



UOB-KAY HIAN HOLDINGS LIMITED

Financial Statements

And Dividend Announcement

For Second Quarter Ended 30 June 2016

(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 30/06/2016 S\$'000	6 months ended 30/06/2015 S\$'000	Increase / (Decrease) %	3 months ended 30/06/2016 S\$'000	3 months ended 30/06/2015 S\$'000	Increase / (Decrease) %
Revenue						
Commission income	95,572	121,888	(21.6)	44,896	66,338	(32.3)
Interest income	58,580	58,350	0.4	38,387	35,462	8.2
Dividend from quoted / unquoted securities	49	69	(29.0)	49	69	(29.0)
Other operating revenue	12,012	17,853	(32.7)	5,690	6,483	(12.2)
Total revenue	166,213	198,160	(16.1)	89,022	108,352	(17.8)
Foreign exchange gain	183	3,986	(95.4)	744	(428)	N.M
Realised gain on financial assets, available-for-sale	-	14	N.M	-	14	N.M
Total income	166,396	202,160	(17.7)	89,766	107,938	(16.8)
Costs and expenses						
Commission expenses	(20,805)	(24,698)	(15.8)	(10,685)	(10,048)	6.3
Personnel expenses	(50,161)	(63,547)	(21.1)	(25,423)	(31,696)	(19.8)
Depreciation expenses	(4,134)	(4,335)	(4.7)	(2,015)	(2,155)	(6.5)
Allowance for impairment of trade debtors & bad debts written off	(387)	(508)	(23.8)	(82)	(249)	(67.1)
Net fair value gain / (loss) on financial assets / liabilities through profit or loss	166	(1,884)	N.M	380	(1,357)	N.M
Finance expenses	(23,543)	(23,441)	0.4	(17,378)	(17,546)	(1.0)
Other operating expenses	(31,191)	(33,742)	(7.6)	(15,134)	(16,486)	(8.2)
	(130,055)	(152,155)	(14.5)	(70,337)	(79,537)	(11.6)
Profit before tax	36,341	50,005	(27.3)	19,429	28,401	(31.6)
Income tax expense*	(5,648)	(7,529)	(25.0)	(3,193)	(4,663)	(31.5)
Profit after tax	30,693	42,476	(27.7)	16,236	23,738	(31.6)
Other comprehensive (expense) / income (net of tax):						
Foreign currency translation difference	(20,892)	588	N.M	(1,942)	(17,100)	(88.6)
Available-for-sale financial assets	(53)	(209)	(74.6)	(101)	(178)	(43.3)
	(20,945)	379	N.M	(2,043)	(17,278)	(88.2)
Total comprehensive income for the period	9,748	42,855	(77.3)	14,193	6,460	119.7

*Under (Over) provision of taxation in respect of prior years in the 6 months ended 30 June 2016 is \$3,030. (6 months ended 30 June 2015: (\$152,730))

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 30/06/2016	6 months ended 30/06/2015	Increase / (Decrease) %	3 months ended 30/06/2016	3 months ended 30/06/2015	Increase / (Decrease) %
	S\$'000	S\$'000		S\$'000	S\$'000	
Profit attributable to :						
Owners of the Company	30,156	41,527	(27.4)	15,994	23,496	(31.9)
Non-controlling interests	537	949	(43.4)	242	242	-
	30,693	42,476	(27.7)	16,236	23,738	(31.6)
Total comprehensive income attributable to:						
Owners of the Company	9,666	42,049	(77.0)	13,956	7,311	90.9
Non-controlling interests	82	806	(89.8)	237	(851)	N.M
	9,748	42,855	(77.3)	14,193	6,460	119.7

