

**UNAUDITED FIRST QUARTER FINANCIAL STATEMENT**

## PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 &amp; 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	Group		
		First Quarter Ended 31 March		
		2005	2004	+ / (-)
		\$'000	\$'000 (restated)	%
Revenue	A	102,256	102,385	-
Cost of sales		(55,311)	(58,335)	(5)
Gross profit		46,945	44,050	7
Other operating income	B	5,559	5,325	4
Marketing and distribution expenses		(3,763)	(3,829)	(2)
Administrative expenses		(7,878)	(7,505)	5
Other operating expenses		(11,885)	(11,991)	(1)
Exceptional items	C	58	-	n.m.
Finance income	D	4,783	681	602
Finance costs	E	(7,512)	(7,612)	(1)
Share of results of associated companies		629	360	75
Profit before tax	F	26,936	19,479	38
Income tax expense	G	(5,821)	(1,585)	267
Profit for the period		21,115	17,894	18
<u>Attributable to:</u>				
Equity holders of the Company		16,469	14,417	14
Minority interests		4,646	3,477	34
Profit for the period		21,115	17,894	18

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

	Group		
	First Quarter Ended 31 March		
	2005	2004	+ / (-)
	\$'000	\$'000 (restated)	%
<b>A Turnover</b>			
Revenue from property development	18,518	18,172	2
Revenue from property investments	24,674	26,644	(7)
Gross revenue from hotel operations	57,394	53,016	8
Revenue from trading and retail operations and management services	1,670	4,553	(63)
Revenue	102,256	102,385	-
Dividend income	-	760	(100)
Turnover	102,256	103,145	(1)
<b>B Other operating income</b>			
Dividend income	-	760	(100)
Service charges	1,323	1,193	11
Deferred income	819	2,118	(61)
Gain on valuation of option	1,632	-	n.m.
Other income	1,785	1,254	42
	5,559	5,325	4
<b>C Exceptional items</b>			
Gain on liquidation of subsidiaries (net)	58	-	n.m.
<b>D Finance income</b>			
Interest income	2,919	681	329
Foreign exchange gain (net)	1,864	-	n.m.
	4,783	681	602
<b>E Finance costs</b>			
Interest expense	3,130	3,911	(20)
Amortisation of bond discount	4,382	3,100	41
Foreign exchange loss (net)	-	601	(100)
	7,512	7,612	(1)
<b>F Profit before tax</b>			
Profit before tax is stated after charging:			
Depreciation and amortisation	8,525	8,629	(1)
<b>G Income tax expense</b>			
The charge/ (credit) for taxation includes the following:			
Under/ (over) provision of tax in respect of prior years	-	-	-
Adjustment to deferred taxation arising from change in tax rate from 22% to 20% with effect from year of assessment 2005	-	(2,132)	(100)

