consent of the Noteholders and the Couponholders provided that the Trustee is satisfied that any such modification will not be prejudicial to the interests of the Noteholders or is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with mandatory provisions of Singapore law.

The Trustee may, without sanction of the Noteholders so as to be binding on all Noteholders and without prejudice to its rights in respect of any subsequent breach, agree to any waiver of such breach or to authorise any proposed breach by the Issuer of any of the provisions of the Trust Deed, the Notes or the Coupons which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders.

Any such modification, waiver or authorisation shall be binding on the Noteholders and the Couponholders, and, unless the Trustee agrees otherwise, shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, waiver or authorisation) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for any particular individual Noteholder or Couponholder.

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

12. REPLACEMENT OF NOTES, CERTIFICATES AND COUPONS

If a Note, Certificate or Coupons is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes or Coupons) or at the registered office of the Registrar or its agent (in the case of Certificates), or at the specified office of such other Issuing and Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders in accordance with Condition 15 in each case, on payment by the claimant of the costs and expenses (including the fees of the Issuer's agent and the Issuing and Paying Agent) incurred in connection therewith and on such terms as to evidence, security (including, without limitation, an insurance policy) and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate or Coupon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Note, Certificate or Coupon) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates or Coupons must be surrendered before replacements will be issued.

13. INDEMNIFICATION OF THE TRUSTEE, ISSUING AND PAYING AGENT, AGENT BANK AND REGISTRAR

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any of its subsidiaries without accounting to the Noteholders or the Couponholders for any profit resulting therefrom.

The Agency Agreement contains provisions for the indemnification of the Issuing and Paying Agent, the Agent Bank and the Registrar under certain circumstances. In acting under the Agency Agreement, the Issuing and Paying Agent, the Agent Bank and the Registrar shall act solely as agents of the Issuer and will not assume any obligation or duty to or relationship of agency or trust for or with any Noteholder or Couponholder.

14. FURTHER ISSUES

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

15. NOTICES

Notices to the holders of Bearer Notes will be valid if published in a daily newspaper in the English language of general circulation in Singapore. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above. If at any time, publication in such newspaper is not practicable for any reason whatsoever, notices will be valid if published in such other manner as the Issuer, with the approval of the Trustee, shall determine. Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders in accordance with this Condition. Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register (in the case of joint holders to the address of the holder whose name stands first in the Register) and deemed to have been given on the second day after the date of despatch.

Until such time as any definitive Notes are issued, there may, so long as the Global Note(s) is or are held in its or their entirety on behalf of the Depository, be substituted for such publication in such newspapers the delivery of the relevant notice to the Depository for communication by it to the Noteholders, except that if the Notes are listed on the Stock Exchange of Singapore Limited and the rules of such exchange so require, notice will in any event be published in accordance with the previous paragraph. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to the Depository.

Notices to be given by any Noteholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Issuing and Paying Agent. Whilst the Notes are represented by a Global Note, such notice may be given by any Noteholder to the Issuing and Paying Agent through the Depository in such manner as the Issuing and Paying Agent and the Depository may approve for this purpose.

Notwithstanding the other provisions of this Condition, in any case where the Identity and addresses of all the Noteholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and will be deemed to have been given when received at such addresses.

16. AUTHENTICATION

Neither this Note nor the Coupons attached to this Note on issue shall become valid or obligatory for any purpose unless and until this Note has been authenticated by the Issuing and Paying Agent.

17. GOVERNING LAW

These Conditions, the Trust Deed, the Notes and the Coupons shall be governed by, and construed in accordance with, the laws of Singapore. Each of the Issuer and the Trustee (and each Noteholder and each Couponholder are deemed to) have irrevocably and unconditionally submitted to the non-exclusive jurisdiction of the Courts of Singapore for all purposes in relation to these Conditions, the Trust Deed, the Notes and the Coupons and waives any objection on the ground of venue or forum non conveniens or on similar grounds.

THE ISSUER

History and Background

City Developments Limited (“**CDL**”) was incorporated in Singapore as a public company on 7 September 1963. In November 1963, it obtained a listing of and quotation for its stock units (which were converted into shares in December 1996) on the then Malayan Stock Exchange.

CDL has, since its incorporation, been involved mainly in the Singapore property market. The Hong Leong group of companies in Singapore (the “**Hong Leong Group**”) first bought into CDL in 1969 and in 1972 acquired a majority stake in CDL. Shortly after the change in ownership, CDL shifted from its strategy of developing only residential projects by adding investment properties to its portfolio, thus reducing its dependence on residential development as its main source of income.

CDL began to increase the proportion of the recurrent income of CDL and its subsidiaries (collectively, the “**Group**”) by acquiring a commercial building known as Central Building in 1978, a majority interest in Republic Hotels & Resorts Limited (“**Republic Hotels**”) in 1980 and the entire share capital of a property company, Singapura Developments (Private) Limited, in 1981. In 1983, the Group completed the development of a 23-storey office building known as City House. In 1987, CDL acquired a 49% interest in Hong Leong Properties Pte Limited, which owns Fuji Xerox Towers (formerly known as IBM Towers), and subsequently increased its interest in that company to 100%. In 1989, CDL made a strategic decision to diversify its core business to include hotel ownership. As a result, CDL reorganised and consolidated the Group’s interests in six hotels under CDL Hotels International Limited (“**CDL Hotels**”), a company listed on the Stock Exchange of Hong Kong Limited. CDL Hotels acquired a controlling interest in CDL Hotels New Zealand Limited (now known as Millennium & Copthorne Hotels New Zealand Limited), which included CDL Investments New Zealand Limited, in 1992 and a controlling interest in Kingsgate International Corporation Limited in 1994. CDL’s new corporate headquarters, Republic Plaza, one of the tallest commercial buildings in Singapore, was completed in 1996.

CDL continued to expand between the mid-1990s and the late 1990s, with new developments, an expanded investment property portfolio and hotel acquisitions, which included the acquisitions of the Copthorne group of hotels in the United Kingdom, France and Germany in 1995 and Seoul Hilton in Korea and Regal Hotels in the United States in 1999. In 1999, the Group (through CDL Hotels) reorganised CDL Hotels’ holding of hotels and property into Millennium & Copthorne Hotels plc (“**M&C**”), a hotel group which currently owns, manages and franchises 112 hotels in 21 countries around the world (with a further 21 hotels in the pipeline). M&C, a CDL subsidiary, is listed on the London Stock Exchange. This reorganisation was followed by a restructuring exercise in 2000, by which CDL acquired CDL Hotels’ 52.4% controlling stake in M&C. CDL Hotels was renamed City e-Solutions Limited (“**CES**”) and transformed into a technology solutions provider for the global hospitality industry.

M&C also streamlined its operations through the privatisation of Republic Hotels in 2002 and of Kingsgate International Corporation Limited in 2004. Following the privatisations, Republic Hotels and Kingsgate International Corporation Limited were delisted from, respectively, the Singapore Exchange Limited and the New Zealand Stock Exchange.

CDL was admitted to the prestigious FTSE4Good Index Series in 2002, and in 2005 to the FTSE/ASEAN Index and the FTSE/ASEAN 40 Index. CDL was also designated as one of the component stocks of the revamped Straits Times Index, which was officially launched in January 2008.

In 2006, M&C announced the initial public offering of CDL Hospitality Trusts (“**CDLHT**”), a stapled group comprising CDL Hospitality Real Estate Investment Trust and CDL Hospitality Business Trust, which became the first hotel real estate investment trust in Singapore.

In 2009, CDL opened the first eco-mall in Singapore. City Square Mall boasts green innovations throughout the building, which help to reduce energy consumption by 39% and save enough water to fill about 10 Olympic-sized swimming pools each year. The mall earned the Green Mark Platinum Award from the Building and Construction Authority (the governing authority for Singapore’s built environment) (“**BCA**”), becoming the first private commercial development to garner the award.

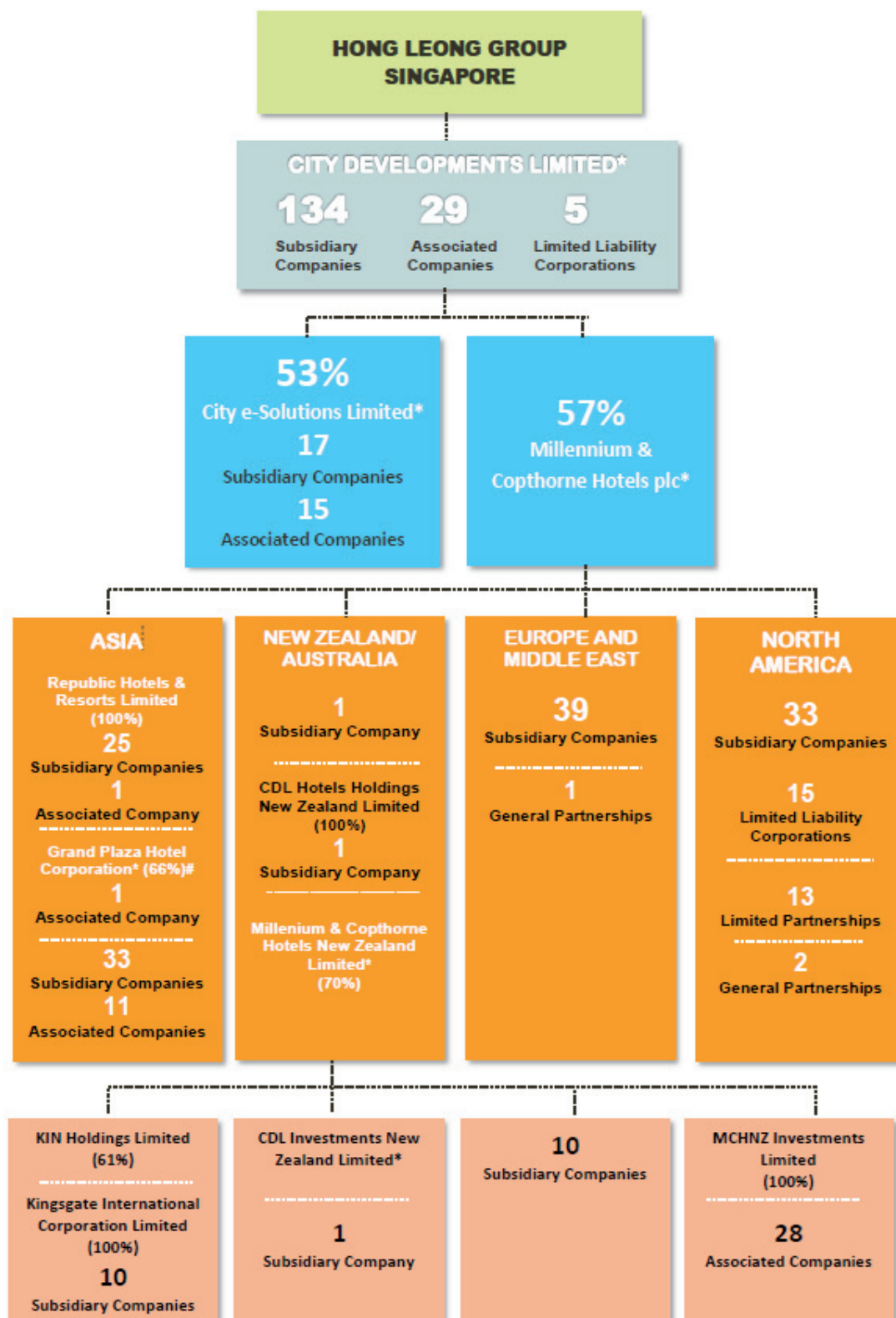
In 2010, CDL allocated initial investment funds amounting to approximately \$300 million to establish CDL's presence and implement CDL's real estate strategy in various cities throughout the PRC through its wholly-owned subsidiary, CDL China Limited.

In 2012, CDL opened the W Singapore – Sentosa Cove hotel in Singapore. Situated at Sentosa Cove, the 240-room W Singapore – Sentosa Cove, together with The Residences at W Singapore – Sentosa Cove, Quayside Isle and The Oceanfront @ Sentosa Cove, make up a total of four uniquely sustainable properties developed by CDL that bear the distinction of being the only BCA Green Mark Platinum Award projects – the highest status for green buildings in Singapore – on Sentosa Cove.

CDL is one of the biggest landlords in Singapore, with lettable office, industrial, retail, hotel and residential space locally and globally. As at 30 June 2013, the Group possesses one of the largest landbanks amongst private developers, of more than 7.7 million square feet of potential gross floor areas. 82% of the landbank consists of residential land in Singapore and overseas and 18% consists of land for commercial/hotel and industrial development.

As of 6 August 2013, based on a market capitalisation of approximately \$9.7 billion, CDL is one of the largest listed companies on the Mainboard of the SGX-ST by market capitalisation. There are a total of six publicly listed companies in the Group, including CDL, which is listed on the SGX-ST. CES is listed on the Stock Exchange of Hong Kong Limited. M&C is listed on the London Stock Exchange. Grand Plaza Hotel Corporation is listed on the Philippine Stock Exchange, whilst Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited are listed on the New Zealand Stock Exchange. The latter three companies are subsidiaries of M&C.

The following diagram depicts the Group's corporate structure as of 30 June 2013:



Notes:

Held through a 60% subsidiary company of Millennium & Copthorne Hotels plc and a wholly-owned subsidiary company of Republic Hotels & Resorts Limited

* Listed Companies

Principal Business Activities

The principal business activities of the Group can be broadly classified into three categories, namely, property development, hotel operations and property investment. The principal business activities of CDL are those of a property developer and owner and investment holding. The principal activities of CDL's 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.

(i) Property Development

Since the late 1970s, the Group has consistently been an active property developer in Singapore. The Group aims to continually engage in developing commercial, residential and industrial properties for sale and constantly seeks opportunities to acquire land of good development potential to replenish its landbank.

The Group's property development operations are fully vertically integrated, with in-house capabilities in architectural design, construction, project management, engineering, sales and marketing and property management. In-house skills and services are used to the extent possible for the Group's activities and they are supported by external specialised professional services. The Group believes that vertical integration increases its ability to effectively complete projects with the desired design, quality, within budget and according to development schedules.

Following is a summary of the projects launched by the Group from 2009 up to 30 June 2013:

Project Name	Launch date	Total number of units	Effective Group Interest
Jewel@Buangkok	1 June 2013	616	100%
*Bartley Ridge	22 March 2013	868	30%
*D'Nest	15 March 2013	912	51%
*Echelon	28 December 2012	508	50%
*Haus@Serangoon Garden	13 July 2012	97	70%
Up@Robertson Quay	12 May 2012	70	100%
*Bartley Residences	22 February 2012	702	30%
*The Rainforest EC	11 January 2012	466	50%
*The Palette	11 November 2011	892	51%
Blossom Residences EC	7 July 2011	602	100%
Buckley Classique	10 June 2011	64	100%
*Hedges Park	15 April 2011	501	33%
H2O Residences	4 March 2011	521	100%
*NV Residences	8 September 2010	642	51%
368 Thomson	8 July 2010	157	100%
*Tree House	22 April 2010	429	60%
The Residences at W Singapore Sentosa Cove	27 March 2010	228	100%
Cube 8	21 January 2010	177	100%
Hundred Trees	24 September 2009	396	100%
Volari	17 July 2009	85	100%
*The Gale	9 July 2009	329	33%
The Arte at Thomson	20 March 2009	336	100%

*Joint venture projects

The total number of units sold (including units in joint venture projects) from 2009 to 30 June 2013 is 8,674. The total value of units sold (including units in joint venture projects) as at 30 June 2013 is approximately \$8.3 billion. The total revenue from property development accounted for approximately 42% and 40% of the Group's revenue for FY 2012 and the six months ended 30 June 2013 respectively.

(ii) Hotel Operations

CDL has an interest in 58.7% of the shares in M&C, which is listed on the London Stock Exchange. M&C owns, manages and franchises 112 hotels in over 60 business and leisure destinations in Asia, Australasia, Europe, the Middle East and North America, including four-star and four-star deluxe hotels under the “Grand Millennium”, “Millennium” and “Copthorne” brands. Based on the results announcement of M&C for the period ended 30 June 2013, the number of hotels owned, managed and franchised is 112, with 80 hotels under the “Grand Millennium”, “Millennium” and “Copthorne” brands.

In 1995, the Group acquired the Copthorne group of hotels with properties in the United Kingdom, France and Germany, in a deal valued at £219 million. M&C was then listed in 1996 on the London Stock Exchange. In 1999, M&C purchased the majority hotel interests of CDL Hotels in Southeast Asia (excluding Hong Kong) and Australasia, for a sum of £432 million. In the same year, M&C acquired the trade and assets of the Seoul Hilton in Korea for £134 million, and the shares of Regal North America group for a sum of £395 million. The acquisition of the remaining hotel interests of CDL Hotels in Hong Kong was completed in January 2000 for a sum of £22 million.

Pursuant to a capital restructuring exercise in 2000, CDL acquired CDL Hotels’ 52.4% controlling stake in M&C.

M&C streamlined its operations through the privatisation of Republic Hotels in 2002, and of Kingsgate International Corporation Limited in 2004. Republic Hotels and Kingsgate International Corporation Limited were delisted from the Singapore Exchange Limited and the New Zealand Stock Exchange respectively. In 2006, M&C announced the initial public offering of the first hotel real estate investment trust in Singapore - CDLHT, a stapled group comprising CDL Hospitality Real Estate Investment Trust and CDL Hospitality Business Trust.

As at 30 June 2013, CDLHT owns 12 hotels and one resort with a total of 4,420 rooms, comprising six hotels in Singapore (Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King’s Hotel, Novotel Singapore Clarke Quay and Studio M Hotel), one hotel in New Zealand’s gateway city of Auckland (Rendezvous Grand Hotel Auckland), five hotels in Australia’s key gateway cities of Brisbane and Perth (Novotel Brisbane, Mercure Brisbane, Ibis Brisbane, Mercure Perth and Ibis Perth) and one resort located in the Republic of Maldives (Angsana Velavaru), as well as the shopping arcade adjoining Orchard Hotel (Orchard Hotel Shopping Arcade) in Singapore. As of 31 December 2012, M&C has interests of approximately 35.3% in the stapled securities of CDLHT.

The total revenue from hotel operations accounted for approximately 46% and 47% of the Group’s revenue for, respectively, FY 2012 and the six months ended 30 June 2013.

(iii) Investment Properties

The Group has one of the largest investment property portfolios in Singapore with over 7.9 million square feet of net lettable office, industrial, retail, hotel and residential space as at 1 January 2013. 80.9% of the Group’s investment property portfolio comprises freehold and 999-year leasehold properties with the remainder held under leases of 99 years or less. Office properties account for 40.9% of the total investment property portfolio, industrial properties for 11%, retail properties for 20.7% and residential and other properties for 27.4%. The investment properties and fixed assets held by the Group are generally leased for periods ranging from one to five years.

Recurrent rental income from the total investment property portfolio accounted for approximately 9% and 10% of the Group’s turnover for, respectively, FY 2012 and the six months ended 30 June 2013.

Ownership and Capital Structure

As at 30 June 2013, CDL has an issued and fully paid up total share capital of S\$1,991.4 million consisting of 909,301,330 ordinary shares and 330,874,257 non-redeemable convertible non-cumulative preference shares.

As at 30 June 2013, the substantial shareholders of CDL are Hong Realty (Private) Limited, Hong Leong Holdings Limited, Hong Leong Investment Holdings Pte. Ltd., Davos Investment Holdings Private Limited, Kwek Holdings Pte Ltd, Aberdeen Asset Management plc, Aberdeen Asset Management Asia Limited and Aberdeen Asset Managers Limited.

Corporate Social Responsibility

As one of Singapore's largest private developers and landlords, CDL recognises its unique opportunity to help shape the practices of the real estate industry and encourage social responsibility.

A forerunner in Corporate Social Responsibility ("**CSR**"), CDL takes a triple bottom line approach where its business excellence is measured not only by its financial performance, but also its environmental and social contributions. Its CSR mission is to be a responsible corporate citizen who believes in creating value for stakeholders, conducting sustainable business practices, caring for the community and protecting the environment.

For over two decades, CDL has been championing the development of Green Building in Singapore through innovation. CDL adopts a three-pronged life-cycle approach strategy towards environmental sustainability. It is committed to developing quality and environmentally-sustainable properties, managing its properties in an energy and cost-efficient manner and influencing stakeholders through green outreach initiatives.

As Singapore's built environment leader, CDL has been setting new sustainability benchmarks for over two decades. In recognition of its sustained efforts and achievements in environmental stewardship, CDL was the only developer to be accorded the Green Mark Champion Award in 2008 and the Built Environment Leadership Platinum Award in 2009, and was the only recipient of the Green Mark Platinum Champion Award in 2011 from the BCA. As at 30 June 2013, CDL is the private developer in Singapore with the most extensive stable of BCA Green Mark developments, including the most number of Platinum properties – the highest accolade accorded for green buildings in Singapore.

More recently, in 2013, attesting to CDL's sustained commitment towards building excellence in all dimensions of a property's lifecycle, CDL became the first developer to receive the prestigious Quality Excellence Award – Quality Champion (Platinum) and Construction Productivity Award – Advocated (Platinum) from the BCA.

Globally, CDL has also placed Singapore on the world map for sustainable development. It is the first Singapore company to be listed on three of the world's sustainability benchmarks – FTSE4Good Index Series since 2002, Global 100 Most Sustainable Corporations in the World since 2010 and the Dow Jones Sustainability Indices since 2011. CDL is also a founding member of Singapore Compact and one of the pioneer Singapore signatories of the United Nations Global Compact to lend support to the advancement of responsible corporate citizenship in Singapore.

Internally, the Company has integrated its Environmental, Health and Safety policy into the DNA of its business, incorporating measures to mitigate environmental impact at project sites and setting the strategic direction for all departments and employees towards creating a "Green and Safe" corporate culture, conserving resources and preventing pollution. As an ISO 14001 certified company, it adopts a holistic life-cycle approach – from design, construction, procurement and maintenance to user engagement – aligning its entire operations for sustainability.

CDL adopts a proactive approach by reporting its financial, environmental and social data. Since 2008, CDL has been voluntarily publishing a dedicated Sustainability Report ("**SR**") annually, which is available on its website. It was the first Singapore company to have its inaugural report successfully checked by the Global Reporting Initiative ("**GRI**"). For its 2012 SR, CDL was the first listed company to publish a Level A+ GRI-checked report using the GRI G3.1 guidelines and the Construction and Real Estate Sector Supplement. Its latest 2013 SR is also Level A+ GRI-checked. Its reports are based on GRI Application Level Criteria, with references made to the UN Global Compact's 10 Universal Principles and ISO 26000:2010 Guidance on Social Responsibility.

In championing CSR and the green cause, CDL not only focuses on engaging its stakeholders and the wider community through various platforms, but also on cultivating social and environmental consciousness amongst youth of the next generation. For more information on CDL's CSR initiatives, visit www.cdl.com.sg/csr.

The following sets out a summary of CDL's key CSR awards and achievements in 2012:

REGIONAL AND INTERNATIONAL ACHIEVEMENTS	
2012 ASIA PACIFIC GREEN BUILDER OF THE YEAR	CDL was conferred this award at the 2012 Frost & Sullivan Asia Pacific Green Excellence Awards. Presented by Frost & Sullivan, an international research and growth consultancy, the Awards celebrate companies that have excelled in green product and technology innovation, and service achievements across various industries.
BCI ASIA TOP 10 DEVELOPERS AWARD (SINCE 2011)	CDL was once again accorded Singapore's BCI Asia Top 10 Developers Award 2012, further reaffirming CDL's efforts in shaping and influencing the built environment. The BCI Asia Awards, which is now in its 7 th year, is a regional event honouring the best in the building and property development in Hong Kong SAR, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.
CHANNEL NEWSASIA GREEN LUMINARY AWARD 2012	This award identifies the Asian company that leads in employing green practices in its main business practice. CDL received this award as recognition of its conscientious efforts to be environmentally-friendly through its business operations and community programmes.
DOW JONES SUSTAINABILITY INDEXES (SINCE 2011)	Listed as an index component on the Dow Jones Sustainability Indexes (DJSI World and DJSI Asia Pacific). DJSI is one of the most creditable reference points in sustainability investing for investors and companies globally.
FIABCI PRIX D'EXCELLENCE AWARDS 2012	CDL's concerted efforts and investment in green building infrastructure and technology was recognised once again at the prestigious FIABCI Prix d'Excellence Awards 2012 with 11 Tampines Concourse winning the Sustainable Development Category.
FTSE4GOOD INDEX SERIES (SINCE 2002)	Amongst an elite group of companies worldwide that meets globally recognised corporate responsibility standards.
GLOBAL 100 MOST SUSTAINABLE CORPORATIONS IN THE WORLD	2010 (81 st), 2011(100 th), 2012 (62 nd) CDL was once again included in this prestigious global ranking announced annually at the World Economic Forum, Davos. CDL's ranking on this stringent global listing also improved from 100 th to 62 nd position.
INDONESIA SUSTAINABILITY REPORTING AWARD 2012	CDL emerged winner of the Best Sustainability Report 2011 from Singapore at The National Center for Sustainability Reporting's (NCSR) 8 th Indonesia Sustainability Reporting Awards. NCSR is a non-profit organisation based in Indonesia which honours organisations that publish and develop Sustainability Reports based on the Global Reporting Initiative (GRI) Framework.
GLOBAL SUSTAIN ABILITY LEADERS 2012	CDL Managing Director Mr Kwek Leng Joo was included in the 100 Global Sustain Ability Leaders 2012 list which is produced by Sustain Ability Showcase Asia and ABC Carbon. The list honours 100 leaders globally who have provided leadership in the field of sustainability.
ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS (ROSPA): GOLD MEDAL AWARD (SINCE 2006)	CDL is the only private property developer in Singapore to be conferred the RoSPA Gold Medal Award for excellence in Occupational Health and Safety management in the workplace. RoSPA is a non-profit organisation based in the United Kingdom which focuses on accident prevention and raising health and safety standards. The Gold Medal Award is presented to organisations which have achieved between five and nine consecutive Gold Awards.
TRUSTED BRANDS 2012: PROPERTY DEVELOPER CATEGORY	Launched in 1999, the Reader's Digest Trusted Brands Survey in Asia is now in its 14 th year and recognises brands which reflect trustworthiness and credibility, deliver quality, value, understanding of customer needs, innovation and corporate social responsibility. A total of 8,000 respondents in Asia, including 1,000 from Singapore, were polled in the Reader's Digest Annual Consumer Brand Preference Survey 2012 and CDL was voted as a Trusted Brand Gold Winner under the Property Developer Category in Singapore. The Reader's Digest Trusted Brands are voted solely by consumers and the achievement of this award is testimony of the strong trust and confidence that consumers have in CDL.

LOCAL ACHIEVEMENTS

BUILDING AND CONSTRUCTION AUTHORITY (BCA) AWARDS 2012	CDL emerged as the most accorded private property developer at the BCA Awards 2012. CDL added another 25 awards to the honours roll, including 13 Green Mark awards, amassing a portfolio of 62 Green Mark projects to its name, of which 21 are of the highest-tier Platinum, the most of any private developer on both counts.
THE BRITISH CHAMBER OF COMMERCE'S 13TH ANNUAL BUSINESS AWARDS – EXCEPTIONAL CSR PRACTICE CATEGORY	CDL, a first time participant, took home the top honour. CDL was judged on its clear explanation of its overall business and CSR initiatives as well as the effectiveness of its CSR efforts (demonstrated through measurable results) and future plans.
2012 DISTINGUISHED PATRON OF THE ARTS AWARD	CDL was conferred the Distinguished Patron of the Arts Award in recognition of continuous and generous contributions to Singapore's vibrant arts and culture scene.
SINGAPORE HEALTH (HELPING EMPLOYEES ACHIEVE LIFE-TIME HEALTH) AWARD 2012 – PLATINUM	CDL was conferred a Platinum Award for the Singapore HEALTH Award 2012 for the second time. The first Platinum Award was conferred in 2008. The Platinum status is the highest level attainable. This Award is presented by the Health Promotion Board to organisations with commendable Workplace Health Promotion programmes.
SECURITIES INVESTORS ASSOCIATION SINGAPORE (SIAS) INVESTORS' CHOICE AWARDS 2012	CDL received the Singapore Corporate Governance Award 2012 – 2 nd Runner Up (Big Cap) and Singapore Most Transparent Company Award – Runner Up (Real Estate Category).
SUSTAINABILITY REPORT 2012	Titled 'Ideas, Initiatives, Impacts', this report is the first Level A+ Sustainability Report checked by the GRI using the GRI G3.1 guidelines and the Construction and Real Estate Sector Supplement published by a Singapore property developer.
WORKPLACE SAFETY AND HEALTH AWARDS 2012	The first private property developer to receive the Workplace Safety and Health Developer Award, CDL is a proud recipient of the distinguished Developer Award for the sixth time. Through CDL's continued efforts in engaging stakeholders to consistently adopt a conscious EHS culture, three of its project sites were also accorded the Safety and Health Award Recognition for Projects (SHARP) Award.

Performance Summary

A summary of the audited consolidated results of the Group for the financial years ended 31 December 2010 to 2012, and a summary of the unaudited consolidated results of the Group for the six months ended 30 June 2013 are set out below:

(\$'000)	For the financial years ended 31 December			For the six months ended 30 June
	2010 (restated)*	2011	2012	2013
Revenue	3,103,416	3,280,465	3,353,727	1,565,095
Profit from operations	990,143	1,127,369	920,370	457,026
Finance income	35,640	28,171	38,590	16,091
Finance costs	(68,708)	(81,064)	(78,867)	(35,668)
Net finance costs	(33,068)	(52,893)	(40,277)	(19,577)
Share of after-tax profit of associates	17,112	31,723	39,934	8,791
Share of after-tax profit of jointly-controlled entities	93,312	30,244	40,212	13,201
Profit before income tax	1,067,499	1,136,443	960,239	459,441
Income tax expense	(202,111)	(174,723)	(99,901)	(46,256)
Profit for the period	865,388	961,720	860,338	413,185

*Please refer to Note 2 to the audited accounts of CDL and its subsidiaries for the financial year ended 31 December 2011 in Appendix II for details of changes in accounting policies.

Review of Past Performance

Financial Year ended 31 December 2010

Group revenue for FY 2010 amounted to \$3,103.4 million. Pre-tax profit of \$1,067.5 million was achieved whilst profit after tax and non-controlling interests amounted to \$784.0 million. Higher profits were achieved in FY 2010 mainly on account of greater profit contributions from the rental properties segment due to gain recognised primarily from the sale of the Group's strata-units in Chinatown Point.

At the pre-tax level, profit contribution from the rental properties segment had surpassed the other business segments to be the lead contributor, accounting for 39.6% of the Group's profit before tax for FY 2010. During the financial year, the Group timely unlocked the value of some of its non-core and secondary assets which contributed significantly to the performance of the rental properties segment. In addition, some of the pre-tax gain of \$25.5 million recognised in the third quarter ended 30 September 2010 on the dilution of investment in CDLHT also attributed to the increase to this segment for FY 2010.

For FY 2010, the Group, along with its joint venture associates, sold a total of 1,560 units with sales value of \$2.1 billion. This compares favourably with 2009, in which 1,508 units with total sales value of \$1.9 billion were sold. The launch of NV Residences in second quarter ended June 2010 met with good response with 500 units out of the total of 642 units sold. In late October 2010, the Group launched the 150-unit The Glyndebourne, a condominium redevelopment of the existing Copthorne Orchid Hotel Singapore site at Dunearn Road. The Group, which had a 54% interest in this property that is owned by its subsidiary, M&C, managed the marketing for the project on M&C's behalf.

Profits were booked from Cliveden at Grange, One Shenton, Tribeca, The Residences at W Singapore Sentosa Cove, Shelford Suites, The Arte, Volari and Wilkie Studio. Profits were also booked from joint venture projects, namely The Oceanfront @ Sentosa, Livia and The Gale.

M&C performed well in FY 2010, delivering a strong operating result and made good progress on its asset management initiatives. Changes that have been introduced at the operating level have enabled M&C to find ways to increase revenues whilst continuing to control costs. At constant rates of exchange, average revenue per available room ("**RevPAR**") for the year was £61.06, an increase of 10.7% over 2009.

M&C exercised its option to increase its equity ownership in the Grand Millennium Beijing Hotel, from 30.0% to 70.0%. The acquisition was in keeping with its strategy to make selective acquisitions when favourable opportunities arise.

Despite stiff competition, CDL China Limited, through its wholly-owned Hong Kong subsidiary China Venture Investments Limited, acquired its first development site in Chongqing in the PRC for RMB232 million at a closed government land auction on 15 December 2010.

Financial Year ended 31 December 2011

The Group posted a profit after tax and non-controlling interests of \$798.6 million for FY 2011, without property fair value gains. Its pre-tax profit stood at \$1.1 billion, making it the Group's second consecutive year to surpass \$1 billion in its pre-tax profits.

Hotel operations reported a 37.8% increase in pre-tax profit contribution as compared to FY 2010. This was due to gain recognised from the sale and leaseback of Studio M Hotel to CDLHT coupled with the improved performance of hotels located in the Group's main gateway cities. The basic earnings per share stood at 86.4 cents.

During FY 2011, the Group successfully launched five residential projects with healthy take-up. H₂O Residences, a 521-unit riverfront development nestled in the heart of Sengkang New Town, sold 85% of the 300 units launched during its preview in March 2011. Hedges Park, a joint venture 501-unit condominium located in the tranquil estate at Flora Drive, off Changi/Pasir Ris, received strong demand with over 130 units out of 200 units released sold during its weekend launch in April 2011. Buckley Classique, the Group's exclusive 64-unit freehold development in District 11, was launched in June 2011. Response to Blossom Residences – a 602-unit Executive Condominium ("**EC**") located along Segar Road, just next to Segar LRT station, which the Group launched in July 2011 – has been good. Similarly,

The Palette, a joint venture 892-unit condominium, located in a residential enclave at Pasir Ris Grove and within walking distance of Pasir Ris MRT station and White Sands Shopping Mall, met with enthusiastic response with 80% of the 450 units released snapped up during its launch in November 2011.

For FY 2011, the Group, along with its joint venture associates, sold a total of 1,818 units with sales value of \$1.8 billion.

During FY 2011, profits were booked from several projects such as Cliveden at Grange, Shelford Suites, Wilkie Studio, The Residences at W Singapore Sentosa Cove, Hundred Trees, One Shenton, Cube 8, Volari and 368 Thomson. Profits were also booked from joint venture projects such as Livia, NV Residences, Tree House and The Gale.

The Group's office portfolio continues to enjoy healthy occupancy of 93.5%.

M&C's net profit after tax and non-controlling interests was £160.9 million (2010: £96.2 million) for FY 2011, a year-on-year increase of 67.3%. M&C's global RevPAR (in constant currency terms) grew by 5.8% to £64.81, approximately S\$130.31 (2010: £61.28, approximately S\$123.22), driven primarily by an increase in room rate. On a like-for-like basis, RevPAR increased by 5.5% as hotels in gateway cities performed very well, 8.8% increase in London, 6.1% in Singapore (excluding Copthorne Orchid for the full year and Studio M for the first half of the year) and 6.1% in New York. With the exception of the UK hotels outside of London, RevPAR increased in every region. The Rugby World Cup in New Zealand also helped Australasia increase RevPAR by 5.3%, excluding the impact of three hotel closures in Christchurch due to earthquake damage in February 2011. During the year, M&C's key asset management initiatives included the completion of the sale of Studio M in Singapore to CDLHT in May 2011 as well as the completed sale of land adjacent to the Grand Millennium Kuala Lumpur in August 2011, which contributed to a pre-tax profit of £17.4 million and £34.0 million respectively.

CDL China Limited continued to expand its presence in the PRC with the acquisition of its second development site in Suzhou for RMB886 million. The mixed-use prime site will comprise about 750 units of high-end residential apartments, an office tower, SOHO apartments, a retail mall and a luxury hotel.

Financial Year ended 31 December 2012

For FY 2012, the Group posted revenue of \$3,353.7 million (2011: \$3,280.5 million) – the highest revenue achieved since inception in 1963. Net profit after tax and non-controlling interest was \$678.3 million (2011: \$798.6 million). Excluding all one-off gains, the net profit after tax and non-controlling interests would have increased by 5.8% compared to FY 2011, on a like-for-like basis. This profit is core earnings from the Group's business activities. The Group has been unlocking shareholder value on its non-core assets to recycle capital for new opportunities that may avail.

In terms of pre-tax profit, the property development segment continued to be the lead contributor, making up 48.8% (2011: 47.2%) of the Group's pre-tax profit. The hotel operations, primarily the Group's subsidiary, M&C, followed second in contributing 26.1% (2011: 24.8%) to the Group's pre-tax profit.

Basic earnings per share of the Group stood at 73.2 cents (2011: 86.4 cents).

As at 31 December 2012, the Group's balance sheet remained healthy with a relatively low gearing ratio at 25.0% (2011: 21.0%). The Group is the only major listed property developer that states investment properties at cost, less accumulated depreciation and impairment losses. Had the Group factored in fair value gains on investment properties, the net gearing ratio would be reduced further to 18.0%. The interest cover of the Group is at 17.4 times (2011: 21.8 times).

In January 2012, the Group launched The Rainforest, its 466-unit joint venture EC, located at Choa Chu Kang Avenue 3, a five minute walk to Choa Chu Kang MRT Station. This EC is fully sold. The joint venture 702-unit Bartley Residences, launched in February 2012 has also been fully sold. This condominium is a mere two minute walk to Bartley MRT station and located opposite the reputable Maris Stella High School. UP@Robertson Quay, launched in May 2012, is a mixed development comprising 70 apartments adjoining the 300-room M Social Hotel. M Social Hotel, to be managed by M&C, will offer affordably priced, fee-based hotel services to the apartments. HAUS@SERANGOON GARDEN, a joint venture development of 97 terrace houses, was launched in July 2012. Located in Serangoon Garden estate, it

is the first sustainable landed housing estate in Singapore to be accorded the top tier BCA Green Mark Platinum Award. In December 2012, the Group previewed its joint venture project Echelon, receiving an enthusiastic response. Echelon is a 508-unit development comprising of two iconic 43-storey towers.

For FY 2012, the Group, together with its joint venture associates, sold a total of 2,395 units (including ECs) with total sales value of about \$2.78 billion (2011: 1,818 units with total sales value of \$1.76 billion).

During FY 2012, the Group booked profits from numerous projects such as 368 Thomson, Buckley Classique, Cube 8, Hundred Trees, H₂O Residences and Volari. Profits were also booked from The Glyndebourne which is developed by M&C and several other joint venture projects such as NV Residences, Tree House, Bartley Residences, The Gale and Hedges Park.

The Group's office portfolio continued to enjoy healthy occupancy of about 94.5% in 2012.

Quayside Isle, the Group's latest retail development situated in Sentosa Cove, was completed at the end of the fourth quarter of 2012. It is located right next to The Residences at W Singapore – Sentosa Cove, which is the only condominium on Sentosa Island that has F&B and retail offerings at its doorstep. Quayside Isle is part of a total integrated development comprising the newly opened W Singapore – Sentosa Cove hotel and the Residences.

For FY 2012, on a like-for-like, constant currency basis, M&C hotels achieved good operating profit margins with revenue up 1.1% to £762.0 million (2011: £753.8 million). Overall, M&C's net profit after tax and non-controlling interests was £135.0 million (2011: £160.9 million). Basic earnings per share decreased by 17.6% to 42.0p (2011: 51.0p). M&C's global RevPAR (in constant currency terms) grew by 3.4% to £67.32 (2011: £65.11) due to higher average room rates. Singapore and London both breached the annual £100 RevPAR barrier for the first time, achieving £101.14 (2011: £96.42) and £105.91 (2011: £97.92) respectively, whilst rest of Asia delivered the strongest RevPAR growth over the year, increasing by 8.5% to £62.57 (2011: £57.69).

CDL China Limited successfully acquired a prime site with gross floor area of 108,686 square metres in the heart of Yuzhong District, Chongqing, PRC. The prominent area known as Huang Huayuan boasts unobstructed views of the scenic Jialing River and is right next to a major light rail station. There are several prominent schools within walking distance. It plans to develop residential apartments, a retail mall and a hotel on the site.

Six-months ended 30 June 2013 ("1H 2013")

The Group delivered strong earnings for 1H 2013, achieving an attributable profit after tax and non-controlling interests of \$341.5 million. This represents an increase of 16.0% for 1H 2013 as compared to the corresponding period last year ("1H 2012").

The basic earnings per share rose by 16.1% for 1H 2013 to 36.8 cents (1H 2012: 31.7 cents).

The sterling performance was attributable to the significant increase in the contribution from rental properties segment. The contribution to the Group's pre-tax profit by this business segment was the highest amongst all segments for 1H 2013, posting a leap of 243.9%. This was largely due to the gain recognised from the disposal of 100G Pasir Panjang following its sale completion in the second quarter ended 30 June 2013, coupled with the profits accounted in the first quarter ended 31 March 2013 for the disposal of several strata units in Elite Industrial Building I, Elite Industrial Building II and Citimac Industrial Complex. These non-core assets, which were previously not sold, were leased out and held by the Group as long-term investments. These disposals, which have enjoyed capital appreciation, were in line with the Group's strategy to unlock shareholder value. If the Group were to redevelop the Pasir Panjang property, besides taking on the market risks, it would have had to go through the process of applying for approvals, design and construction, which would take time before the realisation of gains. The Group chose to crystallise the profits in hand early.

The property development segment was the second highest contributor, contributing 22.6% in Q2 2013 and 33.3% in 1H 2013 to the Group's pre-tax profit. Though brisk sales were achieved for its recent mass-market residential projects, the locked-in profits could not be recognised as construction of these projects had yet to reach recognition stage.

Launched in mid-March this year, D'Nest, a 912-unit joint venture condominium located at Pasir Ris Grove and within walking distance to Pasir Ris MRT station, is now over 91% sold. Another project, Bartley Ridge, an 868-unit joint venture development launched in end-March, has sold over 75% to date. This project is located at Bartley Road / Mount Vernon and within a two minute walk to Bartley MRT station.

In June 2013, the Group launched the 616-unit Jewel @ Buangkok. During its first weekend preview, a total of 203 units out of 280 released were snapped up by eager buyers who were drawn to the development's premium location, a three minute walk from Buangkok MRT station. This development is also surrounded with abundant amenities, an array of educational institutions, a comprehensive transport network and leisure options, offering unparalleled convenience. It features six 15 to 17-storey towers that house a selection of 1 to 5-bedroom apartments, dual-key units, as well as penthouses. To date, over 86% of the 350 units released have been sold.

Other current residential projects continued to enjoy healthy take-up rates. Echelon, a 508-unit joint venture project at Alexandra View, is now 99% sold. Over 95% of H₂O Residences, a 521-unit riverfront condominium at Sengkang, has also been sold.

For 1H 2013, profits were booked from pre-sold projects such as Cube 8, 368 Thomson, NV Residences, Buckley Classique, H₂O Residences and Hundred Trees, which obtained its Temporary Occupation Permit ("TOP") in the second quarter ended 30 June 2013. Profits were also booked from joint venture projects such as The Palette, Tree House, Bartley Residences, The Gale and Hedges Park. Contribution was also received from The Glyndebourne, which is being developed by the Group's subsidiary, M&C. The sale of 100F and 100G Pasir Panjang Road also contributed to the profit. However, no profit was recognised from the fully sold HAUS@SERANGOON GARDEN, substantially pre-sold projects such as Echelon, UP@ Robertson Quay, Bartley Ridge and D'Nest, or from the recently launched Jewel @ Buangkok. These projects are either in the early stages of construction or have not commenced building works. Notably, profits from the two fully sold ECs – Blossom Residences and The Rainforest – could not be recognised in accordance with prevailing accounting treatments required for ECs. With effect from 1 January 2011, the locked-in profits for ECs will only be booked after the ECs are completed, unlike in the past, where profits could be booked progressively.

For 1H 2013, the Group, together with its joint venture associates, sold a total of 2,114 units with sales value of approximately \$2.25 billion (1H 2012: 1,299 units with sales value of \$1.25 billion).

The Group's office portfolio continued to enjoy healthy occupancy of 96.2% (as at 30 June 2013) compared to national average of 91.2%.

For 1H 2013, M&C's revenue decreased by 1.3% year-on-year to £369.1 million (1H 2012: £373.9 million) and its net profit after tax and non-controlling interests decreased 21.1% to £46.1 million for 1H 2013 (1H 2012: £58.4 million).

Revenues and profits of M&C were affected by challenging conditions in some of its key markets. Trends in some parts of Asia remain subdued due to economic uncertainty, greater hotel capacity and increasing cost. In particular, the Millennium Seoul Hilton was affected by the reduction in Japanese visitors, a result of the geopolitical tensions between Japan and South Korea over Dokdo Island. In Singapore, the continuing slowdown in corporate business travel and an increase in hotel capacity, with new entrants undercutting prices to get a slice of the market share, placed cost pressures on the hospitality market. Singapore's hospitality sector also faces increasing cost pressures as a result of Government policies restricting the availability of foreign manpower.

Guestroom inventory for M&C was considerably reduced as a result of the planned partial closure for refurbishment of Grand Hyatt Taipei. In 1H 2013, M&C saw a net 181,000 room nights removed from its inventory. The refurbishment programme will reduce regional capacity and revenue in the short term.

Global RevPAR for M&C was up 4.1% to £67.27 (1H 2012: £64.62) due to increases in both occupancy to 70.5% (1H 2012: 69.8%) and average room rate to £95.45 (1H 2012: £92.54).

The £240.0 million investment in a refurbishment programme of M&C's existing hotels, which is in addition to underlying run rate capital expenditure, is making progress with several initiatives under way and a number of others in the planning stage. Timing of investment remains dependent on planning and other consents. Since the programme commenced in 2011, £77.8 million of the £240.0 million has been spent up to 30 June 2013.

In the second quarter of 2013, M&C completed renovation of the west wing of the Grand Hyatt Taipei, which reopened in June 2013. The next phase will be renovation of the 392-room east wing is earmarked to commence in August 2013 and is scheduled for completion in mid-2014. Further investment is planned for the lobby and food and beverage outlets.

In the U.S., Millennium Minneapolis reopened in May 2013 after the completion of refurbishment, with positive comments from customers. M&C is planning a number of refurbishment projects, both back-of-house and client-facing, at other regional U.S. hotels, including Millennium St Louis, Millennium Scottsdale Resort and Villas, Millennium Hotel Durham and Millennium Hotel Cincinnati. M&C considers such investment essential for its regional hotel portfolio to participate in any sustained upturn in U.S. hospitality markets.

Discussions with Grosvenor Estates regarding the refurbishment programme for Millennium Hotel London Mayfair are ongoing. In addition, M&C is considering design concepts for the refurbishment of Millennium Hotel London Knightsbridge. The timing and cost of both these developments remain dependent on the outcome of negotiations and obtaining necessary planning consents.

