

# Financial Review

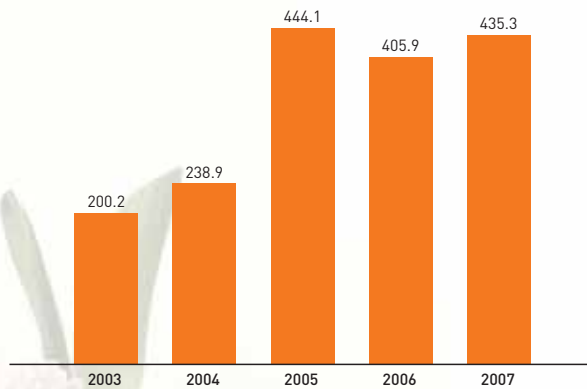
## FINANCIAL HIGHLIGHTS Group Financial Summary

S\$ M	2003	2004	2005	2006	2007
<b>INCOME STATEMENT</b>					
Revenue	200.2	238.9	444.1	405.9	<b>435.3</b>
Operating EBITDA*	64.5	70.8	135.4	114.4	<b>117.3</b>
Profit before tax	35.8	64.6	67.5	230.0	<b>234.9</b>
Profit after tax & minority interest	18.5	51.8	41.9	163.6	<b>177.3</b>
<b>BALANCE SHEET</b>					
Total assets	2,162.8	2,491.5	2,781.0	2,315.9	<b>2,581.6</b>
Net borrowing/(cash)					
Current	114.6	413.0	239.5	105.1	<b>(190.3)</b>
Non-current	445.3	355.7	779.0	493.6	<b>816.3</b>
	559.9	768.7	1,018.5	598.7	<b>626.0</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	310.3	311.0	314.4	264.4	<b>268.4</b>
Reserves	931.7	923.4	952.7	808.5	<b>902.9</b>
	1,242.0	1,234.4	1,267.1	1,072.9	<b>1,171.3</b>
Minority interest	95.9	115.7	126.0	57.6	<b>30.5</b>
<b>FINANCIAL RATIOS</b>					
Return on equity (%)	1.5	4.2	3.4	14.0	<b>15.8</b>
Return on total assets (%)	2.2	3.7	3.9	8.1	<b>9.2</b>
Net debt equity ratio	0.42	0.57	0.73	0.53	<b>0.52</b>
Interest cover (times)	4.1	5.1	2.9	10.9	<b>8.7</b>

Note: Certain figures for prior years were re-stated to conform with current year classification and/or formulae.

\* Operating EBITDA is defined as profit before tax excluding financing cost, depreciation, amortisation and net portfolio gains.

### Group Revenue (S\$'M)



Increase mainly attributable to improved contributions from existing and new properties.

### Return on Equity and Return on Total Assets (%)



Increase attributable to higher portfolio gains in 2007.

### Group Profit Attributable to Shareholders (S\$'M)



Higher portfolio gains recorded in 2007. Net profit from operating assets remained strong at S\$52.5 million vs S\$41.9 million in 2006 despite the divestment of six properties in 2007.

### Shareholders' Equity and Total Assets (S\$'B)



Total assets increased mainly due to investment growth in China and new markets.

## OVERVIEW

2007 marked another important chapter in the history of Ascott. The Group achieved a record net profit of S\$177.3 million, surpassing the previous record in 2006 by 8%. This was achieved on the back of stronger profit from the Group's operating assets and higher portfolio gains from asset divestment and revaluation, even as the Group incurred more expenses for asset development.

The financial year also saw the Group demonstrating its proactive financial management with the successful launch of the Ascott China Fund (ACF). ACF is a closed-end private equity real estate fund dedicated to investing primarily in selected regional cities in China with strong growth potential. It was very well received with many eager investors wanting to partake in the Group's success in China. The Fund closed with a capital commitment of US\$500 million, of which the Group has a 33% stake. Essentially, ACF takes over Ascott's role of incubating properties in China. This provides a capital-efficient vehicle for the Group to expand its presence quickly in China without the need for significant capital commitments.