n.m. : not meaningful

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	
		31.03.05	31.12.04	31.03.05	31.12.04
		\$'000	\$'000 (restated)	\$'000	\$'000 (restated)
<b>Non-current Assets</b>					
Property, plant and equipment		616,106	610,540	1,287	1,371
Investment properties		1,501,742	1,500,945	209,952	209,522
Subsidiaries		-	-	1,141,769	1,038,333
Associated companies		51,449	47,238	400	400
Available-for-sale financial assets	i	380,822	296,309	74,003	48,811
Intangibles		14,591	13,491	-	-
Deferred income tax assets		6,777	6,652	-	-
		<u>2,571,487</u>	<u>2,475,175</u>	<u>1,427,411</u>	<u>1,298,437</u>
<b>Current Assets</b>					
Properties for resale under development		150,402	144,049	-	-
Developed properties for sale		-	3,733	-	-
Available-for-sale financial assets	i	380,431	81,881	380,431	81,881
Inventories		4,588	4,581	-	-
Current income tax assets		1,463	1,963	-	-
Trade and other receivables		24,596	27,371	1,693	1,335
Other current assets		23,434	11,432	3,756	165
Cash and cash equivalents		625,786	727,906	521,524	632,962
		<u>1,210,700</u>	<u>1,002,916</u>	<u>907,404</u>	<u>716,343</u>
<b>Current Liabilities</b>					
Trade and other payables		76,520	85,624	4,404	6,269
Bank overdrafts		40	25	40	-
Bank loans		259,992	304,568	-	-
Zero Coupon Exchangeable Notes due September 2005		489,231	484,849	489,231	484,849
Derivative - option sold		14,276	15,908	14,276	15,908
Current income tax liabilities		98,307	94,761	78,160	77,543
		<u>938,366</u>	<u>985,735</u>	<u>586,111</u>	<u>584,569</u>
<b>Net Current Assets</b>		<u>272,334</u>	<u>17,181</u>	<u>321,293</u>	<u>131,774</u>
<b>Non-current Liabilities</b>					
Bank loans		209,076	266,432	-	-
Loans from subsidiaries		-	-	212,400	217,629
Loans from minority shareholders of subsidiaries		5,427	4,669	-	-
Rental deposits		12,365	12,460	1,383	1,301
Provision for retirement benefits		2,668	2,621	665	652
Deferred liability		2,476	3,268	-	-
Deferred income tax liabilities		118,753	57,741	71,095	11,385
		<u>350,765</u>	<u>347,191</u>	<u>285,543</u>	<u>230,967</u>
<b>Net Assets</b>		<u><u>2,493,056</u></u>	<u><u>2,145,165</u></u>	<u><u>1,463,161</u></u>	<u><u>1,199,244</u></u>
<b>Capital &amp; Reserves attributable to the Company's Equity Holders</b>					
Share capital		793,086	793,055	793,086	793,055
Share premium		274,885	274,856	274,885	274,856
Reserves	ii	593,210	271,154	328,354	64,194
Retained earnings		595,959	578,633	66,836	67,139
		<u>2,257,140</u>	<u>1,917,698</u>	<u>1,463,161</u>	<u>1,199,244</u>
<b>Minority Interests</b>		<u>235,916</u>	<u>227,467</u>	<u>-</u>	<u>-</u>
<b>Total Equity</b>		<u><u>2,493,056</u></u>	<u><u>2,145,165</u></u>	<u><u>1,463,161</u></u>	<u><u>1,199,244</u></u>

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 (cont'd)

Notes to the balance sheet

i Available-for-sale financial assets

In accordance with FRS 39, available-for-sale financial assets, which comprise the Group and the Company's investments in equity shares, are stated at fair or market value at the balance sheet date on 31 March 2005. The available-for-sale financial assets as at 31 December 2004 were stated at cost less provision for diminution in value that was other than temporary.

ii Reserves

Details of movements in reserves are set out in paragraph 1(d)(i).

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

	As At 31.3.05		As At 31.12.04	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less, or on demand	250,132	499,173	294,840	494,678
Amount repayable after one year	134,310	80,677	138,250	133,362

Details of any collateral

The borrowings are secured by mortgages on the borrowing subsidiaries' land and buildings, development properties for sale and/or hotel properties; 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 first quarter ended 31 March