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 30/06/2016 SS'000	As at 31/12/2015 SS'000	As at 30/06/2016 SS'000	As at 31/12/2015 SS'000
ASSETS				
<u>Current assets</u>				
Cash and bank balances	396,514	372,227	199	145
Outstanding contracts receivable	886,634	370,566	-	-
Trade receivables	1,586,819	1,814,078	-	-
Other financial assets, at fair value through profit or loss	17,090	21,267	-	-
Other current assets	37,312	31,793	44,181	66,213
Derivative financial instruments	199	9	-	-
Total current assets	2,924,568	2,609,940	44,380	66,358
<u>Non-current assets</u>				
Trade and other receivables	259,150	226,320	202	212
Goodwill	1,384	1,417	-	-
Subsidiaries	-	-	359,374	349,374
Financial assets, available-for-sale	2,785	3,411	-	-
Trading rights in Exchanges	98	103	-	-
Memberships in Exchanges	208	212	-	-
Property, plant and equipment	44,490	47,367	-	-
Deferred tax assets	1,026	1,029	-	-
Total non-current assets	309,141	279,859	359,576	349,586
Total assets	3,233,709	2,889,799	403,956	415,944
LIABILITIES AND EQUITY				
<u>Current liabilities</u>				
Outstanding contracts payable	890,980	335,066	-	-
Trade and other payables	78,885	86,435	83,648	75,563
Borrowings	516,752	662,134	603	612
Debts issued	416,967	465,894	-	-
Income tax payable	9,868	8,762	-	-
Derivative financial instruments	374	45	-	-
Total current liabilities	1,913,826	1,558,336	84,251	76,175
<u>Non-current liabilities</u>				
Trade and other payables	813	1,262	-	-
Deferred tax liabilities	826	862	-	-
Total non-current liabilities	1,639	2,124	-	-
Total liabilities	1,915,465	1,560,460	84,251	76,175
<u>Equity</u>				
Capital, reserves and non-controlling interests				
Share capital	155,615	141,326	155,615	141,326
Reserves	(53,405)	(32,980)	-	-
Retained earnings	1,197,371	1,201,962	164,090	198,443
Equity attributable to owners of the Company	1,299,581	1,310,308	319,705	339,769
Non-controlling interests	18,663	19,031	-	-
Total equity	1,318,244	1,329,339	319,705	339,769
Total liabilities and equity	3,233,709	2,889,799	403,956	415,944
<u>Clients' trust / segregated accounts</u>				
Bank balances				
- with related parties	343,294	326,170	-	-
- with non-related banks	1,577,100	1,081,169	-	-
Margin with clearing houses	57,070	54,068	-	-
Less: Amounts held in trust	(1,977,464)	(1,461,407)	-	-
	-	-	-	-

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

	The Group			
	As at 30/06/2016		As at 31/12/2015	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amounts repayable in one year or less, or on demand	499,547	17,205	657,171	4,963
Amounts repayable after one year	-	-	-	-

As at period end, the Group had debts issued amounting to S\$416,966,973. 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\$499,546,878 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 30/06/2016 S\$'000	6 months ended 30/06/2015 S\$'000	3 months ended 30/06/2016 S\$'000	3 months ended 30/06/2015 S\$'000
	Operating activities			
Profit before income tax	36,341	50,005	19,429	28,401
Adjustments for:				
Depreciation expenses	4,134	4,335	2,015	2,155
Net (gain) / loss on disposal of property, plant and equipment	(22)	3	(5)	3
Allowance for trade receivables	403	128	101	231
Gain on sale of available-for-sale investments	-	(14)	-	(14)
Dividend income from quoted / unquoted securities	(49)	(69)	(49)	(69)
Interest expenses	23,543	23,441	17,378	17,546
Exchange differences	6,172	2,972	(3,433)	7,859
Operating cash flow before working capital changes	70,522	80,801	35,436	56,112
Changes in operating assets and liabilities:				
Other financial assets / liabilities, at fair value through profit or loss	4,083	(21,954)	9,409	3,281
Trade, outstanding contracts and other receivables	(385,116)	(524,769)	(245,705)	845,190
Trade, outstanding contracts and other payables	536,184	352,966	223,405	115,165
Cash generated from / (used in) operations	225,673	(112,956)	22,545	1,019,748
Interest paid	(23,543)	(23,441)	(17,378)	(17,546)
Income tax paid	(4,490)	(7,091)	(4,359)	(6,058)
Net cash provided / (used in) by operating activities	197,640	(143,488)	808	996,144
Investing activities				
Payments for property, plant and equipment	(1,409)	(1,849)	(901)	(986)
Proceeds from disposal of property, plant and equipment	185	51	70	1
Proceeds from capital redemption of available-for-sale investment	220	-	220	-
Proceeds from disposal of available-for-sale investments	-	15,275	-	(876)
Dividends received from quoted / unquoted securities	49	69	49	69
Net cash (used in) / from investing activities	(955)	13,546	(562)	(1,792)
Financing activities				
(Repayment) / drawdown of short-term bank loans	(162,562)	283,040	(75,500)	(850,021)
Payment to non-controlling interests for additional interest in a subsidiary	(76)	-	(76)	-
Payment to non-controlling interests for dividend	(309)	(356)	(309)	(356)
Dividends paid	(20,458)	(6,861)	(20,458)	(6,861)
Net cash (used in) / from financing activities	(183,405)	275,823	(96,343)	(857,238)

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 30/06/2016	6 months ended 30/06/2015	3 months ended 30/06/2016	3 months ended 30/06/2015
	S\$'000	S\$'000	S\$'000	S\$'000
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(6,172)	(2,972)	3,433	(7,859)
Net increase/(decrease) in cash and cash equivalents during the financial period	7,108	142,909	(92,664)	129,255
Cash and cash equivalents at beginning of the financial period	372,201	171,491	471,973	185,145
Cash and cash equivalents at end of the financial period	379,309	314,400	379,309	314,400

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

	The Group	
	As at 30/06/2016	As at 30/06/2015
	S\$'000	S\$'000
Cash and bank balances	396,514	321,137
Less: Bank overdrafts	(17,205)	(6,737)
Cash and cash equivalents per consolidated cash flow statement	379,309	314,400

