Statutory Accounts

Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2006.

DIRECTORS

The directors in office at the date of this report are as follows:

Lim Chin Beng	(Chairman)
Liew Mun Leong	(Deputy Chairman)
Ong Ah Luan Cameron	(Managing Director and Chief Executive Officer)
Jennie Chua Kheng Yeng	(Appointed on 16 January 2007)
S Chandra Das	
Goh Hup Jin	
Richard Edward Hale	
Kee Teck Koon	
Lim Jit Poh	
Stephen Pan Yue-Kuo	
Wong Chin Huat, David	
Olivier Lim Tse Ghow	(Appointed on 1 March 2006 as alternate to Liew Mun Leong)

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, share options and share-based incentives in the Company, its ultimate holding company and related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings in the name of the director, spouse and/or infant children	
	At beginning of the year / Date of appointment	At end of the year
THE COMPANY		
Ordinary shares fully paid		
Lim Chin Beng	200,000	950,000[Ω]
Liew Mun Leong	362,500	452,500
Ong Ah Luan Cameron	614,410	609,410
S Chandra Das	300,000	–
Goh Hup Jin	100,000[@]	275,000[@]
Richard Edward Hale	100,000	562,500
Kee Teck Koon	529,000	700,000
Lim Jit Poh	100,000	435,000
Wong Chin Huat, David	–	100,000

	Other holdings in which the director is deemed to have an interest	
	At beginning of the year / Date of appointment	At end of the year
Goh Hup Jin[+]	2,458,000	1,347,000

DIRECTORS' INTERESTS *(cont'd)*

	Holdings in the name of the director, spouse and/or infant children	
	At beginning of the year / Date of appointment	At end of the year
THE COMPANY *(cont'd)*		
Options to subscribe for ordinary shares exercisable between 21/12/2001 to 20/12/2010 at an exercise price of $0.241© per share		
Ong Ah Luan Cameron	600,000	–
Kee Teck Koon	800,000	–
Options to subscribe for ordinary shares exercisable between 30/06/2002 to 29/06/2006 at an exercise price of $0.192© per share		
Lim Chin Beng	200,000	–
Liew Mun Leong (exercisable between 30/06/2002 to 29/06/2011)	30,000	–
Ong Ah Luan Cameron (exercisable between 30/06/2002 to 29/06/2011)	500,000	–
S Chandra Das	25,000	–
Goh Hup Jin	100,000	–
Richard Edward Hale	150,000	–
Lim Jit Poh	100,000	–
Options to subscribe for ordinary shares exercisable between 05/05/2003 to 04/05/2007 at an exercise price of $0.224© per share		
Lim Chin Beng	200,000	–
Liew Mun Leong (exercisable between 05/05/2003 to 04/05/2012)	60,000	30,000
Ong Ah Luan Cameron (exercisable between 05/05/2003 to 04/05/2012)	400,000	–
S Chandra Das	50,000	–
Goh Hup Jin	100,000	25,000
Richard Edward Hale	150,000	37,500
Kee Teck Koon (exercisable between 05/05/2003 to 04/05/2012)	1,000,000	1,000,000
Lim Jit Poh	100,000	25,000
Options to subscribe for ordinary shares exercisable between 10/05/2004 to 09/05/2008 at an exercise price of $0.192© per share		
Lim Chin Beng	200,000	–
Liew Mun Leong (exercisable between 10/05/2004 to 09/05/2013)	90,000	60,000
Ong Ah Luan Cameron (exercisable between 10/05/2004 to 09/05/2013)	500,000	125,000
S Chandra Das	50,000	–
Richard Edward Hale	150,000	–
Kee Teck Koon (exercisable between 10/05/2004 to 09/05/2013)	200,000	200,000
Lim Jit Poh	100,000	–
Wong Chin Huat, David	100,000	–

DIRECTORS' INTERESTS *(cont'd)*

	Holdings in the name of the director, spouse and/or infant children	
	At beginning of the year / Date of appointment	At end of the year
THE COMPANY *(cont'd)*		
Options to subscribe for ordinary shares exercisable between 01/03/2005 to 28/02/2009 at an exercise price of $0.284© per share		
Lim Chin Beng	100,000	–
Liew Mun Leong (exercisable between 01/03/2005 to 28/02/2014)	97,500	97,500
Ong Ah Luan Cameron (exercisable between 01/03/2005 to 28/02/2014)	500,000	500,000
S Chandra Das	70,000	–
Richard Edward Hale	100,000	50,000
Kee Teck Koon (exercisable between 01/03/2005 to 28/02/2014)	60,000	60,000
Lim Jit Poh	120,000	60,000
Wong Chin Huat, David	60,000	60,000
Olivier Lim Tse Ghow (exercisable between 01/03/2005 to 28/02/2014)	20,000	20,000
Options to subscribe for ordinary shares exercisable between 05/03/2006 to 04/03/2010 at an exercise price of $0.349© per share		
Lim Chin Beng	100,000	50,000
Liew Mun Leong (exercisable between 05/03/2006 to 04/03/2015)	130,000	130,000
Ong Ah Luan Cameron (exercisable between 05/03/2006 to 04/03/2015)	1,100,000	1,100,000
S Chandra Das	70,000	35,000
Goh Hup Jin	70,000	70,000
Richard Edward Hale	100,000	100,000
Kee Teck Koon (exercisable between 05/03/2006 to 04/03/2015)	50,000	50,000
Lim Jit Poh	120,000	120,000
Wong Chin Huat, David	60,000	60,000
Olivier Lim Tse Ghow (exercisable between 05/03/2006 to 04/03/2015)	10,000	10,000
Options to subscribe for ordinary shares exercisable between 25/02/2007 to 24/02/2011 at an exercise price of $0.680© per share		
Lim Chin Beng	–	150,000
Liew Mun Leong (exercisable between 25/02/2007 to 24/02/2016)	–	200,000
Ong Ah Luan Cameron (exercisable between 25/02/2007 to 24/02/2016)	–	1,100,000
S Chandra Das	–	120,000
Goh Hup Jin	–	110,000
Richard Edward Hale	–	160,000
Kee Teck Koon (exercisable between 25/02/2007 to 24/02/2016)	–	100,000
Lim Jit Poh	–	190,000
Stephan Pan Yue-Kuo	–	100,000
Wong Chin Huat, David	–	120,000
Olivier Lim Tse Ghow (exercisable between 25/02/2007 to 24/02/2016)	–	30,000

DIRECTORS' INTERESTS *(cont'd)*

	Holdings in the name of the director, spouse and/or infant children	
	At beginning of the year / Date of appointment	At end of the year
THE COMPANY *(cont'd)*		
Conditional award of performance shares to be delivered after 2005		
Ong Ah Luan Cameron (400,000 performance shares)	0 to 800,000#	–
Conditional award of performance shares to be delivered after 2006		
Ong Ah Luan Cameron (688,200© performance shares)	0 to 1,200,000#	0 to 1,376,400#
Conditional award of performance shares to be delivered after 2007		
Ong Ah Luan Cameron (760,980© performance shares)	0 to 1,320,000#	0 to 1,521,960#
Conditional award of performance shares to be delivered after 2008		
Ong Ah Luan Cameron (752,400 performance shares)	–	0 to 1,504,800#
ULTIMATE HOLDING COMPANY		
CAPITALAND LIMITED		
Ordinary shares fully paid		
Lim Chin Beng	–	538,400^
Liew Mun Leong	1,400,000	1,458,000
Ong Ah Luan Cameron	–	45,700
S Chandra Das	113,770	–
Goh Hup Jin	53,850	53,850
Richard Edward Hale	53,850	321,420
Kee Teck Koon	162,000	50,171
Lim Jit Poh	–	2,370
Wong Chin Huat, David	21,370	21,370
Options to subscribe for ordinary shares exercisable between 13/06/2001 to 11/06/2010 at an exercise price of $1.78* per share		
Liew Mun Leong	1,077,000	1,077,000
Kee Teck Koon	240,171	–
Options to subscribe for ordinary shares exercisable between 19/06/2002 to 18/06/2006 at an exercise price of $1.89* per share		
Lim Chin Beng	120,000	–
Goh Hup Jin	30,000	–
Richard Edward Hale	30,000	–
Lim Jit Poh	30,000	–
Options to subscribe for ordinary shares exercisable between 19/06/2002 to 18/06/2011 at an exercise price of $1.72* per share		
Liew Mun Leong	800,000	800,000
Ong Ah Luan Cameron	50,000	–
Kee Teck Koon	200,000	–

Directors' Report

DIRECTORS' INTERESTS *(cont'd)*

	Holdings in the name of the director, spouse and/or infant children	
	At beginning of the year / Date of appointment	At end of the year
ULTIMATE HOLDING COMPANY		
CAPITALAND LIMITED *(cont'd)*		
Options to subscribe for ordinary shares exercisable between 11/05/2003 to 10/05/2007 at an exercise price of $1.19* per share		
Lim Chin Beng	90,000	–
S Chandra Das	3,750	3,750
Goh Hup Jin	15,000	15,000
Richard Edward Hale	15,000	3,750
Lim Jit Poh	15,000	3,750
Options to subscribe for ordinary shares exercisable between 11/05/2003 to 10/05/2012 at an exercise price of $1.06* per share		
Liew Mun Leong	400,000	200,000
Ong Ah Luan Cameron	25,000	–
Kee Teck Koon	50,000	–
Options to subscribe for ordinary shares exercisable between 01/03/2004 to 28/02/2008 at an exercise price of $0.87* per share		
Lim Chin Beng	158,400	–
Liew Mun Leong (exercisable between 01/03/2004 to 28/02/2013)	504,000	252,000
Ong Ah Luan Cameron (exercisable between 01/03/2004 to 28/02/2013)	50,400	25,200
Richard Edward Hale	166,320	–
Kee Teck Koon (exercisable between 01/03/2004 to 28/02/2013)	91,700	91,700
Lim Jit Poh	21,120	–
Options to subscribe for ordinary shares exercisable between 25/04/2004 to 24/04/2013 at an exercise price of $0.87* per share		
Kee Teck Koon	189,200	99,200
Options to subscribe for ordinary shares exercisable between 23/09/2004 to 22/09/2013 at an exercise price of $0.87* per share		
Olivier Lim Tse Ghow	106,000	26,500
Options to subscribe for ordinary shares exercisable between 28/02/2005 to 27/02/2009 at an exercise price of $1.20* per share		
Lim Chin Beng	130,000	–
S Chandra Das	20,000	–
Richard Edward Hale	120,000	60,000
Lim Jit Poh	20,000	10,000
Wong Chin Huat, David	20,000	20,000
Options to subscribe for ordinary shares exercisable between 28/02/2005 to 27/02/2014 at an exercise price of $1.07* per share		
Liew Mun Leong	600,000	400,000
Ong Ah Luan Cameron	125,000	62,500
Kee Teck Koon	338,000	238,000
Olivier Lim Tse Ghow	150,000	75,000

DIRECTORS' INTERESTS *(cont'd)*

	Holdings in the name of the director, spouse and/or infant children	
	At beginning of the year / Date of appointment	At end of the year
ULTIMATE HOLDING COMPANY		
CAPITALAND LIMITED *(cont'd)*		
Options to subscribe for ordinary shares exercisable between 26/02/2006 to 25/02/2010 at an exercise price of $2.31* per share		
Lim Chin Beng	80,000	40,000
Ong Ah Luan Cameron (exercisable between 26/02/2006 to 25/02/2015)	100,000	75,000
S Chandra Das	30,000	15,000
Richard Edward Hale	95,000	95,000
Kee Teck Koon (exercisable between 26/02/2006 to 25/02/2015)	450,000	340,000
Lim Jit Poh	10,000	10,000
Wong Chin Huat, David	30,000	30,000
Olivier Lim Tse Ghow (exercisable between 26/02/2006 to 25/02/2015)	200,000	150,000
Options to subscribe for ordinary shares exercisable between 26/02/2006 to 25/02/2015 at an exercise price of $2.30* per share		
Liew Mun Leong	800,000	800,000
Options to subscribe for ordinary shares exercisable between 25/02/2007 to 24/02/2011 at an exercise price of $3.80* per share		
Lim Chin Beng	–	80,000
Ong Ah Luan Cameron (exercisable between 25/02/2007 to 24/02/2016)	–	100,000
S Chandra Das	–	20,000
Richard Edward Hale	–	95,000
Kee Teck Koon (exercisable between 25/02/2007 to 24/02/2016)	–	450,000
Wong Chin Huat, David	–	50,000
Olivier Lim Tse Ghow (exercisable between 25/02/2007 to 24/02/2016)	–	250,000
Options to subscribe for ordinary shares exercisable between 25/02/2007 to 24/02/2016 at an exercise price of $3.78* per share		
Liew Mun Leong	–	800,000
Conditional award of performance shares to be delivered after 2005		
Liew Mun Leong (468,000 performance shares)	0 to 936,000#	–
Kee Teck Koon (234,000 performance shares)	0 to 468,000#	–
Conditional award of performance shares to be delivered after 2006		
Liew Mun Leong (483,350* performance shares)	0 to 936,000#	0 to 966,700#
Kee Teck Koon (241,675* performance shares)	0 to 468,000#	0 to 483,350#
Conditional award of performance shares to be delivered after 2007		
Liew Mun Leong (415,440* performance shares)	0 to 800,000#	0 to 830,880#
Kee Teck Koon (207,720* performance shares)	0 to 400,000#	0 to 415,440#
Olivier Lim Tse Ghow (103,860* performance shares)	0 to 200,000#	0 to 207,720#
Conditional award of performance shares to be delivered after 2008		
Liew Mun Leong (412,280* performance shares)	–	0 to 824,560#
Kee Teck Koon (206,140* performance shares)	–	0 to 412,280#
Olivier Lim Tse Ghow (103,070* performance shares)	–	0 to 206,140#

DIRECTORS' INTERESTS *(cont'd)*

	Holdings in the name of the director, spouse and/or infant children	
	At beginning of the year / Date of appointment	At end of the year
RELATED CORPORATIONS		
RAFFLES HOLDINGS LIMITED (DELISTED FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON 13/12/2006)		
Ordinary shares fully paid		
Liew Mun Leong	358,900	–
S Chandra Das	100,000	–
Goh Hup Jin	5,000	–
Richard Edward Hale	5,000	–
Wong Chin Huat, David	5,000	–
Options to subscribe for ordinary shares exercisable between 09/07/2004 to 08/07/2013 at an exercise price of $0.32 per share∞		
Liew Mun Leong	69,360	–
Kee Teck Koon	36,720	–
Options to subscribe for ordinary shares exercisable between 01/03/2005 to 28/02/2014 at an exercise price of $0.32 per share∞		
Liew Mun Leong	155,038	–
Ong Ah Luan Cameron	23,852	–
Kee Teck Koon	72,980	–
Olivier Lim Tse Ghow	35,600	–
Options to subscribe for ordinary shares exercisable between 19/02/2006 to 18/02/2015 at an exercise price of $0.32 per share∞		
Liew Mun Leong	165,100	–
Ong Ah Luan Cameron	38,100	–
Kee Teck Koon	38,100	–
Olivier Lim Tse Ghow	19,050	–

NOTES:

Ω Mr Lim Chin Beng's interest in the Company comprises 150,000 ordinary shares held in his own name and 800,000 ordinary shares held in the name of DBS Nominees (Private) Limited.

@ Held in the name of United Overseas Bank Nominees Pte Ltd.

+ Mr Goh Hup Jin is deemed to be interested in the 1,347,000 shares held by Wuthelam International Investment Limited ("WIIL") in the Company by virtue of his controlling interest in WIIL. The shares were transferred from First Industries Corporation to WIIL during the year.

The actual number of performance shares to be delivered will depend on the achievement of set targets over a three-year period. For achievements that are below 80% of the targets, no performance shares will be given while for achievements that exceed targets by more than 100%, more performance shares than the original award could be delivered up to a maximum of 200% of the original award.

© During the financial year, adjustments were made to the exercise prices of unexercised share options under the Ascott Share Option Plan and the outstanding conditional performance shares awarded under the Ascott Performance Share Plan following the Preferential Offering (note 35(a)) of Ascott Residence Trust ("ART") units to shareholders at a discount, which resulted in a capital reduction of $203 million. The adjustments were to compensate for the decline in values of the said share options and performance shares. For further details, please refer to note 22 of the financial statements.

^ Mr Lim Chin Beng's interest in CapitaLand Limited comprises 418,400 ordinary shares held in his own name and 120,000 ordinary shares held in the name of DBS Nominees (Private) Limited.

* On 9 May 2006, adjustments were made to the exercise prices of unexercised share options and number of performance shares under conditional award in accordance to the rules of CapitaLand Share Option Plan and CapitaLand Performance Share Plan arising from the payment of special dividend of $0.01 and $0.12 per issued ordinary share in respect of the financial year ended 31 December 2004 and 31 December 2005 respectively.

∞ On 17 October 2006, Raffles Holdings Limited ("RHL") cancelled all unvested options granted under the RHL Share Option Plan and was delisted from the Singapore Exchange Securities Trading Limited ("SGX-ST") on 13 December 2006 pursuant to Rule 1306 of the official list of the SGX-ST Listing Manual.

DIRECTORS' INTERESTS *(cont'd)*

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2007, except for Mr Ong Ah Luan Cameron who had exercised 525,000 options. Accordingly, his holdings in the ordinary shares and affected grants of options are as follows:

	Holdings in the name of the director, spouse and/or infant children
	As at 21 January 2007
THE COMPANY	
Ordinary shares fully paid	
Ong Ah Luan Cameron	1,134,410
Options to subscribe for ordinary shares exercisable between 01/03/2005 to 28/02/2014 at an exercise price of $0.284© per share	
Ong Ah Luan Cameron	250,000
Options to subscribe for ordinary shares exercisable between 05/03/2006 to 04/03/2015 at an exercise price of $0.349© per share	
Ong Ah Luan Cameron	825,000

Except as disclosed above, no director who held office at the end of the financial year had interests in shares, debentures, warrants, share options or share-based incentives of the Company, or of related corporations, either at the beginning of the financial year (or date of appointment if later) or at the end of the financial year.

Except as disclosed under the "Share Options" and "Share-Based Incentives" sections of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses, fees and benefits that are disclosed in this report and in the attached financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

SHARE OPTIONS

(a) Ascott Share Option Plan

The Ascott Share Option Plan (the "SOP") of the Company was approved and adopted by its members at an Extraordinary General Meeting ("EGM") held on 23 October 2000 and subsequently modified at an EGM held on 18 April 2002. Details of the SOP were set out in the Directors' Report for the year ended 31 December 2000.

The SOP is administered by the Executive Resource and Compensation Committee (the "ERCC") which comprises the following directors:

Lim Jit Poh	(Chairman – appointed on 15 December 2006)
Liew Mun Leong	(Chairman – up to 14 December 2006)
Richard Edward Hale	

(b) Options Granted

During the financial year, the following options were granted under the SOP:

Option Category	No. of Holders	Exercise Period	Exercise Price (per share)[1]	No. of Shares Under Option
Group executives	416	25/02/2007 – 24/02/2016	$0.680	12,007,000
(including 1 group executive director)	27	02/09/2007 – 01/09/2016	$1.022	1,169,000
Parent group executives	78	25/02/2007 – 24/02/2016	$0.680	1,090,000
Non-executive directors	7	25/02/2007 – 24/02/2011	$0.680	950,000
	528			15,216,000

Directors' Report

SHARE OPTIONS *(cont'd)*

(c) Issue of Shares Under Option

During the financial year, the Company issued a total of 19,297,550 ordinary shares each fully paid at exercise prices ranging from $0.192 to $0.493 per share for cash upon the exercise of options granted under the SOP.