	Notes	Group	
		2005 1st Qtr \$'000	2004 1st Qtr (restated) \$'000
<b>Cash flows from operating activities</b>			
Profit before tax and share of results of associated companies		26,307	19,119
Adjustment for non-cash items		8,855	7,568
Loss on disposal of property, plant and equipment		161	129
Profit on sale of properties under development		(4,424)	(2,783)
Investment and interest income		(2,919)	(1,441)
Interest expense		3,130	3,911
Operating cash flow before working capital changes		31,110	26,503
Change in operating assets and liabilities, net of effects from purchase and disposals of subsidiaries			
Receivables		(9,099)	(1,593)
Inventories		(6)	118
Rental deposits		(292)	(523)
Payables		(9,710)	(11,598)
		(19,107)	(13,596)
Progress billings		8,396	21,524
Expenditure on properties under development		(3,860)	(5,194)
Retirement benefits		(51)	(252)
Income taxes paid		(621)	(198)
<b>Net cash from operating activities</b>		<b>15,867</b>	<b>28,787</b>
<b>Cash flows from investing activities</b>			
Proceeds from return of capital from long-term investments		159	-
Payment for interest in associated company		(3,450)	-
Payment to minority shareholders for purchase of shares in subsidiaries		(673)	-
Net proceeds from disposal of property, plant and equipment		22	29
Purchase of property, plant and equipment and investment properties	i	(12,601)	(3,492)
Retention monies released		(226)	(1,192)
Interest received		2,937	682
Dividend received		-	608
<b>Net cash used in investing activities</b>		<b>(13,832)</b>	<b>(3,365)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		59	5,914
Net proceeds from issue of shares to minority shareholders of subsidiary		2,932	-
Loan from minority shareholders of subsidiaries		753	150
Net borrowings		(102,967)	(60,243)
Interest paid		(4,947)	(6,445)
<b>Net cash used in financing activities</b>		<b>(104,170)</b>	<b>(60,624)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(102,135)</b>	<b>(35,202)</b>
Cash and cash equivalents at 1 January		727,881	109,270
<b>Cash and cash equivalents at 31 March</b>	ii	<b>625,746</b>	<b>74,068</b>

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

Notes to the Consolidated Cash Flow Statement

i. Purchase of property, plant and equipment and investment properties

The expenditure for first quarter 2005 relates mainly to costs incurred for the conversion of the UOB Building, Xiamen, China, into a 5-star hotel and for building a new 9-storey wing at the Novotel Garden Plaza Saigon in HoChiMinh City, Vietnam. The costs incurred in the corresponding period of 2004 relates mainly to costs incurred for the addition of another 85 rooms to the Sheraton Suzhou Hotel & Towers in Suzhou, China and for building the new wing at the Novotel Garden Plaza Saigon.

ii. Cash and cash equivalents

For the purposes of the consolidated cash flow statement, the cash and cash equivalents comprise the following:

	<u>The Group</u>	
	<u>31.03.05</u>	<u>31.03.04</u>
	\$'000	\$'000
Cash at bank and on hand and fixed deposits	625,786	74,556
Bank overdrafts	(40)	(488)
Cash and cash equivalents per consolidated cash flow statement	<u>625,746</u>	<u>74,068</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

Group Statement of Changes in Equity for the first quarter ended 31 March 2005

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Reserves</u>	<u>Retained Earnings</u>	<u>Minority Interest</u>	<u>Total Equity</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>The Group</u>						
Balance at 1 January 2005						
As previously reported	793,055	274,856	269,411	580,346	227,497	2,145,165
Effect of adopting FRS 21 (revised 2004)	-	-	1,391	(1,391)	-	-
Effect of adopting FRS 102	-	-	352	(322)	(30)	-
	<u>793,055</u>	<u>274,856</u>	<u>271,154</u>	<u>578,633</u>	<u>227,467</u>	<u>2,145,165</u>
Effect of adopting FRS 39 (revised 2004)	-	-	273,457	-	1,246	274,703
Effect of adopting FRS 103	-	-	-	857	(267)	590
As restated	<u>793,055</u>	<u>274,856</u>	<u>544,611</u>	<u>579,490</u>	<u>228,446</u>	<u>2,420,458</u>
Changes in equity	-	-	-	-	2,660	2,660
Transfer from capital reserves upon liquidation of subsidiary	-	-	(27)	-	-	(27)
Fair value gains on available-for-sale reserves	-	-	48,516	-	292	48,808
Employee share option scheme :						
- value of employee services	-	-	128	-	-	128
- proceeds from shares issued	31	29	-	-	-	60
Currency translation differences	-	-	(18)	-	(128)	(146)
Net profit	-	-	-	16,469	4,646	21,115
Balance at 31 March 2005	<u>793,086</u>	<u>274,885</u>	<u>593,210</u>	<u>595,959</u>	<u>235,916</u>	<u>2,493,056</u>

Group Statement of Changes in Equity for the first quarter ended 31 March 2004 (restated)