The establishment of ACF complements the earlier financial initiative in 2006, which was the creation of Ascott Residence Trust (ART), the world's first pan-Asian serviced residence real estate investment trust (REIT). Since its listing in Singapore in 2006, ART has acquired properties in Melbourne in Australia, Tianjin in China, Tokyo in Japan, Manila in the Philippines and Ho Chi Minh City in Vietnam. This brings ART's portfolio to 36 properties with 3,461 units in 10 cities across seven countries. With ACF as an incubator and ART as an acquisition platform, the Group has transformed its overall business model into a capital-efficient and integrated platform to facilitate its growth plans, as well as to capture the full serviced residence value chain.

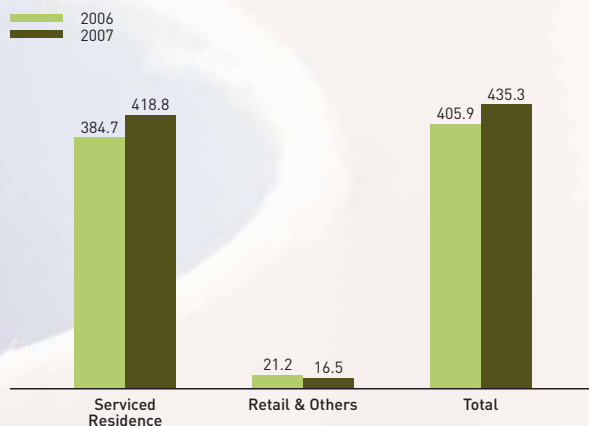
The Group also actively manages its portfolio and re-allocates capital by divesting mature assets and re-investing the funds into higher-yielding assets. In 2007, the Group achieved net divestment gains of S\$112.8 million, mainly from the divestment of The Masters Golf & Country Club in China, Hotel Asia in Singapore and Somerset Bayswater in the United Kingdom. The proceeds were re-invested in China, Germany, India, Japan, Russia, Singapore and the United Kingdom with investment commitment of about S\$576 million. The Group charted new frontiers by securing management contracts in new markets such as Georgia, Kazakhstan and Russia, as well as in Japan, Thailand and Vietnam where it has an established operating record. In total, seven management contracts were secured.

Of the new investments and management contracts secured, close to 1,500 serviced residence units were situated in new cities, further extending the Group's global footprint. As at December 2007, the Group's portfolio count surpassed the 20,000-unit mark to reach 20,449 units.

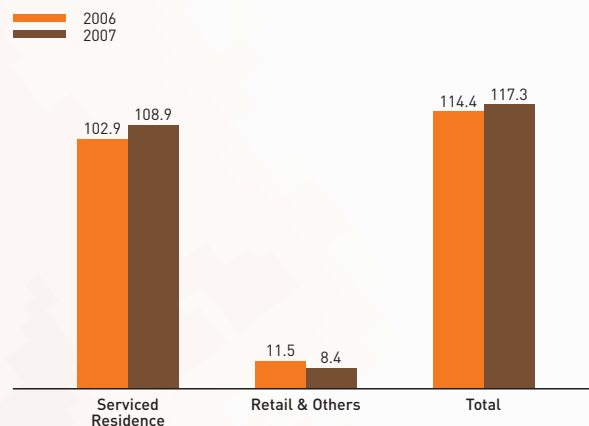
At the operating level, profit from operating assets rose 25% to S\$52.5 million in 2007 compared to the year before, reflecting the buoyant economic environment and strong foreign direct investments in the markets where the Group operates. Consequently, the Group experienced growth in revenue per available unit (RevPAU) across most geographical regions, which also translated positively to higher fee-based income from management contracts and the management of ART and ACF.

In summary, the record net profit of S\$177.3 million for 2007 was underpinned by significant portfolio gains unlocked from the Group's asset divestments, as well as from unrealised revaluation gains from investment properties which still remain within the Group. The robust performance from its operating assets continued to provide a stable earnings platform as the Group sought opportunistic growth through asset development and incubation. The Group's financial position remained strong, with a healthy operating cash flow generation of S\$88.1 million, debt-equity ratio at 0.52 and interest cover of 8.7 times.