(d) Unissued Shares Under Option

At the end of the financial year, unissued shares of the Company under the SOP were as follows:

Option Granted	No. of Holders	Exercise Period	Exercise Price (per share)[1]	Aggregate Options Outstanding
2000 options	166	21/12/2001 to 20/12/2010	$0.241	685,000
	2	21/12/2001 to 11/05/2007	$0.241	17,000
2001 options	266	30/06/2002 to 29/06/2011	$0.192	334,750
	1	30/06/2002 to 11/05/2007	$0.192	5,000
2002 options	269	05/05/2003 to 04/05/2012	$0.224	2,754,000
	1	05/05/2003 to 30/09/2007	$0.224	10,000
	2	05/05/2003 to 11/05/2007	$0.224	11,000
	5	05/05/2003 to 04/05/2007	$0.224	100,000
2003 options	234	10/05/2004 to 09/05/2013	$0.192	3,308,000
	3	10/05/2004 to 30/09/2007	$0.192	26,000
	2	10/05/2004 to 11/05/2007	$0.192	11,500
2004 options	225	01/03/2005 to 28/02/2014	$0.284	3,415,250
	3	01/03/2005 to 30/09/2007	$0.284	18,000
	1	01/03/2005 to 11/05/2007	$0.284	5,000
	6	01/03/2005 to 28/02/2009	$0.284	220,000
2005 options	286	05/03/2006 to 04/03/2015	$0.349	5,832,250
	6	05/03/2006 to 04/03/2010	$0.349	435,000
	3	05/03/2006 to 30/09/2007	$0.349	8,000
	3	05/03/2006 to 11/05/2007	$0.349	6,000
	34	02/09/2006 to 01/09/2015	$0.399	1,057,750
2006 options	440	25/02/2007 to 24/02/2016	$0.680	11,072,000
	7	25/02/2007 to 24/02/2011	$0.680	950,000
	27	02/09/2007 to 01/09/2016	$1.022	1,169,000
				31,450,500

NOTE:

[1] During the financial year, adjustments were made to the exercise prices of unexercised share options under the SOP following the Preferential Offering (note 35(a)) of ART units to shareholders at a discount, which resulted in a capital reduction of $203 million. The adjustments were to compensate for the decline in values of the said share options. For further details, please refer to note 22 of the financial statements.

SHARE OPTIONS *(cont'd)*

(d) Unissued Shares Under Option *(cont'd)*

The details of options granted and exercised during the year were as follows:

Participants	Options Granted [1]	Aggregate Options Granted [2]	Aggregate Options Exercised [3]	Aggregate Options Lapsed [4]	Aggregate Options Outstanding [5]
Directors of the Company					
– Lim Chin Beng	150,000	1,150,000	(950,000)	–	200,000
– Liew Mun Leong	200,000	970,000	(452,500)	–	517,500
– Ong Ah Luan Cameron	1,100,000	4,800,000	(1,975,000)	–	2,825,000
– S Chandra Das	120,000	660,000	(505,000)	–	155,000
– Goh Hup Jin	110,000	550,000	(275,000)	(70,000)	205,000
– Richard Edward Hale	160,000	960,000	(612,500)	–	347,500
– Kee Teck Koon	100,000	3,410,000	(2,000,000)	–	1,410,000
– Lim Jit Poh	190,000	830,000	(435,000)	–	395,000
– Stephen Pan Yue-Kuo	100,000	100,000	–	–	100,000
– Wong Chin Huat, David	120,000	340,000	(100,000)	–	240,000
– Olivier Lim Tse Ghow	30,000	60,000	–	–	60,000
Former directors of the Company					
– Ang Ah Lay	–	200,000	(200,000)	–	–
– David Hamilton Schaefer	–	200,000	(162,500)	–	37,500
– Graham Kenneth Davey	–	200,000	–	(200,000)	–
– Lui Chong Chee	80,000	320,000	(75,000)	–	245,000
– Eugene Paul Lai Chin Look	–	1,600,000	(200,000)	(1,400,000)	–
– Nagaaki Esaki	–	200,000	(200,000)	–	–
– Wee Kim Wee	–	200,000	(200,000)	–	–
– Makoto Shioda	–	50,000	–	(50,000)	–
Other executives					
– Group	12,076,000	77,162,000	(28,891,500)	(23,589,000)	24,681,500
– Parent Group	680,000	10,212,500	(4,596,000)	(5,585,000)	31,500
	15,216,000	104,174,500	(41,830,000)	(30,894,000)	31,450,500

[1] Options granted during the financial year under review.
[2] Aggregate options granted since commencement of the SOP to the end of the financial year under review.
[3] Aggregate options exercised since commencement of the SOP to the end of the financial year under review.
[4] Aggregate options lapsed since commencement of the SOP to the end of the financial year under review.
[5] Aggregate options outstanding as at end of the financial year under review.

Since the commencement of the SOP, no options have been granted to the controlling shareholders of the Company or their associates. No participant under the SOP has been granted 5% or more of the total options available under the SOP. No option has been granted under the SOP with subscription prices set at a discount to the market price of the shares at the time of the grant.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under option granted by the Company or its subsidiaries as at the end of the financial year.

Directors' Report

SHARE – BASED INCENTIVES

(a) Performance Share Plan

The Ascott Performance Share Plan (the "PSP") was approved and adopted by the Company's members at an EGM held on 18 April 2002. The PSP was established with the objective of motivating senior executives to strive for superior performance and sustaining long-term growth for the Group. The PSP is administered by the ERCC. Details of the PSP were set out in the Directors' Report for the year ended 31 December 2002.

During the financial year, conditional awards amounting to 3,043,800 performance shares were granted to 16 executives of the Company for the performance qualifying period of 2006 to 2008. The key executives include Mr Ong Ah Luan Cameron, an executive director of the Board, who was conditionally awarded 752,400 shares.

During the financial year, adjustments were made to the outstanding conditional performance shares awarded under the PSP following the Preferential Offering (note 35(a)) of ART units to shareholders at a discount, which resulted in a capital reduction of $203 million (the "Adjustment"). The adjustments were to compensate for the decline in values of the said performance shares. For further details, please refer to note 22 of the financial statements.

Pursuant to the Adjustment, an additional 189,180 performance shares were granted to an executive director, Mr Ong Ah Luan Cameron.

Details of performance shares of the Company awarded during the year were as follows:

Conditional Award Granted	Balance at 1/1/2006		Delivered prior to the Adjustment		Balance prior to the Adjustment		Granted due to the Adjustment		Granted after the Adjustment		Balance at 31/12/2006	
	No. of Holders	Performance shares	No. of Holders	Performance shares	No. of Holders	Performance shares	No. of Holders	Performance shares	No. of Holders	Performance shares	No. of Holders	Performance shares
2003 award	2	572,223	2	(572,223)[Φ]	–	–	–	–	–	–	–	–
2004 award	3	1,200,000	–	–	3	1,200,000	3	176,400	–	–	3	1,376,400
2005 award	9	2,310,000	–	–	9	2,310,000	9	353,430	–	–	9	2,663,430
2006 award	–	–	–	–	–	–	–	–	16	3,043,800	16	3,043,800
		4,082,223		(572,223)		3,510,000		529,830		3,043,800		7,083,630

Φ Another 134,777 performance shares were also delivered on achievement above the set targets.

(b) Restricted Share Plan

The Ascott Restricted Share Plan (the "RSP") was approved and adopted by the Company's members at an EGM held on 18 April 2002. The RSP is administered by the ERCC. Details of the RSP were set out in the Directors' Report for the year ended 31 December 2002.

No awards have been granted under the RSP since its inception.

At the end of the financial year, the aggregate number of shares available under option/conditional award under the Company's Option, Performance and Restricted Plans is within the 15% limit, based on the issued share capital of the Company on the day preceding the date of grant of option/conditional award, collectively allowed under the Plans.

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this report are:

Lim Jit Poh	(Chairman, Independent director)
S Chandra Das	(Independent director)
Wong Chin Huat, David	(Independent director)

The Audit Committee performs the functions specified by section 201B of the Companies Act, the Listing Manual and the Best Practices Guide of the Singapore Exchange Securities Trading Limited ("SGX-ST"), and the Code of Corporate Governance.

The Audit Committee held 4 meetings in 2006. The principal responsibility of the Audit Committee is to assist the Board of Directors in the assessment of the effectiveness of internal controls for identifying and monitoring areas of significant business risks. Areas of review by the Audit Committee include:

– management of financial and business risk and the reliability of management reporting;
– impact of new, revised or proposed changes to accounting policies or regulatory requirements on the financial statements;
– compliance with laws and regulations, particularly those of the Companies Act, Chapter 50, the Listing Manual and the Best Practices Guide of SGX-ST;
– the appropriateness of quarterly and full year announcements and reports;
– the effectiveness and efficiency of internal and external audits;
– the nature and extent of non-audit services and their impact on independence and objectivity of the external auditors; and
– interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

Specific functions of the Audit Committee include reviewing the scope of work of the internal and external auditors and the assistance given by the Company to the auditors and receiving and considering the reports of the internal and external auditors including their evaluation of the system of internal controls. The consolidated financial statements of the Group and the balance sheet of the Company are reviewed by the Audit Committee prior to their submission to the Board of Directors for adoption. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit fees. It has also reviewed the non-audit services provided by the external auditors and is satisfied with the independence of the external auditors. Once a year, the Audit Committee meets with the internal and external auditors, without the presence of Management to review areas of audit concern.

In addition, the Audit Committee has, in accordance with Chapter 9 of the SGX-ST Listing Manual, reviewed the requirements for approval and disclosure of interested person transactions, reviewed the internal procedures set up by the Company to identify and report and where necessary, sought approval for interested person transactions and, with the assistance of the internal auditors, reviewed interested person transactions.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

AUDITORS

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Liew Mun Leong
Director

Ong Ah Luan Cameron
Director

27 February 2007

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 104 to 168 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Liew Mun Leong
Director

Ong Ah Luan Cameron
Director

27 February 2007

Independent Auditors' Report

MEMBERS OF THE COMPANY

The Ascott Group Limited

We have audited the accompanying financial statements of The Ascott Group Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 104 to 168.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free of 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 auditors' 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 and fair presentation of the financial statements 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 the directors, 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:

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity 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 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(b) 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

KPMG
Certified Public Accountants

Singapore
27 February 2007

Balance Sheets

As at 31 December 2006

	Note	Group 2006	Group 2005	Company 2006	Company 2005
		$'000	$'000	$'000	$'000
Non-Current Assets					
Property, plant and equipment	3	**103,978**	123,554	**2**	779
Intangible assets	4	**24,084**	28,972	**–**	–
Investment properties	5	**1,230,140**	2,233,737	**–**	–
Properties under development	6	**239,005**	11,986	**–**	–
Interest in					
– subsidiaries	7	**–**	–	**258,671**	371,744
– associates	8	**208,262**	27,349	**191,094**	3,234
– jointly controlled entities	9	**59,465**	77,380	**–**	–
Other financial assets	10	**2,866**	3,288	**26**	26
Deferred tax assets	11	**21,153**	11,342	**–**	–
Other receivables		**1,569**	1,158	**–**	–
		1,890,522	2,518,766	**449,793**	375,783
Current Assets					
Properties held for sale	12	**9,230**	14,659	**–**	–
Inventories		**356**	866	**–**	–
Trade and other receivables	13	**211,490**	145,546	**74,357**	177,032
Cash and bank balances	19	**274,481**	101,177	**211**	928
		495,557	262,248	**74,568**	177,960
Total Assets		**2,386,079**	2,781,014	**524,361**	553,743
Equity Attributable to Equity Holders of the Parent					
Share capital	20	**264,367**	314,416	**264,367**	314,416
Reserves	21	**871,999**	952,656	**182,139**	185,845
		1,136,366	1,267,072	**446,506**	500,261
Minority interests		**59,225**	125,972	**–**	–
Total Equity		**1,195,591**	1,393,044	**446,506**	500,261
Non-Current Liabilities					
Financial liabilities	23	**493,630**	778,975	**–**	–
Amounts due to minority shareholders of subsidiaries		**3,905**	4,114	**–**	–
Deferred income	24	**7,811**	8,079	**–**	–
Deferred tax liabilities	11	**22,149**	20,752	**883**	883
		527,495	811,920	**883**	883
Current Liabilities					
Trade and other payables	25	**205,891**	214,685	**73,491**	48,154
Financial liabilities	23	**381,202**	348,921	**–**	–
Current tax payable		**75,900**	12,444	**3,481**	4,445
		662,993	576,050	**76,972**	52,599
Total Liabilities		**1,190,488**	1,387,970	**77,855**	53,482
Total Equity and Liabilities		**2,386,079**	2,781,014	**524,361**	553,743

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

Consolidated Income Statement

Year Ended 31 December 2006

	Note	Group 2006	Group 2005
		$'000	$'000
Revenue	27	**405,866**	444,061
Cost of sales		**(287,651)**	(306,726)
Gross profit		**118,215**	137,335
Other operating income	28(a)	**5,294**	3,539
Administrative expenses	28(b)	**(43,124)**	(28,764)
Other operating expenses	28(c)	**(1,901)**	(341)
Profit from operations	28(e)	**78,484**	111,769
Share of results of associates and jointly controlled entities	28(f)	**1,309**	(9,657)
Comprising:			
Share of operating results		**1,347**	(3,368)
Share of non-operating results		**2,098**	(4,766)
Share of tax		**(2,136)**	(1,523)
Non-operating income (net)	28(g)	**164,775**	8,114
Exchange gains (net)		**499**	1,119
Interest income	29(a)	**12,337**	10,180
Finance costs	29(b)	**(39,723)**	(54,029)
Profit before tax		**217,681**	67,496
Income tax expense	30	**(64,260)**	(17,450)
Net profit for the year		**153,421**	50,046
Attributable to:			
Equity holders of the parent		**151,273**	41,915
Minority interests		**2,148**	8,131
Net profit for the year		**153,421**	50,046
Earnings per share			
Basic earnings per share (cents)	31	**9.53**	2.68
Diluted earnings per share (cents)	31	**9.32**	2.64

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

Statements of Changes in Equity

Year Ended 31 December 2006

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Share Capital				
At 1 January	**314,416**	310,988	**314,416**	310,988
Issue of shares under share option scheme	**5,905**	3,385	**5,905**	3,385
Issue of performance shares	**109**	43	**109**	43
Transfer from share premium account upon implementation of the Companies (Amendment) Act 2005	**51,798**	–	**51,798**	–
Capitalisation of capital reduction reserve (note 21(d))	**95,136**	–	**95,136**	–
Capital distribution to shareholders (note 35)	**(202,997)**	–	**(202,997)**	–
At 31 December	**264,367**	314,416	**264,367**	314,416
Share Premium				
At 1 January	**294,278**	291,812	**51,798**	49,332
Issue of shares under share option scheme	**–**	2,466	**–**	2,466
Transfer to other capital reserve (note 21(a))	**(242,480)**	–	**–**	–
Transfer to share capital upon implementation of the Companies (Amendment) Act 2005	**(51,798)**	–	**(51,798)**	–
At 31 December	**–**	294,278	**–**	51,798
Revaluation Reserve				
At 1 January	**80,867**	74,231	**–**	–
Transfer to income statement on disposal of investment properties and subsidiaries	**(68,091)**	(538)	**–**	–
Net surplus on revaluation of investment properties	**8,661**	7,298	**–**	–
Revaluation deficits transferred to income statement	**14,674**	–	**–**	–
Share of net surplus/(deficit) on revaluation of investment properties of				
– associates	**11,170**	–	**–**	–
– jointly controlled entities	**3,055**	(299)	**–**	–
Translation adjustment	**(4,214)**	175	**–**	–
Net (expense)/income recognised directly in equity	**(34,745)**	6,636	**–**	–
At 31 December	**46,122**	80,867	**–**	–
Statutory Reserve				
At 1 January	**603**	504	**–**	–
Translation adjustment	**(49)**	10	**–**	–
Transfer to income statement on disposal of subsidiaries	**(77)**	–	**–**	–
Net (expense)/income recognised directly in equity	**(126)**	10	**–**	–
Transfer from accumulated profits	**–**	89	**–**	–
At 31 December	**477**	603	**–**	–
Capital Reduction Reserve				
At 1 January	**95,136**	95,136	**95,136**	95,136
Capitalised as share capital (note 21(d))	**(95,136)**	–	**(95,136)**	–
At 31 December	**–**	95,136	**–**	95,136
Merger Reserve				
At 1 January and 31 December	**396,000**	396,000	**–**	–
Equity Compensation Reserve				
At 1 January	**2,754**	1,192	**2,754**	1,192
Issue of performance shares	**(109)**	–	**(109)**	–
Share option expense	**1,573**	857	**1,573**	857
Performance share expense	**2,039**	705	**2,039**	705
At 31 December	**6,257**	2,754	**6,257**	2,754

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

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Other Capital Reserve				
At 1 January	**5,474**	5,474	**–**	–
Translation adjustment	**(65)**	–	**–**	–
Share of reserves of associates	**(1,677)**	–	**–**	–
Net expense recognised directly in equity	**(1,742)**	–	**–**	–
Transfer from share premium account (note 21(a))	**242,480**	–	**–**	–
At 31 December	**246,212**	5,474	**–**	–
Hedging Reserve				
At 1 January	**(3,805)**	(13,797)	**–**	–
Hedging movement during the year	**5,644**	9,992	**–**	–
Transfer to income statement on disposal of subsidiaries	**(1,999)**	–	**–**	–
Net income/(expense) recognised directly in equity	**3,645**	9,992	**–**	–
At 31 December	**(160)**	(3,805)	**–**	–
Accumulated Profits				
At 1 January	**79,943**	68,154	**36,157**	60,159
Expenses in relation to capital distribution	**(4,943)**	–	**(4,943)**	–
Net profit for the year	**151,273**	41,915	**175,126**	6,035
Dividends paid	**(30,458)**	(30,037)	**(30,458)**	(30,037)
Transfer to statutory reserve	**–**	(89)	**–**	–
At 31 December	**195,815**	79,943	**175,882**	36,157
Foreign Currency Translation Reserve				
At 1 January	**1,406**	(7,063)	**–**	–
Exchange differences on translation of opening net assets of				
– foreign subsidiaries	**(5,304)**	2,530	**–**	–
– foreign associates	**(683)**	301	**–**	–
– foreign jointly controlled entities	**80**	(210)	**–**	–
Transfer to income statement on disposal of subsidiaries and jointly controlled entities	**(14,303)**	17	**–**	–
Exchange differences on translation of foreign currency loans which form part of the Group's net investment in foreign subsidiaries, associates and jointly controlled entities	**80**	5,831	**–**	–
Net income/(expense) recognised directly in equity	**(20,130)**	8,469	**–**	–
At 31 December	**(18,724)**	1,406	**–**	–
Minority Interest				
At 1 January	**125,972**	115,695	**–**	–
Net deficit on revaluation of investment properties	**(1,234)**	(1,573)	**–**	–
Translation adjustment	**(688)**	1,226	**–**	–
Transfer to income statement on disposal of subsidiaries	**(52,520)**	–	**–**	–
Net income/(expense) recognised directly in equity	**(54,442)**	(347)	**–**	–
Net profit for the year	**2,148**	8,131	**–**	–
Total recognised income and expense for the year	**(52,294)**	7,784	**–**	–
Incorporation of a subsidiary	**1,238**	–	**–**	–
Acquired through business combination (note 34)	**–**	12,942	**–**	–
Dividends paid	**(15,691)**	(10,449)	**–**	–
At 31 December	**59,225**	125,972	**–**	–
Total attributable to equity holders of the parent	**1,136,366**	1,267,072	**446,506**	500,261
Minority interest	**59,225**	125,972	**–**	–
Total equity	**1,195,591**	1,393,044	**446,506**	500,261

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

Consolidated Cash Flow Statement

Year Ended 31 December 2006

	Note	Group 2006 $'000	Group 2005 $'000
Operating Activities			
Net profit for the year		**153,421**	50,046
Adjustments for:			
Accretion of deferred income		**(2,513)**	(2,766)
Depreciation and amortisation		**21,736**	15,700
Dividend income		**(3,894)**	–
(Gains)/losses on disposal of			
– property, plant and equipment		**1,677**	9
– properties held for sale		**(50)**	(1,434)
Non-operating income (net)		**(164,775)**	(8,114)
Interest expense		**38,879**	53,106
Interest income		**(12,337)**	(10,180)
Share of results of associates and jointly controlled entities		**(1,309)**	9,657
Share option and performance share expense		**3,612**	929
Income tax expense	30	**64,260**	17,450
Operating profit before working capital changes		**98,707**	124,403
Changes in working capital:			
Properties held for sale		**50**	4,560
Trade and other receivables		**(55,487)**	7,834
Trade and other payables		**64,203**	(14,020)
Cash generated from operations		**107,473**	122,777
Income taxes paid		**(5,946)**	(15,147)
Proceeds from sale of golf memberships		**2,390**	2,459
Cash flows from operating activities		**103,917**	110,089
Investing Activities			
Interest received		**12,277**	9,950
Acquisition of property, plant and equipment		**(30,417)**	(24,862)
Acquisition of subsidiaries, net of cash acquired	34	**836**	(76,969)
Proceeds from disposal of			
– property, plant and equipment		**590**	13
– investment properties		**361,191**	2,902
Investments in associates and jointly controlled entities		**(16,178)**	(27,096)
Capital reduction in a jointly controlled entity and long term investment		**–**	1,130
Dividends from associates and jointly controlled entities		**3,073**	3,716
Dividends from other investments		**3,894**	–
Deposits paid for new investments		**(48,862)**	–
Acquisition of investment properties and properties under development		**(351,411)**	(12,395)
Proceeds from repayment of loans previously assigned on disposal of a subsidiary		**3,383**	3,730
Proceeds from disposal of subsidiaries, net of cash disposed of	35	**255,695**	–
Other investing cash flows		**1,127**	(308)
Cash flows from investing activities		**195,198**	(120,189)

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

	Note	Group 2006 $'000	Group 2005 $'000
Financing Activities			
Proceeds from shares issued under share option scheme		**5,905**	5,892
Finance costs paid		**(47,138)**	(51,150)
Dividends paid		**(30,458)**	(30,037)
Dividends paid to minority shareholders		**(15,691)**	(10,449)
Capital contribution from minority shareholders		**1,238**	–
Proceeds from bank borrowings		**478,462**	564,927
Repayment of bank borrowings		**(506,333)**	(470,796)
Repayment of finance lease liability		**(3,419)**	(3,447)
Fixed deposits pledged as securities		**–**	17,709
Other financing cash flows		**–**	(4,064)
Cash flows from financing activities		**(117,434)**	18,585
Net increase in cash and cash equivalents		**181,681**	8,485
Cash and cash equivalents at beginning of year		**94,917**	86,832
Effect of exchange rate changes on balances held in foreign currencies		**(2,117)**	(400)
Cash and cash equivalents at end of year		**274,481**	94,917
Comprising:			
Cash and bank balances	19	**274,481**	101,177
Bank overdraft	23	**–**	(6,260)
		274,481	94,917

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

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 27 February 2007.

