

UOB KayHian

UOB-KAY HIAN HOLDINGS LIMITED

Financial Statements

And Dividend Announcement

For Third Quarter Ended 30 September 2013

(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					
	9 months ended 30/09/2013 S\$'000	9 months ended 30/09/2012 S\$'000	Increase / (Decrease) %	3 months ended 30/09/2013 S\$'000	3 months ended 30/09/2012 S\$'000	Increase / (Decrease) %
Revenue						
Commission income	229,248	172,329	33.0	63,650	58,303	9.2
Interest income	63,465	54,497	16.5	20,095	17,008	18.2
Dividend from quoted / unquoted securities	259	127	103.9	42	46	(8.7)
Other operating revenue	24,131	12,223	97.4	5,226	4,040	29.4
Total revenue	317,103	239,176	32.6	89,013	79,397	12.1
Foreign exchange gain	8,205	2,209	271.4	3,468	550	530.5
Total income	325,308	241,385	34.8	92,481	79,947	15.7
Costs and expenses						
Commission expenses	(56,220)	(42,774)	31.4	(17,160)	(14,031)	22.3
Personnel expenses	(94,486)	(68,473)	38.0	(26,591)	(23,074)	15.2
Depreciation expenses	(6,839)	(7,631)	(10.4)	(2,303)	(2,583)	(10.8)
(Write back of allowance) / Allowance for impairment of trade debtors & bad debts written off	(340)	(298)	14.1	(342)	123	(378.0)
Net fair value (loss) / gain on financial assets / liabilities through profit or loss	(777)	2,962	(126.2)	(659)	888	(174.2)
Finance expenses	(20,504)	(15,834)	29.5	(6,080)	(2,792)	117.8
Other operating expenses	(51,378)	(41,700)	23.2	(18,221)	(13,349)	36.5
	(230,544)	(173,748)	32.7	(71,356)	(54,818)	30.2
Profit before tax	94,764	67,637	40.1	21,125	25,129	(15.9)
Income tax expense*	(16,602)	(10,460)	58.7	(3,957)	(4,347)	(9.0)
Profit after tax	78,162	57,177	36.7	17,168	20,782	(17.4)
Other comprehensive income / (expense) (net of tax):						
Foreign currency translation difference	(1,036)	(21,678)	(95.2)	(9,821)	(11,179)	(12.1)
Available-for-sale financial assets	990	1,198	(17.4)	87	9	866.7
Actuarial loss on defined benefit plan	(101)	-	N.M	(101)	-	N.M
	(147)	(20,480)	(99.3)	(9,835)	(11,170)	(12.0)
Total comprehensive income for the period	78,015	36,697	112.6	7,333	9,612	(23.7)

*Under provision of taxation in respect of prior years in the 9 months ended 30 September 2013 is \$1,389. (9 months ended 30 September 2012: \$46,558)

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					
	9 months ended 30/09/2013	9 months ended 30/09/2012	Increase / (Decrease) %	3 months ended 30/09/2013	3 months ended 30/09/2012	Increase / (Decrease) %
	S\$'000	S\$'000		S\$'000	S\$'000	
Profit attributable to :						
Owners of the Company	75,445	55,984	34.8	16,887	20,400	(17.2)
Non-controlling interests	2,717	1,193	127.7	281	382	(26.4)
	78,162	57,177	36.7	17,168	20,782	(17.4)
Total comprehensive income attributable to:						
Owners of the Company	75,206	36,194	107.8	7,362	9,311	(20.9)
Non-controlling interests	2,809	503	458.4	(29)	301	(109.6)
	78,015	36,697	112.6	7,333	9,612	(23.7)