On the new hotel development front, the construction of M&C's new hotel in Tokyo's Ginza district is proceeding according to plan. Design proposals for the facade have been approved and demolition work is expected to complete in August 2013 for construction to commence as scheduled.

M&C is currently developing detailed plans in relation to the land purchased immediately adjacent to its Millennium Seoul Hilton Hotel. The site has tremendous potential which will provide M&C plenty of synergies and value to its operations in Seoul. It is looking to develop hospitality facilities on the site which will complement the hotel, following further studies with architects and other external consultants.

First Sponsor Capital Limited ("**FSCL**"), M&C's associate, was not directly affected by the April 2013 earthquake in Sichuan and continues to make good progress on its projects in the PRC. The inauguration of the 196-room M Hotel Chengdu, part of the Cityspring project, was announced on 2 July 2013 and the hotel is scheduled to soft-open in the third quarter of 2013. The hotel will be managed by M&C.

The development of FSCL's latest project, Millennium Waterfront in Chengdu, is proceeding satisfactorily. Since 24 November 2012, 970 residential units out of 1,155 units launched have been sold under either option agreements or sale and purchase agreements, with approximately 67.2% of the sales proceeds collected. FSCL launched a further 55 commercial units for sale on 29 June 2013, of which 11 units have been sold under either option agreements or sale and purchase agreements. Further development and sales launches will be phased according to demand. It plans to commence construction of a Millennium-branded hotel with convention facilities at Millennium Waterfront in the second half of 2013, which will be financed by cash flows from residential sales. Based on Singapore accounting standards, the Group's profits for overseas private residential developments will only be recognised upon completion.

RISK FACTORS

Prior to making an investment or divestment decision, prospective investors in or existing holders of the Notes should carefully consider all the information set forth in this Information Memorandum including the risk factors set out below. The risk factors set out below do not purport to be complete or comprehensive of all the risks that may be involved in the business, assets, financial condition, performance or prospects of the Issuer and its subsidiaries or any of the properties owned by the Group, or any decision to purchase, own or dispose of the Notes. Additional risk factors which the Issuer is currently unaware of may also impair its business, assets, financial condition, performance or prospects. The inclusion of each of the risk factors in this Information Memorandum is not intended to inform a prospective investor in or existing holder of the Notes of any of the Issuer's or the Group's measures taken in relation to any of the risk factors, and should not be considered as a statement or representation that the Issuer or the Group has taken any measure in relation to any of the risk factors or of the adequacy or sufficiency of any measures. If any of the following risk factors develops into actual events, the business, assets, financial condition, performance or prospects of the Issuer and/or the Group could be materially and adversely affected. In such cases, the ability of the Issuer to comply with its obligations under the Trust Deed and the Notes may be adversely affected.

Limitations of this Information Memorandum

This Information Memorandum does not purport to nor does it contain all information that a prospective investor in or existing holder of the Notes may require in investigating the Issuer or the Group, prior to making an investment or divestment decision in relation to the Notes issued under the MTN Programme. This Information Memorandum is not, and does not purport to be, investment advice. A prospective investor should make an investment in the Notes only after it has determined that such investment is suitable for its investment objectives. Determining whether an investment in the Notes is suitable is a prospective investor's responsibility, even if the investor has received information to assist it in making such determination. Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the MTN Programme or the Notes (nor any part thereof) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any of the Dealers or the Arranger that any recipient of this Information Memorandum or any such other document or information (or such part thereof) should subscribe for or purchase or sell any of the Notes. Each person receiving this Information Memorandum acknowledges that such person has not relied on the Issuer, its subsidiaries or associated companies (if any), any of the Dealers or the Arranger or any person affiliated with each of them in connection with its investigation of the accuracy or completeness of the information contained herein or of any additional information considered by it to be necessary in connection with its investment or divestment decision. Any recipient of this Information Memorandum contemplating subscribing for or purchasing or selling any of the Notes should determine for itself the relevance of and the emphasis to be placed on the information contained in this Information Memorandum and any such other document or information (or any part thereof) and its investment or divestment should be, and shall be deemed to be, based solely upon its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group, the terms and conditions of the Notes and any other factors relevant to its decision, including the merits and risks involved. A prospective investor should consult with its legal, tax and financial advisors prior to deciding to make an investment in the Notes.

The Issuer and/or the Group may not have any measures in place to address or mitigate each of the risk factors set out herein. Where the Issuer and/or the Group has put in place measures to address or mitigate any of the risk factors set out below, such measure(s) may be inadequate and/or insufficient to address or mitigate the relevant risk factor.

RISKS ASSOCIATED WITH AN INVESTMENT IN THE NOTES

The Notes issued under the MTN Programme may have limited liquidity

There can be no assurance regarding the future development of the market for the Notes issued under the MTN Programme, the ability of the Noteholders, or the price at which the Noteholders may be able, to sell their Notes.

Although the issue of additional Notes may increase the liquidity of the Notes, there can be no assurance that the price of such Notes will not be adversely affected by the issue in the market of such additional Notes.

An active trading market for the Notes issued under the MTN Programme may not develop

There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes may trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Issuer's operations and the market for similar Notes. The Dealers are not obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the relevant Dealer(s). No assurance can be given as to the liquidity of, or trading market for, the Notes.

Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Liquidity may have a severely adverse effect on the market value of Notes.

The market value of the Notes issued under the MTN Programme may fluctuate

Trading prices of the Notes are influenced by numerous factors, including the operating results, financial condition and/or the future prospects of the Issuer and/or the Group, political, economic, financial and any other factors that can affect the capital markets, the industry, the Issuer and/or the Group generally. Adverse economic developments, in Singapore as well as countries in which the Issuer and/or the Group operate or have business dealings, could have a material adverse effect on the Singapore economy and the operating results, the financial condition and/or the future prospects of the Issuer and/or the Group.

The Notes issued under the MTN Programme are subject to interest rate risks

Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in bond prices, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, bond prices may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

The Notes issued under the MTN Programme are subject to inflation risks

Noteholders may suffer erosion on the return of their investments due to inflation. Noteholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce the actual returns.

Performance of contractual obligations by the Issuer is dependent on other parties

The ability of the Issuer to make payments in respect of the Notes may depend upon the due performance by the other parties to the Programme Agreement, the Trust Deed and the Agency Agreement of their obligations thereunder including the performance by the Trustee, the Issuing and Paying Agent and/or the Agent Bank of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Issuer of their obligations to make payments in respect of the Notes, the Issuer may not, in such circumstances, be able to fulfil its obligations to the Noteholders and the Couponholders.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement to this Information Memorandum;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact such investment will have on the potential investor's overall investment portfolio.

Investment activities may be subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for them, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Provisions in the Trust Deed and terms and conditions of the Notes may be modified

The terms and conditions of the Notes contain provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including modification by Extraordinary Resolution (as defined in the Trust Deed) of the terms and conditions of the Notes and the Trust Deed. Any resolution (including an Extraordinary Resolution) duly passed at any such meeting shall be binding on all the Noteholders, whether present or not, and on all the Couponholders.

In addition, such modifications as may be agreed between the Issuer and the Trustee may be made without the consent of the Noteholders and the Couponholders provided that the Trustee is satisfied that any such modification will not be prejudicial to the interests of the Noteholders or is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with mandatory provisions of Singapore law.

A change in Singapore law which governs the Notes may adversely affect Noteholders

The Notes are governed by Singapore law in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to Singapore law or administrative practice after the date of issue of the Notes.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of CDP

Notes issued under the MTN Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with or registered in the name of, or in the name of a nominee of, or lodged with CDP. Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. CDP will maintain records of its accountholders in relation to the Global Notes and Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through CDP.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to CDP for distribution to its accountholders or, as the case may be, to the Issuing and Paying Agent for distribution to the holders as appearing in the records of CDP. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of CDP to receive payments under the relevant Notes. The Issuer bears no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes and Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by CDP to appoint appropriate proxies.

The Notes subject to optional redemption may have a lower market value than Notes which cannot be redeemed

An optional redemption feature is likely to limit the market value of the Notes containing such a feature. During any period when the Issuer elects to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At that time, Noteholders generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Noteholders should consider reinvestment risk in light of other investments available at that time.

The Notes may be issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Exchange rate risks and exchange controls may result in Noteholders receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the “**Specified Currency**”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency equivalent yield on the Notes, (2) the Investor’s Currency equivalent value of the principal payable on the Notes and (3) the Investor’s Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Noteholders may receive less interest or principal than expected, or no interest or principal.

The Notes are not secured

The Notes and Coupons of all Series constitute direct, unconditional and unsecured obligations of the Issuer ranking *pari passu* as a single class without any preference or priority among themselves and ranking *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law or the Trust Deed (if any)) of the Issuer from time to time outstanding.

Accordingly, on a winding-up of the Issuer at any time prior to maturity of any Notes, the Noteholders will not have recourse to any specific assets of the Issuer and/or the Group as security for outstanding payment or other obligations under the Notes and/or Coupons owed to the Noteholders or Couponholders.

and there can be no assurance that there would be sufficient value in the assets of the Issuer, after meeting all claims ranking ahead of the Notes, to discharge all outstanding payment and other obligations under the Notes and/or Coupons owed to the Noteholders or Couponholders.

The Notes issued under the MTN Programme are subject to Singapore tax risks

The Notes to be issued from time to time under the MTN Programme, during the period from the date of this Information Memorandum to 31 December 2013 and, pursuant to the MAS Circular FSD Cir 02/2013 entitled “Extension and Refinement of Tax Concessions for Promoting the Debt Market” issued by MAS on 28 June 2013, during the period from 1 January 2014 to 31 December 2018, are intended to be “qualifying debt securities” for the purposes of the Income Tax Act, Chapter 134 of Singapore, subject to the fulfilment of certain conditions more particularly described in the section “Singapore Taxation”.

However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws or MAS circulars be amended or revoked at any time.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

RMB Notes may be issued under the MTN Programme. In addition to the risks highlighted above, RMB Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of RMB Notes

Renminbi is not freely convertible at present. The government of the PRC (the “**PRC Government**”) continues to regulate conversion between Renminbi and foreign currencies despite significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. According to the “Circular of the People’s Bank of China, the Ministry of Finance, the Ministry of Commerce, the General Administration of Customs, the State Administration of Taxation and the China Banking Regulatory Commission on Issues Concerning Expansion of the Pilot Implementation of Renminbi Settlement in Cross-border Trade” (中国人民银行、财政部、商务部、海关总署、国家税务总局、银监会关于扩大跨境贸易人民币结算试点有关问题的通知), the overseas coverage areas of Renminbi settlement in cross-border trade extends to all countries and regions in the world. This represents a current account activity. However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually. On 7 April 2011, the Comprehensive Division of the State Administration of Foreign Exchange of the PRC (国家外汇管理局) promulgated the “Circular on Issues Concerning the Capital Account Items in connection with Cross Border Renminbi” (国家外汇管理局综合司关于规范跨境人民币资本项目业务操作有关问题的通知) (the “**SAFE Circular**”), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross border Renminbi (including offshore Renminbi and onshore Renminbi held in Renminbi bank settlement accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of an equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the relevant prior written consent from the MOFCOM to the State Administration of Foreign Exchange of the PRC (the “**SAFE**”) or its local counterpart of such onshore enterprise and register for a foreign invested enterprise status.

On 12 October 2011, the Ministry of Commerce of the PRC (“**MOFCOM**”) promulgated the “Circular on Certain Issues Concerning Direct Investment Involving Cross border Renminbi” (商务部关于跨境人民币直接投资有关问题的通知) (the “**MOFCOM Circular**”). Pursuant to the MOFCOM Circular, MOFCOM and its local counterparts are authorised to approve Renminbi foreign direct investments (“**FDI**”) in accordance with existing PRC laws and regulations regarding foreign investment, with certain exceptions which require the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM. The MOFCOM Circular also states that the proceeds of FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in domestic companies listed in the PRC through private placements or share transfers by agreement under the PRC strategic regime stipulated by the “Administrative Measures for Strategic Investment by Foreign Investors in Listed Companies” (外国投资者对上市公司战略投资管理办法).

On 13 October 2011, the People's Bank of China (the “PBoC”) promulgated the “Administrative Measures on Renminbi Settlement of Foreign Direct Investment” (外商直接投资人民币结算业务管理办法) (the “PBoC FDI Measures”) as part of the implementation of the PBoC’s detailed FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, the PBoC further issued the implementing rules for the PBoC FDI Measures. Under the PBoC FDI Measures, special approval for FDI and shareholder loans from the PBoC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBoC is still necessary.

On 5 July 2013, the PBoC promulgated the Notice on Simplifying the Procedures of Cross-border Renminbi Business and Improving Relevant Policies (关于简化跨境人民币业务流程和完善有关政策的通知) (the “Notice”), which simplifies the operating procedures on current account cross-border Renminbi settlement and further publishes policies with respect to issuance of offshore Renminbi bonds by onshore non-financial institutions. The Notice intends to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

As the SAFE Circular, the MOFCOM Circular, the PBoC FDI Measures and the Notice are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC. There is no assurance that the PRC Government will continue to gradually liberalise control over cross border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under RMB Notes.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the RMB Notes and the Issuer’s ability to source Renminbi outside the PRC to service RMB Notes

As a result of the restrictions by the PRC Government on cross border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBoC has established Renminbi clearing and settlement mechanisms for participating banks in Hong Kong, Singapore and Taiwan through settlement agreements on the clearing of Renminbi business (the “Settlement Agreements”) with Bank of China (Hong Kong) Limited in Hong Kong, Industrial and Commercial Bank of China Limited, Singapore Branch in Singapore and Bank of China, Taipei Branch in Taiwan (each, a “Renminbi Clearing Bank”), the current size of Renminbi denominated financial assets outside the PRC is limited.

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the RMB Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the RMB Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all. If Renminbi is not available in certain circumstances as described in the terms and conditions applicable to RMB Notes, the Issuer can make payments in Singapore dollars, at the Issuer’s option.

Payments in respect of RMB Notes will only be made to investors in the manner specified in the terms and conditions of the relevant Notes

All payments to investors in respect of RMB Notes will solely be made (i) in the case of RMB Notes which are represented by Global Notes or Global Certificates and cleared through the Depository, by transfer to a Renminbi bank account maintained by or on behalf of the Noteholder in accordance with the prevailing CDP rules and procedures, or (ii) in the case of RMB Notes which are in definitive form, by transfer to

a Renminbi bank account in accordance with prevailing rules and regulations. Subject to the terms and conditions of the Notes, the Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Gains on the transfer of the RMB Notes may become subject to income taxes under PRC tax laws

Under the PRC Enterprise Income Tax Law and its implementation rules which took effect on 1 January 2008, any gain realised on the transfer of RMB Notes by non-resident enterprise holders may be subject to enterprise income tax if such gain is regarded as income derived from sources within the PRC. However, there remains uncertainty as to whether the gain realised from the transfer of the RMB Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and its implementation rules. Therefore, if non-resident enterprise holders are required to pay PRC income tax on gains on the transfer of the RMB Notes (such enterprise income tax is currently levied at the rate of 10 per cent. of the gross proceeds, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-resident enterprise holders of RMB Notes reside that reduces or exempts the relevant tax), the value of their investment in the RMB Notes may be materially and adversely affected.

RISKS ASSOCIATED WITH THE GROUP'S BUSINESS

This section describes some of the risks that could have a material effect on the Group's business activities as at the date of this Information Memorandum. Not all potential risks are listed. Some risks are excluded because they are considered not material to the Group as a whole. Additionally, there may be risks that are not reasonably foreseeable at the date of this Information Memorandum for the Group to assess fully their potential impact on the business. The order in which risks are presented below is not indicative of the relative impact on the Group. The potential effect of these risks may be material to the Group's business by having an impact on revenue, profits, net assets and financial resources. Such risks also have the potential to impact on the Group's reputation. It is often difficult to assess with accuracy the likely impact of an event on the Group's reputation, as any damage may often be disproportionate to the event's actual financial impact.

Risks Relating to the Group's Property Development Business

Changing market conditions may adversely affect the Group's financial condition

The property market is subject to changes in economic outlook and financial market volatility. Rapidly changing market conditions, including changes in customer tastes, market prices and the desirability of a location, may adversely affect the Group's property development business. Timing of launching new projects is therefore key to securing sales of units at optimal sales prices. A downturn in the property market leading to lower property values may result in the Group having to delay the launches of new developments. This will result in increased holding costs until the development properties are sold. Further, property development requires significant capital outlays and returns on capital are not achieved until cash is received from pre-sale, sales or leases. The size of the capital outlays and number of parties involved in a property development project make it difficult to change property development plans once set. As a result, the Group may not be able to adjust its plans or reallocate its resources to adapt to rapidly changing market conditions.

The Group's property development business is heavily dependent on the performance of the real estate market in Singapore

Most of the Group's existing development projects and landbank are located in Singapore. The success of the Group's property development business therefore depends heavily on the continued growth of the real estate market in Singapore. The Group's financial condition, results of operation and profitability may be materially and adversely affected by any adverse development in the supply of or demand for property or property prices in Singapore.

The Group expects the residential real estate market in Singapore to remain highly competitive. Oversupply of developed properties could cause downward pressure on property sale prices.

The Group is subject to risks associated with the development of residential and commercial properties

The Group's primary business is the development of residential and commercial properties. Property developments typically require substantial capital outlay during the land acquisition and construction phases and may take one or more years before positive cashflows may be generated through presales, resales or sales of a completed property development. Depending on the size of the development, the time span for completing a property development usually lasts for more than a year. Consequently, changes in the business environment during the length of the project may affect the revenue and cost of the development, which in turn has a direct impact on the profitability of the projects. Factors that may affect the profitability of a project also include the risk that the receipt of government approvals may take more time than expected, the failure to complete construction according to original specifications, schedule or budget, the availability of financing and lacklustre sales of the properties. The sales and the value of a property development project may be adversely affected by a number of factors, including but not limited to the international, regional and local political and economic climate, local real estate conditions, perceptions of property buyers, competition from other available properties, changes in market rates for comparable sales and increased business and operating costs. If any of the property development risks described above materialises, the Group's returns on investments may be lower than originally expected and the Group's financial performance may be materially and adversely affected.

The Group may be unable to identify or acquire land or properties for development at commercially acceptable prices

The Group may not be able to identify and acquire attractive sites in the future at commercially acceptable prices, or at all. Its inability to identify and acquire attractive new sites at commercially acceptable prices could impair its ability to compete with other property developers and materially and adversely affect its ability to grow its business and maintain its profitability.

The Group's business may be affected by changes in government policies

The Singapore residential property market is subject to varying degrees of government regulations over, and policies on, among other things, land and title acquisition, development planning and design and construction and mortgage financing and refinancing. The Singapore Government is actively involved in the development, construction and sale of housing to middle and lower-income families through its public housing scheme. The Singapore Government is also a major supplier of land to private developers. The Singapore Government has exercised and continues to exercise significant influence over Singapore's property industry, and the policies of the Singapore Government concerning the economy or the real estate sector, or any change therein, could have a material adverse effect on the business of the Group. For example, changes to the Master Plan guidelines relating to zoning and micro-planning restrictions on land use, and changes in laws relating to sustainable development, environmental controls, building codes, stamp duty, property tax, income tax and capital gains tax could adversely affect the profitability of the Group.

The Group's business may be affected by anti-speculation measures

Historically, the Singapore Government has sought to regulate or reduce property speculation through measures such as the adoption and enforcement of regulations and the imposition of credit controls, taxes and fees. Such measures include the Income Tax (Amendment) Act 1996 which imposes income tax on gains from the disposal of any real property (and on the sale of shares in a relevant property company) within three years from the date of its acquisition by any person although that person is not otherwise carrying on a trade of buying and selling properties. This measure has been suspended with effect from 13 October 2001. In May 1996, the Singapore Government imposed additional stamp duty payable by a vendor in order to curb speculation and the spiralling property prices. This legislation was suspended in November 1997 and subsequently repealed in 2005. The seller's stamp duty ("SSD") was reintroduced from February 2010 and is imposed on all residential properties and residential lands transferred and disposed within one year of acquisition at the same rate as buyer's stamp duty. On 30 August 2010, the Singapore Government further announced that SSD would be payable on residential properties which are acquired (or purchased) on or after 30 August 2010 and disposed of (or sold) within three years of acquisition at the same rate as buyer's stamp duty but progressively decreasing depending on the holding period. On 13 January 2011, the Singapore Government announced the extension of the holding period for imposition of SSD on residential properties from three years to four years based on new rates. The new SSD rates, ranging from 4% to 16%, will be imposed on residential properties which are acquired

(or purchased) on or after 14 January 2011 and disposed of (or sold) within four years of acquisition. In December 2011, the Singapore Government introduced the additional buyer's stamp duty ("**ABSD**"), which was further enhanced in January 2013. ABSD ranging from 5% to 15% is to be paid by certain groups of people who buy or acquire residential properties (including residential land). The imposition of ABSD appears to have a moderating effect on the rate of increase of the sale price for new residential property launches in the months immediately following its introduction. However, its full long-term impact on the residential property market remains to be seen.

Further, in June 2013, the MAS introduced a new Total Debt Servicing Ratio ("**TDSR**") framework for all property loans granted by financial institutions to individuals. The new TDSR framework requires financial institutions to take into consideration borrowers' other outstanding debt obligations when granting property loans. The TDSR is the percentage of total monthly debt obligations to gross monthly income. The MAS expects any property loan extended by financial institutions to not exceed a TDSR threshold of 60% and will regard any property loan in excess of a 60% TDSR to be imprudent. The MAS has further stated that it will review the 60% threshold over time, with a view to further encouraging financial prudence. The MAS also stated that the Loan-to-Value ("**LTV**") limits on housing loans, which were last tightened in January 2013, are not permanent and will be reviewed depending on the state of the property market. The introduction of the TDSR framework and any future reduction in the acceptable TDSR threshold or allowable LTV limits may have an adverse effect on the Singapore residential property market.

The Singapore Government may introduce further legislation or policies or amend existing legislation or policies to moderate the Singapore residential property market or to encourage financial prudence. Such measures may have an adverse effect on the Singapore residential property market and on the Group's financial performance.

To curb speculation in real estate, the governments of the foreign jurisdictions where the Group operates have also been seen to adopt similar measures including tightening lending policies, imposing higher down payments and property tax. As a consequence the Group's residential sales volume and prices in such jurisdictions may be adversely affected.

The Group is subject to risks in relation to pre-sold properties

The Group faces risks relating to pre-sale of properties. For example, the Group may fail to complete a fully or partially pre-sold property development, in which case, the Group may be liable for potential losses that buyers may suffer as a result. There can be no assurance that these losses would not exceed the purchase price paid in respect of the pre-sold units. In addition, if a pre-sold property development is not completed on time, the buyers of pre-sold units may be entitled to compensation for late delivery. Failure to complete a property development on time may be attributed to factors such as the time taken and the costs involved in completing construction, which are in turn adversely affected by factors such as delays in obtaining requisite licences, permits or approval from government agencies or authorities, shortages of labour, adverse weather conditions, natural disasters, labour disputes, dispute with contractors, accidents and changes in government priorities and policies. If the delay extends beyond the contractually specified period, these buyers may even be entitled to terminate the pre-sale agreements and claim damages. There is no assurance that the Group will not experience any significant delays in completion or delivery or that the Group will not be subject to any liabilities for any such delays. Further, a high default rate of the buyers under their respective sale agreements could have an adverse effect on the Group's property development business, cashflow and financial position.

The Group relies on independent contractors to provide property development products and services

The Group engages independent third party contractors to provide significant property development services, including piling and foundation, structural works, architectural works, building and property fitting-out work, interior decoration and installation of air-conditioning units and elevators and all other mechanical and electrical ("**M&E**") works. There can be no assurance that the services rendered by any such independent contractor or any subcontractor will be completed in a timely manner or of satisfactory quality. If these services are not timely or of acceptable quality, the Group may incur substantial costs to complete the projects and remedy any defects and the Group's reputation could be significantly harmed. The Group is also exposed to the risk that a contractor may require additional funds in excess of the fixed cost to which they committed contractually and the Group may have to bear such additional amounts. For instance, the Singapore Government's recent move to reduce the number of foreign workers and its

restriction of foreign labour entitlements in Singapore may reduce the labour supply to the construction industry. Any contractor that experiences financial or other difficulties, including labour shortages or disputes with its employees, may be unable to carry out construction or related work, resulting in delay in the completion of the Group's development projects or resulting in additional costs. The Group believes that any problems with the Group's contractors, individually or in the aggregate, may materially and adversely affect the Group's financial condition, results of operations or reputation. There is no assurance that such problems with the Group's contractors will not occur in the future.

Certain construction risks may arise during the building of any new property

Construction of new developments entails significant risks, including shortages of materials or skilled labour, unforeseen engineering, environmental or geological problems, work stoppages, litigation, weather interference, floods and unforeseen cost increases, any of which could give rise to delayed completions or cost overruns. Difficulties in obtaining any requisite licences, permits, allocations or authorisations from regulatory authorities could also increase the cost, or delay the construction or opening of, new developments. All of these factors may affect the Group's business, financial condition and results of operations.

The Group faces increasing competition

The Group's real estate business competes with both domestic and international companies with respect to factors such as location, pricing, concept and design. Intensified competition between real estate developers may result in increased costs for land acquisition, lower profit margins and a slowdown in the approval process for new property developments by the relevant government authorities all of which may adversely affect the Group's property development business. As a result, there can be no assurance that the Group will be able to compete successfully in the future against its existing or potential competitors or that increased competition with respect to the Group's activities may not have a material adverse effect on its business and financial condition.

The Group's performance may be affected by changes in commodity prices

The Group faces risks in relation to changes in commodity prices due to the consumption of large quantities of building materials, including raw iron, steel, sand, granite and concrete, in its property development operations. As a property developer, in general, the Group enters into fixed or guaranteed maximum price construction contracts with independent construction companies, each of which concerns the development of a significant part of its overall development project. These contracts typically cover both the supply of the building materials and the construction of the facility during the construction period. In accordance with industry practice, the Group or its contractors may amend existing construction contracts, including fixed or maximum price terms, to take into account significant price movements of construction materials. Therefore, should the price of building materials increase significantly prior to the Group entering into a fixed or guaranteed maximum price construction contract, or should its existing contractors fail to perform under their contracts, the Group may be required to pay more to existing or prospective contractors, which could materially and adversely affect the Group's results of operations and financial condition.

Additional Risks Relating to the Group's Operations in the PRC

The PRC Government has implemented property control measures in relation to the PRC property market

Increasing speculation in the PRC property market may result in rapid increases in property prices. To discourage speculation in the PRC property market, the PRC Government has, among other things, implemented the control measures below.

On 7 January 2010, the General Office of the State Council issued the Notice Regarding the Promotion of Stable and Healthy Development of the Property Market (国务院办公厅关于促进房地产市场平稳健康发展的通知), which requires the local governments at all levels to strengthen the real estate credit risk management, to rectify the property market, and to intensify its efforts to promote the healthy development of the property market through supporting reasonable housing consumption, curbing speculative investment and increasing effective supply.

On 17 April 2010, the State Council issued the Notice Regarding Curtailing the Excessively Prompt Increase in Property Prices in Certain Cities (国务院关于坚决遏制部分城市房价过快上涨的通知), which increased the minimum down-payment ratio for second homes from 40% to 50%. The State Council also required mortgage banks to strictly adhere to the policy of charging mortgage rates for second homes at no less than 110% of the corresponding benchmark lending rate. The State Council required banks in cities with significant property price increases to stop lending to buyers of third properties. Banks can also suspend mortgage lending to non-local residents who cannot provide tax returns or proof of social security contributions for more than one year. The State Council also authorised local governments to restrict the number of properties an individual can buy.

On 16 January 2011, the General Office of the State Council issued the Notice on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market (国务院办公厅关于进一步做好房地产市场调控工作有关问题的通知), which further increased the minimum downpayment ratio for second homes from 50% to 60%. The State Council also authorised the local branches of the PBoC to raise the down-payment ratio and mortgage rate for second homes in light of objectives and policies of local governments.

On 26 February 2013, the General Office of the State Council issued the Circular on Further Regulation and Control of the Real Estate Market (国务院办公厅关于继续做好房地产市场调控工作的通知), which introduced six policy measures to control the real estate market, including: (1) improving the accountability system for stabilisation of house prices; (2) strictly controlling over house purchase for speculation; (3) increasing the supply of ordinary residential houses and the land supply of residential houses; (4) accelerating the planning and construction of subsidised housing projects; (5) tightening the market regulations and forecast management; and (6) accelerating the establishment and optimisation of the long-term mechanism for the healthy development of the real estate market.

So far, the PRC Government has placed emphasis on regulating investments in the residential property market given that this relates closely to people's livelihoods. While these regulations and policies do not have any material impact on the commercial property market from a legal point of view, more funds may turn to the commercial property market and cause it to overheat as investments in residential property are burdened by these regulations and policies. In such cases, there is no assurance that the PRC Government will not extend such control measures to regulate commercial properties. Although various control measures are intended to promote more balanced property developments in the long-term, these measures could adversely affect the development and sales of the Group's properties. In addition, there is no assurance that the PRC Government will not introduce additional measures from time to time to regulate the growth of the PRC property market. The continuation of the existing measures and the introduction of any new measures may materially and adversely affect the Group's business, financial condition and results of operations in the PRC.

The Group's PRC operations are subject to extensive PRC regulatory control on foreign investment in the real estate sector

The PRC Government has promulgated a number of regulations and rules regulating foreign investment in the real estate sector. Pursuant to the Circular on Strengthening Administration of Approval and Filing of Foreign Investment in Real Estate Industry (关于加强外商投资房地产业审批备案管理的通知) (Shang Ban Zi Han [2010] No. 1542) issued by the General Office of MOFCOM on 22 November 2010, foreign-invested real estate enterprises are not permitted to purchase and resell real properties in the PRC that are either completed or under construction for arbitrage purposes. There can be no assurance that the PRC Government will not deem any transaction of real properties or any transfer of equity in real estate companies as arbitrage through transaction of real estate. The regulation is believed to be aimed at controlling inflow of foreign capital by curtailing the practices of reselling properties for arbitrage purposes adopted by some foreign investors, which is an indication that the PRC Government has been imposing stricter policies on foreign investment in the real estate industry. There is also no assurance that the PRC Government will not implement additional restrictions on foreign investment in the real estate industry and purchases and sales of real estate properties by foreign investors.

Making capital contributions or loans to the Issuer's PRC subsidiaries is subject to PRC regulations

Any capital contributions that the Issuer, as an offshore entity, makes to its PRC subsidiaries are subject to PRC regulations; the Issuer's capital contributions to each of its PRC subsidiaries must be approved by MOFCOM, or its local counterpart. The Issuer cannot provide any assurance that it will be able to obtain these approvals on a timely basis, or at all. If the Issuer fails to obtain such approvals, the ability to make equity contributions to its PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect their liquidity and ability to fund their working capital and projects and meet their obligations and commitments.

On 29 August 2008, the SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into Renminbi by restricting how the converted Renminbi may be used. SAFE Circular 142 provides that the Renminbi capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and unless otherwise provided by law, such Renminbi capital may not be used for equity investments within the PRC. In addition, the SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from foreign currency registered capital of a foreign-invested company. The use of such Renminbi capital may not be altered without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 could result in severe monetary or other penalties. Based on this, the Group may not be able to convert the net proceeds in foreign currencies it receives from any offering of Notes under the MTN Programme into Renminbi to make equity investments in the PRC through its foreign invested PRC subsidiaries.

On 23 May 2007, the MOFCOM and the SAFE issued the Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry (关于进一步加强、规范外商直接投资房地产业审批和监管的通知), which stipulated that the SAFE will no longer process foreign exchange registrations for foreign-invested real estate enterprises established in violation of relevant regulations. The SAFE will not provide sale and settlement of foreign exchange in the capital account services for foreign-invested real estate enterprises which obtained approval certificates from the commerce departments of local governments but had not registered with the MOFCOM or have not passed the unified annual foreign-invested enterprise inspection. Meanwhile, under the PBoC FDI Measures, where a foreign-invested real estate enterprise handles the inward remittance of RMB capital funds in foreign direct investment, the banks also need to visit the website of the MOFCOM to verify whether the foreign-invested real estate enterprise has filed with the MOFCOM.

On 28 April 2013, the SAFE issued the Measures for the Administration of Foreign Debt Registration (外债登记管理办法) and the Guidelines on the Administration of Registration of Foreign Debts (外债登记管理操作指引), which state that the SAFE will no longer process foreign debt registrations for foreign exchange submitted by foreign-invested real estate enterprises which obtained approval certificates from and registered with the MOFCOM on or after 1 June 2007. Foreign-investment real estate enterprises which were established prior to 1 June 2007 may borrow foreign debt within its original borrowing gap and if such borrowing gap is reduced due to a capital increase, the reduced borrowing gap shall be applied; if the register capital of a foreign-invested real estate enterprise has not been paid up, or the foreign-invested real estate enterprise has not received the Certificate for the Use of State-owned Land, or the capital for developing the project has not reached 35% of the total project investment amount, it shall not be allowed to obtain a loan either onshore or offshore, and the SAFE will not process foreign debt registrations for it. Furthermore, according to the implementing rules for the PBoC FDI Measures, a foreign-invested real estate enterprise cannot borrow Renminbi funds from abroad.

The Group's PRC-sourced income may be subject to PRC withholding tax under the Enterprise Income Tax Law of the PRC

Under the Enterprise Income Tax Law and its implementation rules, the PRC-sourced income of non-PRC resident enterprises, such as dividend paid by PRC resident enterprises to non-PRC resident enterprise shareholders, is generally subject to a 10 per cent. withholding tax, unless the tax rate is reduced by a

tax treaty between the PRC and the relevant jurisdiction. If the Issuer is considered a non-PRC resident enterprise, dividends it receives from its PRC subsidiaries will generally be subject to a 10 per cent. withholding tax under the Enterprise Income Tax Law and its implementing rules.

Risks Relating to the Group's Hotel Operations

The financial performance of the Group's hotel operations depends on the conditions of the hospitality industry in the countries in which the Group has hospitality assets and/or operates

A number of factors are beyond the control of the Group, and could affect the financial performance of the Group's hotel operations, including the following:

- major events affecting either economic or political stability on a global and regional level represent an exposure to the Group. Economic events could include recessionary pressures which would have an impact on the Group's revenue, operating costs and profitability. Political risk could include changes in the regulatory environment in which the Group's business activities operate, including restrictions on the repatriation of funds or control over the ownership of assets;
- the hotel industry operates in an inherently cyclical market place. A weakening of demand, or an increase in market room-supply, may lead to downward pressure on room rates which in turn would lead to a negative effect on operating performance;
- sustained levels of occupancy and room rates can be adversely affected by events that reduce domestic or international travel. Such events may include acts of terrorism, war or perceived increased risk of armed conflict, civil unrest, epidemics, natural disasters or other calamities, increased cost of travel or industrial action. These events may be localised to a particular country, region or could have a wider international perspective. Reduced demand will impact on revenue and operational profitability;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- the nature and length of a typical hotel guest's stay — hotel guests typically stay on a short-term basis and there is therefore no assurance of long-term occupancy for hotel rooms;
- the Group may be called to renegotiate the terms of collective agreement with unionised hospitality staff from time to time. No assurance can be given that the Group's employment contracts can be renegotiated on the terms agreeable to it and the staff upon the expiration of the contracts. The inability to negotiate satisfactory terms with the unions may impact the Group's ability to hire and retain qualified personnel, which will adversely affect the standards of its hospitality business, and thus the results of its operations and its prospects;
- increases in operating costs due to inflation, labour costs, workers' compensation and health-care related costs, utility costs, insurance and unanticipated costs such as acts of nature and their consequences; and
- changes in travel patterns resulting from increases in transportation or fuel costs, strikes among workers in the transportation industry and adverse weather patterns.

These factors could have adverse effects on the Group's results of operations and, consequentially, financial condition.

Accidents, injuries or prohibited activities in the Group's hotels may adversely affect its reputation and subject it to liability

There are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests) that may take place in hotels. The occurrence of one or more accidents, injuries or prohibited activities at any of the Group's hotels could adversely affect its safety reputation among guests, harm its brand, decrease its overall occupancy rates and increase its costs by requiring the Group to implement additional safety measures. In addition, if accidents, injuries or prohibited activities occur at any of the Group's hotels, it may be held liable for costs or damages and fines. The

Group's current property and liability insurance policies may not provide adequate or any coverage for such losses, and the Group may be unable to renew its insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

The Group's hospitality business operations require hotel licences, which may be adversely affected by any failure to obtain, renew or obtain the transfer of, such licences

The operation of hotels is generally subject to various local laws, rules and regulations. The withdrawal, suspension or non-renewal of any of the certificates of registration and/or licences, or the imposition of any penalties as a result of any infringement or non-compliance with any applicable laws, rules or regulations, will have an adverse impact on the businesses at its hotels and their results of operations. Further, any changes in such laws, rules and regulations may also impact the businesses at the Group's managed hotels and may result in higher costs of compliance. Any failure to comply with new or revised laws, rules and regulations could result in the imposition of fines or other penalties by the relevant authorities. This could have an adverse impact on the revenue and profits of the hotels or otherwise adversely affect their operations.

The growth of the Group's hotel business is dependent on the following:

- *Intellectual property rights and brands.* Future development will, in part, be dependent on the recognition of the Group's brands and perception of the values inherent in those brands. Substantial investment continues to be made in protecting the Group's brands from misuse and infringement, by way of trade mark registration and domain name protection. Consistent delivery of product quality is vitally important to influencing consumer preference and creating and maintaining value perception. Historically the Group has mainly operated properties it owns. The increasing trend towards managing third-party properties increases the risk that product quality may not be delivered in accordance with brand standards. This may increase the Group's exposure to litigation, increase risks to the reputation of the Group's brands, reduce revenue and become an inhibiting factor on on-going development.
- *Management agreements.* A key focus within the Group's strategy is to increase the number of management contracts of third-party properties. In this regard, the Group faces competition from established global and regional brands within the market place. Successful execution of this strategy will depend on the Group's ability to identify suitable management opportunities, secure contracts on suitable contractual terms and ensure that contractual commitments are met and retained going forward. The Group faces the risk of slower growth in the event it is unsuccessful in penetrating this market.
- *Information technology systems and infrastructure.* The Group invests in systems that are tried and tested so that as much operational resilience as possible, cost considerations permitting, can be obtained. Investment is made in robust infrastructure technology to provide a reliable operating platform. In order to maintain its competitiveness within the market place, the Group may, in the future, need to make a substantial investment in new technology. Crisis management and disaster recovery plans are in place for business critical systems.
- *Property ownership.* The Group's strategy is to be both owner and manager of hotel properties. Growth of the Group's portfolio of owned assets is dependent on the availability of suitable development sites, acquisitions and access to funding. A limit on such opportunities may have a negative impact on future operational profitability. Property ownership requires on-going investment in the form of preventive maintenance, refurbishment, existing and new capital expenditure and product development. There is also the possible loss of capital due to uninsured events and reductions in asset values as a result of demographic changes in the markets in which the properties are located.

The hospitality industry is competitive

The global hospitality industry is highly competitive. The hotels owned and/or managed by the Group typically experience competition primarily from other similar upscale hotels in their immediate vicinity, and also with other hotels in their geographical market. The level of competition in the global hospitality industry is affected by various factors, including changes in economic conditions, both locally, regionally and globally, changes in local, regional and global populations, the supply and demand for hotel rooms and changes in travel patterns and preferences. Competing hotels may offer more facilities at their

premises at similar or more competitive prices compared to the facilities offered at the hotels owned or managed by the Group. Competing hotels may also significantly lower their rates or offer greater convenience, services or amenities, to attract more guests. If these efforts are successful, the results of operations at the hotels owned or managed by the Group may be adversely affected.

There can also be no assurance that demographic, geographic or other changes will not adversely affect the convenience or demand for the hotels owned or managed by the Group.

Some of the Group's hotel rooms are booked through third-party online and other hotel reservation intermediaries and consolidators to whom the Group pays commissions for such services. They may be able to negotiate higher commissions, reduced room rates, or other significant concessions from the Group. The Group believes that such intermediaries and consolidators attempt to develop and increase customer loyalty toward their reservation systems rather than the Group's. As a result, the growth and increasing importance of these travel intermediaries and consolidators may adversely affect the Group's ability to control the supply and price of its room inventory, which would in turn adversely affect its margins and profitability.

An over-supply in room availability in the markets where the Group owns or manages hotels could adversely affect occupancy rates and the average daily hotel rates of the hotels owned or managed by the Group.

Risks Relating to the Group's Investment Properties Business

The Group may not be able to generate adequate returns on its properties held for long-term purposes

Property investment is subject to varying degrees of risks. The investment returns available from investments in real estate depend, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties as well as the expenses incurred. Maximising yields from properties held for long-term investment also depends to a large extent on active on-going management and maintenance of the properties. The ability to eventually dispose of investment properties will also depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. The revenue derived from and the value of property investment may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, the inability to collect rent due to bankruptcy or insolvency of tenants and the costs resulting from periodic maintenance, repair and re-letting. If the Group expands the property investment aspect of the Group's business but are unable to generate adequate returns, the Group's financial condition and results of operations may be adversely affected.

Failure to find replacement tenants may affect the Group's performance

Ongoing global financial uncertainties may impact tenants of the Group's investment properties. There is no certainty that existing tenants will renew their tenancies. The Group faces the risk that vacancies following non-renewal of leases may lead to reduced occupancy levels or that the terms of replacement tenancies could be less favourable than current leases, which may in turn reduce the Group's revenue. If the leases are not renewed or are renewed on terms less favourable to the Group than current leases in a concentrated manner in a year this could affect the Group's business, financial condition, results of operations and prospects for that year. In the event that a concentration of leases expire at the same time, the Group's existing or prospective tenants may leverage in negotiating a lower rental price, which might adversely impact the Group's revenue and business.

Other Risks Relating to the Group's Business

The Group is exposed to the risk of expropriation of its properties in the countries in which it operates

The laws of the countries in which the Group's properties are currently located and regions into which the Group may expand to, may allow their respective governments, to compulsorily acquire land and buildings under certain circumstances, including if it is in the public interest to do so. In the event that all or any part of the Group's land or property is compulsorily acquired, the compensation paid in respect of the acquired property could be less than its market value or the price paid by the Group for acquiring the property. Such compulsory acquisition could therefore adversely affect the Group's business, financial condition, results of operations and prospects.

For example, the Land Acquisition Act, Chapter 152 of Singapore, *inter alia*, gives the Singapore Government the power to acquire any land in Singapore:

- for any public purpose;
- where the acquisition is required by any person, corporation or statutory board, for any work or undertaking which is of public benefit or of public utility or in the public interest; or
- for any residential, commercial or industrial purpose.

In determining the amount of the compensation to be awarded pursuant to any such compulsory acquisition, the following matters, *inter alia*, would be considered: (i) the market value of the property as at the date of the publication in the *Singapore Government Gazette* of the notification of likely acquisition of the land (provided that within six months from the date of publication of such notification, a declaration of intention to acquire is made by publication in the Singapore Government Gazette); or (ii) the market value of the property as at the date of publication in the Singapore Government Gazette of the declaration of intention to acquire in any other case.

Accordingly, if the market price of the property or part thereof which is acquired is greater than the market values referred to above, the compensation paid in respect of the property will be less than its market value. In such event, such compulsory acquisitions would have an adverse effect on the Group's financial condition.

The Group may be involved in legal and other proceedings arising from its operations from time to time

The Group may be involved from time to time in disputes with various parties involved in the development and sale of the Group's properties (such as contractors, sub-contractors, suppliers, construction companies, purchasers and other partners), and the management and operations of the Group's hotels and investment properties. These disputes may lead to legal and other proceedings, and may cause the Group to suffer additional costs and delays. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject the Group to administrative proceedings and unfavourable decrees that result in financial losses and/or a delay in the construction or completion of the Group's projects.

Potential liability for environmental problems could result in substantial costs

The Group is subject to a variety of laws and regulations in jurisdictions in which it invests and operates concerning the protection of health and the environment that may require a current or previous owner of real estate to investigate and clean up hazardous or toxic substances on a property. For example, owners and operators of real estate may be liable for the costs of removal or remediation of certain hazardous substances or other regulated materials on or in such property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such substances or materials. The cost of investigation, remediation or removal of these substances may be substantial. Environmental laws and regulations in jurisdictions in which it invests and operates may also impose compliance obligations on owners and operators of properties with respect to the management of hazardous substances and other regulated materials. Failure to comply with these laws can result in penalties or other sanctions. The Group believes that it is in compliance in all material respects with applicable environmental regulations in jurisdictions in which it invests and operates. However, if the Group fails to comply with existing or future environmental laws and regulations in the jurisdictions in which it operates, its reputation may be damaged or it may be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group may suffer an uninsured loss

The Group maintains insurance cover appropriate to its risk profile after taking into account the level of retained risk the Group considers to be appropriate, relative to the cost of cover available in the market place. Not all risks are insured, either because the risk is uninsurable or that cover is not available on commercially viable terms. The Group is also exposed to the risk of cover not being continually available. Availability may be influenced by factors outside the Group's control, which could reduce the markets' underwriting capacity, breadth of policy coverage or simply make the cost of cover too expensive. The

Group could be exposed to uninsured third-party claims, loss of revenue or reduction of fixed asset values which may, in turn, have an adverse effect on Group profitability, cash flows and ability to satisfy banking covenants. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future or that adequate insurance coverage for the Group will be available in the future on commercially reasonable terms, at commercially reasonable rates or at all.

The Group is exposed to general risks associated with the ownership and management of real estate

Property investment is subject to risks incidental to the ownership and management of commercial properties. In particular, risks associated with the Group's property rental business (and to a lesser extent, the Group's hospitality and property development businesses) would include, among other things, defects (latent or otherwise) in buildings, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in the Group's financial statements, increased operating costs, the need to renovate, repair and re-let space periodically and to pay the associated costs, wars, terrorist attacks, riots, civil commotions, natural disasters and other events beyond the Group's control. The activities of the Group may also be impacted by changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. Rights related to the relevant properties may also be restricted by legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws relating to government appropriation, condemnation and redevelopment.

The Group is exposed to risks relating to the quality and extent of the title to or interests in the properties in the Group's portfolio

The quality, nature and extent of the title to the properties in the Group's portfolio vary, depending on a number of factors, including:

- the stage of development of the property;
- the extent to which the contract pursuant to which the property interest was acquired has been performed, the extent to which the terms and conditions thereunder have been complied with, and the amount of the purchase consideration which has been paid;
- the extent of compliance by the Group or any other relevant party (including previous owners, the vendor of the property and the entity in which the Group invested that has acquired or is acquiring the property) with all relevant laws and regulations relating to the ownership, use, sale, development or construction of the property;
- the manner under which the interest in the property is held, whether through a joint venture, a development agreement, under a master lease, an option to purchase, a sale and purchase agreement, through asset-backed securities or otherwise;
- in the case where the property interests are leasehold interests, the extent of compliance by the Group or any other relevant party (including previous lessees or lessors, the vendor of the property and the entity in which the Group has invested that has acquired or is acquiring the property) with the terms and conditions of the state or head lease or any other document under which the title of the property is derived;
- the capacity, power, authority and general creditworthiness of the counterparties to the contractual and other arrangements through which the Group has acquired its interest in the property;
- the laws and regulations that apply to the property; and
- the country and location of the property.

