



OUE LIMITED

(Company Registration No. 196400050E)

SECOND QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE QUARTER ENDED 30 JUNE 2014 (UNAUDITED)

1(a)(i) Statement of Comprehensive Income

	Notes	The Group					
		Second Quarter ended 30/6/14 \$'000	Second Quarter ended 30/6/13 \$'000	Change %	Six Months ended 30/6/14 \$'000	Six Months ended 30/6/13 \$'000	Change %
Revenue	A	100,158	112,032	(10.6)	207,081	217,409	(4.8)
Cost of sales		(63,476)	(56,591)	12.2	(110,008)	(106,783)	3.0
Gross profit		36,682	55,441	(33.8)	97,073	110,626	(12.3)
Marketing expenses		(3,022)	(5,088)	(40.6)	(5,495)	(7,823)	(29.8)
Administrative expenses		(9,852)	(10,971)	(10.2)	(29,106)	(24,933)	16.7
Other operating expenses		(3,153)	(5,006)	(37.0)	(6,511)	(9,585)	(32.1)
		20,655	34,376	(39.9)	55,961	68,285	(18.0)
Finance expenses	B	(17,231)	(20,862)	(17.4)	(41,679)	(54,320)	(23.3)
Finance income		671	449	49.4	2,034	1,036	96.3
Share of results of associates and jointly controlled entity, net of tax		12,185	4,633	>100.0	17,118	9,248	85.1
		16,280	18,596	(12.5)	33,434	24,249	37.9
Other gains/(losses) - net	C	(403)	481	n.m.	1,034,367	760	>100.0
Profit before tax	D	15,877	19,077	(16.8)	1,067,801	25,009	>100.0
Tax expense	E	(5,859)	(4,440)	32.0	(45,564)	(8,397)	>100.0
Profit after tax		10,018	14,637	(31.6)	1,022,237	16,612	>100.0
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Currency translation differences relating to foreign operations		(11,169)	13,143	n.m.	(18,647)	16,169	n.m.
Effective portion of changes in fair value of cash flow hedges of subsidiaries		(2,203)	-	n.m.	(1,871)	-	n.m.
Hedging reserve transferred to profit or loss upon disposal of a subsidiary		-	-	-	889	-	n.m.
Share of other comprehensive loss of associates		(281)	-	n.m.	(281)	-	n.m.
Share of foreign currency translation differences of associates		(753)	1,008	n.m.	(515)	1,409	n.m.
Other comprehensive (loss)/income, net of tax		(14,406)	14,151	n.m.	(20,425)	17,578	n.m.
Total comprehensive income		(4,388)	28,788	n.m.	1,001,812	34,190	>100.0
Profit attributable to:							
Owners of the Company	F	4,431	14,554	(69.6)	950,061	16,327	>100.0
Non-controlling interests		5,587	83	>100.0	72,176	285	>100.0
		10,018	14,637	(31.6)	1,022,237	16,612	>100.0
Total comprehensive income attributable to:							
Owners of the Company		(5,036)	28,251	n.m.	938,943	33,215	>100.0
Non-controlling interests		648	537	20.7	62,869	975	>100.0
		(4,388)	28,788	n.m.	1,001,812	34,190	>100.0

