

UOB KayHian

UOB-KAY HIAN HOLDINGS LIMITED

Financial Statements

And Dividend Announcement

For Second Quarter Ended 30 June 2006

(Co. Ref. No. 200004464C)

These figures have not been audited.

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

	The Group					
	6 months ended 30/06/2006 S\$'000	6 months ended 30/06/2005 S\$'000	Increase / (Decrease) %	3 months ended 30/06/2006 S\$'000	3 months ended 30/06/2005 S\$'000	Increase / (Decrease) %
Revenue						
Commission income	183,098	118,961	53.9	94,189	57,414	64.1
Interest income	21,086	12,463	69.2	11,372	6,673	70.4
Gross dividend from quoted securities	276	2,197	(87.4)	116	1,838	(93.7)
Facility, shares withdrawal and arrangement fees	1,634	1,349	21.1	745	374	99.2
Other operating income	2,928	3,755	(22.0)	1,444	1,615	(10.6)
Foreign exchange gain	976	3,724	(73.8)	712	1,929	(63.1)
Realised gain on available-for-sale financial assets	19,282	-	N.M	15,937	-	N.M
Total revenue	229,280	142,449	61.0	124,515	69,843	78.3
Costs and expenses						
Commission expenses	(43,424)	(28,355)	53.1	(20,470)	(13,317)	53.7
Personnel expenses	(56,352)	(44,550)	26.5	(30,066)	(21,346)	40.9
Depreciation and amortisation expenses	(2,012)	(2,613)	(23.0)	(980)	(2,105)	(53.4)
Allowance for impairment of trade debtors	300	202	48.5	(89)	2,634	(103.4)
Allowance for impairment of investment in associated companies	(1,000)	-	N.M	-	-	N.M
Net fair value gain on financial assets/(liabilities) through profit or loss	70	-	N.M	24	-	N.M
Finance expenses	(5,139)	(858)	499.0	(3,106)	(559)	455.6
Allowance for impairment of goodwill on acquisition of additional interest in subsidiary	(355)	-	N.M	(355)	-	N.M
Other operating expenses	(24,572)	(25,710)	(4.4)	(12,866)	(11,669)	10.3
	(132,484)	(101,884)	30.0	(67,908)	(46,362)	46.5
Profit from operations	96,796	40,565	138.6	56,607	23,481	141.1
Share of results of associated companies after tax	763	1,731	(55.9)	102	982	(89.6)
Profit before tax	97,559	42,296	130.7	56,709	24,463	131.8
Income tax expense*	(15,611)	(8,311)	87.8	(7,892)	(4,567)	72.8
Profit from ordinary activities after tax	81,948	33,985	141.1	48,817	19,896	145.4
Attributable to :						
Equity holders of the Company	80,831	33,980	137.9	48,384	19,873	143.5
Minority interest	1,117	5	22,240.0	433	23	1,782.6
	81,948	33,985	141.1	48,817	19,896	145.4

*Overprovision of tax in respect of prior years in the 6 months ended 30 June 2006 is \$187,504. (6 months ended 30 June 2005: \$35,507)

N.M. = Not Meaningful.

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 30/06/2006 S\$'000	As at 31/12/2005 S\$'000	As at 30/06/2006 S\$'000	As at 31/12/2005 S\$'000
ASSETS				
<u>Current assets</u>				
Cash and cash equivalents	159,535	224,142	56,824	51,721
Outstanding contracts receivable	966,723	647,331	-	-
Trade receivables	671,287	561,280	-	-
Financial assets at fair value through profit or loss	4	2,321	-	-
Other current assets	15,282	13,672	17,363	64,026
Derivative financial instruments	21	-	-	-
	1,812,852	1,448,746	74,187	115,747
<u>Non-current assets</u>				
Loans to subsidiaries	-	-	32,426	32,461
Investments				
- in subsidiaries	-	-	394,731	266,998
- in associated companies	24,279	37,917	12,648	-
Available-for-sale financial assets	18,475	29,662	-	-
Trading rights in Exchanges	110	115	-	-
Memberships in Exchanges	26	26	-	-
Property, plant and equipment	5,146	6,315	-	-
Deferred income tax assets	35	35	-	-
	48,071	74,070	439,805	299,459
Total assets	1,860,923	1,522,816	513,992	415,206
LIABILITIES				
<u>Current liabilities</u>				
Outstanding contracts payable	965,603	629,808	-	-
Trade and other payables	49,641	48,369	152,032	21,613
Financial liabilities at fair value through profit or loss	79	28	-	-
Borrowings	41,644	71,776	-	-
Current income tax liabilities	32,735	25,659	249	281
Derivative financial instruments	8	214	-	-
	1,089,710	775,854	152,281	21,894
<u>Non-current liabilities</u>				
Deferred income tax liabilities	791	799	-	-
Total liabilities	1,090,501	776,653	152,281	21,894
Net assets	770,422	746,163	361,711	393,312
<u>SHAREHOLDERS' EQUITY</u>				
Share capital	72,471	72,471	72,471	72,471
Reserves	237,446	247,246	154,206	154,206
Retained earnings	447,221	412,960	135,034	166,635
	757,138	732,677	361,711	393,312
Minority interests	13,284	13,486	-	-
Total equity	770,422	746,163	361,711	393,312
<u>Clients' trust / segregated accounts</u>				
Bank balances				
- with affiliated corporations	94,839	71,318	-	-
- with non-related banks	188,386	211,175	-	-
Margin with clearing houses	5,281	5,858	-	-
Less: Amounts held in trust	(288,506)	(288,351)	-	-
	-	-	-	-

