

UNAUDITED SECOND QUARTER FINANCIAL STATEMENT

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Notes	The Group					
		Second Quarter Ended 30 June			Six Months Ended 30 June		
		2010	2009	+ / (-)	2010	2009	+ / (-)
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue	A	78,399	65,801	19	155,856	132,320	18
Cost of sales ^(a)		(38,984)	(34,260)	14	(77,075)	(68,665)	12
Gross profit		39,415	31,541	25	78,781	63,655	24
Other income							
- Finance	B	929	675	38	1,765	1,367	29
- Miscellaneous		460	149	209	930	209	345
Expenses							
- Marketing and distribution		(3,807)	(3,563)	7	(7,589)	(7,096)	7
- Administrative ^(b)		(8,596)	(7,119)	21	(16,591)	(13,955)	19
- Finance	C	(2,549)	(1,114)	129	(3,355)	(1,585)	112
- Other operating ^(c)		(11,310)	(11,053)	2	(22,499)	(21,770)	3
Share of profit of associated companies		246	222	11	637	621	3
Profit before other gain, fair value adjustment and income tax		14,788	9,738	52	32,079	21,446	50
Fair value gain/(loss) on investment properties		4,757	(1,487)	420	4,757	(1,487)	420
Gain on liquidation of a subsidiary ^(d)		-	-	-	227	-	n.a.
Profit before income tax	D	19,545	8,251	137	37,063	19,959	86
Income tax expense	E	(4,726)	(2,075)	128	(8,882)	(2,383)	273
Total profit		14,819	6,176	140	28,181	17,576	60
Attributable to:							
Equity holders of the Company		14,474	5,887	146	27,187	16,876	61
Minority interests		345	289	19	994	700	42
		14,819	6,176	140	28,181	17,576	60

1(a)(ii) Notes to the Income Statement

	The Group			The Group		
	Second Quarter Ended 30 June			Six Months Ended 30 June		
	2010	2009	+ / (-)	2010	2009	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
A Revenue						
Hotel ownership	69,390	59,434	17	138,526	119,884	16
Hotel management services	3,812	3,339	14	8,179	6,608	24
Property investments	4,456	2,886	54	8,410	5,686	48
Dividend income	741	142	422	741	142	422
	78,399	65,801	19	155,856	132,320	18
B Finance income						
Interest income	929	675	38	1,765	1,116	58
Foreign exchange gain (net)	-	-	-	-	251	(100)
	929	675	38	1,765	1,367	29
C Finance expense						
Interest expense	738	957	(23)	1,462	1,585	(8)
Foreign exchange loss (net) ^(e)	1,811	157	nm	1,893	-	n.a.
	2,549	1,114	129	3,355	1,585	112
D Profit before income tax						
Profit before income tax is stated after charging :						
Depreciation and amortisation ^(a)	8,153	7,623	7	16,229	14,768	10
E Income tax expense						
Tax expense attributable to profit is made up of:						
Current income tax						
. Singapore	1,679	929	81	3,086	1,740	77
. Foreign	2,213	1,345	65	4,966	2,883	72
Deferred income tax	751	(199)	477	747	(79)	n.m.
	4,643	2,075	124	8,799	4,544	94
Effect of change in tax rate on deferred taxation						
- Singapore	-	-	-	-	(2,161)	(100)
Underprovision of tax in prior years						
- Current income tax	32	-	-	32	-	n.a.
- Deferred income tax	51	-	-	51	-	n.a.
	4,726	2,075	128	8,882	2,383	273

1(a)(ii) Notes to the Income Statement (Cont'd)

Explanatory notes

- (a) The increase in cost of sales was in line with higher revenue and higher depreciation charge arising from completion of the 99 rooms extension at Pan Pacific Suzhou and the upgrading works at PARKROYAL Serviced Suites in 2009.
- (b) The increase in administrative expenses was in line with higher revenue and higher payroll costs as a result of annual increments and the lifting of hiring freeze.

