



Second Quarter Financial Statement and Dividend Announcement for the Period Ended 30 June 2010

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

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

Consolidated Income Statement

	Note	3 months ended			6 months ended		
		30.6.10	30.6.09	+ / (-)	30.6.10	30.6.09	+ / (-)
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue	1	291,752	271,493	7	553,264	467,339	18
Cost of sales	2	(173,963)	(159,137)	9	(328,482)	(264,271)	24
Gross profit		117,789	112,356	5	224,782	203,068	11
Investment income		168	175	(4)	460	391	18
Other gains/(losses) - net		258	222	16	819	561	46
Selling and distribution costs		(6,135)	(4,269)	44	(10,894)	(8,481)	28
Administrative expenses		(4,903)	(4,922)	(0)	(11,695)	(9,794)	19
Finance expenses		(2,577)	(4,259)	(39)	(5,758)	(8,694)	(34)
Share of results of associated companies		8,351	8,512	(2)	13,607	20,518	(34)
Profit before fair value gain/loss on investment properties		112,951	107,815	5	211,321	197,569	7
Fair value gain/(loss) on investment properties	3	19,828	(526,144)	n.m.	19,828	(526,144)	n.m.
Profit/(Loss) before income tax	4	132,779	(418,329)	n.m.	231,149	(328,575)	n.m.
Income tax (expense)/credit	5	(21,593)	71,252	n.m.	(37,683)	87,947	n.m.
Net profit/(loss)		111,186	(347,077)	n.m.	193,466	(240,628)	n.m.
Attributable to:							
Owners of the parent		79,142	(251,754)	n.m.	138,640	(178,252)	n.m.
Minority interests		32,044	(95,323)	n.m.	54,826	(62,376)	n.m.
		111,186	(347,077)	n.m.	193,466	(240,628)	n.m.

The above net profit/(loss) attributable to owners of the parent can be analysed as follows:

Net profit from operations	68,085	63,067	8	127,583	116,420	10
Net fair value gain/(loss) on investment properties held by subsidiary and associated companies	11,057	(314,821)	n.m.	11,057	(294,672)	n.m.
Net attributable profit/(loss)	79,142	(251,754)	n.m.	138,640	(178,252)	n.m.

n.m. - not meaningful

Consolidated Statement of Comprehensive Income

	3 months ended		6 months ended	
	30.6.10	30.6.09	30.6.10	30.6.09
	\$'000	\$'000	\$'000	\$'000
Net profit/(loss)	111,186	(347,077)	193,466	(240,628)
Other comprehensive income/(expense) taken directly to equity:				
Net exchange differences on translation of financial statements of foreign entities	902	(7,137)	694	996
Effect of reduction in deferred income tax liability on asset revaluation reserve	-	-	-	1,629
	902	(7,137)	694	2,625
Total comprehensive income/(expense)	112,088	(354,214)	194,160	(238,003)
Total comprehensive income/(expense) attributable to:				
Owners of the parent	79,754	(255,893)	139,101	(177,004)
Minority interests	32,334	(98,321)	55,059	(60,999)
	112,088	(354,214)	194,160	(238,003)

Certain comparative figures have been reclassified to conform with the current year's presentation.

Notes to the income statement

	3 months ended		6 months ended	
	30.6.10	30.6.09	30.6.10	30.6.09
	\$'000	\$'000	\$'000	\$'000
1. Revenue				
Gross rental income	74,714	77,281	149,022	154,197
Gross revenue from hotel operations	31,080	20,641	57,547	41,902
Sale of properties held for sale	166,569	156,110	307,987	236,738
Gross revenue from information technology operations	17,293	15,315	34,560	30,258
Car parking income and property management fees	2,096	2,146	4,148	4,244
	291,752	271,493	553,264	467,339
2. Cost of sales				
Property operating expenses	17,525	18,772	34,915	39,126
Cost of sales from hotel operations	21,243	14,180	41,705	28,491
Cost of properties held for sale sold	119,964	112,699	221,670	170,198
Cost of sales from information technology operations	15,231	13,486	30,192	26,456
	173,963	159,137	328,482	264,271
3. This relates to the valuation by independent professional valuers of investment properties held by subsidiary companies as at 30 June.				
4. Profit/(Loss) before income tax				
Profit/(Loss) before income tax is stated after charging:				
Depreciation	4,564	2,916	8,541	5,822
5. Income tax (expense)/credit				
Income tax (expense)/credit includes the following:				
(Provision for)/Write-back of deferred income tax liability attributable to the fair value gain/loss on investment properties held by subsidiary companies	(3,376)	88,734	(3,376)	88,734
One-time write-back of deferred income tax liability resulting from reduction in corporate tax rate from 18% to 17%				
- attributable to investment properties	-	-	-	28,481
- attributable to accelerated tax depreciation and deferred taxable development profits	-	-	-	2,162