n.m. - Not meaningful

OUE LIMITED
Second Quarter Ended 30 June 2014

(ii) Notes to the Statement of Comprehensive Income

	The Group					
	Second Quarter ended 30/6/14 \$'000	Second Quarter ended 30/6/13 \$'000	Change %	Six Months ended 30/6/14 \$'000	Six Months ended 30/6/13 \$'000	Change %
(A) Revenue						
Hospitality income	49,261	56,981	(13.5)	101,583	116,185	(12.6)
Investment property income	37,259	29,711	25.4	81,226	56,734	43.2
Development property income	10,910	23,279	(53.1)	20,323	41,783	(51.4)
Dividend income	940	900	4.4	940	900	4.4
Others	1,788	1,161	54.0	3,009	1,807	66.5
	<u>100,158</u>	<u>112,032</u>	(10.6)	<u>207,081</u>	<u>217,409</u>	(4.8)
(B) Finance expenses						
Finance expenses	20,154	25,059	(19.6)	47,722	62,343	(23.5)
Less: Finance expense capitalised in development property	(2,923)	(4,197)	(30.4)	(6,043)	(8,023)	(24.7)
	<u>17,231</u>	<u>20,862</u>	(17.4)	<u>41,679</u>	<u>54,320</u>	(23.3)
(C) Other gains/(losses) - net						
Allowance for foreseeable loss on a development property	-	-	-	(105,000)	-	n.m.
Fair value gains/(losses) on investment properties	(16)	(60)	(73.3)	153,077	(60)	n.m.
Net change in fair value of other investments designated at fair value through profit or loss	(387)	541	n.m.	(97)	814	n.m.
Net gain on disposal of subsidiaries	-	-	-	986,387	6	>100.0
	<u>(403)</u>	<u>481</u>	n.m.	<u>1,034,367</u>	<u>760</u>	>100.0
(D) Profit before tax						
Profit before tax is stated after charging/(crediting):						
Borrowing cost	14,973	20,878	(28.3)	39,040	41,530	(6.0)
Loss on foreign exchange	2,258	6,853	(67.1)	2,639	14,732	(82.1)
Net change in fair value of derivatives	-	(6,869)	n.m.	(361)	(1,942)	(81.4)
Depreciation of property, plant and equipment	2,789	6,313	(55.8)	6,723	12,573	(46.5)
Bad debts written off on trade receivables	-	-	-	-	25	n.m.
Loss on disposal of property, plant and equipment	1	70	(98.6)	25	85	(70.6)
(E) Tax expense						
The charge for income tax expense includes the following:						
Under/(over) provision in preceding financial years	40	(321)	n.m.	637	(196)	n.m.
Deferred tax on fair value gains/(losses) of investment properties	(4)	-	n.m.	38,269	-	n.m.
(F) Profit attributable to Owners of the Company						
Attributable profit before tax, fair value and other gains	10,232	18,429	(44.5)	17,748	23,880	(25.7)
Tax expense	(5,408)	(4,356)	24.2	(6,401)	(8,313)	(23.0)
Allowance for foreseeable loss on a development property	-	-	-	(105,000)	-	n.m.
Fair value gains/(losses) on an investment property ¹	(6)	(60)	(90.0)	57,424	(60)	n.m.
Net gain on disposal of subsidiaries	-	-	-	986,387	6	>100.0
Net change in fair value of other investments designated at fair value through profit or loss	(387)	541	n.m.	(97)	814	n.m.
Net attributable profit	<u>4,431</u>	<u>14,554</u>	(69.6)	<u>950,061</u>	<u>16,327</u>	>100.0

n.m. - Not meaningful

¹ - Net of deferred tax provision relating to fair value gain on an investment property