1 DOMICILE AND ACTIVITIES

The Ascott Group Limited (the "Company") is incorporated in the Republic of Singapore and has its registered office at 8 Shenton Way, #13-01 Temasek Tower, Singapore 068811.

The principal activities of the Group and the Company during the financial year are those relating to investment holding and the management of serviced residences and commercial properties.

The immediate and ultimate holding company during the financial year was CapitaLand Limited, a company incorporated in Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

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 basis except for investment properties which are stated at valuation and certain financial assets and financial liabilities which are measured at fair value. Non-current assets and disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell.

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

– Note 4 – assumptions of recoverable amounts relating to goodwill impairment
– Note 5 – valuations of investment properties
– Note 22 – measurement of share-based payments
– Note 36 – valuation of financial instruments

The Group adopted a new accounting policy relating to intra-group financial guarantees as described in note 2.8. The adoption of this new accounting policy did not give rise to any significant financial impact. Except for this change, the accounting policies set out below have been applied consistently by the Group and have been applied consistently to all periods presented in these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Consolidation

Business Combinations

With effect from 1 January 2004, all business combinations are accounted for by applying the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. For acquisition of subsidiaries prior to 1 January 2004 which previously met the criteria for merger of businesses, assets and liabilities and results were accounted for under the pooling of interests method. The classification and accounting treatment of these business combinations have not been reconsidered or restated in preparing the Group's financial statements.

The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill, which is accounted for as described in note 2.5.

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

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates and Jointly Controlled Entities

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic and operating decisions.

Associates and jointly controlled entities (collectively referred to as "equity accounted investees") are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of associates and jointly controlled entities, after adjustments to align the accounting policies with those of the Group where it is material and necessary, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an associate or a jointly controlled entity, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate or jointly controlled entity.

Transactions Eliminated on Consolidation

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

Accounting for Subsidiaries, Associates and Jointly Controlled Entities by the Company

Investments in subsidiaries, associates and jointly controlled entities are stated in the Company's balance sheet at cost less accumulated impairment losses. The accounting policies for subsidiaries (and material associates and jointly controlled entities) are adjusted to be consistent with the policies adopted by the Group, only where it is material and necessary.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.3 Foreign Currencies

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was 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 and financial liabilities designated as hedges of the net investment in a foreign operation (see note 2.8).

Foreign Subsidiaries, Associates and Jointly Controlled Entities ("Foreign Operations")

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation 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 exchange differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the income statement.

Net Investment in a Foreign Operation

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

Year End Exchange Rates

The following rates of exchange have been adopted by the Group in translating foreign currency balances outstanding at 31 December:

Singapore dollars to 1 unit of foreign currency:

		2006	**2005**
Australian dollar	–	1.189	1.289
Chinese renminbi	–	0.201	0.209
Euro	–	2.018	2.035
Malaysian ringgit	–	0.430	0.449
New Zealand dollar	–	1.042	1.170
Philippine peso	–	0.032	0.030
Sterling pound	–	2.983	2.985
Thai baht	–	0.042	0.041
US dollar	–	1.587	1.692

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.4 Property, Plant and Equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, including the cost of dismantling and removing the items and restoring the site on which the assets are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When 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.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day maintenance of property, plant and equipment are recognised in the income statement as incurred.

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

The estimated useful lives are as follows:

Leasehold land	–	Period of land lease – 32 years
Buildings on leasehold land	–	Period of land lease – 32 years
Plant and machinery	–	10 years
Motor vehicles	–	5 years
Furniture, fittings and equipment	–	3 to 7 years

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

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Property, plant and equipment acquired through finance leases are capitalised at the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

2.5 Intangible Assets

Goodwill

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 as described in note 2.10.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.5 Intangible Assets *(cont'd)*

Acquisitions of Minority Interest

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

Other Intangible Assets

Other intangible assets, principally franchises, patents and licences, that are acquired by the Group and which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses. These assets are amortised in the income statement on a straight-line basis over their estimated useful lives of 1 to 5 years, from the date on which they are available for use.

2.6 Investment Properties

Investment properties, which are not held with the intention of sale in the ordinary course of business, are stated at valuation on an open market basis. Valuation is made by the directors on an annual basis based either on internal valuation or independent professional valuation. An independent professional valuation is obtained at least once every 3 years.

The net surplus or deficit on revaluation is taken to revaluation reserve except when the total of the reserve is not sufficient to cover a deficit on an aggregate basis within the same geographical segment, in which case the amount by which the deficit exceeds the amount in the revaluation reserve is charged to the income statement. Where a deficit has been previously charged to the income statement for that geographical segment, subsequent surpluses are credited to the income statement to the extent of the aggregate deficits previously charged. Surplus on revaluation is released to the income statement upon the sale of investment properties.

Investment properties acquired through finance leases are capitalised at the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Depreciation on these properties is recognised in the income statement on a straight-line basis over the estimated useful lives of the major components of these properties, which ranged from 15 to 50 years.

2.7 Properties Under Development

Properties under development, representing properties held on a long-term basis for their investment potential but which are undergoing development or awaiting redevelopment, are stated at cost less accumulated impairment losses. The cost of properties under development comprise specifically identified costs (including acquisition costs), development expenditure, and other related expenditure. Borrowing costs payable on loans funding a property under development are also capitalised, on a specific identification basis, as part of the cost of property until the completion of the development. Allowance is made for anticipated valuation deficiencies on completion, where applicable. The Group's share of the allowance for anticipated deficiencies is set off against the revaluation reserve unless the total revaluation surplus is insufficient to cover the deficiency, in which case, the amount by which the deficiency exceeds the amount in the revaluation reserve is charged to the income statement.

Upon completion of the development, the portion of the property which is held for investment will be classified as investment property and stated at fair value (note 2.6) whilst the portion of the property which is intended to be held for sale will be classified as property held for sale and stated at the lower of cost and net realisable value (note 2.11).

2.8 Financial Instruments

Non-derivative Financial Instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.8 Financial Instruments *(cont'd)*

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

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

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

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

Investments at fair value through profit or loss

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

Others

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

Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are used to manage exposure to foreign exchange and interest risks arising from operational, financial and investing activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged as described below.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit-worthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.8 Financial Instruments *(cont'd)*

Cash flow hedges

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

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

Fair value hedges

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

Hedge of net investment in a foreign operation

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

Economic hedges

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

Separable embedded derivatives

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

Impairment of Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.8 Financial Instruments *(cont'd)*

Impairment of Financial Assets *(cont'd)*

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Intra-Group Financial Guarantees

Financial guarantees are classified as financial liabilities.

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

Share Capital

Ordinary shares are classified as equity.

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

Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is presented as a deduction from equity. Where such shares are subsequently reissued, sold or cancelled, the consideration received is recognised as a change in equity. No gain or loss is recognised in the income statement.

2.9 Leases

When Entities within the Group are Lessees of a Finance Lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment and investment properties acquired through finance leases are capitalised at the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to those assets.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

When Entities within the Group are Lessees of an Operating Lease

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

When Entities within the Group are Lessors of an Operating Lease

Assets leased out under operating leases are included in investment properties and are stated at revalued amounts and not depreciated. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.10 Impairment – Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than investment properties, properties held for sale, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

Goodwill, intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a revaluation surplus previously credited to equity, in which case it is charged to equity.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

2.11 Properties Held for Sale

Properties held for sale are properties which are intended for sale in the ordinary course of business. They include properties purchased and development properties.

Properties purchased are stated at the lower of cost and their estimated net realisable value.

Development properties are stated at the lower of cost plus, where appropriate, a portion of the 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 development properties comprise specifically identified costs, including acquisition costs, development expenditure 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.

2.12 Dividend

Dividend on ordinary shares is recognised as a liability in the period in which it is declared.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.13 Employee Benefits

Defined Contribution Plans

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

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 provision 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.

Long Service Leave

Liabilities for other employee entitlements, which are not expected to be paid or settled within twelve months of the balance sheet date, are accrued in respect of all employees at present values of future amounts expected to be paid based on a projected weighted average increase in wage and salary rates. Expected future payments are discounted using interest rates on relevant government securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Ascott Share Option Plan

The share option programme allows the Group employees to acquire shares of the Company.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity compensation reserve. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

Ascott Performance Share Plan and Restricted Share Plan

An initial estimate is made for the cost of compensation under the Company's share plans based on the number of shares expected to be awarded at the end of the performance period, valued at market price at the date of the grant of the award. The cost is charged to the income statement on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance criteria relate.

At each reporting date, the compensation cost is remeasured based on the latest estimate of the number of shares that will be awarded based on non-market vesting conditions. Any increase or decrease in compensation cost over the previous estimate is recorded in that reporting period.

The final measure of compensation cost is based on the number of shares ultimately awarded at the date the performance criteria are met.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.14 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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.

2.15 Revenue Recognition

Rental Income

Rental income from investment properties and operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Contingent rentals are recognised as income in the accounting period in which they are earned.

Management and Services Fee

Management and services fee is recognised in the income statement upon completion of service rendered.

Interest Income

Interest income is recognised on a time-apportioned accrual basis.

Dividend Income

Dividend income is recognised when the shareholders' right to receive payment is established.

2.16 Finance Costs

Interest expense and similar charges are recognised in the income statement using the effective interest rate method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

2.17 Income Tax Expense

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

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

3 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Land $'000	Buildings on Leasehold Land $'000	Plant and Machinery $'000	Motor Vehicles $'000	Furniture, Fittings and Equipment $'000	Assets Under Construction $'000	Total $'000
Cost							
At 1 January 2005	22,123	29,826	45,007	2,385	169,050	1,572	269,963
Additions	–	1,003	3,345	232	19,425	857	24,862
Disposals/write-offs	–	(474)	(109)	(290)	(4,812)	–	(5,685)
Assets acquired through business combinations (note 34)	–	–	–	588	14,233	–	14,821
Translation adjustment	1,982	2,106	(602)	33	577	2	4,098
At 31 December 2005	24,105	32,461	47,641	2,948	198,473	2,431	308,059
At 1 January 2006	**24,105**	**32,461**	**47,641**	**2,948**	**198,473**	**2,431**	**308,059**
Additions	**191**	**373**	**1,167**	**196**	**19,020**	**9,470**	**30,417**
Disposals/write-offs	**–**	**(200)**	**(10,092)**	**(1,702)**	**(74,222)**	**(590)**	**(86,806)**
Assets acquired through business combinations (note 34)	**–**	**–**	**330**	**3**	**710**	**–**	**1,043**
Translation adjustment	**(2,913)**	**(3,077)**	**87**	**(120)**	**(5,884)**	**(178)**	**(12,085)**
At 31 December 2006	**21,383**	**29,557**	**39,133**	**1,325**	**138,097**	**11,133**	**240,628**
Accumulated Depreciation and Impairment Losses							
At 1 January 2005	–	14,829	28,458	2,238	119,974	–	165,499
Depreciation charge for the year	–	956	4,086	170	8,731	–	13,943
Disposals/write-offs	–	(474)	(105)	(227)	(4,855)	–	(5,661)
Assets acquired through business combinations (note 34)	–	–	–	480	10,667	–	11,147
Translation adjustment	–	477	(416)	22	(506)	–	(423)
At 31 December 2005	–	15,788	32,023	2,683	134,011	–	184,505
At 1 January 2006	**–**	**15,788**	**32,023**	**2,683**	**134,011**	**–**	**184,505**
Depreciation charge for the year	**–**	**1,567**	**3,675**	**113**	**13,261**	**–**	**18,616**
Disposals/write-offs	**–**	**–**	**(2,979)**	**(1,437)**	**(58,545)**	**–**	**(62,961)**
Assets acquired through business combinations (note 34)	**–**	**–**	**251**	**2**	**444**	**–**	**697**
Translation adjustment	**–**	**(609)**	**(186)**	**(98)**	**(3,314)**	**–**	**(4,207)**
At 31 December 2006	**–**	**16,746**	**32,784**	**1,263**	**85,857**	**–**	**136,650**
Carrying Amount							
At 1 January 2005	22,123	14,997	16,549	147	49,076	1,572	104,464
At 31 December 2005	24,105	16,673	15,618	265	64,462	2,431	123,554
At 1 January 2006	**24,105**	**16,673**	**15,618**	**265**	**64,462**	**2,431**	**123,554**
At 31 December 2006	**21,383**	**12,811**	**6,349**	**62**	**52,240**	**11,133**	**103,978**

Notes to the Financial Statements

3 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Company	Motor Vehicles $'000	Furniture, Fittings and Equipment $'000	Total $'000
Cost			
At 1 January 2005	108	5,131	5,239
Additions	–	153	153
Disposals	(100)	(3)	(103)
At 31 December 2005	8	5,281	5,289
At 1 January 2006	**8**	**5,281**	**5,289**
Additions	**–**	**283**	**283**
Disposals	**(8)**	**(5,475)**	**(5,483)**
At 31 December 2006	**–**	**89**	**89**
Accumulated Depreciation			
At 1 January 2005	87	4,028	4,115
Depreciation charge for the year	1	477	478
Disposals	(80)	(3)	(83)
At 31 December 2005	8	4,502	4,510
At 1 January 2006	**8**	**4,502**	**4,510**
Depreciation charge for the year	**–**	**3**	**3**
Disposals	**(8)**	**(4,418)**	**(4,426)**
At 31 December 2006	**–**	**87**	**87**
Carrying Amount			
At 1 January 2005	21	1,103	1,124
At 31 December 2005	–	779	779
At 1 January 2006	**–**	**779**	**779**
At 31 December 2006	**–**	**2**	**2**

4 INTANGIBLE ASSETS

Group	Goodwill on Consolidation $'000	Franchises, Patents and Licences $'000	Total $'000
Cost			
At 1 January 2005	33,830	4,785	38,615
Translation adjustment	(213)	(452)	(665)
At 31 December 2005	33,617	4,333	37,950
At 1 January 2006	**33,617**	**4,333**	**37,950**
Additions during the year	**–**	**406**	**406**
Written off during the year	**–**	**(1,007)**	**(1,007)**
Translation adjustment	**(1,487)**	**(37)**	**(1,524)**
At 31 December 2006	**32,130**	**3,695**	**35,825**
Accumulated Amortisation and Impairment Losses			
At 1 January 2005	4,398	4,379	8,777
Amortisation	–	37	37
Impairment loss for the year	377	–	377
Translation adjustment	232	(445)	(213)
At 31 December 2005	5,007	3,971	8,978
At 1 January 2006	**5,007**	**3,971**	**8,978**
Amortisation	**–**	**346**	**346**
Impairment loss for the year	**4,408**	**–**	**4,408**
Written off during the year	**–**	**(1,007)**	**(1,007)**
Translation adjustment	**(951)**	**(33)**	**(984)**
At 31 December 2006	**8,464**	**3,277**	**11,741**
Carrying Amount			
At 1 January 2005	29,432	406	29,838
At 31 December 2005	28,610	362	28,972
At 1 January 2006	**28,610**	**362**	**28,972**
At 31 December 2006	**23,666**	**418**	**24,084**

4 INTANGIBLE ASSETS *(cont'd)*

Impairment Testing for Goodwill

The Group's goodwill on consolidation has been allocated to the respective cash-generating units ("CGU") for the purpose of annual impairment test as described below:

(a) Management Companies in Europe

The recoverable amount of the management companies in Europe is determined using cash flow projections covering the remaining terms of those management contracts, which ranged from 2 to 5 years (2005: 2 to 6 years).

The cash flow projections represent the management fee income less related costs which the Group will earn and are based on past experience and expectations for these management companies in general.

Cash flows are projected using the estimated growth rate of 4% (2005: 4%) per annum. The growth rate used is based on historical growth and past experience and does not exceed the currently estimated long-term average growth rate for the business in which the CGU operates. A pre-tax discount rate of 7% (2005: 7%) has been applied to the cash flow projections.

At 31 December 2006, the carrying value of goodwill on consolidation is approximately $23.7 million (2005: $23.9 million). The Group believes that any reasonably possible changes in the above key assumptions applied are not likely to materially cause the recoverable amount to be lower than its carrying amount.

(b) Serviced Residences in Australia

The recoverable amount of the serviced residences in Australia is determined using cash flow projections covering the remaining lease terms of those leased properties, which ranged from 5 to 20 years (2005: 6 to 23 years).

The cash flow projections represent the rental income less related costs which the Group will earn and are based on past experience and expectations for these serviced residences in general.

Cash flows are projected over the remaining lease terms, which are beyond 5 years.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates, which ranged from 2% to 3% (2005: 2% to 3%) per annum. The growth rate used is based on historical growth and past experience and does not exceed the currently estimated long-term average growth rate for the business in which the serviced residence operates. A pre-tax discount rate of 12% (2005: 12%) has been applied to the cash flow projections.

Based on the above assessment, an impairment loss of $4.4 million (2005: $0.4 million) was recognised in the current financial year. At 31 December 2006, the carrying value of goodwill on consolidation is nil (2005: $4.7 million).

5 INVESTMENT PROPERTIES

	Group	
	2006	2005
	$'000	$'000
Valuation		
At 1 January	**2,172,155**	1,812,354
Additions during the year	**127,672**	12,395
Revaluation surplus/(deficit) recognised in		
– revaluation reserve	**7,427**	(2,706)
– income statement	**1,450**	1,075
Assets acquired through business combinations (note 34)	**–**	368,444
Disposals during the year	**(1,104,638)**	(2,852)
Translation adjustment	**(32,200)**	(16,555)
At 31 December	**1,171,866**	2,172,155
Cost		
At 1 January	**61,582**	64,913
Depreciation charge for the year	**(2,774)**	(1,720)
Translation adjustment	**(534)**	(1,611)
At 31 December	**58,274**	61,582
Carrying amount at 31 December	**1,230,140**	2,233,737

Investment properties comprise serviced residences and commercial properties that are leased under operating leases to third parties. The investment properties of the Group, with lease periods in excess of 20 years, were revalued by the directors based on independent valuations. Independent valuations were carried out by the following valuers to assess the open market values based on their existing use and subject to the existing leases and management agreements and include the value of relevant furniture, fittings and equipment of the investment properties. At 31 December 2006, the investment properties are stated at their valuations after deducting the net carrying value of the relevant furniture, fittings and equipment.

Professional Valuer	Valuation Date
CB Richard Ellis	31 October 2006
DTZ Debenham Tie Leung	31 October 2006
Jones Lang LaSalle	31 October 2006
VPC Alliance (JB) Sdn Bhd	31 October 2006
Icade Expertise	31 October 2006

The value of investment properties of the Group under finance lease at 31 December 2006 is $58,274,000 (2005: $61,582,000).

6 PROPERTIES UNDER DEVELOPMENT

	Group	
	2006	2005
	$'000	$'000
At cost		
Freehold land and building under development and awaiting redevelopment	**240,055**	20,210
Development expenditure	**9,745**	1,872
	249,800	22,082
Translation adjustment	**(842)**	260
	248,958	22,342
Allowance for anticipated valuation deficiencies on completion	**(9,953)**	(10,356)
	239,005	11,986
Finance costs capitalised during the year	**3,773**	–

The finance costs have been capitalised at rates of between 4.06% and 4.23% (2005: nil) per annum for properties under development.