The limitations described above on the quality, nature and extent of the title to the land and properties in the Group's portfolio of property interests impact its ability to deal with and have control over its property interests, and the conditions under which it may own, develop, operate or manage the property. No assurance can be given that the quality, nature and extent of the title to the Group's property interests will not be challenged or adversely impacted or will not adversely affect the Group's ability to deal with its property interests and in turn the value of its investment in these properties.

The Group's operations are subject to various regulatory requirements

The Group's operations are subject to various regulatory requirements. Failure to comply with these requirements could result in the imposition of fines or other penalties by governmental authorities, which may include the revocation of governmental licences. This may also result in delays to the completion of the Group's property development projects. Any penalties imposed by governmental authorities may materially and adversely affect the business of the Group.

The real estate industry in the countries in which the Group operates is subject to significant government regulation. In particular, regulatory approvals may be required for, among other things, land and title acquisition or divestment, development planning and design, construction, renovation and asset enhancement, and mortgage financing and refinancing. Such approvals may stipulate, maximum periods for the commencement of development of the land. Some of these countries may also restrict the level, percentage and manner of foreign ownership and investment in real estate. Some of these laws and regulations are at times ambiguous and their interpretations and applications can be inconsistent or uncertain, making compliance with them challenging, and may be potentially detrimental to the Group. If the Group fails to obtain the relevant approvals or comply with applicable laws and regulations, it may be subject to penalties, have its licences or approvals revoked, or lose its right to own, develop or manage its properties and its businesses, any or all of which could have a material and adverse impact on its business, financial condition, results of operations and prospects.

The outbreak of an infectious disease or any other serious public health concerns in Singapore could adversely impact the business, results of operations and financial condition of the Group

The outbreak of an infectious disease of pandemic nature in Singapore such as SARS, Middle East respiratory syndrome coronavirus, avian influenza or H1N1 (commonly referred to as "swine flu") in Singapore or elsewhere in Asia could have a negative impact on the region's economy and may result in an adverse development in the supply of or demand for property or in property prices, which would in turn have a material and adverse effect on the Group's business, results of operations and financial conditions. There can be no assurance that any precautionary measures taken against infectious diseases would be effective. A future outbreak of an infectious disease or any other serious public health concern in Singapore or in Asia could seriously harm the Group's business.

Terrorist attacks, other acts of violence or war and adverse political developments may affect the business and results of operations of the Group

The terrorist attacks in Southeast Asia and the rest of the world have resulted in substantial and continuing economic volatility and social unrest in Southeast Asia. Any further developments or terrorist activities could also materially and adversely affect international financial markets and the Singapore economy and may adversely affect the operations, revenues and profitability of the Group. The consequences of any of these terrorist attacks or armed conflicts are unpredictable, and the Group may not be able to foresee events that could have an adverse effect on its businesses and results of operations.

The Group's real estate investments may be illiquid

Real estate investments are generally illiquid. Such illiquidity limits the ability of an owner or a developer to convert real estate assets into cash on short notice or may require a substantial reduction in the price that may otherwise be sought for such asset to ensure a quick sale. Such illiquidity also limits the ability of the Group to vary its portfolio in response to changes in economic, real estate market or other conditions. This could have an adverse effect on Group's financial condition and results of operations, with a consequential adverse effect on the Group's ability to make expected returns. Moreover, the Group may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real estate due to its illiquidity.

The market values of the Group's properties may differ from their appraised values as determined in the valuation reports

The valuations of the Group's properties are based on certain assumptions which may differ materially from actual measures of the market. Property valuations generally include a subjective determination of certain factors relating to the relevant property, such as the property's relative market position, financial and competitive strengths and physical condition. Accordingly, no assurance can be given to prospective investors that the assumptions are accurate measures of the market or that the valuation of each of the Group's properties is accurate. The market value of the Group's properties or any future acquisitions may, therefore, differ from their appraised values. The appraised value of any of the Group's properties or any future acquisitions is not an indication of, and does not guarantee, a sale price at that value at present or in the future. The price at which the Group may sell a property may be lower than its appraised value or the initial acquisition price of that property.

The Group depends on the continued service of certain key personnel, and the loss of any such key personnel may adversely affect its financial condition and results of operations

Execution of the Group's strategy depends on its ability to attract, develop and retain employees with the appropriate skills, experience and aptitude. Development and maintenance of a group culture, recognition systems, compensation and benefits arrangements, training and development all play leading roles in minimising this risk. The loss of key employees may have a material adverse effect on the Group's businesses, financial condition and results of operations.

The Group's key businesses are generally capital intensive in nature, and the Group's growth may be affected if it is unable to obtain financing

The Group's key businesses are generally capital intensive in nature. For instance, the Group's hospitality and investment properties will require periodic capital expenditure, refurbishments, renovation and improvements to remain competitive. Acquisitions or development of additional hotels and property assets (including landbank for future development) will also require significant capital expenditure. The Group may not be able to fund capital improvements or acquisitions solely from cash generated from its operating activities. The Group may not be able to obtain additional equity or debt nor be able to obtain such financing on favourable terms.

The Group may require additional financing to fund working capital requirements, to support the future growth of its business and/or to refinance existing debt obligations. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group. Factors that could affect the Group's ability to procure financing include the cyclicity of the property market and market disruption risks which could adversely affect the liquidity, interest rates and the availability of funding sources.

The Group is exposed to risk of liquidity disruptions and increased financing costs

In recent times, credit markets worldwide have experienced significant volatility including a reduction in liquidity levels, increasing costs for credit protection and a general decline in lending activity between financial institutions and in commercial lending markets worldwide. These developments may result in the Group incurring increasing financing costs associated with the Group's levels of debt. Furthermore, there can be no assurance that the Group will be able to raise financing either on a short-term or a longer term basis on favourable terms or at all, which could have a material adverse effect on the Group. The Group's ability to meet its payment obligations and to fund planned capital expenditures will depend on the success of the Group's business strategy and the Group's ability to generate sufficient revenues to satisfy its obligations, which are subject to many uncertainties and contingencies beyond the Group's control.

The Group is subject to exchange rate fluctuations

Although the Group engages in certain hedging activities to mitigate currency exchange rate exposure, the impact of future exchange rate fluctuations among the US dollar, the Singapore dollar and other currencies on the Group's cost of sales and margins cannot be accurately predicted. Some of the currencies may not be convertible or exchangeable or may be subject to exchange controls. The reporting currency for the Group is Singapore dollars. Exchange rate fluctuations will arise when the assets and

liabilities in foreign currencies are translated into Singapore dollars for financial reporting purposes. If the foreign currencies depreciate against the Singapore dollar, this may adversely affect the consolidated financial statements of the Group.

The Group is subject to credit risk arising from defaulting counterparties

Credit risk may arise when counterparties default on their contractual obligations resulting in financial loss to the Group. Although the Group adopts a policy of only dealing with creditworthy counterparties and the Group regularly reviews its credit exposure to its customers, credit risks may nevertheless arise from events or circumstances that are difficult to anticipate or detect, including, but not limited to, political, social, legal, economic and foreign exchange risks that may have an impact on its customers' ability to make timely payment and render the Group's enforcement for payments ineffective. Credit risk on cash and bank balances and derivative financial instruments including interest rate hedging is limited as these are placed or transacted with reputable institutions.

The Group's property development business may be subject to risks in investing outside Singapore

The Group's property operations in foreign countries could expose it to political, economic, regulatory and social risks and uncertainties specific to those countries. These investments may also be adversely affected by a number of local real estate market conditions in these countries, such as oversupply, the performance of other competing properties or reduced demand. Any changes in the political environment and the policies by the governments of these countries, which include, *inter alia*, restrictions on foreign currency conversion or remittance of earnings, the requirement for approval by government authorities, changes in laws, regulations and interpretation thereof and changes in taxation could adversely affect the Group's future results and investments, which may also be exposed to currency fluctuations when they are converted to Singapore dollars. Such unfavourable events in such foreign countries will have an adverse impact on the Group's distributable income and asset value.

The Group is reliant on effective marketing and branding strategies

The Group relies on a number of factors such as price, location and product quality as well as its brand recognition and branding strategies to expand its customer base and increase its market share in Singapore and other target markets. In the event that its marketing strategies fail to promote the Group's products or enhance its brand names due to a failure to spend sufficient resources for such purposes, its business and operating results may be adversely affected. The success and continued growth of the Group's business is also dependent on its ability to establish effective marketing strategies to maintain and increase its customer base, to capture a bigger market share and increase its turnover. Any misjudgement in assessing its customers' needs and changes in its customers' preferences could result in loss of sales. In such event, the Group's profitability will be adversely affected.

The Group's business is exposed to tax and treasury risk

The Group's businesses operate in numerous tax jurisdictions. Changes in tax laws in any of those jurisdictions may have adverse consequences to the Group's profits. The Group's interpretation and application of various tax laws may be challenged, with the possible result of the Group having to incur unforeseen tax liabilities. The Group trades in numerous international currencies. Fluctuations in currency exchange rates could dilute the Group's reported trading results as well as the Group's net asset value. Unhedged interest rate exposures pose a risk to the Group when interest rates rise, resulting in increased costs of funding and an adverse impact on overall financial performance.

The Group's financial statements are subject to changes in accounting standards

The Singapore Accounting Standards Council may issue new and revised accounting standards and pronouncements from time to time. Applying such standards and pronouncements to the Group's financial statements may result in a change in the presentation and measurement of financial information. This may result in a change in the way the Group records its revenues, expenses, assets, liabilities or reserves. The Group cannot predict the impact of these changes in accounting standards and pronouncements. These changes could adversely affect the Group's reported financial results and positions and adversely affect the comparability of the Group's future financial statements with those relating to prior periods.

The Group may encounter problems with its joint ventures that may adversely affect its business

The Group has, and expects in the future to have, interests in joint venture entities in connection with its property development plans. There may be disagreements between the Group and its joint venture partners regarding the business and operations of the joint ventures which may not be resolved amicably. In addition, the Group's joint venture partners may (i) have economic or business interests or goals that are inconsistent with that of the Group; (ii) take actions contrary to the Group's instructions, requests, policies or objectives; (iii) be unable or unwilling to fulfil their obligations; (iv) have financial difficulties; or (v) have disputes with the Group as to the scope of their responsibilities and obligations. Any of these and other factors may materially and adversely affect the performance of the Group's joint ventures, which may in turn materially and adversely affect the Group's financial condition and results of operations.

Failure to maintain the integrity of internal or customer data could result in harm to the Group's reputation or subject the Group to costs, liabilities, fines or lawsuits

The Group's business involves collecting and retaining large volumes of internal and customer data, including credit card numbers and other personal information, and its various information technology systems enter, process, summarise and report such data. The Group also maintains information about various aspects of its business operations as well as its employees. The integrity and protection of the Group's customer, employee and company data is critical to its business. In 2012, the Singapore Government introduced the Personal Data Protection Act 2012 (Act 26 of 2012), which regulates the collection, use and disclosure of personal data. Any theft, loss, fraudulent or unlawful use of customer, employee or company data could harm the Group's reputation or result in remedial and other costs, liabilities, fines or lawsuits.

PURPOSE OF THE MTN PROGRAMME AND USE OF PROCEEDS

The net proceeds arising from the issue of Notes under the MTN Programme (after deducting issue expenses) will be used to finance the general working capital requirements and corporate funding of the Group, and/or to refinance the existing borrowings of the Group.

CLEARING AND SETTLEMENT UNDER THE DEPOSITORY SYSTEM

Clearance and Settlement

In respect of Notes which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities ("**Depository System**") maintained by CDP. Notes that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Notes which are accepted for clearance by CDP, the entire issue of the Notes is to be held by CDP in the form of a global note for persons holding the Notes in securities accounts with CDP ("**Depositors**"). Delivery and transfer of Notes between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors. Although CDP encourages settlement on the third business day following the trade date of debt securities, market participants may mutually agree on a different settlement period if necessary.

Settlement of over-the-counter trades in the Notes through the Depository System may only be effected through certain corporate depositors ("**Depository Agents**") approved by CDP under the Companies Act to maintain securities sub-accounts and to hold the Notes in such securities sub-accounts for themselves and their clients. Accordingly, Notes for which trade settlement is to be effected through the Depository System must be held in securities sub-accounts with Depository Agents. Depositors holding the Notes in direct securities accounts with CDP, and who wish to trade Notes through the Depository System, must transfer the Notes to be traded from such direct securities accounts to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Notes in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Issuing and Paying Agent or any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

SINGAPORE TAXATION

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the MAS in force as at the date of this Information Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. Neither these statements nor any other statements in this Information Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Notes are advised to consult their own tax advisors as to the Singapore or other tax consequences of the acquisition, ownership of or disposition of the Notes, including the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer and any other persons involved in the MTN Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

1. Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, Chapter 134 of Singapore (the “ITA”), the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is 17 per cent. with effect from the year of assessment 2010. The applicable rate for non-resident individuals is 20 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after 1 January 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006;
- (c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007; and

- (d) such other income directly attributable to debt securities as may be prescribed by regulations derived from Singapore on or after a prescribed date,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

In addition, with respect to any tranche of the Notes which are debt securities issued under the MTN Programme (the “**Relevant Notes**”):-

- (i) during the period from the date of this Information Memorandum to 31 December 2013 where the Dealers for more than half of the issue of such Relevant Notes are:
 - (a) financial institutions who have been awarded “Financial Sector Incentive (Bond Market) (“**FSI-BM**”) Company” status by the Minister for Finance of Singapore or such person as he may appoint; or
 - (b) financial institutions in Singapore where their staff based in Singapore have a leading and substantial role in the distribution of such tranche of Notes; or
- (ii) during the period from 1 January 2014 to 31 December 2018 where, pursuant to the MAS Circular FSD Cir 02/2013 entitled “Extension and Refinement of Tax Concessions for Promoting the Debt Market” (the “**MAS Circular**”) issued by MAS on 28 June 2013, more than half of the issue of such Relevant Notes are distributed by Financial Sector Incentive – Capital Market, Financial Sector Incentive – Standard Tier or FSI-BM companies,

such Relevant Notes would be qualifying debt securities (“**QDS**”) for the purposes of the ITA, to which the following treatment shall apply:

- (i) subject to certain prescribed conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require, and the inclusion by the Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by any person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using funds from that person’s operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the “**Qualifying Income**”) from the Relevant Notes, derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such person’s operation through a permanent establishment in Singapore, are exempt from Singapore tax;
- (ii) subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require), Qualifying Income from the Relevant Notes derived by any company or a body of persons (as defined in the ITA) in Singapore is subject to tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and
- (iii) subject to:
 - (aa) the Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

- (bb) the furnishing of a return on debt securities in respect of the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require,

payments of Qualifying Income derived from the Relevant Notes are not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

- (A) if during the primary launch of any tranche of Relevant Notes, the Relevant Notes of such tranche are issued to fewer than four persons and 50 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Notes would not qualify as QDS; and
- (B) even though a particular tranche of Relevant Notes are QDS, if, at any time during the tenure of such tranche of Relevant Notes, 50 per cent. or more of the issue of such Relevant Notes is held beneficially or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income from such Relevant Notes derived by:
 - (i) any related party of the Issuer; or
 - (ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term “**related party**”, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms “**break cost**”, “**prepayment fee**” and “**redemption premium**” are defined in the ITA as follows:

“break cost”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

“prepayment fee”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

“redemption premium”, in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to “break cost”, “prepayment fee” and “redemption premium” in this Singapore tax disclosure have the same meaning as defined in the ITA.

Notwithstanding that the Issuer is permitted to make payments of interest, discount income, prepayment fee, redemption premium and break cost (i.e. the Qualifying Income) in respect of the Relevant Notes without deduction or withholding for tax under Section 45 or Section 45A of the ITA, any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Relevant Notes is not exempt from tax is required to include such income in a return of income made under the ITA.

Under the Qualifying Debt Securities Plus Scheme (“**QDS Plus Scheme**”), subject to certain conditions having been fulfilled (including the submission of a return on debt securities in respect of the QDS in the prescribed format within such period as the relevant authorities may specify and

such other particulars in connection with the QDS as the relevant authorities may require), income tax exemption is granted on Qualifying Income derived by any investor from QDS (excluding Singapore Government Securities) which:

- (a) are issued during the period from 16 February 2008 to 31 December 2013 and, pursuant to the MAS Circular, during the period from 1 January 2014 to 31 December 2018;
- (b) have an original maturity of not less than 10 years;
- (c) cannot be redeemed, called, exchanged or converted within 10 years from the date of their issue; and
- (d) cannot be re-opened with a resulting tenure of less than 10 years to the original maturity date.

However, even if a particular tranche of Relevant Notes are QDS which qualify under the QDS Plus Scheme, if, at any time during the tenure of such tranche of Relevant Notes, 50 per cent. or more of the issue of such Relevant Notes is held beneficially or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income from such Relevant Notes derived by:

- (i) any related party of the Issuer; or
- (ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above.

The MAS Circular states that, with effect from 28 June 2013, the QDS Plus Scheme will be refined to allow QDS with certain standard early termination clauses (as prescribed in the MAS Circular) to qualify for the QDS Plus Scheme at the point of issuance of such debt securities. The MAS has also clarified that if such debt securities are subsequently redeemed prematurely pursuant to such standard early termination clauses before the 10th year from the date of issuance of such debt securities, the tax exemption granted under the QDS Plus Scheme to Qualifying Income accrued prior to such redemption will not be clawed back. Under such circumstances, the QDS Plus status of such debt securities will be revoked prospectively for such outstanding debt securities (if any), and holders thereof may still enjoy the tax benefits under the QDS scheme if the QDS conditions continue to be met.

The MAS has stated that, notwithstanding the above, QDS with embedded options with economic value (such as call, put, conversion or exchange options which can be triggered at specified prices or dates and are built into the pricing of such debt securities at the onset) which can be exercised within ten years from the date of issuance of such debt securities will continue to be excluded from the QDS Plus Scheme from such date of issuance.

All payments in respect of the Notes by the Issuer shall be made after withholding or deducting any amounts for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, by or on behalf of Singapore or any authority thereof or therein having power to tax and which are required by applicable law to be withheld or deducted. The Issuer will not pay any additional amounts in respect of any such withholding or deduction from payments in respect of the Notes and Coupons for or on account of any such taxes, duties, assessments or charges. Where the Issuer is not permitted under applicable law to make payments of principal, interest or other income in respect of any Notes or Coupons without any withholding or deduction for Singapore tax, no payment of principal, interest or other income shall be made by the Issuer to any Noteholder or Couponholder without deduction or withholding for or on account of any such taxes, duties, assessments or charges unless such Noteholder or Couponholder shall have provided a statutory declaration or other evidence satisfactory to the Issuing and Paying Agent that the beneficial owner of such principal, interest or other income is a resident in Singapore for tax purposes or a permanent establishment in Singapore (not resident in Singapore) which has obtained waiver from withholding tax.

2. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be subject to tax in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standard 39 – Financial Instruments: Recognition and Measurement (“**FRS 39**”) may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39. Please see the section below on “Adoption of FRS 39 Treatment for Singapore Income Tax Purposes”.

3. Adoption of FRS 39 Treatment for Singapore Income Tax Purposes

The Inland Revenue Authority of Singapore has issued a circular entitled “Income Tax Implications Arising from the Adoption of FRS 39 - Financial Instruments: Recognition and Measurement” (the “**FRS 39 Circular**”). The ITA has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain “opt-out” provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Holders of the Notes who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

4. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

SUBSCRIPTION, PURCHASE AND DISTRIBUTION

The Programme Agreement provides for Notes to be offered from time to time through one or more Dealers. The price at which a Series or Tranche will be issued will be determined prior to its issue between the Issuer and the relevant Dealer(s). The obligations of the Dealers under the Programme Agreement will be subject to certain conditions set out in the Programme Agreement. Each Dealer (acting as principal) will subscribe or procure subscribers for Notes from the Issuer pursuant to the Programme Agreement.

United States

The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, or sell or, in the case of Notes in bearer form, deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Issuer and each relevant Dealer by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Issuing and Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act.

This Information Memorandum has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Information Memorandum does not constitute an offer to any person in the United States. Distribution of this Information Memorandum by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Singapore

Each Dealer has acknowledged that this Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the

SFA, (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Hong Kong

Each Dealer has represented, warranted and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

General

Each Dealer understands that no action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Information Memorandum or any other document or any Pricing Supplement, in any country or jurisdiction (other than Singapore) where action for that purpose is required.

Each issue of Notes shall be subject to such additional selling restrictions as may be agreed to between the Issuer and the relevant Dealer(s) and each of the Dealers has undertaken that it will at all times comply with all such selling restrictions.

Each Dealer has agreed to observe and comply with all applicable laws and regulations in each jurisdiction in which it may offer, sell or deliver the Notes or distribute any such material as a result of any of the foregoing activities and it will also ensure that no obligations or liabilities are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions. The Issuer will not have any responsibility for, and each Dealer will at its own expense obtain, any consent, approval or permission required by it for the acquisition, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction (other than in Singapore in respect of the Information Memorandum or in connection with the invocation by the Issuer of any applicable exemption under Sections 274 and/or 275 of the SFA) to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. Further, each Dealer has agreed that it will not directly or indirectly solicit subscription for any Notes or distribute or publish any prospectus, form of application, offering circular, advertisement or other offering material in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

Each Dealer has also agreed to impose restrictions similar to those set out above on any subsequent holder of the Notes.

Any person who may be in doubt as to the restrictions set out in the SFA or the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Notes or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional advisers and should make his own inquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.

GENERAL AND OTHER INFORMATION

INFORMATION ON DIRECTORS

1. The names and positions of each of the Directors are set out below:

Name	Position
Kwek Leng Beng	Executive Chairman
Kwek Leng Joo	Managing Director
Chee Keng Soon	Director
Foo See Juan	Director
Kwek Leng Peck	Director
Tang See Chim	Director
Yeo Liat Kok Philip	Director
Tan Poay Seng	Director
Chan Soon Hee Eric	Director

2. Save for transactions entered into between the Issuer, any of its subsidiaries or associated companies (as defined in the Listing Manual) and any of its interested persons (as defined in Chapter 9 of the Listing Manual) in the ordinary course of business of the Issuer, its subsidiaries and associated companies, in which certain Directors have an interest, directly or indirectly, in the shares of such interested persons and, by virtue of such interest, may be deemed to have an interest in such transactions, no Director is interested, directly or indirectly, in the promotion of any assets acquired or disposed of by or leased to, the Issuer or any of its subsidiaries or its associated companies, within the two years preceding the date of this Information Memorandum, or in any proposal for such acquisition, disposal or lease as aforesaid.

SHARE CAPITAL

3. As at the date of this Information Memorandum, there are only two classes of shares namely ordinary shares and preference shares in the Issuer. The rights and privileges attached to the ordinary shares and preference shares respectively are stated in the Articles of Association of the Issuer.
4. As at the date of this Information Memorandum, the number of Shares issued by the Issuer is as follows:

Class of Shares	Number of Shares
Ordinary	909,301,330
Preference	330,874,257

5. As at 6 August 2013, the interests of the substantial shareholders of the Issuer in the ordinary shares are as follows:

Substantial Shareholders	Number of Ordinary Shares held	
	Direct Interest	Deemed Interest
Hong Realty (Private) Limited (“HR”)	32,088,799	30,488,981 ⁽¹⁾
Hong Leong Holdings Limited (“HLH”)	148,787,477	19,546,445 ⁽²⁾
Hong Leong Investment Holdings Pte. Ltd. (“HLIH”)	140,169,335	300,146,809 ⁽³⁾
Davos Investment Holdings Private Limited (“Davos”)	-	440,316,144 ⁽⁴⁾
Kwek Holdings Pte Ltd (“KH”)	-	440,316,144 ⁽⁴⁾
Aberdeen Asset Managers Limited (“AAML”)	-	127,409,198 ⁽⁵⁾
Aberdeen Asset Management Asia Limited (“AAMAL”)	-	136,451,871 ⁽⁶⁾
Aberdeen Asset Management plc (“Aberdeen”)	-	200,700,369 ⁽⁷⁾

Notes:

- (1) HR is deemed under Section 7 of the Companies Act to have an interest in the 30,488,981 Ordinary Shares held directly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- (2) HLH is deemed under Section 7 of the Companies Act to have an interest in the 19,546,445 Ordinary Shares held directly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- (3) HLIH is deemed under Section 7 of the Companies Act to have an interest in the 300,146,809 Ordinary Shares held directly and/or indirectly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof which includes (i) the 62,577,780 Ordinary Shares held directly and indirectly by HR; and (ii) the 168,333,922 Ordinary Shares held directly and indirectly by HLH, out of which 9,304,616 Ordinary Shares have been identified as Ordinary Shares in which HR is also deemed to have an interest in under note (2) above.
- (4) Davos and KH are deemed under Section 7 of the Companies Act to have an interest in the 440,316,144 Ordinary Shares held directly and/or indirectly by HLIH in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- (5) The deemed interest of AAML is based on the last notification to the Issuer on 28 June 2013 and relates to Ordinary Shares held by various accounts managed or advised by AAML.
- (6) The deemed interest of AAMAL is based on the last notification to the Issuer on 24 June 2013 and relates to Ordinary Shares held by various accounts managed or advised by AAMAL.
- (7) The deemed interest of Aberdeen is based on the last notification to the Issuer on 21 June 2013 and relates to Ordinary Shares held by various accounts managed or advised by Aberdeen.

BORROWINGS

6. As at 30 June 2013, the borrowings of the Group are as disclosed in Appendix V to this Information Memorandum.

WORKING CAPITAL

7. After taking into account the present banking facilities, the Issuer will have adequate working capital for its present requirements.

CHANGES IN ACCOUNTING POLICIES

8. Save as disclosed in Appendix V, there has been no significant change in the accounting policies of the Issuer since its audited financial accounts for the financial year ended 31 December 2012.

LITIGATION

9. There are no legal or arbitration proceedings pending or, so far as the Issuer is aware, threatened against the Issuer the outcome of which may have or have had during the 12 months prior to the date of this Information Memorandum a material adverse effect on the financial position of the Issuer.

CONSENTS

10. The Arranger of the MTN Programme, the Dealers, the Legal Advisers to the Arranger and the Trustee (as at the date of the establishment of the MTN Programme) and to the Trustee, the Legal Advisers to the Issuer, the Issuing and Paying Agent, Agent Bank and Registrar under the Initial Agency Agreement, the Trustee and the Auditors have given and have not withdrawn their respective written consents to the issue of this Information Memorandum with the references herein to their names and, where applicable, reports in the form and context in which they appear in this Information Memorandum.

DOCUMENTS AVAILABLE FOR INSPECTION

11. Copies of the following documents may be inspected at the registered office of the Issuer at 36 Robinson Road #04-01 City House Singapore 068877 during normal business hours and by prior appointment for a period of six months from the date of this Information Memorandum:
 - (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the audited accounts of the Issuer and its subsidiaries for the financial years ended 31 December 2011 and 31 December 2012 and the unaudited financial statements of the Issuer and its subsidiaries for the first quarter ended 31 March 2013 and the second quarter and half year ended 30 June 2013;
 - (c) the Trust Deed and the Supplemental Trust Deed; and
 - (d) the letters of consent referred to in paragraph 10 above.

FUNCTIONS, RIGHTS AND OBLIGATIONS OF THE TRUSTEE

12. The functions, rights and obligations of the Trustee are set out in the Trust Deed.

**AUDITED ACCOUNTS OF CITY DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

The information in this Appendix II has been reproduced from the annual report of City Developments Limited and its subsidiaries for the financial year ended 31 December 2011 and has not been specifically prepared for inclusion in this Information Memorandum and references to the page numbers herein are those as reproduced from the annual report of City Developments Limited and its subsidiaries for the financial year ended 31 December 2011.

INDEPENDENT AUDITORS' REPORT

Members of the Company
City Developments Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of City Developments Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2011, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 85 to 185.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

Public Accountants and
Certified Public Accountants

Singapore
12 March 2012

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011	Group 2010 (Restated)	2009 (Restated)	2011	Company 2010 (Restated)	2009 (Restated)
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets							
Property, plant and equipment	3	3,313,182	3,410,448	3,616,768	9,192	8,695	8,010
Investment properties	4	2,907,181	2,784,907	3,063,766	525,164	530,908	540,212
Investments in:							
- subsidiaries	5	—	—	—	2,221,805	2,262,806	2,259,199
- associates	6	420,966	398,367	345,725	—	—	—
- jointly-controlled entities	7	674,272	537,110	637,826	36,360	36,360	36,360
Lease premium prepayment		90,460	88,079	—	—	—	—
Financial assets	8	156,739	379,900	393,660	23,752	32,353	33,543
Other non-current assets	9	314,120	172,465	121,243	233,148	415,871	638,260
		7,876,920	7,771,276	8,178,988	3,049,421	3,286,993	3,515,584
Current assets							
Lease premium prepayment		2,635	2,493	—	—	—	—
Development properties	10	3,243,875	3,311,162	3,121,489	700,183	1,138,727	1,109,807
Consumable stocks		8,825	9,552	10,143	66	77	—
Financial assets	8	26,288	35,885	32,671	—	—	—
Assets classified as held for sale	11	—	81,972	14,782	—	—	—
Trade and other receivables	12	1,200,918	876,592	757,820	4,224,478	3,574,406	2,592,156
Cash and cash equivalents	15	2,603,005	1,873,826	981,486	1,572,120	981,090	407,571
		7,085,546	6,191,482	4,918,391	6,496,847	5,694,300	4,109,534
Total assets		14,962,466	13,962,758	13,097,379	9,546,268	8,981,293	7,625,118
Equity attributable to owners of the Company							
Share capital	16	1,991,397	1,991,397	1,991,397	1,991,397	1,991,397	1,991,397
Reserves	17	4,835,408	4,271,113	3,812,310	3,384,601	2,841,573	2,583,019
		6,826,805	6,262,510	5,803,707	5,375,998	4,832,970	4,574,416
Non-controlling interests		1,869,199	1,717,749	1,691,707	—	—	—
Total equity		8,696,004	7,980,259	7,495,414	5,375,998	4,832,970	4,574,416
Non-current liabilities							
Interest-bearing borrowings	19	2,929,322	3,425,299	3,197,816	1,506,060	2,270,778	1,753,286
Employee benefits	23	35,989	33,201	40,682	—	—	—
Other liabilities	24	96,898	76,880	89,301	166,825	171,203	92,542
Provisions	25	17,703	4,249	1,818	—	—	—
Deferred tax liabilities	26	367,304	423,081	407,542	41,620	89,968	73,607
		3,447,216	3,962,710	3,737,159	1,714,505	2,531,949	1,919,435
Current liabilities							
Trade and other payables	27	981,845	943,850	795,599	1,148,587	1,241,212	777,938
Interest-bearing borrowings	19	1,476,508	780,002	818,312	1,135,304	277,404	244,962
Employee benefits	23	15,707	14,895	15,383	2,479	2,097	2,067
Other liabilities	24	75	135	75	—	—	—
Provision for taxation		321,074	264,357	230,528	169,395	95,661	106,300
Provisions	25	24,037	14,895	4,335	—	—	—
Liabilities classified as held for sale	11	—	1,655	574	—	—	—
		2,819,246	2,019,789	1,864,806	2,455,765	1,616,374	1,131,267
Total liabilities		6,266,462	5,982,499	5,601,965	4,170,270	4,148,323	3,050,702
Total equity and liabilities		14,962,466	13,962,758	13,097,379	9,546,268	8,981,293	7,625,118

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Note	Group	
		2011	2010
			(Restated)
		\$'000	\$'000
Revenue	28	3,280,465	3,103,416
Cost of sales		(1,507,486)	(1,450,687)
Gross profit		<u>1,772,979</u>	<u>1,652,729</u>
Other operating income	29	253,985	291,314
Administrative expenses		(490,213)	(484,035)
Other operating expenses		(409,382)	(469,865)
Profit from operating activities		<u>1,127,369</u>	<u>990,143</u>
Finance income		28,171	35,640
Finance costs		(81,064)	(68,708)
Net finance costs	29	<u>(52,893)</u>	<u>(33,068)</u>
Share of after-tax profit of associates		31,723	17,112
Share of after-tax profit of jointly-controlled entities		30,244	93,312
Profit before income tax		<u>1,136,443</u>	<u>1,067,499</u>
Income tax expense	30	(174,723)	(202,111)
Profit for the year	29	<u>961,720</u>	<u>865,388</u>
Profit attributable to owners of the Company:			
- Ordinary shareholders		785,651	771,084
- Preference shareholders		12,904	12,904
		<u>798,555</u>	<u>783,988</u>
Non-controlling interests		163,165	81,400
Profit for the year		<u>961,720</u>	<u>865,388</u>
Earnings per share			
- Basic	31	<u>86.4 cents</u>	<u>84.8 cents</u>
- Diluted	31	<u>83.7 cents</u>	<u>82.2 cents</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Note	Group 2011 \$'000	2010 (Restated) \$'000
Profit for the year		961,720	865,388
Other comprehensive income			
Actuarial (losses)/gains on defined benefit plans		(3,601)	1,208
Change in fair value of equity investments available for sale		(12,613)	(1,868)
Effective portion of changes in fair value of cash flow hedges		919	(2,246)
Exchange differences on hedges of net investment in foreign entities		(688)	(34,028)
Exchange differences on monetary items forming part of net investment in foreign entities		5,771	(26,218)
Exchange differences realised on dilution of investment in an associate		–	487
Exchange differences realised on disposal of a subsidiary and a jointly-controlled entity		131	980
Realisation of share of other reserve of an associate on dilution of investment in the associate		–	1,032
Share of other reserve movements of associates and a jointly-controlled entity		(9,795)	–
Translation differences arising on consolidation of foreign entities		(16,978)	(246,240)
Other comprehensive income for the year, net of income tax	30	(36,854)	(306,893)
Total comprehensive income for the year		924,866	558,495
Total comprehensive income attributable to:			
Owners of the Company		778,958	542,855
Non-controlling interests		145,908	15,640
Total comprehensive income for the year		924,866	558,495

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Share capital \$'000	Capital reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000
Group				
At 1 January 2011	1,991,397	148,140	(1,201)	15,680
Impact of change in accounting policy (Note 2.1(ii))	–	–	–	–
Restated at 1 January 2011	1,991,397	148,140	(1,201)	15,680
Total comprehensive income for the year				
Profit for the year	–	–	–	–
Other comprehensive income				
Actuarial losses on defined benefit plans	–	–	–	–
Change in fair value of equity investments available for sale	–	–	–	(12,613)
Effective portion of changes in fair value of cash flow hedges	–	–	502	–
Exchange differences on hedges of net investment in foreign entities	–	–	–	–
Exchange differences on monetary items forming part of net investment in foreign entities	–	–	–	–
Exchange differences realised on disposal of a subsidiary (Note 35)	–	–	–	–
Share of other reserve movements of associates and a jointly-controlled entity	–	–	–	–
Translation differences arising on consolidation of foreign entities	–	–	–	–
Total other comprehensive income	–	–	502	(12,613)
Total comprehensive income for the year	–	–	502	(12,613)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Capital contribution from non-controlling interests	–	–	–	–
Change of interest in subsidiaries	–	822	(6)	–
Dividends paid to owners of the Company (Note 32)	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Share-based payment transactions	–	–	–	–
Total transactions with owners	–	822	(6)	–
At 31 December 2011	1,991,397	148,962	(705)	3,067

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

Other reserve \$'000	Share option reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
(268)	9,693	(322,456)	4,555,278	6,396,263	1,717,749	8,114,012
–	–	–	(133,753)	(133,753)	–	(133,753)
(268)	9,693	(322,456)	4,421,525	6,262,510	1,717,749	7,980,259
–	–	–	798,555	798,555	163,165	961,720
–	–	–	(1,961)	(1,961)	(1,640)	(3,601)
–	–	–	–	(12,613)	–	(12,613)
–	–	–	–	502	417	919
–	–	(381)	–	(381)	(307)	(688)
–	–	6,597	–	6,597	(826)	5,771
–	–	71	–	71	60	131
(4,190)	–	–	–	(4,190)	(5,605)	(9,795)
–	–	(7,622)	–	(7,622)	(9,356)	(16,978)
(4,190)	–	(1,335)	(1,961)	(19,597)	(17,257)	(36,854)
(4,190)	–	(1,335)	796,594	778,958	145,908	924,866
–	–	–	–	–	63,123	63,123
(1)	69	3,524	3,264	7,672	(31,927)	(24,255)
–	–	–	(222,043)	(222,043)	–	(222,043)
–	–	–	–	–	(25,411)	(25,411)
–	(292)	–	–	(292)	(243)	(535)
(1)	(223)	3,524	(218,779)	(214,663)	5,542	(209,121)
(4,459)	9,470	(320,267)	4,999,340	6,826,805	1,869,199	8,696,004

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Share capital \$'000	Capital reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000
Group				
At 1 January 2010	1,991,397	147,589	–	17,548
Impact of change in accounting policy (Note 2.1(ii))	–	–	–	–
Restated at 1 January 2010	1,991,397	147,589	–	17,548
Total comprehensive income for the year				
Profit for the year, restated	–	–	–	–
Other comprehensive income				
Actuarial gains on defined benefit plans	–	–	–	–
Change in fair value of equity investments available for sale	–	–	–	(1,868)
Effective portion of changes in fair value of cash flow hedges	–	–	(1,201)	–
Exchange differences on hedges of net investment in foreign entities	–	–	–	–
Exchange differences on monetary items forming part of net investment in foreign entities	–	–	–	–
Exchange differences realised on dilution of investment in an associate	–	–	–	–
Exchange differences realised on disposal of a jointly-controlled entity	–	–	–	–
Realisation of share of other reserve of an associate on dilution of investment in the associate	–	551	–	–
Translation differences arising on consolidation of foreign entities	–	–	–	–
Total other comprehensive income	–	551	(1,201)	(1,868)
Total comprehensive income for the year	–	551	(1,201)	(1,868)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Acquisition of a subsidiary (Note 35)	–	–	–	–
Dividends paid to owners of the Company (Note 32)	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Net capital contribution from non-controlling interests	–	–	–	–
Share-based payment transactions	–	–	–	–
Total transactions with owners	–	–	–	–
At 31 December 2010, as restated	1,991,397	148,140	(1,201)	15,680

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

Other reserve \$'000	Share option reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
(268)	8,096	(83,089)	3,891,201	5,972,474	1,691,707	7,664,181
–	–	–	(168,767)	(168,767)	–	(168,767)
(268)	8,096	(83,089)	3,722,434	5,803,707	1,691,707	7,495,414
–	–	–	783,988	783,988	81,400	865,388
–	–	–	752	752	456	1,208
–	–	–	–	(1,868)	–	(1,868)
–	–	–	–	(1,201)	(1,045)	(2,246)
–	–	(18,188)	–	(18,188)	(15,840)	(34,028)
–	–	(22,828)	–	(22,828)	(3,390)	(26,218)
–	–	261	–	261	226	487
–	–	980	–	980	–	980
–	–	–	–	551	481	1,032
–	–	(199,592)	–	(199,592)	(46,648)	(246,240)
–	–	(239,367)	752	(241,133)	(65,760)	(306,893)
–	–	(239,367)	784,740	542,855	15,640	558,495
–	–	–	–	–	22,817	22,817
–	–	–	(85,649)	(85,649)	–	(85,649)
–	–	–	–	–	(14,225)	(14,225)
–	–	–	–	–	420	420
–	1,597	–	–	1,597	1,390	2,987
–	1,597	–	(85,649)	(84,052)	10,402	(73,650)
(268)	9,693	(322,456)	4,421,525	6,262,510	1,717,749	7,980,259

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Group	
	2011	2010
		(Restated)
	\$'000	\$'000
Cash flows from operating activities		
Profit for the year	961,720	865,388
Adjustments for:		
Depreciation and amortisation	133,341	140,666
Dividend income	(10,037)	(14,060)
Equity settled share-based transactions	2,704	(1,716)
Finance costs	81,064	68,708
Finance income	(28,171)	(35,640)
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)
Goodwill written off in respect of additional interest acquired in a jointly-controlled entity to become a subsidiary	–	17,042
Impairment losses on amounts owing by a jointly-controlled entity	959	1,188
Impairment losses on investment properties and property, plant and equipment	44,181	54,703
Income tax expense	174,723	202,111
Net (gain)/loss on disposal, dilution and liquidation of jointly-controlled entities	(5,901)	678
Net loss on disposal and dilution of subsidiaries	2,761	–
Profit on sale of investments	(152)	(380)
Profit on sale of property, plant and equipment and investment properties	(230,570)	(240,665)
Property, plant and equipment and investment properties written off	350	286
Share of after-tax profit of associates	(31,723)	(17,112)
Share of after-tax profit of jointly-controlled entities	(30,244)	(93,312)
Units in an associate received and receivable in lieu of fee income	(10,894)	(7,938)
Operating profit before working capital changes	1,053,693	896,815
Changes in working capital:		
Development properties	173,869	(132,650)
Consumable stocks and trade and other receivables	(148,752)	(220,481)
Trade and other payables	65,830	81,513
Employee benefits	539	(7,234)
Cash generated from operations	1,145,179	617,963
Income tax paid	(162,224)	(105,910)
Net cash from operating activities carried forward	982,955	512,053

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Note	Group 2011 \$'000	2010 (Restated) \$'000
Net cash from operating activities brought forward		982,955	512,053
Cash flows from investing activities			
Acquisition of additional interest in a subsidiary		(24,255)	–
Capital expenditure on investment properties		(194,817)	(42,349)
Disposal/(Acquisition) of subsidiaries (net of cash acquired)	35	264,325	(9,129)
Dividends received:			
- an associate		35,846	31,851
- financial investments		9,855	8,036
- jointly-controlled entities		30,522	104,116
Interest received		13,308	11,598
Increase in intangible assets		(308)	–
Increase in investments in an associate		(37,350)	(34,720)
(Increase)/Decrease in investments in jointly-controlled entities		(274,625)	2,839
Payments for purchase of property, plant and equipment		(199,093)	(86,624)
Proceeds from liquidation and disposal of jointly-controlled entities and an associate		1,465	966
Proceeds from sale of property, plant and equipment and investment properties		430,367	375,762
(Purchase)/Disposal of financial assets		(2,581)	8,652
Net cash from investing activities		52,659	370,998
Cash flows from financing activities			
Capital contribution from non-controlling interests		63,123	420
Dividends paid		(247,454)	(99,874)
Finance lease payments		(3)	(4)
Interest paid (including amounts capitalised as property, plant and equipment, investment properties and development properties)		(89,129)	(84,215)
Net (advances to)/repayment by related parties		(201,777)	121,323
Net proceeds from/(repayments of) revolving credit facilities and short-term bank borrowings		242,547	(434,580)
Payment of financing transaction costs		(5,321)	(6,812)
Proceeds from bank borrowings		438,200	318,080
Proceeds from issuance of bonds and notes		105,000	1,159,869
Repayment of bank borrowings		(407,874)	(311,794)
Repayment of bonds and notes		(316,675)	(627,543)
Repayment of other long-term liabilities		(134)	(290)
Net cash (used in)/from financing activities		(419,497)	34,580
Net increase in cash and cash equivalents		616,117	917,631
Cash and cash equivalents at beginning of the year		1,872,974	980,134
Effect of exchange rate changes on balances held in foreign currencies		(1,511)	(24,791)
Cash and cash equivalents at end of the year	15	2,487,580	1,872,974

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

Significant non-cash transactions

- (i) Management fee income of \$10,894,000 (2010: \$7,938,000) is received and receivable by the Group in the form of units in an associate.
- (ii) Dividends amounting to \$13,714,000 (2010: \$10,297,000) were paid by a subsidiary to its non-controlling interests in the form of scrip dividends.
- (iii) In 2011, an amount owing from a jointly-controlled entity totalling \$115,229,000 was capitalised as part of Group's cost of investment in that entity.
- (iv) In 2011, dividends amounting to \$182,000 (2010: \$5,700,000) were received by a subsidiary in the form of scrip dividends from its investments in equity investments.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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	2010
		\$'000	\$'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)
		<u>2,221,805</u>	<u>2,262,806</u>
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
		<u>4,107,069</u>	<u>3,750,045</u>
Impairment losses		(55,017)	(55,647)
		<u>4,052,052</u>	<u>3,694,398</u>
Receivable within 1 year	12	3,818,904	3,278,527
Receivable after 1 year	9	233,148	415,871
		<u>4,052,052</u>	<u>3,694,398</u>
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
		<u>1,025,313</u>	<u>1,145,399</u>
Repayable within 1 year	27	875,313	995,399
Repayable after 1 year	24	150,000	150,000
		<u>1,025,313</u>	<u>1,145,399</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

6 INVESTMENTS IN AND BALANCES WITH ASSOCIATES

	Note	Group		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

7 INVESTMENTS IN AND BALANCES WITH JOINTLY-CONTROLLED ENTITIES

	2011	Group 2010 (Restated)	2009 (Restated)	2011	Company 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)
	<u>674,272</u>	<u>537,110</u>	<u>637,826</u>	<u>36,360</u>	<u>36,360</u>	<u>36,360</u>

	Note	Group 2011 \$'000	2010 \$'000	Company 2011 \$'000	2010 \$'000
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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	–	–
		<u>943,499</u>	<u>475,451</u>	<u>280,949</u>	<u>179,702</u>
Impairment losses		(36,935)	(35,740)	(16,365)	(15,174)
		<u>906,564</u>	<u>439,711</u>	<u>264,584</u>	<u>164,528</u>

Receivable:

- within 1 year	12	712,600	330,199	264,584	164,528
- after 1 year	9	193,964	109,512	–	–
		<u>906,564</u>	<u>439,711</u>	<u>264,584</u>	<u>164,528</u>

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	<u>28,678</u>	<u>18,661</u>	<u>28,676</u>	<u>–</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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	2010	2011	2010
	\$'000	\$'000	\$'000	\$'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:

	2011	Group 2010 (Restated)	2009 (Restated)
	\$'000	\$'000	\$'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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

8 FINANCIAL ASSETS

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'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	2010
	\$'000	\$'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	2010
	\$'000	\$'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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

9 OTHER NON-CURRENT ASSETS

	Note	Group		Company	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'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

	2011	Group		2011	Company	
		2010	2009		2010	2009
	\$'000	(Restated) \$'000	(Restated) \$'000	\$'000	(Restated) \$'000	(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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
	<u>2,800,347</u>	<u>4,287,209</u>	<u>3,874,060</u>	<u>1,000,212</u>	<u>1,893,750</u>	<u>1,707,102</u>
Progress billings	<u>(1,020,623)</u>	<u>(1,424,463)</u>	<u>(1,184,122)</u>	<u>(502,521)</u>	<u>(905,645)</u>	<u>(786,407)</u>

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	<u>81,972</u>
Liabilities classified as held for sale	
Rental and other deposits	<u>1,655</u>

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Year ended 31 December 2011

12 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	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		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

12 TRADE AND OTHER RECEIVABLES (CONT'D)

Impairment losses

The aging of trade receivables at the reporting date is:

	Impairment		Impairment	
	Gross	losses	Gross	losses
	2011	2011	2010	2010
	\$'000	\$'000	\$'000	\$'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
	<u>195,687</u>	<u>11,044</u>	<u>189,562</u>	<u>2,372</u>

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
	<u>92,636</u>	<u>7,741</u>	<u>90,364</u>	<u>41</u>

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

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'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	<u>12,147</u>	<u>3,778</u>	<u>9,454</u>	<u>1,792</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

14 AMOUNTS OWING BY AND TO FELLOW SUBSIDIARIES

	Note	Group		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	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		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	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	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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		<u>1,991,397</u>		<u>1,991,397</u>

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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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 \$'000	2010 (Restated) \$'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

	2011 \$'000	Group 2010 (Restated) \$'000	2009 (Restated) \$'000	2011 \$'000	Company 2010 (Restated) \$'000	2009 (Restated) \$'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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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).