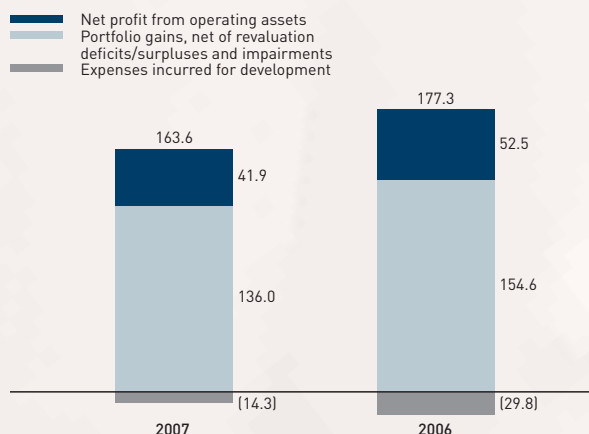
### Revenue by Business Segment (S\$'M)



### Operating EBITDA by Business Segment (S\$'M)



### Net Profit (S\$'M)



## REVENUE

The Group recorded total revenue of S\$435.3 million for 2007, an increase of 7% over that of 2006. This increase was underpinned by overall RevPAU growth of S\$5 from S\$125 in 2006 to S\$130 in 2007, as well as higher fee-based income, which includes serviced residence management fees, REIT and fund management fees. Serviced residence revenue contributed about 96% of total group revenue as the Group has successfully been phasing out the remaining non-serviced residence operations over the years.

## EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

In tandem with the higher revenue, operating EBITDA for 2007 at S\$117.3 million grew by 3% over 2006 on the back of better operating performance from the Group's serviced residence operations and higher fee-based income.

# Balance Sheet

As at 31 Dec 2007

	2007 S\$'000	Group 2006 S\$'000
<b>Non-Current Assets</b>		
Property, plant and equipment	1,541,736	1,411,857
Intangible assets	25,077	24,084
Investment property	50,947	48,681
Properties under development	11,339	121,387
Interest in		
– associates	305,382	183,279
– jointly controlled entities	83,798	56,254
Other financial assets	2,199	2,866
Deferred tax assets	22,535	21,153
Other receivables	2,425	1,569
	<b>2,045,438</b>	<b>1,871,130</b>
<b>Current Assets</b>		
Properties held for sale, at cost	10,200	9,230
Inventories	189	356
Trade and other receivables	166,267	160,683
Cash and bank balances	359,555	274,481
	<b>536,211</b>	<b>444,750</b>
<b>Total Assets</b>	<b>2,581,649</b>	<b>2,315,880</b>
<b>Equity Attributable to Equity Holders of the Company</b>		
Share capital	268,464	264,367
Reserves	902,883	808,510
	<b>1,171,347</b>	<b>1,072,877</b>
Minority interests	30,485	57,559
<b>Total Equity</b>	<b>1,201,832</b>	<b>1,130,436</b>
<b>Non-Current Liabilities</b>		
Financial liabilities	797,451	493,630
Amounts due to minority shareholders of subsidiaries	2,865	3,905
Deferred income	–	7,811
Deferred tax liabilities	17,937	17,105
	<b>818,253</b>	<b>522,451</b>
<b>Current Liabilities</b>		
Trade and other payables	253,887	205,891
Financial liabilities	195,133	381,202
Current tax payable	112,544	75,900
	<b>561,564</b>	<b>662,993</b>
<b>Total Liabilities</b>	<b>1,379,817</b>	<b>1,185,444</b>
<b>Total Equity and Liabilities</b>	<b>2,581,649</b>	<b>2,315,880</b>

# Consolidated Income Statement

Year ended 31 Dec 2007

	2007 S\$'000	Group 2006 S\$'000
Revenue	435,277	405,866
Cost of sales	(310,669)	(287,651)
<b>Gross Profit</b>	<b>124,608</b>	118,215
Other operating income	3,307	5,294
Administrative expenses	(55,307)	(49,125)
Other operating expenses	(2,260)	(1,901)
Profit from operations	70,348	72,483
Share of results of associates and jointly controlled entities	59,057	1,208
Comprising:		
Share of operating results	5,401	1,347
Share of non-operating results	56,915	1,997
Share of tax	(3,259)	(2,136)
Non-operating income (net)	134,491	183,206
Exchange gains (net)	6,302	499
Interest income	11,140	12,337
Finance costs	(46,436)	(39,723)
<b>Profit before tax</b>	<b>234,902</b>	230,010
Income tax expense	(55,196)	(64,260)
<b>Net Profit for the Year</b>	<b>179,706</b>	165,750
<b>Attributable to:</b>		
Equity holders of the Company	177,266	163,602
Minority interests	2,440	2,148
<b>Net Profit for the Year</b>	<b>179,706</b>	165,750