- (c) Included in other operating expenses are the following:

	<u>6M2010</u>	<u>6M2009</u>	<u>+ / (-)</u>
	\$'000	\$'000	%
Property tax	3,032	2,561	18
Repairs and maintenance	6,120	5,649	8
Heat, light and power	8,072	7,140	13
Management fees paid to third-party hotel operators	1,917	1,812	6

- (d) The member's voluntary liquidation of a wholly-owned subsidiary, HPL Overseas Investments Pte Ltd was finalised in January 2010.
- (e) The exchange loss arose mainly from the repayment of US dollar-denominated shareholder loans by subsidiaries. These loans are deemed to be part of the Company's investments in the subsidiaries and movement in currency translation are taken to equity. These exchange differences are transferred from equity and recognised in the Group's income statement upon realisation, i.e. when repayments are made by the subsidiaries.

1(a)(iii) Statements of Comprehensive Income

	The Group					
	Second Quarter Ended 30 June			Six Months Ended 30 June		
	2010	2009	+ / (-)	2010	2009	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Total profit	14,819	6,176	140	28,181	17,576	60
Other comprehensive income:						
- Fair value (losses)/gains on available-for-sale financial assets	(1,730)	2,346	(174)	(1,483)	1,235	(220)
- Fair value gain/(loss) on cash flow hedge	50	11	355	(113)	247	(146)
- Currency translation differences arising from consolidation of foreign operations and translation of foreign currency loans ^(a)	(8,256)	9,867	(184)	(1,498)	24,895	(106)
- Change in tax rate	-	-	-	-	162	(100)
	(9,936)	12,224	(181)	(3,094)	26,539	(112)
Total comprehensive income	4,883	18,400	(73)	25,087	44,115	(43)
Attributable to:						
Equity holders of the Company	6,174	15,497	(60)	24,894	39,180	(36)
Minority interests	(1,291)	2,903	(144)	193	4,935	(96)
	4,883	18,400	(73)	25,087	44,115	(43)

Note

- (a) The currency translation loss arose mainly from the translation of the net assets of the Group's subsidiaries in Australia and Malaysia.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Notes	The Group		The Company	
		30.06.10	31.12.09	30.06.10	31.12.09
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current Assets					
Cash and bank balances		92,540	93,117	6,091	9,632
Trade and other receivables		20,843	19,991	26,944	36,505
Advance to holding company	a.	45,611	55,662	45,611	55,662
Inventories		2,570	2,580	264	280
Other assets		3,968	3,332	483	221
		<u>165,532</u>	<u>174,682</u>	<u>79,393</u>	<u>102,300</u>
Non-current Assets					
Trade and other receivables	b.	-	-	137,865	257,102
Available-for-sale financial assets		16,550	18,032	16,550	18,032
Associated companies		7,528	6,954	9,820	9,820
Subsidiaries	b.	-	-	324,641	201,819
Investment properties	c.	160,238	155,481	160,238	155,481
Property, plant and equipment		482,671	491,716	42,255	41,484
Property under construction		257,881	248,122	-	-
Intangibles		26,875	27,200	-	204
Deferred income tax assets		3,213	3,330	-	-
		<u>954,956</u>	<u>950,835</u>	<u>691,369</u>	<u>683,942</u>
Total Assets		<u>1,120,488</u>	<u>1,125,517</u>	<u>770,762</u>	<u>786,242</u>
LIABILITIES					
Current Liabilities					
Trade and other payables		49,341	54,273	7,170	9,255
Current income tax liabilities		17,910	14,848	5,810	6,553
Borrowings		8,058	6,087	-	-
Loans from a subsidiary		-	-	-	4,653
		<u>75,309</u>	<u>75,208</u>	<u>12,980</u>	<u>20,461</u>
Non-current Liabilities					
Derivative financial instruments		575	439	-	-
Borrowings		168,127	176,031	-	-
Loans from subsidiaries		-	-	106,776	106,663
Rental deposits		2,961	2,882	2,820	2,715
Provision for retirement benefits		2,503	2,316	-	-
Deferred income tax liabilities		48,949	48,222	31,380	30,572
		<u>223,115</u>	<u>229,890</u>	<u>140,976</u>	<u>139,950</u>
Total Liabilities		<u>298,424</u>	<u>305,098</u>	<u>153,956</u>	<u>160,411</u>
Net Assets		<u>822,064</u>	<u>820,419</u>	<u>616,806</u>	<u>625,831</u>
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital		557,333	557,333	557,333	557,333
Reserves	d.	19,985	22,278	30,564	32,046
Retained earnings		217,053	210,866	28,909	36,452
		<u>794,371</u>	<u>790,477</u>	<u>616,806</u>	<u>625,831</u>
Interests of the Shareholders		<u>794,371</u>	<u>790,477</u>	<u>616,806</u>	<u>625,831</u>
Minority Interests		27,693	29,942	-	-
Total Equity		<u>822,064</u>	<u>820,419</u>	<u>616,806</u>	<u>625,831</u>