OUE LIMITED
Second Quarter Ended 30 June 2014

1(b)(i) Statements of Financial Position

	The Group		The Company	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Current assets				
Cash and cash equivalents	449,275	730,613	314,822	551,331
Trade and other receivables	22,499	22,250	636,260	582,564
Inventories	725	790	156	163
Other investments	24,043	9,478	-	-
Development property	775,494	846,806	-	-
Other assets	15,816	11,444	9,577	27,161
Loans to subsidiaries	-	-	1,271,664	1,415,146
	<u>1,287,852</u>	<u>1,621,381</u>	<u>2,232,479</u>	<u>2,576,365</u>
Non-current assets				
Available-for-sale financial assets	193,487	193,304	182,716	182,716
Investments in associates and jointly controlled entity	1,103,708	720,474	514,168	125,621
Investments in subsidiaries	-	-	363,893	834,920
Loans to subsidiaries	-	-	71,812	72,847
Other assets	1,503	1,533	-	1,704
Investment properties	3,431,890	3,467,003	-	-
Property, plant and equipment	249,126	366,795	15,697	15,841
Intangible assets	43,200	43,200	-	-
Derivative assets	146	4,507	-	-
	<u>5,023,060</u>	<u>4,796,816</u>	<u>1,148,286</u>	<u>1,233,649</u>
Total assets	<u>6,310,912</u>	<u>6,418,197</u>	<u>3,380,765</u>	<u>3,810,014</u>
LIABILITIES				
Current liabilities				
Trade and other payables	130,654	86,848	275,960	314,103
Current tax liabilities	12,109	10,724	2,946	3,304
Borrowings	380,216	349,747	-	349,747
	<u>522,979</u>	<u>447,319</u>	<u>278,906</u>	<u>667,154</u>
Non-current liabilities				
Borrowings	1,598,020	2,392,273	695,353	694,544
Deferred tax liabilities	77,137	38,322	520	113
Other liabilities	23,574	19,531	32,287	646
Derivative liabilities	2,353	5,728	-	-
	<u>1,701,084</u>	<u>2,455,854</u>	<u>728,160</u>	<u>695,303</u>
Total liabilities	<u>2,224,063</u>	<u>2,903,173</u>	<u>1,007,066</u>	<u>1,362,457</u>
Net Assets	<u>4,086,849</u>	<u>3,515,024</u>	<u>2,373,699</u>	<u>2,447,557</u>
EQUITY				
Capital and reserves attributable to the owners of the Company				
Share capital	693,315	693,315	693,315	693,315
Other reserves	(36,881)	7,917	(2,363)	(2,363)
Accumulated profits	3,018,938	2,190,308	1,682,747	1,756,605
	<u>3,675,372</u>	<u>2,891,540</u>	<u>2,373,699</u>	<u>2,447,557</u>
Non-controlling interests	411,477	623,484	-	-
Total equity	<u>4,086,849</u>	<u>3,515,024</u>	<u>2,373,699</u>	<u>2,447,557</u>

OUE LIMITED
Second Quarter Ended 30 June 2014

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

	<u>As at 30/06/14</u>		<u>As at 31/12/13</u>	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable in one year or less, or on demand	380,216	-	-	349,747
Amount repayable after one year	902,667	695,353	1,697,729	694,544

Details of any collateral

Secured borrowings are collateralised by:

- pledging of the borrowing companies' properties/assets and/or
- assignment of all rights and benefits to sale, lease and/or insurance proceeds with respect to the properties

