

UOB KayHian

UOB-KAY HIAN HOLDINGS LIMITED

Financial Statements

And Dividend Announcement

For First Quarter Ended 31 March 2018

(Co. Ref. No. 200004464C)

These figures have not been audited.

1(a) 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		
	3 months ended 31/03/2018	3 months ended 31/03/2017	Increase / (Decrease) %
	S\$'000	S\$'000	
Revenue			
Commission income	80,453	62,793	28.1
Interest income	23,199	20,948	10.7
Dividend from quoted / unquoted securities	55	6	N.M
Other operating income	4,564	6,729	(32.2)
Total revenue	108,271	90,476	19.7
Foreign exchange gain	380	914	(58.4)
Total income	108,651	91,390	18.9
Costs and expenses			
Commission expenses	(17,291)	(13,868)	24.7
Personnel expenses	(33,891)	(29,335)	15.5
Depreciation expenses	(2,239)	(2,151)	4.1
Write back of allowance for impairment of trade debtors & bad debts written off	60	4	N.M
Impairment of goodwill	(227)	(41)	N.M
Net fair value gain (loss) on financial assets / liabilities through profit or loss	(73)	(4)	N.M
Finance expenses	(6,258)	(5,016)	24.8
Other operating expenses	(19,301)	(17,326)	11.4
	(79,220)	(67,737)	16.9
Profit before tax	29,431	23,653	24.4
Income tax expense*	(3,339)	(3,480)	(4.1)
Profit after tax	26,092	20,173	29.3
Other comprehensive (expense) income (net of tax):			
Foreign currency translation difference	(4,823)	(15,393)	(68.7)
Available-for-sale investments	-	4	N.M
	(4,823)	(15,389)	(68.7)
Total comprehensive income for the period	21,269	4,784	N.M

*Under provision of taxation in respect of prior years in the 3 months ended 31 March 2018 is S\$17,711. [3 months ended 31 March 2017: S\$25,841]

N.M. = Not Meaningful.

- 1(a) 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		
	3 months ended 31/03/2018	3 months ended 31/03/2017	Increase / (Decrease) %
	S\$'000	S\$'000	
Profit attributable to:			
Owners of the Company	25,718	19,735	30.3
Non-controlling interests	374	438	(14.6)
	26,092	20,173	29.3
Total comprehensive income attributable to:			
Owners of the Company	20,416	4,229	N.M
Non-controlling interests	853	555	53.7
	21,269	4,784	N.M

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 31/03/2018 S\$'000	As at 31/12/2017 S\$'000 Restated**	As at 31/03/2018 S\$'000	As at 31/12/2017 S\$'000
ASSETS				
<u>Current assets</u>				
Cash and bank balances	442,611	627,330	213	184
Outstanding contracts receivable	982,706	714,293	-	-
Trade receivables	1,852,365	1,868,915	-	-
Other financial assets, at fair value through profit or loss	28,271	31,721	-	-
Other current assets	51,216	47,821	129,578	76,126
Derivative financial instruments	1,010	2,325	-	-
Total current assets	3,358,179	3,292,405	129,791	76,310
<u>Non-current assets</u>				
Trade and other receivables	9,400	1,844	197	200
Goodwill	14,169	14,028	-	-
Subsidiaries	-	-	364,205	364,205
Available-for-sale investments	-	1,875	-	-
Other financial assets, at fair value through profit or loss	1,779	-	-	-
Trading rights in Exchanges	91	94	-	-
Memberships in Exchanges	225	220	-	-
Property, plant and equipment	39,243	40,924	-	-
Deferred tax assets	1,405	1,369	-	-
Total non-current assets	66,312	60,354	364,402	364,405
Total assets	3,424,491	3,352,759	494,193	440,715
LIABILITIES AND EQUITY				
<u>Current liabilities</u>				
Outstanding contracts payable	941,681	678,492	-	-
Trade and other payables	103,004	428,737	81,826	64,140
Borrowings	776,680	666,771	37,598	868
Debts issued	160,888	159,834	-	-
Other financial liabilities, at fair value through profit or loss	-	1	-	-
Income tax payable	11,355	7,764	14	18
Derivative financial instruments	1,185	2,315	-	-
Total current liabilities	1,994,793	1,943,914	119,438	65,026
<u>Non-current liabilities</u>				
Trade and other payables	2,011	2,011	-	-
Deferred tax liabilities	1,323	1,304	-	-
Total non-current liabilities	3,334	3,315	-	-
Total liabilities	1,998,127	1,947,229	119,438	65,026
<u>Equity</u>				
Capital, reserves and non-controlling interests				
Share capital	167,565	167,565	167,565	167,565
Reserves	(36,431)	(30,419)	-	-
Retained earnings	1,275,905	1,249,189	207,190	208,124
Equity attributable to owners of the Company	1,407,039	1,386,335	374,755	375,689
Non-controlling interests	19,325	19,195	-	-
Total equity	1,426,364	1,405,530	374,755	375,689
Total liabilities and equity	3,424,491	3,352,759	494,193	440,715
<u>Clients' trust / segregated accounts</u>				
Bank balances				
- with related parties	664,712	651,791	-	-
- with non-related banks	1,527,825	1,402,006	-	-
Margin with clearing houses	71,196	48,258	-	-
Less: Amounts held in trust	(2,263,733)	(2,102,055)	-	-
	-	-	-	-

** Comparative figures are restated on the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) 1. Please refer to note 5 below for details on the financial impact from the adoption of SFRS(I)s.