1(b)(i) Notes to the Balance Sheet

a. Advance to holding company

Fund which exceeds the Group's current requirement is on-lent to the holding company, UOL Group Limited at the same rate of interest as the bank loan of a subsidiary.

b. Trade and other receivables / Subsidiaries

The increase in interest in subsidiaries was due mainly to the capitalisation of \$125 million in shareholder's loans to Hotel Plaza Property (Singapore) Pte. Ltd., the company developing the Upper Pickering Project.

c. Investment properties

Investment properties are carried at fair values as determined by independent professional valuers. It is the practice of the Group to revalue its investment properties on a half yearly basis on 30 June and 31 December.

d. Reserves

Reserves comprised the following:

	The Group		The Company	
	30.06.10 \$'000	31.12.09 \$'000	30.06.10 \$'000	31.12.09 \$'000
Fair value reserve	5,974	7,456	5,974	7,456
Asset revaluation reserve	23,070	23,070	24,590	24,590
Currency translation reserves ^(a)	(8,582)	(7,884)	-	-
Hedging reserve ^(b)	(477)	(364)	-	-
	<u>19,985</u>	<u>22,278</u>	<u>30,564</u>	<u>32,046</u>

(a) The movement in currency translation reserves resulted primarily from the translation of the net assets of the Group's subsidiaries in Australia and Malaysia.

(b) The hedging reserve arose from a subsidiary's SGD interest rate swap to hedge floating rate payments on borrowings of \$40 million that will mature in October 2011. The interest rate swap terminates on the same date.

1(b)(ii) Aggregate amount of group's borrowings and debt securities

	As At 30.06.10		As At 31.12.09	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable in one year or less, or on demand	8,058	-	6,087	-
Amount repayable after one year	169,614	-	177,709	-

Details of any collateral

The bank borrowings are secured by mortgages on the borrowing subsidiaries' hotel properties or property under development and/or assignment of all rights and benefits with respect to the properties.

- 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Cash Flow Statement for the Second Quarter Ended 30 June

	<u>Notes</u>	<u>Group</u>	
		<u>2nd Qtr</u>	<u>2nd Qtr</u>
		<u>2010</u>	<u>2009</u>
		<u>\$'000</u>	<u>\$'000</u>
Cash flows from operating activities			
Total profit		14,819	6,176
Adjustments for :			
Income tax expense		4,726	2,075
Depreciation and amortisation		8,153	7,623
Property, plant and equipment written off and net loss on disposals		42	318
Fair value (gain)/loss on investment properties		(4,757)	1,487
Interest income		(929)	(675)
Dividend income		(741)	(142)
Interest expense		738	957
Net provision for retirement benefits		91	73
Share of profit of associated companies		(246)	(222)
Unrealised translation (gain)/loss		(1,271)	3,609
Operating cash flow before working capital changes		20,625	21,279
Change in operating assets and liabilities			
Inventories		(64)	15
Receivables		3,809	2,388
Payables		(176)	(3,172)
Rental deposits		24	1,099
Cash generated from operations		24,218	21,609
Income tax paid		(3,770)	(2,900)
Retirement benefits paid		(41)	(12)
Net cash from operating activities		20,407	18,697
Cash flows from investing activities			
Advance to holding company		(2,700)	-
Repayment of advances from holding company		20,825	-
Repayment of loans from associated company		-	2,579
Net proceeds from disposal of property, plant and equipment		39	57
Purchase of property, plant and equipment		(3,914)	(4,602)
Expenditure on property under construction		(4,916)	(2,426)
Interest received		971	675
Dividend received		741	1,898
Payment to minority shareholders for purchase of shares in a subsidiary		(2,475)	-
Net cash from/(used in) investing activities		8,571	(1,819)
Cash flows from financing activities			
Repayment of borrowings		(4,410)	(2,038)
Repayment from holding company		-	26,274
Interest paid		(973)	(1,977)
Dividends paid to shareholders of Pan Pacific Hotels Group Limited		(21,000)	(24,000)
Net cash used in financing activities		(26,383)	(1,741)
Net increase in cash and cash equivalents		2,595	15,137
Cash and cash equivalents at 1 April		89,945	55,098
Cash and cash equivalents at 30 June	1(c) i.	92,540	70,235