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Reserves</u>	<u>Retained Earnings</u>	<u>Minority Interest</u>	<u>Total Equity</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>The Group</u>						
Balance at 1 January 2004						
As previously reported	696,741	225,586	330,809	517,375	226,059	1,996,570
Effect of adopting FRS 21 (revised 2004)	-	-	790	(790)	-	-
As restated	<u>696,741</u>	<u>225,586</u>	<u>331,599</u>	<u>516,585</u>	<u>226,059</u>	<u>1,996,570</u>
Currency translation differences	-	-	(3,479)	-	(1,285)	(4,764)
Adjustment arising from changes in tax rate from 22% to 20%	-	-	2,597	-	-	2,597
Employee share option scheme :						
- proceeds from shares issued	146	84	-	-	-	230
Proceeds from exercise of Warrants 2004	4,547	1,137	-	-	-	5,684
Transfer from capital reserves upon exercise of Warrants 2004	-	1,151	(1,151)	-	-	-
Net profit	-	-	-	14,417	3,477	17,894
Balance at 31 March 2004	<u>701,434</u>	<u>227,958</u>	<u>329,566</u>	<u>531,002</u>	<u>228,251</u>	<u>2,018,211</u>

1(d)(i) Company Statement of Changes in Equity for the first quarter ended 31 March 2005

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Reserves</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>The Company</u>					
Balance at 1 January 2005					
As previously reported	793,055	274,856	63,842	67,364	1,199,117
Effect of adopting FRS 102	-	-	352	(225)	127
	<u>793,055</u>	<u>274,856</u>	<u>64,194</u>	<u>67,139</u>	<u>1,199,244</u>
Effect of adopting FRS 39 (revised 2004)	-	-	244,785	-	244,785
As restated	<u>793,055</u>	<u>274,856</u>	<u>308,979</u>	<u>67,139</u>	<u>1,444,029</u>
Fair value gains on available-for-sale reserves	-	-	19,247	-	19,247
Employee share option scheme:					
- value of employee services	-	-	128	-	128
- proceeds from shares issued	31	29	-	-	60
Net loss	-	-	-	(303)	(303)
Balance at 31 March 2005	<u>793,086</u>	<u>274,885</u>	<u>328,354</u>	<u>66,836</u>	<u>1,463,161</u>

Company Statement of Changes in Equity for the first quarter ended 31 March 2004

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Reserves</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>The Company</u>					
Balance at 1 January 2004	696,741	225,586	83,652	58,807	1,064,786
Adjustment arising from changes in tax rate from 22% to 20%	-	-	1,687	-	1,687
Employee share option scheme:					
- proceeds from shares issued	146	84	-	-	230
Proceeds from exercise of Warrants 2004	4,547	1,137	-	-	5,684
Transfer from capital reserves upon exercise of Warrants 2004	-	1,151	(1,151)	-	-
Net loss	-	-	-	(1,631)	(1,631)
Balance at 31 March 2004	<u>701,434</u>	<u>227,958</u>	<u>84,188</u>	<u>57,176</u>	<u>1,070,756</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.

During the period, the issued share capital was increased as follows:

	\$
Issued capital as at 1 January 2005	793,055,154
Issue of ordinary shares of \$1.00 each arising from the exercise of	
2001 Options granted under the UOL 2000 Share Option Scheme	4,000
2002 Options granted under the UOL 2000 Share Option Scheme	9,000
2003 Options granted under the UOL 2000 Share Option Scheme	18,000
Issued capital as at 31 March 2005	<u>793,086,154</u>

The following number of ordinary shares of \$1.00 each would be issued upon the exercise of the subscription rights in full by holders of the:

