



UOB-KAY HIAN HOLDINGS LIMITED

Financial Statements

And Dividend Announcement

For Second Quarter Ended 30 June 2017

(Co. Ref. No. 200004464C)

These figures have not been audited.

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

COMPREHENSIVE INCOME STATEMENT

	The Group					
	6 months ended 30/06/2017 S\$'000	6 months ended 30/06/2016 S\$'000	Increase / (Decrease) %	3 months ended 30/06/2017 S\$'000	3 months ended 30/06/2016 S\$'000	Increase / (Decrease) %
Revenue						
Commission income	121,478	95,572	27.1	58,685	44,896	30.7
Interest income	47,168	58,580	(19.5)	26,220	38,387	(31.7)
Dividend from quoted / unquoted securities	50	49	2.0	44	49	(10.2)
Other operating revenue	10,263	12,012	(14.6)	3,534	5,690	(37.9)
Total revenue	178,959	166,213	7.7	88,483	89,022	(0.6)
Foreign exchange gain	2,919	183	1,495.1	2,005	744	169.5
Total income	181,878	166,396	9.3	90,488	89,766	0.8
Costs and expenses						
Commission expenses	(32,710)	(20,805)	57.2	(17,094)	(10,685)	60.0
Personnel expenses	(53,647)	(50,161)	6.9	(26,060)	(25,423)	2.5
Depreciation expenses	(4,305)	(4,134)	4.1	(2,154)	(2,015)	6.9
Impairment of goodwill	(100)	-	N.M	(59)	-	N.M
Write back of allowance (Allowance for) impairment of trade debtors & bad debts written off	58	(387)	N.M	54	(82)	N.M
Net fair value gain on financial assets / liabilities through profit or loss	29	166	(82.5)	33	380	(91.3)
Finance expenses	(14,731)	(23,543)	(37.4)	(9,715)	(17,378)	(44.1)
Other operating expenses	(33,501)	(31,191)	7.4	(16,175)	(15,134)	6.9
	(138,907)	(130,055)	6.8	(71,170)	(70,337)	1.2
Profit before tax	42,971	36,341	18.2	19,318	19,429	(0.6)
Income tax expense*	(6,050)	(5,648)	7.1	(2,570)	(3,193)	(19.5)
Profit after tax	36,921	30,693	20.3	16,748	16,236	3.2
Other comprehensive (expense) / income (net of tax):						
Foreign currency translation difference	(22,856)	(20,892)	9.4	(7,463)	(1,942)	284.3
Available-for-sale financial assets	24	(53)	N.M	20	(101)	N.M
	(22,832)	(20,945)	9.0	(7,443)	(2,043)	264.3
Total comprehensive income for the period	14,089	9,748	44.5	9,305	14,193	(34.4)

*Under provision of taxation in respect of prior years in the 6 months ended 30 June 2017 is \$44,561. (6 months ended 30 June 2016: \$3,030)

N.M. = Not Meaningful.

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

COMPREHENSIVE INCOME STATEMENT
(continued)

	The Group					
	6 months ended 30/06/2017 S\$'000	6 months ended 30/06/2016 S\$'000	Increase / (Decrease) %	3 months ended 30/06/2017 S\$'000	3 months ended 30/06/2016 S\$'000	Increase / (Decrease) %
Profit attributable to :						
Owners of the Company	36,239	30,156	20.2	16,504	15,994	3.2
Non-controlling interests	682	537	27.0	244	242	0.8
	36,921	30,693	20.3	16,748	16,236	3.2
Total comprehensive income attributable to:						
Owners of the Company	13,373	9,666	38.4	9,144	13,956	(34.5)
Non-controlling interests	716	82	773.2	161	237	(32.1)
	14,089	9,748	44.5	9,305	14,193	(34.4)

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.