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

	The Group			
	As at 30/06/2006		As at 31/12/2005	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amounts repayable in one year or less, or on demand	11,851	29,793	1,468	70,308
Amounts repayable after one year	-	-	-	-

Details of any collateral

Details of secured group borrowings are as follows:

- Bank borrowings of a subsidiary amounting to S\$11,850,805 are secured by a fixed charge over immovable fixed assets and a floating charge over all assets of the subsidiary.

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 30/06/2006 S\$'000	6 months ended 30/06/2005 S\$'000	3 months ended 30/06/2006 S\$'000	3 months ended 30/06/2005 S\$'000
	Cash flows from operating activities			
Profit before tax and after share of results of associated companies	97,559	42,296	56,709	24,463
Adjustments for:				
Share of results of associated companies	(763)	(1,731)	(102)	(982)
Depreciation and amortisation expenses	2,012	2,613	980	1,316
Loss/(Gain) on disposal of property, plant and equipment	7	(8)	6	(8)
Gain on sale of available-for-sale financial assets	(19,282)	-	(15,937)	-
Gross dividend income from quoted securities	(276)	(2,197)	(116)	(1,838)
Allowance for impairment of investment in associated companies	1,000	-	-	-
Allowance for impairment of goodwill on acquisition of additional interest in a subsidiary	355	-	355	-
Interest income	(21,086)	(12,463)	(11,372)	(6,673)
Interest expense	5,139	858	3,106	559
Exchange differences	(1,151)	840	(1,570)	329
Operating cash flow before working capital changes	63,514	30,208	32,059	17,166
Changes in operating assets and liabilities:				
Financial assets at fair value through profit or loss	2,368	(6,027)	727	3,365
Debtors and outstanding contracts receivable	(431,031)	(469,509)	419,663	(126,021)
Due from/to associated companies	-	(73)	-	-
Creditors and outstanding contracts payable	336,861	408,627	(281,360)	106,014
Cash (used in) / generated from operations	(28,288)	(36,774)	171,089	524
Interest received	21,086	12,463	11,372	6,673
Interest paid	(5,139)	(858)	(3,106)	(559)
Drawdown / (Repayment) of short-term bank loans	(34,202)	(30,477)	(103,136)	15,548
Income tax paid	(8,389)	(8,192)	(7,521)	(8,088)
Net cash (used in) / provided by operating activities	(54,932)	(63,838)	68,698	14,098
Cash flows from investing activities				
Payments for property, plant and equipment	(880)	(1,009)	(591)	(432)
Proceeds from sale of available-for-sale financial assets	21,926	-	17,823	-
Proceeds from disposal of property, plant and equipment	-	31	-	31
Payment to minority interest for dividend	(372)	-	(372)	-
Payment to minority interest for additional interest in a subsidiary	(1,626)	-	(1,626)	-
Payment to minority interest for redemption of shares by a subsidiary	-	(2,717)	-	-
Dividends received from quoted securities	276	2,197	116	1,838
Dividends received from associated company	13,312	-	13,312	-
Net cash provided by / (used in) investing activities	32,636	(1,498)	28,662	1,437
Cash flows from financing activities				
Dividends paid	(46,381)	(40,584)	(46,381)	(40,584)
Net cash (used in) financing activities	(46,381)	(40,584)	(46,381)	(40,584)
Net (decrease) / increase in cash and cash equivalents during the financial period	(68,677)	(105,920)	50,979	(25,049)
Cash and cash equivalents at beginning of the financial period	220,164	278,422	100,508	197,551
Cash and cash equivalents at end of the financial period	151,487	172,502	151,487	172,502

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)