7 INTEREST IN SUBSIDIARIES

	Company	
	2006	2005
	$'000	$'000
Unquoted ordinary shares, at cost	**255,903**	311,727
Allowance for impairment losses	**(2,347)**	(106)
	253,556	311,621
Amounts due from subsidiaries (note 15)	**5,115**	60,123
	258,671	371,744

Details of the significant subsidiaries, defined as subsidiaries which contribute individually 5% or more of the Group's net tangible assets or its pre-tax profits, are set out in note 40, together with details of their auditors.

8 INTEREST IN ASSOCIATES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Interest in associates	**196,637**	13,719	**191,080**	10,440
Allowance for impairment losses	**–**	–	**(2,889)**	(10,157)
	196,637	13,719	**188,191**	283
Amounts due from associates (note 16)	**11,625**	13,630	**2,903**	2,951
	208,262	27,349	**191,094**	3,234

Details of the significant associates, defined as associates which contribute individually 5% or more of the Group's net tangible assets or its pre-tax profits, are set out in note 41, together with details of their auditors.

8 INTEREST IN ASSOCIATES *(cont'd)*

The results, assets and liabilities of the Group's associates, which are not adjusted for the percentage of ownership held by the Group, are as follows:

	Group	
	2006	2005
	$'000	$'000
Assets and Liabilities		
Non-current assets	**1,112,496**	151,677
Current assets	**65,663**	14,192
Current liabilities	**(145,308)**	(91,340)
Non-current liabilities	**(394,800)**	(79,315)
Net assets/(liabilities)	**638,051**	(4,786)
Results		
Revenue	**108,823**	39,797
Expenses	**(73,289)**	(33,461)
Profit before tax	**35,534**	6,336
Income tax expense	**(9,471)**	(2,917)
Profit after tax	**26,063**	3,419

The Group's share of the capital commitments of the associates at 31 December 2006 were $28,655,000 (2005: $1,531,000).

9 INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group	
	2006	2005
	$'000	$'000
Net cost of investment in jointly controlled entities	**26,716**	7,418
Share of post acquisition reserves	**(59,092)**	(56,475)
Amounts due from jointly controlled entities (note 17)	**91,841**	126,437
	59,465	77,380

Details of the significant jointly controlled entities, defined as jointly controlled entities which contribute individually 5% or more of the Group's net tangible assets or its pre-tax profits, are set out in note 42, together with details of their auditors.

9 INTEREST IN JOINTLY CONTROLLED ENTITIES *(cont'd)*

The Group's share of the jointly controlled entities' share of results, assets and liabilities are as follows:

	Group	
	2006	2005
	$'000	$'000
Assets and Liabilities		
Non-current assets	**195,716**	237,033
Current assets	**30,536**	28,391
Current liabilities	**(118,777)**	(169,532)
Non-current liabilities	**(48,010)**	(18,512)
Net assets	**59,465**	77,380
Results		
Revenue	**10,535**	20,695
Expenses	**(15,475)**	(28,451)
Operating loss before tax	**(4,940)**	(7,756)
Divestment loss	**(202)**	(685)
Revaluation deficit	**–**	(4,081)
Loss before tax	**(5,142)**	(12,522)
Income tax credit	**–**	36
Loss after tax	**(5,142)**	(12,486)

The Group's share of the capital commitments of the jointly controlled entities at 31 December 2006 were nil (2005: $37,000).

10 OTHER FINANCIAL ASSETS

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Non-Current Equity Securities Available-For-Sale:				
Unquoted ordinary shares, at cost	**9,869**	10,308	**26**	26
Allowance for impairment losses	**(7,003)**	(7,020)	**–**	–
	2,866	3,288	**26**	26

11 DEFERRED TAX

Movements in deferred tax assets and liabilities of the Group during the year are as follows:

Group	At 1/1/05 $'000	Recognised in Income Statement (note 30) $'000	Revaluation Reserve $'000	Translation Adjustment $'000	At 31/12/05 $'000	Recognised in Income Statement (note 30) $'000	Disposal of Subsidiaries $'000	Translation Adjustment $'000	At 31/12/06 $'000
Deferred Tax Assets									
Claw-back of tax allowances on investment properties	434	–	–	–	434	–	–	–	434
Fair value adjustments arising from business combinations	–	4,666	–	(78)	4,588	(236)	–	(76)	4,276
Provisions not currently deductible	54	12	–	2	68	41	(60)	–	49
Revaluation deficits on investment properties	1,670	(1,304)	–	9	375	–	(384)	9	–
Unutilised tax losses	11,250	(5,289)	–	(84)	5,877	10,354	(31)	194	16,394
Deferred tax assets	13,408	(1,915)	–	(151)	11,342	10,159	(475)	127	21,153
Deferred Tax Liabilities									
Accelerated tax depreciation	8,119	995	–	(41)	9,073	1,763	–	157	10,993
Accrued income and interest income receivable	1,972	288	–	–	2,260	–	(156)	–	2,104
Claw-back of tax allowances on investment properties	1,239	–	–	(5)	1,234	–	–	–	1,234
Fair value adjustments arising from business combinations	–	3,214	–	(26)	3,188	(138)	–	(65)	2,985
Revaluation surplus on investment properties	8,599	(165)	(3,445)	8	4,997	(156)	–	(8)	4,833
Deferred tax liabilities	19,929	4,332	(3,445)	(64)	20,752	1,469	(156)	84	22,149
Total recognised in income statement		(6,247)				8,690			

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 tax authority.

At 31 December, deferred tax liabilities of the Company are attributable to the following:

	Company 2006 $'000	Company 2005 $'000
Accelerated tax depreciation	**42**	42
Accrued income and interest income receivable	**841**	841
	883	883

At 31 December, deferred tax assets have not been recognised in respect of the following:

	Group 2006 $'000	Group 2005 $'000
Deductible temporary differences	**2,910**	2,771
Tax losses	**48,498**	50,227
Unutilised capital allowances	**353**	368
	51,761	53,366

11 DEFERRED TAX *(cont'd)*

The above tax losses and unutilised capital allowances are available for carry forward and set off against future taxable income subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which these losses and allowances arose. The deductible temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of the above items in accordance with the Group's accounting policy as set out in note 2.17.

12 PROPERTIES HELD FOR SALE

	Group	
	2006	2005
	$'000	$'000
Completed properties, at cost	**9,230**	20,254
Impairment losses	**–**	(5,595)
	9,230	14,659

13 TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2006	2005	2006	2005
		$'000	$'000	$'000	$'000
Trade receivables	14	**42,382**	43,794	**71**	48
Amounts due from					
– immediate holding company		**7**	1	**7**	1
– subsidiaries	15	**–**	–	**62,432**	172,804
– associates	16	**21,339**	18,360	**9,627**	105
– jointly controlled entities	17	**31,385**	27,507	**19**	3,038
Deposits, prepayments and other receivables	18	**116,377**	55,884	**2,201**	1,036
		211,490	145,546	**74,357**	177,032

The amounts due from the immediate holding company are unsecured, interest-free and repayable upon demand.

14 TRADE RECEIVABLES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Trade receivables	**44,784**	46,292	**71**	48
Allowance for doubtful receivables	**(2,402)**	(2,498)	**–**	–
	42,382	43,794	**71**	48

At 31 December, trade receivables were denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Currency				
Euro	**12,129**	14,666	**–**	–
Chinese renminbi	**9,693**	5,172	**–**	–
Australian dollar	**4,323**	4,751	**–**	–
Sterling pound	**2,775**	4,388	**–**	–
US dollar	**138**	2,269	**–**	–
Others	**4,105**	2,243	**–**	–
Total in foreign currencies	**33,163**	33,489	**–**	–
Singapore dollar	**9,219**	10,305	**71**	48
	42,382	43,794	**71**	48

15 AMOUNTS DUE FROM/TO SUBSIDIARIES

	Company 2006 $'000	Company 2005 $'000
Amounts Due From (net)		
Loans and advances (unsecured)	**45,909**	196,699
Current accounts		
– trade	**18,851**	56,303
– non-trade	**15,394**	21,998
	80,154	275,000
Allowance for doubtful receivables	**(12,607)**	(42,073)
	67,547	232,927
Receivable		
– within one year (note 13)	**62,432**	172,804
– after one year (note 7)	**5,115**	60,123
	67,547	232,927

	Company 2006 $'000	Company 2005 $'000
Amounts Due To (net) (note 25)		
Loans and advances (unsecured)	**45,226**	29,329
Current accounts (mainly non-trade)	**18,374**	12,371
	63,600	41,700

The amounts due from/to subsidiaries are unsecured, interest-free and repayable upon demand except for the following:

– loans receivable of $5,115,000 (2005: $60,123,000) which are extended as quasi-equity loans and have no fixed terms of repayment;

– loans receivable of $62,432,000 (2005: $173,372,000) which bore interest at effective rates of 3.50% to 4.77% (2005: 2.09% to 7.13%) per annum. Interest rates reprice at intervals of three months; and

– loans payable of nil (2005: $50,455,000) which bore interest at effective rates of 4.89% to 6.96% (2005: 0.96% to 7.18%) per annum. Interest rates reprice at intervals of three months. The loans were fully repaid in the current financial year.

The amounts due from/to subsidiaries are presented on a net basis when there is a legally enforceable right to settle on a net basis, or realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

16 AMOUNTS DUE FROM/TO ASSOCIATES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Amounts Due From				
Loans and advances (unsecured)	**41,088**	43,552	**5,719**	2,951
Current accounts				
– trade	**7,930**	3,021	**–**	–
– non-trade	**24,097**	16,371	**6,811**	105
	73,115	62,944	**12,530**	3,056
Allowance for doubtful receivables	**(40,151)**	(30,954)	**–**	–
	32,964	31,990	**12,530**	3,056
Receivable				
– within one year (note 13)	**21,339**	18,360	**9,627**	105
– after one year (note 8)	**11,625**	13,630	**2,903**	2,951
	32,964	31,990	**12,530**	3,056
Amounts Due To (note 25)				
Loans	**1,076**	1,364	**–**	–
Current account (mainly non-trade)	**14,392**	5,155	**3,930**	5
	15,468	6,519	**3,930**	5

The amounts due from/to associates, which are receivable/payable within one year, are unsecured, interest-free and repayable on demand.

The amounts due from associates, which are receivable after one year, are unsecured and interest-free and are extended as quasi-equity loans with no fixed terms of repayments. Included in these amounts is an amount of approximately $2.9 million (2005: $3.0 million) relating to balances which are subordinated to the prior repayment of amounts due by an associate to its banks.

17 AMOUNTS DUE FROM/TO JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Amounts Due From				
Loans and advances (unsecured)	**92,665**	130,225	**–**	2,985
Current accounts				
– trade	**30,226**	20,555	**–**	–
– non-trade	**335**	3,164	**19**	53
	123,226	153,944	**19**	3,038
Receivable				
– within one year (note 13)	**31,385**	27,507	**19**	3,038
– after one year (note 9)	**91,841**	126,437	**–**	–
	123,226	153,944	**19**	3,038
Amounts Due To (note 25)				
Current accounts				
– mainly non-trade	**21**	31,462	**18**	67

17 AMOUNTS DUE FROM/TO JOINTLY CONTROLLED ENTITIES *(cont'd)*

The amounts due from/to jointly controlled entities, which are receivable/payable within one year, are unsecured, interest-free and repayable on demand.

The amounts due from jointly controlled entities of $91,841,000 (2005: $126,437,000), which are receivable after one year, bore interest at effective rates ranging from 5.25% to 7.75% (2005: 5.25% to 7.50%) per annum. The amounts are unsecured and extended as quasi-equity loans with no fixed terms of repayment. Interest rates reprice at intervals of three months.

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Deposits	**53,965**	2,525	**255**	212
Prepayments	**10,735**	9,183	**68**	98
Recoverable expenses	**5,093**	8,702	**1,693**	398
Club memberships	**207**	467	**–**	–
Loans to minority shareholders	**1,068**	1,328	**–**	–
	71,068	22,205	**2,016**	708
Other receivables	**63,235**	51,112	**185**	328
Allowance for other receivables	**(17,926)**	(17,433)	**–**	–
	45,309	33,679	**185**	328
	116,377	55,884	**2,201**	1,036

At 31 December 2006, deposits include the Group's initial investments in subsidiaries, associates and jointly controlled entities which have not yet been completed.

The loans to minority shareholders are unsecured, interest-free and repayable on demand.

In 2005, other receivables of the Group included deferred sales consideration and loan receivable of $3.6 million relating to the disposal of a subsidiary. This amount was fully received in the current financial year.

19 CASH AND BANK BALANCES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Cash at bank and in hand	**135,322**	93,828	**211**	928
Fixed deposits	**139,159**	7,349	**–**	–
	274,481	101,177	**211**	928

The effective interest rates relating to fixed deposits of the Group ranged from 1.80% to 8.40% (2005: 1.00% to 8.04%) per annum. Interest rates reprice at intervals of 1 to 180 (2005: 1 to 180) days.

20 SHARE CAPITAL

	Company			
	No. of Shares			
	2006	2005	2006	2005
	'000	'000	$'000	$'000
Issued and fully paid:				
At 1 January	**1,572,082**	1,554,938	**314,416**	310,988
Issue of performance shares (note 22)	**707**	219	**109**	43
Shares issued under share option plan (note 22)	**19,297**	16,925	**5,905**	3,385
Transfer from share premium account upon implementation of the Companies (Amendment) Act 2005	**–**	–	**51,798**	–
Capitalisation of capital reduction reserve	**–**	–	**95,136**	–
Capital distribution to shareholders (note 35)	**–**	–	**(202,997)**	–
At 31 December	**1,592,086**	1,572,082	**264,367**	314,416

On 30 January 2006 whereby the Companies (Amendment) Act 2005 became effective:
(a) the concept of authorised share capital was abolished;

(b) shares of the Company ceased to have par value; and

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

On 3 May 2006, upon the obtaining of the sanction of the Singapore High Court, the Company carried out a capital reduction exercise to reduce its shareholders' equity by $203 million being the value deemed returned to shareholders of the Company in the form of the discount to the net asset value of Ascott Residence Trust ("ART") units sold pursuant to the Preferential Offering (note 35(a)).

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

At the end of the financial year, unissued ordinary shares of the Company granted/conditionally awarded to eligible employees and executives of the Group under equity-related compensation plans of the Company are as follows:

	No. of Unissued Shares	
	2006	2005
Ascott Share Option Plan	**31,450,500**	40,348,300
Ascott Performance Share Plan	**7,083,630**	4,082,223
	38,534,130	44,430,523

21 RESERVES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Share premium	**–**	294,278	**–**	51,798
Revaluation reserve	**46,122**	80,867	**–**	–
Statutory reserve	**477**	603	**–**	–
Capital reduction reserve	**–**	95,136	**–**	95,136
Merger reserve	**396,000**	396,000	**–**	–
Equity compensation reserve	**6,257**	2,754	**6,257**	2,754
Other capital reserve	**246,212**	5,474	**–**	–
Hedging reserve	**(160)**	(3,805)	**–**	–
Accumulated profits	**195,815**	79,943	**175,882**	36,157
Foreign currency translation reserve	**(18,724)**	1,406	**–**	–
	871,999	952,656	**182,139**	185,845

Movements in reserves for the Group and the Company are set out in the statements of changes in equity.

(a) Share Premium

The application of the share premium account was previously governed by Section 69 of the Companies Act, Chapter 50. On the date of commencement of the Companies (Amendment) Act 2005 on 30 January 2006, the amount standing to the credit of the Company's share premium account was transferred to the Company's share capital. The share premium of subsidiaries previously acquired and accounted for under the pooling of interest method was transferred to other capital reserve.

(b) Revaluation Reserve

The revaluation reserve comprises the net cumulative increase in the fair value of investment properties of the Group.

(c) Statutory Reserve

The statutory reserve is in respect of certain foreign subsidiaries and has been set aside in accordance with the legislation in those foreign countries.

(d) Capital Reduction Reserve

The capital reduction reserve arose on the reduction in 1999 of the par value of the Company's ordinary shares from $1.00 to $0.20 per share. During the financial year, this reserve was capitalised as share capital as a result of the Company's capital reduction exercise pursuant to the Preferential Offering (note 35(a)).

(e) Merger Reserve

The merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of subsidiaries accounted for under the pooling of interest method.

(f) Equity Compensation Reserve

The equity compensation reserve comprises the cumulative value of employee services received for the issue of share options and performance shares.

21 RESERVES *(cont'd)*

(g) Other Capital Reserve

Other capital reserve comprises the share premium of subsidiaries previously acquired and accounted for under the pooling of interest method and net proceeds on the issuance of warrants.

(h) Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

(i) Foreign Currency Translation Reserve

The foreign currency translation reserve comprises:

– foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company;

– the gains or losses on instruments used to hedge the Group's net investment in foreign operations that are determined to be effective hedges; and

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

22 EQUITY COMPENSATION

Share Option Plan

The Ascott Share Option Plan (the "SOP") was approved and adopted by its members at an Extraordinary General Meeting ("EGM") held on 23 October 2000 and as subsequently modified at an EGM held on 18 April 2002. The SOP is administered by the Executive Resource and Compensation Committee (the "ERCC") which comprises the following directors:

Lim Jit Poh (Chairman – appointed on 15 December 2006)
Liew Mun Leong (Chairman – up to 14 December 2006)
Richard Edward Hale

Other information regarding the SOP is set out below:

(a) The exercise price of the options is set either at:

– a price equal to the volume-weighted average price on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days immediately preceding the grant of the option ("Market Price"), or such higher price as may be determined by the ERCC in its absolute discretion; or

– a discount not exceeding 20% of the Market Price in respect of that option.

(b) The options vest between 1 to 4 years from the date of grant.

(c) The options granted expire after 5 or 10 years from the date of grant.

Fair value of share options and assumptions

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 Hull-White Enhanced Trinomial Model. The fair value of share options and assumptions are set out below:

22 EQUITY COMPENSATION *(cont'd)*

Share Option Plan *(cont'd)*

Average fair value of share options and assumptions

Year of grant of options	9 May 2003	28 Feb 2004	4 Mar 2005	1 Sep 2005	24 Feb 2006	1 Sep 2006
Average fair value at measurement date	$0.089	$0.117	$0.113	$0.129	$0.238	$0.300
Share price and exercise price at date of grant	$0.321#	$0.418#	$0.493#	$0.555#	$0.905#	$1.022
Expected volatility	39.78%	37.80%	27.33%	25.84%	30.79%	32.33%
Risk free interest rate						
– Group & Parent Group executives	2.18%	3.54%	3.33%	2.94%	3.45%	3.38%
– Non-executive directors	1.41%	2.29%	2.71%	N/A*	3.25%	N/A*
Expected dividend yield	3.10%	2.92%	2.54%	2.34%	1.81%	1.33%
Post-vesting forfeiture rate						
– Group & Parent Group executives	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
– Non-executive directors	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Exercise multiple	1.4	1.4	1.4	1.4	1.4	1.4

* N/A – Not applicable as no options were issued to Non-executive directors on these dates.

The exercise price at date of grant as disclosed is prior to the Adjustment.

The share price and exercise price at date of grant are based on volume-weighted average share price for 3 consecutive trading days prior to the grant date. The expected volatility is based on the historic volatility and calculated based on 36 months closing share prices prior to the date of grant. The 10 or 5 years risk free interest rates are based on the 10 or 5 years zero-coupon Singapore Government bond yields on grant date for options with a 10 or 5 years contractual terms respectively. Expected dividend yield is based on dividend payout over the 1 year volume-weighted average share price prior to the grant date. Post-vesting forfeiture rates are based on historical option forfeiture and employee turnover rates representing resignation after vesting period. Exercise multiple represents the ratio of share price to exercise price for expected exercises of option and is estimated based on historical employee exercise behaviour.

The Adjustment

During the financial year, adjustments were made to the exercise prices of unexercised share options under the SOP following the Preferential Offering (note 35(a)) of ART units to shareholders at a discount, which resulted in a capital reduction of $203 million (the "Adjustment").

In accordance with the SOP, if a variation in the issued ordinary share capital takes place, the ERCC may determine whether an adjustment to the terms of the share options granted shall be made. Any adjustment under this rule should be made in a way such that a share option holder will not receive a benefit that a shareholder does not receive.