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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	Options	Options	Options	Options	Options	Options	Exercise period
		outstanding as at 1 January 2010	granted during the year	exercised during the year	forfeited during the year	expired during the year	outstanding as at 31 December 2010	exercisable as at 31 December 2010	
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	

NOTES TO THE FINANCIAL STATEMENTS

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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
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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
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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	

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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	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

19 INTEREST-BEARING BORROWINGS

	Note	Group		Company	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'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	–	–
		<u>4,405,830</u>	<u>4,205,301</u>	<u>2,641,364</u>	<u>2,548,182</u>
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	–	–
		<u>4,405,830</u>	<u>4,205,301</u>	<u>2,641,364</u>	<u>2,548,182</u>

20 TERM LOANS

	Note	Group		Company	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
Secured		837,803	727,977	161,965	232,535
Unsecured		1,578,475	1,377,152	1,326,774	1,171,366
	19	<u>2,416,278</u>	<u>2,105,129</u>	<u>1,488,739</u>	<u>1,403,901</u>
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	–	–
		<u>2,416,278</u>	<u>2,105,129</u>	<u>1,488,739</u>	<u>1,403,901</u>

The term loans are obtained from banks and financial institutions.

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'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	–	–
	<u>837,803</u>	<u>727,977</u>	<u>161,965</u>	<u>232,535</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
	<u>1,578,475</u>	<u>1,377,152</u>	<u>1,326,774</u>	<u>1,171,366</u>

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		<u>1,664,353</u>	<u>1,731,769</u>	<u>1,097,634</u>	<u>1,096,745</u>
	19	<u>1,819,133</u>	<u>2,031,553</u>	<u>1,097,634</u>	<u>1,096,745</u>

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	-	-	-
	<u>1,819,133</u>	<u>2,031,553</u>	<u>1,097,634</u>	<u>1,096,745</u>

	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	<u>154,780</u>	<u>99,816</u>	<u>-</u>	<u>-</u>
	<u>154,780</u>	<u>299,784</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

22 BANK LOANS

	Note	Group		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	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		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	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	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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

23 EMPLOYEE BENEFITS (CONT'D)

	Group	
	2011	2010
	\$'000	\$'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
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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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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)

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24 OTHER LIABILITIES

	Note	Group		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
	<u>483,546</u>	<u>(26,255)</u>	<u>457,291</u>	<u>30,113</u>	<u>(381)</u>	<u>–</u>	<u>7,921</u>	<u>(26,359)</u>	<u>468,585</u>
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)
	<u>(52,088)</u>	<u>–</u>	<u>(52,088)</u>	<u>(1,307)</u>	<u>1,577</u>	<u>(4,703)</u>	<u>–</u>	<u>7,625</u>	<u>(48,896)</u>
	<u>431,458</u>	<u>(26,255)</u>	<u>405,203</u>	<u>28,806</u>	<u>1,196</u>	<u>(4,703)</u>	<u>7,921</u>	<u>(18,734)</u>	<u>419,689</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
	<u>494,662</u>	<u>(26,077)</u>	<u>468,585</u>	<u>(51,075)</u>	<u>(1,784)</u>	<u>–</u>	<u>–</u>	<u>1,127</u>	<u>416,853</u>
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)
	<u>(48,896)</u>	<u>–</u>	<u>(48,896)</u>	<u>(2,433)</u>	<u>(998)</u>	<u>3,238</u>	<u>15</u>	<u>(4,130)</u>	<u>(53,204)</u>
	<u>445,766</u>	<u>(26,077)</u>	<u>419,689</u>	<u>(53,508)</u>	<u>(2,782)</u>	<u>3,238</u>	<u>15</u>	<u>(3,003)</u>	<u>363,649</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
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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
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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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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	2011 \$'000	Group 2010 (Restated) \$'000	2009 (Restated) \$'000	2011 \$'000	Company 2010 (Restated) \$'000	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)
		<u>(363,649)</u>	<u>(419,689)</u>	<u>(405,203)</u>	<u>(41,620)</u>	<u>(89,968)</u>	<u>(73,607)</u>

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	2010 \$'000
Deductible temporary differences	91,737	85,020
Tax losses	166,831	174,176
	<u>258,568</u>	<u>259,196</u>

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	2010 \$'000
Expiry dates		
- Within 1 to 5 years	36,462	35,408
- After 5 years	3,150	3,952
	<u>39,612</u>	<u>39,360</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

27 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'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	2010
	\$'000	(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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

29 PROFIT FOR THE YEAR

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

	Note	Group 2011 \$'000	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
		<u>253,985</u>	<u>291,314</u>
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
		<u>651,511</u>	<u>666,484</u>
Less:			
Staff costs capitalised in:			
- development properties		(3,450)	(2,092)
- investment properties		(242)	(98)
- property, plant and equipment		(321)	(108)
		<u>647,498</u>	<u>664,186</u>
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 (Write-back of allowance)/Allowance for foreseeable losses on development properties (net)		350	286
		<u>(41,644)</u>	<u>282</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

30 INCOME TAX EXPENSE

	Note	Group 2011 \$'000	2010 (Restated) \$'000
Current tax expense			
Current year		239,437	183,869
Overprovision in respect of prior years		(11,206)	(10,564)
		<u>228,231</u>	<u>173,305</u>
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	<u>(53,508)</u>	<u>28,806</u>
Total income tax expense		<u>174,723</u>	<u>202,111</u>

Income tax recognised in other comprehensive income

	Before tax \$'000	2011 Tax (expense)/ benefit \$'000	Net of tax \$'000	Before tax \$'000	2010 Tax (expense)/ benefit \$'000	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)
	<u>(39,636)</u>	<u>2,782</u>	<u>(36,854)</u>	<u>(305,697)</u>	<u>(1,196)</u>	<u>(306,893)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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	2010
	Number of shares	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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
	<u>222,043</u>	<u>85,649</u>

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
	<u>118,209</u>	<u>163,674</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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 \$'000	2010 \$'000	2011 \$'000	2010 \$'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	–	–
	<u>567,440</u>	<u>644,232</u>	<u>66,957</u>	<u>95,258</u>

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 \$'000	2010 \$'000
Within 1 year	–	5,707
After 1 year but within 5 years	–	4,687
	<u>–</u>	<u>10,394</u>

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 \$'000	2010 \$'000	2011 \$'000	2010 \$'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
	<u>9,975</u>	<u>6,910</u>	<u>5,386</u>	<u>2,232</u>

- (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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
	\$'000	(Restated) \$'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
	<u>19,586</u>	<u>19,168</u>
Maintenance services fees received and receivable from:		
- fellow subsidiaries	269	206
- an associate	107	–
- jointly-controlled entities	737	703
	<u>1,113</u>	<u>909</u>
Recovery of costs from jointly-controlled entities	<u>115</u>	<u>63</u>
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
	<u>2,010</u>	<u>1,574</u>
Sale of a motor vehicle to a jointly-controlled entity	<u>–</u>	<u>485</u>
Management services fees paid and payable to a fellow subsidiary	<u>3,607</u>	<u>1,088</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

34 RELATED PARTIES (CONT'D)

	Group	
	2011	2010
	(Restated)	
	\$'000	\$'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
	<u>785</u>	<u>201</u>
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
	<u>86,298</u>	<u>74,149</u>
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)
	<u>39,080</u>	<u>36,315</u>
Amounts owing to a key management personnel	<u>214</u>	<u>376</u>
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:

- 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.
- 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.
- 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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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 Beijing 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
		<u>4,015,939</u>	<u>156,739</u>	<u>26,288</u>	<u>–</u>	<u>–</u>	<u>4,198,966</u>
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
		<u>–</u>	<u>–</u>	<u>–</u>	<u>1,870</u>	<u>5,373,773</u>	<u>5,375,643</u>

* 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
		<u>2,812,666</u>	<u>168,521</u>	<u>247,264</u>	<u>–</u>	<u>–</u>	<u>3,228,451</u>
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
		<u>–</u>	<u>–</u>	<u>–</u>	<u>2,685</u>	<u>5,135,706</u>	<u>5,138,391</u>

** 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
		<u>5,801,821</u>	<u>23,752</u>	<u>–</u>	<u>5,825,573</u>
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
		<u>–</u>	<u>–</u>	<u>3,956,742</u>	<u>3,956,742</u>
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
		<u>4,574,065</u>	<u>32,353</u>	<u>–</u>	<u>4,606,418</u>
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
		<u>–</u>	<u>–</u>	<u>3,960,554</u>	<u>3,960,554</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
	<u>5,375,640</u>	<u>5,600,649</u>	<u>2,420,712</u>	<u>3,127,271</u>	<u>52,666</u>
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	–
	<u>5,138,391</u>	<u>5,389,575</u>	<u>1,696,382</u>	<u>3,577,467</u>	<u>115,726</u>

* Excluding deferred income.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
	<u>3,956,742</u>	<u>4,075,813</u>	<u>2,323,058</u>	<u>1,752,755</u>
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
	<u>3,960,554</u>	<u>4,111,724</u>	<u>1,558,260</u>	<u>2,553,464</u>

* 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:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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:

	Note	Interest rates per annum		Carrying amount		Total \$'000
		Floating rate %	Fixed rate %	Floating rate \$'000	Fixed rate \$'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
				<u>139,428</u>	<u>3,007,579</u>	<u>3,147,007</u>
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)
				<u>(2,903,115)</u>	<u>(1,588,254)</u>	<u>(4,491,369)</u>
Total				(2,763,687)	1,419,325	(1,344,362)

* Carrying amount is net of impairment losses.

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Year ended 31 December 2011

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

	Note	Interest rates per annum		Carrying amount		Total \$'000
		Floating rate %	Fixed rate %	Floating rate \$'000	Fixed rate \$'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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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)
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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:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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	—

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
	<u>5,762</u>	<u>7,628</u>	<u>53,405</u>	<u>49,234</u>

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)	–	–
	<u>(1,218,202)</u>	<u>(1,248,032)</u>	<u>(1,355,294)</u>	<u>(1,365,372)</u>

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)	–	–
	<u>(904,652)</u>	<u>(928,921)</u>	<u>(1,096,745)</u>	<u>(1,105,554)</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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:

	Fair value \$'000	Effect on fair value	
		Favourable changes \$'000	Unfavourable changes \$'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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

38 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Property development \$'000	Hotel operations \$'000	Rental properties \$'000	Others \$'000	Total \$'000
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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
	<u>1,563,486</u>

	Property development \$'000	Hotel operations \$'000	Rental properties \$'000	Others \$'000	Total \$'000
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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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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
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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
	<u>1,577,419</u>

	Property development (Restated) \$'000	Hotel operations \$'000	Rental properties \$'000	Others \$'000	Total (Restated) \$'000
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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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

41 SIGNIFICANT INVESTMENTS (CONT'D)

	Principal Activity	Country of Incorporation	Effective Group Interest		
			2011 %	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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

41 SIGNIFICANT INVESTMENTS (CONT'D)

Principal Activity			Country of Incorporation	Effective Group Interest	
				2011 %	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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

41 SIGNIFICANT INVESTMENTS (CONT'D)

Principal Activity			Country of Incorporation	Effective Group Interest	
				2011 %	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

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

41 SIGNIFICANT INVESTMENTS (CONT'D)

Principal Activity			Country of Incorporation	Effective Group Interest	
				2011 %	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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

41 SIGNIFICANT INVESTMENTS (CONT'D)

		Principal Activity	Country of Incorporation	Effective Group Interest	
				2011 %	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

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

41 SIGNIFICANT INVESTMENTS (CONT'D)

Principal Activity			Country of Incorporation	Effective Group Interest	
				2011 %	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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

41 SIGNIFICANT INVESTMENTS (CONT'D)

Principal Activity			Country of Incorporation	Effective Group Interest	
				2011 %	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.

**AUDITED ACCOUNTS OF CITY DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

The information in this Appendix III has been reproduced from the annual report of City Developments Limited and its subsidiaries for the financial year ended 31 December 2012 and has not been specifically prepared for inclusion in this Information Memorandum and references to the page numbers herein are those as reproduced from the annual report of City Developments Limited and its subsidiaries for the financial year ended 31 December 2012.

INDEPENDENT AUDITORS' REPORT

Members of the Company
City Developments Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of City Developments Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2012, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 89 to 196.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

Public Accountants and
Certified Public Accountants

Singapore
14 March 2013

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

		Group		Company	
	Note	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Non-current assets					
Property, plant and equipment	3	3,405,474	3,313,182	9,772	9,192
Investment properties	4	2,916,193	2,907,181	518,651	525,164
Investments in:					
– subsidiaries	5	–	–	2,223,435	2,221,805
– associates	6	417,855	420,966	–	–
– jointly-controlled entities	7	806,956	674,272	36,360	36,360
Lease premium prepayment		82,798	90,460	–	–
Financial assets	8	102,132	156,739	27,687	23,752
Other non-current assets	9	79,072	314,120	428,227	233,148
		7,810,480	7,876,920	3,244,132	3,049,421
Current assets					
Lease premium prepayment		2,484	2,635	–	–
Development properties	10	4,310,685	3,243,875	651,687	700,183
Consumable stocks		8,838	8,825	32	66
Financial assets	8	32,585	26,288	–	–
Assets classified as held for sale	11	103,698	–	–	–
Trade and other receivables	12	1,182,731	1,200,918	4,936,376	4,224,478
Cash and cash equivalents	15	2,156,827	2,603,005	1,040,004	1,572,120
		7,797,848	7,085,546	6,628,099	6,496,847
Total assets		15,608,328	14,962,466	9,872,231	9,546,268
Equity attributable to owners of the Company					
Share capital	16	1,991,397	1,991,397	1,991,397	1,991,397
Reserves	17	5,312,251	4,835,408	3,402,160	3,384,601
		7,303,648	6,826,805	5,393,557	5,375,998
Non-controlling interests		1,953,407	1,869,199	–	–
Total equity		9,257,055	8,696,004	5,393,557	5,375,998
Non-current liabilities					
Interest-bearing borrowings	19	3,468,764	2,929,322	2,381,248	1,506,060
Employee benefits	23	34,774	35,989	–	–
Other liabilities	24	145,522	96,898	124,254	166,825
Provisions	25	15,415	17,703	–	–
Deferred tax liabilities	26	352,637	367,304	45,842	41,620
		4,017,112	3,447,216	2,551,344	1,714,505
Current liabilities					
Trade and other payables	27	1,034,134	981,845	1,444,302	1,148,587
Interest-bearing borrowings	19	998,164	1,476,508	408,448	1,135,304
Employee benefits	23	16,279	15,707	2,477	2,479
Other liabilities	24	266	75	–	–
Provision for taxation		221,360	321,074	72,103	169,395
Provisions	25	23,816	24,037	–	–
Liabilities classified as held for sale	11	40,142	–	–	–
		2,334,161	2,819,246	1,927,330	2,455,765
Total liabilities		6,351,273	6,266,462	4,478,674	4,170,270
Total equity and liabilities		15,608,328	14,962,466	9,872,231	9,546,268

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Note	Group 2012 \$'000	2011 \$'000
Revenue	28	3,353,727	3,280,465
Cost of sales		(1,692,654)	(1,507,486)
Gross profit		1,661,073	1,772,979
Other operating income	29	148,658	253,985
Administrative expenses		(505,856)	(490,213)
Other operating expenses		(383,505)	(409,382)
Profit from operating activities		920,370	1,127,369
Finance income		38,590	28,171
Finance costs		(78,867)	(81,064)
Net finance costs	29	(40,277)	(52,893)
Share of after-tax profit of associates		39,934	31,723
Share of after-tax profit of jointly-controlled entities		40,212	30,244
Profit before income tax		960,239	1,136,443
Income tax expense	30	(99,901)	(174,723)
Profit for the year	29	860,338	961,720
Profit attributable to owners of the Company:			
– Ordinary shareholders		665,435	785,651
– Preference shareholders		12,904	12,904
		678,339	798,555
Non-controlling interests		181,999	163,165
Profit for the year		860,338	961,720
Earnings per share			
– Basic	31	73.2 cents	86.4 cents
– Diluted	31	71.1 cents	83.7 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	Group 2012 \$'000	2011 \$'000
Profit for the year		860,338	961,720
Other comprehensive income			
Actuarial losses on defined benefit plans		(6,088)	(3,601)
Change in fair value of equity investments available for sale		3,274	(12,613)
Effective portion of changes in fair value of cash flow hedges		584	919
Exchange differences on hedges of net investment in foreign entities		5,897	(688)
Exchange differences on monetary items forming part of net investment in foreign entities		(19,667)	5,771
Exchange differences realised on disposal of a subsidiary and a jointly-controlled entity		–	131
Exchange differences realised on liquidation of subsidiaries		7,831	–
Share of other reserve movements of associates and a jointly-controlled entity		241	(9,795)
Translation differences arising on consolidation of foreign entities		(115,588)	(16,978)
Other comprehensive income for the year, net of income tax	30	(123,516)	(36,854)
Total comprehensive income for the year		<u>736,822</u>	<u>924,866</u>
Total comprehensive income attributable to:			
Owners of the Company		606,981	778,958
Non-controlling interests		129,841	145,908
Total comprehensive income for the year		<u>736,822</u>	<u>924,866</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Note	Share capital \$'000	Capital reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000
Group					
At 1 January 2012		1,991,397	148,962	(705)	3,067
Total comprehensive income for the year					
Profit for the year		–	–	–	–
Other comprehensive income					
Actuarial losses on defined benefit plans		–	–	–	–
Change in fair value of equity investments available for sale		–	–	–	3,274
Effective portion of changes in fair value of cash flow hedges		–	–	318	–
Exchange differences on hedges of net investment in foreign entities		–	–	–	–
Exchange differences on monetary items forming part of net investment in foreign entities		–	–	–	–
Exchange differences realised on liquidation of subsidiaries		–	–	–	–
Share of other reserve movements of associates and a jointly-controlled entity		–	–	–	–
Translation differences arising on consolidation of foreign entities		–	–	–	–
Total other comprehensive income		–	–	318	3,274
Total comprehensive income for the year		–	–	318	3,274
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Capital contribution from non-controlling interests		–	–	–	–
Dividends paid to owners of the Company	32	–	–	–	–
Dividends paid to non-controlling interests		–	–	–	–
Share options exercised		–	–	–	–
Share-based payment transactions		–	–	–	–
Total contributions by and distributions to owners		–	–	–	–
Changes in ownership interests in subsidiaries					
Acquisition of a subsidiary with non-controlling interests	35	–	–	–	–
Acquisition of non-controlling interests		–	136	–	–
Total changes in ownership interests in subsidiaries		–	136	–	–
Total transactions with owners		–	136	–	–
At 31 December 2012		1,991,397	149,098	(387)	6,341

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

Other reserve \$'000	Share option reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
(4,459)	9,470	(320,267)	4,999,340	6,826,805	1,869,199	8,696,004
–	–	–	678,339	678,339	181,999	860,338
–	–	–	(3,175)	(3,175)	(2,913)	(6,088)
–	–	–	–	3,274	–	3,274
–	–	–	–	318	266	584
–	–	3,218	–	3,218	2,679	5,897
–	–	(18,049)	–	(18,049)	(1,618)	(19,667)
–	–	7,831	–	7,831	–	7,831
105	–	–	–	105	136	241
–	–	(64,880)	–	(64,880)	(50,708)	(115,588)
105	–	(71,880)	(3,175)	(71,358)	(52,158)	(123,516)
105	–	(71,880)	675,164	606,981	129,841	736,822
–	–	–	–	–	1,252	1,252
–	–	–	(131,113)	(131,113)	–	(131,113)
–	–	–	–	–	(50,482)	(50,482)
–	(344)	–	–	(344)	344	–
–	1,183	–	–	1,183	984	2,167
–	839	–	(131,113)	(130,274)	(47,902)	(178,176)
–	–	–	–	–	2,534	2,534
–	–	–	–	136	(265)	(129)
–	–	–	–	136	2,269	2,405
–	839	–	(131,113)	(130,138)	(45,633)	(175,771)
(4,354)	10,309	(392,147)	5,543,391	7,303,648	1,953,407	9,257,055

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Note	Share capital \$'000	Capital reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000
Group					
At 1 January 2011		1,991,397	148,140	(1,201)	15,680
Total comprehensive income for the year					
Profit for the year		–	–	–	–
Other comprehensive income					
Actuarial losses on defined benefit plans		–	–	–	–
Change in fair value of equity investments available for sale		–	–	–	(12,613)
Effective portion of changes in fair value of cash flow hedges		–	–	502	–
Exchange differences on hedges of net investment in foreign entities		–	–	–	–
Exchange differences on monetary items forming part of net investment in foreign entities		–	–	–	–
Exchange differences realised on disposal of a subsidiary	35	–	–	–	–
Share of other reserve movements of associates and a jointly-controlled entity		–	–	–	–
Translation differences arising on consolidation of foreign entities		–	–	–	–
Total other comprehensive income		–	–	502	(12,613)
Total comprehensive income for the year		–	–	502	(12,613)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Capital contribution from non-controlling interests		–	–	–	–
Dividends paid to owners of the Company	32	–	–	–	–
Dividends paid to non-controlling interests		–	–	–	–
Share-based payment transactions		–	–	–	–
Total contributions by and distributions to owners		–	–	–	–
Changes in ownership interests in subsidiaries					
Acquisition of non-controlling interests		–	822	(6)	–
Total changes in ownership interests in subsidiaries		–	822	(6)	–
Total transactions with owners		–	822	(6)	–
At 31 December 2011		1,991,397	148,962	(705)	3,067

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

Other reserve \$'000	Share option reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
(268)	9,693	(322,456)	4,421,525	6,262,510	1,717,749	7,980,259
–	–	–	798,555	798,555	163,165	961,720
–	–	–	(1,961)	(1,961)	(1,640)	(3,601)
–	–	–	–	(12,613)	–	(12,613)
–	–	–	–	502	417	919
–	–	(381)	–	(381)	(307)	(688)
–	–	6,597	–	6,597	(826)	5,771
–	–	71	–	71	60	131
(4,190)	–	–	–	(4,190)	(5,605)	(9,795)
–	–	(7,622)	–	(7,622)	(9,356)	(16,978)
(4,190)	–	(1,335)	(1,961)	(19,597)	(17,257)	(36,854)
(4,190)	–	(1,335)	796,594	778,958	145,908	924,866
–	–	–	–	–	63,123	63,123
–	–	–	(222,043)	(222,043)	–	(222,043)
–	–	–	–	–	(25,411)	(25,411)
–	(292)	–	–	(292)	(243)	(535)
–	(292)	–	(222,043)	(222,335)	37,469	(184,866)
(1)	69	3,524	3,264	7,672	(31,927)	(24,255)
(1)	69	3,524	3,264	7,672	(31,927)	(24,255)
(1)	(223)	3,524	(218,779)	(214,663)	5,542	(209,121)
(4,459)	9,470	(320,267)	4,999,340	6,826,805	1,869,199	8,696,004

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Group	
	2012	2011
	\$'000	\$'000
Cash flows from operating activities		
Profit for the year	860,338	961,720
Adjustments for:		
Depreciation and amortisation	148,271	133,341
Dividend income	(6,485)	(10,037)
Equity settled share-based transactions	4,147	2,704
Finance costs	78,867	81,064
Finance income	(38,590)	(28,171)
Gain on dilution of investment in an associate	(1,241)	(418)
Impairment losses on loans to a jointly-controlled entity	2,904	959
Impairment losses on investment properties and property, plant and equipment	6,009	44,181
Income tax expense	99,901	174,723
Net gain on disposal, dilution and liquidation of jointly-controlled entities	–	(5,901)
Net loss on disposal, dilution and liquidation of subsidiaries	7,832	2,761
Profit on sale of investments	(46,316)	(152)
Profit on sale of property, plant and equipment and investment properties	(83,995)	(230,570)
Property, plant and equipment and investment properties written off	190	350
Share of after-tax profit of associates	(39,934)	(31,723)
Share of after-tax profit of jointly-controlled entities	(40,212)	(30,244)
Units in an associate received and receivable in lieu of fee income	(9,776)	(10,894)
Operating profit before working capital changes	941,910	1,053,693
Changes in working capital:		
Development properties	(756,212)	173,869
Consumable stocks and trade and other receivables	36,289	(148,752)
Trade and other payables	55,784	65,830
Employee benefits	(8,437)	539
Cash generated from operations	269,334	1,145,179
Income tax paid	(204,074)	(162,224)
Net cash from operating activities carried forward	65,260	982,955

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Note	Group 2012 \$'000	2011 \$'000
Net cash from operating activities brought forward		65,260	982,955
Cash flows from investing activities			
Acquisition of non-controlling interests		(129)	(24,255)
Acquisition of subsidiaries (net of cash acquired)	35	(411,993)	–
Capital expenditure on investment properties		(48,323)	(194,817)
Decrease/(Increase) in investments in an associate		5,356	(37,350)
Disposal/(Purchase) of financial assets		97,733	(2,581)
Disposal of subsidiaries (net of cash disposed of)	35	–	264,325
Dividends received:			
– an associate		38,908	35,846
– financial investments		6,485	9,855
– jointly-controlled entities		23,897	30,522
Increase in intangible assets		(596)	(308)
Increase in investments in jointly-controlled entities		(13,370)	(274,625)
Interest received		18,263	13,308
Payments for purchase of property, plant and equipment		(208,763)	(199,093)
Proceeds from disposal of a jointly-controlled entity		–	1,465
Proceeds from sale of property, plant and equipment and investment properties		139,641	430,367
Net cash (used in)/from investing activities		(352,891)	52,659
Cash flows from financing activities			
Capital contribution from non-controlling interests		1,252	63,123
Dividends paid		(181,595)	(247,454)
Finance lease payments		(3)	(3)
Increase in/(Repayment of) other long-term liabilities		382	(134)
Interest paid (including amounts capitalised as property, plant and equipment, investment properties and development properties)		(93,967)	(89,129)
Net (repayments of)/proceeds from revolving credit facilities and short-term bank borrowings		(122,310)	242,547
Net repayment by/(advances to) related parties		54,163	(201,777)
Payment of financing transaction costs		(8,544)	(5,321)
Proceeds from bank borrowings		790,826	438,200
Proceeds from issuance of bonds and notes		356,243	105,000
Repayment of bank borrowings		(451,655)	(407,874)
Repayment of bonds and notes		(404,000)	(316,675)
Net cash used in financing activities		(59,208)	(419,497)
Net (decrease)/increase in cash and cash equivalents		(346,839)	616,117
Cash and cash equivalents at beginning of the year		2,487,580	1,872,974
Effect of exchange rate changes on balances held in foreign currencies		(13,581)	(1,511)
Cash and cash equivalents at end of the year	15	2,127,160	2,487,580

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

Significant non-cash transactions

- (i) Management fee income of \$9,776,000 (2011: \$10,894,000) is received and receivable by the Group in the form of units in an associate.
- (ii) Dividends amounting to \$5,960,000 (2011: \$13,714,000) were paid by a subsidiary to its non-controlling interests in the form of scrip dividends.
- (iii) In 2011, an amount owing from a jointly-controlled entity totalling \$115,229,000 was capitalised as part of Group's cost of investment in that entity.
- (iv) In 2012, dividends amounting to \$Nil (2011: \$182,000) were received by a subsidiary in the form of scrip dividends from its investments in equity investments.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 14 March 2013.

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 2012 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.

Information about 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 note:

Note 2.2 Assessment of ability to control or exert significant influence over partly-owned investments

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are described in the following notes:

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

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of consolidation (cont'd)

Associates and jointly-controlled entities (cont'd)

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.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Foreign currencies (cont'd)

Foreign currency transactions (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, plant and equipment

Owned assets

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

2.5 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Intangible assets (cont'd)

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.

Acquisitions 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.

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).

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 (comprise mainly technology, trade name and customer relationship), are amortised in the income statement on a straight-line basis over their estimated useful lives ranging from 1 to 15 years, from the date on which they are available for use.

2.6 Investment properties

Investment properties are properties held either to earn rental income or capital appreciation or 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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Investment properties (cont'd)

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. Interest attributable to finance the purchase of lease of land is capitalised to the cost of 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Financial instruments (cont'd)

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 derivative financial liabilities.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Financial instruments (cont'd)

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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 Assets and liabilities 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 is first allocated to goodwill, and then to remaining assets and liabilities on a *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.

Property, plant and equipment and investment property once classified as held for sale are not depreciated.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Employee benefits (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Employee benefits (cont'd)

Share-based payment transactions (cont'd)

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.

2.16 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.

Dilapidation

Provision for dilapidation costs is recognised in respect of the expected costs to be incurred on termination of a leasehold asset.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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. No revenue is recognised when there is significant uncertainty as to the collectibility of consideration due or the possible return of units sold.

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 transaction 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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

Deferred tax is recognised in respect of temporary differences 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.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3 PROPERTY, PLANT AND EQUIPMENT

	Note	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 2011		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	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	4	–	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
Additions		17,305	91,704	17,460	64,226	19,785	210,480
Acquisition of subsidiaries	35	76,468	17	–	3,282	84	79,851
Disposals		(15,371)	–	–	(35,389)	–	(50,760)
Written off during the year		(778)	(973)	–	(6,736)	–	(8,487)
Reclassifications and transfers		23,563	144,990	(165,388)	10,843	(14,008)	–
Transfers to assets classified as held for sale	11	–	–	–	(789)	–	(789)
Translation differences on consolidation		(90,378)	(29,356)	(793)	(28,858)	(335)	(149,720)
At 31 December 2012		2,695,908	942,202	111,612	848,944	17,007	4,615,673

* Relates to excess accruals written back.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Note	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							
Accumulated depreciation and impairment losses							
At 1 January 2011		450,515	170,011	3,547	692,988	–	1,317,061
Charge for the year	29	16,072	3,317	–	51,747	–	71,136
Disposals		(2,395)	(177)	–	(55,478)	–	(58,050)
Disposal of subsidiaries	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	4	–	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
Charge for the year	29	17,598	15,690	–	47,198	–	80,486
Disposals		(3,522)	–	–	(34,626)	–	(38,148)
Written off during the year		(699)	(937)	–	(6,663)	–	(8,299)
Reclassifications and transfers		(2,918)	3,035	–	(117)	–	–
Transfers to assets classified as held for sale	11	–	–	–	(383)	–	(383)
Translation differences on consolidation		(13,966)	(10,305)	(257)	(20,845)	–	(45,373)
At 31 December 2012		442,719	196,474	5,779	565,227	–	1,210,199
Carrying amounts							
At 1 January 2011		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
At 31 December 2012		2,253,189	745,728	105,833	283,717	17,007	3,405,474

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land and buildings \$'000	Furniture, fittings and equipment \$'000	Total \$'000
Company			
Cost			
At 1 January 2011	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
Additions	–	2,354	2,354
Disposals	–	(338)	(338)
Written off during the year	–	(336)	(336)
At 31 December 2012	3,794	28,360	32,154
Accumulated depreciation			
At 1 January 2011	–	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
Charge for the year	–	1,762	1,762
Disposals	–	(330)	(330)
Written off during the year	–	(332)	(332)
At 31 December 2012	–	22,382	22,382
Carrying amounts			
At 1 January 2011	3,794	4,901	8,695
At 31 December 2011	3,794	5,398	9,192
At 31 December 2012	3,794	5,978	9,772

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

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Furniture, fittings and equipment	57	4	–	–

In 2011, 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 piece of land in India, held by Millennium and Copthorne Hotels plc and its subsidiaries (M&C Group). The piece of land in India was impaired following a decision by the management of the M&C Group 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 M&C Group using discount rates ranging from 10.5% to 14.0%.

In addition, the Group reversed impairment loss of \$2,313,000 in 2011 which was recognised in prior years in respect of one hotel in United States of America held by the M&C Group due to improved trading performances. The estimate of the recoverable amount was determined by management of the M&C Group using discount rate of 13.5%.

Included in property, plant and equipment are certain hotel properties of the Group with carrying value totalling \$418,950,000 (2011: \$374,542,000) which are mortgaged to certain financial institutions to secure credit facilities (refer to Notes 20 and 21 for more details of the facilities).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4 INVESTMENT PROPERTIES

	Note	Group \$'000	Company \$'000
Cost			
At 1 January 2011		3,539,838	608,338
Additions		194,952	4,469
Disposals		(29)	–
Transfers to property, plant and equipment	3	(3,328)	–
Written off during the year		(436)	(18)
Translation differences on consolidation		6,303	–
At 31 December 2011		3,737,300	612,789
Additions		49,306	3,766
Acquisition of subsidiaries	35	222,820	–
Disposals		(63,611)	–
Transfers to assets classified as held for sale	11	(107,813)	–
Written off during the year		(1,618)	(1,611)
Translation differences on consolidation		(64,482)	–
At 31 December 2012		3,771,902	614,944
Accumulated depreciation and impairment losses			
At 1 January 2011		754,931	77,430
Charge for the year	29	59,413	10,207
Disposals		(15)	–
Transfers to property, plant and equipment	3	(1,551)	–
Written off during the year		(428)	(12)
Impairment losses	29	14,056	–
Translation differences on consolidation		3,713	–
At 31 December 2011		830,119	87,625
Charge for the year	29	64,897	10,279
Disposals		(20,577)	–
Transfers to assets classified as held for sale	11	(10,830)	–
Written off during the year		(1,616)	(1,611)
Impairment loss	29	6,009	–
Translation differences on consolidation		(12,293)	–
At 31 December 2012		855,709	96,293
Carrying amounts			
At 1 January 2011		2,784,907	530,908
At 31 December 2011		2,907,181	525,164
At 31 December 2012		2,916,193	518,651
Fair value			
At 31 December 2011		6,480,627	1,167,331
At 31 December 2012		6,692,283	1,188,101

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 1 to 5 years, and subsequent renewals are negotiated at prevailing market rates and terms.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4 INVESTMENT PROPERTIES (CONT'D)

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. In March 2013, the Group entered into a sale and purchase agreement to dispose one of its investment properties for a consideration of \$150,951,000. The transaction is expected to be completed in May 2013. The fair value of the investment property as at 31 December 2012 is based on the best quote offered by the potential buyer.

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 2012, upon the Group and the Company identifying indications of impairment and thereafter assessing the carrying values of their investment properties, the Group recognised impairment loss of \$6,009,000 (2011: \$14,056,000).

The impairment loss of \$6,009,000 (2011: \$14,056,000) 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.

Investment properties of the Group with a total carrying amount of \$1,146,017,000 (2011: \$1,063,797,000) 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	
		2012	2011
		\$'000	\$'000
Investments in subsidiaries			
Unquoted shares, at cost		2,278,068	2,278,068
Discount implicit in non-current inter-company balances		7,095	7,095
Impairment losses		(61,728)	(63,358)
		<u>2,223,435</u>	<u>2,221,805</u>
Balances with subsidiaries			
Amounts owing by subsidiaries			
– trade, interest-free		7,453	6,890
– non-trade, interest-free		2,016,583	1,884,187
– non-trade, interest-bearing		3,075,571	2,215,992
		<u>5,099,607</u>	<u>4,107,069</u>
Impairment losses		(57,123)	(55,017)
		<u>5,042,484</u>	<u>4,052,052</u>
Receivable within 1 year	12	4,614,257	3,818,904
Receivable after 1 year	9	428,227	233,148
		<u>5,042,484</u>	<u>4,052,052</u>
Amounts owing to subsidiaries			
– trade, interest-free		1,034	1,070
– non-trade, interest-free		938,978	823,548
– non-trade, interest-bearing		383,733	200,695
		<u>1,323,745</u>	<u>1,025,313</u>
Repayable within 1 year	27	1,223,745	875,313
Repayable after 1 year	24	100,000	150,000
		<u>1,323,745</u>	<u>1,025,313</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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 reversed impairment loss of \$1,630,000 on its investment in a subsidiary which had disposed off its proportionate interest in industrial land parcels located at Jalan Lam Huat and recognised a profit from the sale. Accordingly, the impairment loss previously recognised for the investment of this subsidiary was reversed fully.

In 2011, 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 in 2011 following the disposal of their underlying investments.

The remaining impairment loss of \$16,300,000 was made in relation to its investment in a wholly-owned subsidiary, which had proceeded with voluntary liquidation in 2011. 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.

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 0.51% to 3.57% (2011: 0.42% to 13.00%) and at 1.00% to 3.57% (2011: 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 \$428,227,000 (2011: \$227,657,000) 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	
	2012	2011
	\$'000	\$'000
At 1 January	55,017	55,647
Charge/(Write-back) of impairment losses	2,106	(630)
At 31 December	57,123	55,017

Further details regarding subsidiaries are set out in Note 40.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

6 INVESTMENTS IN AND BALANCES WITH ASSOCIATES

	Note	Group		Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Investments in associates		417,855	420,966	–	–
Balances with associates					
Amounts owing by associates:					
– trade, interest-free		931	660	–	–
– non-trade, interest-bearing		94,125	139,428	–	–
– non-trade, interest-free		18	747	–	–
		95,074	140,835	–	–
Receivable:					
– within 1 year	12	37,621	37,555	–	–
– after 1 year	9	57,453	103,280	–	–
		95,074	140,835	–	–
Amounts owing to an associate:					
– trade, interest-free		7,277	7,434	9	3
– non-trade, interest-bearing		32,340	23,908	–	–
		39,617	31,342	9	3
Payable:					
– within 1 year	27	7,277	7,434	9	3
– after 1 year	24	32,340	23,908	–	–
		39,617	31,342	9	3

The non-trade amounts owing by and to associates are unsecured. In respect of the interest-bearing amounts owing by an associate, interest was charged at 2.87% to 3.24% (2011: 2.75% to 3.01%). For interest-bearing the amounts owing to an associate, interest was charged at 6.90% to 7.54% (2011: 7.54%).

The non-trade balances with associates that are presented as receivable within one year are receivable on demand. The non-current receivables from and payable to 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 \$279,687,000 (2011: \$284,702,000) and whose fair value as at the reporting date based on published price quotations is \$642,608,000 (2011: \$522,332,000).

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

	2012 \$'000	2011 \$'000
Total assets	2,079,484	2,206,667
Total liabilities	941,009	1,046,672
Revenue	294,321	157,733
Profit after tax	83,569	85,091

Further details regarding the associates are set out in Note 40.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

7 INVESTMENTS IN AND BALANCES WITH JOINTLY-CONTROLLED ENTITIES

		Group		Company	
	Note	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Investments in jointly-controlled entities					
Investments in jointly-controlled entities		806,956	674,272	37,360	37,360
Impairment losses		–	–	(1,000)	(1,000)
		806,956	674,272	36,360	36,360
Balances with jointly-controlled entities					
Amounts owing by jointly-controlled entities					
– trade, interest-free		6,807	2,861	239	218
– non-trade, interest-bearing		696,501	725,995	275,230	280,731
– non-trade, interest-free		215,117	214,643	–	–
		918,425	943,499	275,469	280,949
Impairment losses		(40,149)	(36,935)	(16,365)	(16,365)
		878,276	906,564	259,104	264,584
Receivable:					
– within 1 year	12	878,276	712,600	259,104	264,584
– after 1 year	9	–	193,964	–	–
		878,276	906,564	259,104	264,584
Amounts owing to jointly-controlled entities payable within 1 year					
– trade, interest-free		2	2	–	–
– non-trade, interest-free		24,824	28,676	24,824	28,676
	27	24,826	28,678	24,824	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% (2011: 0.75% to 8.50%) per annum and 1.50% to 2.00% (2011: 1.50% to 2.00%) 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 entities are loans to a jointly-controlled entity with carrying amounts of \$Nil (2011: \$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.

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

	Note	Group		Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At 1 January		36,935	35,740	16,365	15,174
Charge of impairment losses	29	2,904	959	–	1,191
Translation differences on consolidation		310	236	–	–
At 31 December		<u>40,149</u>	<u>36,935</u>	<u>16,365</u>	<u>16,365</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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

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

	Group	
	2012	2011
	\$'000	\$'000
Results		
Revenue and other operating income	252,547	199,553
Cost of sales and other expenses	(194,579)	(156,826)
Profit before income tax	57,968	42,727
Income tax expense	(9,078)	(3,621)
Non-controlling interests	(8,678)	(8,862)
Profit for the year	40,212	30,244
Assets and liabilities		
Non-current assets	394,630	418,832
Current assets	2,616,066	2,211,583
Total assets	3,010,696	2,630,415
Current liabilities	(564,275)	(359,927)
Non-current liabilities	(1,639,467)	(1,596,216)
Total liabilities	(2,203,742)	(1,956,143)
Commitments		
Development expenditure contracted but not provided for in the financial statements	510,404	521,189
Capital expenditure contracted but not provided for in the financial statements	280	2,451
Non-cancellable operating lease payables	10,355	20,778
Non-cancellable operating lease receivables	9,308	15,543

As at 31 December 2012, a jointly-controlled entity of the Group has a non-cancellable operating lease rental receivable of \$274,000 with a fellow subsidiary.

Further details regarding jointly-controlled entities are set out in Note 40.

8 FINANCIAL ASSETS

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Non-current financial assets				
Unquoted equity investments available for sale				
– fellow subsidiaries	3,294	3,289	3,290	3,290
– other related parties	44,665	100,340	–	–
– non-related companies	18,505	19,283	1,340	1,340
Impairment losses	(3,339)	(3,339)	–	–
	63,125	119,573	4,630	4,630
Quoted equity investments available for sale				
– fellow subsidiaries	27,421	22,739	23,057	19,122
– non-related companies	11,586	14,427	–	–
	39,007	37,166	23,057	19,122
Total	102,132	156,739	27,687	23,752

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

8 FINANCIAL ASSETS (CONT'D)

	Group	
	2012	2011
	\$'000	\$'000
Current financial assets		
Equity investments held for trading		
– quoted	31,375	24,888
– unquoted	1,210	1,400
	<u>32,585</u>	<u>26,288</u>

Included in quoted equity investments held for trading are investments in shares of listed subsidiaries with a total carrying value of \$11,627,000 (2011: \$9,719,000) 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 amount of \$54,113,000 (2011: \$110,266,000) and \$4,630,000 (2011: \$4,630,000) respectively, which are measured at cost less accumulated 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	
	2012	2011
	\$'000	\$'000
At 1 January	3,339	3,366
Impairment losses utilised	–	(27)
At 31 December	<u>3,339</u>	<u>3,339</u>

9 OTHER NON-CURRENT ASSETS

	Note	Group		Company	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Amounts owing by:					
– subsidiaries	5	–	–	428,227	233,148
– associates	6	57,453	103,280	–	–
– jointly-controlled entities	7	–	193,964	–	–
Deferred tax assets	26	4,059	3,655	–	–
Deferred expenditure		585	617	–	–
Deposits and prepayment		6,542	6,395	–	–
Intangible assets		4,260	6	–	–
Interest receivables		–	2,321	–	–
Other receivables		6,173	3,882	–	–
		<u>79,072</u>	<u>314,120</u>	<u>428,227</u>	<u>233,148</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

10 DEVELOPMENT PROPERTIES

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Properties in the course of development, at cost	3,667,484	2,511,983	423,578	557,996
Attributable profit	331,787	121,433	52,857	62,848
	3,999,271	2,633,416	476,435	620,844
Progress billings	(1,210,011)	(943,372)	(275,014)	(357,005)
	2,789,260	1,690,044	201,421	263,839
Properties for development and resale representing mainly land, at cost	106,219	438,646	–	–
Completed units, at cost	1,205,588	916,844	208,038	203,677
	4,101,067	3,045,534	409,459	467,516
Allowance for foreseeable losses	(29,583)	(35,511)	(506)	(1,185)
	4,071,484	3,010,023	408,953	466,331
Share of jointly-controlled assets				
Properties in the course of development, at cost	380,916	315,550	384,449	315,550
Attributable profit	113,771	63,818	113,771	63,818
	494,687	379,368	498,220	379,368
Progress billings	(255,486)	(145,516)	(255,486)	(145,516)
	239,201	233,852	242,734	233,852
Total development properties	4,310,685	3,243,875	651,687	700,183

The change in foreseeable losses in respect of development properties during the year is as follows:

Note	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At 1 January	35,511	77,201	1,185	282
Allowance (written back)/made (net)	(5,593)	(41,644)	(679)	903
Allowance utilised	(190)	–	–	–
Translation differences on consolidation	(145)	(46)	–	–
At 31 December	29,583	35,511	506	1,185

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

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Properties in the course of development, at cost	3,409,630	2,615,096	808,027	873,546
Attributable profit	445,558	185,251	166,628	126,666
	3,855,188	2,800,347	974,655	1,000,212
Progress billings	(1,339,356)	(1,020,623)	(530,500)	(502,521)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

10 DEVELOPMENT PROPERTIES (CONT'D)

In 2012, development properties for the Group recognised as cost of sales, excluding foreseeable losses amounted to \$921,021,000 (2011: \$786,977,000).

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 \$889,621,000 (2011: \$609,796,000) and \$158,329,000 (2011: \$176,471,000) respectively are mortgaged to financial institutions to secure credit facilities (refer to Note 20).

11 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

- (a) During the year, the Group entered into sale and purchase agreements to sell 18 strata units of 3 investment properties.
- (b) In February 2013, the Group entered into an equity transfer agreement to dispose of its entire interest in an indirect wholly-owned subsidiary of the Group holding an investment property in China.

The investment properties relate to the rental properties segment. These transactions are expected to be completed in 2013.

At 31 December 2012, the assets and liabilities associated with the above investment properties and subsidiary 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".