	<u>31.03.05</u>	<u>31.03.04</u>
UOL Warrants 2004 at any time on or before 12 June 2004 at the subscription price of \$1.25 per share	-	90,517,439
Options granted under the UOL Executives Share Options Scheme and UOL 2000 Share Option Scheme:		
- 2000 Options during the option period from 15 May 2001 to 14 February 2005 at the offer price of \$1.24 per share	-	215,000
- 2001 Options during the option period from 31 May 2002 to 30 May 2011 at the offer price of \$1.58 per share	16,000	609,000
- 2002 Options during the option period from 27 June 2003 to 26 June 2012 at the offer price of \$1.81 per share	137,000	1,120,000
- 2003 Options during the option period from 27 June 2004 to 26 June 2013 at the offer price of \$2.05 per share	422,000	1,575,000
- 2004 Options during the option period from 21 May 2005 to 20 May 2014 at the exercise price of \$2.28 per share	1,228,000	-
	<u>1,803,000</u>	<u>94,036,439</u>

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 in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those of the audited financial statements for the year ended 31 December 2004.

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

In 2005, the Group and the Company adopted the following Financial Reporting Standards ("FRS"). Arising from the adoption of these FRS, 2004 comparatives have been amended, where required, in accordance with the relevant transitional provisions in the respective FRS.

FRS 1 (revised 2004) Presentation of Financial Statements  
FRS 2 (revised 2004) Inventories  
FRS 8 (revised 2004) Accounting Policies, Changes in Accounting Estimates and Errors  
FRS 10 (revised 2004) Events after the Balance Sheet Date  
FRS 16 (revised 2004) Property, Plant and Equipment  
FRS 17 (revised 2004) Leases  
FRS 21 (revised 2004) The Effects of Changes in Foreign Exchange Rates  
FRS 24 (revised 2004) Related Party Disclosures  
FRS 27 (revised 2004) Consolidated and Separate Financial Statements  
FRS 28 (revised 2004) Investments in Associates  
FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation  
FRS 33 (revised 2004) Earnings per Share  
FRS 36 (revised 2004) Impairment of Assets  
FRS 38 (revised 2004) Intangible Assets  
FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement  
FRS 102 Share-based Payments  
FRS 103 Business Combinations  
FRS 104 Insurance Contracts  
FRS 105 Non-current Assets Held for Sale and Discontinued Operations

Description of changes

Set out below is a brief description of those FRS which have a significant impact on the financial statements of the Company and the Group.

- a. **FRS 21 (revised 2004)** has affected the treatment of exchange differences on loans to subsidiaries. The Standard requires exchange differences on loans from the Company to its subsidiaries which forms part of the Company's net investment in the subsidiaries to be included in the Company's income statement. Previously, the exchange differences were included in the Company's currency translation reserve. On consolidation, exchange differences on such inter-company loans which are denominated in either the functional currency of the parent or the subsidiary can be taken to foreign currency translation reserve. Exchange differences arising from similar loans which are not denominated in either the functional currency of parent or the subsidiary remain in the consolidated income statement.

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 (cont'd)

b. **FRS 27 (revised 2004)** requires the Group to present minority interests in the consolidated balance sheet within equity, separately from the shareholders' equity of the Company. The superseded FRS 27 did not require the presentation of minority interests within equity.

c. **FRS 39 (revised 2004)** has affected:

i. Classification and consequential accounting of financial assets and financial liabilities

FRS 39 requires all financial assets and liabilities to be classified into appropriate categories at initial recognition and should be re-evaluated at every reporting date. The classification depends on the purpose for which the financial asset or liabilities were acquired or incurred. The categories and the respective subsequent measurement rules are as follows:

- *Financial assets or financial liabilities at fair value through profit or loss.*

The Group's equity investments are classified in this category if they were acquired principally for the purpose of selling in the short term. They are initially recognised at fair value and subsequently re-measured to fair value at the balance sheet date with all gains and losses recognised in the income statement in the period in which the change in fair value arises.

The Group does not have any equity investments which are classified in this category.

- *Loans and receivables*

These include the Group's trade and other receivables and cash and bank balances. They are initially recognised at its fair value plus transaction costs and subsequently stated at the reporting date at amortised cost using the effective interest method, less impairment losses.

Previously, the Group's trade and other receivables were stated at the gross proceeds receivable less an allowance for doubtful receivable. Cash and bank balances were recognised at cost. Interest-free loans from the Company to its subsidiaries were stated at gross receivables in the Company's balance sheet.