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

	The Group			
	As at 31/03/2018		As at 31/12/2017	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amounts repayable in one year or less, or on demand	768,200	8,480	660,177	6,594
Amounts repayable after one year	-	-	-	-

As at period end, the Group had debts issued amounting to S\$160,888,312. The debts issued, with derivative in the form of an embedded credit default swap, 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\$768,199,776 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	
	3 months ended 31/03/2018 S\$'000	3 months ended 31/03/2017 S\$'000
Operating activities		
Profit before income tax	29,431	23,653
Adjustments for:		
Depreciation expense	2,239	2,151
Gain on disposal of property, plant and equipment	(9)	(350)
Write back of allowance for trade receivables	(60)	(9)
Impairment of goodwill	227	41
Dividend from quoted / unquoted securities	(55)	(6)
Interest expense	6,258	5,016
Exchange differences	8,057	2,294
Operating cash flow before working capital changes	46,088	32,790
Changes in operating assets and liabilities:		
Other financial assets / liabilities at fair value through profit or loss	3,403	(640)
Trade, outstanding contracts and other receivables	(264,667)	(235,351)
Trade, outstanding contracts and other payables	(64,713)	100,602
Cash used in operations	(279,889)	(102,599)
Interest paid	(6,258)	(5,016)
Income tax paid	237	(3,974)
Net cash used in operating activities	(285,910)	(111,589)
Investing activities		
Payments for property, plant and equipment	(1,290)	(423)
Proceeds from disposal of property, plant and equipment	1,010	431
Dividends received from quoted / unquoted securities	55	6
Net cash (used in) from investing activities	(225)	14
Financing activities		
Drawdown of short-term bank loans	109,209	59,114
Payment to non-controlling interests for additional interest in a subsidiary	(436)	(626)
Net cash from financing activities	108,773	58,488
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(8,057)	(2,294)

- 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	
	3 months ended	3 months ended
	31/03/2018	31/03/2017
	S\$'000	S\$'000
Net decrease in cash and cash equivalents during the financial period	(185,419)	(55,381)
Cash and cash equivalents at beginning of the financial period	618,489	545,903
Cash and cash equivalents at end of the financial period	<u>433,070</u>	<u>490,522</u>

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

	The Group	
	As at	As at
	31/03/2018	31/03/2017
	S\$'000	S\$'000
Cash and bank balances	442,611	491,641
Less: Bank overdrafts	(9,541)	(1,119)
Cash and cash equivalents per consolidated cash flow statement	<u>433,070</u>	<u>490,522</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

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 2018	167,565	1,827	813	1,046	(57,825)	1,272,909	1,386,335	19,195	1,405,530
Impact of adopting SFRS(I) 1(NoteA)	-	-	-	-	23,720	(23,720)	-	-	-
Impact of adopting SFRS(I) 9(NoteB)	-	-	-	(1,046)	-	1,046	-	-	-
Restated opening balance under SFRS (I) 1 & 9	167,565	1,827	813	-	(34,105)	1,250,235	1,386,335	19,195	1,405,530
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	25,718	25,718	374	26,092
Other comprehensive income	-	41	-	-	(5,343)	-	(5,302)	479	(4,823)
Total	-	41	-	-	(5,343)	25,718	20,416	853	21,269
Transfer to statutory reserve	-	48	-	-	-	(48)	-	-	-
Acquisition of additional interest in a subsidiary	-	11	277	-	-	-	288	(723)	(435)
Balance at 31 March 2018	167,565	1,927	1,090	-	(39,448)	1,275,905	1,407,039	19,325	1,426,364

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 2017	155,616	1,739	52	1,132	(23,720)	1,224,178	1,358,997	20,035	1,379,032
Impact of adopting SFRS(I) 1(NoteA)	-	-	-	-	23,720	(23,720)	-	-	-
Restated opening balance under SFRS(I)1	155,616	1,739	52	1,132	-	1,200,458	1,358,997	20,035	1,379,032
Total comprehensive income for the period									
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 subsidiary	-	16	389	-	-	-	405	(1,031)	(626)
Balance at 31 March 2017	155,616	1,800	441	1,083	(15,467)	1,220,158	1,363,631	19,559	1,383,190

Note A

The Group has adopted SFRS(I) for the financial year ending 31 December 2018 and has applied SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company.