	Note	Group 2012 \$'000
Assets classified as held for sale		
Property, plant and equipment	3	406
Investment properties	4	96,983
Trade and other receivables		1,105
Cash and cash equivalents	15	5,204
		<u>103,698</u>
Liabilities classified as held for sale		
Trade and other payables		3,144
Interest-bearing borrowings *		36,998
		<u>40,142</u>

* The interest-bearing borrowing relates to a secured term loan taken up by a subsidiary. In December 2012, the subsidiary refinanced its existing interest-bearing borrowing which was due for repayment. The refinanced secured term loan matures in December 2015 and is secured by a mortgage on a subsidiary's investment property amounting to \$91,976,000.

The subsidiary's secured term loan bears interest at rates ranging from 6.77% to 7.65% per annum during the year.

There are no items recognised in other comprehensive income relating to the above investment properties and subsidiary classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

12 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade receivables		114,739	195,687	14,973	92,636
Impairment losses		(12,230)	(11,044)	(8,345)	(7,741)
		102,509	184,643	6,628	84,895
Other receivables		32,740	28,610	2,729	3,506
Impairment losses		(213)	(1,103)	(1,423)	(1,713)
		32,527	27,507	1,306	1,793
Deposits and prepayments		53,263	61,384	496	646
Tax recoverable		2,166	1,996	–	–
Accrued receivables	13	75,009	175,188	53,252	53,648
Amounts owing by:					
– subsidiaries	5	–	–	4,614,257	3,818,904
– associates	6	37,621	37,555	–	–
– jointly-controlled entities	7	878,276	712,600	259,104	264,584
– fellow subsidiaries	14	1,360	45	1,333	8
		1,182,731	1,200,918	4,936,376	4,224,478

The maximum exposure to credit risk for trade receivables, other receivables, deposits, 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		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Property development	763,232	947,114	3,567,308	3,065,181
Hotel operations	214,178	155,188	145,105	79,351
Rental properties	111,332	23,322	602,403	570,075
Others	43,145	34,565	621,384	509,603
	1,131,887	1,160,189	4,936,200	4,224,210

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

12 TRADE AND OTHER RECEIVABLES (CONT'D)

Impairment losses

The aging of trade receivables at the reporting date is:

	Gross 2012 \$'000	Impairment losses 2012 \$'000	Gross 2011 \$'000	Impairment losses 2011 \$'000
Group				
Not past due	66,247	39	154,903	48
Past due 0 – 30 days	15,924	1,288	17,939	11
Past due 31 – 60 days	9,300	450	6,476	1,178
Past due 61 – 90 days	8,646	286	2,706	649
More than 90 days	14,622	10,167	13,663	9,158
	114,739	12,230	195,687	11,044

Company

Not past due	3,112	–	81,086	5
Past due 0 – 30 days	701	8	745	6
Past due 31 – 60 days	317	6	1,039	–
Past due 61 – 90 days	37	31	823	4
More than 90 days	10,806	8,300	8,943	7,726
	14,973	8,345	92,636	7,741

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

	Note	Group 2012 \$'000	Group 2011 \$'000	Company 2012 \$'000	Company 2011 \$'000
At 1 January		12,147	3,778	9,454	1,792
Transfer to assets classified as held for sale		(137)	–	–	–
Charge of impairment losses	29	1,496	8,899	643	7,728
Impairment losses utilised		(508)	(204)	(298)	(27)
Translation differences on consolidation		(555)	(326)	(31)	(39)
At 31 December		12,443	12,147	9,768	9,454

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 accounting policies in Note 2.18. Upon receipt of the Temporary Occupation Permit, the balance of sales consideration to be billed is included as accrued receivables.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

14 AMOUNTS OWING BY AND TO FELLOW SUBSIDIARIES

	Note	Group		Company	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Amounts owing by fellow subsidiaries:					
– trade, interest-free	12	1,360	45	1,333	8
Amounts owing to fellow subsidiaries:					
– trade, interest-free		2,907	1	4	1
– non-trade, interest-bearing		113,579	61,634	–	–
	27	116,486	61,635	4	1

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 and repayable on demand. In respect of interest-bearing amounts, interest is charged at 2.00% to 2.50% (2011: 2.50%) per annum.

15 CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Amounts held under the Singapore development project rules, withdrawals from which are restricted to project-related payments		286,504	362,034	151,130	179,341
Fixed deposits placed with financial institutions which are:					
– fellow subsidiaries		58,698	38,778	–	–
– others		1,447,484	1,710,242	798,455	1,274,524
		1,506,182	1,749,020	798,455	1,274,524
Cash at banks and in hand		364,141	491,951	90,419	118,255
Cash and cash equivalents		2,156,827	2,603,005	1,040,004	1,572,120
Cash and cash equivalents included in assets classified as held for sale	11	5,204	–		
Bank overdrafts	19	(34,871)	(115,425)		
Cash and cash equivalents in the consolidated statement of cash flows		2,127,160	2,487,580		

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

16 SHARE CAPITAL

	Company			
	2012		2011	
	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		<u>1,991,397</u>		<u>1,991,397</u>

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 2012, a maximum number of 44,998,898 (2011: 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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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	
	2012	2011
	\$'000	\$'000
Gross borrowings	4,518,704	4,418,876
Cash and cash equivalents *	(2,162,031)	(2,603,005)
Net debt	2,356,673	1,815,871
Total capital employed	9,257,055	8,696,004
Net debt equity ratio	0.25	0.21

* Includes cash and cash equivalents presented in assets classified as held for sale.

No changes were made to the above objectives, policies and processes during the years ended 31 December 2012 and 2011.

17 RESERVES

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Capital reserve	149,098	148,962	63,743	63,743
Hedging reserve	(387)	(705)	–	–
Fair value reserve	6,341	3,067	12,141	6,810
Other reserve	(4,354)	(4,459)	–	5,664
Share option reserve	10,309	9,470	–	–
Foreign currency translation reserve	(392,147)	(320,267)	–	–
Accumulated profits	5,543,391	4,999,340	3,326,276	3,308,384
	5,312,251	4,835,408	3,402,160	3,384,601

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

17 RESERVES (CONT'D)

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

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

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 \$171,746,000 (2011: \$129,014,000) 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 Scheme 2006; and
- (iii) Millennium & Copthorne Hotels 2006 Long-Term Incentive Plan.

The Millennium & Copthorne Hotels Sharesave Scheme 1996 which was a United Kingdom Inland Revenue approved scheme designed for the executive directors of M&C and the M&C Group employees, expired in 2006. Options which remained exercisable under the scheme beyond the expiry date lapsed on 1 January 2011.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

18 EQUITY COMPENSATION BENEFITS (CONT'D)

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

- (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).
- (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 Scheme 2006*

- (a) The Millennium & Copthorne Hotels Sharesave Scheme 2006 (M&C Sharesave Scheme) is the United Kingdom Inland Revenue approved scheme 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 Scheme, 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 M&C Sharesave 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 Scheme provides 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

18 EQUITY COMPENSATION BENEFITS (CONT'D)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

18 EQUITY COMPENSATION BENEFITS (CONT'D)

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

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

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
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2011

Part I (Approved)

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 (Unapproved)

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	

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2012	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 2012	Options exercisable as at 31 December 2012	Exercise period
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2012

Part I (Approved)

10.03.2003	1.9350	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	7,529	–	(7,529)	–	–	–	–	24.03.2008 – 23.03.2015

Part II (Unapproved)

16.03.2004	2.9167	9,415	–	–	–	–	9,415	9,415	16.03.2007 – 15.03.2014
24.03.2005	3.9842	76,968	–	(39,656)	–	–	40,312	40,312	24.03.2008 – 23.03.2015
		114,905	–	(54,893)	–	–	60,012	60,012	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

18 EQUITY COMPENSATION BENEFITS (CONT'D)

(iii) *Millennium & Copthorne Hotels Sharesave Scheme 2006*

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	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

18 EQUITY COMPENSATION BENEFITS (CONT'D)

(iii) *Millennium & Copthorne Hotels Sharesave Scheme 2006 (cont'd)*

Date of grant of options	Exercise price per share £	Options outstanding as at 1 January 2012	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 2012	Options exercisable as at 31 December 2012	Exercise period
2012									
19.06.2006	3.2500	792	–	(792)	–	–	–	–	01.08.2011 – 31.01.2012
26.03.2007	5.2000	6,169	–	(629)	–	–	5,540	5,540	01.07.2012 – 31.12.2012
20.03.2008	3.2800	5,032	–	–	–	(5,032)	–	–	01.07.2011 – 31.12.2011
20.03.2008	3.2800	4,505	–	–	(1,433)	–	3,072	–	01.07.2013 – 31.12.2013
01.04.2009	1.5400	147,914	–	(131,031)	(8,911)	(1,319)	6,653	6,653	01.08.2012 – 31.01.2013
01.04.2009	1.5400	42,474	–	–	–	(10,162)	32,312	–	01.08.2014 – 31.01.2015
01.04.2010	3.3000	24,530	–	–	(8,360)	–	16,170	–	01.08.2013 – 31.01.2014
01.04.2010	3.3000	4,050	–	–	(2,072)	–	1,978	–	01.08.2015 – 31.01.2016
19.04.2011	4.1800	35,254	–	–	(10,961)	(345)	23,948	–	01.08.2014 – 31.01.2015
19.04.2011	4.1800	9,120	–	–	(1,771)	–	7,349	–	01.08.2016 – 31.01.2017
19.04.2012	3.8800	–	56,277	–	(1,853)	–	54,424	–	01.08.2015 – 31.01.2016
19.04.2012	3.8800	–	13,681	–	–	–	13,681	–	01.08.2017 – 31.01.2018
		279,840	69,958	(132,452)	(35,361)	(16,858)	165,127	12,193	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

18 EQUITY COMPENSATION BENEFITS (CONT'D)

(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
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
	<u>2,371,435</u>	<u>941,126</u>	<u>(1,452)</u>	<u>(776,472)</u>	<u>–</u>	<u>2,534,637</u>	
2012							
30.03.2009	1,075,746	–	(1,058,794)	(16,952)	–	–	30.03.2012
16.09.2010	517,765	–	(1,666)	(3,334)	–	512,765	16.09.2013
28.11.2011	941,126	–	–	–	–	941,126	28.11.2014
16.08.2012	–	673,455	–	–	–	673,455	16.08.2015
	<u>2,534,637</u>	<u>673,455</u>	<u>(1,060,460)</u>	<u>(20,286)</u>	<u>–</u>	<u>2,127,346</u>	

For options exercised during 2012, the weighted average share price at the date of exercise of share options is £4.79 (2011: £5.09). Options were exercised on a regular basis throughout the year. The options outstanding as at 31 December 2012 had an exercise price in the range of £1.54 to £5.20 (2011: £1.54 to £5.20) and a weighted average contractual life of 1.89 years (2011: 1.89 years).

The LTIP and Sharesave awards, which are subject to an EPS performance condition, were valued using the Black-Scholes valuation method. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

18 EQUITY COMPENSATION BENEFITS (CONT'D)

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
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%
2012									
LTIP – EPS element (directors)	16.08.2012	101,949	4.78	–	4.49	3.00	–	2.57%	–
LTIP – EPS element (non-directors)	16.08.2012	234,779	4.78	–	4.49	3.00	–	2.57%	–
LTIP – TSR element (directors)*	16.08.2012	101,949	4.78	–	2.65	3.00	27.1%	2.57%	0.19%
LTIP – TSR element (non-directors)*	16.08.2012	234,778	4.78	–	2.65	3.00	27.1%	2.57%	0.19%
Sharesave Scheme (3 year)	19.04.2012	56,277	4.81	3.88	1.47	3.25	39.0%	2.59%	0.68%
Sharesave Scheme (5 year)	19.04.2012	13,681	4.81	3.88	1.76	3.25	42.7%	2.59%	1.18%

* 50% of the new LTIP options granted in 2012 and 2011 are conditional upon the market performance of M&C.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

19 INTEREST-BEARING BORROWINGS

	Note	Group		Company	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Term loans	20	2,520,715	2,416,278	1,557,053	1,488,739
Finance lease creditors		57	3	–	–
Bonds and notes	21	1,758,422	1,819,133	1,079,780	1,097,634
Bank loans	22	152,863	54,991	152,863	54,991
Bank overdrafts	15	34,871	115,425	–	–
		<u>4,466,928</u>	<u>4,405,830</u>	<u>2,789,696</u>	<u>2,641,364</u>
Repayable:					
– Within 1 year		998,164	1,476,508	408,448	1,135,304
– After 1 year but within 5 years		3,119,911	2,879,331	2,131,909	1,506,060
– After 5 years		348,853	49,991	249,339	–
		<u>4,466,928</u>	<u>4,405,830</u>	<u>2,789,696</u>	<u>2,641,364</u>

20 TERM LOANS

	Note	Group		Company	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Secured		894,925	837,803	124,124	161,965
Unsecured		1,625,790	1,578,475	1,432,929	1,326,774
	19	<u>2,520,715</u>	<u>2,416,278</u>	<u>1,557,053</u>	<u>1,488,739</u>
Repayable:					
– Within 1 year		360,714	902,213	175,592	812,425
– After 1 year but within 5 years		2,160,001	1,514,065	1,381,461	676,314
		<u>2,520,715</u>	<u>2,416,278</u>	<u>1,557,053</u>	<u>1,488,739</u>

The term loans are obtained from banks and financial institutions.

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000

Secured term loans

Repayable:

– Within 1 year	247,407	59,496	124,124	–
– After 1 year but within 5 years	647,518	778,307	–	161,965
	<u>894,925</u>	<u>837,803</u>	<u>124,124</u>	<u>161,965</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

20 TERM LOANS (CONT'D)

The secured term loans are generally secured by:

- mortgages on development properties 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 0.64% to 7.90% (2011: 0.47% to 7.90%) per annum during the year. The Company's secured term loan bears interest at rates ranging from 0.64% to 1.55% (2011: 0.47% to 1.55%) per annum during the year.

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000

Unsecured term loans

Repayable:

– Within 1 year	113,307	842,717	51,468	812,425
– After 1 year but within 5 years	1,512,483	735,758	1,381,461	514,349
	1,625,790	1,578,475	1,432,929	1,326,774

The Group's unsecured term loans bear interest at rates ranging from 0.63% to 4.67% (2011: 0.49% to 6.12%) per annum during the year. The Company's unsecured term loans bear interest at rates ranging from 0.63% to 1.66% (2011: 0.49% to 1.72%) per annum during the year.

21 BONDS AND NOTES

	Note	Group		Company	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000

Secured		154,856	154,780	–	–
Unsecured		1,603,566	1,664,353	1,079,780	1,097,634
	19	1,758,422	1,819,133	1,079,780	1,097,634

Repayable:

– Within 1 year	449,705	403,876	79,993	267,888
– After 1 year but within 5 years	959,864	1,365,266	750,448	829,746
– After 5 years	348,853	49,991	249,339	–
	1,758,422	1,819,133	1,079,780	1,097,634

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000

Secured bonds and notes

Repayable:

– After 1 year but within 5 years	154,856	154,780	–	–
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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

21 BONDS AND NOTES (CONT'D)

Secured bonds and notes comprise the following:

- (i) \$155 million (2011: \$155 million) medium term notes (MTNs) which comprise 2 series (2011: 2 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 2.00% to 3.02% (2011: 2.00% 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 (2011: March 2014 and June 2015).

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Unsecured bonds and notes				
Repayable:				
– Within 1 year	449,705	403,876	79,993	267,888
– After 1 year but within 5 years	805,008	1,210,486	750,448	829,746
– After 5 years	348,853	49,991	249,339	–
	1,603,566	1,664,353	1,079,780	1,097,634

Unsecured bonds and notes comprise the following:

- (i) \$1,082 million (2011: \$1,100 million) MTNs which comprise 9 series (2011: 9 series) of notes issued by the Company at various interest rates as part of a \$1,500 million (2011: \$1,500 million) unsecured MTN programme established in 1999. The MTNs bear interest at rates ranging from 2.48% to 4.85% (2011: 2.48% to 4.85%) per annum. Unless previously redeemed or purchased and cancelled, the MTNs are redeemable at their principal amounts on their respective maturity dates from February 2013 to July 2022 (2011: April 2012 to September 2015);
- (ii) \$325 million (2011: \$368 million) MTNs which comprise 6 series (2011: 7 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 0.76% to 1.25% (2011: 0.39% to 1.27%) per annum. Unless previously redeemed or purchased and cancelled, the MTNs are redeemable at their principal amounts on their respective maturity dates from February 2013 to April 2015 (2011: May 2012 to December 2013); and
- (iii) \$200 million (2011: \$200 million) Islamic Trust Certificates (Certificates) which comprise 4 series (2011: 4 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% (2011: 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 May 2013 to June 2019 (2011: June 2012 to September 2018).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

22 BANK LOANS

	Note	Group		Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000

Bank loans repayable within 1 year

– unsecured	19	152,863	54,991	152,863	54,991
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The Group's and the Company's unsecured bank loans bear interest at rates ranging from 0.54% to 1.14% (2011: 0.60% to 0.89%) per annum during the year.

23 EMPLOYEE BENEFITS

		Group		Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000

Net liability for:

– defined benefit obligations		34,774	35,989	–	–
– short-term accumulating compensated absences		15,932	15,314	2,477	2,479
– long service leave		347	393	–	–
		51,053	51,696	2,477	2,479

Repayable:

– Within 1 year		16,279	15,707	2,477	2,479
– After 1 year		34,774	35,989	–	–
		51,053	51,696	2,477	2,479

	Note	Group	
		2012 \$'000	2011 \$'000

Net liability for defined benefit obligations

Present value of unfunded obligations		3,530	2,180
Present value of funded obligations		126,438	117,971
Fair value of plan assets		(95,194)	(84,162)
Liability for defined benefit obligations		34,774	35,989

Changes in the present value of defined benefit obligations

Defined benefit obligations as at 1 January		120,151	102,613
Acquisition of subsidiaries	35	383	–
Actuarial losses		9,705	3,884
Benefits paid		(4,732)	(4,090)
Interest cost		5,045	4,641
Service cost		2,963	4,315
Curtailment loss		–	255
Settlement		–	(8,062)
Other #		–	15,290
Translation differences on consolidation		(3,547)	1,305
Defined benefit obligations at 31 December		129,968	120,151

Refer to details on United Kingdom pension arrangements on page 144.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

23 EMPLOYEE BENEFITS (CONT'D)

	Group	
	2012	2011
	\$'000	\$'000
Changes in the fair value of plan assets		
Fair value of plan assets at 1 January	84,162	69,412
Expected return	4,145	3,941
Actuarial gains/(losses)	2,395	(906)
Contributions by employees	651	269
Contributions by employer	11,133	7,424
Benefits paid	(4,732)	(4,090)
Settlement	–	(8,062)
Other #	–	15,290
Translation differences on consolidation	(2,560)	884
Fair value of plan assets at 31 December	95,194	84,162

Refer to details on United Kingdom pension arrangements on page 144.

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

Equity	55,358	48,769
Bonds	26,395	22,312
Cash	13,441	13,081
Fair value of plan assets	95,194	84,162

Expenses recognised in the income statement

Current service costs	2,963	4,315
Interest on obligations	5,045	4,641
Expected return on plan assets	(4,145)	(3,941)
Curtailment loss	–	255
Defined benefit obligation expenses	3,863	5,270

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

	Note	Group	
		2012	2011
		\$'000	\$'000
Cost of sales		1,283	2,461
Administrative expenses		2,333	2,313
Other operating expenses		247	496
Defined benefit obligation expenses	29	3,863	5,270
Actual return on plan assets		6,540	3,035

Actuarial losses recognised in other comprehensive income

Cumulative amount at 1 January		34,786	29,996
Recognised during the year	30	7,311	4,790
Cumulative amount at 31 December		42,097	34,786

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

23 EMPLOYEE BENEFITS (CONT'D)

The principal causes for the Millennium & Copthorne Pension Plan (UK Plan) actuarial loss in 2012 was the decrease in the discount rate partially offset by the fall in expected future inflation and return on assets. The principal causes for the 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 life expectancies underlying the value of the accrued liabilities for the UK Plan, based on retirement age of 65, are as follows:

	2012 Years	2011 Years
Males	25	25
Females	27	27

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 5 April 2011 and this has been updated on an approximate basis to 31 December 2012. The contributions of the Group during the year were 5.0% (2011: 21.6%) of pensionable salary, plus enhanced contributions of £3.0 million (approximately \$6.0 million) (2011: £1.4 million (approximately \$2.8 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.

At 31 December 2011, the defined contribution plan section relating to GMP underpin did not have sufficient assets to meet the GMP liabilities. There was a deficit of £2.4 million (approximately \$4.8 million) on the £7.5 million (approximately \$15.3 million) defined contribution plan assets relating to those members with a GMP. As such, 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 in 2011 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 an actuarial loss of £2.4 million (approximately \$4.8 million) within defined benefit losses. At 31 December 2012, the plan has been included as part of the overall defined benefit scheme and not separately disclosed.

South 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 2012. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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 2012. The contributions of the Group were 6.0% (2011: 6.0%) of the employees' earnings. The assumptions which have the most significant effect on the results of the valuations are those relating to the discount rate and the rate of increase in salaries.

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

	2012 UK	2012 South Korea	2012 Taiwan	2011 UK	2011 South Korea	2011 Taiwan
Inflation rate	2.9%	–	–	3.1%	–	–
Discount rate*	4.4%	3.8%	1.8%	4.7%	4.8%	1.9%
Rate of salary increase	3.4%	5.0%	3.0%	3.6%	4.0%	2.5%
Rate of pension increases	2.9%	–	–	3.1%	–	–
Rate of revaluation	2.1%	–	–	2.1%	–	–
Annual expected return on plan assets	5.1%	4.2%	1.8%	5.1%	4.2%	1.8%

* The discount rate used in respect of the UK Plan of 4.4% (2011: 4.7%) 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 2012 of 5.1% (2011: 5.1%) has been calculated using a 5.4% (2011: 5.4%) return on equity representing 67.0% (2011: 63.0%) of plan assets and a 4.4% (2011: 4.7%) return on cash and bonds representing 33.0% (2011: 37.0%) of plan assets.

Historical information

Trend analysis

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

	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
Present value of defined benefit obligations	(129,968)	(120,151)	(102,613)	(108,035)	(86,554)
Fair value of plan assets	95,194	84,162	69,412	67,353	59,290
Deficit in the plan	(34,774)	(35,989)	(33,201)	(40,682)	(27,264)
Experience adjustments on plan liabilities	(3,288)	(3,851)	1,401	(1,125)	3,347
Changes in assumptions underlying the present value of plan liabilities	(6,417)	(33)	(3,885)	(15,289)	15,357
Actual return less expected return on plan assets	2,395	(906)	4,713	1,970	(16,297)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

24 OTHER LIABILITIES

	Note	Group		Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Miscellaneous (principally deposits received and payables)		9,969	9,540	–	–
Rental deposits		55,770	39,218	8,218	5,488
Non-current retention sums payable		42,024	24,307	16,036	11,337
Deferred income		5,685	–	–	–
Amount owing to a subsidiary	5	–	–	100,000	150,000
Amount owing to an associate	6	32,340	23,908	–	–
		<u>145,788</u>	<u>96,973</u>	<u>124,254</u>	<u>166,825</u>
Repayable:					
– Within 1 year		266	75	–	–
– After 1 year		145,522	96,898	124,254	166,825
		<u>145,788</u>	<u>96,973</u>	<u>124,254</u>	<u>166,825</u>

25 PROVISIONS

	Beijing indemnity \$'000	Onerous contracts \$'000	Capital expenditure \$'000	Legal \$'000	Dilapidation \$'000	Total \$'000
Group						
At 1 January 2012	15,491	4,612	6,797	14,840	–	41,740
(Write back)/Provisions made	–	(222)	7,979	–	1,985	9,742
Provisions utilised	–	(2,133)	(6,173)	(1,986)	–	(10,292)
Reclassification from/(to) trade and other payables	–	–	1,625	(3,010)	937	(448)
Translation differences on consolidation	(822)	(21)	(22)	(628)	(18)	(1,511)
At 31 December 2012	<u>14,669</u>	<u>2,236</u>	<u>10,206</u>	<u>9,216</u>	<u>2,904</u>	<u>39,231</u>
Current						23,816
Non-current						<u>15,415</u>
						<u>39,231</u>

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

The onerous contracts relate to onerous leases and the balances will be released over the life of the leases until 2013 and 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 provisions for legal fees relates to provision made in relation to disputes in several United States hotels.

The provisions for dilapidation costs relate to the expected costs to be incurred on termination of a leasehold asset.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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 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
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Group

Deferred tax liabilities

Property, plant and equipment	322,821	(12,886)	–	–	–	1,047	310,982
Investment properties	28,063	10,707	–	–	–	69	38,839
Financial assets	3,214	–	(1,784)	–	–	–	1,430
Development properties	109,356	(47,197)	–	–	–	–	62,159
Others	5,131	(1,699)	–	–	–	11	3,443
	468,585	(51,075)	(1,784)	–	–	1,127	416,853

Deferred tax assets

Property, plant and equipment	(1,013)	733	–	–	–	24	(256)
Tax losses	(28,585)	734	–	–	–	28	(27,823)
Employee benefits	(15,870)	–	(1,189)	3,238	–	981	(12,840)
Others	(3,428)	(3,900)	191	–	15	(5,163)	(12,285)
	(48,896)	(2,433)	(998)	3,238	15	(4,130)	(53,204)
	419,689	(53,508)	(2,782)	3,238	15	(3,003)	363,649

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

26 DEFERRED TAX LIABILITIES (CONT'D)

	At 1 January 2012 \$'000	Recognised in the income statement (Note 30) \$'000	Recognised in the statement of comprehensive income (Note 30) \$'000	Recognised directly in equity \$'000	Translation differences on consolidation \$'000	At 31 December 2012 \$'000
Group						
Deferred tax liabilities						
Property, plant and equipment	310,982	6,912	–	–	(11,700)	306,194
Investment properties	38,839	662	–	–	(104)	39,397
Financial assets	1,430	–	(1,430)	–	–	–
Development properties	62,159	(14,194)	–	–	–	47,965
Others	3,443	(1,754)	–	–	11	1,700
	416,853	(8,374)	(1,430)	–	(11,793)	395,256
Deferred tax assets						
Property, plant and equipment	(256)	(216)	–	–	18	(454)
Tax losses	(27,823)	598	–	–	1,425	(25,800)
Employee benefits	(12,840)	–	(1,223)	1,980	338	(11,745)
Others	(12,285)	3,324	31	–	251	(8,679)
	(53,204)	3,706	(1,192)	1,980	2,032	(46,678)
	363,649	(4,668)	(2,622)	1,980	(9,761)	348,578

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

26 DEFERRED TAX LIABILITIES (CONT'D)

	At 1 January 2011 \$'000	Recognised in the income statement \$'000	Recognised in the statement of comprehensive income \$'000	At 31 December 2011 \$'000
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Company

Deferred tax liabilities

Property, plant and equipment	9	120	–	129
Investment properties	2,542	9,496	–	12,038
Financial assets	2,858	–	(1,462)	1,396
Development properties	81,202	(50,181)	–	31,021
Others	3,357	(3,357)	–	–
	89,968	(43,922)	(1,462)	44,584

Deferred tax asset

Others	–	(2,964)	–	(2,964)
	89,968	(46,886)	(1,462)	41,620

	At 1 January 2012 \$'000	Recognised in the income statement \$'000	Recognised in the statement of comprehensive income \$'000	At 31 December 2012 \$'000
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Company

Deferred tax liabilities

Property, plant and equipment	129	239	–	368
Investment properties	12,038	(303)	–	11,735
Financial assets	1,396	–	(1,396)	–
Development properties	31,021	3,921	–	34,942
	44,584	3,857	(1,396)	47,045

Deferred tax asset

Others	(2,964)	1,761	–	(1,203)
	41,620	5,618	(1,396)	45,842

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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		Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Deferred tax assets	9	4,059	3,655	–	–
Deferred tax liabilities		(352,637)	(367,304)	(45,842)	(41,620)
		(348,578)	(363,649)	(45,842)	(41,620)

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	
	2012 \$'000	2011 \$'000
Deductible temporary differences	84,490	91,737
Tax losses	174,784	166,831
	259,274	258,568

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	
	2012 \$'000	2011 \$'000
Expiry dates		
– Within 1 to 5 years	41,068	36,462
– After 5 years	–	3,150
	41,068	39,612

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

27 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade payables		122,837	113,867	13,137	11,631
Accruals		528,854	539,190	159,483	203,186
Deferred income		122,799	109,005	–	34
Other payables		31,098	36,023	883	858
Rental and other deposits		41,414	49,606	10,078	14,022
Retention sums payable		33,896	34,537	12,139	14,863
Derivative financial liabilities		4,647	1,870	–	–
Amounts owing to:					
– subsidiaries	5	–	–	1,223,745	875,313
– an associate	6	7,277	7,434	9	3
– jointly-controlled entities	7	24,826	28,678	24,824	28,676
– fellow subsidiaries	14	116,486	61,635	4	1
		1,034,134	981,845	1,444,302	1,148,587

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	
	2012 \$'000	2011 \$'000
Dividends from investments:		
– fellow subsidiaries		
– quoted	1,706	1,536
– unquoted	3,351	3,550
– others		
– quoted equity investments	1,138	4,671
– unquoted equity investments	290	280
Hotel operations	1,535,635	1,563,486
Property development (recognised on a percentage of completion basis)	1,203,048	981,645
Property development (recognised on completion)	211,785	362,099
Profit on sale of investments	9	–
Rental and car park income from investment properties	303,833	280,767
Others	92,932	82,431
	3,353,727	3,280,465

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

29 PROFIT FOR THE YEAR

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

	Note	Group 2012 \$'000	2011 \$'000
Other operating income			
Gain on dilution of investment in an associate		1,241	418
Gain on dilution, disposal and liquidation of jointly-controlled entities		–	5,901
Gain on disposal of a subsidiary	35	–	3,546
Gain on liquidation of subsidiaries		–	21
Insurance proceeds received		11,396	6,972
Management fees and miscellaneous income		5,719	6,405
Profit on sale of investment, property, plant and equipment and investment properties		130,302	230,722
		<u>148,658</u>	<u>253,985</u>
Staff costs			
Contributions to defined contribution plans		32,621	29,831
Equity settled share-based transactions		4,147	2,704
Increase in liability for defined benefit plans	23	3,863	5,270
Increase in liability for short-term accumulating compensated absences		1,152	914
Decrease in liability for long service leave		(45)	(70)
Wages and salaries		627,648	612,862
		<u>669,386</u>	<u>651,511</u>
Less:			
Staff costs capitalised in:			
– development properties		(3,851)	(3,450)
– investment properties		(227)	(242)
– property, plant and equipment		(335)	(321)
		<u>664,973</u>	<u>647,498</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

29 PROFIT FOR THE YEAR (CONT'D)

	Note	Group 2012 \$'000	2011 \$'000
Other expenses			
Amortisation of intangible assets		362	311
Amortisation of lease premium prepayment		2,526	2,481
Audit fees paid to:			
– auditors of the Company		2,077	2,039
– other auditors of the subsidiaries		3,365	3,010
Non-audit fees:			
– auditors of the Company		523	990
– other auditors of the subsidiaries		3,271	1,604
Charge of impairment losses on:			
– amounts owing by a jointly-controlled entity	7	2,904	959
– investment property	4	6,009	14,056
– property, plant and equipment (net)	3	–	30,125
– trade and other receivables	12	1,496	8,899
Depreciation of:			
– investment properties	4	64,897	59,413
– property, plant and equipment	3	80,486	71,136
Direct operating expenses arising from investment properties which are not leased		167	102
Direct operating expenses arising from rental of investment properties (excluding depreciation)		91,804	81,705
Exchange (gain)/loss (net)		(9,253)	9,907
Loss on disposal of subsidiaries	35	–	6,328
Loss on liquidation of subsidiaries		7,832	–
Operating lease expenses		110,331	116,430
Property, plant and equipment and investment properties written off		190	350
Write-back of allowance for foreseeable losses on development properties (net)	10	(5,593)	(41,644)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

29 PROFIT FOR THE YEAR (CONT'D)

	Note	Group 2012 \$'000	2011 \$'000
Finance income			
Change in fair value of financial assets designated at fair value through profit or loss		–	145
Interest income			
– associates		2,844	1,159
– fellow subsidiaries		154	85
– fixed deposits with financial institutions		14,270	10,846
– jointly-controlled entities		13,967	12,157
– unquoted convertible notes of a jointly-controlled entity (financial assets designated at fair value through profit or loss)		–	3,835
– others		824	476
Mark-to-market gain on financial assets held for trading (net)		7,309	–
Finance income capitalised in development properties		(778)	(532)
Total finance income		38,590	28,171
Finance costs			
Amortisation of transaction costs capitalised		6,142	6,740
Interest expense			
– banks		47,819	40,031
– bonds and notes		46,405	47,503
– fellow subsidiaries		1,765	843
– associates		2,168	427
– others		3,692	640
Mark-to-market loss on financial assets held for trading (net)		–	9,622
		107,991	105,806
Finance costs capitalised in:			
– development properties		(26,481)	(23,855)
– investment properties		(1,660)	(135)
– property, plant and equipment		(983)	(752)
Total finance costs		78,867	81,064
Net finance costs		40,277	52,893
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		31,101	24,023
– Total finance costs on financial liabilities		69,036	64,165

Recognised in other comprehensive income

Gain/(Loss) in fair value of equity investments available for sale	30	3,274	(12,613)
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Included in the mark-to-market gain on financial assets held for trading is a gain of \$2,169,000 (2011: mark-to-market loss of \$4,013,000) 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.

Net finance costs of the Group and the Company have been capitalised at rates ranging from 0.04% to 3.57% (2011: 0.31% to 5.50%) and 0.48% to 1.54% (2011: 0.31% to 1.72%) per annum for development properties, investment properties and property, plant and equipment respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

30 INCOME TAX EXPENSE

	Note	Group 2012 \$'000	2011 \$'000
Current tax expense			
Current year		138,308	239,437
Overprovision in respect of prior years		(33,739)	(11,206)
		<u>104,569</u>	<u>228,231</u>
Deferred tax expense			
Movements in temporary differences		32,454	(41,299)
Effect of changes in tax rates and legislation		(2,795)	(2,234)
Overprovision in respect of prior years		(34,327)	(9,975)
	26	<u>(4,668)</u>	<u>(53,508)</u>
Total income tax expense		<u>99,901</u>	<u>174,723</u>

Income tax recognised in other comprehensive income

	Note	Before tax \$'000	2012 Tax (expense)/ benefit (Note 26) \$'000	Net of tax \$'000	Before tax \$'000	2011 Tax (expense)/ benefit (Note 26) \$'000	Net of tax \$'000
Group							
Actuarial losses on defined benefit plans	23	(7,311)	1,223	(6,088)	(4,790)	1,189	(3,601)
Change in fair value of equity investments available for sale	29	1,844	1,430	3,274	(14,397)	1,784	(12,613)
Effective portion of changes in fair value of cash flow hedges		615	(31)	584	1,110	(191)	919
Exchange differences on hedges of net investment in foreign entities		5,897	–	5,897	(688)	–	(688)
Exchange differences on monetary items forming part of net investment in foreign entities		(19,667)	–	(19,667)	5,771	–	5,771
Exchange differences realised on disposal of a subsidiary and a jointly-controlled entity		–	–	–	131	–	131
Exchange differences realised on liquidation of subsidiaries		7,831	–	7,831	–	–	–
Share of other reserve movements of associates and a jointly-controlled entity		241	–	241	(9,795)	–	(9,795)
Translation differences arising on consolidation of foreign entities		(115,588)	–	(115,588)	(16,978)	–	(16,978)
		<u>(126,138)</u>	<u>2,622</u>	<u>(123,516)</u>	<u>(39,636)</u>	<u>2,782</u>	<u>(36,854)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

30 INCOME TAX EXPENSE (CONT'D)

Reconciliation of effective tax rate

	Group	
	2012	2011
	\$'000	\$'000
Profit before income tax	960,239	1,136,443
Income tax using the Singapore tax rate of 17% (2011: 17%)	163,241	193,195
Income not subject to tax	(50,126)	(47,640)
Expenses not deductible for tax purposes		
– expenses	36,580	45,477
– write-back	(5,726)	(12,589)
Effect of changes in tax rates and legislation	(2,795)	(2,234)
Effect of different tax rates in other countries	16,544	19,220
Effect of share of results of jointly-controlled entities	3,500	1,559
Unrecognised deferred tax assets	7,313	357
Tax effect of losses not allowed to be set off against future taxable profits	1,443	2,391
Tax incentives	(743)	(945)
Utilisation of previously unrecognised deferred tax assets	(1,264)	(2,887)
Overprovision in respect of prior years	(68,066)	(21,181)
	99,901	174,723

31 EARNINGS PER SHARE

Basic earnings per share is calculated based on:

	Group	
	2012	2011
	\$'000	\$'000
Profit attributable to shareholders	678,339	798,555
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	665,435	785,651

	Group	
	2012	2011
	Number of shares	Number of shares
Weighted average number of ordinary shares	909,301,330	909,301,330
Basic earnings per share	73.2 cents	86.4 cents

Diluted earnings per share is based on:

	2012	2011
	\$'000	\$'000
Profit attributable to ordinary shareholders after adjustment for non-redeemable convertible non-cumulative preference dividends	665,435	785,651
Add:		
Dividends on non-redeemable convertible non-cumulative preference shares	12,904	12,904
Net profit used for computing diluted earnings per share	678,339	798,555

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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	
	2012	2011
	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	71.1 cents	83.7 cents

32 DIVIDENDS

	Company	
	2012	2011
	\$'000	\$'000
Final tax exempt (one-tier) ordinary dividend paid of 8.0 cents (2011: 8.0 cents) per ordinary share in respect of financial year ended 31 December 2011	72,744	72,744
Special final tax exempt (one-tier) ordinary dividend paid of 5.0 cents (2011: 10.0 cents) per ordinary share in respect of financial year ended 31 December 2011	45,465	90,930
Special interim tax exempt (one-tier) ordinary dividend paid of Nil cents (2011: 5.0 cents) per ordinary share in respect of financial year ended 31 December 2012	–	45,465
Non-cumulative tax exempt (one-tier) preference dividend paid of 1.94 cents (2011: 1.93 cents) per preference share	6,417	6,399
Non-cumulative tax exempt (one-tier) preference dividend paid of 1.96 cents (2011: 1.97 cents) per preference share	6,487	6,505
	<u>131,113</u>	<u>222,043</u>

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

	Company	
	2012	2011
	\$'000	\$'000
Final tax exempt (one-tier) ordinary dividend of 8.0 cents (2011: 8.0 cents) per ordinary share	72,744	72,744
Special final tax exempt (one-tier) ordinary dividend of 5.0 cents (2011: 5.0 cents) per ordinary share	45,465	45,465
	<u>118,209</u>	<u>118,209</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

33 COMMITMENTS

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

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Development expenditure contracted but not provided for in the financial statements	879,176	1,044,582	230,866	250,073
Capital expenditure contracted but not provided for in the financial statements	126,707	151,005	550	6,807
Commitments in respect of purchase of properties for which deposits have been paid	101,250	–	–	–

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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Within 1 year	55,463	66,475	6,980	5,098
After 1 year but within 5 years	192,135	207,026	4,243	5,278
After 5 years	606,936	610,061	–	–
	854,534	883,562	11,223	10,376

Contingent rents, generally determined based on a percentage of gross revenue and gross operating profit of the relevant properties, of \$65,131,000 (2011: \$55,734,000) 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 \$452,522,000 (2011: \$484,124,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Within 1 year	245,165	231,461	45,189	45,145
After 1 year but within 5 years	314,052	302,476	62,004	21,812
After 5 years	23,042	33,503	–	–
	<u>582,259</u>	<u>567,440</u>	<u>107,193</u>	<u>66,957</u>

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	
	2012	2011
	\$'000	\$'000
Within 1 year	730	–
After 1 year but within 5 years	424	–
	<u>1,154</u>	<u>–</u>

Contingent rents, generally determined based on a percentage of tenants' revenue, of \$4,864,000 (2011: \$4,822,000) and \$602,000 (2011: \$640,000) 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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Non-cancellable operating lease rental receivables from:				
– an associate	2,680	3,435	2,680	3,435
– a jointly-controlled entity	178	163	104	–
– a fellow subsidiary	5,343	5,355	837	221
– an associate of the ultimate holding company	589	159	–	–
– a related entity controlled by a key management personnel of the ultimate holding company	506	863	–	–
– subsidiaries	–	–	2,136	1,730
	<u>9,296</u>	<u>9,975</u>	<u>5,757</u>	<u>5,386</u>

- (c) As at 31 December 2012, the Group has capital commitments of US\$33,461,000 (approximately \$40,903,000) (2011: US\$102,291,000 (approximately \$132,058,000)) in relation to investment in financial assets with related parties.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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	
	2012	2011
	\$'000	\$'000
Insurance premium paid and payable to an associate of the ultimate holding company	588	613
Management services fees received and receivable from:		
– fellow subsidiaries	1,480	2,101
– an associate	12,317	13,287
– jointly-controlled entities	7,451	4,007
– a related entity controlled by a key management personnel	232	191
	<u>21,480</u>	<u>19,586</u>
Maintenance services fees received and receivable from:		
– fellow subsidiaries	179	269
– an associate	143	107
– jointly-controlled entities	1,601	737
	<u>1,923</u>	<u>1,113</u>
Recovery of costs from jointly-controlled entities	<u>36</u>	<u>115</u>
Rental and rental-related income received and receivable from:		
– fellow subsidiaries	927	820
– an associate	755	590
– an associate of the ultimate holding company	165	163
– a jointly-controlled entity	130	130
– related entities controlled by a close family member of a key management personnel of the ultimate holding company	357	307
	<u>2,334</u>	<u>2,010</u>
Management services fees paid and payable to a fellow subsidiary	<u>1,519</u>	<u>3,607</u>
Professional fees paid and payable to firms of which directors of the Company are members:		
– charged to the income statement	4	–
– included as cost of property, plant and equipment and cost of development properties	1,116	785
	<u>1,120</u>	<u>785</u>
Provision of staff support to a jointly-controlled entity	<u>156</u>	<u>–</u>
Rental and rental-related expenses paid and payable to:		
– fellow subsidiaries	73	175
– an associate	90,504	85,373
– a jointly-controlled entity	967	750
– a related entity controlled by a key management personnel	109	–
	<u>91,653</u>	<u>86,298</u>
Compensation paid and payable to key management personnel:		
– short-term employee benefits	33,576	36,258
– other long-term benefits	404	192
– share-based payment of a subsidiary	3,971	2,630
	<u>37,951</u>	<u>39,080</u>
Amounts owing to a key management personnel	<u>423</u>	<u>214</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

34 RELATED PARTIES (CONT'D)

During the year, the Group had entered into the following transactions with key management personnel (including close family members):-

- (a) certain key management personnel (including close family members) had entered into option to purchase agreements with a jointly-controlled entity of the Group to purchase residential properties with total sales value amounting to \$8,371,000 (2011: \$Nil). These option to purchase agreements have been subsequently exercised in 2013. Revenue from the sales will be recognised by the Group progressively based on the percentage of completion of the residential projects;
- (b) a close family member of a key management personnel had sold a motor vehicle to a jointly-controlled entity of the Group for a consideration of \$127,000 (2011: \$Nil).

35 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

- (a) On 12 January 2012, the Group via its indirect wholly-owned subsidiary, Vinemont Investments Pte. Ltd. (Vinemont) acquired 100% equity interest in Thailand Shareholder Investments Limited (TSIL) from a related party for a cash consideration of US\$147.1 million (approximately \$189.9 million). The cash consideration transferred was US\$157.6 million (approximately \$203.4 million), which included the assignment of a shareholder's loan due from TSIL to its previous shareholder. TSIL holds 49% equity interest in Dolruetai Co., Ltd (Dolruetai) which in turn had a 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 Millennium Resort Patong Phuket respectively, and a piece of land at Sukhumvit, Bangkok that is currently being developed into a retail mall. On 2 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 (approximately \$8.5 million).

From 12 January 2012 to 31 December 2012, TSIL contributed revenue of \$49,371,000 and profit of \$10,451,000 to the Group's results. If the acquisition had occurred on 1 January 2012, management estimates there would have been no significant changes to the Group's revenue and profit for the year.

- (b) On 27 February 2012, the Group via its indirect subsidiary, SWAN USA, Inc. acquired Whiteboard Labs, LLC (WBL) and merged it with the Group's in-house reservations management and electronic distribution arm, Sceptre Hospitality, to create a new subsidiary, Sceptre Hospitality Resources, LLC (SHR), in which the Group holds a 51% equity interest.

During the year ended 31 December 2012, the capital contribution included the cash contribution of US\$1.3 million (approximately \$1.6 million) and substantially all of WBL's assets.

From 27 February 2012 to 31 December 2012, SHR contributed revenue of \$4,688,000 and loss of \$1,228,000 to the Group's results. If the acquisition had occurred on 1 January 2012, management estimates the Group's revenue and profit for the year would have been \$3,354,665,000 and \$860,179,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

35 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONT'D)

- (c) On 21 December 2012, the Group acquired 60,000 ordinary shares, representing 60% ordinary shareholding interest and 1 preference share, representing the entire issued preference share in its jointly-controlled entity, Grange 100 Pte. Ltd. which principally holds unsold completed properties, for a consideration of \$204,483,000. The acquisition is accounted for as an acquisition of assets and is out of scope of FRS 103. The net cash outflow for the acquisition amounted to \$203,976,000.

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

	Note	\$'000
Property, plant and equipment	3	79,851
Investment properties	4	222,820
Other non-current assets		7,707
Consumable stocks		279
Trade and other receivables		4,844
Cash and cash equivalents		5,552
Trade and other payables		(20,093)
Interest-bearing borrowings		(82,793)
Employee benefits	23	(383)
Provision for taxation		(83)
Other non-current liabilities		(15,114)
Total identifiable net assets		202,587
Non-controlling interests (based on share of net assets)		(2,534)
Net assets acquired		200,053
Shareholder's loan assumed		13,516
Cash consideration paid, satisfied in cash		213,569
Cash acquired		(5,552)
		208,017
Net cash outflow for acquisition of assets (refer to note (c) above)		203,976
Total net cash outflow		411,993

The transaction costs incurred for acquisitions referred to in note (a) and (b) above amounted to \$487,000 and had been included in other operating expenses in the Group's income statement.