OUE LIMITED
Second Quarter Ended 30 June 2014

1(c) Consolidated Statement of Cash Flows

	The Group			
	Second	Second	Six Months	Six Months
	Quarter ended	Quarter ended	ended	ended
	30/6/14	30/6/13	30/6/14	30/6/13
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit after tax	10,018	14,637	1,022,237	16,612
Adjustments for:				
Depreciation of property, plant and equipment	2,789	6,313	6,723	12,573
Dividend income	(940)	(900)	(940)	(900)
Allowance for foreseeable loss on a development property	-	-	105,000	-
Fair value losses/(gains) on investment properties	16	60	(153,077)	60
Net change in fair value of other investments	387	(541)	97	(814)
Finance expense	17,231	20,862	41,679	54,320
Finance income	(671)	(449)	(2,034)	(1,036)
Net gain on disposal of subsidiaries	-	-	(986,387)	(6)
Loss on disposal of property, plant and equipment	1	70	25	85
Share of results of associates and jointly controlled entity, net of tax	(12,185)	(4,633)	(17,118)	(9,248)
Tax expense	5,859	4,440	45,564	8,397
	<u>22,505</u>	<u>39,859</u>	<u>61,769</u>	<u>80,043</u>
Changes in trade and other receivables and other assets	(14,374)	21,229	(9,829)	19,051
Changes in inventories	40	74	59	(98)
Changes in development property	(11,743)	407	(22,831)	(1,827)
Changes in trade and other payables and other liabilities	25,181	2,265	17,642	(3,876)
Cash generated from operating activities	<u>21,609</u>	<u>63,834</u>	<u>46,810</u>	<u>93,293</u>
Tax paid	(5,110)	(10,917)	(5,278)	(11,487)
Net cash from operating activities	<u>16,499</u>	<u>52,917</u>	<u>41,532</u>	<u>81,806</u>
Cash flows from investing activities				
Acquisition of jointly controlled entity	-	-	-	(25,131)
Acquisition of subsidiaries, net of cash acquired	-	-	(127,664)	-
Additions to investment properties	(17,237)	(477,520)	(32,485)	(480,109)
Dividend received from:				
- associates, net of tax	8,271	10,582	8,271	10,582
- available-for-sale financial assets, net of tax	940	900	940	900
- other investments, net of tax	204	-	204	-
Interest received	49	433	88	1,676
Loan repayment from jointly controlled entity	-	-	-	32,134
Proceeds from sale of other investments	10,839	10,875	19,776	10,875
Proceeds from disposal of property, plant and equipment	-	3	-	4
Proceeds from disposal of subsidiaries, net of cash disposed	-	-	-	98
Proceeds from dilution of interest in a subsidiary	-	-	15,195	-
Net cash outflow arising from disposal of subsidiaries	-	-	(58,153)	-
Purchase of other investments	(12,531)	(2,509)	(34,438)	(15,887)
Purchase of property, plant and equipment	(2,169)	(5,041)	(3,691)	(5,523)
Net cash used in investing activities	<u>(11,634)</u>	<u>(462,277)</u>	<u>(211,957)</u>	<u>(470,381)</u>
Cash flows from financing activities				
Dividends paid	(18,198)	(72,791)	(38,977)	(72,791)
Finance expense (including amounts capitalised in development property)	(19,470)	(28,859)	(48,046)	(46,217)
Proceeds from borrowings	1,562	50,000	503,797	50,000
Repayment of borrowings	(385,000)	-	(857,900)	-
Proceeds from issuance of units by a subsidiary	-	-	346,400	-
Unit issue costs of a subsidiary	943	-	(16,187)	-
Net cash used in financing activities	<u>(420,163)</u>	<u>(51,650)</u>	<u>(110,913)</u>	<u>(69,008)</u>
Net decrease in cash and cash equivalents	<u>(415,298)</u>	<u>(461,010)</u>	<u>(281,338)</u>	<u>(457,583)</u>
Cash and cash equivalents at the beginning of financial period	864,573	608,064	730,613	604,637
Cash and cash equivalents at the end of financial period	<u>449,275</u>	<u>147,054</u>	<u>449,275</u>	<u>147,054</u>

OUE LIMITED
Second Quarter Ended 30 June 2014

1(d)(i) Statement of Changes in Equity

THE GROUP	Attributable to Owners of the Company					Non-controlling interests	Total Equity
	Share Capital	Other Reserves	Accumulated Profits	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2014	693,315	(27,758)	3,032,705	3,698,262	410,485	4,108,747	
Total comprehensive income for the period							
Profit for the period	-	-	4,431	4,431	5,587	10,018	
Other comprehensive income							
Currency translation differences relating to foreign operations	-	(7,378)	-	(7,378)	(3,791)	(11,169)	
Share of effective portion of changes in fair value of cash flow hedges of subsidiaries	-	(1,055)	-	(1,055)	(1,148)	(2,203)	
Share of other comprehensive loss of associates	-	(281)	-	(281)	-	(281)	
Share of foreign currency translation differences of associates and jointly controlled entity	-	(753)	-	(753)	-	(753)	
Total other comprehensive income, net of tax	-	(9,467)	-	(9,467)	(4,939)	(14,406)	
Total comprehensive income for the period	-	(9,467)	4,431	(5,036)	648	(4,388)	
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Dividends paid	-	-	(18,198)	(18,198)	-	(18,198)	
Share of unit issue costs of a subsidiary	-	344	-	344	344	688	
Total transactions with owners of the Company	-	344	(18,198)	(17,854)	344	(17,510)	
At 30 June 2014	693,315	(36,881)	3,018,938	3,675,372	411,477	4,086,849	
At 1 April 2013	693,315	(7,757)	2,492,038	3,177,596	1,311	3,178,907	
Total comprehensive income for the period							
Profit for the period	-	-	14,554	14,554	83	14,637	
Other comprehensive income							
Currency translation differences relating to foreign operations	-	12,689	-	12,689	454	13,143	
Share of foreign currency translation differences of associates	-	1,008	-	1,008	-	1,008	
Total other comprehensive income, net of tax	-	13,697	-	13,697	454	14,151	
Total comprehensive income for the period	-	13,697	14,554	28,251	537	28,788	
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Dividends paid	-	-	(72,791)	(72,791)	-	(72,791)	
Total transactions with owners of the Company	-	-	(72,791)	(72,791)	-	(72,791)	
At 30 June 2013	693,315	5,940	2,433,801	3,133,056	1,848	3,134,904	