1(c) Notes to the Consolidated Cash Flow Statement

i. Cash and cash equivalents

For the purposes of the consolidated cash flow statement, the consolidated cash and cash equivalents at the end of the quarter comprised the following :

	<u>The Group</u>	
	<u>30.06.10</u>	<u>30.06.09</u>
	\$'000	\$'000
Bank, cash balances and deposits (as stated in Balance Sheet)	92,540	70,235
Less : Bank overdrafts	-	-
Cash and cash equivalents per consolidated cash flow statement	<u>92,540</u>	<u>70,235</u>

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Changes in Equity for the Second Quarter Ended 30 June

	<u>Share Capital</u>	<u>Reserves</u>	<u>Retained Earnings</u>	<u>Minority Interests</u>	<u>Total Equity</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>The Group</u>					
<u>2010</u>					
Balance at 1 April 2010	557,333	28,285	223,579	31,426	840,623
Total comprehensive income for the period	-	(8,300)	14,474	(1,291)	4,883
Dividends paid	-	-	(21,000)	-	(21,000)
Acquisition of balance 5% minority interests in a subsidiary	-	-	-	(2,442)	(2,442)
Balance at 30 June 2010	<u>557,333</u>	<u>19,985</u>	<u>217,053</u>	<u>27,693</u>	<u>822,064</u>
<u>2009</u>					
Balance at 1 April 2009	557,333	3,615	206,543	25,495	792,986
Total comprehensive income for the period	-	9,610	5,887	2,903	18,400
Dividends paid	-	-	(24,000)	-	(24,000)
Balance at 30 June 2009	<u>557,333</u>	<u>13,225</u>	<u>188,430</u>	<u>28,398</u>	<u>787,386</u>
<u>The Company</u>					
<u>2010</u>					
Balance at 1 April 2010	557,333	32,294	42,294	-	631,921
Total comprehensive income for the period	-	(1,730)	7,615	-	5,885
Dividends paid	-	-	(21,000)	-	(21,000)
Balance at 30 June 2010	<u>557,333</u>	<u>30,564</u>	<u>28,909</u>	<u>-</u>	<u>616,806</u>
<u>2009</u>					
Balance at 1 April 2009	557,333	25,871	40,535	-	623,739
Total comprehensive income for the period	-	2,347	3,941	-	6,288
Dividends paid	-	-	(24,000)	-	(24,000)
Balance at 30 June 2009	<u>557,333</u>	<u>28,218</u>	<u>20,476</u>	<u>-</u>	<u>606,027</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

NIL

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	<u>30.06.10</u>	<u>31.12.09</u>
	'000	'000
Total number of issued shares, excluding treasury shares	<u>600,000</u>	<u>600,000</u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

NIL

2 Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have neither been audited nor reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed under note 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those of the Group's most recently audited financial statements for the year ended 31 December 2009.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change

The Group adopted the new/revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are applicable for the financial period beginning on or after 1 January 2010. The following are the new or amended FRS that are relevant to the Group:

Amendment to FRS 39	Financial Instruments : Recognition and Measurement - Eligible Hedged Items
INT FRS 117	Distributions of Non-Cash Assets to Owners
INT FRS 118	Transfer of Assets from Customers
FRS 27 (Revised)	Consolidated and Separate Financial Statements
FRS 103 (Revised)	Business Combinations

The adoption of the above FRS and INT FRS did not result in any substantial change to the Group's accounting policies nor any significant impact on the financial statements.