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 2016	141,326	1,678	(276)	1,355	(35,737)	1,201,962	1,310,308	19,031	1,329,339
Total comprehensive income for 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 dividend 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 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 2015	110,677	1,714	(276)	3,137	(52,682)	1,167,505	1,230,075	18,210	1,248,285
Total comprehensive income the first quarter									
Profit for the period	-	-	-	-	-	18,031	18,031	707	18,738
Other comprehensive income	-	88	-	30	16,589	-	16,707	950	17,657
Total	-	88	-	30	16,589	18,031	34,738	1,657	36,395
Balance at 31 March 2015	110,677	1,802	(276)	3,167	(36,093)	1,185,536	1,264,813	19,867	1,284,680
Total comprehensive income for second quarter									
Profit for the period	-	-	-	-	-	23,496	23,496	242	23,738
Other comprehensive income	-	(99)	-	(225)	(15,861)	-	(16,185)	(1,093)	(17,278)
Total	-	(99)	-	(225)	(15,861)	23,496	7,311	(851)	6,460
Payment of dividends by a subsidiary	-	-	-	-	-	-	-	(356)	(356)
Final dividend for 2014 paid	30,649	-	-	-	-	(37,511)	(6,862)	-	(6,862)
Balance at 30 June 2015	141,326	1,703	(276)	2,942	(51,954)	1,171,521	1,265,262	18,660	1,283,922

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 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

	Share capital S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 January 2015	110,677	190,670	301,347
Total comprehensive loss for first quarter	-	680	680
Balance at 31 March 2015	110,677	191,350	302,027
Total comprehensive income for second quarter	-	2,893	2,893
Final dividend for 2014 paid	30,649	(37,511)	(6,862)
Balance at 30 June 2015	141,326	156,732	298,058

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 30/6/2016	6 months ended 30/06/2015	3 months ended 30/06/2016	3 months ended 30/06/2015
Ordinary shares				
Balance at beginning of period	772,155,868	750,214,907	772,155,868	750,214,907
Issue of shares under scrip dividend scheme	11,297,678	21,940,961	11,297,678	21,940,961
Balance at end of period	783,453,546	772,155,868	783,453,546	772,155,868

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 2016	31 December 2015
No. of shares	783,453,546	772,155,868

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 2015.

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 30/6/2016	6 months ended 30/06/2015	3 months ended 30/06/2016	3 months ended 30/06/2015
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	3.90 cents	5.52 cents	2.07 cents	3.12 cents
(ii) On a fully diluted basis	3.90 cents	5.52 cents	2.07 cents	3.12 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 30/6/2016	As at 31/12/2015	As at 30/6/2016	As at 31/12/2015
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	165.88 cents	169.69 cents	40.81 cents	44.00 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

2Q16 vs 2Q15

Trading volumes in major regional markets where we operate in were much lower compared to an active corresponding period. It was against this challenging environment that the Group recorded a pre-tax profit of S\$19.4 million and after tax profit of S\$16.2 million, a decrease of 31.6%.

Commission income fell from S\$66.3 million to S\$44.9 million, reflecting a decrease of 32.3%. Interest income grew 8.2% from S\$35.5 million to S\$38.4 million with higher financing activities. Other operating revenue decreased 12.2% from S\$6.5 million to S\$5.7 million with lower corporate finance activities.

Overall commission and personnel expenses fell due to lower business volume. Commission increased 6.3% from S\$10.0 million to S\$10.7 million as a result of conversion of employee dealers to remisiers. Personnel expenses reduced 19.8% from S\$31.7 million to S\$25.4 million. Other operating expenses reduced with lower trading volumes.

1H16 vs 1H15

The group recorded profit before tax of S\$36.3 million and profit after tax of S\$30.7 million, a decrease of 27.3% and 27.7% respectively.

Market sentiment remained cautious concerned over unexciting economic prospects. Commission income decreased from S\$121.9 million to S\$95.6 million, representing a decrease of 21.6%. Interest income was maintained at S\$58.6 million. Other operating revenue decreased 32.7% from S\$17.9 million to S\$12.0 million with lower corporate finance activities.

Commission expenses declined by 15.8% from S\$24.7 million to S\$20.8 million and personnel expenses reduced 21.1% from S\$63.5 million to S\$50.2 million, in line with lower business volumes. Other operating expenses too declined 7.6% from S\$33.7 million to S\$31.2 million.

Balance Sheet

The Group's net asset value of S\$1.3 billion as at 30 June 2016 reflects a healthy financial position. 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.**

The unexpected result of the Brexit referendum has given rise to greater investor risk aversion. Investor sentiment has been further dampened by the default of SWIBER, an offshore and marine (O&M) player listed on the SGX. This has not only caused a further downgrading of an already battered O&M sector but also the banking stocks which are exposed to the sector.

We see a shift of investor interest towards yield securities which generally have slower trading velocity. Corporate earnings prospect remains cloudy and we therefore expect a rather subdued market for the rest of 2016 with sporadic burst of liquidity triggered by macro economic events.

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 2016.

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 June 2016 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
11 August 2016**