There were the following disposals of subsidiaries in 2011:

- (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, 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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

35 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONT'D)

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

	Note	Carrying Amount \$'000
Property, plant and equipment	3	27
Financial assets	37	211,524
Deferred tax assets	26	15
Other non-current assets		60,905
Trade and other receivables		1,380
Cash and cash equivalents		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 and cash equivalents disposed of		(1,992)
Net cash inflow		264,325

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							
2012							
Assets							
Financial assets	8	–	102,132	32,585	–	–	134,717
Other non-current assets*		69,672	–	–	–	–	69,672
Trade and other receivables excluding prepayments and tax recoverable		1,131,887	–	–	–	–	1,131,887
Cash and cash equivalents	15	2,156,827	–	–	–	–	2,156,827
		3,358,386	102,132	32,585	–	–	3,493,103
Liabilities							
Interest-bearing borrowings	19	–	–	–	–	4,466,928	4,466,928
Trade and other payables excluding deferred income	27	–	–	–	4,647	906,688	911,335
Other liabilities excluding deferred income	24	–	–	–	–	140,103	140,103
		–	–	–	4,647	5,513,719	5,518,366

* Excluding deferred tax assets, intangible assets, deferred expenditure and prepayment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

36 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

	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
		<u>4,015,939</u>	<u>156,739</u>	<u>26,288</u>	<u>–</u>	<u>–</u>	<u>4,198,966</u>
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
		<u>–</u>	<u>–</u>	<u>–</u>	<u>1,870</u>	<u>5,373,773</u>	<u>5,375,643</u>

* 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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					
2012					
Assets					
Financial assets	8	–	27,687	–	27,687
Trade and other receivables excluding prepayments		4,936,200	–	–	4,936,200
Cash and cash equivalents	15	1,040,004	–	–	1,040,004
		<u>5,976,204</u>	<u>27,687</u>	<u>–</u>	<u>6,003,891</u>
Liabilities					
Interest-bearing borrowings	19	–	–	2,789,696	2,789,696
Trade and other payables excluding deferred income	27	–	–	1,444,302	1,444,302
Other liabilities	24	–	–	124,254	124,254
		<u>–</u>	<u>–</u>	<u>4,358,252</u>	<u>4,358,252</u>
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
		<u>5,801,821</u>	<u>23,752</u>	<u>–</u>	<u>5,825,573</u>
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
		<u>–</u>	<u>–</u>	<u>3,956,742</u>	<u>3,956,742</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

37 FINANCIAL RISK MANAGEMENT (CONT'D)

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					
2012					
Term loans	2,520,715	2,655,033	384,282	2,270,751	–
Bonds and notes	1,758,422	1,907,530	481,550	1,046,969	379,011
Bank loans	152,863	152,935	152,935	–	–
Trade and other payables *	911,335	913,956	913,956	–	–
Bank overdrafts	34,871	35,202	35,202	–	–
Finance lease creditors	57	57	11	46	–
Other liabilities *	140,103	143,266	2,019	140,000	1,247
	5,518,366	5,807,979	1,969,955	3,457,766	380,258
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	–	–
Finance lease creditors	3	3	3	–	–
Other liabilities *	96,973	102,057	1,878	98,888	1,291
	5,375,643	5,600,652	2,420,715	3,127,271	52,666

* Excluding deferred income.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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	After 5 years \$'000
Company					
2012					
Term loans	1,557,053	1,629,339	192,394	1,436,945	–
Bonds and notes	1,079,780	1,194,895	100,653	819,036	275,206
Bank loans	152,863	152,935	152,935	–	–
Trade and other payables*	1,444,302	1,448,230	1,448,230	–	–
Other liabilities	124,254	127,251	2,997	124,254	–
	<u>4,358,252</u>	<u>4,552,650</u>	<u>1,897,209</u>	<u>2,380,235</u>	<u>275,206</u>
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	–
	<u>3,956,742</u>	<u>4,075,813</u>	<u>2,323,058</u>	<u>1,752,755</u>	<u>–</u>

* 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 2012 are provided below:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

37 FINANCIAL RISK MANAGEMENT (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 2012 was a £0.1 million (approximately \$183,000) liability (2011: £0.3 million (approximately \$674,000) liability).

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 £0.2 million (approximately \$474,000) (2011: £0.1 million (approximately \$255,000)). 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:

	Note	Interest rates per annum		Carrying amount		Total
		Floating rate	Fixed rate	Floating rate	Fixed rate	
		%	%	\$'000	\$'000	\$'000
Group						
2012						
Financial assets						
Cash and cash equivalents		–	0.001 to 7.80	–	1,903,686	1,903,686
Amounts owing by jointly-controlled entities*	7	–	1.50 to 8.50	–	656,352	656,352
Amounts owing by associates	6	2.87 to 3.24	–	94,125	–	94,125
				94,125	2,560,038	2,654,163
Financial liabilities						
Bank overdrafts	15					
– secured		2.90	–	(1,000)	–	(1,000)
– unsecured		0.90	–	(33,871)	–	(33,871)
Term loans	20					
– secured		0.65 to 7.30	–	(894,925)	–	(894,925)
– unsecured		0.80 to 4.12	1.61	(1,550,846)	(74,944)	(1,625,790)
Bank loans	22					
– unsecured		0.54 to 0.90	–	(152,863)	–	(152,863)
Bonds and notes	21					
– secured		–	2.00 to 3.02	–	(154,856)	(154,856)
– unsecured		0.80 to 1.20	2.34 to 3.88	(324,295)	(1,279,271)	(1,603,566)
Amounts owing to an associate	6	6.90	–	(32,340)	–	(32,340)
Amounts owing to a fellow subsidiary	14	–	2.00 to 2.50	–	(113,579)	(113,579)
				(2,990,140)	(1,622,650)	(4,612,790)
Total				(2,896,015)	937,388	(1,958,627)

* Carrying amount is net of impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

Group	Note	Interest rates per annum		Carrying amount		Total \$'000
		Floating rate	Fixed rate	Floating rate	Fixed rate	
		%	%	\$'000	\$'000	
2011						
Financial assets						
Cash and cash equivalents			– 0.0035 to 5.90	–	2,318,519	2,318,519
Amounts owing by jointly-controlled entities*	7	–	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)
Amounts 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)
Company						
2012						
Financial assets						
Cash and cash equivalents		–	0.08 to 0.82	–	945,802	945,802
Amounts owing by:						
– subsidiaries*		0.51 to 1.68	1.00 to 1.75	1,246,407	1,777,546	3,023,953
– jointly-controlled entities*	7	–	1.50 to 2.00	–	258,865	258,865
				1,246,407	2,982,213	4,228,620
Financial liabilities						
Amounts owing to subsidiaries	5	–	1.00 to 3.57	–	(383,733)	(383,733)
Term loans	20					
– secured		0.65 to 1.50	–	(124,124)	–	(124,124)
– unsecured		0.93 to 1.56	1.61	(1,357,985)	(74,944)	(1,432,929)
Bonds and notes (unsecured)	21	–	2.48 to 3.88	–	(1,079,780)	(1,079,780)
Bank loans	22	0.54 to 0.90	–	(152,863)	–	(152,863)
				(1,634,972)	(1,538,457)	(3,173,429)
Total				(388,565)	1,443,756	1,055,191

* Carrying amount is net of impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

	Note	Interest rates per annum		Carrying amount		Total \$'000
		Floating rate	Fixed rate	Floating rate	Fixed rate	
		%	%	\$'000	\$'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

* Carrying amount is net of impairment losses.

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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000

100 bp increase

Reduction in profit before income tax and on accumulated profits	(30,017)	(29,119)	(3,499)	(4,328)
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There is no impact on other components of equity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

37 FINANCIAL RISK MANAGEMENT (CONT'D)

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 Baht, 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 2012 are provided below:

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 loss recognised in other comprehensive income during the year in respect of the change in fair value of these hedging instruments was £1.6 million (approximately \$3,267,000) (2011: £0.2 million (approximately \$551,000) gain).

Amounts recognised in equity are recycled to the income statement to offset gains and losses when the underlying debt instrument is retranslated at the exchange rate applicable at each period end, and there was no ineffectiveness recognised in the year as a charge in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

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								
2012								
Financial assets	1,265	–	–	140	–	11,808	–	619
Trade and other receivables*	96	492	1,216	–	347	–	2,047	9
Cash and cash equivalents	26,373	5,013	169	1,316	–	25,295	15,986	392
Amount owing (to)/by subsidiaries (net)	(39,753)	(520,970)	272,331	132,114	39,541	686	(381)	(43)
Interest-bearing borrowings	(77,040)	(50,000)	–	(64,025)	(87,230)	–	–	–
Trade and other payables**	(229)	(198)	–	(31)	(22)	–	(109)	(7)
	(89,288)	(565,663)	273,716	69,514	(47,364)	37,789	17,543	970
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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

	United States Dollar \$'000	Hong Kong Dollar \$'000	Japanese Yen \$'000	Others \$'000
Company				
2012				
Trade and other receivables*	–	–	–	9
Cash and cash equivalents	458	53	–	15
Amount owing (to)/by subsidiaries (net)	(194)	(11,193)	39,501	(7)
Interest-bearing borrowings	–	(64,025)	(87,230)	–
Trade and other payables	–	(17)	(22)	(7)
	264	(75,182)	(47,751)	10
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

* Excluding prepayments.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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		
2012		
United States Dollar	(19,162)	(20,170)
Singapore Dollar	(26,839)	(5,000)
Thai Baht	10,554	—
Hong Kong Dollar	(7,284)	—
Japanese Yen	(4,736)	—
Sterling Pound	3,780	—
Renminbi	1,755	—
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	—
Company		
2012		
United States Dollar	26	—
Hong Kong Dollar	(7,518)	—
Japanese Yen	(4,775)	—
2011		
United States Dollar	(7,887)	—
Hong Kong Dollar	(7,882)	—
Japanese Yen	(5,188)	—

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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% (2011: 10%) and 5% (2011: 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% (2011: 10%) and 5% (2011: 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
2012		
Quoted equity investments available for sale and held for trading		
Equity	3,893	1,153
Profit before income tax	3,073	–
Unquoted investments held for trading		
Profit before income tax	121	–
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	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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:

	2012 Carrying amount \$'000	2012 Fair value \$'000	2011 Carrying amount \$'000	2011 Fair value \$'000
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Group

Assets carried at amortised cost

Deposit receivables	5,985	7,572	5,762	7,628
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Liabilities carried at amortised cost

Bonds and notes				
– secured	(154,856)	(158,918)	(154,780)	(158,952)
– unsecured	(1,099,301)	(1,131,460)	(979,050)	(1,004,669)
Long-term deposits	(9,703)	(8,931)	(9,466)	(9,187)
Term loans (unsecured)	(74,944)	(76,304)	(74,906)	(75,224)
	(1,338,804)	(1,375,613)	(1,218,202)	(1,248,032)

Company

Liabilities carried at amortised cost

Bonds and notes (unsecured)	(999,786)	(1,029,149)	(829,746)	(853,697)
Term loans (unsecured)	(74,944)	(76,304)	(74,906)	(75,224)
	(1,074,730)	(1,105,453)	(904,652)	(928,921)

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair values (cont'd)

Fair values versus carrying amounts (cont'd)

Investments in equity and convertible notes (cont'd)

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.

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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair values (cont'd)

Fair value hierarchy (cont'd)

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group					
2012					
Available-for-sale financial assets		39,007	–	9,012	48,019
Financial assets at fair value through profit or loss	8	31,375	–	1,210	32,585
		70,382	–	10,222	80,604
Derivative financial liabilities	27	–	(4,647)	–	(4,647)
		70,382	(4,647)	10,222	75,957
2011					
Available-for-sale financial assets		37,166	–	9,307	46,473
Financial assets at fair value through profit or loss	8	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
Company					
2012					
Available-for-sale financial assets	8	23,057	–	–	23,057
2011					
Available-for-sale financial assets	8	19,122	–	–	19,122

During the financial year ended 31 December 2012, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

37 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair values (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 2012		9,307	1,400	10,707
Total gains or losses recognised in the income statement		–	(119)	(119)
Purchases		203	–	203
Translation differences on consolidation		(498)	(71)	(569)
At 31 December 2012		9,012	1,210	10,222
Total gains or losses for the year included in the income statement for assets held at the end of the reporting period				
		–	(119)	(119)
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)

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.

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.

There is no sensitivity analysis prepared as the Group's exposure to the effect on fair value changes for 2011 and 2012 is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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 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 2012 and 2011.*

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.

Information about reportable segments

	Property development \$'000	Hotel operations \$'000	Rental properties \$'000	Others \$'000	Total \$'000
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2012

Total revenue (including inter-segment revenue)	1,414,833	1,535,635	314,398	182,032	3,446,898
Inter-segment revenue	–	–	(10,565)	(82,606)	(93,171)
External revenues	1,414,833	1,535,635	303,833	99,426	3,353,727

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

	2012 \$'000
United States	426,293
Europe	354,940
Singapore	313,268
Rest of Asia	364,326
New Zealand	76,808
	<u>1,535,635</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

38 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development \$'000	Hotel operations \$'000	Rental properties \$'000	Others \$'000	Total \$'000
2012					
Profit from operating activities	433,964	255,782	171,854	58,770	920,370
Share of after-tax profit of associates and jointly-controlled entities	32,790	17,870	28,402	1,084	80,146
Finance income	17,887	6,495	1,128	13,080	38,590
Finance costs	(16,513)	(29,835)	(23,220)	(9,299)	(78,867)
Net finance income/(costs)	1,374	(23,340)	(22,092)	3,781	(40,277)
Reportable segment profit before income tax	468,128	250,312	178,164	63,635	960,239
Depreciation and amortisation	546	78,128	67,498	2,099	148,271
Other material non-cash items					
Loss on liquidation of subsidiaries	–	–	6,721	1,111	7,832
Gain on dilution of investment in an associate	–	–	1,241	–	1,241
Impairment losses on:					
– amounts owing by a jointly- controlled entity	–	2,904	–	–	2,904
– investment property	–	–	6,009	–	6,009
Investments in associates and jointly-controlled entities	361,679	254,270	590,719	18,143	1,224,811
Other segment assets	6,306,885	4,258,949	3,361,374	450,084	14,377,292
Reportable segment assets	6,668,564	4,513,219	3,952,093	468,227	15,602,103
Tax recoverable					2,166
Deferred tax assets					4,059
Total assets					15,608,328
Reportable segment liabilities	3,019,778	1,236,258	1,262,397	258,843	5,777,276
Deferred tax liabilities					352,637
Provision for taxation					221,360
Total liabilities					6,351,273
Additions to non-current assets*	3,990	208,169	67,113	2,475	281,747

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

38 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development \$'000	Hotel operations \$'000	Rental properties \$'000	Others \$'000	Total \$'000
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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
	<u>1,563,486</u>

	Property development \$'000	Hotel operations \$'000	Rental properties \$'000	Others \$'000	Total \$'000
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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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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 disposal, dilution 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 property	–	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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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
2012					
Revenue	2,027,371	439,817	307,197	579,342	3,353,727
Non-current assets [#]	3,464,637	1,072,818	897,940	2,198,141	7,633,536
Reportable segment assets	10,030,685	1,204,345	1,017,467	3,349,606	15,602,103
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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

39 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. Those new standards, amendments to standards and interpretations that are expected to have a significant effect on the financial statements of the Group and the Company in future financial periods, and which the Group does not plan to early adopt except as otherwise indicated below, are set out below.

Applicable for the Group's 2013 financial statements

- FRS 19 *Employee Benefits (revised 2011)*, which revises certain principles of the current FRS 19, including the elimination of the option to defer recognition of re-measurement gains and losses for defined benefit plans and requiring these re-measurements to be presented in other comprehensive income. The standard also requires a re-assessment of the basis used for determining the income or expense related to defined benefit plans. In addition, there are changes to the definition of employee benefits as short-term or other long-term employee benefits.

The Group does not expect any significant impact to the Group's financial statements when it adopts FRS 19 (revised) in 2013.

- FRS 113 *Fair Value Measurement*, which replaces the existing guidance on fair value measurement in different FRSs with a single definition of fair value. The standard also establishes a framework for measuring fair values and sets out the disclosure requirements for fair value measurements. The adoption of this standard will require the Group to re-assess the bases used for determining the fair values computed for both measurement and disclosures purposes and would result in more extensive disclosures on fair value measurements. On initial application of the standard, the Group does not expect substantial changes to the bases used for determining fair values.

Applicable for the Group's 2014 financial statements

- FRS 110 *Consolidated Financial Statements*, which changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power with the investee. FRS 110 introduces a single control model with a series of indicators to assess control. FRS 110 also adds additional context, explanation and application guidance based on the principle of control.

The Group is presently assessing the impact of the adoption of this standard on the Group's financial statements.

- FRS 111 *Joint Arrangements*, which establishes the principles for classification and accounting of joint arrangements. The adoption of this standard would require the Group to re-assess and classify its joint arrangements as either joint operations or joint ventures based on its rights and obligations arising from the joint arrangements. Under this standard, interests in joint ventures will be accounted for using the equity method whilst interests in joint operations will be accounted for using the applicable FRSs relating to the underlying assets, liabilities, revenue and expense items arising from the joint operations.

The Group has several investments in joint arrangements. The Group has re-evaluated the rights and obligations of the parties to these joint arrangements and has determined that the parties in this joint arrangement have rights to the net assets of the arrangement. Accordingly, these joint arrangements will be classified as joint ventures under FRS 111 and will be accounted for using the equity method. Currently, the Group's joint arrangements are accounted for as jointly-controlled entities under FRS 31 *Interests in Joint Ventures* using the equity method. As the Group is already applying the equity method of accounting, there will be no impact to the Group's financial statements when the Group adopts FRS 111 in 2014.

- FRS 112 *Disclosure of Interests in Other Entities*, which sets out the disclosures required to be made in respect of all forms of an entity's interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of this standard would result in more extensive disclosures being made in the Group's financial statements in respect of its interests in other entities; as FRS 112 is primarily a disclosure standard, there will be no financial impact on the results and financial position of the Group and the Company upon adoption of this standard by the Group in 2014.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

40 SIGNIFICANT INVESTMENTS

The following are the Group's significant investments:

Principal Activity			Country of Incorporation	Effective Group Interest	
				2012 %	2011 %
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	100
*	CBM Solutions Pte. Ltd.	Advisors, consultants and service providers	Singapore	100	100
**	CDL China (Shanghai) Consulting Co., Ltd.	Provision of consultancy services	People's Republic of China	100	—
*	CDL Land Pte Ltd	Property owner and developer	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

40 SIGNIFICANT INVESTMENTS (CONT'D)

Principal Activity			Country of Incorporation	Effective Group Interest	
				2012 %	2011 %
Subsidiaries (cont'd)					
Direct/Indirect Subsidiaries of the Company (cont'd)					
*	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
*	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
**	Chongqing Huang Huayuan Property Development Co., Ltd.	Property owner and developer	People's Republic of China	100	—

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

40 SIGNIFICANT INVESTMENTS (CONT'D)

Principal Activity			Country of Incorporation	Effective Group Interest	
				2012 %	2011 %
Subsidiaries (cont'd)					
Direct/Indirect Subsidiaries of the Company (cont'd)					
*	Crescent View Developments Pte. Ltd.	Property owner and developer	Singapore	60	—
*	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
*	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
*	Grange 100 Pte. Ltd.	Property investment and owner	Singapore	100	40
*	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
*	Ingensys Pte. Ltd.	Systems integration activities	Singapore	70	—

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

40 SIGNIFICANT INVESTMENTS (CONT'D)

Principal Activity			Country of Incorporation	Effective Group Interest	
				2012 %	2011 %
Subsidiaries (cont'd)					
Direct/Indirect Subsidiaries of the Company (cont'd)					
*	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	55
*	New Vista Realty Pte. Ltd.	Property owner and developer	Singapore	100	100
*	Novel Developments Pte. Ltd.	Property owner and developer	Singapore	100	100
**	Pacific Height Enterprises Company Limited	Property investment	Hong Kong	100	100
**	Palmerston Holdings Sdn. Bhd.	Property owner and developer	Malaysia	51	51
**	Phuket Square Company Limited	Retail and hotel business	Thailand	49 #	—
^	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
*	Sparkland Holdings Pte. Ltd.	Property developer	Singapore	70	70
*	Sunshine Plaza Pte Ltd	Property owner, developer and investment holding	Singapore	100	100
**	Suzhou Global City Genway Properties Co., Ltd.	Property owner and developer	People's Republic of China	70	70
*	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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

40 SIGNIFICANT INVESTMENTS (CONT'D)

	Principal Activity	Country of Incorporation	Effective Group Interest		
			2012 %	2011 %	
Subsidiaries (cont'd)					
Direct/Indirect Subsidiaries of the Company (cont'd)					
*	White Haven Properties Pte. Ltd.	Property developer	Singapore	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	55
**	Beijing Fortune Hotel Co. Ltd.	Hotel owner and operator	People's Republic of China	39	38
**	Bostonian Hotel Limited Partnership	Hotel owner	USA	55	55
**	CDL (New York) LLC	Hotel owner	USA	55	55
**	CDL Hotels (Chelsea) Limited	Hotel owner and operator	England and Wales	55	55
**	CDL Hotels (Korea) Ltd.	Hotel owner and operator	Republic of Korea	55	55
**	CDL Hotels (Malaysia) Sdn. Bhd.	Hotel owner and operator	Malaysia	55	55
**	CDL Hotels (UK) Limited	Hotel owner and operator	England and Wales	55	55
**	CDL Hotels USA Inc.	Hotel investment holding company	USA	55	55
**	CDL Investments New Zealand Limited	Investment and property management company	New Zealand	26	26
**	CDL West 45th Street LLC	Hotel owner	USA	55	55
**	Chicago Hotel Holdings, Inc.	Hotel owner and operator	USA	55	55
*	City Hotels Pte. Ltd.	Hotel operator and investment holding company	Singapore	55	55

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

40 SIGNIFICANT INVESTMENTS (CONT'D)

Principal Activity			Country of Incorporation	Effective Group Interest	
				2012 %	2011 %
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	55
**	Copthorne Hotel (Gatwick) Limited	Hotel owner and operator	England and Wales	55	55
**	Copthorne Hotel (Manchester) Limited	Hotel owner and operator	England and Wales	55	55
**	Copthorne Hotel (Newcastle) Limited	Hotel owner and operator	England and Wales	53	52
**	Copthorne Hotel (Slough) Limited	Hotel owner and operator	England and Wales	55	55
**	Copthorne Hotel Holdings Limited	Hotels investment holding company	England and Wales	55	55
**	Copthorne Hotels Limited	Hotels investment holding company	England and Wales	55	55
*	Copthorne Orchid Hotel Singapore Pte Ltd	Property owner and developer	Singapore	55	55
**	Gateway Regal Holdings LLC	Hotel owner and operator	USA	55	55
**	Grand Plaza Hotel Corporation	Hotel owner and operator and investment holding company	Philippines	36	36
*	Harbour View Hotel Pte. Ltd.	Hotel operator	Singapore	55	55
**	Hong Leong Ginza TMK	Property owner	Japan	69	68
**	Hong Leong Hotel Development Limited	Hotel owner and operator	Taiwan	45	45
^	Hong Leong Hotels Pte Ltd.	Investment holding company	Cayman Islands	55	55
**	Hospitality Group Limited	Holding company	New Zealand	27	27
*	Hospitality Holdings Pte. Ltd.	Investment holding company	Singapore	55	55

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

40 SIGNIFICANT INVESTMENTS (CONT'D)

Principal Activity			Country of Incorporation	Effective Group Interest	
				2012 %	2011 %
Subsidiaries (cont'd)					
Direct/Indirect Subsidiaries of Millennium & Copthorne Hotels plc (cont'd)					
*	King's Tanglin Shopping Pte. Ltd.	Property owner	Singapore	55	55
**	London Britannia Hotel Limited	Hotel owner and operator	England and Wales	55	55
**	London Tara Hotel Limited	Hotel owner and operator	England and Wales	55	55
**	M&C Crescent Interests, LLC	Property owner	USA	55	55
**	M&C Hotel Interests, Inc	Hotel management services company	USA	55	55
**	M&C Hotels France SAS	Hotel owner	France	55	55
*	M&C REIT Management Limited	REIT investment management services	Singapore	55	55
**	Millennium & Copthorne Hotels New Zealand Limited	Hotel investment holding company	New Zealand	39	39
*	Millennium & Copthorne International Limited	Hotels and resorts management	Singapore	55	55
**	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	55
*	Republic Iconic Hotel Pte. Ltd.	Hotel owner and operator	Singapore	55	55
**	RHM-88, LLC	Hotel owner and operator	USA	55	55
**	WHB Biltmore LLC	Hotel owner and operator	USA	55	55

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

40 SIGNIFICANT INVESTMENTS (CONT'D)

Principal Activity			Country of Incorporation	Effective Group Interest	
				2012 %	2011 %
Subsidiaries (cont'd)					
Direct/Indirect Subsidiaries of City e-Solutions Limited					
**	Richfield Hospitality, Inc.	Investment holding and provision of hospitality related services	USA	53	53
**	Richfield Sceptre, Inc. (formerly known as Sceptre Hospitality Resources, Inc.)	Provision of reservation system services	USA	53	53
**	Sceptre Hospitality Resources, LLC	Provision of connectivity and revenue management services for hotels	USA	27	—
^	SWAN Holdings Limited	Investment holding	Bermuda	53	53
**	SWAN USA, Inc.	Holding company	USA	53	53
**	SWAN Carolina Investor, LLC	Special purpose entity holding title to hotel real estate as a tenant in common with capital partner	USA	53	—
Associates					
Associates of Millennium & Copthorne Hotels plc					
*	CDL Hospitality Trusts	See Note (1)	Singapore	20	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	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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

40 SIGNIFICANT INVESTMENTS (CONT'D)

		Principal Activity	Country of Incorporation	Effective Group Interest	
				2012 %	2011 %
Jointly-controlled Entities (cont'd)					
Jointly-controlled Entities of the Company (cont'd)					
****	CBM GISCO Integrated Facilities Management LLC	Provision of facilities management services	United Arab Emirates	49	49
*****	CBM Primetech Facilities Private Limited	Facilities management company	India	50	–
**	CBM Qatar LLC	Provision of facilities management services	State of Qatar	50 ^{##}	50 ^{##}
**	Exchange Tower Ltd.	Property owner and investment holding	Thailand	39	39
*	Freshview Developments Pte. Ltd.	Property owner and developer	Singapore	50	50
*	Granmil Holdings Pte Ltd	Property owner and developer	Singapore	40	40
**	Krungthep Rimnam Limited	Hotel business	Thailand	49	49
*	Mount V Development Pte. Ltd.	Real estate developer	Singapore	30	–
*****	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	50.1
*	Summervale Properties Pte. Ltd.	Property owner and developer	Singapore	50	50
*	Tomlinson Hotel Pte. Ltd.	Hotel owner	Singapore	33	33
*	Tripartite Developers Pte. Limited	Property developer	Singapore	33	33
Jointly-controlled Entity of Millennium & Copthorne Hotels plc					
^	New Unity Holdings Limited	Investment holding company	British Virgin Islands	28	27

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

40 SIGNIFICANT INVESTMENTS (CONT'D)

		Principal Activity	Country of Incorporation	Effective Group Interest	
				2012	2011
				%	%
Jointly-controlled Entities (cont'd)					
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	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 Anil De Souza & Associates				
*****	Audited by BDO Unicorn Inc				
^	Not subject to audit by law of country of incorporation				
#	The company is considered a subsidiary of the Group by virtue of the management control over financial and operating policies of the company.				
##	CBM International Pte. Ltd. has a direct shareholding of 30% in CBM Qatar LLC and through a shareholder's loan of \$15,592 (2011: \$15,592), the management considers its effective interest in CBM Qatar LLC to be 50%. The shareholder's loan is granted to Mr Saeed Dohaman Mohammad Al-Zayani, another shareholder of the jointly-controlled entity. With the passing on of Mr Saeed Dohaman Mohammad Al-Zayani, the shareholder's loan is transferred to his heir. The settlement of the loan is neither planned nor likely to occur in the foreseeable future. The loan, in substance, forms part of the Group's net investment in the jointly-controlled entity.				
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.				

**UNAUDITED FINANCIAL STATEMENTS OF CITY DEVELOPMENTS LIMITED AND
ITS SUBSIDIARIES FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

The information in this Appendix IV has been reproduced from the unaudited financial statements of City Developments Limited and its subsidiaries for the first quarter ended 31 March 2013 and has not been specifically prepared for inclusion in this Information Memorandum and references to the page numbers herein are those as reproduced from the unaudited financial statements of City Developments Limited and its subsidiaries for the first quarter ended 31 March 2013.

**CITY DEVELOPMENTS LIMITED**

(REG. NO. 196300316Z)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENT FOR THE PERIOD ENDED 31 MARCH 2013**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

These figures have not been audited.

	The Group Three months ended 31 March		Incr/ (Decr)
	2013 S\$'000	2012 S\$'000	%
Revenue	763,485	846,733	(9.8)
Cost of sales	(402,783)	(479,430)	(16.0)
Gross profit	360,702	367,303	(1.8)
Other operating income ⁽²⁾	32,093	45,820	(30.0)
Administrative expenses ⁽³⁾	(128,040)	(123,085)	4.0
Other operating expenses ⁽⁴⁾	(85,868)	(80,078)	7.2
Profit from operating activities	178,887	209,960	(14.8)
Finance income ⁽⁵⁾	9,936	11,078	(10.3)
Finance costs ⁽⁶⁾	(16,978)	(20,213)	(16.0)
Net finance costs	(7,042)	(9,135)	(22.9)
Share of after-tax profit of associates ⁽⁷⁾	6,434	7,257	(11.3)
Share of after-tax profit of jointly-controlled entities	8,192	7,538	8.7
Profit before income tax ⁽¹⁾	186,471	215,620	(13.5)
Income tax expense ⁽⁸⁾	(20,017)	(19,379)	3.3
Profit for the period	166,454	196,241	(15.2)
Attributable to:			
Owners of the Company	137,647	156,751	(12.2)
Non-controlling interests	28,807	39,490	(27.1)
Profit for the period	166,454	196,241	(15.2)
Earnings per share			
- basic	15.1 cents	17.2 cents	(12.2)
- diluted	14.4 cents	16.4 cents	(12.2)

CITY DEVELOPMENTS LIMITED

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Notes to the Group's Income Statement:

- (1) Profit before income tax includes the following:

	The Group Three months ended 31 March	
	2013 S\$'000	2012 S\$'000
Interest income	6,133	8,038
Profit on sale of investments, investment properties and property, plant and equipment (net)	28,450	40,877
Gain on dilution of investment in an associate	603	-
Investment income	172	256
Write-back of allowance for foreseeable losses on development properties	-	1,193
Net change in fair value of financial assets held for trading	2,612	3,040
Net exchange gain	4,234	5,202
Depreciation and amortisation	(38,441)	(35,244)
Interest expenses	(15,673)	(17,641)
Impairment loss on loans to a jointly-controlled entity	(276)	(237)

- (2) Other operating income comprises mainly management fee, miscellaneous income and profit on sale of investments, investment properties and property, plant and equipment. This had decreased by \$13.7 million to \$32.1 million (Q1 2012: \$45.8 million) in Q1 2013. This was primarily due to the fact that gains on the realisation of a private real estate fund were substantially lower in this quarter. The decrease was partially mitigated by gains recognised on disposal of several strata units in Citimac Industrial Complex, Elite Industrial Building I and Elite Industrial Building II in Q1 2013. No such gains were recorded in Q1 2012.
- (3) Administrative expenses, which comprise primarily depreciation, hotel administrative expenses, operating lease expenses and salaries and related expenses. This had increased by \$4.9 million to \$128.0 million (Q1 2012: \$123.1 million) for Q1 2013. The increase was mainly due to higher salaries and related expenses incurred and increased depreciation following the commencement of operations of W Singapore Sentosa Cove Hotel in October 2012.
- (4) Other operating expenses comprise mainly property taxes and insurance on hotels, other operating expenses on hotels, net exchange differences and professional fees. This had increased by \$5.8 million to \$85.9 million (Q1 2012: \$80.1 million) in Q1 2013 mainly due to lower net exchange gains recognised in Q1 2013 coupled with hotel operating expenses incurred by W Singapore Sentosa Cove Hotel.
- (5) Finance income comprises mainly interest income and fair value gain on financial assets held for trading, decreased by \$1.2 million to \$9.9 million (Q1 2012: \$11.1 million) for Q1 2013 due to lower interest income earned in this quarter.
- (6) Finance costs comprise primarily interest on borrowings, fair value loss on financial assets held for trading and amortisation of capitalised transaction costs on borrowings. Finance costs decreased by \$3.2 million to \$17.0 million (Q1 2012: \$20.2 million) for Q1 2013 due to lower interest expenses incurred on borrowings.

CITY DEVELOPMENTS LIMITED

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- (7) Share of after-tax profit of associates relates primarily to the Group's share of results of CDL Hospitality Trusts (CDLHT) and First Sponsor Capital Limited, remained relatively flat at \$6.4 million (Q1 2012: \$7.3 million) for Q1 2013.
- (8) Income tax expense for the period is derived at by applying the varying statutory tax rates on the taxable profits/(losses) and taxable/deductible temporary differences of the different countries in which the Group operates, and after adjustment for overprovision of taxation in prior periods of \$7.6 million (Q1 2012: \$18.3 million).

The overall effective tax rate of the Group for Q1 2013 was 10.7% (Q1 2012: 9.0%). Excluding the over provision in respect of prior periods, the effective tax rate of the Group for Q1 2013 would be 14.8% (Q1 2012: 17.5%).

CITY DEVELOPMENTS LIMITED

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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Note	The Group		The Company	
		As at 31.03.2013 S\$'000	As at 31.12.2012 S\$'000	As at 31.03.2013 S\$'000	As at 31.12.2012 S\$'000
Non-current assets					
Property, plant and equipment		3,418,029	3,405,474	9,479	9,772
Investment properties		2,877,733	2,916,193	518,263	518,651
Lease premium prepayment		83,938	82,798	-	-
Investments in subsidiaries		-	-	2,223,435	2,223,435
Investments in associates		416,395	417,855	-	-
Investments in jointly-controlled entities		815,629	806,956	36,360	36,360
Investments in financial assets	(1)	89,197	102,132	29,883	27,687
Other non-current assets		81,385	79,072	429,117	428,227
		7,782,306	7,810,480	3,246,537	3,244,132
Current assets					
Development properties		4,397,311	4,310,685	571,235	651,687
Lease premium prepayment		2,537	2,484	-	-
Consumable stocks		8,269	8,838	12	32
Financial assets		34,926	32,585	-	-
Assets classified as held for sale	(2)	136,783	103,698	-	-
Trade and other receivables		1,360,385	1,182,731	5,190,314	4,936,376
Cash and cash equivalents		2,255,269	2,156,827	1,099,818	1,040,004
		8,195,480	7,797,848	6,861,379	6,628,099
Total assets		15,977,786	15,608,328	10,107,916	9,872,231
Equity attributable to Owners of the Company					
Share capital		1,991,397	1,991,397	1,991,397	1,991,397
Reserves		5,460,332	5,312,251	3,428,967	3,402,160
		7,451,729	7,303,648	5,420,364	5,393,557
Non-controlling interests		1,997,916	1,953,407	-	-
Total equity		9,449,645	9,257,055	5,420,364	5,393,557
Non-current liabilities					
Interest-bearing borrowings*		3,746,397	3,468,764	2,614,001	2,381,248
Employee benefits		34,511	34,774	-	-
Other liabilities		149,715	145,522	168,342	124,254
Provisions		15,654	15,415	-	-
Deferred tax liabilities		358,521	352,637	35,084	45,842
		4,304,798	4,017,112	2,817,427	2,551,344
Current liabilities					
Trade and other payables		1,058,997	1,034,134	1,488,744	1,444,302
Interest-bearing borrowings*		857,355	998,164	286,301	408,448
Employee benefits		17,799	16,279	2,575	2,477
Other liabilities		280	266	-	-
Provision for taxation		224,465	221,360	92,505	72,103
Provisions		23,727	23,816	-	-
Liabilities classified as held for sale	(2)	40,720	40,142	-	-
		2,223,343	2,334,161	1,870,125	1,927,330
Total liabilities		6,528,141	6,351,273	4,687,552	4,478,674
Total equity and liabilities		15,977,786	15,608,328	10,107,916	9,872,231

* These balances are stated at amortised cost after taking into consideration their related transaction costs.

CITY DEVELOPMENTS LIMITED

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Notes to the statement of financial position of the Group

- 1) This decrease in financial assets was mainly due to the realisation of investments in a private real estate fund.
- 2) As at 31 March 2013, these relate to assets and liabilities associated with the following:
 - a) an industrial site at Pasir Panjang where the Group had entered into an agreement to sell this site.
 - b) an indirect wholly-owned subsidiary of the Group holding an investment property in China. The Group had entered into an equity transfer agreement in February 2013 to dispose its entire interest in this subsidiary.

These transactions are expected to be completed in 2013.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

The Group's net borrowings refer to aggregate borrowings from banks, financial institutions and finance lease creditors, after deducting cash and cash equivalents. Unamortised balance of transaction costs have not been deducted from the gross borrowings.

		As at 31.03.2013 S\$'000	As at 31.12.2012 S\$'000
<u>Unsecured</u>			
- repayable within one year		589,203	750,790
- repayable after one year		3,018,757	2,676,832
	(a)	3,607,960	3,427,622
<u>Secured</u>			
- repayable within one year		287,849	249,248
- repayable after one year		760,569	841,834
	(b)	1,048,418	1,091,082
Gross borrowings	(a) + (b)	4,656,378	4,518,704
Less: cash and cash equivalents as shown in the statement of financial position		(2,255,269)	(2,156,827)
Less: cash and cash equivalents included in assets classified as held for sale		(5,175)	(5,204)
Net borrowings		2,395,934	2,356,673

Details of any collateral

Where secured, borrowings are collateralised by:

- mortgages on the borrowing companies' hotels, investment and development properties; and
- assignment of all rights and benefits to sale, lease and insurance proceeds in respect of hotels, investment and development properties.

CITY DEVELOPMENTS LIMITED

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- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Three months ended 31 March	
	2013 S\$'000	2012 S\$'000
Operating Activities		
Profit for the period	166,454	196,241
Adjustments for:		
Depreciation and amortisation	38,441	35,244
Dividend income	(172)	(256)
Equity settled share-based transactions	1,176	1,198
Finance costs	16,978	20,213
Finance income	(9,936)	(11,078)
Gain on dilution of investment in an associate	(603)	-
Impairment loss on loans to a jointly-controlled entity	276	237
Income tax expense	20,017	19,379
Profit on sale of property, plant and equipment and investment properties	(23,827)	(48)
Profit on sale of investments	(4,623)	(40,829)
Share of after-tax profit of associates	(6,434)	(7,257)
Share of after-tax profit of jointly-controlled entities	(8,192)	(7,538)
Units in an associate received in lieu of fee income	(2,487)	(2,488)
Operating profit before working capital changes	187,068	203,018
Changes in working capital		
Development properties	(71,388)	20,665
Stocks, trade and other receivables and assets classified as held for sale	(178,429)	(96,576)
Trade and other payables and liabilities classified as held for sale	27,359	56,445
Employee benefits	1,323	148
Cash (used in)/generated from operations	(34,067)	183,700
Income tax paid	(14,984)	(14,123)
Cash flows (used in)/from operating activities carried forward ⁽¹⁾	(49,051)	169,577

CITY DEVELOPMENTS LIMITED
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	Three months ended 31 March	
	2013 S\$'000	2012 S\$'000
Cash flows (used in)/from operating activities brought forward	(49,051)	169,577
Investing Activities		
Acquisition of subsidiaries, net of cash acquired	-	(208,017)
Capital expenditure on investment properties	(3,827)	(15,885)
Decrease in investments in associates	1,505	-
Dividends received		
- an associate	19,238	19,457
- financial investments	172	256
- jointly-controlled entities	130	13,356
Interest received	4,906	5,109
Increase in investments in jointly-controlled entities	-	(3,544)
Payments for purchase of property, plant and equipment	(37,036)	(42,050)
Proceeds from sale of property, plant and equipment and investment properties	30,234	463
Proceeds from sale of investments	22,160	90,375
Cash flow from/(used in) investing activities ⁽²⁾	37,482	(140,480)
Financing Activities		
Net advances from/Repayment by related parties	4,674	39,261
Capital contribution by non-controlling interests	511	18
Finance lease payments	(2)	(3)
Interest paid (including amounts capitalised as investment properties, property, plant and equipment and development properties)	(24,105)	(22,516)
Net proceeds from revolving credit facilities and short-term bank borrowings	115,467	67,122
Payment of financing transaction costs	(1,677)	(318)
Payment for settlement of financial instruments	(4,132)	-
Proceeds from bank borrowings	66,996	-
Proceeds from issuance of bonds and notes	211,755	100,000
Repayment of bank borrowings	(58,740)	(170,299)
Repayment of bonds and notes	(203,510)	-
(Repayment of)/Increase in other long-term liabilities	(475)	10
Cash flows from financing activities ⁽³⁾	106,762	13,275
Net increase in cash and cash equivalents	95,193	42,372
Cash and cash equivalents at beginning of the period	2,127,160	2,487,580
Effect of exchange rate changes on balances held in foreign currencies	5,909	(3,437)
Cash and cash equivalents at end of the period	2,228,262	2,526,515
Cash and cash equivalents comprise:-		
Cash and cash equivalents as shown in the statement of financial position	2,255,269	2,642,000
Cash and cash equivalents included in assets classified as held for sale	5,175	-
Less: Bank overdrafts	(32,182)	(115,485)
	2,228,262	2,526,515

CITY DEVELOPMENTS LIMITED

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Notes to the statement of cash flows

- (1) The Group had a net cash outflow from operating activities of \$49.1 million (Q1 2012: net cash inflow of \$169.6 million) for Q1 2013 largely due to the payment of land cost for the site located at Fernvale Link/Sengkang West Way.
- (2) The Group had a net cash inflow from investing activities of \$37.5 million (Q1 2012: net cash outflow of \$140.5 million) for Q1 2013. The net cash inflow for Q1 2013 was primarily due to the proceeds from the sale of several strata units in Citimac Industrial Complex, Elite Industrial Building I and Elite Industrial Building II. The net cash outflow for Q1 2012 was due to acquisition of a group of foreign entities which had interests in 2 retail developments and a hotel. This was partially offset by proceeds from realisation of investments in a private real estate fund.
- (3) The Group had a net cash inflow from financing activities of \$106.8 million (Q1 2012: \$13.3 million) for Q1 2013 due to net proceeds received from bank borrowings and issuance of bonds and notes of \$132.0 million in current quarter as compared to a net repayment of bank borrowings and issuance of bonds and notes of \$3.2 million in the corresponding quarter in 2012.

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1(d) Consolidated Statement of Comprehensive Income

	The Group Three months ended 31 March	
	2013 S\$'000	2012 S\$'000
Profit for the period	166,454	196,241
Other comprehensive income:		
<u>Items that will not be reclassified to profit or loss:</u>		
Actuarial gains/(losses) on defined benefit plans	19	(861)
<u>Items that may be reclassified subsequently to profit or loss:</u>		
Change in fair value of equity investments available for sale	3,279	3,678
Effective portion of changes in fair value of cash flow hedges	(252)	435
Exchange differences on hedges of net investment in foreign entities	(12,192)	5,026
Exchange differences on monetary items forming part of net investment in foreign entities	11,580	146
Share of other reserve movements of associates	(57)	243
Translation differences arising on consolidation of foreign entities	22,073	(47,527)
	24,431	(37,999)
Other comprehensive income for the period, net of income tax	24,450	(38,860)
Total comprehensive income for the period	190,904	157,381
Attributable to:		
Owners of the Company	147,439	136,056
Non-controlling interests	43,465	21,325
Total comprehensive income for the period	190,904	157,381

CITY DEVELOPMENTS LIMITED

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1(e)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group	Attributable to owners of the Company						Non-controlling Interests S\$m	Total Equity S\$m
	Share Capital S\$m	Cap. Res. S\$m	Other Res.* S\$m	Exch. Fluct. Res. S\$m	Accum. Profits S\$m	Total S\$m		
At 1 January 2013	1,991.4	149.0	12.0	(392.1)	5,543.4	7,303.7	1,953.4	9,257.1
Profit for the period	-	-	-	-	137.6	137.6	28.8	166.4
Other comprehensive income								
Change in fair value of equity investments available for sale	-	-	3.3	-	-	3.3	-	3.3
Effective portion of changes in fair value of cash flow hedges	-	-	(0.1)	-	-	(0.1)	(0.1)	(0.2)
Exchange differences on hedges of net investment in foreign entities	-	-	-	(6.7)	-	(6.7)	(5.5)	(12.2)
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	13.2	-	13.2	(1.6)	11.6
Share of other reserve movement of associates	-	-	-	-	-	-	(0.1)	(0.1)
Translation differences arising on consolidation of foreign entities	-	-	-	0.1	-	0.1	22.0	22.1
Other comprehensive income for the period, net of income tax	-	-	3.2	6.6	-	9.8	14.7	24.5
Total comprehensive income for the period	-	-	3.2	6.6	137.6	147.4	43.5	190.9
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Capital contribution from non-controlling interests	-	-	-	-	-	-	0.5	0.5
Share-based payment transactions	-	-	0.6	-	-	0.6	0.5	1.1
Total contributions by and distribution to owners	-	-	0.6	-	-	0.6	1.0	1.6
Total transactions with owners	-	-	0.6	-	-	0.6	1.0	1.6
At 31 March 2013	1,991.4	149.0	15.8	(385.5)	5,681.0	7,451.7	1,997.9	9,449.6
At 1 January 2012	1,991.4	148.9	7.4	(320.2)	4,999.3	6,826.8	1,869.2	8,696.0
Profit for the period	-	-	-	-	156.7	156.7	39.5	196.2
Other comprehensive income								
Actuarial losses on defined benefit plans	-	-	-	-	(0.4)	(0.4)	(0.4)	(0.8)
Change in fair value of equity investments available for sale	-	-	3.7	-	-	3.7	-	3.7
Effective portion of changes in fair value of cash flow hedges	-	-	0.2	-	-	0.2	0.2	0.4
Exchange differences on hedges of net investment in foreign entities	-	-	-	2.7	-	2.7	2.3	5.0
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	1.2	-	1.2	(1.0)	0.2
Share of other reserve movement of associates	-	-	0.1	-	-	0.1	0.1	0.2
Translation differences arising on consolidation of foreign entities	-	-	-	(28.1)	-	(28.1)	(19.4)	(47.5)
Other comprehensive income for the period, net of income tax	-	-	4.0	(24.2)	(0.4)	(20.6)	(18.2)	(38.8)
Total comprehensive income for the period	-	-	4.0	(24.2)	156.3	136.1	21.3	157.4
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Share option exercised	-	-	(0.3)	-	-	(0.3)	0.3	-
Share-based payment transactions	-	-	0.5	-	-	0.5	0.5	1.0
Total contributions by and distribution to owners	-	-	0.2	-	-	0.2	0.8	1.0
Changes in ownership interests in subsidiaries								
Acquisition of a subsidiary with non-controlling interests	-	-	-	-	-	-	1.6	1.6
Total transactions with owners	-	-	0.2	-	-	0.2	2.4	2.6
At 31 March 2012	1,991.4	148.9	11.6	(344.4)	5,155.6	6,963.1	1,892.9	8,856.0

* Other reserves comprise mainly fair value reserve arising from available-for-sale investments, share option reserve and share of other reserve of associates.