	The Group		The Company	
	As at 30/06/2017	As at 31/12/2016	As at 30/06/2017	As at 31/12/2016
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
<u>Current assets</u>				
Cash and bank balances	424,600	545,903	411	216
Outstanding contracts receivable	907,039	622,294	-	-
Trade receivables	1,513,171	1,477,873	-	-
Other financial assets, at fair value through profit or loss	51,267	38,404	-	-
Other current assets	38,433	40,184	75,039	69,515
Derivative financial instruments	494	1,658	-	-
Total current assets	2,935,004	2,726,316	75,450	69,731
<u>Non-current assets</u>				
Trade and other receivables	-	43,155	206	217
Goodwill	14,085	14,137	-	-
Subsidiaries	-	-	359,374	359,374
Available-for-sale investments	1,926	1,999	-	-
Trading rights in Exchanges	97	103	-	-
Memberships in Exchanges	219	219	-	-
Property, plant and equipment	41,987	45,365	-	-
Deferred tax assets	1,284	1,243	-	-
Total non-current assets	59,598	106,221	359,580	359,591
Total assets	2,994,602	2,832,537	435,030	429,322
LIABILITIES AND EQUITY				
<u>Current liabilities</u>				
Outstanding contracts payable	852,833	630,030	-	-
Trade and other payables	95,615	181,801	93,872	74,147
Borrowings	534,407	488,092	882	908
Debts issued	127,190	143,032	-	-
Income tax payable	6,726	8,492	-	-
Derivative financial instruments	403	1,016	-	-
Total current liabilities	1,617,174	1,452,463	94,754	75,055
<u>Non-current liabilities</u>				
Trade and other payables	167	167	-	-
Deferred tax liabilities	1,000	875	-	-
Total non-current liabilities	1,167	1,042	-	-
Total liabilities	1,618,341	1,453,505	94,754	75,055
<u>Equity</u>				
Capital, reserves and non-controlling interests				
Share capital	167,565	155,616	167,565	155,616
Reserves	(42,913)	(20,797)	-	-
Retained earnings	1,232,962	1,224,178	172,711	198,651
Equity attributable to owners of the Company	1,357,614	1,358,997	340,276	354,267
Non-controlling interests	18,647	20,035	-	-
Total equity	1,376,261	1,379,032	340,276	354,267
Total liabilities and equity	2,994,602	2,832,537	435,030	429,322
<u>Clients' trust / segregated accounts</u>				
Bank balances				
- with related parties	503,800	499,998	-	-
- with non-related banks	1,481,709	1,074,794	-	-
Margin with clearing houses	50,281	35,075	-	-
Less: Amounts held in trust	(2,035,790)	(1,609,867)	-	-
	-	-	-	-

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

	The Group			
	As at 30/06/2017		As at 31/12/2016	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amounts repayable in one year or less, or on demand	507,556	26,851	466,273	21,819
Amounts repayable after one year	-	-	-	-

As at period end, the Group had debts issued amounting to S\$127,189,632. The debts issued, with derivative in the form of an embedded credit default swap or a put option, allow the Group to transfer the underlying assets to the note holders as full and final settlement upon the occurrence of a credit event.

Details of any collateral

Bank overdrafts and short term loans of subsidiaries amounting to S\$507,555,784 are secured by a fixed charge over immovable fixed assets and a floating charge over all assets.