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.

	Note	Group		Company	
		30.6.10	31.12.09	30.6.10	31.12.09
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-current assets					
Other receivables	1	4,257	16,029	926,394	1,101,233
Financial assets, available-for-sale		12,045	12,045	-	-
Investment in associated companies		209,564	220,138	-	-
Investment in subsidiary companies		-	-	1,227,519	1,227,519
Investment properties		4,620,500	4,597,500	-	-
Property, plant and equipment		502,261	493,071	140	153
		<u>5,348,627</u>	<u>5,338,783</u>	<u>2,154,053</u>	<u>2,328,905</u>
Current assets					
Cash and cash equivalents		189,006	162,599	668	805
Properties held for sale	2	476,311	892,186	-	-
Trade and other receivables	2	213,747	45,712	361	250
Inventories, at cost		2,964	1,727	-	-
		<u>882,028</u>	<u>1,102,224</u>	<u>1,029</u>	<u>1,055</u>
Total assets		6,230,655	6,441,007	2,155,082	2,329,960
LIABILITIES					
Current liabilities					
Trade and other payables		186,644	195,700	1,320	3,060
Current income tax liabilities	3	121,467	49,518	657	724
Borrowings		526,404	657,545	373,281	516,293
		<u>834,515</u>	<u>902,763</u>	<u>375,258</u>	<u>520,077</u>
Non-current liabilities					
Trade and other payables		68,494	107,895	30,396	16,697
Borrowings		283,240	418,295	-	-
Deferred income tax liabilities	3	419,153	475,936	-	-
		<u>770,887</u>	<u>1,002,126</u>	<u>30,396</u>	<u>16,697</u>
Total liabilities		1,605,402	1,904,889	405,654	536,774
NET ASSETS		4,625,253	4,536,118	1,749,428	1,793,186
EQUITY					
Equity attributable to owners of the parent					
Share capital		1,400,927	1,400,927	1,400,927	1,400,927
Reserves		1,767,347	1,658,498	348,501	392,259
		<u>3,168,274</u>	<u>3,059,425</u>	<u>1,749,428</u>	<u>1,793,186</u>
Minority interests		1,456,979	1,476,693	-	-
TOTAL EQUITY		4,625,253	4,536,118	1,749,428	1,793,186

Notes to the balance sheet

1. The Company's other receivables, comprising mainly amounts due from subsidiary companies, decreased due to repayment of loans and intercompany funding.
2. The decrease in properties held for sale and increase in trade and other receivables was due mainly to higher progress billings for the Grand Duchess and One Amber residential property projects following their completion in the quarter ended 30 June 2010.
3. The increase in current income tax liabilities and decrease in deferred income tax liabilities was due mainly to transfer of deferred income tax liabilities on development profits upon completion of certain projects.

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

Amount repayable in one year or less, or on demand

At 30.6.10		At 31.12.09	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
-	526,404	-	657,545

Amount repayable after one year

At 30.6.10		At 31.12.09	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
211,740	71,500	269,295	149,000

Details of any collateral

The \$211.7 million (31 December 2009: \$269.3 million) loans are secured by way of mortgages over certain property development projects.