On 2 March 2006 (the "Adjustment Date"), adjustments to the terms of the unexercised share options were made in a manner such that the share option holders will maintain the parity of the fair value of options before and after the Adjustment based on the Equivalent Economic Value concept. The fair value of options was calculated using the Hull-White Enhanced Trinomial Model and the valuation assumptions for the following inputs were:

– pre-adjustment share price of $0.962 was calculated based on the volume-weighted average share price for 3 consecutive trading days prior to the Adjustment Date;

– post-adjustment share price of $0.834 was calculated based on the volume-weighted average share price for 3 consecutive trading days prior to the Adjustment Date less the financial equivalent of the discount on the Preferential Offering of $0.128;

– expected volatility of the share price pre-Adjustment and post-Adjustment measured at 31.48%, based on 36 months of closing share price prior to the Adjustment Date;

22 EQUITY COMPENSATION *(cont'd)*

Share Option Plan *(cont'd)*

The Adjustment *(cont'd)*

– risk-free interest rate ranging from 2.7367% to 3.5319%, based on the zero-coupon Singapore Government bond yield on Adjustment Date;

– remaining option life ranging from 0.3 years to 10 years;

– exercise multiple of 1.4, which is the ratio of share price to exercise price for expected exercises of option based on historical employee exercise behaviour;

– dividend yield of 1.75% based on dividend payout over 1-year volume-weighted average share price prior to the Adjustment Date; and

– post-vesting forfeiture of 5% for Group and Parent Group executives and 0% for Non-executive directors based on historical option forfeiture rates.

The adjusted exercise prices are as follows:

Date of Grant	Exercise Price ($) per share	
	Before Adjustment	After Adjustment
20/12/2000	0.370	0.241
29/06/2001	0.320	0.192
04/05/2002	0.353	0.224
09/05/2003	0.321	0.192
28/02/2004	0.418	0.284
04/03/2005	0.493	0.349
01/09/2005	0.555	0.399
24/02/2006	0.905	0.680

No incremental fair value of options was recognised as a result of the Adjustment.

Performance Share Plan

The Ascott Performance Share Plan (the "PSP") was approved and adopted by the Company's members at an EGM held on 18 April 2002. The PSP is administered by the ERCC.

Other information regarding the PSP is set out below:

(a) The awards of performance shares are given conditional on performance targets set based on medium-term corporate objectives.

(b) The final number of shares given will depend on the level of achievement of the targets over a three-year performance period and will only be released at the end of each performance period.

22 EQUITY COMPENSATION *(cont'd)*

Performance Share Plan *(cont'd)*

Fair value of conditional awards and assumptions

The fair value of conditional awards granted is determined using the Monte Carlo simulation method at the measurement date which project future share price assuming log normal distribution based on Geometric Brownian Motion Theory. The fair value and assumptions are set out below:

Average fair value of conditional awards and assumptions

Year of awards	2003	2004	2005	2006
Average fair value at measurement date	$0.442	$0.512	$2.390	$4.750
Expected volatility based on 36 months closing share price prior to grant date	39.78%	28.91% to 37.91%	30.15%	32.65%
MSCI Asia Pacific ex Japan Industrial Index annualised volatility based on 36 months prior to grant date	19.57%	17.57% to 19.61%	13.77%	14.27%
Share price at grant date	$0.310	$0.405 to $0.435	$0.675	$1.190
Risk free interest rate equal to the implied yield on zero-coupon Singapore Government bond yield with a term equal to the length of performance period	0.97% to 1.01%	1.67% to 1.89%	2.39%	2.97%
Expected dividend yield over 12 months volume-weighted share price prior to grant date	3.10%	2.84% to 2.86%	2.31%	1.20%
Correlation of return between MSCI Asia Pacific ex Japan Industrial Index and the Company's share price measured over 36 months prior to grant date	66.20%	61.00%	60.00% to 40.00%	30.30%
Cost of equity	N/A*	N/A*	8.30%	7.00%

* N/A – Not applicable as cost of equity was used as part of the performance criterion of wealth added only from financial year 2005 onwards.

The Adjustment

During the financial year, adjustments were made to the outstanding conditional performance shares awarded under the PSP following the Preferential Offering (note 35(a)) of ART units to shareholders at a discount, which resulted in a capital reduction of $203 million (the "Adjustment").

In accordance with the PSP, if a variation in the issued ordinary share capital takes place, the ERCC may determine whether an adjustment to the terms of the conditional performance shares awarded shall be made. Any adjustment under this rule should be made in a way such that a conditional award holder will not receive a benefit that a shareholder does not receive.

22 EQUITY COMPENSATION *(cont'd)*

Performance Share Plan *(cont'd)*

The Adjustment *(cont'd)*

On 2 March 2006 (the "Adjustment Date"), adjustments to the outstanding number of conditional awards were made in a manner such that the conditional award holders will maintain the parity of the fair value of conditional awards before and after the Adjustment based on the Equivalent Economic Value concept. The fair value of conditional awards was calculated using the prospective Monte Carlo simulation to project future key performance indicator estimates (the "Monte Carlo methodology") and the valuation assumptions for the following inputs were:

– pre-adjustment share price of $0.962 was calculated based on the volume-weighted average share price for 3 consecutive trading days prior to the Adjustment Date;

– post-adjustment share price of $0.834 was calculated based on the volume-weighted average share price for 3 consecutive trading days prior to the Adjustment Date less the financial equivalent of the discount on the Preferential Offering of $0.128;

– expected volatility of the share price pre-Adjustment and post-Adjustment measured at 31.48%, based on 36 months of closing share price prior to the Adjustment Date;

– risk-free interest rate ranging from 2.83% to 3.00%, based on the zero-coupon Singapore Government bond yield on the Adjustment Date;

– correlation of returns between the Company and MSCI Asia Pacific ex Japan Industrial Index of 28.28%, based on 36 months of trading data prior to the Adjustment Date;

– dividend yield of 1.75% based on dividend payout over 1-year volume-weighted average share price prior to the Adjustment Date; and

– cost of Equity as applied in relation to the financial year 2005 performance criterion of Wealth Added of 7.0% based on the capital asset pricing model.

The adjusted numbers of conditional awards are as follows:

Grant Year	Number of Outstanding Conditional Awards before Adjustment	Number of Outstanding Conditional Awards after Adjustment
2004	1,200,000	1,376,400
2005	2,310,000	2,663,430

No incremental fair value of conditional awards was recognised as a result of the Adjustment.

Restricted Share Plan

The Ascott Restricted Share Plan (the "RSP") was approved and adopted by the Company's members at an EGM held on 18 April 2002. The RSP is administered by the ERCC.

Other information regarding the RSP is set out below:

(a) Restricted share awards vest only after the satisfactory completion of time-based service conditions.

(b) Performance-related restricted share awards vest only after the satisfactory completion of a period of service beyond the performance target completion date.

No awards have been granted under the RSP since its inception.

22 EQUITY COMPENSATION *(cont'd)*

Details of the options granted under the SOP and conditional awards given under the PSP for unissued ordinary shares of the Company during the financial year were as follows:

				Prior to the Adjustment					After the Adjustment							
Date of Grant of Options/ Conditional Awards	Exercise Price prior to Adjustment*	Exercise Price after Adjustment	Options / Conditional Awards Out-standing 1/1/2006	Options/ Conditional Awards Granted	Options Exercised / Conditional Awards Delivered	Options / Conditional Awards Cancelled /Lapsed	Options / Conditional Awards Out-standing	Options / Conditional Awards Granted due to the Adjustment	Options / Conditional Awards Granted	Options Exercised/ Conditional Awards Delivered	Options / Conditional Awards Cancelled/ Lapsed	Options / Conditional Awards Out-standing 31/12/2006	Options Vested 1/1/2006	Options Vested 31/12/2006	Proceeds on Excercise of Options during the year – Credited to Share Capital	Exercise/ Performance Qualifying Period
Share Options																
2000	$0.370	$0.241	4,875,000	–	(3,241,000)	–	1,634,000	–	–	(864,000)	(68,000)	702,000	4,875,000	702,000	1,407,394	21/12/2001 to 20/12/2010
2001	$0.320	$0.192	4,516,250	–	(2,630,250)	(21,000)	1,865,000	–	–	(1,237,250)	(288,000)	339,750	4,516,250	339,750	1,079,232	30/06/2002 to 29/06/2011
2002	$0.353	$0.224	7,519,550	–	(2,452,800)	(54,000)	5,012,750	–	–	(1,884,750)	(253,000)	2,875,000	5,639,662	2,875,000	1,288,022	05/05/2003 to 04/05/2012
2003	$0.321	$0.192	7,920,750	–	(2,183,750)	(100,000)	5,637,000	–	–	(1,727,375)	(564,125)	3,345,500	3,960,375	2,509,125	1,032,640	10/05/2004 to 09/05/2013
2004	$0.418	$0.284	5,870,750	–	(890,750)	(36,500)	4,943,500	–	–	(797,250)	(488,000)	3,658,250	1,467,688	1,829,125	598,753	01/03/2005 to 28/02/2014
2005	$0.493	$0.349	8,437,000	–	(99,980)	(72,000)	8,265,020	–	–	(1,282,645)	(701,125)	6,281,250	–	1,570,313	496,933	05/03/2006 to 04/03/2015
2005	$0.555	$0.399	1,209,000	–	–	–	1,209,000	–	–	(5,750)	(145,500)	1,057,750	–	264,438	2,294	02/09/2006 to 01/09/2015
2006	$0.905	$0.680	–	14,047,000	–	–	14,047,000	–	–	–	(2,025,000)	12,022,000	–	–	–	25/02/2007 to 24/02/2016
2006	–	$1.022	–	–	–	–	–	–	1,169,000	–	–	1,169,000	–	–	–	02/09/2007 to 01/09/2016
			40,348,300	14,047,000	(11,498,530)	(283,500)	42,613,270	–	1,169,000	(7,799,020)	(4,532,750)	31,450,500	20,458,975	10,089,751	5,905,268	
Performance Shares																
2003			572,223	–	(572,223)#	–	–	–	–	–	–	–	–	–	108,878	2003 to 2005
2004*			1,200,000	–	–	–	1,200,000	176,400	–	–	–	1,376,400	–	–	–	2004 to 2006
2005*			2,310,000	–	–	–	2,310,000	353,430	–	–	–	2,663,430	–	–	–	2005 to 2007
2006			–	–	–	–	–	–	3,043,800	–	–	3,043,800	–	–	–	2006 to 2008
			4,082,223	–	(572,223)	–	3,510,000	529,830	3,043,800	–	–	7,083,630	–	–	108,878	

22 EQUITY COMPENSATION *(cont'd)*

During the financial year, a total of 19,297,550 ordinary shares were issued at prices ranging from $0.192 to $0.493 per share, as indicated above, for cash upon the exercise of share options. The proceeds of $5,905,268 were credited to share capital. The market price of the shares at the date of issue pursuant to the exercise of share options ranged from $0.740 to $1.610 per share. There were also 707,000 ordinary shares issued and delivered to employees as performance shares, inclusive of 134,777 ordinary shares delivered on achievement above the set targets.

* During the financial year, adjustments were made to the exercise prices of unexercised share options under the Ascott Share Option Plan and the outstanding conditional performance shares awarded under the Ascott Performance Share Plan following the Preferential Offering (note 35(a)) of ART units to shareholders at a discount, which resulted in a capital reduction of $203 million. The adjustments were to compensate for the decline in values of the said share options and performance shares.

\# Another 134,777 performance shares were also delivered on achievement above the set targets.

23 FINANCIAL LIABILITIES

	Group	
	2006	2005
	$'000	$'000
Non-Current Liabilities		
Secured bank loans	**421,647**	730,292
Unsecured bank loans	**27,298**	–
Finance lease liabilities	**44,685**	48,683
	493,630	778,975
Current Liabilities		
Secured bank overdrafts	**–**	6,260
Secured bank loans	**16,005**	77,710
Unsecured bank loans	**359,980**	253,263
Finance lease liabilities	**3,594**	3,447
Derivative liabilities	**1,623**	8,241
	381,202	348,921
	874,832	1,127,896
Total loans and borrowings	**873,209**	1,119,655
Total derivatives	**1,623**	8,241
Total financial liabilities	**874,832**	1,127,896

Maturity of loans and borrowings (excluding finance lease liabilities)

	Group	
	2006	2005
	$'000	$'000
Repayable:		
Within 1 year	**375,985**	337,233
After 1 year but within 5 years	**111,015**	448,740
More than 5 years	**337,930**	281,552
	824,930	1,067,525

At the date of the report, repayment of approximately $332.8 million of the loans due within 1 year is in the process of being extended by the banks. The remaining loans would be extended on a short-term basis for better capital management.

23 FINANCIAL LIABILITIES *(cont'd)*

Secured Bank Overdrafts

The secured bank overdrafts amounting to $6.3 million in 2005 were in respect of subsidiaries that were divested by the Group in the current year. The bank overdrafts, which were principally denominated in US dollars and Viet Dong, were repayable upon demand, bore interest at rates ranging from 6.19% to 6.38% per annum and were separately secured by pledge of shares of the subsidiaries.

Secured Bank Loans

The secured loans amounting to $437.7 million (2005: $808.0 million), principally denominated in US dollars, Sterling pound and Euro, bore interest at rates ranging from 4.46% to 7.08% (2005: 3.35% to 7.41%) per annum and are repayable between 30 December 2007 and 30 September 2015 (2005: 3 January 2006 and 31 January 2012). These loans are separately secured by the following collaterals:

– mortgage of subsidiaries' investment properties with an aggregate carrying value at 31 December 2006 of $873.5 million (2005: $1,363.5 million) and the assignment of the rights, title and interest with respect to the properties; and/or

– pledge of shares of subsidiaries; and/or

– corporate guarantees issued by holding companies.

Unsecured Bank Loans

The unsecured loans amounting to $387.3 million (2005: $253.3 million), principally denominated in Singapore dollars and Euro (2005: US dollars and Euro), bore interest at rates ranging from 4.07% to 6.86% (2005: 3.72% to 5.88%) per annum and are repayable between 20 January 2007 and 1 December 2011 (2005: 3 January 2006 and 30 November 2006).

Finance Lease Liabilities

At 31 December, the Group had obligations under finance leases that are payable as follows:

	Principal	Interest	Payments
	$'000	$'000	$'000
2006			
Repayable within 1 year	**3,594**	**2,162**	**5,756**
Repayable after 1 year but within 5 years	**15,783**	**6,720**	**22,503**
Repayable after 5 years	**28,902**	**4,481**	**33,383**
	48,279	**13,363**	**61,642**
2005			
Repayable within 1 year	3,447	1,798	5,245
Repayable after 1 year but within 5 years	15,598	5,719	21,317
Repayable after 5 years	33,085	4,435	37,520
	52,130	11,952	64,082

23 FINANCIAL LIABILITIES *(cont'd)*

Effective Interest Rates and Repricing Analysis

Group	Effective interest rate %	Floating and fixed interest rate maturing: Within 1 year $'000	Between 2 to 5 years $'000	Total $'000
2006				
Secured bank loans				
– floating rate	**4.46 to 7.08**	**401,321**	**–**	**401,321**
– fixed rate	**5.46 to 6.59**	**–**	**36,331**	**36,331**
Unsecured bank loans				
– floating rate	**4.07 to 6.87**	**387,278**	**–**	**387,278**
Effect of interest rate swaps				
– floating rate	**(0.22) to 0.09**	**(199,818)**	**199,818**	**–**
Finance lease liabilities				
– floating rate	**4.52**	**46,738**	**–**	**46,738**
– fixed rate	**7.88**	**–**	**1,541**	**1,541**
		635,519	**237,690**	**873,209**
2005				
Secured bank overdrafts				
– floating rate	6.19 to 6.38	6,260	–	6,260
Secured bank loans				
– floating rate	3.35 to 7.00	742,932	–	742,932
– fixed rate	5.46 to 7.41	–	65,070	65,070
Unsecured bank loans				
– floating rate	3.72 to 5.88	253,263	–	253,263
Effect of interest rate swaps				
– floating rate	(0.85) to 1.32	(335,015)	335,015	–
Finance lease liabilities				
– floating rate	3.38	50,248	–	50,248
– fixed rate	7.88	–	1,882	1,882
		717,688	401,967	1,119,655

Fair values

The carrying amounts of the fixed rate loans and finance lease liabilities approximate their fair values.

24 DEFERRED INCOME

	Group 2006 $'000	Group 2005 $'000
Entrance fees in relation to club memberships	**7,811**	7,155
Income from assignment of management contracts	**–**	924
	7,811	8,079

(a) Fifty percent of fees received from entrance fees from club memberships have been set aside to match any possible excess operating costs over operating revenue in the remaining membership period.

(b) Income from the assignment of property management contracts to a related company is deferred to match against the management fee payable by subsidiaries of the Group over the term of the management contract.

25 TRADE AND OTHER PAYABLES

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Trade payables		**48,432**	22,883	**308**	45
Rental deposits and advance rental		**7,094**	20,823	**891**	–
Amounts due to					
– ultimate holding company		**1,171**	586	**1,151**	562
– subsidiaries	15	**–**	–	**63,600**	41,700
– associates	16	**15,468**	6,519	**3,930**	5
– jointly controlled entities	17	**21**	31,462	**18**	67
– related companies (trade)		**636**	1,070	**100**	41
Accruals and other payables	26	**133,069**	131,342	**3,493**	5,734
		205,891	214,685	**73,491**	48,154

The amounts due to the ultimate holding company and related companies are unsecured, interest-free and repayable upon demand.

At 31 December, trade payables were denominated in the following currencies:

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Currency				
Euro	**22,270**	19,208	**–**	–
Chinese renminbi	**19,134**	765	**–**	–
Australian dollar	**734**	1,090	**–**	–
Sterling pound	**2,340**	450	**–**	–
Others	**2,132**	834	**–**	–
Total in foreign currencies	**46,610**	22,347	**–**	–
Singapore dollar	**1,822**	536	**308**	45
	48,432	22,883	**308**	45

26 ACCRUALS AND OTHER PAYABLES

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Accrued development costs	**3,960**	4,270	**–**	–
Accrued operating expenses	**70,912**	59,033	**3,082**	4,367
Amounts due to minority shareholders of subsidiaries	**971**	3,438	**–**	–
Other payables	**57,226**	64,601	**411**	1,367
	133,069	131,342	**3,493**	5,734

The amounts due to minority shareholders of subsidiaries are in respect of advances which are unsecured, interest-free and repayable upon demand.

Notes to the Financial Statements

27 REVENUE

	Group 2006 $'000	Group 2005 $'000
Rental and related income	**372,034**	414,116
Sale of properties	**–**	3,849
Sale of golf memberships	**2,457**	2,766
Management and service fees	**31,375**	23,330
Total revenue	**405,866**	444,061

Transactions within the Group have been excluded in arriving at revenue of the Group.

28 NET PROFIT FOR THE YEAR

(a) Other Operating Income

	Group 2006 $'000	Group 2005 $'000
Dividend income from other investments	**3,894**	–
Miscellaneous income	**1,400**	3,539
	5,294	3,539

(b) Administrative Expenses

Administrative expenses comprise principally depreciation of property, plant and equipment and investment properties, personnel and related costs for support staff and office rental and maintenance.

(c) Other Operating Expenses

Other operating expenses comprise principally losses on disposal of property, plant and equipment and general operating expenses.

(d) Staff Costs

	Group 2006 $'000	Group 2005 $'000
Wages, salaries and bonuses	**93,696**	79,930
Contributions to defined contribution plans	**19,144**	19,627
Unconsumed annual leave	**53**	129
Share option expense	**1,573**	857
Performance share expense	**2,039**	72
Other staff related costs	**6,896**	7,014
	123,401	107,629

28 NET PROFIT FOR THE YEAR *(cont'd)*

(e) Profit from Operations

The following items have been included in arriving at profit from operations:

	Note	Group 2006 $'000	Group 2005 $'000
Auditors' remuneration			
– Audit fees			
– Auditors of the Company			
– current year		**415**	410
– prior years		**(22)**	5
– Other auditors			
– current year		**1,345**	1,377
– prior year		**(33)**	(46)
– Non audit fees			
– Auditors of the Company			
– current year		**37**	108
– prior years		**3**	18
– Other auditors			
– current year		**471**	336
– prior years		**31**	5
Accretion of deferred income		**(2,513)**	(2,766)
Depreciation/amortisation of			
– Property, plant and equipment	3	**18,616**	13,943
– Intangible assets	4	**346**	37
– Investment properties	5	**2,774**	1,720
Directors' fees		**580**	460
Allowance for/(reversal of) doubtful trade receivables		**498**	(277)
Losses/(gains) on disposal of			
– Property, plant and equipment		**1,677**	9
– Properties held for sale		**(50)**	(1,434)
Operating lease rental		**64,769**	65,729

28 NET PROFIT FOR THE YEAR *(cont'd)*

(f) Share of Results of Associates and Jointly Controlled Entities

	Group 2006	Group 2005
	$'000	$'000
Share of results of		
– associates	**6,451**	2,829
– jointly controlled entities	**(5,142)**	(12,486)
	1,309	(9,657)
Comprising:		
Share of operating results		
– associates	**6,287**	4,388
– jointly controlled entities	**(4,940)**	(7,756)
	1,347	(3,368)
Share of tax		
– associates	**(2,136)**	(1,559)
– jointly controlled entities	**–**	36
	(2,136)	(1,523)
Share of non-operating results		
– associates	**2,300**	–
– jointly controlled entities	**(202)**	(4,766)
	2,098	(4,766)
	1,309	(9,657)

(g) Non-Operating Income (net)

	Note	Group 2006	Group 2005
		$'000	$'000
Allowance for doubtful receivables			
– associates		**(10,755)**	(86)
– other receivables		**(1,236)**	–
Impairment (losses)/write-back			
– properties held for sale	12	**–**	(5,595)
– goodwill	4	**(4,408)**	(377)
– non-current equity securities		**114**	917
Negative goodwill on business combination	34	**–**	821
Profit on disposal of subsidiaries and properties		**195,781**	219
Profit on disposal of operating leases		**1,118**	–
Dilution loss in ART	35(a)	**(1,650)**	–
Revaluation surplus	5	**1,450**	1,075
Revaluation deficits transferred from revaluation reserve		**(14,674)**	–
Reversal of provision for obligation no longer required		**–**	11,140
Others		**(965)**	–
		164,775	8,114

28 NET PROFIT FOR THE YEAR *(cont'd)*

(g) Non-Operating Income (net) *(cont'd)*

The profit on disposal of subsidiaries and properties in the current financial year arose principally from the divestment of ART (note 35(a)), and the sale of Liang Court Shopping Centre ("LCSC") and The Ascott Mayfair. The amount was net of $11.6 million (2005: nil) being provision for incentives related to portfolio gains. This provision has also been included in staff costs (note 28(d)).