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

	The Group			
	6 months ended 30/06/2017 S\$'000	6 months ended 30/06/2016 S\$'000	3 months ended 30/06/2017 S\$'000	3 months ended 30/06/2016 S\$'000
Operating activities				
Profit before income tax	42,971	36,341	19,318	19,429
Adjustments for:				
Depreciation expenses	4,305	4,134	2,154	2,015
Net gain on disposal of property, plant and equipment	(379)	(22)	(29)	(5)
Allowance for trade receivables	36	403	45	101
Allowance for impairment in goodwill	100	-	59	-
Dividend income from quoted / unquoted securities	(50)	(49)	(44)	(49)
Interest expenses	14,731	23,543	9,715	17,378
Exchange differences	300	6,172	(1,994)	(3,433)
Operating cash flow before working capital changes	62,014	70,522	29,224	35,436
Changes in operating assets and liabilities:				
Other financial assets / liabilities, at fair value through profit or loss	(13,528)	4,083	(12,888)	9,409
Trade, outstanding contracts and other receivables	(304,825)	(385,116)	(69,474)	(245,705)
Trade, outstanding contracts and other payables	128,976	536,184	28,374	223,405
Cash (used in) / generated from operations	(127,363)	225,673	(24,764)	22,545
Interest paid	(14,731)	(23,543)	(9,715)	(17,378)
Income tax paid	(7,826)	(4,490)	(3,852)	(4,359)
Net cash (used in) / provided by operating activities	(149,920)	197,640	(38,331)	808
Investing activities				
Payments for property, plant and equipment	(1,053)	(1,409)	(630)	(901)
Proceeds from disposal of property, plant and equipment	464	185	33	70
Proceeds from capital redemption of available-for-sale investment	-	220	-	220
Dividends received from quoted / unquoted securities	50	49	44	49
Net cash (used in) investing activities	(539)	(955)	(553)	(562)
Financing activities				
Drawdown / (repayment) of short-term bank loans	33,605	(162,562)	(25,509)	(75,500)
Payment to non-controlling interests for additional interest in a subsidiary	(1,103)	(76)	(477)	(76)
Payment to non-controlling interests for dividend	(286)	(309)	(286)	(309)
Dividends paid	(15,471)	(20,458)	(15,471)	(20,458)
Net cash from / (used in) financing activities	16,745	(183,405)	(41,743)	(96,343)

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

	The Group			
	6 months ended 30/06/2017 S\$'000	6 months ended 30/06/2016 S\$'000	3 months ended 30/06/2017 S\$'000	3 months ended 30/06/2016 S\$'000
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(300)	(6,172)	1,994	3,433
Net (decrease) / increase in cash and cash equivalents during the financial period	(134,014)	7,108	(78,633)	(92,664)
Cash and cash equivalents at beginning of the financial period	545,903	372,201	490,522	471,973
Cash and cash equivalents at end of the financial period	411,889	379,309	411,889	379,309

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

	The Group	
	As at 30/06/2017 S\$'000	As at 30/06/2016 S\$'000
Cash and bank balances	424,600	396,514
Less: Bank overdrafts	(12,711)	(17,205)
Cash and cash equivalents per consolidated cash flow statement	411,889	379,309

- 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.

STATEMENT OF CHANGES IN EQUITY – THE GROUP

	Share capital S\$'000	Statutory reserve S\$'000	Equity reserve S\$'000	Fair value reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Total attributable to members of the Company S\$'000	Non-controlling interests S\$'000	Total Equity S\$'000
Balance at 1 January 2017	155,616	1,739	52	1,132	(23,720)	1,224,178	1,358,997	20,035	1,379,032
Total comprehensive income for first quarter									
Profit for the period	-	-	-	-	-	19,735	19,735	438	20,173
Other comprehensive income	-	10	-	(49)	(15,467)	-	(15,506)	117	(15,389)
Total	-	10	-	(49)	(15,467)	19,735	4,229	555	4,784
Transfer to statutory reserve	-	35	-	-	-	(35)	-	-	-
Acquisition of additional interest in a subsidiary	-	16	389	-	-	-	405	(1,031)	(626)
Balance at 31 March 2017	155,616	1,800	441	1,083	(39,187)	1,243,878	1,363,631	19,559	1,383,190
Total comprehensive income for Second quarter									
Profit for the period	-	-	-	-	-	16,504	16,504	244	16,748
Other comprehensive income	-	(5)	-	-	(7,355)	-	(7,360)	(83)	(7,443)
Total	-	(5)	-	-	(7,355)	16,504	9,144	161	9,305
Payment of dividend by a subsidiary	-	-	-	-	-	-	-	(286)	(286)
Final dividend for 2016 paid	11,949	-	-	-	-	(27,420)	(15,471)	-	(15,471)
Acquisition of additional interest in a subsidiary	-	12	298	-	-	-	310	(787)	(477)
Balance at 30 June 2017	167,565	1,807	739	1,083	(46,542)	1,232,962	1,357,614	18,647	1,376,261