OUE LIMITED
Second Quarter Ended 30 June 2014

THE COMPANY	Share Capital \$'000	Other Reserves \$'000	Accumulated Profits \$'000	Total Equity \$'000
At 1 April 2014	693,315	(2,363)	1,487,310	2,178,262
Total comprehensive income for the period				
Profit for the period	-	-	213,635	213,635
Total comprehensive income for the period	-	-	213,635	213,635
Transactions with owners of the Company, recognised directly in equity				
Contributions by and distributions to owners of the Company				
Dividends paid	-	-	(18,198)	(18,198)
Total transactions with owners of the Company	-	-	(18,198)	(18,198)
At 30 June 2014	<u>693,315</u>	<u>(2,363)</u>	<u>1,682,747</u>	<u>2,373,699</u>
At 1 April 2013	693,315	5,219	968,231	1,666,765
Total comprehensive income for the period				
Profit for the period	-	-	29,242	29,242
Total comprehensive income for the period	-	-	29,242	29,242
Transactions with owners of the Company, recognised directly in equity				
Contributions by and distributions to owners of the Company				
Dividends paid	-	-	(72,791)	(72,791)
Total transactions with owners of the Company	-	-	(72,791)	(72,791)
At 30 June 2013	<u>693,315</u>	<u>5,219</u>	<u>924,682</u>	<u>1,623,216</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 is no change in the Company's share capital in 2Q 2014.

As at 30 June 2014, the Company held 71,716,000 treasury shares (31 December 2013: 71,716,000).

- 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.**

As at 30 June 2014, the Company's total number of issued shares excluding treasury shares is 909,885,860 (31 December 2013: 909,885,860).

- 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.**

These figures have not been audited or reviewed.

- 3 Where the figures have been audited or reviewed, the auditors' 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 method of computation in the financial statements for the current financial period as those of the audited financial statements for the year ended 31 December 2013.

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 a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on 1 January 2014. The adoption of these new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group, except for the following:-

Amendments to FRS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Amendments to FRS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*, which clarifies the existing criteria for net presentation on the face of the statement of financial position. Under the amendments, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Group previously offsets intercompany receivables and payables due from/to the same counterparty. Upon the adoption of the Amendments to FRS 32, the Group presents the intercompany receivables and payables due from/to the same counterparty at gross.

The change in accounting policy has been applied retrospectively. The effects of the adoption of the Amendments to FRS 32 resulted in the Company's total assets and total liabilities for December 2013 being increased by \$14,005,000 respectively.

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.

	The Group			
	Second Quarter Ended 30/06/14	Second Quarter Ended 30/06/13	Six Months Ended 30/06/14	Six Months Ended 30/06/13
Based on weighted average number of ordinary shares in issue (cents per share)	0.49	1.60	104.42	1.79
Weighted average number of ordinary shares in issue	909,885,860	909,885,860	909,885,860	909,885,860
On a fully diluted basis (cents per share) (a)	0.49	1.60	104.42	1.79

(a) Diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares.