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

	3 months ended	
	30.6.10	30.6.09
	\$'000	\$'000
Cash flows from operating activities		
Profit/(Loss) before income tax	132,779	(418,329)
Adjustments for profit	(21,328)	516,896
Working capital changes	216,651	(48,573)
Interest paid	(4,060)	(6,677)
Income tax paid	(14,861)	(16,627)
Net cash provided by operating activities	309,181	26,690
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,030)	(879)
Purchase of shares from minority shareholders	(32,348)	-
Upgrading of investment properties	(2,471)	(2,321)
Repayment of loan by associated company	10,940	-
Dividends received from associated companies	22,851	4,300
Interest received	1,051	107
Net cash (used in)/provided by investing activities	(10,007)	1,207
Cash flows from financing activities		
(Repayment of)/Proceeds from borrowings	(159,321)	37,975
Dividends paid to shareholders	(41,324)	(41,324)
Dividends paid to minority shareholders	(25,350)	(25,566)
Net cash used in financing activities	(225,995)	(28,915)
Net increase/(decrease) in cash and cash equivalents	73,179	(1,018)
Cash and cash equivalents at 1 April	115,827	117,846
Cash and cash equivalents at 30 June	189,006	116,828

- 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.

	Group		Company	
	30.6.10	30.6.09	30.6.10	30.6.09
	\$'000	\$'000	\$'000	\$'000
<u>Share capital</u>				
Balance at 1 April and 30 June	<u>1,400,927</u>	<u>1,400,927</u>	<u>1,400,927</u>	<u>1,400,927</u>
<u>Retained earnings</u>				
Balance at 1 April	1,684,775	1,856,505	388,508	386,959
Total comprehensive income/(expense)				
- net profit/(loss)	79,142	(251,754)	(1,117)	(1,265)
Effect of purchase of shares from minority shareholders	9,112	-	-	-
Dividends paid	(41,324)	(41,324)	(41,324)	(41,324)
Balance at 30 June	<u>1,731,705</u>	<u>1,563,427</u>	<u>346,067</u>	<u>344,370</u>
<u>Foreign currency reserve</u>				
Balance at 1 April	3,214	9,498	-	-
Total comprehensive income/(expense)				
- net exchange differences on translation	612	(4,139)	-	-
Balance at 30 June	<u>3,826</u>	<u>5,359</u>	<u>-</u>	<u>-</u>
<u>Share option reserve</u>				
Balance at 1 April	2,576	1,911	2,576	1,911
Value of employee services (employee share option scheme)	(142)	181	(142)	181
Balance at 30 June	<u>2,434</u>	<u>2,092</u>	<u>2,434</u>	<u>2,092</u>
<u>Asset revaluation reserve</u>				
Balance at 1 April and 30 June	<u>29,382</u>	<u>29,382</u>	<u>-</u>	<u>-</u>
<u>Minority interests</u>				
Balance at 1 April	1,491,455	1,650,626	-	-
Total comprehensive income/(expense)	32,334	(98,321)	-	-
Effect of purchase of shares from minority shareholders	(41,460)	-	-	-
Dividends paid	(25,350)	(25,566)	-	-
Balance at 30 June	<u>1,456,979</u>	<u>1,526,739</u>	<u>-</u>	<u>-</u>
<u>Total equity</u>				
Balance at 1 April	4,612,329	4,948,849	1,792,011	1,789,797
Total comprehensive income/(expense)	112,088	(354,214)	(1,117)	(1,265)
Value of employee services (employee share option scheme)	(142)	181	(142)	181
Effect of purchase of shares from minority shareholders	(32,348)	-	-	-
Dividends paid	(66,674)	(66,890)	(41,324)	(41,324)
Balance at 30 June	<u>4,625,253</u>	<u>4,527,926</u>	<u>1,749,428</u>	<u>1,747,389</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.**

There was no change in the Company's share capital for the three months ended 30 June 2010.