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The Company	Share Capital S\$m	Capital Reserve S\$m	Fair Value Reserve S\$m	Other Reserve S\$m	Accumulated Profits S\$m	Total S\$m
At 1 January 2013	1,991.4	63.7	12.2	-	3,326.3	5,393.6
Profit for the period	-	-	-	-	24.6	24.6
<u>Other comprehensive income</u>						
Change in fair value of equity investments available for sale	-	-	2.2	-	-	2.2
Other comprehensive income for the period, net of income tax	-	-	2.2	-	-	2.2
Total comprehensive income for the period	-	-	2.2	-	24.6	26.8
At 31 March 2013	1,991.4	63.7	14.4	-	3,350.9	5,420.4
At 1 January 2012	1,991.4	63.7	6.8	5.7	3,308.4	5,376.0
Profit for the period	-	-	-	-	21.9	21.9
<u>Other comprehensive income</u>						
Change in fair value of equity investments available for sale	-	-	3.2	-	-	3.2
Other comprehensive income for the period, net of income tax	-	-	3.2	-	-	3.2
Total comprehensive income for the period	-	-	3.2	-	21.9	25.1
Transactions with owners, recorded directly in equity						
<u>Contributions by and distributions to owners</u>						
Loan forgiveness by subsidiaries	-	-	-	20.0	-	20.0
Total transactions with owners	-	-	-	20.0	-	20.0
At 31 March 2012	1,991.4	63.7	10.0	25.7	3,330.3	5,421.1

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- 1(e)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the Company, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Ordinary share capital

There was no change in the Company's issued share capital during the period ended 31 March 2013.

Preference share capital

There was no change in the Company's issued preference share capital during the period ended 31 March 2013.

As at 31 March 2013, the maximum number of ordinary shares that may be issued upon full conversion of all of the non-redeemable convertible non-cumulative preference shares of the Company ("Preference Shares") at the sole option of the Company is 44,998,898 ordinary shares (31 March 2012: 44,998,898 ordinary shares).

- 1(e)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company did not hold any treasury shares as at 31 March 2013, 31 December 2012 and 31 March 2012.

The total number of issued ordinary shares (excluding treasury shares) as at 31 March 2013 and 31 December 2012 is 909,301,330.

The total number of issued Preference Shares as at 31 March 2013 and 31 December 2012 is 330,874,257.

- 1(e)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the period ended 31 March 2013.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have neither been audited nor reviewed by our auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied in the Group's most recently audited financial statements for the year ended 31 December 2012.

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5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted the following relevant new standards, amendments to standards and interpretations that are effective for financial period beginning on 1 January 2013.

Amendments to FRS 1 *Presentation of Items of Other Comprehensive income*

FRS 19 *Employee Benefits (revised 2011)*

FRS 113 *Fair Value Measurement*

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* requires those items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met to be separated from those that would never be reclassified to profit and loss. This amendment only affects the presentation of the consolidated statement of comprehensive income in the financial statement.

Except for the Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*, the adoption of these FRSs did not result in any significant impact on the financial statements of the Group.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Three months ended 31 March	
	2013	2012
Basic Earnings per share (cents)	15.1	17.2
Diluted Earnings per share (cents)	14.4	16.4
Earnings per share is calculated based on:		
a) Profit attributable to owners of the Company (S\$'000)	137,647	156,751
b) Weighted average number of ordinary shares in issue:		
- basic	909,301,330	909,301,330
- diluted (*)	954,300,228	954,300,228

* For computation of diluted earnings per share, the weighted average number of ordinary shares has been adjusted for any dilutive effect of potential ordinary shares arising from the conversion of all preference shares.

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7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares (excluding treasury shares) of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	The Group		The Company	
	31.03.2013	31.12.2012	31.03.2013	31.12.2012
	S\$	S\$	S\$	S\$
Net Asset Value per ordinary share based on the number of issued 909,301,330 ordinary shares (excluding treasury shares) as at 31 March 2013 (909,301,330 ordinary shares (excluding treasury shares) as at 31 December 2012)	8.20	8.03	5.96	5.93

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Group Performance

For the quarter ended 31 March 2013 (Q1 2013), the Group reported revenue of \$763.5 million (Q1 2012: \$846.7 million) and attributable profit after tax and non-controlling interests of \$137.6 million (Q1 2012: \$156.8 million). The basic earnings per share for Q1 2013 stood at 15.1 cents (Q1 2012: 17.2 cents).

The property development segment was the lead contributor of profit before tax for Q1 2013 as 48.9% of the total pre-tax profits is attributable to this segment, despite that Q1 2013 revenue for this segment showed a decrease of 20.1%. The main reason for the drop in revenue was due to the Tagore Avenue warehouse that was disposed off and included in Q1 2012. Without the revenue from Tagore Avenue asset, on a like-for-like comparison between Q1 2013 versus Q1 2012, the revenue for this segment would show an increase that was comparable with that of pre-tax profits.

Rental properties segment was the next biggest contributor to the Group's pre-tax profit, recording a significant increase of 65.7%. This was mainly attributable to gains recognised from the disposal of several strata units in non-core industrial properties namely Elite Industrial Building I, Elite Industrial Building II and Citimac Industrial Complex. The profit contribution from hotel operations was lower in Q1 2013, impacted by the subdued trading conditions particularly in Asia and Europe regions due to political, economic and other challenges. The ongoing refurbishment programme had also affected the performance of the hotel operations.

The business segment for others, which comprises mainly management fee income, dividend income, changes in fair value of financial assets held for trading and returns from long-term financial assets, reported a pre-tax profit for Q1 2013 at \$9.7 million (Q1 2012: \$51.5 million). This was primarily due to significant gains recorded in Q1 2012, from the realisation of certain assets held by a private real estate fund which the Group had invested in.

Without factoring any fair value gains on investment properties, the Group's net gearing ratio as at 31 March 2013 remained low at 25% with interest cover at 12.9 times.

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Property

Advance estimates indicate that Singapore's economy contracted by 0.6% in Q1 2013 compared to the 1.5% growth in the previous quarter on a year-on-year basis. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy contracted by 1.4%, compared to the 3.3% expansion in the preceding quarter.

On a year-on-year basis, the construction sector grew by 7.0%, compared to 5.8% in the preceding quarter. The rebound was mainly due to a recovery in private sector building activities.

On a quarter-on-quarter basis, overall prices of private residential properties increased by 0.6% in Q1 2013 compared with a 1.8% increase in the previous quarter.

Private homes sales continued to remain buoyant in Q1 2013 powered by new launches and strong demand. Developers sold a total of 5,412 private residential units, excluding Executive Condominiums (ECs) in Q1 2013. This is 24% higher than the 4,353 units sold in Q4 2012 but 17% lower than the 6,526 units sold by developers in Q1 2012.

The Singapore Government announced additional property cooling measures on 11 January 2013. These measures include raising Additional Buyer's Stamp Duty (ABSD) rates, lowering Loan-to-Value (LTV) limits, tightening mortgage and HDB ownership for Permanent Residents. Seller's Stamp Duty (SSD) for industrial properties was also introduced for the first time to discourage speculative activity in the sector. This is the seventh round of cooling measures announced by the Government since 2009 and it is the most comprehensive set of measures so far. The latest round of property measures focuses on dampening speculative demand further, sparing only the first time home purchasers and genuine upgraders. The Government has highlighted that the new ABSDs and housing loan rules are significant, but are temporary and will be reviewed in the future.

For the quarter under review, the Group launched two new projects. In mid-March, D'Nest, a 912-unit condominium located at Pasir Ris Grove, within walking distance to Pasir Ris MRT was launched. This is the Group's fourth joint venture development in this exclusive estate following its successful projects nearby, which include the fully sold Livia, NV Residences and The Palette. D'Nest comprises 12 blocks of 11 to 13-storey apartments, ranging from one to five-bedroom apartments and spacious penthouses. This project has been very well received with over 87% of the project sold to date.

In end-March, the Group also successfully launched Bartley Ridge, a 868-unit joint-venture development located along Bartley Road / Mount Vernon Road. Comprising one to four-bedroom apartments and dual key units, this project is within a two-minute walk to Bartley MRT station. It is also diagonally across the consortium's Bartley Residences which was launched successfully last year and is now fully sold. To date, about 83% of the 650 units released have been sold.

Other ongoing projects continued to sell reasonably well. The 508-unit Echelon, a joint venture project at Alexandra View designed by award-winning SCDA Architects, is now 93% sold.

Over 93% of the 521-unit riverfront project, the H₂O Residences at Sengkang has been sold. The 501-unit joint venture project, Hedges Park located at Pasir Ris / Changi area is almost sold out.

Several recently launched projects are now 100% sold. They include the 97-unit landed property project known as HAUS@SERANGOON GARDEN, the 702-unit Bartley Residences and 892-unit The Palette at Pasir Ris.

During the period under review, profits were booked in from pre-sold projects such as 368 Thomson, Cube 8, Buckley Classique, H₂O Residences and Hundred Trees.

Profits were also booked in from The Glyndebourne which is being developed by Millennium & Copthorne Hotels plc (M&C), the Group's subsidiary in which it has a 55% interest, as well as several other joint venture projects namely, NV Residences, The Palette, Tree House, Bartley Residences, The Gale and Hedges Park.

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However, no profit was realised from HAUS@SERANGOON GARDEN, UP@Robertson Quay, Echelon, Bartley Ridge and D'Nest, as they are either in the early stages of construction or building works have not commenced yet. Profits could not be realised from the two fully sold ECs – Blossom Residences and The Rainforest, due to current accounting treatments required for ECs.

In February 2013, the Group with its joint venture partners were successful in its bid for a prime site at Commonwealth Avenue for \$562.8 million. The 12,086.8 square metre (sq m) land parcel is nestled in the heart of Queenstown, conveniently located next to Queenstown MRT station. The Group is familiar with this city-fringe excellent locale; having successfully launched the nearby Echelon project end of last year. It is planning a high-rise residential development with about 690 units on this site.

Demand for office space held up in positive territory in Q1 2013. According to Urban Redevelopment Authority (URA) statistics, the net absorption for Q1 2013 was approximately 269,000 square feet (sq ft) as the amount of occupied space increased from 70.91 million sq ft in Q4 2012 to 71.18 million sq ft in Q1 2013. This positive take up led to higher occupancy rate from 90.6% in Q4 2012 to 90.8% in Q1 2013, registering the highest island wide occupancy rate recorded since Q4 2008 at 91.2%.

Competitive occupational cost and low interest rate environment has helped generate demand for office space. URA statistics showed that prices of office space maintained its upward momentum and increased by 2.1% in Q1 2013, compared with an increase of 0.3% in the previous quarter. Rentals for office space remained stable with a slight decline of 0.2% quarter-on-quarter in Q1 2013.

In the quarter under review, the Group's office portfolio continued to enjoy healthy occupancy of about 94% as compared to national average of 90.8%.

Hotel

While global RevPAR had increased by 1.6% for Q1 2013, M&C's revenue was £169.2 million (Q1 2012: £175.5 million) and net profit after tax and minority interest decreased by 28.6% to £13.0 million in Q1 2013 (Q1 2012: £18.2 million) due to difficult trading conditions.

M&C's biggest hospitality markets in Asia and Europe, which together account for two-thirds of its business, slowed during the opening weeks of 2013. For the quarter under review, the impact on its revenue and profit was due to a combination of several factors. These include M&C's ongoing refurbishment programme which removed over 100,000 room nights from its network. In particular, at Grand Hyatt Taipei, 461 rooms were closed for refurbishment and some of its hotels like Millennium Hotel Minneapolis were also temporarily closed for renovations. Although the refurbishment of ONE UN's west tower in 2012 will help the hotel's rate growth, it has yet to re-build occupancy to previous levels.

In Singapore, subdued trading reflects a slowing economy, continued restraint in corporate travel budgets as well as an increased supply in available hotel rooms. Singapore is also facing a labour squeeze, following government restrictions on use of migrant labour in the country, thereby putting pressure on operating costs in the hospitality sector. Elsewhere in Asia, regional geo-political tensions affected Millennium Seoul Hilton, while severe weather conditions resulted in travel disruptions and deterred travellers in Europe and the United States (US).

The slower performance in Asia and Europe was partially offset by improved trading in Regional US and Australasia, which helped overall RevPAR to increase by 1.6% to £60.14 compared to the same period last year (Q1 2012: £59.17). In anticipation of harsher trading conditions, M&C's management adjusted trading strategies in some markets to limit the impact on RevPAR. Average room rate increased by 1.7% to £89.34 (Q1 2012: £87.81) while occupancy decreased slightly by 0.1 percentage point.

Despite the challenging environment, M&C further strengthened its financial position in Q1 2013, with net cash at 31 December 2012 of £52.2 million increasing to £56.5 million at 31 March 2013. This was before payment of the 2012 final dividend on 17 May 2013, totalling £37.3 million. As at 31 March 2013, M&C had cash reserves of £410.9 million and £273.3 million undrawn committed bank facilities. Most of the facilities are unsecured with unencumbered assets representing 87.0% of its fixed assets and investment properties.

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As one of the world's largest owner/operator hospitality companies, M&C aims to invest in its hotels so as to reposition them in an innovative manner that preserves and enhances the value of the property portfolio. Asset management is inextricably linked to hotel operations because it recognises that its brand and the experience that it provides for customers are key drivers of both returns and asset value. The programme comprises a range of initiatives, including alternative use, refurbishment, and hotel construction.

The £240.0 million refurbishment programme for M&C's existing hotels, which is in addition to underlying run rate capital expenditure, is making progress with several initiatives under way and a number of others in the planning stage. As at 31 March 2013, £58.0 million of the £240.0 million has been spent, of which £12.0 million was spent in Q1 2013. In total, £75.0 million is expected to be spent in 2013. The timing of the investment will be dependent on planning and other consents.

Renovation of the 461-room west wing of the Grand Hyatt Taipei is scheduled to complete during Q2 2013, after which M&C will commence renovation of the 392-room east wing, which is scheduled for completion in mid-2014. Further investment is being planned for the lobby and food and beverage (F&B) outlets. Planning is also underway for the renovation of the east wing of ONE UN in New York.

Detailed discussions are continuing with M&C's freeholder, Grosvenor Estates, to refurbish and reposition the Millennium Hotel London Mayfair. Timing and cost of this development will depend on the outcome of negotiations and obtaining necessary planning consents. Discussions have taken place with M&C's freeholder, Cadogan Estates for the non-structural remodelling of the interior of Millennium Hotel London Knightsbridge in 2013. Work is at an early stage with both architects and designers preparing draft proposals.

Other works ongoing include the renovation of the 321-room Millennium Hotel Minneapolis which started at the end of 2012. The hotel is scheduled to reopen in May 2013.

In terms of new hotel development projects, construction of M&C's new hotel in Tokyo's Ginza district is proceeding according to plan with construction costs of £38.8 million, as previously announced. The land was acquired in 2011 for a consideration of £73.0 million.

On 2 April 2013, M&C announced that it completed the acquisition of a plot of land with a total area of 1,563.7 sq m, adjacent to the Millennium Seoul Hilton Hotel in South Korea for a consideration of £17.2 million. M&C is currently developing detailed plans to build hospitality facilities on the site which will complement the Millennium Seoul Hilton, following further studies with architects and other external consultants.

Construction and fitting work at The Glyndebourne condominium project (the site of the former Copthorne Orchid Hotel) is almost complete. As at 31 March 2013, 144 of the 150 apartments for sale have been sold, with sales value amounting to \$522.5 million (£272.3 million). Sales proceeds collected to date total \$249.9 million (£130.2 million) representing approximately 47.83% of the sales value. Judging from current progress, the project is expected to be completed earlier than anticipated. Marketing of The Glyndebourne was well-timed, preceding the recent slowdown in Singapore's economy, and achieved good prices.

First Sponsor Capital Limited (FSCL), M&C's associate, is making good progress on its projects in China. The first phase of the 195-room M Hotel Chengdu, part of the Cityspring project, is scheduled to soft-open in mid-2013 and will be managed by M&C.

Development of FSCL's latest project, Millennium Waterfront in Chengdu is proceeding satisfactorily. Of the five blocks comprising 779 residential units launched since 24 November 2012, 627 units have been sold either under option agreements or sale and purchase agreements, with approximately 57% of the sales proceeds collected. FSCL launched another two more blocks comprising 376 residential units for sale in late April 2013. Further development and sales launches will be phased according to demand. FSCL plans to commence construction of a Millennium-branded hotel with convention facilities at Millennium Waterfront in the second half of 2013 (2H 2013) which will be financed by cash flows from residential sales.

FSCL was not affected directly by last month's earthquake in Sichuan. However, it recognises that there is likely to be some impact arising from this disaster.

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9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The Group's performance for the period under review is in line with its expectations as disclosed in the announcement of results for year ended 31 December 2012.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Property

The outlook for the global economy appears to have improved slightly, bolstered by steady growth in Asian countries besides Japan but it is still in a fragile state. The Singapore Government cautioned that prospects for a modest recovery in Singapore over the rest of this year are accompanied by some downside risks.

The Singapore Government has maintained a modest growth forecast, with GDP estimated at between 1.0% and 3.0% this year. It expects the Singapore economy to see a gradual improvement for the rest of the year, on the back of a recovery in external demand, even though the economy experienced some consolidation and headwinds in Q1 2013.

For the private residential property market, there was moderation in price growth of non-landed properties, as the Government introduced the seventh round of cooling measures in the residential sector in January 2013.

The latest round of cooling measures, which took effect from 12 January 2013, affected most buyers. The only group that is not affected by the new rules are Singaporeans who are buying their first properties. The temporary calibrated measures are intended to stabilise the prices of private properties to pre-empt any bubble from forming and not to cause a collapse in the property market. The Group is confident that the Government will monitor and review these measures closely and would react promptly when there is a change in market conditions.

Investment sentiment in residential high-end segments is still subdued. However, the buying interest in mass and mid-market projects has remained strong due to abundant liquidity in the market, supported by the low interest rate environment. New and innovative mass and mid-tier market residential projects that are located near MRT stations and shopping amenities should continue to be popular.

The Group is planning to launch several projects over the next few months, subject to market conditions. The first is the Jewel @ Buangkok, a condominium located in Buangkok Drive / Sengkang Central, just three-minutes' walk to the Buangkok MRT station and conveniently connected to the expressways. The locale is also well served by amenities such as Compass Point and Hougang Mall. This sought-after project will yield 616 units within six blocks, providing a good selection of one to five-bedroom types and penthouses. The project's facilities feature a Clubhouse, 50-metre lap pool, family and spa pools and cabanas. Designed with lifestyle cabins such as gourmet, pet-lover, adventure and gardener's cabins, this project creates a unique landscape layout for its residents.

The second project is the 380-unit EC at Fernvale Link / Sengkang West Way, a few minutes' walk to the Layar LRT station. It is a stone's throw from the upcoming Seletar Mall and a short drive to Compass Point. It will be housed in four blocks of 22 to 25-storeys high and demand is expected to be healthy.

The third project is an exciting mixed development located at the junction of Upper Serangoon Road and MacPherson Road, and only five-minutes' walk to the Potong Pasir MRT station, with easy access to major expressways. It is also only a short drive from bustling shopping malls such as City Square Mall and the Nex. There will be 266 units of one to four-bedroom apartments and penthouses, with 28 retail and F&B units on the ground floor. Surrounded by popular schools such as Cedar Primary and Secondary Schools, St. Andrew's Junior, Secondary and Junior College, Maris Stella High Primary and Secondary Schools, this project will appeal to both investors and end-users.

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On the office sector, property consultants have observed strong leasing momentum as evidenced by URA's Q1 2013 statistics which shows an upsurge in net absorption and declining vacancy rates. Despite the continued external economic challenges relating to Eurozone as well as sequestration in the US, Singapore occupier demand is expected to remain healthy with relatively competitive occupational costs.

Occupier demand has been fairly diversified where previously dominant financial industry remained subdued while complementary industries such as insurance, legal and business services will continue to drive demand. This bodes well for the Group's office portfolio which caters to a wide range of market segments.

The physical structures and unique façade of the iconic, joint venture South Beach development is rising up nicely. The main contractor has caught up with its construction schedule despite experiencing some slight delay last quarter due to shortage of manpower. The project remains on track to complete in 2015. Part of the first component of this mixed development to be completed, is the 2,700 sq m South Beach Club at the former NCO club building. The "Piano Bar" of the Club is expected to open in 2H 2013 for internal use and more details will be shared closer to the date.

After spending most of 2012 working closely with the Chongqing Planning Bureau to adjust certain planning parameters for both its projects there, CDL China expects to finally commence construction in the next few months for its luxury residential development at Eling Hill in Yuzhong District, Chongqing. As for Huang Huayuan, its other project in Yuzhong District, planning approval should be forthcoming within the next few months and construction is anticipated to begin in 2H 2013. Likewise, significant progress has been made at CDL China's sizable mixed-use development next to Jinji Lake in Suzhou and construction is also expected to commence in 2H 2013. These projects will be launched at the appropriate time as the China property market improves.

In the last quarter, the Group announced that it will study and strategise new growth platforms and opportunities both domestically and internationally, for a balanced and diversified portfolio. With this in mind, the Group is in the final stage of establishing its plans for property development in London, which will serve as another growth engine for the Group. Approximately £250 million to £300 million would initially be allocated for this purpose. The Group is familiar with the London market having had a 20-year presence there since 1993. M&C's headquarters is based in London and it currently has seven hotels with 2,500 rooms in locations spreading from Kensington to Mayfair. Venturing into real estate in London is a progression of the Group's business presence and an extension of its key capabilities, leveraging on its reputation and track record in real estate development in Singapore. Currently, notwithstanding the large number of buyers from European countries, investors from Singapore, Hong Kong, China, Middle East and Malaysia form the main core of overseas buyers of London properties from Asia and their familiarity with the Group's reputation should augur well for its carefully selected London projects.

Hotel

Trading during the first three months of 2013 was challenging in harsh economic conditions.

Overall RevPAR was up 1.9% in the first four weeks of trading in the current quarter compared to the same period last year, with London up 7.4% and New York up 5.0%. Singapore was down 9.3% and Rest of Asia was down 10.8%.

Asia, which accounted for over 40% of M&C's revenues last year and has led its revenue and profit growth in recent years, is facing a number of political, economic and other challenges. Similarly, Europe also continues to face challenges as a result of austerity programmes and the ongoing fallout from the financial crisis. In addition, M&C's ongoing refurbishment programme will reduce its revenue and profits as rooms are taken out of the network over the course of the programme. These challenges are unlikely to abate in the foreseeable future and are likely going to impact performance in key markets.

While the global economic and political environment remains volatile, M&C's strong financial position enables it to overcome the economic headwinds, so that it can act quickly on attractive acquisition opportunities, while remaining focused on maximising the potential of its asset portfolio, M&C will also continue to strengthen and reinvigorate its management team.

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Group Prospects

Moving forward, the Group anticipates some headwinds as the domestic economy continues to undergo restructuring and the global economic outlook remains largely unpredictable for 2013.

Notwithstanding this challenging backdrop, the Group expects to remain profitable in the current year, leveraging on its strong balance sheet, prudent management, the strength of its diversified asset portfolio and identified growth engines.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes.

On 13 May 2013, the Board of Directors, pursuant to the recommendation of the Audit & Risk Committee, declared the payment of a tax-exempt (one-tier) non-cumulative preference dividend to holders of City Developments Limited Preference Shares in accordance with the terms of issue of the Preference Shares. The preference dividend for each Preference Share is calculated at the dividend rate of 3.9% per annum of the issue price of \$1.00 for each Preference Share on the basis of 182 days, being the actual number of days comprised in the dividend period from 31 December 2012 to 30 June 2013, divided by 365 days.

Name of Dividend	Tax exempt (One-tier) Preference Dividend
Date of payment	1 July 2013
Dividend Type	Cash
Dividend Amount (in cents)	1.94 cents per Preference Share
Dividend rate (in %)	3.9% per annum on the issue price of each Preference Share
Dividend period	From 31 December 2012 to 30 June 2013 (both dates inclusive)
Issue price	\$1.00 per Preference Share

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes.

Name of Dividend	Tax exempt (One-tier) Preference Dividend
Date of payment	2 July 2012
Dividend Type	Cash
Dividend Amount (in cents)	1.94 cents per Preference Share [^]
Dividend rate (in %)	3.9% per annum on the issue price of each Preference Share
Dividend period	From 31 December 2011 to 29 June 2012 (both dates inclusive)
Issue price	\$1.00 per Preference Share

[^] The preference dividend for each Preference Share is calculated at the dividend rate of 3.9% per annum of the issue price of \$1.00 for each Preference Share on the basis of the actual number of days comprised in the dividend period divided by 366 days.

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(c) Date payable

The tax-exempt (one-tier) preference dividend for the period from 31 December 2012 to 30 June 2013 (both dates inclusive) will be paid on 1 July 2013.

(d) Books Closure Date for Non-redeemable Convertible Non-cumulative Preference Shares (the "Preference Shares")

5.00 pm on 12 June 2013.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. Interested Person Transactions

Interested Persons	Aggregate value of all interested person transactions conducted in first quarter ended 31 March 2013 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hong Leong Investment Holdings Pte. Ltd. group of companies	<p><u>Property-related</u> Provision to/by interested persons of: \$33,512,389.77</p> <p>(i) property management and maintenance services; (ii) project management services; (iii) marketing services; and (iv) cleaning services.</p> <p><u>Management and Support Services</u> Provision to/by interested persons of: \$2,274,324.00</p> <p>(i) accounting and administrative services; and (ii) financial services.</p> <p>Total: \$35,786,713.77</p>
Directors and their immediate family members	Nil

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14. Segment Reporting

By Business Segments

	The Group			
	Revenue		Profit before income tax (*)	
	Three months ended		Three months ended	
	31 March		31 March	
	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000
Property Development	314,986	394,247	91,268	88,021
Hotel Operations	341,292	354,143	26,170	40,305
Rental Properties	78,371	76,375	59,350	35,824
Others	28,836	21,968	9,683	51,470
	<u>763,485</u>	<u>846,733</u>	<u>186,471</u>	<u>215,620</u>

* Includes share of after-tax profit of associates and jointly-controlled entities.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Property Development

Revenue decreased by \$79.2 million to \$315.0 million (Q1 2012: \$394.2 million) whilst pre-tax profit increased by \$3.3 million to \$91.3 million (Q1 2012: \$88.0 million).

Projects that contributed to both revenue and profit in Q1 2013 include Volari, NV Residences, 368 Thomson, Cube 8, Hundred Trees, Tree House, The Glyndebourne, H₂O Residences, The Palette and Buckley Classique. In accordance with the Group's policy of equity accounting for the results of its jointly-controlled entities, whilst revenue from joint venture developments such as The Gale, Hedges Park and Bartley Residences has not been consolidated into the Group's total revenue, the Group's share of profits arising from the joint venture developments has been included in pre-tax profit.

The decrease in revenue was mainly attributable to the absence of revenue from sale of a warehouse at Tagore Avenue in Q1 2012, lower contribution from The Glyndebourne, Volari, NV Residences, Hundred Trees and Tree House. This was partially offset by contribution from Buckley Classique, H₂O Residences, The Palette and 368 Thomson.

Despite the decrease in revenue, pre-tax profit improved marginally. Included in Q1 2012 revenue was the sale of a warehouse at Tagore Avenue which the reversal of its foreseeable losses was already factored in Q4 2011, thus negatively impacted the margin contribution of the comparative quarter. In addition, the profit contribution from Bartley Residences commencing since December 2012 had also improved the pre-tax profit of this segment for Q1 2013.

Hotel Operations

Revenue and pre-tax profit for this segment decreased by \$12.8 million to \$341.3 million (Q1 2012: \$354.1 million) and \$14.1 million to \$26.2 million (Q1 2012: \$40.3 million) for Q1 2013 respectively. A combination of factors led to the decline. The on-going refurbishment programme resulting in temporary closures of rooms, particularly at Grand Hyatt Taipei and Millennium Minneapolis, regional geo-political tensions in Korea as well as harsh weather conditions in Europe and the United States deterred travellers, impacting hotel performance. In addition performance from Singapore hotels was also down due to slowing economy, continuing restraint in corporate travel, increased supply of competitor hotel rooms and a reduction in foreign labour quotas which put pressure on costs.

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Rental Properties

Revenue remained relatively flat at \$78.4 million (Q1 2012: \$76.4 million) for Q1 2013.

Pre-tax profit increased by \$23.6 million to \$59.4 million (Q1 2012: \$35.8 million) for Q1 2013 mainly due to gains recognised on the disposal of several strata units in Citimac Industrial Complex, Elite Industrial Building I and Elite Industrial Building II in this quarter.

Others

Revenue, comprising mainly management fee income from building maintenance contracts, project management, club operations as well as dividend income, increased by \$6.8 million to \$28.8 million (Q1 2012: \$22.0 million) due to higher management fee income.

Despite the increase in revenue, pre-tax profit decreased by \$41.8 million to \$9.7 million (Q1 2012: \$51.5 million) for Q1 2013. This was largely due to significant gains recorded in Q1 2012 from the realisation of certain assets held by a private real estate fund which the Group had invested in.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Net Dividend (*Refer to Para 18 of Appendix 7.2 for the required details*)

	Full Year 2012 S\$'000	Full Year 2011 S\$'000
Ordinary	72,744	72,744
Special	45,465	90,930
Preference	12,904	12,904
Total	131,113	176,578

The final tax-exempt (one-tier) ordinary dividend and special final tax-exempt (one-tier) ordinary dividend for the year ended 31 December 2012 of 8.0 cents and 5.0 cents respectively per ordinary share had been approved by the ordinary shareholders at the Annual General Meeting held on 24 April 2013 and the dividend amounts are based on the number of issued ordinary shares as at 2 May 2013.

17. A breakdown of sales and operating profit after tax for first half year and second half year.

Not applicable.

BY ORDER OF THE BOARD

Shufen Loh @ Catherine Shufen Loh
Company Secretary
13 May 2013

**UNAUDITED FINANCIAL STATEMENTS OF CITY DEVELOPMENTS LIMITED
AND ITS SUBSIDIARIES FOR THE SECOND QUARTER AND HALF YEAR ENDED
30 JUNE 2013**

The information in this Appendix IV has been reproduced from the unaudited financial statements of City Developments Limited and its subsidiaries for the second quarter ended 30 June 2013 and has not been specifically prepared for inclusion in this Information Memorandum and references to the page numbers herein are those as reproduced from the unaudited financial statements of City Developments Limited and its subsidiaries for the second quarter ended 30 June 2013.



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UNAUDITED SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2013

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

These figures have not been audited.

	The Group Second quarter ended 30 June			The Group Half year ended 30 June		
	2013	2012	Incr/ (Decr) %	2013	2012	Incr/ (Decr) %
	S\$'000	S\$'000		S\$'000	S\$'000	
Revenue	801,610	787,767	1.8	1,565,095	1,634,500	(4.2)
Cost of sales	(430,483)	(378,445)	13.8	(833,266)	(857,875)	(2.9)
Gross profit	371,127	409,322	(9.3)	731,829	776,625	(5.8)
Other operating income ⁽²⁾	137,513	4,336	3,071.4	169,606	50,156	238.2
Administrative expenses ⁽³⁾	(131,425)	(123,259)	6.6	(259,465)	(246,344)	5.3
Other operating expenses ⁽⁴⁾	(99,076)	(109,098)	(9.2)	(184,944)	(189,176)	(2.2)
Profit from operations	278,139	181,301	53.4	457,026	391,261	16.8
Finance income ⁽⁵⁾	6,155	7,839	(21.5)	16,091	18,917	(14.9)
Finance costs ⁽⁶⁾	(18,690)	(18,025)	3.7	(35,668)	(38,238)	(6.7)
Net finance costs	(12,535)	(10,186)	23.1	(19,577)	(19,321)	1.3
Share of after-tax profit of associates ⁽⁷⁾	2,357	24,572	(90.4)	8,791	31,829	(72.4)
Share of after-tax profit of jointly-controlled entities ⁽⁸⁾	5,009	7,044	(28.9)	13,201	14,582	(9.5)
Profit before income tax ⁽¹⁾	272,970	202,731	34.6	459,441	418,351	9.8
Income tax expense ⁽⁹⁾	(26,239)	(31,110)	(15.7)	(46,256)	(50,489)	(8.4)
Profit for the period	246,731	171,621	43.8	413,185	367,862	12.3
Attributable to:						
Owners of the Company	203,807	137,705	48.0	341,454	294,456	16.0
Non-controlling interests	42,924	33,916	26.6	71,731	73,406	(2.3)
Profit for the period	246,731	171,621	43.8	413,185	367,862	12.3
Earnings per share						
- basic	21.7 cents	14.4 cents	50.7	36.8 cents	31.7 cents	16.1
- diluted	21.4 cents	14.4 cents	48.6	35.8 cents	30.9 cents	15.9

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Notes to the Group's Income Statement:

- (1) Profit before income tax includes the following:

	The Group Second quarter ended 30 June		The Group Half year ended 30 June	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Interest income	6,229	7,817	12,362	15,855
Profit on sale of investments, investment properties and property, plant and equipment (net)	116,306	872	144,756	41,749
Gain on dilution/disposal of investment in an associate (net)	-	601	603	601
Gain/(Loss) on disposal/liquidation of investment in subsidiaries (net)	20,135	(7,832)	20,135	(7,832)
Investment income	1,609	1,728	1,781	1,984
(Allowance)/Write-back of allowance for foreseeable losses on development properties	(136)	-	(136)	1,193
Depreciation and amortisation	(39,290)	(35,392)	(77,731)	(70,636)
Interest expenses	(16,720)	(16,934)	(32,393)	(34,575)
Net exchange (loss)/gain	(6,558)	(4,971)	(2,324)	231
Net change in fair value of financial assets held for trading	(1,514)	22	1,098	3,062
Impairment loss on loans to a jointly-controlled entity	(272)	(236)	(548)	(473)

- (2) Other operating income comprises mainly management fee, miscellaneous income and profit on sale of investments, investment properties and property, plant and equipment. This had increased by \$133.2 million to \$137.5 million (Q2 2012: \$4.3 million) for Q2 2013, and \$119.4 million to \$169.6 million (1H 2012: \$50.2 million) for 1H 2013. The significant increases for Q2 2013 and 1H 2013 were mainly due to gains recognised on disposal of an industrial site at 100G Pasir Panjang and a subsidiary in China. For 1H 2013, gains were also accounted for the disposal of several strata units in Citimac Industrial Complex, Elite Industrial Building I and Elite Industrial Building II but partially offset by lower gains from realisation of a private real estate fund.
- (3) Administrative expenses, which comprise mainly depreciation, hotel administrative expenses, operating lease expenses and salaries and related expenses increased by \$8.1 million to \$131.4 million (Q2 2012: \$123.3 million) for Q2 2013 and \$13.2 million to \$259.5 million (1H 2012: \$246.3 million) for 1H 2013. The increases in Q2 2013 and 1H 2013 were mainly due to higher salaries and related expenses and increased depreciation following commencement of operations in W Singapore Sentosa Cove Hotel in October 2012 but partially mitigated by lower operating lease expense.
- (4) Other operating expenses comprise mainly property taxes and insurance on hotels, other operating expenses on hotels, net exchange differences and professional fees. This had decreased by \$10.0 million to \$99.1 million (Q2 2012: \$109.1 million) for Q2 2013 but remained relatively constant for 1H 2013 at \$184.9 million (1H 2012: \$189.2 million). The decrease for Q2 2013 was mainly due to lower professional fees incurred. In addition, included in Q2 2012 was the realisation of exchange losses capitalised in exchange fluctuation reserve upon liquidation of two foreign subsidiaries.
- (5) Finance income comprises mainly interest income and fair value gain on financial assets held for trading. This had decreased by \$1.6 million and \$2.8 million for Q2 2013 and 1H 2013 respectively. The decreases for both Q2 2013 and 1H 2013 were due to lower interest income earned. In addition, lower fair value gains recorded on financial assets held for trading also contributed to the decrease for 1H 2013.
- (6) Finance costs comprise mainly interest on borrowings, fair value loss on financial assets held for trading and amortisation of capitalised transaction costs on borrowings. This had remained relatively constant at \$18.7 million (Q2 2012: \$18.0 million) for Q2 2013 and \$35.7 million (1H 2012: \$38.2 million) for 1H 2013.

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- (7) Share of after-tax profit of associates relates primarily to the Group's share of results of CDL Hospitality Trusts and First Sponsor Capital Limited (FSCL), both held via the Company's 57% owned subsidiary, Millennium & Copthorne Hotels plc. The decreases for Q2 2013 and 1H 2013 by \$22.2 million and \$23.0 million respectively were mainly attributable to lower profit contribution from Chengdu Cityspring project, held by FSCL.
- (8) Share of after-tax profit of jointly-controlled entities decreased by \$2.0 million in Q2 2013 to \$5.0 million (Q2 2012: \$7.0 million) but remained relatively constant at \$13.2 million (1H 2012: \$14.6 million) for 1H 2013. The decrease for Q2 2013 was due to absence of contribution from The Gale following its completion in January 2013 but partially mitigated by the contribution from Bartley Residences.
- (9) Income tax expense for the period is derived at by applying the varying statutory tax rates on the taxable profits/(losses) and taxable/deductible temporary differences of the different countries in which the Group operates.

	The Group Second quarter ended 30 June		The Group Half year ended 30 June	
	2013 S\$m	2012 S\$m	2013 S\$m	2012 S\$m
The tax charge relates to the following:				
Profit for the period	26.9	39.5	54.6	77.2
Overprovision in respect of prior periods	(0.7)	(8.4)	(8.3)	(26.7)
	<u>26.2</u>	<u>31.1</u>	<u>46.3</u>	<u>50.5</u>

The overall effective tax rate of the Group was 9.6% (Q2 2012: 15.3%) for Q2 2013 and 10.1% (1H 2012: 12.1%) for 1H 2013. Excluding the overprovision in respect of prior periods, the effective tax rate of the Group is 9.9% (Q2 2012: 19.5%) for Q2 2013 and 11.9% (1H 2012: 18.5%) for 1H 2013.

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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Note	The Group		The Company	
	As at	As at	As at	As at
	30.06.2013	31.12.2012	30.06.2012	31.12.2012
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	3,504,311	3,405,474	9,189	9,772
Investment properties	2,843,810	2,916,193	516,005	518,651
Lease premium prepayment	85,842	82,798	-	-
Investments in subsidiaries	-	-	2,222,679	2,223,435
Investments in associates	419,741	417,855	-	-
Investments in jointly-controlled entities	757,748	806,956	36,360	36,360
Investments in financial assets	(1) 79,436	102,132	27,962	27,687
Other non-current assets	82,852	79,072	407,244	428,227
	7,773,740	7,810,480	3,219,439	3,244,132
Current assets				
Development properties	4,221,320	4,310,685	520,733	651,687
Lease premium prepayment	2,614	2,484	-	-
Consumable stocks	8,227	8,838	7	32
Financial assets	34,136	32,585	-	-
Assets classified as held for sale	(2) 2,860	103,698	-	-
Trade and other receivables	1,506,823	1,182,731	5,160,868	4,936,376
Cash and cash equivalents	2,517,558	2,156,827	1,219,545	1,040,004
	8,293,538	7,797,848	6,901,153	6,628,099
Total assets	16,067,278	15,608,328	10,120,592	9,872,231
Equity attributable to Owners of the Company				
Share capital	1,991,397	1,991,397	1,991,397	1,991,397
Reserves	5,556,166	5,312,251	3,303,871	3,402,160
	7,547,563	7,303,648	5,295,268	5,393,557
Non-controlling interests	1,940,644	1,953,407	-	-
Total equity	9,488,207	9,257,055	5,295,268	5,393,557
Non-current liabilities				
Interest-bearing borrowings*	3,652,911	3,468,764	2,468,349	2,381,248
Employee benefits	35,378	34,774	-	-
Other liabilities	150,823	145,522	220,655	124,254
Provisions	15,922	15,415	-	-
Deferred tax liabilities	352,699	352,637	38,795	45,842
	4,207,733	4,017,112	2,727,799	2,551,344
Current liabilities				
Trade and other payables	1,184,868	1,034,134	1,603,916	1,444,302
Interest-bearing borrowings*	937,805	998,164	408,667	408,448
Employee benefits	18,281	16,279	2,441	2,477
Other liabilities	296	266	-	-
Provision for taxation	204,584	221,360	82,501	72,103
Provisions	25,504	23,816	-	-
Liabilities classified as held for sale	(2) -	40,142	-	-
	2,371,338	2,334,161	2,097,525	1,927,330
Total liabilities	6,579,071	6,351,273	4,825,324	4,478,674
Total equity and liabilities	16,067,278	15,608,328	10,120,592	9,872,231

* These balances are stated at amortised cost after taking into consideration their related transaction costs.

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Notes to the statement of financial position of the Group

- 1) The decrease in financial assets was mainly due to the realisation of investments in a private real estate fund.
- 2) The decrease was due to the completion of the equity transfer of the Group's interest in an indirect wholly-owned subsidiary. As at 30 June 2013, the assets classified as held for sale relate to assets associated with 1 strata floor in GB Building. The Group had issued an option to purchase for the sale of this strata floor. The transaction is expected to be completed in 2013.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

The Group's net borrowings refer to aggregate borrowings from banks, financial institutions and finance lease creditors, after deducting cash and cash equivalents. Unamortised balance of transaction costs have not been deducted from the gross borrowings.

		As at 30.06.2013 S\$'000	As at 31.12.2012 S\$'000
<u>Unsecured</u>			
- repayable within one year		687,384	750,790
- repayable after one year		2,956,421	2,676,832
	(a)	3,643,805	3,427,622
<u>Secured</u>			
- repayable within one year		250,917	249,248
- repayable after one year		709,731	841,834
	(b)	960,648	1,091,082
Gross borrowings	(a) + (b)	4,604,453	4,518,704
Less: cash and cash equivalents as shown in the statement of financial position		(2,517,558)	(2,156,827)
Less: cash and cash equivalents included in assets classified as held for sale		-	(5,204)
Net borrowings		2,086,895	2,356,673

Details of any collateral

Where secured, borrowings are collateralised by:

- mortgages on the borrowing companies' hotels, investment and development properties; and
- assignment of all rights and benefits to sale, lease and insurance proceeds in respect of hotels, investment and development properties.

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- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Second quarter ended 30 June		Half year ended 30 June	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Operating Activities				
Profit for the period	246,731	171,621	413,185	367,862
Adjustments for:				
Depreciation and amortisation	39,290	35,392	77,731	70,636
Dividend income	(1,609)	(1,728)	(1,781)	(1,984)
Equity settled share-based transactions	1,205	1,199	2,381	2,397
Finance income	(6,155)	(7,839)	(16,091)	(18,917)
Finance costs	18,690	18,025	35,668	38,238
Gain on dilution/disposal of investment in an associate (net)	-	(601)	(603)	(601)
(Gain)/Loss on disposal/liquidation of investment in subsidiaries (net)	(20,135)	7,832	(20,135)	7,832
Impairment loss on loans to a jointly-controlled entity	272	236	548	473
Income tax expense	26,239	31,110	46,256	50,489
Profit on sale of property, plant and equipment and investment properties	(115,182)	(31)	(139,009)	(79)
Profit on sale of investments	(1,124)	(841)	(5,747)	(41,670)
Property, plant and equipment and investment properties written off	1	17	1	17
Share of after-tax profit of associates	(2,357)	(24,572)	(8,791)	(31,829)
Share of after-tax profit of jointly-controlled entities	(5,009)	(7,044)	(13,201)	(14,582)
Units in an associate received and receivable in lieu of fee income	(2,420)	(2,408)	(4,907)	(4,896)
Operating profit before working capital changes	178,437	220,368	365,505	423,386
Changes in working capital				
Development properties	187,712	(56,585)	116,324	(35,920)
Stocks, trade and other receivables	(136,233)	133,959	(314,662)	37,383
Trade and other payables	119,904	20,227	147,263	76,672
Employee benefits	1,717	1,451	3,040	1,599
Cash generated from operations	351,537	319,420	317,470	503,120
Income tax paid	(57,768)	(92,804)	(72,752)	(106,927)
Cash flows from operating activities carried forward	293,769	226,616	244,718	396,193

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	Second quarter ended 30 June		Half year ended 30 June	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Cash flows from operating activities brought forward	293,769	226,616	244,718	396,193
Investing Activities				
Capital expenditure on investment properties	(2,820)	(18,222)	(6,647)	(34,107)
Decrease in investments in associates	-	3,006	1,505	3,006
Disposal/(Acquisition) of subsidiaries (net of cash acquired) ⁽¹⁾	74,171	-	74,171	(208,017)
Dividends received:				
- an associate	-	-	19,238	19,457
- jointly-controlled entities	69,889	263	70,019	13,619
- financial investments	1,609	1,728	1,781	1,984
Increase in investments in jointly-controlled entities	(3,416)	(4,618)	(3,416)	(8,162)
Interest received	4,031	4,410	8,937	9,519
Payments for purchase of property, plant and equipment	(74,407)	(85,855)	(111,443)	(127,905)
Proceeds from sale of property, plant and equipment and investment properties ⁽²⁾	150,865	97	181,099	560
Proceeds from realisation of financial assets ⁽³⁾	7,721	2,372	29,881	92,747
Cash flows from/(used in) investing activities	227,643	(96,819)	265,125	(237,299)
Financing Activities				
Acquisition of non-controlling interests	(72,168)	-	(72,168)	-
Capital contribution by non-controlling interests	227	77	738	95
(Decrease)/Increase from amount owing to/by related parties	(892)	23,474	3,782	62,735
Dividends paid	(161,959)	(166,084)	(161,959)	(166,084)
Interest paid (including amounts capitalised as investment properties, property, plant and equipment and development properties)	(19,658)	(22,444)	(43,763)	(44,960)
Net repayments of revolving credit facilities and short-term bank borrowings	(170,449)	(143,440)	(54,982)	(76,318)
Payment of financing transaction costs	(879)	(1,575)	(2,556)	(1,893)
Payment for settlement of financial instruments	-	-	(4,132)	-
Proceeds from bank borrowings	69,426	-	136,422	-
Proceeds from issuance of bonds and notes	200,440	105,647	412,195	205,647
(Repayment of)/Increase in other long-term liabilities	(63)	224	(538)	234
Repayment of finance lease	(6)	-	(8)	(3)
Repayment of bank borrowings	(60,405)	(74,865)	(119,145)	(245,164)
Repayment of bonds and notes	(50,880)	(217,637)	(254,390)	(217,637)
Cash flows used in financing activities ⁽⁴⁾	(267,266)	(496,623)	(160,504)	(483,348)
Net increase/(decrease) in cash and cash equivalents carried forward	254,146	(366,826)	349,339	(324,454)

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	Second quarter ended 30 June		Half year ended 30 June	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Net increase/(decrease) in cash and cash equivalents brought forward	254,146	(366,826)	349,339	(324,454)
Cash and cash equivalents at beginning of the period	2,228,262	2,526,515	2,127,160	2,487,580
Effect of exchange rate changes on balances held in foreign currencies	3,509	(4,594)	9,418	(8,031)
Cash and cash equivalents at end of the period	2,485,917	2,155,095	2,485,917	2,155,095
Cash and cash equivalents comprise:-				
Cash and cash equivalents as shown in the Balance Sheet	2,517,558	2,310,477	2,517,558	2,310,477
Less: Bank overdrafts	(31,641)	(155,382)	(31,641)	(155,382)
	2,485,917	2,155,095	2,485,917	2,155,095

Notes to the statement of cash flows

- (1) The net cash inflows for Q2 2013 and 1H 2013 were due to disposal of a subsidiary in China. For 1H 2012, the net cash outflow relates to acquisition of a group of foreign entities in Q1 2012 which had interests in two retail developments and a hotel.
- (2) The net cash inflows for Q2 2013 and 1H 2013 were primarily due to the proceeds from the sale of several strata units in Citimac Industrial Complex, Elite Industrial Building I and Elite Industrial Building II in Q1 2013 and an industrial site at 100G Pasir Panjang in Q2 2013.
- (3) The cash inflows for 1H 2013 and 1H 2012 refer to proceeds from realisation of investments in a private real estate fund.
- (4) The Group had a lower net cash outflows from financing activities of \$267.3 million (Q2 2012: \$496.6 million) for Q2 2013 and \$160.5 million (1H 2012: \$483.3 million) for 1H 2013. The decreases were due to lower net repayment of borrowings of \$11.9 million and \$120.1 million in Q2 2013 and 1H 2013 as compared to a net repayment of \$330.3 million and \$333.5 million in Q1 2012 and 1H 2012 respectively, but partially offset by purchase of additional shares in Millennium & Copthorne Hotels plc in Q2 2013.