7 Net asset value (for the issuer and group) per ordinary share based on issue share capital of the issuer at the end of the:-

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

	The Group		The Company	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
	\$	\$	\$	\$
Net asset value per ordinary share	4.04	3.18	2.61	2.69

- 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.**

In 2Q 2014, the Group recorded total revenue of \$100.2 million as compared to \$112.0 million over the same period in the previous financial year (down 10.6% year-on-year). The decrease in the Group's total revenue was mainly due to lower contribution from the Hospitality and Development Property divisions, offset partially by increased contribution from the Property Investment division.

In 2Q 2014, gross profit decreased to \$36.7 million due mainly to lower revenue and a higher cost of sales. Cost of sales for the current quarter included the recognition of rental expense to OUE Hospitality Trust ("OUE H-TRUST").

Marketing expenses decreased by \$2.1 million to \$3.0 million in 2Q 2014. The decrease is mainly attributable to lower marketing expenses incurred by Twin Peaks in the current quarter.

The decrease in administrative expenses and other operating expenses to \$9.9 million and \$3.2 million respectively arises mainly from the absence of expenses incurred by the China hotels in the current quarter. The two China hotels were disposed in 3Q 2013.

Finance expenses decreased by \$3.6 million mainly due to repayments of borrowings in 2Q 2014.

Share of results of associates and jointly controlled entity increased \$7.6 million to \$12.2 million due to recognition of the Group's share of results of OUE H-TRUST in 2Q 2014. As at 30 June 2014, OUE H-TRUST is an associate of the Group.

Consequently, at post-tax level, the Group recorded attributable profit of \$4.4 million as compared to \$14.6 million in 2Q 2013. The decrease was due to lower contribution from Mandarin Gallery and Mandarin Orchard Singapore held via the Group's equity interest in OUE H-TRUST, offset partially by the lower finance expenses.

Hospitality Division

In 2Q 2014, hospitality division revenue decreased \$7.7 million to \$49.3 million as a result of the absence of contribution from the China hotels. Excluding the contribution from the two disposed China hotels, hospitality revenue would have increased \$0.5 million year-on-year.

Property Investment Division

Revenue from the property investment division increased by \$7.5 million to \$37.3 million due to the inclusion of revenue from Lippo Plaza, which was acquired by OUE Commercial REIT ("OUE C-REIT") on 27 January 2014. Revenue also increased as a result of contribution from the US Bank Tower, which was acquired in June 2013.

Property Development Division

The development property income of \$10.9 million in 2Q 2014 relates to revenue recognised from the sale of residential units for Twin Peaks. The decrease in development property revenue is due mainly to the absence of new sales in the current quarter.

Statements of Financial Position

The decrease in the Group's "Cash and cash equivalents" of \$281.3 million was largely due to repayments of the \$300.0 million fixed rate note due in April 2014 and a \$50.0 million revolving credit facility by the Company. This is offset by proceeds from non-controlling interests relating to issuance of units by OUE C-REIT.

The Group's "Other investments" as at June 2014 of \$24.0 million relates to investments in quoted equity securities.

The Group's "Development property" decreased \$71.3 million to \$775.5 million as at June 2014 mainly due to the allowance for foreseeable loss of \$105.0 million made on the property.

"Investments in associates and jointly controlled entity" increased from \$720.5 million to \$1,103.7 million due to the recognition of OUE H-TRUST as an associate.

The Group's "Investment properties" decreased \$35.1 million to \$3.4 billion in June 2014 as a result of de-recognition of Mandarin Gallery upon the deconsolidation of OUE H-TRUST in 1Q 2014. This was offset by the acquisition of Lippo Plaza by OUE C-REIT in January 2014, as well as fair value gain recognised on Lippo Plaza.

The Group's "Property, plant and equipment" decreased \$117.7 million to \$249.1 million in June 2014. The carrying value of MOS is de-recognised upon the deconsolidation of OUE H-TRUST in 1Q 2014.

"Trade and other payables and other liabilities" increased \$47.8 million to \$154.2 million largely due to provision for upgrading works on the hotel properties of the Group.

The decrease in the Group's "Borrowings" of \$763.8 million arose mainly from the repayment of borrowings by the Company and de-recognition of OUE H-TRUST's borrowings upon deconsolidation.