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

	The Group	
	As at 30/06/2006	As at 30/06/2005
	S\$'000	S\$'000
Cash and bank balances	159,535	172,512
Less: Bank overdrafts	(8,048)	(10)
Cash and cash equivalents per consolidated cash flow statement	151,487	172,502

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	Capital reserve S\$'000	Capital reserve on consolidation S\$'000	Statutory reserve S\$'000	Fair value reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Minority interests S\$'000	Total Equity S\$'000
Balance at 1 January 2006	72,471	154,206	71,271	640	25,228	(4,099)	412,960	13,486	746,163
Fair value gains on available-for-sale financial assets	-	-	-	-	11,052	-	-	-	11,052
Currency translation differences	-	-	-	-	-	259	-	435	694
Net income recognised directly in equity	-	-	-	-	11,052	259	-	435	11,746
Net profit for the first quarter	-	-	-	-	-	-	32,447	684	33,131
Total recognised gain for the first quarter	-	-	-	-	11,052	259	32,447	1,119	44,877
Fair value gains transferred to profit and loss on realisation	-	-	-	-	(3,345)	-	-	-	(3,345)
Transfer from Retained Earnings to Statutory Reserves	-	-	-	147	-	-	(147)	-	-
Balance at 31 March 2006	72,471	154,206	71,271	787	32,935	(3,840)	445,260	14,605	787,695

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	Capital reserve S\$'000	Capital reserve on consolidation S\$'000	Statutory reserve S\$'000	Fair value reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Minority interests S\$'000	Total Equity S\$'000
Balance at 31 March 2006	72,471	154,206	71,271	787	32,935	(3,840)	445,260	14,605	787,695
Fair value gains on available-for-sale financial assets	-	-	-	-	(319)	-	-	4	(315)
Currency translation differences	-	-	-	17	(4)	(1,730)	-	(97)	(1,814)
Net expenses recognised directly in equity	-	-	-	17	(323)	(1,730)	-	(93)	(2,129)
Net profit for the second quarter	-	-	-	-	-	-	48,384	433	48,817
Total recognised gain for the second quarter	-	-	-	17	(323)	(1,730)	48,384	340	46,688
Fair value gains transferred to profit & loss on realisation	-	-	-	-	(15,937)	-	-	-	(15,937)
Final Dividend for 2005 paid	-	-	-	-	-	-	(46,381)	-	(46,381)
Transfer from Retained Earnings to Statutory Reserves	-	-	-	60	-	-	(42)	(18)	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(1,271)	(1,271)
Payment of Dividends by a subsidiary	-	-	-	-	-	-	-	(372)	(372)
Balance at 30 June 2006	72,471	154,206	71,271	864	16,675	(5,570)	447,221	13,284	770,422

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	Capital reserve S\$'000	Capital reserve on consolidation S\$'000	Statutory reserve S\$'000	Fair value reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Minority interests S\$'000	Total Equity S\$'000
Balance at 1 January 2005									
- As previously reported	72,471	202,332	53,898	-	-	(4,201)	332,284	3,237	660,021
- Effect of changes in accounting policies	-	-	-	-	14,070	-	17,508	-	31,578
- As restated	72,471	202,332	53,898	-	14,070	(4,201)	349,792	3,237	691,599
Fair value gains on available-for-sale financial assets	-	-	-	-	3,075	-	-	-	3,075
Currency translation differences	-	-	-	-	-	686	-	72	758
Net income recognised directly in equity	-	-	-	-	3,075	686	-	72	3,833
Net profit/(loss) for the first quarter	-	-	-	-	-	-	14,107	(18)	14,089
Total recognised gain for the first quarter	-	-	-	-	3,075	686	14,107	54	17,922
Payment of redemption of shares by a subsidiary	-	-	-	-	-	-	-	(2,717)	(2,717)
Balance at 31 March 2005	72,471	202,332	53,898	-	17,145	(3,515)	363,899	574	706,804
Fair value gains on available-for-sale financial assets	-	-	-	-	101	-	-	-	101
Currency translation differences	-	-	-	-	-	314	-	(4)	310
Net income recognised directly in equity	-	-	-	-	101	314	-	(4)	411
Net profit for the second quarter	-	-	-	-	-	-	19,873	23	19,896
Total recognised gain for the second quarter	-	-	-	-	101	314	19,873	19	20,307
Final Dividend for 2004 paid	-	-	-	-	-	-	(40,584)	-	(40,584)
Transfer from Retained Earnings to Statutory Reserves	-	-	-	655	-	-	(655)	-	-
Balance at 30 June 2005	72,471	202,332	53,898	655	17,246	(3,201)	342,533	593	686,527