- *Held-to-maturity investments*

These include the Group's investments in fixed and variable rate bonds which the Group's management has the intention and ability to hold to maturity. They are initially recognised at its fair value plus transaction costs and subsequently accounted for at the reporting date at amortised cost using the effective interest method, less impairment losses.

The Group does not have any investments which are classified in this category.

- *Available-for-sale financial assets*

These include the Group's investments that are not classified in any of the three categories above, namely the investments in equity interest of other companies. They are initially recognised at its fair value and subsequently measured at the fair values at the balance sheet date with all gains and losses, other than impairment loss, taken to equity. Impairment losses are taken to the income statement in the period in which they arise. On disposal, gains and losses previously taken to equity are transferred to the income statement.

Previously, such investments of the Group were stated at cost less provision for diminution in value that was other than temporary, which was charged to the income statement when it arose. Any reversal of the provision was also included in the income statement.

- *Other financial liabilities*

These are financial liabilities that are not held for trading nor designated as fair value through profit or loss. These include the Group's trade and other payables and bank borrowings. They are initially recognised at its fair value less transaction costs and subsequently accounted for at amortised cost using the effective interest method.

Previously, trade and other payables were stated at cost. Bank borrowings were already recognised in accordance with the revised standard.

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 (cont'd)

ii. Impairment and uncollectibility of financial assets

FRS 39 (revised 2004) requires the Group to assess at each balance sheet date if there is any objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Impairment of trade receivables is established when there is objective that the Group will not be able to collect all amounts due according to the original terms of receivables. The impairment charge is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The impairment charge is recognised in the income statement.

Previously, the Group maintains a general provision against its trade and other receivables for risks that are not specifically identified to any customer.

iii. Fair values of financial assets and liabilities

At each balance sheet date, the fair values of quoted financial assets and liabilities are determined based on current bid prices. If the market for a financial asset or liabilities is not active (and for unquoted financial assets and liabilities), the Group determines the fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Previously, the Group used the last transacted prices of quoted financial assets or liabilities as the market values. Fair values of unquoted financial assets were not measured as it was not practicable to determine with sufficient reliability the fair value of these investments.

- d. **FRS 102** has resulted in a change in the accounting policy for share-based payments. The UOL Group Executives' Share Option Scheme is an equity-settled, share-based compensation plan. FRS 102 requires the Group and the Company to recognise an expense in the income statement with a corresponding increase in equity for share options granted after 22 November 2002 and not vested by 1 January 2005. The total amount to be recognised as an expense in the income statement is determined by reference to the fair value of the options at the date of the grant and the number of options to be vested by the vesting date.

Previously, the provision of share options to employees did not result in any charge in the income statement. The Group and Company recognised an increase in share capital and share premium when the options were exercised.

- e. The adoption of **FRS 103**, **FRS 36 (revised 2004)** and **FRS 38 (revised 2004)** simultaneously and prospectively from 1 January 2005, resulted in a change in the accounting policy for the following:

i. Goodwill

Until 31 December 2004, goodwill was amortised on a straight line basis up to a maximum period of 20 years; and at each balance sheet date, the Group would assess if there was any indication of impairment of the cash-generating-unit in which the goodwill was attached to.

In accordance with the provisions of FRS 103 :

- the Group ceased amortisation of goodwill from 1 January 2005;
- the accumulated amortisation as at 31 December 2004 has been eliminated by offsetting it against the cost of goodwill; and
- from the financial year commencing 1 January 2005 onwards, goodwill will be tested annually for impairment, as well as when there are indications of impairment.

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 (cont'd)

ii. Negative goodwill

Until 31 December 2004, the excess of fair value of the Group's share of the net identifiable assets acquired over the cost of acquisition ("negative goodwill") was recognised in the income statement as follows :

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is taken to the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary depreciable assets acquired, is taken to the income statement over the remaining average useful life of those assets; negative goodwill in excess of the fair values of those assets is taken to the income statement immediately.