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 30/09/2013 S\$'000	As at 31/12/2012 S\$'000	As at 30/09/2013 S\$'000	As at 31/12/2012 S\$'000
ASSETS				
Current assets				
Cash and bank balances	297,422	246,906	207	396
Outstanding contracts receivable	947,949	797,772	-	-
Trade receivables	1,658,052	1,436,307	-	-
Other financial assets, at fair value through profit or loss	31,291	31,578	-	-
Other current assets	41,542	32,861	40,224	22,703
Derivative financial instruments	2	25	-	-
Total current assets	2,976,258	2,545,449	40,431	23,099
Non-current assets				
Trade and other receivables	34,127	-	188	183
Goodwill	3,321	4,606	-	-
Subsidiaries	-	-	345,521	265,854
Financial assets, available-for-sale	29,057	19,819	-	-
Trading rights in Exchanges	7,180	574	-	-
Memberships in Exchanges	217	220	-	-
Property, plant and equipment	61,713	63,146	-	-
Deferred tax assets	1,998	1,650	-	-
Total non-current assets	137,613	90,015	345,709	266,037
Total assets	3,113,871	2,635,464	386,140	289,136
LIABILITIES AND EQUITY				
Current liabilities				
Outstanding contracts payable	859,497	741,792	-	-
Trade and other payables	162,962	104,269	169,271	45,705
Other financial liabilities, at fair value through profit or loss	7	-	-	-
Borrowings	740,850	329,044	-	-
Debts issued	175,295	333,033	-	-
Income tax payable	15,405	12,955	-	-
Derivative financial instruments	2,358	2,512	-	-
Total current liabilities	1,956,374	1,523,605	169,271	45,705
Non-current liabilities				
Trade and other payables	2,789	3,135	-	-
Deferred tax liabilities	1,147	1,210	-	-
Total non-current liabilities	3,936	4,345	-	-
Total liabilities	1,960,310	1,527,950	169,271	45,705
Equity				
Capital, reserves and non-controlling interests				
Share capital	72,471	72,471	72,471	72,471
Reserves	(63,005)	(62,996)	-	-
Retained earnings	1,122,294	1,076,092	144,398	170,960
Equity attributable to owners of the Company	1,131,760	1,085,567	216,869	243,431
Non-controlling interests	21,801	21,947	-	-
Total equity	1,153,561	1,107,514	216,869	243,431
Total liabilities and equity	3,113,871	2,635,464	386,140	289,136
Clients' trust / segregated accounts				
Bank balances				
- with related parties	538,368	283,475	-	-
- with non-related banks	779,999	527,591	-	-
Margin with clearing houses	22,235	19,127	-	-
Less: Amounts held in trust	(1,340,602)	(830,193)	-	-
	-	-	-	-

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

	The Group			
	As at 30/09/2013		As at 31/12/2012	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amounts repayable in one year or less, or on demand	721,186	19,664	300,208	28,836
Amounts repayable after one year	-	-	-	-

As at period end, the Group had debts issued amounting to S\$175,294,767. 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\$721,186,379 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			
	9 months ended 30/09/2013	9 months ended 30/09/2012	3 months ended 30/09/2013	3 months ended 30/09/2012
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Profit before income tax	94,764	67,637	21,125	25,129
Adjustments for:				
Depreciation expenses	6,839	7,631	2,303	2,583
Net (gain) / loss on disposal of property, plant and equipment	(108)	(7)	(104)	9
Allowance / (Write back of allowance) for trade receivables	298	219	261	(108)
Gain on disposal of subsidiary	(259)	-	-	-
Dividend income from quoted / unquoted securities	(259)	(127)	(42)	(46)
Interest expenses	20,504	15,834	6,080	2,792
Exchange differences	(3,553)	(18,227)	(9,975)	(23,962)
Operating cash flow before working capital changes	118,226	72,960	19,648	6,397
Changes in operating assets and liabilities:				
Other financial assets / liabilities, at fair value through profit or loss	1,562	(2,507)	5,873	(368)
Financial assets, available for sale	(13,254)	(4,295)	(11,878)	(263)
Trade, outstanding contracts and other receivables	(535,487)	(658,714)	(203,922)	(142,532)
Trade, outstanding contracts and other payables	144,085	482,978	1,881	(6,006)
Cash used in operations	(284,868)	(109,578)	(188,398)	(142,772)
Interest paid	(20,504)	(15,834)	(6,080)	(2,792)
Income tax paid	(13,346)	(15,044)	(6,800)	(6,243)
Net cash used in operating activities	(318,718)	(140,456)	(201,278)	(151,807)
Investing activities				
Payments for property, plant and equipment	(3,849)	(3,836)	(1,238)	(1,786)
Proceeds from disposal of property, plant and equipment	610	23	596	-
Proceeds from disposal of financial assets, available for sale	324	54	287	1
Acquisition of subsidiary	(19,198)	(6,697)	(109)	-
Disposal of subsidiary	4,719	-	-	-
Payment to non-controlling interests for dividend	(301)	(255)	-	(1)
Dividends received from quoted / unquoted securities	259	127	42	46
Net cash used in investing activities	(17,436)	(10,584)	(422)	(1,740)
Financing activities				
Drawdown of short-term bank loans	425,031	37,068	297,178	17,794
Payment to non-controlling interests for additional interest in a subsidiary	-	(341)	-	12
Dividends paid	(28,988)	(47,106)	-	(3,623)
Net cash from / (used in) financing activities	396,043	(10,379)	297,178	14,183
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	3,852	(2,605)	1,094	12,993