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. *(continued)*

STATEMENT OF CHANGES IN EQUITY – THE GROUP *(continued)*

	Share capital S\$'000	Statutory reserve S\$'000	Equity reserve S\$'000	Fair value reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Total attributable to members of the Company S\$'000	Non-controlling interests S\$'000	Total Equity S\$'000
Balance at 1 January 2016	141,326	1,678	(276)	1,355	(35,737)	1,201,962	1,310,308	19,031	1,329,339
Total comprehensive income the first quarter									
Profit for the period	-	-	-	-	-	14,162	14,162	295	14,457
Other comprehensive income	-	(39)	-	12	(18,425)	-	(18,452)	(450)	(18,902)
Total	-	(39)	-	12	(18,425)	14,162	(4,290)	(155)	(4,445)
Balance at 31 March 2016	141,326	1,639	(276)	1,367	(54,162)	1,216,124	1,306,018	18,876	1,324,894
Total comprehensive income for second quarter									
Profit for the period	-	-	-	-	-	15,994	15,994	242	16,236
Other comprehensive income	-	(1)	-	(130)	(1,907)	-	(2,038)	(5)	(2,043)
Total	-	(1)	-	(130)	(1,907)	15,994	13,956	237	14,193
Acquisition of additional interest in a subsidiary	-	2	63	-	-	-	65	(141)	(76)
Payment of dividends by a subsidiary	-	-	-	-	-	-	-	(309)	(309)
Final dividend for 2015 paid	14,289	-	-	-	-	(34,747)	(20,458)	-	(20,458)
Balance at 30 June 2016	155,615	1,640	(213)	1,237	(56,069)	1,197,371	1,299,581	18,663	1,318,244

- 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. *(continued)*

STATEMENT OF CHANGES IN EQUITY – THE COMPANY

	Share capital S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 January 2017	155,616	198,651	354,267
Total comprehensive loss for first quarter	-	747	747
Balance at 31 March 2017	155,616	199,398	355,014
Total comprehensive income for second quarter	-	733	733
Final dividend for 2016 paid	11,949	(27,420)	(15,471)
Balance at 30 June 2017	167,565	172,711	340,276

	Share capital S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 January 2016	141,326	198,443	339,769
Total comprehensive loss for first quarter	-	(1,784)	(1,784)
Balance at 31 March 2016	141,326	196,659	337,985
Total comprehensive income for second quarter	-	2,178	2,178
Final dividend for 2015 paid	14,289	(34,747)	(20,458)
Balance at 30 June 2016	155,615	164,090	319,705

- 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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.

	Number of shares			
	6 months ended 30/6/2017	6 months ended 30/6/2016	3 months ended 30/6/2017	3 months ended 30/6/2016
Ordinary shares				
Balance at beginning of period	783,453,546	772,155,868	783,453,546	772,155,868
Issue of shares under scrip dividend scheme	9,366,766	11,297,678	9,366,766	11,297,678
Balance at end of period	792,820,312	783,453,546	792,820,312	783,453,546

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 financial year.

	30 June 2017	31 December 2016
No. of shares	792,820,312	783,453,546

1(d)(iv) A statement showing all sales, transfers, disposals, 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 (e.g. the Singapore Standard on Auditing 910. (Engagements to Review Financial Statements), or an equivalent standard)

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

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.

The Group and the Company have applied the same accounting policies in the financial statements for the current reporting period compared to the audited financial statements as at 31 December 2016.