"Deferred tax liabilities" increased \$38.8 million to \$77.1 million as a result of deferred tax on fair value gain on Lippo Plaza.

The decrease in "Non-controlling interests" of \$212.0 million largely relates to de-recognition of non-controlling interest's share of the fair value of the net assets of OUE H-TRUST upon deconsolidation in 1Q 2014. This is offset by non-controlling interest's share in the fair value of the net assets of OUE C-REIT.

Commitments

As at 30 June 2014, the Group and the Company have the following capital commitments:

	The Group		The Company	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	71,494	12,048	193	8,905
Investment properties	120,565	142,170	-	-
Development property	66,261	58,149	-	-
Available-for-sale financial assets	1,657	2,019	-	-

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

No forecast or prospect statement has been previously disclosed.

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.

Based on the Ministry of Trade and Industry's ("MTI") advanced GDP estimates, the Singapore economy grew by 2.1% on a year-on-year basis in the quarter ended June 2014, lower than the 4.7% growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy contracted by 0.8%, a reversal from the 1.6% growth in the preceding quarter. The Singapore economy is forecasted to grow by 2.0% to 4.0% for 2014.

According to CBRE¹, office demand remained steady through the quarter ended June 2014, with particular focus around the central business district ("CBD"). The CBD Core registered slightly higher positive net absorption rate, with quarter-on-quarter occupancy rate improving to 95.8%. Grade A office rents also continue to rise quarter-on-quarter by 3.4%.

The Group has recently completed and opened the revamped retail mall at One Raffles Place in the current quarter. This will contribute positively to the Group's earnings going forward.

Looking ahead, the Group will continue to focus on the ongoing asset enhancement at OUE Downtown and on active lease management to generate returns from its portfolio of investment properties. In the US, the Group announced that it has executed a lease renewal with U.S. Bank at U.S. Bank Tower and the property currently has a committed occupancy of 56.2% as at 30 June 2014.

The market environment for high-end residential property remains challenging. The Group will continue to drive the sale of its only development project at Leonie Hill, Twin Peaks.

The Group ended the quarter with a healthy cash balance of \$449.3 million and net gearing of 37.4%. OUE is well-positioned to capitalise on new growth opportunities.

Note 1: CBRE Singapore MarketView Q2 2014

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared/proposed for the current financial period reported on? Yes.

Name of dividend	Interim
Dividend type	Cash
Dividend per share (In cents)	1 cent
Tax rate	Tax exempt (one-tier)

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of dividend	Interim	Special ¹
Dividend type	Cash	Cash
Dividend per share (In cents)	1 cent	20 cents
Tax rate	Tax exempt (one-tier)	Tax exempt (one-tier)

1 – The special one-tier tax-exempt dividend is declared in relation to proceeds from the disposal of Mandarin Orchard Singapore and Mandarin Gallery to OUE Hospitality Trust as approved during the EGM held on 25 June 2013.

(c) Date payable

3 September 2014.

(d) Books closure date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and the Register of Members of the Company will be closed on 25 August 2014, for the preparation of dividend warrants. Duly completed transfers received by the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 up to the close of business at 5.00 p.m. on 22 August 2014 will be registered to determine shareholders' entitlements to the proposed interim dividend. In respect of shares in securities accounts with the Central Depository (Pte) Limited ("CDP"), the said interim dividend will be paid by the Company to CDP, which will in turn distribute the dividend entitlement to holders of shares in accordance with its practice.

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

Not applicable.

- 13** If the Group has obtained a general mandate from shareholders for Interested Person Transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for any Interested Person Transactions.

BY ORDER OF THE BOARD

NG NGAI
COMPANY SECRETARY
1 August 2014

OUE LIMITED
Second Quarter Ended 30 June 2014

Pursuant to SGX-ST Rule 705(5), the Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the financial results of the Company and the Group for the quarter ended 30 June 2014 to be false or misleading.

On behalf of the Board of Directors

Dr Stephen Riady
Executive Chairman

Mr Thio Gim Hock
Chief Executive Officer