The revaluation deficits of $14,674,000 in the current financial year relate mainly to properties in Singapore. In accordance with the Group's accounting policy as set out in note 2.6, the deficits were previously set-off against the revaluation surplus of LCSC located in Singapore resulting in a net surplus for the Singapore geographical segment which was recognised in the revaluation reserve. The sale of LCSC in the current financial year and the release of its revaluation surplus to the income statement resulted in a net revaluation deficit for the Singapore geographical segment which, in accordance with the Group's policy, has been taken to the income statement.

A provision for obligation amounting to $11,140,000 was previously made in 2004 in connection with the acquisition of the Oriville Group. As the obligation did not materialise, the said provision was reversed in 2005.

(h) Compensation of Directors and Key Management Personnel

The compensation of directors and key management personnel, which has been included in staff costs (note 28 (d)), are as follows:

	Group	
	2006	2005
	$'000	$'000
Wages, salaries and bonuses	**3,165**	2,241
Contributions to defined contribution plans	**50**	63
Unconsumed annual leave	**87**	176
Share option expense	**512**	145
Performance share expense	**1,431**	570
Other staff related costs	**66**	23
	5,311	3,218

29 INTEREST INCOME AND FINANCE COSTS

	Group	
	2006	2005
	$'000	$'000
(a) Interest Income		
Interest income		
– bank deposits	**4,798**	1,205
– loans to associates	**108**	110
– loans to jointly controlled entities	**6,565**	7,965
– others	**866**	900
	12,337	10,180
(b) Finance Costs		
Interest expense		
– bank loans and overdrafts	**34,971**	38,590
– financial instruments	**3,908**	14,516
Other financing costs	**844**	923
	39,723	54,029

Notes to the Financial Statements

30 INCOME TAX EXPENSE

	Note	Group 2006	Group 2005
		$'000	$'000
Current tax expense			
– current year		**67,276**	11,417
– under/(over) provided in respect of prior years		**5,674**	(214)
		72,950	11,203
Deferred tax expense			
– movements in temporary differences		**(6,952)**	3,977
– (over)/under provided in respect of prior years		**(1,738)**	2,270
	11	**(8,690)**	6,247
Total income tax expense		**64,260**	17,450
Reconciliation of Effective Tax Rate			
Profit for the year		**153,421**	50,046
Total income tax expense		**64,260**	17,450
Profit before tax		**217,681**	67,496
Tax calculated using Singapore tax rate of 20% (2005: 20%)		**43,536**	13,499
Non-deductible expenses		**10,288**	6,552
Tax rebate/relief/exemption		**–**	(17)
Effect of different tax rates in foreign jurisdictions		**10,517**	3,484
Income not subject to tax		**(3,338)**	(5,854)
Income tax at concessionary rate		**–**	(453)
Tax benefits not recognised		**684**	2,987
Utilisation of previously unrecognised tax benefits		**(3,734)**	(4,646)
Under/(over) provided in respect of prior years			
– current tax		**5,674**	(214)
– deferred tax		**(1,738)**	2,270
Others		**2,371**	(158)
		64,260	17,450

31 EARNINGS PER SHARE

	Group 2006	Group 2005
Basic earnings per share is based on:		
Net profit attributable to ordinary shareholders ($'000)	**151,273**	41,915
Number of shares outstanding at the beginning of the year ('000)	**1,572,082**	1,554,938
Weighted average number of shares issued under share option plan and performance share plan during the year ('000)	**15,568**	10,863
Weighted average number of shares in issue during the year ('000)	**1,587,650**	1,565,801

31 EARNINGS PER SHARE *(cont'd)*

In calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the year is adjusted for the effects of all dilutive potential ordinary shares:

	Number of Shares ('000) 2006	2005
Weighted average number of shares used in calculation of basic earnings per share	**1,587,650**	1,565,801
Weighted average number of unissued shares under option	**34,788**	45,344
Number of shares that would have been issued at fair value	**(12,890)**	(30,924)
Potential delivery of performance shares	**14,167**	8,164
	36,065	22,584
Weighted average number of shares in issue (diluted)	**1,623,715**	1,588,385

32 BUSINESS SEGMENTS (GROUP)

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

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

Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income tax expense, finance costs, tax assets and liabilities and financial liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Group comprises the following main business segments:

Segment	**Principal Activities**
Serviced residence	Property investment and management of serviced apartments, provision of hospitality management and related consultancy services, as well as management of real estate investment trust
Retail	Property investment and management of retail properties
Residential and other operations	Development of properties for sale, provision of project development services, property investment and operation of a golf and country club

Notes to the Financial Statements

32 BUSINESS SEGMENTS (GROUP) *(cont'd)*

	Serviced Residence $'000	Retail $'000	Residential and Other Operations $'000	Group $'000
Revenue				
2006				
Total revenue from external customers	**384,719**	**11,576**	**9,571**	**405,866**
Inter-segment revenue	**361**	**–**	**–**	**361**
Segment revenue	**385,080**	**11,576**	**9,571**	**406,227**
Inter-segment eliminations				**(361)**
Total revenue				**405,866**
2005				
Total revenue from external customers	416,970	15,407	11,684	444,061
Inter-segment revenue	–	–	–	–
Segment revenue	416,970	15,407	11,684	444,061
Inter-segment eliminations				–
Total revenue				444,061
Results				
2006				
Net profit before interest, tax, depreciation and amortisation and non-operating income	**89,076**	**5,989**	**5,155**	**100,220**
Non-operating income (net)	**123,351**	**51,732**	**(10,308)**	**164,775**
Depreciation and amortisation	**(20,772)**	**(611)**	**(353)**	**(21,736)**
Exchange gains (net)	**499**	**–**	**–**	**499**
Interest income	**11,970**	**196**	**171**	**12,337**
Segment results	**204,124**	**57,306**	**(5,335)**	**256,095**
Share of results of associates and jointly controlled entities	**1,309**	**–**	**–**	**1,309**
Comprising:				
Share of operating results	**1,347**	**–**	**–**	**1,347**
Share of non-operating results	**2,098**	**–**	**–**	**2,098**
Share of tax	**(2,136)**	**–**	**–**	**(2,136)**
Finance costs				**(39,723)**
Profit before tax				**217,681**
Income tax expense				**(64,260)**
Net profit for the year				**153,421**

32 BUSINESS SEGMENTS (GROUP) *(cont'd)*

	Serviced Residence	Retail	Residential and Other Operations	Group
	$'000	$'000	$'000	$'000
Results				
2005				
Net profit before interest, tax, depreciation and amortisation and non-operating income	116,482	7,695	3,292	127,469
Non-operating income (net)	7,913	24	177	8,114
Depreciation and amortisation	(14,332)	(991)	(377)	(15,700)
Exchange gains (net)	1,119	–	–	1,119
Interest income	9,914	49	217	10,180
Segment results	121,096	6,777	3,309	131,182
Share of results of associates and jointly controlled entities	(9,657)	–	–	(9,657)
Comprising:				
Share of operating results	(3,368)	–	–	(3,368)
Share of non-operating results	(4,766)	–	–	(4,766)
Share of tax	(1,523)	–	–	(1,523)
Finance costs				(54,029)
Profit before tax				67,496
Income tax expense				(17,450)
Net profit for the year				50,046
Assets and Liabilities				
2006				
Segment assets	**1,871,854**	**170,788**	**54,557**	**2,097,199**
Interest in associates and jointly controlled entities	**265,033**	**–**	**2,694**	**267,727**
Tax assets				**21,153**
Total assets				**2,386,079**
Segment liabilities	**180,566**	**26,672**	**10,369**	**217,607**
Financial liabilities				**874,832**
Tax liabilities				**98,049**
Total liabilities				**1,190,488**
2005				
Segment assets	2,384,822	205,113	75,008	2,664,943
Interest in associates and jointly controlled entities	101,774	–	2,955	104,729
Tax assets				11,342
Total assets				2,781,014
Segment liabilities	192,513	12,942	21,423	226,878
Financial liabilities				1,127,896
Tax liabilities				33,196
Total liabilities				1,387,970

32 BUSINESS SEGMENTS (GROUP) *(cont'd)*

	Serviced Residence	Retail	Residential and Other Operations	Group
	$'000	$'000	$'000	$'000
Non-Cash Items				
2006				
Accretion of deferred income	**–**	**–**	**(2,513)**	**(2,513)**
Allowance for doubtful receivables, net	**12,489**	**–**	**–**	**12,489**
Depreciation and amortisation	**20,772**	**611**	**353**	**21,736**
Impairment losses	**4,294**	**–**	**–**	**4,294**
Revaluation deficit	**13,224**	**–**	**–**	**13,224**
Dilution loss in ART	**1,650**	**–**	**–**	**1,650**
Total significant non-cash items	**52,429**	**611**	**(2,160)**	**50,880**
Non-Cash Items				
2005				
Accretion of deferred income	–	–	(2,766)	(2,766)
Reversal of allowance for doubtful receivables, net	(191)	–	–	(191)
Depreciation and amortisation	14,332	991	377	15,700
Impairment losses	5,055	–	–	5,055
Revaluation surplus	(1,075)	–	–	(1,075)
Total significant non-cash items	18,121	991	(2,389)	16,723
Capital Expenditure				
2006				
Capital expenditure	**379,871**	**1,206**	**751**	**381,828**
2005				
Capital expenditure	32,749	4,179	329	37,257

Note: The associates and jointly controlled entities operate principally in the serviced residence segment.

33 GEOGRAPHICAL SEGMENTS (GROUP)

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

	Singapore	Southeast Asia	North Asia	Australia & New Zealand	Gulf Region	Europe	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2006							
Total revenue from external customers	**39,986**	**28,861**	**44,008**	**42,996**	**130**	**249,885**	**405,866**
Non-cash items:							
Accretion of deferred income	**–**	**–**	**(2,513)**	**–**	**–**	**–**	**(2,513)**
(Reversal of) allowance for doubtful receivables, net	**(228)**	**11,249**	**3**	**1,203**	**–**	**262**	**12,489**
Depreciation and amortisation	**3,891**	**831**	**1,564**	**1,043**	**3**	**14,404**	**21,736**
Impairment losses	**(112)**	**–**	**9**	**4,408**	**–**	**(11)**	**4,294**
Revaluation deficit	**13,224**	**–**	**–**	**–**	**–**	**–**	**13,224**
Dilution loss in ART	**1,650**	**–**	**–**	**–**	**–**	**–**	**1,650**
Total significant non-cash items	**18,425**	**12,080**	**(937)**	**6,654**	**3**	**14,655**	**50,880**
Segment assets	**483,185**	**149,872**	**333,501**	**33,435**	**1,546**	**1,095,660**	**2,097,199**
Capital expenditure	**227,535**	**15,915**	**105,975**	**9,661**	**8**	**22,734**	**381,828**

	Singapore	Southeast Asia	North Asia	Australia & New Zealand	Europe	Group
	$'000	$'000	$'000	$'000	$'000	$'000
2005						
Total revenue from external customers	50,120	61,037	43,255	46,719	242,930	444,061
Non-cash items:						
Accretion of deferred income	–	–	(2,766)	–	–	(2,766)
(Reversal of) allowance for doubtful receivables, net	(63)	128	15	(154)	(117)	(191)
Depreciation and amortisation	3,829	(5,693)	1,718	1,889	13,957	15,700
Impairment losses	(540)	5,595	–	–	–	5,055
Revaluation surplus	–	(1,075)	–	–	–	(1,075)
Total significant non-cash items	3,226	(1,045)	(1,033)	1,735	13,840	16,723
Segment assets	547,223	469,826	537,602	34,146	1,076,146	2,664,943
Capital expenditure	7,467	8,475	3,919	541	16,855	37,257

The Southeast Asia operations refer to the Group's operations in Vietnam, Thailand, Indonesia, Philippines and Malaysia.
The North Asia operations refer to the Group's operations in China, Hong Kong, Japan and Korea.

34 ACQUISITIONS OF SUBSIDIARIES

On 25 July 2006, the Group acquired 100% equity interest in Hotel Asia Pte Ltd ("HAPL"). The total related acquisition costs for the acquisition amounted to $4.3 million. HAPL is in the business of managing and operating serviced residences. From the date of acquisition to 31 December 2006, the acquisition contributed net profit of $1.0 million to the Group's results for the year, before accounting for financing costs attributable to the acquisition.

If the acquisition had occurred on 1 January 2006, the Group's revenue for the year ended 31 December 2006 would have increased by $4.8 million and net profit would have increased by $1.6 million, before accounting for financing costs attributable to the acquisition.

Effect of Acquisition

The cash flow and net assets of the subsidiaries acquired in 2006 are provided below:

	2006 Recognised values $'000
Property, plant and equipment	**346**
Current assets	**638**
Cash and cash equivalents	**5,154**
Current liabilities	**(1,820)**
Purchase consideration paid	**4,318**
Cash of subsidiaries acquired	**(5,154)**
Net cash inflow	**(836)**

There were no fair value adjustments arising from the above acquisitions.

34 ACQUISITIONS OF SUBSIDIARIES *(cont'd)*

Effect of Acquisition *(cont'd)*

The cash flow and net assets of the subsidiaries acquired in 2005 are provided below:

	2005 Recognised values $'000
Property, plant and equipment	3,674
Investment properties	368,444
Current assets	4,068
Cash and cash equivalents	6,254
Current liabilities	(130,269)
Interest-bearing liabilities	(154,003)
Non-current liabilities	(6,195)
Minority interests	(12,942)
	79,031
Amounts previously accounted for as associates and jointly controlled entities	(67,703)
Net assets acquired	11,328
Shareholders' loans and other inter-company balances repaid	72,272
Negative goodwill arising on consolidation	(821)
Purchase consideration paid	82,779
Cash of subsidiaries acquired	(6,254)
Deferred payment	444
Net cash outflow	76,969

The negative goodwill represents the excess of the fair value of the identifiable net assets acquired over the cost of acquisition of the Group's equity interest in a subsidiary acquired and was recognised in the income statement in 2005.

There were no fair value adjustments arising from the above acquisitions.

35 DISPOSALS OF SUBSIDIARIES

(a) Divestment to Ascott Residence Trust

On 19 January 2006, the Group established a new Pan-Asian serviced residence Real Estate Investment Trust known as Ascott Residence Trust ("ART").

In conjunction with the above, the Group divested 12 of its serviced residences to ART, either directly (in the case of properties situated in Singapore) or through the sale of its equity interests in subsidiaries which own the properties (in the case of properties situated outside Singapore). On completion of the divestment, the Group received an aggregate consideration of approximately $661.2 million from ART which was satisfied in part by the issuance of 454,000,000 new units of ART at an issue price of $1.32 per unit and the balance in cash of $61.9 million.

Upon the completion of the abovementioned divestment, the Group offered up to 340,500,000 units to its shareholders on a renounceable basis of 200 units in ART for every 1,000 shares held by the shareholders in the Company on the books closure date at the price of $0.68 per unit ("Preferential Offering"). At the close of the Preferential Offering, the shareholders of the Group were allocated 317,156,122 of the units offered and the Group's interest in ART was then reduced to 30.14% or 136,843,878 units in ART.

On 31 March 2006, all units of ART were quoted and listed on the Main Board of SGX-ST.

Notes to the Financial Statements

35 DISPOSALS OF SUBSIDIARIES *(cont'd)*

(a) Divestment to Ascott Residence Trust *(cont'd)*

On 3 May 2006, upon obtaining the sanction of the Singapore High Court, the Company carried out a capital reduction exercise to reduce its shareholders' equity by $203 million which was the value deemed returned to shareholders of the Company in the form of the discount to the net asset value of ART units sold pursuant to the Preferential Offering.

On 4 September 2006, the Group also entered into an agreement to divest another of its serviced residence, Somerset Roppongi Tokyo, to ART through the sale of equity interest in its wholly-owned subsidiary, Somerset Roppongi (Japan) Pte Ltd ("SRJPL") for a total consideration of $9.1 million. SRJPL owns the serviced residence through its effective interest of 40% in MEC Roppongi Tokutei Mokuteki Kaisha. The above transaction was completed in October 2006.

On 25 September 2006, ART further allotted and issued an additional 44,000,000 new units in ART pursuant to its placement to institutional and other investors. As the Group did not subscribe to the said placement, the Group's interest in ART was diluted. ART also issued 638,579 units in lieu of cash for management fees payable to the Group during the current financial year. As at 31 December 2006, the Group's interest in ART was reduced to 27.57% and the Group recorded a dilution loss of $1,650,000 for the year.

(b) Effect of Disposals

The cash flow and net assets of the subsidiaries disposed in 2006, including those divested to ART above, are provided below:

	2006
	$'000
Property, plant and equipment	**13,240**
Investment properties	**883,384**
Other non-current assets	**10,965**
Current assets	**23,185**
Current liabilities	**(92,028)**
Non-current liabilities	**(138,670)**
Minority interests	**(52,520)**
Net assets	**647,556**
Equity interest retained as associated companies and jointly controlled entities	**(180,640)**
Net assets disposed	**466,916**
Capital reduction	**(202,997)**
Transaction cost	**(8,224)**
Net cash inflow	**255,695**

There were no disposals of subsidiaries in 2005.

36 FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Group's written risk management policies and guidelines set out its overall business strategies, tolerance of risk and general risk management philosophy. Monthly reviews are undertaken to determine hedging requirements within the risk tolerance limits.

Natural hedging is preferred by matching assets and liabilities of the same currency. Derivative financial instruments are only used where necessary to reduce exposure to fluctuations in foreign exchange rates and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

The Group's accounting policies in relation to derivative financial instruments are set out in note 2.8.

36 FINANCIAL INSTRUMENTS *(cont'd)*

(b) Working Capital Management

The Group manages its working capital requirements with the view to optimise interest cost. The net current liabilities as shown in the financial statements reflect management's intention to continue to utilise committed short-term borrowings to meet the working capital requirements having regard to the operating environment and expected cash flows of the Group. Such working capital requirements are within the credit facilities established and are adequate and available to the Group to meet its obligations. The credit facilities are regularly reviewed by the management to ensure that they meet the objectives of the Group.

(c) Credit Risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Transactions involving derivative financial instruments are allowed only with counterparties that are of high credit quality. As such, management does not expect any counterparty to fail to meet their obligations.

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

(d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash or cash convertible investments to meet its working capital requirement. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

(e) Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve certain level of protection against rate hikes. The Group also uses hedging instruments such as interest rate caps and swaps to minimise its exposure to interest rate volatility.

Interest rate caps and swaps are designated as hedges of the variability in cash flows (interest expenses) of interest-bearing bank loans. The cash flows are expected to occur in periods ranging from 3 months to 6 months. The fair value gains or losses of these interest rate caps and swaps are recognised on the balance sheet as derivative assets or derivative liabilities. The corresponding amount is recognised directly in hedging reserve until the repayment or termination of the interest-bearing bank loans.

(f) Foreign Currency Risk

Foreign currency risk arises when there is a mismatch of funding foreign currency denominated assets with liabilities of the same currency. The exposure of the mismatch is primarily in US dollar, Chinese renminbi, Euro and Sterling pound assets.