- 6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	2010	2009
Earnings per ordinary share for the second quarter ended 30 June		
(i) Based on weighted average number of ordinary shares in issue ^(a)	cents 2.41	cents 0.98
(ii) On a fully diluted basis ^(b)	cents 2.41	cents 0.98
<u>Notes</u>		
(a) Weighted average number of ordinary shares in issue during the period (in '000)	600,000	600,000
(b) Diluted earnings per share are the same as basic earnings per share as there is no potential dilutive ordinary shares.		

- 7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	30.06.10	31.12.09	30.06.10	31.12.09
Net asset value per ordinary share	\$1.32	\$1.32	\$1.03	\$1.04
Net tangible asset backing per ordinary share	\$1.28	\$1.27	\$1.03	\$1.04

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonable or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Group revenue in the second quarter 2010 increased by \$12.6 million or 19% to \$78.4 million from \$65.8 million achieved in the corresponding quarter of 2009. The increase was largely due to the better performance from the hotel ownership and property investment segments.

With the exception of the hotels in Parramatta, Penang and Suzhou, all the Group's hotels registered increase in revenue per available room ("RevPAR"). The increase in revenue from Hotel Ownership segment was also due to the Australian dollar which had strengthened by 8% compared to the same quarter in 2009.

Revenue from property investment of \$4.5 million in the second quarter 2010 was 54% higher than the previous corresponding quarter in 2009 due to higher rental from the commercial properties and better performance of the Group's serviced suites at The Plaza.

Reflecting the better performance from all business segments, the Group's profit before other gain, fair value adjustment and income tax for the second quarter 2010 increased by \$5.1 million or 52% to \$14.8 million compared to \$9.7 million in the corresponding quarter of 2009.

During the second quarter of 2010, the Group recorded a fair value gain of \$4.8 million from its investment properties.

The Group's net attributable profit for second quarter 2010 was \$8.6 million or 146% higher than the profit of \$5.9 million in the corresponding quarter of 2009.

For the six months ended 30 June 2010, the Group's net attributable profit increased by \$10.3 million or 61% to \$27.2 million as compared to the profit of \$16.9 million in the corresponding period of 2009. The increase was due largely to better operating performance from all business segments, fair value gain on investment properties and partly offset by higher exchange loss and absence of deferred tax provision write-back.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

NIL.

10 A commentary at the date of this announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The tourism sector in Singapore and the region is expected to continue its growth and this should benefit the majority of the Group's hotels.

11 Dividend

(a) Current Financial Period Reported On

NIL.

(b) Corresponding Period of the Immediately Preceding Financial Year

NIL.

12 If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for the second quarter ended 30 June 2010.

CONFIRMATION BY DIRECTORS

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited consolidated financial results for the six months/second quarter ended 30 June 2010 to be false or misleading.

BY ORDER OF THE BOARD

Foo Thiam Fong Wellington
Company Secretary
6 August 2010

13 Interested Person Transactions for the Second Quarter Ended 30 June 2010

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	\$'000	\$'000
UOL Group Limited ("UOL")		
Advance to UOL	-	45,611
Interest received on advance to UOL	-	298
Management and corporate support services provided to the Pan Pacific Hotels Group by UOL		
- Share of payroll	-	446
- Administrative fee	-	21
UOL Claymore Investment Pte. Ltd.*		
Fees received for the franchise of hotel	-	209
UOL Somerset Investments Pte. Ltd.*		
Fees received for the management of serviced suites	-	246
Hua Ye Xiamen Hotel Limited*		
Fees received for the management of hotel	-	179
UOL Serviced Residences Sdn Bhd*		
Technical services fee	-	9
Hotel Marina City Pte Ltd**		
Fees received for the management of hotel	-	1,742
Kheng Leong Company (HK) Ltd ("KLC")^		
Acquisition from KLC of its remaining interest of 1,720,834 ordinary shares in Success City Pty Limited [#] pursuant to a put option agreement dated 29 April 2005	1,980	-

* These companies are subsidiaries of UOL, a controlling shareholder.

** This is an associated company of UOL.

^ KLC is an associate of Messrs Wee Cho Yaw, Wee Ee Chao and Wee Ee Lim, who are directors of the Company.

Success City Pty Limited ("SCPL") has a share capital consisting of 43,020,840 ordinary shares. Prior to the exercise of the put option by KLC, the Company has a 95% shareholding interest in SCPL.