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			
	9 months ended 30/09/2013	9 months ended 30/09/2012	3 months ended 30/09/2013	3 months ended 30/09/2012
	S\$'000	S\$'000	S\$'000	S\$'000
Net increase / (decrease) in cash and cash equivalents during the financial period	63,741	(164,024)	96,572	(126,371)
Cash and cash equivalents at beginning of the financial period	221,251	353,605	188,420	315,952
Cash and cash equivalents at end of the financial period	284,992	189,581	284,992	189,581

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

	The Group	
	As at 30/09/2013	As at 30/09/2012
	S\$'000	S\$'000
Cash and bank balances	297,422	228,016
Less: Bank overdrafts	(12,430)	(38,435)
Cash and cash equivalents per consolidated cash flow statement	284,992	189,581

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 2013	72,471	1,542	(1,534)	2,447	(65,450)	1,076,092	1,085,568	21,947	1,107,515
Total comprehensive income for first quarter	-	87	-	873	8,060	31,908	40,928	2,614	43,542
Transfer to statutory reserve	-	150	-	-	-	(176)	(26)	26	-
Balance at 31 March 2013	72,471	1,779	(1,534)	3,320	(57,390)	1,107,824	1,126,470	24,587	1,151,057
Total comprehensive (loss) / income for second quarter	-	(69)	-	13	322	26,650	26,916	224	27,140
Final dividend for 2012 paid	-	-	-	-	-	(28,988)	(28,988)	-	(28,988)
Disposal of subsidiary	-	-	-	-	-	-	-	(2,680)	(2,680)
Payment of dividends by a subsidiary	-	-	-	-	-	-	-	(301)	(301)
Balance at 30 June 2013	72,471	1,710	(1,534)	3,333	(57,068)	1,105,486	1,124,398	21,830	1,146,228

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 30 June 2013	72,471	1,710	(1,534)	3,333	(57,068)	1,105,486	1,124,398	21,830	1,146,228
Total comprehensive (loss) / income for third quarter	-	(19)	-	67	(9,494)	16,808	7,362	(29)	7,333
Balance at 30 September 2013	72,471	1,691	(1,534)	3,400	(66,562)	1,122,294	1,131,760	21,801	1,153,561
	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 2012	72,471	1,541	(1,592)	1,074	(44,197)	1,057,501	1,086,798	21,595	1,108,393
Total comprehensive (loss) / income for first quarter	-	(14)	-	1,053	(10,408)	23,158	13,789	275	14,064
Transfer to statutory reserve	-	30	-	-	-	(30)	-	-	-
Acquisition of additional interest in a subsidiary	-	6	44	-	-	-	50	(270)	(220)
Balance at 31 March 2012	72,471	1,563	(1,548)	2,127	(54,605)	1,080,629	1,100,637	21,600	1,122,237
Total comprehensive (loss) / income for second quarter	-	(30)	-	149	549	12,426	13,094	(73)	13,021
Final dividend for 2011 paid	-	-	-	-	-	(43,483)	(43,483)	-	(43,483)
Acquisition of additional interest in a subsidiary	-	3	14	-	-	-	17	(150)	(133)
Payment of dividends by a subsidiary	-	-	-	-	-	-	-	(254)	(254)
Balance at 30 June 2012	72,471	1,536	(1,534)	2,276	(54,056)	1,049,572	1,070,265	21,123	1,091,388

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 30 June 2012	72,471	1,536	(1,534)	2,276	(54,056)	1,049,572	1,070,265	21,123	1,091,388
Total comprehensive (loss) / income for third quarter	-	(5)	-	(15)	(11,069)	20,400	9,311	301	9,612
Interim dividend for 2012 paid	-	-	-	-	-	(3,623)	(3,623)	-	(3,623)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	12	12
Payment of dividends by a subsidiary	-	-	-	-	-	-	-	(1)	(1)
Balance at 30 September 2012	72,471	1,531	(1,534)	2,261	(65,125)	1,066,349	1,075,953	21,435	1,097,388