The Group uses forward exchange contracts to hedge its foreign currency risk where feasible. The Group generally enters into forward exchange contracts with maturities of between 3 months and 5 years which are rolled over on maturity at market rates.

In respect of other monetary assets and liabilities held in currencies other than the Singapore dollar, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot/forward rates where necessary to address short-term imbalances.

36 FINANCIAL INSTRUMENTS *(cont'd)*

(g) Sensitivity Analysis

In managing its interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, any prolonged adverse changes in foreign exchange and interest rates would have an impact on consolidated earnings.

The Group executed a series of Interest Rate Caps to hedge its interest rate exposure. At 31 December 2006, it is estimated that a one percentage point decrease in the current interest rates would improve the Group's profit before tax by approximately $3.6 million whereas a one percentage point increase would reduce the Group's profit before tax by approximately $3.3 million. An additional one percentage point increase in interest rates would lead to a further reduction in the Group's profit before tax by approximately $0.5 million.

At 31 December 2005, it is estimated that a one percentage point change in the current interest rates would change the Group's profit before tax by approximately $6.2 million. An additional one percentage point increase in interest rates would lead to a further reduction in the Group's profit before tax by approximately $3.2 million.

It is estimated that a one percentage point strengthening in foreign currencies against the Singapore dollar would increase the Group's profit before tax by approximately $0.7 million (2005: $0.7 million). The Group's outstanding forward exchange contracts have been included in this calculation.

(h) Estimating the Fair Values

Investment in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid prices at the balance sheet date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

Derivatives

Forward exchange contracts, interest rate swaps and interest rates caps are marked to market using either listed market prices or brokers' quotes.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

The fair value of finance lease liabilities is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

Intra-group financial guarantees

The value of financial guarantees provided by the Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the bank with these guarantees made available, with the estimated rates that the banks would have charged had these guarantees not been available.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and bank balances, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

37 COMMITMENTS

Capital Commitments

At 31 December, outstanding capital commitments of the Group and of the Company which were not provided for in the financial statements are as follows:

	Group	
	2006	2005
	$'000	$'000
Authorised and contracted for		
– capital expenditure	**868**	3,079
– development expenditure	**78,636**	44,331
– other investment	**8,394**	30,939
	87,898	78,349
Authorised but not contracted for		
– capital expenditure	**65,562**	53,482
– development expenditure	**75,817**	59,034
	141,379	112,516

Operating Lease Commitments

At 31 December, outstanding commitments for future minimum lease payments under non-cancellable operating leases of the Group and of the Company are as follows:

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Payable				
– within 1 year	**50,227**	46,262	**–**	821
– after 1 year but within 5 years	**135,948**	154,367	**–**	547
– after 5 years	**51,486**	72,102	**–**	–
	237,661	272,731	**–**	1,368

The Group leases office premises and serviced apartments under operating leases. The leases typically run for an initial period of three to six years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

Forward Exchange Contracts

At 31 December, the Group has outstanding forward exchange contracts with notional principal values of approximately $305,543,000 (2005: $462,978,000) and fair values of approximately $2,143,000 (2005: $5,585,000).

37 COMMITMENTS *(cont'd)*

Interest Rate Caps and Interest Rate Swaps

At 31 December, the Group had entered into interest rate caps and interest rate swaps with notional principal values as follows:

	Group	
	2006	2005
	$'000	$'000
Interest rate caps	**305,895**	320,225
Interest rate swaps	**199,818**	335,015
	505,713	655,240
Maturity dates due		
– within 1 year	**135,685**	60,665
– from 1 to 2 years	**151,039**	203,787
– from 2 to 5 years	**137,219**	390,788
– more than 5 years	**81,770**	–
	505,713	655,240

Proposed Dividends

After the balance sheet date, the Directors proposed the following dividends. These dividends have not been provided for in these financial statements.

	Group	
	2006	2005
	$'000	$'000
Final dividend proposed of 0.4 cents less tax at 20%	**–**	5,030
Final dividend proposed of 1.2 cents (2005: 0.8 cents) one-tier tax-exempt	**19,105**	12,577
Bonus dividend proposed of 4.8 cents (2005: 0.8 cents) one-tier tax-exempt	**76,420**	12,577
	95,525	30,184

38 CONTINGENT LIABILITIES (UNSECURED)

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Guarantees issued to banks to secure credit facilities of				
– subsidiaries	**–**	–	**120,067**	121,071
– associates	**10,158**	17,125	**–**	–
– jointly controlled entities	**15,214**	14,832	**–**	–
– investee companies	**594**	3,065	**–**	–
	25,966	35,022	**120,067**	121,071

39 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Transactions with Directors

Compensation of the directors and key management personnel is disclosed in note 28(h).

The directors participate in the Ascott Share Option Plan. During the year, 2,460,000 (2005: 1,880,000) share options were granted to the directors (including former directors) of the Company on the same terms and conditions as those offered to other employees of the Company as described in note 22. At the end of the year, 6,737,500 (2005: 9,340,000) share options granted to the directors (including former directors) of the Company were outstanding.

An executive director also participates in the Ascott Performance Share Plan. During the year, 752,400 (2005: 660,000) performance shares were granted to him on the same terms and conditions as those offered to other employees of the Company as described in note 22. At the end of the year, 2,201,580 (2005: 1,660,000) performance shares granted to the executive director of the Company were outstanding.

Transactions with Key Management Personnel

The key management personnel participate in the Ascott Share Option Plan and the Ascott Performance Share Plan. During the year, 2,500,000 (2005: 2,435,000) share options and 2,452,080 (2005: 1,932,223) performance shares were granted to the key management personnel of the Company on the same terms and conditions as those offered to other employees of the Company as described in note 22. At the end of the year, 5,439,000 (2005: 5,970,000) share options and 5,412,080 (2005: 3,532,223) performance shares granted to the key management personnel of the Company were outstanding.

39 SIGNIFICANT RELATED PARTY TRANSACTIONS *(cont'd)*

Other Related Party Transactions

During the financial year, there were the following significant transactions, other than those transactions disclosed in note 28(h), which were carried out in the normal course of business based on terms agreed between the parties:

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Income				
Interest income				
– subsidiaries	**–**	–	**3,347**	6,517
– associates	**108**	110	**–**	–
– jointly controlled entities	**6,565**	7,965	**–**	–
Management service income				
– subsidiaries	**–**	–	**–**	4,231
– related companies	**56**	168	**–**	–
– associates	**11,591**	1,797	**–**	–
– jointly controlled entities	**1,140**	4,702	**–**	–
Rental and service fee income				
– related companies	**–**	657	**–**	–
– associates	**713**	–	**–**	–
– jointly controlled entities	**3,330**	3,468	**–**	–
Expenditure				
Management fee				
– subsidiaries	**–**	–	**(662)**	–
– related companies	**(679)**	(725)	**(600)**	(725)
Office rental paid				
– related companies	**(1,126)**	(513)	**–**	(513)

40 SIGNIFICANT SUBSIDIARIES

Name of Subsidiary	Principal Activities	Country of Incorporation/ Business	Group's Effective Equity Interest 2006	2005
			%	%
Ascott Group (Jersey) Limited*	Investment holding	Jersey	**100**	100
Ascott International Management (2001) Pte Ltdø	Investment holding and management of serviced apartments	Singapore	**100**	100
Ascott Hospitality Management (UK) Limited*	Management of serviced apartments	United Kingdom	**100**	100
Ascott International Management (NZ) Pte Limited*	Management of serviced apartments	New Zealand	**100**	100
Ascott International Management (Thailand) Limited^	Management of serviced apartments	Thailand	**100**	100
Ascott Property Management (Beijing) Co Ltd*	Property management	People's Republic of China	**100**	100
Ascott Property Management (Shanghai) Co Ltd*	Property management	People's Republic of China	**100**	100
Ascott International Management (Japan) Co. Ltd*	Management of serviced apartments	Japan	**60**	60
Citadines SA*	Operating and management of serviced apartments	France	**100**	100
Eurimeg SA*	Investment holding	France	**60.8**	60.8
FBM London Ltd*	Investment holding and management of serviced apartments	United Kingdom	**100**	100
EuroResidence 1 SARL*	Investment holding	France	**100**	100
EuroResidence 2 SAS*	Investment holding	France	**100**	100
Guangzhou F.C. Golf & Country Club Co Ltd*	Development and operation of a golf and country club	People's Republic of China	**70**	70
Greenpark Investment (Guernsey) Ltd*	Property investment	United Kingdom	**100**	100
Hua Xin Residences Pte Ltdø	Investment holding and property investment	Singapore/People's Republic of China	**100**	100
Oakford Australia Pty Ltd*	Property management	Australia	**100**	100

Notes to the Financial Statements

40 SIGNIFICANT SUBSIDIARIES *(cont'd)*

Name of Subsidiary	Principal Activities	Country of Incorporation/ Business	Group's Effective Equity Interest 2006	2005
			%	%
Oriville SAS*	Investment holding	France	**100**	100
Residence Italie sci*	Management of serviced apartments	France	**100**	100
Saigon Office and Serviced Apartment Company Limited*	Property investment	Vietnam	**40.2**	40.2
Somerset Investments Pte Ltdø	Property investment and investment holding	Singapore	**100**	100
The Ascott Capital Pte Ltdø	Trading in securities and financial instruments and the provision of financing services	Singapore	**100**	100
The Ascott Group (Europe) Pte Ltdø	Investment holding	Singapore	**100**	100
The Ascott Heritage Pte Ltdø	Property investment	Singapore	**100**	100
The Ascott Holdings Limitedø	Investment holding	Singapore	**100**	100
The Ascott Hospitality Holdings Pte Ltdø	Investment holding	Singapore	**100**	100
The Ascott (Australia) Pty Ltd*	Investment holding	Australia	**100**	100
Westlake Development Co. Ltd*	Property investment	Vietnam	**70**	70
Wuhan New Minzhong Leyuan Co Ltd*	Property development and investment	People's Republic of China	**70**	70

ø Audited by KPMG Singapore.

* Audited by member firm of KPMG International.

^ Audited by Ernst & Young, Thailand.

41 SIGNIFICANT ASSOCIATES

Name of Associate	Principal Activities	Country of Incorporation/ Business	Group's Effective Equity Interest 2006	2005
			%	%
Amanah Scotts Sdn Bhd*	Investment holding, property development and management	Malaysia	**50**	50
DBS Trustee (as Trustee of Ascott Residence Trust)ø	Investment holding and management of serviced apartments	Singapore	**27.6**	–

ø Audited by KPMG Singapore.

* Audited by member firm of KPMG International.

42 SIGNIFICANT JOINTLY CONTROLLED ENTITIES

Name of Jointly Controlled Entities	Principal Activities	Country of Incorporation/ Business	Group's Effective Equity Interest 2006	2005
			%	%
Ascott Dilmun Holdings Limited*	Investment holding	Jersey	**50**	50
Sathorn Supsin Company Limited^	Property development and investment	Thailand	**40**	40

* Audited by member firm of KPMG International.

^ Audited by Ernst & Young, Thailand.

Notes to the Financial Statements

43 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

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

FRS 40, which becomes effective for annual financial periods beginning on or after 1 January 2007, permits investment property to be stated at either fair value or cost less accumulated depreciation and accumulated impairment losses. With the adoption of FRS 40, the Group expects to reclassify its property interests in serviced residences from investment properties to property, plant and equipment. The properties will be stated at cost less accumulated depreciation and accumulated impairment losses. The Group will account for the change in accounting policy retrospectively in accordance with FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors at 1 January 2007. The revaluation reserve existing at 1 January 2007 will be reversed to restate the properties at historical cost. Accumulated depreciation and impairment losses will be recorded retrospectively by adjusting the opening accumulated profits at 1 January 2007. The Group has not completed the process of evaluating the impact that will result from adopting FRS 40 and is therefore unable to disclose the impact on its financial position and the results of operations on adoption.

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

INT FRS 110, which becomes effective for annual financial periods beginning on or after 1 November 2006, prohibits the reversal of an impairment loss recognised in an interim period during the financial year in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. The adoption of INT FRS 110 will not have a material impact on the Group's financial statements.

Other than FRS 40, the initial application of the above standards and interpretations are not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

44 SUBSEQUENT EVENTS

On 21 February 2007, the Group entered into a conditional sale and purchase agreement with an unrelated party to sell Hotel Asia located at 37 Scotts Road in Singapore for a total cash consideration of $147 million. After taking into consideration the associated costs of disposal, the Group is expected to realise a net gain of approximately $22.2 million from the transaction.

Shareholding Statistics

(as at 14 March 2007)

Issued & fully paid-up capital	:	S$266,226,096.96
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	Number of shareholders	%	Number of shares	%
1 - 999	1,420	9.67	818,794	0.05
1,000 - 10,000	10,726	73.05	42,394,273	2.65
10,001 - 1,000,000	2,515	17.13	94,296,730	5.90
1,000,001 and above	22	0.15	1,460,868,295	91.40
TOTAL	14,683	100.00	1,598,378,092	100.00

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Shareholdings in which the Substantial Shareholders have a direct interest	Shareholdings in which the Substantial Shareholders are deemed to have an interest
	Number of shares	Number of shares
Somerset Capital Pte Ltd(1)	648,478,729	–
Somerset Land Pte Ltd(1)	273,224,256	–
Areca Investment Pte Ltd(1)	146,143,031	–
CapitaLand Limited(1)	–	1,067,846,016
Temasek Holdings (Private) Limited(2)	–	1,067,846,016

NOTES:

(1) Somerset Capital Pte Ltd ("SCPL"), Somerset Land Pte Ltd ("SLPL") and Areca Investment Pte Ltd ("AIPL") are wholly-owned subsidiaries of CapitaLand Limited ("CapitaLand"). Accordingly, CapitaLand is deemed through its interests in SCPL, SLPL and AIPL to have an interest in their aggregate holdings of 1,067,846,016 shares by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore (the "Companies Act").

(2) CapitaLand is an associated company of Temasek Holdings (Private) Limited ("Temasek"). Accordingly, Temasek is deemed through its interest in CapitaLand to have an interest in the 1,067,846,016 shares in which CapitaLand is interested by virtue of Section 7 of the Companies Act.

Shareholding Statistics

(as at 14 March 2007)

TWENTY LARGEST SHAREHOLDERS

Name	Number of shares	%
SOMERSET CAPITAL PTE LTD	648,478,729	40.57
SOMERSET LAND PTE LTD	273,224,256	17.09
ARECA INVESTMENT PTE LTD	146,143,031	9.14
DBSN SERVICES PTE LTD	86,250,239	5.40
CITIBANK NOMINEES SINGAPORE PTE LTD	77,867,003	4.87
DBS NOMINEES PTE LTD	69,694,175	4.36
HSBC (SINGAPORE) NOMINEES PTE LTD	49,309,305	3.08
RAFFLES NOMINEES PTE LTD	40,250,470	2.52
UNITED OVERSEAS BANK NOMINEES PTE LTD	30,383,794	1.90
GOH FOUNDATION LIMITED	10,744,000	0.67
BHL INVESTMENTS PTE LTD	8,350,000	0.52
OCBC NOMINEES SINGAPORE PRIVATE LIMITED	4,770,366	0.30
MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,507,000	0.22
ONG AH LUAN	1,869,323	0.12
UOB KAY HIAN PTE LTD	1,821,650	0.11
JUMABHOY YUSUF RAJABALI	1,585,662	0.10
PHILLIP SECURITIES PTE LTD	1,123,792	0.07
MERRILL LYNCH (SINGAPORE) PTE LTD	1,114,000	0.07
TEO TONG WAH	1,109,000	0.07
DBS VICKERS SECURITIES (S) PTE LTD	1,100,680	0.07
TOTAL	1,458,696,475	91.25

Based on the inforamtion available to the Company as at 14 March 2007, approximately 32.78% of the issued ordinary shares of the Company is held by the public. The Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The Ascott Group Directory

For worldwide reservations: (65) 6272 7272

SOUTHEAST ASIA

INDONESIA

Reservations: 00180 365 7878
(Local Toll Free)

Jakarta

Ascott Jakarta
2 Jalan Kebon Kacang Raya
The Golden Triangle
Jakarta 10230, Indonesia
(62-21) 391 6868

Somerset Berlian
Jalan Permata Berlian V Permata Hijan
Jakarta 12210, Indonesia
(62-21) 5366 8888

Somerset Grand Citra
Jalan Prof Dr Satrio Kav 1, Kuningan
Jakarta 12940, Indonesia
(62-21) 522 5225

Country Woods
(Corporate Leasing)
Jalan WR Supratman
Pondok Ranji, Rengas
Ciputat 15412, Banten, Indonesia
(62-21) 740 1245

Surabaya

Somerset Surabaya Hotel & Serviced Residence
Jalan Raya Kupang Indah
Surabaya 60189, Indonesia
(62-31) 732 8738

Puri Darmo Serviced Residence
17A Jalan Raya Kupang Baru
Surabaya 60189, Indonesia
(62-31) 732 6066

MALAYSIA

Reservations: 1800 806 306
(Local Toll Free)

Kuala Lumpur

Ascott Kuala Lumpur
9 Jalan Pinang
50450 Kuala Lumpur, Malaysia
(60-3) 2142 6868

Somerset Seri Bukit Ceylon
8 Lorong Ceylon
off Jalan Raja Chulan
50250 Kuala Lumpur, Malaysia
(60-3) 2055 8888

Seri Bukit Ceylon
(Corporate Leasing)
8 Lorong Ceylon
off Jalan Raja Chulan
50250 Kuala Lumpur, Malaysia
(60-3) 2055 8888

Suasana Sentral Residences
(Corporate Leasing)
2 Jalan Stesen Sentral 5
50470 Kuala Lumpur, Malaysia
(60-3) 2140 2220

Tiffani by i-ZEN
(Corporate Leasing)
(Opening 2010)

Kuching

Somerset Gateway
9 Jalan Bukit Mata
93100 Kuching, Sarawak, Malaysia
(60-82) 250 958

PHILIPPINES

Reservations: (63-2) 888 0531

Manila

Ascott Makati
Glorietta 4, Ayala Center
Makati City 1224, Philippines
(63-2) 729 8888

Somerset Millennium
104 Aguirre Street, Legaspi Village
Makati City 1229, Philippines
(63-2) 888 0505

Somerset Olympia
7912 Makati Avenue
Makati City 1200, Philippines
(63-2) 812 1010

Somerset Salcedo
HV Dela Costa Corner
LP Leviste Street, Salcedo Village
Makati City 1227, Philippines
(63-2) 888 6668

SINGAPORE

Reservations: 1800-272 7272
(Local Toll Free)

Ascott Singapore Raffles Place
(Opening 2008)

Somerset Bencoolen
51 Bencoolen Street
Singapore 189630
(65) 6849 4688

Somerset Compass
2 Mount Elizabeth Link
Singapore 227973
(65) 6732 7737

Somerset Grand Cairnhill
15 Cairnhill Road
Singapore 229650
(65) 6835 2900

Somerset Liang Court
177B River Valley Road
Singapore 179032
(65) 6337 0111

Somerset Orchard
160 Orchard Road
#06-01 Orchard Point
Singapore 238842
(65) 6735 0500

Citadines Singapore Mount Sophia
(Opening 2008)

Char Yong Gardens
(Corporate Leasing)
1/3 Hullet Road
Singapore 229157
(65) 6272 7272

Portofino
(Corporate Leasing)
6 Sarkies Road
Singapore 258126
(65) 6272 7272

Riverdale Residence
(Corporate Leasing)
346 River Valley Road
Singapore 238873
(65) 6272 7272

The Heritage Singapore
(Corporate Leasing)
Mount Pleasant Road
(65) 6272 7272

The Ascott Group Directory

THAILAND

Reservations: 1800 888 272
(Local Toll Free)

Bangkok

Ascott Bangkok Sathorn
187 South Sathorn Road
Yanawa, Sathorn
Bangkok 10120, Thailand
(66-2) 676 6868

Somerset Grand Sukhumvit
(Opening 2008)

Somerset Lake Point
41 Sukhumvit Soi 16, Klongtoey
Bangkok 10110, Thailand
(66-2) 663 1234

Somerset Park Suanplu
39 Soi Suanplu, South Sathorn Road
Bangkok 10120, Thailand
(66-2) 679 4444

Somerset Sukhumvit Thonglor
(Opening 2009)

Somerset Suwan Park View
9 Soi Tonson, Ploenchit Road
Lumpini, Pathumwan
Bangkok 10330, Thailand
(66-2) 658 7979

Citadines Bangkok Sukhumvit 8
(Opening 2008)

Citadines Bangkok Sukhumvit 11
(Opening 2007)

Citadines Bangkok Sukhumvit 16
38 Sukhumvit 16
Sukhumvit Road Klongtoey
Bangkok 10110, Thailand
(66-2) 663 8777