The following number of ordinary shares may be issued upon the exercise of the subscription rights in full by holders of options granted to executives of the Group under the "United Industrial Corporation Limited Share Option Scheme", approved at a shareholders' meeting in 2001:

	30.6.10	30.6.09
- 2007 Options granted at the exercise price of \$2.70 per share	2,118,000	2,418,000
- 2008 Options granted at the exercise price of \$2.91 per share	924,000	1,068,000
- 2009 Options granted at the exercise price of \$1.07 per share	648,000	760,000
- 2010 Options granted at the exercise price of \$2.03 per share	656,000	-
	<u>4,346,000</u>	<u>4,246,000</u>

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

	30.6.10	31.12.09
Total number of issued shares	<u>1,377,481,220</u>	<u>1,377,481,220</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.**

Not applicable.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

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

The same accounting policies and methods of computation as in the 2009 audited annual financial statements have been applied for the current reporting period.

- 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.**

Nil.

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

	Latest quarter	Previous quarter
	30.6.10	30.6.09
Earnings/(Loss) per ordinary share		
(a) Based on the weighted average number of ordinary shares on issue		
- excluding fair value gain/loss on investment properties	4.9 cents	4.6 cents
- including fair value gain/loss on investment properties	5.7 cents	(18.3) cents
(b) <u>On a fully diluted basis</u> For the purposes of calculating diluted earnings/(loss) per share, the weighted average number of shares in issue is adjusted to take into account the dilutive effect arising from the outstanding options granted to employees, where such shares would have been issued at a price lower than the average market price in the current quarter. As the impact of the dilution is insignificant, diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.		

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 financial period reported on; and
(b) immediately preceding financial year.

	30.6.10	31.12.09
Net asset value per ordinary share		
Group	\$2.30	\$2.22
Company	\$1.27	\$1.30

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Comparison of 2nd quarter 2010 results with 2009

Revenue at \$291.8 million was higher by \$20.3 million (7%) due mainly to higher sale of trading properties and higher revenue from hotel operations, partially offset by lower rental income. Sales of trading properties at \$166.6 million was higher by \$10.5 million (7%) due mainly to higher progressive recognition of sales of Park Natura, The Trizon and The Excellency (Chengdu) residential projects. Revenue from Pan Pacific Singapore hotel increased by \$6.9 million (34%) to \$27.6 million with higher room and F&B revenue. Westin Tianjin hotel, which opened in February 2010, contributed \$3.5 million to revenue from hotel operations. Gross rental income at \$74.7 million was lower by \$2.6 million (3%) with lower rental and occupancy rates.

Excluding the Group's share of fair value gain on investment property held by an associated company of \$1.5 million (2Q 2009: share of fair value loss of \$2.3 million), share of operating results of associated companies decreased by \$4.0 million (37%) to \$6.9 million due mainly to absence of the \$7.7 million contributions in 2Q 2009 from The Sixth Avenue Residences and The Regency @ Tiong Bahru residential property projects (fully sold and completed in August 2009 and March 2010 respectively), partially offset by higher contributions from Mandarin Oriental and Marina Mandarin hotels (higher room and F&B revenue).

Based on valuations by independent professional valuers as at 30 June 2010 on the investment properties held by subsidiary companies, a fair value gain of \$19.8 million (2Q 2009: fair value loss of \$526.1 million) was credited to the income statement.

Minority interests' share of profit included a \$6.9 million share of net fair value gain (2Q 2009: share of fair value loss of \$124.9 million) on investment properties held by non-wholly owned subsidiaries of UIC.

In summary, net profit from operations increased by \$5.0 million (8%) to \$68.1 million (Q2 2009: \$63.1 million). After adding the fair value gain on investment properties, net of deferred income tax and minority interests, of \$11.1 million (2Q 2009: fair value loss of \$314.8 million), the Group's overall results show a net attributable profit of \$79.1 million (2Q 2009: net loss of \$251.8 million).

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

Not applicable.

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

The office market has shown signs of improvement.

Despite the significant increase in retail space, the Singapore retail leasing market is expected to be relatively stable with rising consumer confidence and tourist arrivals.

11. **Dividend**

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

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

Confirmation by Directors

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial results of the Group for the second quarter ended 30 June 2010 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Susie Koh
Company Secretary
6 August 2010