- 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	Capital Reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 January 2006	72,471	154,206	166,635	393,312
Net profit for the first quarter	-	-	210	210
Balance at 31 March 2006	72,471	154,206	166,845	393,522
Net profit for the second quarter	-	-	14,570	14,570
Final Dividend for 2005 paid	-	-	(46,381)	(46,381)
Balance at 30 June 2006	72,471	154,206	135,034	361,711

	Share capital S\$'000	Capital Reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 January 2005	72,471	202,332	155,123	429,926
Net profit for the first quarter	-	-	442	442
Balance at 31 March 2005	72,471	202,332	155,565	430,368
Net profit for the second quarter	-	-	723	723
Final Dividend for 2004 paid	-	-	(40,584)	(40,584)
Balance at 30 June 2005	72,471	202,332	115,704	390,507

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

NIL

- 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.

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 2005.

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 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 30/06/2006	3 months ended 30/06/2005
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	6.68 cents	2.74 cents
(ii) On a fully diluted basis	6.68 cents	2.74 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 30/06/2006	As at 31/12/2005	As at 30/06/2006	As at 31/12/2005
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	104.47 cents	101.10 cents	49.91 cents	54.27 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

The directors are pleased to announce that the Group achieved a profit after taxation of \$48.8 million for the 2nd quarter 2006. This represents a significant increase of 145.4% over the profit of \$19.9 million achieved in the 2nd quarter 2005.

The increase in the Group's profits is mainly due to higher trading volume and better market sentiments compared to the same period in 2005 resulting in the increase in commission income as well as interest income from margin financing. Disposal of part of the Group's available-for-sale financial assets resulting in a profit of S\$15.9 million also contributed to the increase in the Group's profit for the 2nd quarter 2006.

The increase in commission expenses and personnel expenses over the corresponding quarter is in line with the increase in revenue and profit. The substantial increase of 455.6% in finance expenses over the corresponding quarter is due mainly to the substantial increase in market turnover and margin debtor balances.

For the half year ended 30 June 2006, the Group made a profit after taxation of \$81.9 million compared to \$34.0 million for the six months ended 30 June 2005.

- 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. (continued)**

Balance Sheet- The Group

Generally, the Group's current assets and liabilities at the end of each financial year/quarter are dependent on the volume of business activities towards the end of such reporting year/quarter. Variations in these balances between quarters reflect the different levels of trading activities during these periods. The increases in outstanding contracts receivable and payable can be attributable to the significantly higher level of trading volume towards the end of 2nd quarter 2006. The higher trade receivable balances as at 30 June 2006 were due to the increases in trading volume as well as the margin financing portfolio balances. The decrease in investment in associated companies from \$29.7 million as at 31 December 2005 to \$24.3 million as at 30 June 2006 was due to receipt of dividend from an associated company during the 2nd quarter 2006.

Balance Sheet- The Company

The increase in investment in subsidiaries and associated companies resulted from the transferring of the holding of the Group's investment in certain subsidiaries and associated companies from an investment holding subsidiary to the Company. As the transfer of the subsidiaries and associated companies was settled by way of inter-company debts, the Company's trade and other payables also increased correspondingly.

- 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.**

Equity markets throughout the region have consolidated following the good run in the first 6 months of this year. Whilst economic fundamentals continue to be strong, corporate earnings and global stock markets are expected to be spooked by the recent escalation of the conflict in the Middle East, its impact on the political stability in that region, oil prices and energy costs. Concerns about interest rates and international security will also contribute to the uncertainties in the market.

The market is in a very challenging period. How it behaves and its impact on the broking industry in the coming months is dependant on interest rates outlook, manner and speed in which the hostilities in the Middle East are resolved, its impact on the political stability in that region and oil prices. We are confident of our ability to manage the challenges ahead.

- 11 Dividend**

(a) Current Financial Period (Quarter) Reported On

Any dividend declared for the current financial period (quarter) reported on? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per	2.0 cent per ordinary share less tax
Tax Rate	20.0%

(b) Corresponding Period (Quarter) of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period (quarter) of the immediately preceding financial year? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per	0.5 cent per ordinary share less tax
Tax Rate	20.0%

11 Dividend (continued)

(c) Date payable

The interim ordinary dividend will be paid on 15 September 2006.

(d) Books closure date

Notice is hereby given that the Transfer Books and Register of Members of the Company will be closed on 1 September 2006 for the preparation of Dividend Warrants. Registrable transfers received by the Company's Registrar, B.A.C.S. Private Limited of 63 Cantonment Road, Singapore 089758 no later than 5:00 pm on 31 August 2006, will be registered before entitlements to the dividends are determined.

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

Not applicable.

BY ORDER OF THE BOARD

Tang Wee Loke
Deputy Managing Director
11 August 2006