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.

Not applicable.

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			
	6 months ended 30/6/2017	6 months ended 30/06/2016	3 months ended 30/06/2017	3 months ended 30/06/2016
Earnings per ordinary share for the period after deducting any provision for preference dividends:-				
(i) Based on weighted average number of ordinary shares in issue	4.62 cents	3.90 cents	2.10 cents	2.07 cents
(ii) On a fully diluted basis	4.62 cents	3.90 cents	2.10 cents	2.07 cents

7 Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on; and (b) immediately preceding financial year.

	The Group		The Company	
	As at 30/6/2017	As at 31/12/2016	As at 30/6/2017	As at 31/12/2016
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	171.24 cents	173.46 cents	42.92 cents	45.22 cents

- 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 affect the turnovers, 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.**

Operating Profit and Expenses

2Q17 vs 2Q16

Trading volumes across regional markets where we operate were significantly higher quarter on quarter.

Commission income rose from S\$44.9 million to S\$58.7 million, reflecting an increase of 30.7%. However, interest income reduced 31.7% from S\$38.4 million to S\$26.2 million with lower financing activities. Other operating revenue fell 37.9% from S\$5.7 million to S\$3.5 million with lower corporate finance activities.

Overall commission and personnel expenses increased due to higher business volume. Commission expense increased 60.0% from S\$10.7 million to S\$17.1 million while personnel expenses increased 2.5% from S\$25.4 million to S\$26.1 million. Finance expenses declined 44.1% along with lower financing requirements. Other operating expenses increased with higher trading volumes.

The Group recorded a pre-tax profit of S\$19.3 million, a decrease of 0.6% owing to higher commission expenses and lower corporate finance income. After tax profit increased by 3.2% to S\$16.7 million.

1H17 vs 1H16

Commission income grew from S\$95.6 million to S\$121.5 million, representing an increase of 27.1% along with higher market volumes. Interest income fell 19.5% from S\$58.6 million to S\$47.2 million with fewer structured financing requirements. Other operating revenue decreased 14.6% from S\$12.0 million to S\$10.3 million with lower corporate finance activities.

Commission expenses increased by 57.2% from S\$20.8 million to S\$32.7 million and personnel expenses increased 6.9% from S\$50.2 million to S\$53.6 million as business volume grew. Finance expenses decreased 37.4% from S\$23.5 million to S\$14.7 million due to lower financing requirements. Other operating expenses rose 7.4% from S\$31.2 million to S\$33.5 million with higher trading volumes.

The group recorded profit before tax of S\$43.0 million and profit after tax of S\$36.9 million, an increase of 18.2% and 20.3% respectively.

Balance Sheet

The Group's net asset position is healthy at S\$1.36 billion as at 30 June 2017. There were no significant changes in the composition of Group balance sheet items, except for working capital items.

- 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 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.**

Regional markets for the first half of 2017 traded on a firmer note compared with 2016. Stock market recovery thus far has been driven by the strong US market performance, strong bank performances and better manufacturing numbers.

There are also early signs of recovery in the Singapore property market which will bode well not just for property related companies but also the banks on expected increase in property related lending volumes.

Sentiments may however be dampened by adverse political developments over North Korea and the spectre of rising interest rates in US and Eurozone.

On balance we are cautiously optimistic about prospects in our regional markets.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period (quarter) reported on? *None*

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period (quarter) 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 or recommended for the quarter ended 30 June 2017.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPTs mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained.

14 Confirmation of Directors and Executive Officers' undertakings pursuant to Listing Rule 720(1)

The Company has procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

15 Confirmation of the Board

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 statements for the quarter ended 30 June 2017 to be false or misleading in any material aspect.

By order of the Board of Directors

Wee Ee-chao
Managing Director

Esmond Choo
Executive Director

BY ORDER OF THE BOARD

Wee Ee-chao
Managing Director
10 August 2017