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1(d) Consolidated Statement of Comprehensive Income

	Second quarter ended 30 June		Half year ended 30 June	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Profit for the period	246,731	171,621	413,185	367,862
Other comprehensive income:				
<u>Item that will not be reclassified to profit or loss:</u>				
Actuarial gains/(losses) on defined benefit plans	38	(2,875)	57	(3,736)
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Changes in fair value of equity investments available for sale	(3,785)	(3,617)	(506)	61
Effective portion of changes in fair value of cashflow hedges	152	(1,079)	(100)	(644)
Exchange differences on hedge of net investment in foreign entities	4,145	(10,508)	(8,047)	(5,482)
Exchange differences on monetary items forming part of net investments in foreign entities	(2,109)	(3,036)	9,471	(2,890)
Realisation of exchange differences on disposal/liquidation of subsidiaries	(1,138)	7,831	(1,138)	7,831
Share of other reserve movement of an associate	(102)	5	(159)	248
Translation differences arising on consolidation of foreign entities	27,325	(2,175)	49,398	(49,702)
Other comprehensive income for the period, net of income tax	24,526	(15,454)	48,976	(54,314)
Total comprehensive income for the period	271,257	156,167	462,161	313,548
Attributable to:				
Owners of the Company	227,121	128,878	374,560	264,934
Non-controlling interests	44,136	27,289	87,601	48,614
Total comprehensive income for the period	271,257	156,167	462,161	313,548

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1(e)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group	Attributable to Owners of the Company					Non-controlling Interests S\$m	Total Equity S\$m
	Share Capital S\$m	Cap. Res. S\$m	Other Res.* S\$m	Exch. Fluct. Res. S\$m	Accum. Profits S\$m	Total S\$m	
At 1 January 2013	1,991.4	149.0	12.0	(392.1)	5,543.4	7,303.7	1,953.4
Profit for the period	-	-	-	-	137.6	137.6	28.8
Other comprehensive income	-	-	-	-	-	-	-
Changes in fair value of equity investments available for sale	-	-	3.3	-	-	3.3	-
Effective portion of changes in fair value of cash flow hedges	-	-	(0.1)	-	-	(0.1)	(0.2)
Exchange differences on hedges of net investment in foreign entities	-	-	-	(6.7)	-	(6.7)	(5.5)
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	13.2	-	13.2	(1.6)
Share of other reserve movement of associates	-	-	-	-	-	-	(0.1)
Translation differences arising on consolidation of foreign entities	-	-	-	0.1	-	0.1	22.0
Other comprehensive income for the period, net of income tax	-	-	3.2	6.6	-	9.8	14.7
Total comprehensive income for the period	-	-	3.2	6.6	137.6	147.4	43.5
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Contributions by and distributions to owners	-	-	-	-	-	-	-
Capital contribution from non-controlling interests	-	-	0.6	-	-	0.6	0.5
Share-based payment transactions	-	-	-	-	-	-	1.1
Total contributions by and distributions to owners	-	-	0.6	-	-	0.6	1.6
Total transactions with owners	-	-	0.6	-	-	0.6	1.6
At 31 March 2013	1,991.4	149.0	15.8	(385.5)	5,681.0	7,451.7	1,997.9
Profit for the period	-	-	-	-	203.8	203.8	42.9
Other comprehensive income	-	-	-	-	-	-	-
Changes in fair value of equity investments available for sale	-	-	(3.8)	-	-	(3.8)	-
Effective portion of changes in fair value of cash flow hedges	-	-	0.3	(0.3)	-	0.0	0.1
Exchange differences on hedges of net investment in foreign entities	-	-	-	2.3	-	2.3	1.9
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	(2.2)	-	(2.2)	0.1
Realisation of exchange differences on disposal/liquidation of subsidiaries	-	-	-	(1.1)	-	(1.1)	-
Share of other reserve movement of associates	-	-	(0.1)	-	-	(0.1)	-
Translation differences arising on consolidation of foreign entities	-	-	-	28.1	-	28.1	(0.8)
Other comprehensive income for the period, net of income tax	-	-	(3.6)	26.8	-	23.2	1.3
Total comprehensive income for the period	-	-	(3.6)	26.8	203.8	227.0	44.2
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Contributions by and distributions to owners	-	-	-	-	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	0.2
Dividends paid to owners of the Company	-	-	-	-	(124.6)	(124.6)	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	(37.3)
Share-based payment transactions	-	-	0.7	-	-	0.7	0.5
Total contributions by and distributions to owners	-	-	0.7	-	(124.6)	(123.9)	(36.6)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	(2.6)	-	(4.6)	-	(7.2)	(64.9)
Total transactions with owners	-	(2.6)	0.7	(4.6)	(124.6)	(131.1)	(101.5)
At 30 June 2013	1,991.4	146.4	12.9	(363.3)	5,760.2	7,547.6	1,940.6

* Other reserves comprise mainly fair value reserve arising from available-for-sale investments, share of other reserve of associates and share option reserve.

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The Group	Attributable to Owners of the Company						Non-controlling Interests S\$m	Total Equity S\$m
	Share Capital S\$m	Cap. Res. S\$m	Other Res.* S\$m	Exch. Fluct. Res. S\$m	Accum. Profits S\$m	Total S\$m		
At 1 January 2012	1,991.4	148.9	7.4	(320.2)	4,999.3	6,826.8	1,869.2	8,696.0
Profit for the period	-	-	-	-	156.7	156.7	39.5	196.2
<u>Other comprehensive income</u>								
Actuarial losses on defined benefit plans	-	-	-	-	(0.4)	(0.4)	(0.4)	(0.8)
Changes in fair value of equity investments available for sale	-	-	3.7	-	-	3.7	-	3.7
Effective portion of changes in fair value of cash flow hedges	-	-	0.2	-	-	0.2	0.2	0.4
Exchange differences on hedges of net investment in foreign entities	-	-	-	2.7	-	2.7	2.3	5.0
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	1.2	-	1.2	(1.0)	0.2
Share of other reserve movements of associates	-	-	0.1	-	-	0.1	0.1	0.2
Translation differences arising on consolidation of foreign entities	-	-	-	(28.1)	-	(28.1)	(19.4)	(47.5)
Other comprehensive income for the period, net of income tax	-	-	4.0	(24.2)	(0.4)	(20.6)	(18.2)	(38.8)
Total comprehensive income for the period	-	-	4.0	(24.2)	156.3	136.1	21.3	157.4
Transactions with owners, recorded directly in equity								
<u>Contributions by and distributions to owners</u>								
Share-based payment transactions	-	-	0.5	-	-	0.5	0.5	1.0
Share options exercised	-	-	(0.3)	-	-	(0.3)	0.3	-
Total contributions by and distributions to owners	-	-	0.2	-	-	0.2	0.8	1.0
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of a subsidiary with non-controlling interests	-	-	-	-	-	-	1.6	1.6
Total transactions with owners	-	-	0.2	-	-	0.2	2.4	2.6
At 31 March 2012	1,991.4	148.9	11.6	(344.4)	5,155.6	6,963.1	1,892.9	8,856.0
Profit for the period	-	-	-	-	137.7	137.7	33.9	171.6
<u>Other comprehensive income</u>								
Actuarial losses on defined benefit plans	-	-	-	-	(1.6)	(1.6)	(1.3)	(2.9)
Changes in fair value of equity investments available for sale	-	-	(3.6)	-	-	(3.6)	-	(3.6)
Effective portion of changes in fair value of cash flow hedges	-	-	(0.6)	-	-	(0.6)	(0.5)	(1.1)
Exchange differences on hedges of net investment in foreign entities	-	-	-	(5.7)	-	(5.7)	(4.8)	(10.5)
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	(2.2)	-	(2.2)	(0.9)	(3.1)
Realisation of exchange differences on liquidation of subsidiaries	-	-	-	7.8	-	7.8	-	7.8
Translation differences arising on consolidation of foreign entities	-	-	-	(3.0)	-	(3.0)	0.8	(2.2)
Other comprehensive income for the period, net of income tax	-	-	(4.2)	(3.1)	(1.6)	(8.9)	(6.7)	(15.6)
Total comprehensive income for the period	-	-	(4.2)	(3.1)	136.1	128.8	27.2	156.0
Transactions with owners, recorded directly in equity								
<u>Contributions by and distributions to owners</u>								
Capital contribution from non-controlling interests	-	-	-	-	-	-	0.1	0.1
Share-based payment transactions	-	-	0.7	-	-	0.7	0.6	1.3
Dividends paid to owners of the Company	-	-	-	-	(124.6)	(124.6)	-	(124.6)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(41.4)	(41.4)
Total contributions by and distributions to owners	-	-	0.7	-	(124.6)	(123.9)	(40.7)	(164.6)
<u>Changes in ownership interests in subsidiaries</u>								
Adjustment to acquisition of a subsidiary with non-controlling interests	-	-	-	-	-	-	1.0	1.0
Total transactions with owners	-	-	0.7	-	(124.6)	(123.9)	(39.7)	(163.6)
At 30 June 2012	1,991.4	148.9	8.1	(347.5)	5,167.1	6,968.0	1,880.4	8,848.4

* Other reserves comprise mainly fair value reserve arising from available-for-sale investments, share of other reserve of associates and share option reserve.

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The Company	Share Capital S\$m	Capital Reserve S\$m	Fair Value Reserve S\$m	Other Reserve S\$m	Accumulated Profits S\$m	Total S\$m
At 1 January 2013	1,991.4	63.7	12.2	-	3,326.3	5,393.6
Profit for the period	-	-	-	-	24.6	24.6
<u>Other comprehensive income</u>						
Changes in fair value of equity investments available for sale	-	-	2.2	-	-	2.2
Other comprehensive income for the period, net of income tax	-	-	2.2	-	-	2.2
Total comprehensive income for the period	-	-	2.2	-	24.6	26.8
At 31 March 2013	1,991.4	63.7	14.4	-	3,350.9	5,420.4
Profit for the period	-	-	-	-	1.5	1.5
<u>Other comprehensive income</u>						
Changes in fair value of equity investments available for sale	-	-	(2.0)	-	-	(2.0)
Other comprehensive income for the period, net of income tax	-	-	(2.0)	-	-	(2.0)
Total comprehensive income for the period	-	-	(2.0)	-	1.5	(0.5)
Transaction with owners, recorded directly in equity						
<u>Contributions by and distributions to owners</u>						
Dividends paid to owners of the Company	-	-	-	-	(124.6)	(124.6)
Total transactions with owners	-	-	-	-	(124.6)	(124.6)
At 30 June 2013	1,991.4	63.7	12.4	-	3,227.8	5,295.3
At 1 January 2012	1,991.4	63.7	6.8	5.7	3,308.4	5,376.0
Profit for the period	-	-	-	-	21.9	21.9
<u>Other comprehensive income</u>						
Changes in fair value of equity investments available for sale	-	-	3.2	-	-	3.2
Other comprehensive income for the period, net of income tax	-	-	3.2	-	-	3.2
Total comprehensive income for the period	-	-	3.2	-	21.9	25.1
Transaction with owners, recorded directly in equity						
<u>Contributions by and distributions to owners</u>						
Loan forgiveness by subsidiaries	-	-	-	20.0	-	20.0
Total transactions with owners	-	-	-	20.0	-	20.0
At 31 March 2012	1,991.4	63.7	10.0	25.7	3,330.3	5,421.1
Profit for the period	-	-	-	-	63.5	63.5
<u>Other comprehensive income</u>						
Changes in fair value of equity investments available for sale	-	-	(1.1)	-	-	(1.1)
Other comprehensive income for the period, net of income tax	-	-	(1.1)	-	-	(1.1)
Total comprehensive income for the period	-	-	(1.1)	-	63.5	62.4
Transaction with owners, recorded directly in equity						
<u>Contributions by and distributions to owners</u>						
Dividends paid to owners of the Company	-	-	-	-	(124.6)	(124.6)
Effects on liquidation of subsidiaries	-	-	-	(25.7)	-	(25.7)
Total transactions with owners	-	-	-	(25.7)	(124.6)	(150.3)
At 30 June 2012	1,991.4	63.7	8.9	-	3,269.2	5,333.2

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- 1(e)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the Company, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Ordinary share capital

There was no change in the Company's issued share capital during the three months ended 30 June 2013.

Preference share capital

There was no change in the Company's issued preference share capital during the three months ended 30 June 2013.

As at 30 June 2013, the maximum number of ordinary shares that may be issued upon full conversion of all of the non-redeemable convertible non-cumulative preference shares of the Company ("Preference Shares") at the sole option of the Company is 44,998,898 ordinary shares (30 June 2012: 44,998,898 ordinary shares).

- 1(e)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company did not hold any treasury shares as at 30 June 2013, 31 December 2012 and 30 June 2012.

The total number of issued ordinary shares as at 30 June 2013 and 31 December 2012 is 909,301,330.

The total number of issued Preference Shares as at 30 June 2013 and 31 December 2012 is 330,874,257.

- 1(e)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the three months ended 30 June 2013.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have neither been audited nor reviewed by our auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

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4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied in the Group's most recently audited financial statements for the year ended 31 December 2012.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group adopted the following relevant new standards, amendments to standards and interpretations that are effective for financial period beginning on 1 January 2013.

Amendments to FRS 1 *Presentation of items of Other Comprehensive income*
FRS 19 *Employee Benefits (revised 2011)*
FRS 113 *Fair Value Measurement*

Amendments to FRS 1 *Presentation of items of Other Comprehensive income* requires those items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met to be separated from those that would never be reclassified to profit and loss. This amendment only affects the presentation of the consolidated statement of comprehensive income in the financial statement.

Except for the Amendments to FRS 1 *Presentation of items of Other Comprehensive income*, the adoption of these FRSs did not result in any significant impact on the financial statements of the Group.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Second quarter ended 30 June		Half year ended 30 June	
	2013	2012	2013	2012
Basic Earnings per share (cents)	21.7	14.4	36.8	31.7
Diluted Earnings per share (cents)	21.4	14.4	35.8	30.9
Earnings per share is calculated based on:				
a) Profit attributable to owners of the Company (\$'000) (*)	197,373	131,288	335,020	288,039
b) Weighted average number of ordinary shares in issue:				
- basic	909,301,330	909,301,330	909,301,330	909,301,330
- diluted (**)	954,300,228	954,300,228	954,300,228	954,300,228

* After deducting preference dividends of \$6,434,000 declared in Q2 2013 (Q2 2012: \$6,417,000).

** For computation of diluted earnings per share, the weighted average number of ordinary shares has been adjusted for any dilutive effect of potential ordinary shares arising from the conversion of all preference shares.

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7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares (excluding treasury shares) of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	The Group		The Company	
	30.06.2013	31.12.2012	30.06.2013	31.12.2012
	S\$	S\$	S\$	S\$
Net Asset Value per ordinary share based on the number of issued 909,301,330 ordinary shares (excluding treasury shares) as at 30 June 2013 (909,301,330 ordinary shares (excluding treasury shares) as at 31 December 2012)	8.30	8.03	5.82	5.93

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Group Performance

The Group delivered strong earnings for the second quarter (Q2 2013) and half year ended 30 June 2013 (1H 2013), achieving an attributable profit after tax and non-controlling interests of \$203.8 million and \$341.5 million respectively. This represents an increase of 48.0% for Q2 2013 and 16.0% for 1H 2013 as compared to the corresponding periods last year.

The basic earnings per share rose by 50.7% for Q2 2013 to 21.7 cents (Q2 2012: 14.4 cents) and 16.1% for 1H 2013 to 36.8 cents (1H 2012: 31.7 cents).

The sterling performance was attributable to the significant increase in the contribution from rental properties segment. The contribution to the Group's pre-tax profit by this business segment was the highest amongst all segments for both Q2 2013 and 1H 2013, posting a leap of 471.4% and 243.9% respectively. This was largely due to the gain recognised from the disposal of 100G Pasir Panjang following its sale completion in Q2 2013, coupled with the profits accounted in Q1 2013 for the disposal of several strata units in Elite Industrial Building I, Elite Industrial Building II and Citimac Industrial Complex. These non-core assets which were previously not sold, were leased out and held by the Group for long-term investments. These disposals, which have enjoyed capital appreciation, were in line with the Group's strategy to unlock shareholder value. If the Group was to redevelop the Pasir Panjang property, besides carrying the market risks, it would have to go through the process of applying for approvals, design and construction, which would take time before it can realise gains. The Group would rather crystallise the profits at hand earlier.

The property development segment was the second highest contributor, contributing 22.6% in Q2 2013 and 33.3% in 1H 2013 to the Group's pre-tax profit. Though brisk sales were achieved for its recent mass-market residential projects, the locked-in profits could not be recognised as construction of these projects has yet to reach recognition stage.

Lower hotel earnings in Q2 2013 were also due to several factors. The subdued trading in Asia was affected by the economic and political challenges in some parts, while other cities, like Singapore was impacted by economic restructuring and an increase in hotel capacity on the island by about 7%. In addition, the on-going refurbishment programme also resulted in temporary loss of hotel rooms.

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As at 30 June 2013, the Group's balance sheet remained strong with cash and cash equivalents of \$2.5 billion. Without factoring fair value gains from investment properties, the Group's net gearing ratio remained healthy at 22.0%, and interest cover was at 15.0 times.

In view of the good performance of the Group, the Board is pleased to declare payment of a tax-exempt (one-tier) special interim ordinary dividend of 8.0 cents per ordinary share.

Property

Based on advance estimates, the Singapore economy grew by 3.7% in Q2 2013 on a year-on-year basis (Q1 2013: 0.2%). On a quarter-on-quarter seasonally-adjusted annualised basis, the economy grew faster by 15.2% (Q1 2013: 1.8%), supported by robust growth in the manufacturing sector, construction sector and services producing industries.

Urban Redevelopment Authority (URA) statistics indicated that the overall prices of private residential properties increased moderately by 1.0% in Q2 2013 (Q1 2013: 0.6%). In 1H 2013, developers sold 9,950 completed and uncompleted private residential units, which accounts for about 45% of the total volume of 22,197 units sold in 2012. Private homes sales continued to remain high in Q2 2013 as they were powered by new launches, reflecting continued demand for new private homes.

In June 2013, the Group launched the 616-unit Jewel @ Buangkok. During its first weekend preview, a total of 203 units out of 280 released were snapped up by eager buyers who were drawn to the development's premium location of being situated just a 3-minute walk to Buangkok MRT station. This development is also surrounded with abundant amenities, an array of educational institutions, a comprehensive transport network and leisure options – offering unparalleled convenience. It features six 15 to 17-storey towers that house a selection of 1 to 5-bedroom apartments, dual-key units as well as penthouses. To date, over 86% of the 350 units released have been sold.

Other current residential projects continued to enjoy healthy take-up rate.

Launched in mid-March this year, D'Nest, a 912-unit joint venture condominium located at Pasir Ris Grove and within walking distance to Pasir Ris MRT station, is now over 91% sold. Another project, Bartley Ridge, a 868-unit joint venture development launched in end-March, has sold over 75% to date. This project is located at Bartley Road / Mount Vernon and within 2-minutes' walk to Bartley MRT station.

Echelon, a 508-unit joint venture project at Alexandra View is now 99% sold. Over 95% of H₂O Residences, a 521-unit riverfront condominium at Sengkang has also been sold.

However, the Singapore Government introduced additional property cooling measures on 28 June 2013. The Total Debt Servicing Ratio (TDSR) framework for all property loans granted by financial institutions (FIs) to individuals was introduced by The Monetary Authority of Singapore (MAS). FIs will be required to take into consideration borrowers' other outstanding debt obligations when granting property loans. MAS also refined rules related to the application of the existing Loan-to-Value (LTV) limits on housing loans. This is the eighth round of cooling measures announced by the Government since 2009. The Government has indicated that the TDSR framework and refinements to the rules relating to the application of LTV limits are structural in nature, and will be in place for the long-term. They aim to encourage prudent borrowing by households and strengthen credit underwriting standards by FIs. These new measures have impacted buying interests as buyers and the bankers adopted a more cautious approach and transaction volumes have since slowed down.

For the quarter under review, profits were booked in from pre-sold projects such as Cube 8, 368 Thomson, Buckley Classique, H₂O Residences and Hundred Trees, which obtained its Temporary Occupation Permit (TOP) in Q2 2013. Profits were also booked in from joint-venture projects such as The Palette, Tree House, Bartley Residences and Hedges Park. Contribution was also received from The Glyndebourne, which is being developed by the Group's 57% subsidiary, Millennium & Copthorne Hotels plc (M&C). The sale of 100F and 100G Pasir Panjang Road also contributed to the profit.

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However, no profit was recognised from the fully sold HAUS@SERANGOON GARDEN as well as substantially pre-sold projects such as Echelon, UP@Robertson Quay, Bartley Ridge and D'Nest, or Jewel @ Buangkok which was recently launched. These projects are either in early stages of construction or building works have not commenced yet. Notably, profits from the two fully sold Executive Condominiums (ECs) – Blossom Residences and The Rainforest, could not be recognised in accordance with prevailing accounting treatments required for ECs. With effect from 1 January 2011, the lock-in profits for ECs will only be booked in after the ECs are completed, unlike previously when it could be taken in progressively.

For 1H 2013, the Group, together with its joint venture associates, sold a total of 2,114 units with sales value of approximately \$2.25 billion (1H 2012: 1,299 units with sales value of \$1.25 billion).

The office supply remains stable as there were no major office completions as at Q2 2013. According to URA statistics, the net absorption for Q2 2013 was approximately 204,500 square feet (sq ft) as the amount of occupied space increased to 71.39 million sq ft in Q2 2013 (Q1 2013: 71.18 million sq ft). This positive take up in Q2 2013 led to a higher occupancy rate of 91.2% in Q2 2013 (Q1 2013: 90.8%).

Demand for office space held up in Q2 2013. Competitive occupational cost and a low interest rate environment has helped generate demand for office space. URA statistics showed that prices of office space increased slightly by 1.5% in Q2 2013, compared with an increase of 2.1% in the previous quarter. Rentals for office space rose marginally by 0.2% quarter-on-quarter in Q2 2013, after declining 0.2% in Q1 2013.

The Group's office portfolio continued to enjoy healthy occupancy of 96.2% (as at 30 June 2013) compared to national average of 91.2%.

Hotel

For the quarter under review, M&C's revenue increased by 0.8% year-on-year to £199.9 million (Q2 2012: £198.4 million). Despite better trading performance in London and New York regions, its net profit after tax and non-controlling interests decreased by 17.7% to £33.1 million (Q2 2012: £40.2 million).

For the six months ended 30 June 2013, revenue decreased by 1.3% year-on-year to £369.1 million (1H 2012: £373.9 million) and its net profit after tax and non-controlling interests decreased 21.1% to £46.1 million for 1H 2013 (1H 2012: £58.4 million).

Both revenues and profits were affected by challenging conditions in some of its key markets. Trends in some parts of Asia remain subdued due to economic uncertainty, greater hotel capacity and increasing cost. In particular, the Millennium Seoul Hilton was affected by the reduction in Japanese visitors as a result of the geo-political tensions between Japan and South Korea over Dokdo Island. In Singapore, the continuing slowdown in corporate business travel and an increase in hotel capacity where new entrants undercut prices to get a slice of market share, placed cost pressures on the hospitality market. Singapore's hospitality sector also faces increasing cost pressure as a result of Government policies restricting the use of foreign labour.

Guestroom inventory was considerably reduced as a result of the planned partial closure for refurbishment of Grand Hyatt Taipei. In 1H 2013, M&C saw a net 181,000 room nights removed from its inventory. The refurbishment programme will reduce regional capacity and revenue in the short-term.

Global RevPAR was up 4.1% to £67.27 (1H 2012: £64.62) due to increases in both occupancy to 70.5% (1H 2012: 69.8%) and average room rate to £95.45 (1H 2012: £92.54).

M&C's financial position remained strong with net cash at 30 June 2013 of £43.9 million (31 December 2012: £52.2 million). At the end 1H 2012, gearing was 0.5%. At 30 June 2013, M&C had cash reserves of £397.9 million and £259.5 million undrawn committed bank facilities. Most of the facilities are unsecured with unencumbered assets representing 87.5% of M&C's fixed assets and investment properties.

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The £240.0 million refurbishment programme of investment in M&C's existing hotels, which is in addition to underlying run rate capital expenditure, is making progress with several initiatives under way and a number of others in the planning stage. Timing of investment remains dependent on planning and other consents. Since the programme commenced in 2011, £77.8 million of the £240.0 million had been spent up to 30 June 2013.

In Q2 2013, M&C completed renovation of the west wing of the Grand Hyatt Taipei, which reopened in June 2013. The next phase will be renovation of the 392-room east wing earmarked to commence in August 2013 and is scheduled for completion in mid-2014. Further investment is planned for the lobby and food and beverage outlets.

In the US, Millennium Minneapolis reopened in May 2013 after the completion of refurbishment, with positive comments from customers. M&C is planning a number of refurbishment projects, both back-of-house and client-facing, at other regional US hotels, including Millennium St Louis, Millennium Scottsdale Resort and Villas, Millennium Hotel Durham and Millennium Hotel Cincinnati. M&C considers such investment essential for the regional hotel portfolio to participate in any sustained upturn in US hospitality markets.

Discussions with Grosvenor Estates regarding the refurbishment programme for Millennium Hotel London Mayfair are ongoing. In addition, M&C is considering design concepts for the refurbishment of Millennium Hotel London Knightsbridge. The timing and cost of both these developments remain dependent on the outcome of negotiations and obtaining necessary planning consents.

On the new hotel development front, the construction of M&C's new hotel in Tokyo's Ginza district is proceeding according to plan. Design proposals for the facade have been approved and demolition work is expected to complete in August 2013 for construction to commence as scheduled.

M&C is currently developing detailed plans, in relation to the land purchased immediately adjacent to its Millennium Seoul Hilton Hotel. The site has tremendous potential which will provide M&C plenty of synergies and value to its operations in Seoul. It is looking to develop hospitality facilities on the site which will complement the hotel, following further studies with architects and other external consultants.

144 out of the 150 residential units at The Glyndebourne (the site of the former Copthorne Orchid Hotel) have been sold, with sales value of \$522.5 million. Sales proceeds collected to date total \$275.5 million, representing approximately 53% of the sales value. The CDL Group has been progressively recognising profit for this project based on stage of construction for the units sold. However, based on UK accounting standards, M&C's profits will only be booked in when construction of the entire development is completed, which is expected to be no later than 2014.

First Sponsor Capital Limited (FSCL), M&C's associate, was not affected directly by the April 2013 earthquake in Sichuan and continues to make good progress on its projects in China. The inauguration of the 196-room M Hotel Chengdu, part of the Cityspring project, was announced on 2 July 2013 and the hotel is scheduled to soft-open in Q3 2013. The hotel will be managed by M&C.

The development of FSCL's latest project, Millennium Waterfront in Chengdu is proceeding satisfactorily. Since 24 November 2012, 970 residential units out of 1,155 units launched have been sold either under option agreements or sale and purchase agreements, with approximately 67.2% of the sales proceeds collected. FSCL launched a further 55 commercial units for sale on 29 June 2013, of which 11 units have been sold either under option agreements or sale and purchase agreements. Further development and sales launches will be phased according to demand. It plans to commence construction of a Millennium-branded hotel with convention facilities at Millennium Waterfront in 2H 2013 which will be financed by cash flows from residential sales. Based on Singapore accounting standards, the Group's profits for overseas private residential developments will only be recognised upon completion.

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9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The Group's performance for the period under review is in line with its expectations as disclosed in the announcement of results for the first quarter ended 31 March 2013.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Property

The outlook for the global economy remains fairly cautious though advanced economies like the US has shown some signs of improvement, though not material enough. The prolonged recession in the Eurozone still faces fallout from its financial crisis, China economy is levelling off and a Japanese economic recovery remains uncertain. The Singapore Government cautioned that prospects for a modest recovery in Singapore over the rest of this year are accompanied by some downside risks and maintained a modest projected GDP growth of between 1.0% and 3.0%.

After the implementation of several rounds of property market cooling measures, the Government has recently noted that the property market is stabilising and becoming more sustainable as intended. It has said that the property cooling measures are meant to stabilise the prices of private properties, to pre-empt any bubble from forming and not to cause a collapse in the property market.

Investment sentiments particularly amongst foreign buyers in the high-end residential segment have not recovered due to the temporary punitive property cooling measures imposed which have significantly dampened market sentiments. Foreign buyers have instead diverted their attention to overseas markets like London, Paris and New York, which are buoyant.

However, the buying interests in mass market projects have remained healthy due to abundant liquidity in the market and low interest rates, but the latest round of cooling measures is making borrowing more difficult.

Developers share the Government's desire to have a sustainable property market and agree that the various cooling measures have been necessary so that homebuyers are not overly leveraged, which is in the best interest of all stakeholders. However, the industry also has its own set of challenges.

As the Group had indicated previously, the Qualifying Certificate (QC) policy imposed on developers with foreign ownership makes it difficult for them to buy land from private market, as they are subjected to numerous QC punitive restrictions. As a result, there is limited land stock-in-trade and these developers have no alternatives but to bid aggressively high for Government Land Sales (GLS) sites and take undue risks. This invariably leads to escalating land cost and lesser profit margins.

The recent high bidding for EC GLS sites is reflective of the limited land bank that developers have and the high liquidity in the market. The EC segment is the least affected by the cooling measures as it is specially catered to a select group of eligible genuine home buyers with pent-up demand.

The Group has been cautious in tendering for land as it is always mindful of the time lag between physical completion and projected demand. If the economy does not improve, it will lead to oversupply which cannot be easily resolved. Hence, the Group would rather err on caution than to take undue risks in its land replenishment strategy.

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Many homebuyers will perceive that with higher land tenders, property prices will inevitably be higher. The psychology of buyers far outweighs the fundamentals of supply and demand projections. In general, people want to buy low and sell high. However, the observation is that as property prices move upwards, more people want to buy. Conversely, as property prices start declining, people tend to be more fearful and cautious in entering the market. This "herd instinct" is perhaps the paramount factor to be taken into account.

The Group is confident that when the QC policy is reviewed, developers can then look towards both the GLS as well as private collective sale for land, which can help to alleviate the land stock-in-trade and help balance out the high bidding process to some extent.

In July 2013, the Group opened for E-application, a new 380-unit EC project known as Lush Acres. Located along Fernvale Close in Sengkang, it is just a short walk to Layar LRT station. Spread across an area of over 150,000 sq ft, Lush Acres will house four stylish towers of up to 25 storeys high, and offers a collection of contemporary 3 to 5-bedroom apartments, with suites and premium options for select units. Buyers of ECs are less affected by the cooling measures and response to the E-application, which closed on 21 July 2013, was very good with more than 3 times oversubscription. Booking of units by eligible homebuyers will commence on 17 August 2013.

The Group is also planning to launch a joint venture mixed-use residential cum commercial development, located at the junction of Upper Serangoon Road and MacPherson Road, and only 5-minutes' walk to Potong Pasir MRT station. This project with easy access to major expressways is also only a short drive from bustling shopping malls such as City Square Mall and Nex. It will comprise 266 residential units of 1 to 4-bedroom apartments and penthouses, with 28 retail and F&B units on the ground floor. Surrounded by popular schools such as Cedar Primary and Cedar Girls' Secondary Schools, St. Andrew's Junior, Secondary and Junior College, Maris Stella High Primary and Secondary Schools, this well-located project will appeal to both investors and end-users.

Based on anecdotal evidence, demand for new office space at Grade A office buildings in the Raffles Place / New Downtown area were mainly from the financial and business services industries, which required single-floor space or less. Market reports indicated that rents of Grade A office space has increased for the first time in seven quarters, while office rents in other micro-markets stabilised in Q2 2013. Property consultants expect both Grade A and Grade B office rents to remain fairly stable.

The strata-titled office sales market continued to draw interests from investors and end-users in 1H 2013, supported by the continued low interest rate environment and investors' search for alternative investment options after property cooling measures were implemented in the residential and industrial sectors. Besides investors, end-users are also buying for owner occupation.

There are increasing signs that the office market may be poised for recovery. The near-term outlook for the office sector remains positive as the Government continues to grow the country's economic base as a global financial hub.

The construction for the iconic, joint venture South Beach development continues to make good progress. The Office Tower (North Tower) superstructure is targeted to be completed by end December 2013. Leasing activities for the Office Tower has commenced earlier this year and interest has been healthy so far. With Grade A office buildings rentals starting to move in an upward trend and with South Beach's enviable location, the Group will not be in a rush to lease the Tower. The project remains on track to complete in 2015.

CDL China Limited, a wholly-owned subsidiary of the Group, has made much progress in 1H 2013 and all three projects continue to pick up momentum. The luxury residential development located at Eling Hill in Yuzhong District, Chongqing, has commenced excavation and this process will require several months due to the project's iconic design and the difficulty involved in excavating at the peak of a majestic hill. For Huang Huayuan, its other project in the same district in Chongqing, the design continues to be developed in greater detail and several critical changes have been made to enhance the profitability of the project, including securing greater height for the three high-rise buildings earmarked for the site.

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In July, a significant groundbreaking ceremony was held for Hong Leong City Center (HLCC), CDL China's sizable mixed-use development next to Jinji Lake in Suzhou. This marks yet another important milestone for the project and HLCC continues to generate a lot of positive publicity, to the extent of even winning an award for being the most anticipated project in Suzhou in 2013.

In the previous quarter, the Group announced that approximately £250 million to £300 million would initially be allocated to establish its plans for property development in London. The Group is planning to invest selectively in the Central London real estate market and is currently evaluating several opportunities across the residential sectors. It has put together a highly experienced team that is scouting for opportunities. The investment will be made when the right opportunity avails through its London team and/or joint venture partners who have proven track record. It will study the opportunities carefully, in the best interest of the Group.

London remains a safe and highly attractive haven, conducive for property investments. Aided by London's economic recovery and its currency weakness, demand is fuelled by locals (UK nationals) and foreign investors from Russia, European countries, with an influx of buyers from Middle East, India, China and Asia who are also snapping up London luxury homes. Based on historical trends, even when the market softens, the impact on London's high-end properties in good locations is not as significant. Many local developers are keen to have a market share in London to capture the upswing. However, funding may be difficult for the smaller developers. The Group's strong balance sheet and financial stewardship works to its advantage.

Hotel

For the first three weeks of trading in Q3 2013, global RevPAR was up 1.6% on a reported currency basis, compared to the same period last year.

Overall, trading is in line with M&C's management's expectations although M&C remains cautious on the outlook for hospitality markets. London faces a tough comparative Q3 mainly because of its success during last year's Olympics, while Singapore hotels are competing with an increasing supply of rooms offered by competitors, as well as higher labour costs. These challenging short-term trading conditions will not deflect M&C from pursuing its strategic objective to improve the competitive position of its hotels.

While M&C is mindful that the world economic and political environment remains uncertain, particularly in Asia, it has adopted appropriate trading strategies for the current market conditions. Its strong financial position will enable it to take these conditions in its stride, while continuing to invest in the fabric of the business.

Group Prospects

The global economy remains fragile and unpredictable.

Domestically, with the latest round of property cooling measures which has been the most effective to date, the Group expects stronger headwinds in the second half of the year. Transaction volume for private residential sales is beginning to be more measured and prices in general, are expected to be moderated for the mass market segment, due to the tightening of bank borrowings.

One of the key concerns that the Group has often highlighted is the lag time between the sale of a unit and its physical completion of the property. Oversupply can only be a projection as the actuality will only be realised when there are housing units that are left empty for a long period of time after completion. This delicate balance is very difficult to achieve, but if not carefully assessed, can lead to adverse consequences. Unless the global and domestic economies rebound strongly and curbs on foreign buyers for private residential property sales are reviewed, the Group anticipates some oversupply in the residential market from next year onwards.

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Singapore is a key hub in the Asia Pacific region and traditionally viewed as a favourable place to invest in. The Group is heartened to note that the Government has indicated that its calibrated cooling measures are temporary, to achieve a sustainable property market and to prevent a bubble from forming. The Group is confident that as the market stabilises, the Government will review these measures progressively in the next few years and respond appropriately by removing some of these restrictions, as market conditions change.

Against this backdrop, the Group is fortunate that it has limited inventory of unsold units in the mass market, and will plan its launches of new developments for different segments of the market, by strategically pricing them appropriately, taking into consideration the market sentiments.

Hotel operations are also an established business segment and a significant contributor to the Group. While the global economy is taking a breather, the Group is taking this opportunity to refurbish some of its key assets with a view to reposition them, while also upgrading some of its properties, so that they may reap the benefits when the economy recovers.

The Group has already established various synergistic platforms to grow its business. In Singapore, it has earned a strong reputation in property development and an enviable portfolio of valuable investment properties. Regionally and globally, it has an established hotel operations and a hotel real estate investment trust (REIT) whose potential can be further exploited.

The Group will continue to focus on developing its existing overseas growth engines, which includes an ever-expanding China platform, with developments through CDL China and FSCL (M&C's associate) and also its latest real estate development arm in London. The Group also has plans to be more active in private equity opportunities which it entered into some years ago. The execution of some of these platforms in a material way will take time to develop. These engines, when in full swing, will enable the Group to achieve a balanced and diversified portfolio in Singapore and abroad.

The Group's strong balance sheet, diversified asset portfolio and growth platforms enable it to be well positioned to weather the headwinds that are anticipated. The Group expects to remain profitable for 2013.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes.

The Company had on 13 May 2013 declared a tax-exempt (one-tier) non-cumulative preference dividend to holders of City Developments Limited Preference Shares of 1.94 cents per Preference Share, calculated at the dividend rate of 3.9% per annum of the issue price of \$1.00 for each Preference Share, for the dividend period from 31 December 2012 to 30 June 2013. The said preference dividend was paid on 1 July 2013.

On 5 August 2013, the Board of Directors declared a tax-exempt (one-tier) special interim ordinary dividend of 8.0 cents per ordinary share.

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(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes.

Name of Dividend	Tax exempt (One-tier) Preference Dividend
Date of payment	2 July 2012
Dividend Type	Cash
Dividend Amount (in cents)	1.94 cents per Preference Share ^
Dividend rate (in %)	3.9% per annum on the issue price of each Preference Share
Dividend period	From 31 December 2011 to 29 June 2012 (both dates inclusive)
Issue price	\$1.00 per Preference Share

^ Preference dividend for each Preference Share is calculated at the dividend rate of 3.9% per annum of the issue price of \$1.00 for each Preference Share on the basis of the actual number of days comprised in the dividend period divided by 365 days.

(c) Date payable

The payment date for tax-exempt (one-tier) special interim ordinary dividend will be paid on 5 September 2013.

(d) Books Closure Date

5pm on 15 August 2013.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. Interested Person Transactions

Interested Persons	Aggregate value of all interested person transactions conducted in second quarter ended 30 June under the IPT Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hong Leong Investment Holdings Pte. Ltd. group of companies	<u>Property-related</u> Provision to/by interested persons of: \$6,493,999.73 (i) project management services; and (ii) cleaning services. Total: \$6,493,999.73
Directors and their immediate family members	Nil

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14. Segment Reporting

By Business Segments

	The Group			
	Second quarter ended		Half year ended	
	30 June		30 June	
	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Revenue</u>				
Property Development	303,236	293,338	618,222	687,585
Hotel Operations	391,897	394,147	733,189	748,290
Rental Properties	77,420	75,539	155,791	151,914
Others	29,057	24,743	57,893	46,711
	801,610	787,767	1,565,095	1,634,500
<u>Profit/(Loss) before income tax (*)</u>				
Property Development	61,645	109,169	152,913	197,190
Hotel Operations	54,769	70,501	80,939	110,806
Rental Properties	160,330	28,061	219,680	63,885
Others	(3,774)	(5,000)	5,909	46,470
	272,970	202,731	459,441	418,351

* Includes share of after-tax profit of associates and jointly-controlled entities.

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15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Property Development

Revenue remained relatively constant at \$303.2 million (Q2 2012: \$293.3 million) for Q2 2013 but decreased by \$69.4 million to \$618.2 million (1H 2012: \$687.6 million) for 1H 2013.

Pre-tax profits decreased by \$47.6 million to \$61.6 million (Q2 2012: \$109.2 million) for Q2 2013 and by \$44.3 million to \$152.9 million (1H 2012: \$197.2 million) for 1H 2013.

Projects that contributed to both revenue and profit in 1H 2013 include Volari, NV Residences, 368 Thomson, Cube 8, Hundred Trees, Tree House, The Glyndebourne, H₂O Residences, The Palette and Buckley Classique. In accordance with the Group's policy of equity accounting for the results of its jointly-controlled entities, whilst revenue from joint venture developments such as The Gale, Hedges Park and Bartley Residences has not been consolidated into the Group's total revenue, the Group's share of profits arising from these joint venture developments have been included in pre-tax profit.

The decrease in revenue for 1H 2013 was mainly attributable to the absence of revenue from sale of a warehouse at Tagore Avenue in Q1 2012, lower contribution from NV Residences following its completion in Q1 2013 and reduced contributions from Tree House and Volari. This was partially mitigated by increased contributions from 368 Thomson and Buckley Classique, maiden contributions from H₂O Residences and The Palette with effect from Q3 2012 and Q1 2013 respectively as well as sale of an industrial site at 100F Pasir Panjang.

Despite revenue for Q2 2013 remaining fairly constant, its pre-tax profit decreased as Q2 2012 included profit recognition of Chengdu Cityspring residential project, held by the Group's associate, First Sponsor Capital Limited, as well as a release of accruals no longer required following the finalisation with main contractor in relation to City Square Residences. There were no such items in Q2 2013.

For 1H 2013, the decrease was in tandem with the decrease in revenue, coupled with the absence of the aforesaid items in Q2 2012.

Hotel Operations

Notwithstanding the on-going refurbishment programme in Millennium & Copthorne Hotels plc which led to temporary closure of hotel rooms and subdued trading conditions, revenue for this segment remained relatively constant at \$391.9 million (Q2 2012: \$394.1 million) for Q2 2013 and \$733.2 million (1H 2012: \$748.3 million) for 1H 2013 due to the contribution from W Singapore Sentosa Cove Hotel which commenced operations in October 2012.

Pre-tax profits however decreased by \$15.7 million to \$54.8 million (Q2 2012: \$70.5 million) for Q2 2013 and \$29.9 million to \$80.9 million (1H 2012: \$110.8 million) for 1H 2013. The profit margins were affected by challenging conditions in some of the key markets, in particular the continuing slowdown in Singapore corporate business and the lower number of Japanese visitors in Seoul arising from the geo-political tensions between Japan and South Korea over Dokdo Island. In Singapore, the hospitality sector also face increasing cost pressures as a result of government policies restricting the use of foreign labour.

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Rental Properties

Revenue for this segment remained relatively constant at \$77.4 million (Q2 2012: \$75.5 million) for Q2 2013 and \$155.8 million (1H 2012: \$151.9 million) for 1H 2013.

Pre-tax profit, however, increased by \$132.2 million to \$160.3 million (Q2 2012: \$28.1 million) for Q2 2013 and \$155.8 million to \$219.7 million (1H 2012: \$63.9 million) for 1H 2013. The increases were due to profits recognised from sale of an industrial site at 100G Pasir Panjang, as well as disposal of equity interest in a subsidiary in Q2 2013. In addition, gains recognised on the disposal of several strata units in Citimac Industrial Complex, Elite Industrial Building I and Elite Industrial Building II in Q1 2013 also contributed to the increase for 1H 2013.

Others

Revenue, comprising mainly management fee income from building maintenance contracts, project management, club operations as well as dividend income, increased by \$4.4 million to \$29.1 million (Q2 2012: \$24.7 million) for Q2 2013 and increased by \$11.2 million to \$57.9 million (1H 2012: \$46.7 million) for 1H 2013 due to higher management fee income.

This segment reported a lower pre-tax loss of \$3.8 million (Q2 2012: \$5.0 million) for Q2 2013. For 1H 2013, pre-tax profit decreased by \$40.6 million to \$5.9 million (1H 2012: \$46.5 million). The lower loss in Q2 2013 was due to decrease in professional fees incurred. The decrease in pre-tax profits for 1H 2013 was mainly attributable to lower gains recognised on realisation of investments in a private real estate fund.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Net Dividend

	Full Year 2012 S\$'000	Full Year 2011 S\$'000
Ordinary	72,744	72,744
Special	45,465	90,930
Preference	12,904	12,904
Total	131,113	176,578

The final tax-exempt (one-tier) ordinary dividend and special final tax-exempt (one-tier) ordinary dividend for the year ended 31 December 2012 of 8.0 cents and 5.0 cents respectively per ordinary share had been approved by the ordinary shareholders at the Annual General Meeting held on 24 April 2013 and the dividend amounts are based on the number of issued ordinary shares as at 2 May 2013.

17. A breakdown of sales and operating profit after tax for first half year and second half year.

Not applicable.

BY ORDER OF THE BOARD

Shufen Loh @ Catherine Shufen Loh
Company Secretary
6 August 2013