In accordance with the transitional provision of **FRS 103**, unamortised negative goodwill as at 31 December 2004 has been adjusted against retained earnings at 1 January 2005.

Effect of changes

The material effects of adopting the above FRS on the balance sheet and the statement of changes in equity are set out in the 'Notes to the balance sheet' in paragraph 1(b)(i) and in paragraph 1(d)(i) respectively. The adoption of these FRS did not have a material effect on the operating results for the first quarter of 2005.

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	
	1st Quarter 2005	1st Quarter 2004
Earnings per ordinary share for the period		(restated)
(i) Based on weighted average number of ordinary shares in issue	cents 2.08	cents 2.07
(ii) On a fully diluted basis	cents 2.08	cents 2.04

Earnings per share is calculated by reference to the weighted average number of ordinary shares in issue during the period.

For the purposes of calculating diluted earnings 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 and warrants issued, where such shares would have been issued at a price lower than market value.

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	
	31.03.05	31.12.04	31.03.05	31.12.04
		(restated)		(restated)
Net asset value per ordinary share	\$2.85	\$2.42	\$1.84	\$1.51
Net tangible asset backing per ordinary share	\$2.83	\$2.40	\$1.84	\$1.51

- 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) seasonal 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 first quarter of 2005 was flat at \$102.3 million as compared to those in the corresponding period of 2004. While revenue from hotel operations and property development were higher, revenue from trading operations and property investments declined. The revenue from trading operations in the first quarter of 2004 included the sales from some of the Group's trading entities which were divested in May 2004. Revenue from property investments was also lower in the absence of revenues from the UOB Building, Xiamen, China, which has ceased operating since September 2004 following its conversion into a 5-star hotel. Additionally, the occupancy for the UOL Building, Somerset Road, tapers off to facilitate conversion works commencing from April 2005.

The \$4.1 million increase in finance income in the first quarter of 2005 was due mainly to higher interest income from fixed deposits and foreign exchange gain.

The Group achieved a pre-tax profit of \$26.9 million for the first quarter of 2005 or an increase of 38% when compared to the pre-tax profit of \$19.5 million in the first quarter of 2004.

Net after tax profit of the Group for the first quarter of 2005 increased by 18% to \$21.1 million as compared to \$17.9 million in the corresponding period of 2004 which included a credit adjustment of \$2.1 million to deferred taxation to reflect the reduction in Singapore tax rate from 22% to 20%.

- 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

As the Singapore economy is forecasted to continue to grow, albeit slower, improvement in demand for residential properties and office rental rates are expected to continue. The retail property market has benefited from favourable consumer sentiment and its outlook remains positive.

In view of the improved outlook for the tourism sector, occupancy and room rates for the Group's hotels in Singapore are expected to improve further. With the exception of Myanmar, the Group's hotels in the region, particularly those in Australia, China, Malaysia and Vietnam will continue to benefit from better operating conditions.

The Company's issue of S\$506.22 million principal amount of zero-coupon Exchangeable Notes, due 22 September 2005 ("Notes"), allows Noteholders to exchange the Notes at any time during the 9-month tenure into shares of United Overseas Bank Limited ("UOB") at S\$15.34 per UOB share. So far, no Noteholders have exercised their rights to exchange the Notes into UOB shares. Should Noteholders decide to exchange the Notes for UOB shares, the Group would realise a net gain from the disposal of the UOB shares and such net gain would include the transfer of reserves created from the adoption of FRS 39 in respect of the UOB shares to the income statement.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Name of dividend	:	N.A.
Dividend Type	:	N.A.
Dividend Rate	:	NIL
Par value of shares	:	N.A.
Tax Rate	:	N.A.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Name of dividend	:	N.A.
Dividend Type	:	N.A.
Dividend Rate	:	NIL
Par value of shares	:	N.A.
Tax Rate	:	N.A.

(c) Date payable : N.A.

(d) Books closure date : N.A.

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

No dividend has been declared or recommended for the first quarter ended 31 March 2005.

**BY ORDER OF THE BOARD**

Foo Thiam Fong Wellington  
Company Secretary  
22 April 2005