STATEMENT OF CHANGES IN EQUITY – THE COMPANY

	Share capital S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 January 2013	72,471	170,960	243,431
Total comprehensive loss for first quarter	-	(94)	(94)
Balance at 31 March 2013	72,471	170,866	243,337
Total comprehensive income for second quarter	-	1,134	1,134
Final dividend for 2012 paid	-	(28,988)	(28,988)
Balance at 30 June 2013	72,471	143,012	215,483
Total comprehensive income for third quarter	-	1,386	1,386
Balance at 30 September 2013	72,471	144,398	216,869

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)*

	Share capital S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 January 2012	72,471	177,065	249,536
Total comprehensive loss for first quarter	-	(70)	(70)
Balance at 31 March 2012	72,471	176,995	249,466
Total comprehensive income for second quarter	-	782	782
Final dividend for 2011 paid	-	(43,483)	(43,483)
Balance at 30 June 2012	72,471	134,294	206,765
Total comprehensive income for third quarter	-	3,530	3,530
Interim dividend for 2012 paid	-	(3,623)	(3,623)
Balance at 30 September 2012	72,471	134,201	206,672

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.

NIL

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

30 September 2013 31 December 2012

No. of shares	724,709,009	724,709,009
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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 2012.

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			
	9 months ended 30/9/2013	9 months ended 30/09/2012	3 months ended 30/09/2013	3 months ended 30/09/2012
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	10.41 cents	7.72 cents	2.33 cents	2.81 cents
(ii) On a fully diluted basis	10.41 cents	7.72 cents	2.33 cents	2.81 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 30/9/2013	As at 31/12/2012	As at 30/9/2013	As at 31/12/2012
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	156.17 cents	149.79 cents	29.92 cents	33.59 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

3Q13 vs 3Q12

Market volumes in the region eased in 3Q13, concerned over the US QE tapering. The Group recorded pre-tax profit of \$21.1 million and after tax profit of \$17.2 million, a decrease of 15.9% and 17.4% respectively over last year.

Commission income rose from \$58.3 million to \$63.7 million, reflecting an increase of 9.2%. Interest income grew 18.2% from \$17.0 million to \$20.1 million with higher financing activities. Other operating revenue expanded 29.4% from \$4.0 million to \$5.2 million due to higher corporate finance activities.

Commission expenses increased 22.3% from \$14.0 million to \$17.2 million and personnel expenses increased 15.2% from \$23.1 million to \$26.6 million, along with increase in revenue. The increase in finance expenses was due to higher financing activities funded with bank borrowings. Other operating expenses rose 36.5% from \$13.3 million to \$18.2 million due largely to retrenchment costs amounting to \$3.5 million following the merger of our Malaysian operations.

9M13 vs 9M12

The group recorded profit before tax of \$94.8 million and profit after tax of \$78.2 million, an increase of 40.1% and 36.7% respectively.

Market sentiment was fuelled by signs of US economic recovery and generally improving corporate prospects. Commission income increased from \$172.3 million to \$229.2 million, representing an increase of 33.0%. Interest income rose 16.5% from \$54.5 million to \$63.5 million due to higher share financing activities. Other operating revenue increased by 97.4% from \$12.2 million to \$24.1 million as a result of more corporate finance activities and higher facility fees earned.

Commission expenses increased by 31.4% from \$42.8 million to \$56.2 million and personnel expenses rose 38.0% from \$68.5 million to \$94.5 million with higher commission income. Finance expenses increased in line with higher lending activities. Other operating expenses expanded 23.2% due to higher business volume, acquisition of subsidiary in Malaysia and one-off retrenchment costs in Malaysia.

Balance Sheet

The Group's financial health remains strong with net asset value as at 30 September 2013 of \$1.13 billion. There were no significant changes in the composition of Group balance sheet items except for trade related items and bank borrowings which increased along with higher business volumes.

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.

Investor sentiment in Singapore, our major market, was severely affected by the collapse of the penny stock bubble in October 2013. Whilst our timely and prudent intervention has averted significant bad debt losses, we expect lower trading volumes and hence brokerage income in the next quarter or two.

In the absence of any upheavals in the global financial markets, we expect to post a consistent and steady performance in 2014.

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 September 2013.

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 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 September 2013 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
12 November 2013**