Citadines Bangkok Sukhumvit 23
(Opening 2007)

Omni Tower
69 Sukhumvit Soi 4
Klongtoey Bangkok 10110, Thailand
(66-2) 656 8300

Pattaya

Somerset Nusasiri
(Opening 2007/2008)

VIETNAM

Reservations: (84-4) 934 2342 *(Hanoi)*/
(84-8) 822 8899 *(Ho Chi Minh City)*

Hanoi

Somerset Grand Hanoi
49 Hai Ba Trung Street
Hanoi, Vietnam
(84-4) 934 2342

Somerset Hoa Binh
(Opening 2007)

Somerset West Lake
254D Thuy Khue Street
Hanoi, Vietnam
(84-4) 843 0030

Ho Chi Minh City

Somerset Chancellor Court
21-23 Nguyen Thi Minh Khai Street
District 1, Ho Chi Minh City, Vietnam
(84-8) 822 9197

Somerset Ho Chi Minh City
8A Nguyen Binh Khiem Street
District 1, Ho Chi Minh City, Vietnam
(84-8) 822 8899

NORTH ASIA

CHINA

Reservations: 800 820 1028
(Local Toll Free)

Beijing

Ascott Beijing
108B Jian Guo Road, Chaoyang District
Beijing 100022, China
(86-10) 6567 8100

Somerset Grand Fortune Garden
46 Liang Ma Qiao Road
Chaoyang District
Beijing 100016, China
(86-10) 8451 8888

Somerset ZhongGuanCun
15 Haidian Zhong Street
Haidian District
Beijing 100080, China
(86-10) 6568 7868

Luxury Serviced Residence
17 Jian Hua Nan Road
Chaoyang District
Beijing 100022, China
(86-10) 6566 2200

ZhongGuanCun Residence
(Opening 2007)
15 Haidian Zhong Street
Haidian District
Beijing 100080, China
(86-10) 6568 7868

Dalian

Somerset Harbour Court
55 Renmin Road
Zhongshan District
Dalian 116001, China
(86-411) 8899 1888

Guangzhou

Ascott Guangzhou
(Opening 2007)

Springdale Serviced Residence
Tower B1, No. 105 Tiyuxi Road
Tianhe District
Guangzhou 510620, China
(86-20) 8396 6088

Shanghai

Ascott Shanghai Pudong
3 Pudong Avenue
Shanghai 200120, China
(86-21) 6886 0088

Somerset Grand Shanghai
8 Jinan Road
Luwan District
Shanghai 200021, China
(86-21) 6385 6888

Somerset Xu Hui
888 Shanxinan Road
Xu Hui District
Shanghai 200031, China
(86-21) 6466 0888

Citadines Shanghai Jinqiao
49 West Beijing Road
Huangpu District
Shanghai 200003, China
(86-21) 2308 6666

Suzhou

Citadines Suzhou Emerald City
(Opening 2008)

Citadines Suzhou Lejia
(Opening 2008)

Citadines Suzhou Xinghai
Blk 27 Jiacheng Gardens
58 Xinghai Street
Suzhou Industrial District
Suzhou 215021, China
(86-512) 8885 8288

Tianjin

Somerset Olympic Tower
126 Chengdu Dao
Heping District
Tianjin 300051, China
(86-22) 2335 5888

Somerset Youyi
(Opening 2008)

Xi'an

Citadines Xi'an Central
(Opening 2007)

Hong Kong

Citadines Hongkong Ashley
(Opening 2007)

JAPAN

Reservations: 0120 069 500
(Local Toll Free)

Tokyo

Somerset Azabu East
1-9-11 Higashi-Azabu, Minato-ku
Tokyo 106-0044, Japan
(81-3) 5114 2800

Somerset Roppongi
3-4-31 Roppongi, Minato-ku
Tokyo 106-0032, Japan
(81-3) 3568 3939

Citadines Tokyo Shinjuku
(Opening 2009)

Green Park Akasaka
(Corporate Leasing)
5-2-10 Akasaka, Minato-ku
Tokyo 107-6101, Japan
(81-3) 5573 8800

Nakameguro Residence
(Corporate Leasing)
4-13-41 Nakameguro, Meguro-ku
Tokyo 153-0061, Japan
(81-3) 3714 1131

Nibancho Park Forest
(Corporate Leasing)
7-8 Nibancho, Chiyoda-ku
Tokyo 102-0084, Japan
(81-3) 3511 6828

Shochiku Square Residence
(Corporate Leasing)
1-13-5 Tsukiji, Chuo-ku
Tokyo 104-0045, Japan
(81-3) 6226 5923

SOUTH KOREA

Reservations: (82-2) 6730 8000

Seoul

Somerset Palace
85 Susong-Dong, Jongno-Gu
Seoul, South Korea 110885
(82-2) 6730 8888

SOUTH ASIA

INDIA

Bangalore

Somerset Whitefield
(Opening 2008)

Chennai

Somerset Greenways
(Opening 2008)

Citadines Chennai Boulevard
(Opening 2008)

AUSTRALIA AND NEW ZEALAND

AUSTRALIA

Reservations: 1800 766 377
(Local Toll Free)

Hobart

Somerset on the Pier
Elizabeth Street Pier, Hobart
TAS 7000, Australia
(61-3) 6220 6600

Somerset on Salamanca
8 Salamanca Place, Hobart
TAS 7000, Australia
(61-3) 6220 6600

Melbourne

Somerset Gordon Heights
19-25 Little Bourke Street, Melbourne
VIC 3000, Australia
(61-3) 9663 2888

Somerset Gordon Place
24 Little Bourke Street, Melbourne
VIC 3000, Australia
(61-3) 9663 2888

Somerset on Elizabeth
250 Elizabeth Street, Melbourne
VIC 3000, Australia
(61-3) 8665 8888

Oakford on Collins
182 Collins Street, Melbourne
VIC 3000, Australia

Sydney

Somerset Darling Harbour
252 Sussex Street, Darling Harbour
Sydney, NSW 2000, Australia
(61-2) 8280 5000

Oakford City West
23-33 Missenden Road, Camperdown
NSW 2050, Australia

NEW ZEALAND

Reservations: 0800 272 688
(Local Toll Free)

Auckland

Ascott Auckland Metropolis
1 Courthouse Lane, Auckland
New Zealand
(64-9) 300 8800

The Ascott Group Directory

EUROPE
Citadines Central Reservations (Europe):
(33) 1 41 05 79 05

BELGIUM
Reservations: (33) 825 333 332
(Within Belgium)

Brussels
Citadines Bruxelles Sainte-Catherine
51, Quai au Bois à Brûler
1000 Bruxelles, Belgium

Citadines Bruxelles Toison d'Or
61-63, Avenue de la Toison d'Or
1060 Bruxelles, Belgium

FRANCE
Reservations: 0 825 333 332
(Within France)

Paris
Citadines Paris Austerlitz
27 Rue Esquirol
75013 Paris, France

Citadines Paris Bastille Marais
37 Boulevard Richard Lenoir
75011 Paris, France

Citadines Paris Bastille Nation
14-18 Rue de Chaligny
75012 Paris, France

Citadines Paris Didot Alésia
94 Rue Didot
75014 Paris, France

Citadines Paris La Défense
1-8 Boulevard de Neuilly
92400 Courbevoie, Paris, France

Citadines Paris Les Halles
4 Rue des Innocents
75001 Paris, France

Citadines Paris Louvre
8 Rue Richelieu
75001 Paris, France

Citadines Paris Maine-Montparnasse
67 Avenue du Maine
75014 Paris, France

Citadines Paris Montmartre
16 Avenue Rachel
75018 Paris, France

Citadines Paris Opéra-Grands Boulevards
18 Rue Favart
75002 Paris, France

Citadines Paris Opéra Vendôme Prestige
2 Rue Edouard VII
75009 Paris, France

Citadines Paris Place d'Italie
18 Place d'Italie
75013 Paris, France

Citadines Paris Saint-Germain-des-Prés
53 Ter, quai des Grands-Augustins
75006 Paris, France

Citadines Paris Tour Eiffel
132 Boulevard de Grenelle
75015 Paris, France

Citadines Paris Trocadéro
29 Bis, Rue Saint-Didier
75116 Paris, France

Citadines Paris Voltaire République
75 Bis, Avenue Parmentier
75011 Paris, France

Outside Paris

Aix-en-Provence
Citadines Aix Jas De Bouffan
4 Avenue Achille-Empéraire
13090 Aix-en-Provence, France

Bordeaux
Citadines Bordeaux Mériadeck
25 Rue Jean Fleuret
33000 Bordeaux, France

Cannes
Citadines Cannes Carnot
1 Rue le Poussin
06400 Cannes, France

Ferney Voltaire
Citadines Genève Ferney Voltaire
34 Rue de Genève
01210 Genève Ferney Voltaire, France

Grenoble
Citadines Grenoble
9-11 Rue de Strasbourg
38000 Grenoble, France

Lille
Citadines Lille Centre
Avenue Willy Brandt-Euralille
59777 Lille, France

Lyon
Citadines Lyon Part-Dieu
91-95 Rue Moncey
69003 Lyon, France

Citadines Lyon Presqu'île
2 Rue Thomassin
69002 Lyon, France

Marseille
Citadines Marseille Castellane
60 Rue du Rouet
13006 Marseille, France

Citadines Marseille Centre
4 Place Pierre Bertas
(11 Rue Sainte Barbe)
13001 Marseille, France

Citadines Marseille Prado Chanot
9-11 Boulevard de Louvain
13008 Marseille, France

Montpellier
Citadines Montpellier Antigone
588 Boulevard d'Antigone
34000 Montpellier, France

Citadines Montpellier Sainte-Odile
195 Rue du Pré aux Clercs
34090 Montpellier, France

Nice
Citadines Nice Buffa
21 Rue Meyerbeer
06000 Nice, France

Citadines Nice Promenade
3-5 Boulevard François Grosso
06000 Nice, France

Strasbourg
Citadines Strasbourg Kléber
50-54 Rue du Jeu des Enfants
67000 Strasbourg, France

Toulouse
Citadines Toulouse Wilson
8 Boulevard de Strasbourg
31000 Toulouse, France

GERMANY
Reservations: 0 30 88 77 60
(Within Germany)

Berlin
Citadines Berlin Olivaer Platz
Olivaer Platz 1
10707 Berlin-Wilmersdorf, Germany

UNITED KINGDOM
Reservations: 0800 376 38 98 *(UK Toll Free)*/
(44-20) 7269 1680

London
Ascott London Mayfair
49 Hill Street, Mayfair
London W1J 5NB, UK

Somerset Bayswater
42 Prince's Square, Bayswater
London W2 4AD, UK

Citadines London Barbican
7-21 Goswell Road
London EC 1M 7AH, UK

**Citadines London
Holborn-Covent Garden**
94-99 High Holborn
London WC1V 6LF, UK

Citadines London South Kensington
35A Gloucester Road
London SW7 4PL, UK

Citadines London Trafalgar Square
18-21 Northumberland Avenue
London WC2N 5EA, UK

St Marks
(Corporate Leasing)
300 City Road
London EC1V 2PW, UK

RUSSIA

Moscow
Somerset Strogino
(Opening 2009)

SPAIN
Reservations: 902 200 699
(Within Spain)

Barcelona
Citadines Barcelona Ramblas
Ramblas 122
08002 Barcelona, Spain

GULF REGION

BAHRAIN

Manama
Somerset Al Fateh
(Formally known as Somerset Juffair)
P.O. Box 15534
Adliya, Kingdom of Bahrain
(973-1) 781 1889

QATAR

Doha
Somerset West Bay
(Formally known as Somerset Corniche)
(Opening 2007)

UNITED ARAB EMIRATES
Reservations: (971-4) 404 9452

Dubai
Somerset Jadaf
P.O. Box 122161
Dubai, United Arab Emirates
(971-4) 324 6111

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 27th Annual General Meeting of THE ASCOTT GROUP LIMITED will be held at STI Auditorium, Level 9, Capital Tower, 168 Robinson Road, Singapore 068912 on Thursday, 26 April 2007 at 10.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the audited accounts for the year ended 31 December 2006 and the Reports of the Directors and the Auditors thereon.

2. To declare a total dividend of 6.0 cents per share for the year ended 31 December 2006 comprising a first and final one-tier tax-exempt dividend of 1.2 cents per share as well as a one-tier tax-exempt bonus dividend of 4.8 cents per share.

3. To approve Directors' fees of S$579,993 for the year ended 31 December 2006 (2005: S$459,528).

4. To re-appoint Mr Lim Chin Beng, a Director retiring under Section 153(6) of the Companies Act, Chapter 50 of Singapore, to hold office from the date of this Annual General Meeting until the next Annual General Meeting.

5. To re-appoint Ms Jennie Chua Kheng Yeng, a Director retiring under Article 74 of the Company's Articles of Association.

6. To re-appoint the following Directors retiring by rotation under Article 102 of the Company's Articles of Association:

   i) Mr Richard E Hale
   ii) Mr Lim Jit Poh

   To record the retirement of Mr Wong Chin Huat, David, a Director retiring pursuant to Article 102 of the Company's Articles of Association, who has decided not to seek re-election.

7. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   That pursuant to Article 77 of the Company's Articles of Association, Mr Dilhan Pillay Sandrasegara be and is hereby appointed as a Director of the Company with effect from 26 April 2007 to hold office until the next Annual General Meeting of the Company.

8. To re-appoint KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.

9. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

10. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

    "That authority be and is hereby given to the Directors of the Company to:

    a) offer and grant options in accordance with the provisions of the Ascott Share Option Plan ('ASOP'), and/or grant awards in accordance with the provisions of the Ascott Performance Share Plan ('APSP') and/or the Ascott Restricted Share Plan ('ARSP'); and

    b) allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of the options under the ASOP, and/or the vesting of awards under the APSP and/or the ARSP,

    provided that the aggregate number of shares to be issued pursuant to the ASOP, the APSP and the ARSP does not exceed 15% of the issued share capital of the Company from time to time."

AS SPECIAL BUSINESS *(cont'd)*

11. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"That authority be and is hereby given to the Directors of the Company to:

a) i) issue shares in the capital of the Company ('shares') whether by way of rights, bonus or otherwise; and/or

ii) make or grant offers, agreements or options (collectively, 'Instruments') that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);

2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time of the passing of this Resolution, after adjusting for:

a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

b) any subsequent consolidation or subdivision of shares;

3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association for the time being of the Company; and

4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

Notice of Annual General Meeting

AS SPECIAL BUSINESS *(cont'd)*

12. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"That:

a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ('Chapter 9') of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are considered to be 'entities at risk' under Chapter 9, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions described in Appendix B of the Company's letter to shareholders dated 11 April 2007 (the 'Letter'), with any party who is of the classes of Interested Persons described in Appendix B of the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such Interested Person Transactions (the 'General Mandate');

b) the General Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the General Mandate and/or this Resolution."

By Order of the Board

HAZEL CHEW/DOREEN NAH
Joint Company Secretaries
11 April 2007
Singapore

NOTES :

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing the proxy must be lodged at the registered office of the Company at 8 Shenton Way #13-01, Temasek Tower, Singapore 068811 not less than 48 hours before the time set for the Meeting.

ADDITIONAL INFORMATION RELATING TO THE NOTICE OF THE 27TH ANNUAL GENERAL MEETING

Items 4, 5 & 6 – Re-appointment of Directors

Mr Lim Chin Beng, who is over 70 years of age, will hold office until the 27th Annual General Meeting and is proposed for re-appointment as a Director pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore.

Ms Jennie Chua Kheng Yeng who was appointed a Director of the Company on 16 January 2007, will hold office until the 27th Annual General Meeting and is proposed for re-appointment as a Director. Ms Chua is a member of the Executive Committee. She is a non-executive Director of the Company.

Mr Richard Edward Hale and Mr Lim Jit Poh are the Directors retiring by rotation at the forthcoming 27th Annual General Meeting, and, being eligible, have each offered himself for re-election.

- Mr Richard Edward Hale is the Chairman of the Nominating Committee, Chairman of the Corporate Disclosure Committee and a member of the Executive Resource & Compensation Committee. He is an independent non-executive Director of the Company.

- Mr Lim Jit Poh is the Chairman of the Audit Committee and the Executive Resource & Compensation Committee, as well as a member of the Executive Committee, the Nominating Committee and the Corporate Disclosure Committee. He is an independent non-executive Director of the Company.

Information on the above Directors can be found in the Annual Report 2006.

Item 10 – Authority to grant options and/or awards and to issue shares pursuant to the Ascott Share Option Plan (‘ASOP’), Ascott Performance Share Plan (‘APSP’) and Ascott Restricted Share Plan (‘ARSP’)

This resolution, if passed, will empower the Directors to offer and grant options under the ASOP, and/or grant awards under the APSP and/or the ARSP, and to allot and issue shares in the Company pursuant to the exercise of options and/or vesting of awards, provided that the aggregate number of shares to be issued shall not exceed 15% of the issued share capital of the Company from time to time. The ASOP was approved by shareholders at an Extraordinary General Meeting of the Company (‘EGM’) held on 23 October 2000 and modified at an EGM held on 18 April 2002 in conjunction with the approval by shareholders, at the EGM held on 18 April 2002, of the APSP and the ARSP.

Item 11 – General share issue mandate

This resolution, if passed, will empower the Directors from the date of this Meeting until the conclusion of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or the authority is varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to an amount not exceeding, in total, 50% of the issued share capital of the Company, of which up to 20% may be issued other than on a *pro-rata* basis to shareholders of the Company. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the issued share capital of the Company at the time that this resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that this resolution is passed and any subsequent consolidation or subdivision of shares.

Notice of Annual General Meeting

Item 12 – Renewal of general mandate for interested person transactions

This resolution, if passed, will renew effective up to the conclusion of the next Annual General Meeting of the Company (unless earlier revoked or varied by the Company in general meeting), the shareholders' mandate for general business transactions ('General Mandate') to enable the Company, its subsidiaries and associated companies which are considered 'entities at risk' to enter, in the ordinary course of business, into the types of mandated transactions with the specified classes of the Company's interested persons. The General Mandate, which was previously approved by shareholders at the 26th Annual General Meeting held on 20 April 2006, will be expiring at the 27th Annual General Meeting. Particulars of the General Mandate and the Audit Committee's confirmation (pursuant to Rule 920(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited) in respect of the proposed renewal of the General Mandate, are contained in the Company's letter to shareholders dated 11 April 2007.

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Proxy Form

IMPORTANT :
1. For investors who have used their CPF monies to buy THE ASCOTT GROUP LIMITED shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ____ (Name)

of ____ (Address)

being a member/members of The Ascott Group Limited (the "Company") hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of my/our Shareholding (%)	
			Number of shares	%

and / or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of my/our Shareholding (%)	
			Number of shares	%

as my/our proxy/proxies to vote for me/us on my/our behalf, at the 27th Annual General Meeting of the Company, to be held at STI Auditorium, Level 9, Capital Tower, 168 Robinson Road, Singapore 068912 on Thursday, 26 April 2007 at 10.00 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

		To be used on a show of hands		To be used in the event of a poll	
No.	Resolutions relating to	For*	Against*	Number of Votes For**	Number of Votes Against**
	ORDINARY BUSINESS				
1.	Adoption of Accounts and Reports				
2.	Declaration of Dividends				
3.	Approval of Directors' Fees				
4.	Re-appointment of Mr Lim Chin Beng as Director				
5.	Re-appointment of Ms Jennie Chua Kheng Yeng as Director				
6(i).	Re-election of Mr Richard Edward Hale as Director				
6(ii).	Re-election of Mr Lim Jit Poh as Director				
7.	Appointment of Mr Dilhan Pillay Sandrasegara as Director				
8.	Re-appointment of Auditors				
9.	Any Other Ordinary Business				
	SPECIAL BUSINESS				
10.	Authority for Directors to offer and grant options and/or awards, and to allot and issue shares pursuant to the Ascott Share Option Plan, the Ascott Performance Share Plan and the Ascott Restricted Share Plan				
11.	Approval of Share Issue Mandate				
12.	Renewal of General Mandate for Interested Person Transactions				

* Please indicate your vote "For" or "Against" with a tick " ✔ " within the box provided.

** If you wish to exercise all your votes "For" or "Against", please indicate with a tick " ✔ " within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ______________ day of ______________ 2007.

Shares held in:	Number of Shares
i. Depository Register	
ii. Register of Members	
Total :	

____

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES ON REVERSE PAGE

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Please Affix
Postage Stamp

THE COMPANY SECRETARY
The Ascott Group Limited
8 Shenton Way
#13-01 Temasek Tower
Singapore 068811

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NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares entered against your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 8 Shenton Way #13-01, Temasek Tower, Singapore 068811 not less than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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