The Group has elected the optional exemption in SFRS(I) 1 to reset its cumulative Foreign Currency Translation Reserve (“FCTR”) for all foreign operations to NIL at the date of transition, and reclassify the cumulative FCTR debit balance as at 1 January 2017 of approximately S\$23.7 million as determined in accordance with the previous Financial Reporting Standards (FRS) at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

Note B

The Group and Company has applied SFRS(I) 9 on 1 January 2018 and will early adopt the amendments to SFRS(I) 9 on the same date. Under SFRS(I) 9, equity investments securities held for long-term strategic purposes that are classified as available-for-sale under FRS 39 will be designated as fair value through profit or loss on 1 January 2018. Accordingly, “Available-for-sale investments” on the statement of financial position has been redesignated as “Other financial assets, at fair value through profit or loss”.

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 2018	167,565	208,124	375,689
Total comprehensive loss for first quarter		(934)	(934)
Balance at 31 March 2018	167,565	207,190	374,755

	Share Capital S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 January 2017	155,616	198,651	354,267
Total comprehensive income for first quarter	-	747	747
Balance at 31 March 2017	155,616	199,398	355,014

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.

	31 March 2018	31 December 2017
No. of shares	792,820,312	792,820,312

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 standard (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.

Other than the adoption of the new framework and the new SFRS(I)s which took effect from the current financial year as disclosed in note 5 below, 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 2017.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In adopting the new SFRS(I) framework with effect from 1 January 2018, the Group and Company are required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards (International)*. In addition, during the current financial year, the Group and the Company have adopted the following new SFRS(I)s, which took effect from the financial year beginning 1 January 2018:

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*

Except for SFRS(I) 1 and SFRS(I) 9, the adoption of the above new SFRS(I)s is assessed to have no material impact to the results and financial position of the Group and of the Company for the year ending 31 December 2018.

Impacts on initial application of SFRS (I)

The following reconciliation summarises the impact on initial application of SFRS(I) 1 on the Group's financial statement

	The Group		
	As at 31/12/2017		
	As previously stated	Effects of SFRS(I)	As restated
	S\$'000	S\$'000	S\$'000
<u>EQUITY</u>			
Reserves	(54,139)	23,720	(30,419)
Retained earnings	1,272,909	(23,720)	1,249,189

Please refer to the Statements of Changes in Equity for the Group in note 1(d)(i) for further details on the respective adjustments made in relation to SFRS(I) 1 and SFRS(I) 9.

- 6 **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	The Group	
	3 months ended 31/03/18	3 months ended 31/03/17
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	3.24 cents	2.52 cents
(ii) On a fully diluted basis	3.24 cents	2.52 cents

- 7 **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on; and (b) immediately preceding financial year.**

	The Group		The Company	
	As at 31/03/2018	As at 31/12/2017	As at 31/03/2018	As at 31/12/2017
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	177.47 cents	174.86 cents	47.27 cents	47.39 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

1Q18 vs 1Q17

Market sentiment remained positive during the quarter on the back of global economic growth. Trading volumes in Singapore and regional markets grew strongly and Hong Kong market almost doubled its trading volume. The Group recorded pre-tax profit of S\$29.4 million and after tax profit of S\$26.1 million, an increase of 24.4% and 29.3% respectively.

Commission income increased from S\$62.8 million to S\$80.5 million, up by 28.1%. Interest income grew from S\$20.9 million to S\$23.2 million or 10.7% as a result of higher margin lending. Other operating income decreased 32.2% from S\$6.7 million to S\$4.6 million with less structured lending. Total income rose 18.9% from S\$91.4 million to S\$108.7 million.

Overall commission and personnel expenses increased due to higher business volume. Commission increased 24.7% from S\$13.9 million to S\$17.3 million and personnel expenses rose 15.5% from S\$29.3 million to S\$33.9 million. Finance expenses increased with rising interest rates and higher level of borrowings. Other operating expenses increased 11.4% as a result of higher trading volumes.

Balance Sheet

The Group's net asset value position remained healthy at S\$1.43 billion as at 31 March 2018. There were no significant changes in the composition of Group balance sheet items except for working capital items that fluctuate with prevailing trading volumes towards the end of each reporting period.

- 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 strong market momentum in 2017 carried into February 2018. However market sentiment was shaken by a number of rapidly emerging uncertainties in the form of the escalating trade tensions between US and China, geopolitical tensions between Russia and NATO members and the recent change in the Malaysian government, the first in more than 60 years. All these factors have increased risk premium on equity valuations.

With the exception of the huge liquidity event emanating from record number of enbloc sales in Singapore, there are few new positive events of note which could spur market sentiment and activities.

We expect markets to be increasingly volatile.

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 / recommended for the quarter ended 31 March 2018

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 31 March 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Wee Ee-chao
Managing Director

Esmond Choo
Executive Director

BY ORDER OF THE BOARD

Wee Ee-chao
Managing Director
15 May 2018