

UOB KayHian

UOB-KAY HIAN HOLDINGS LIMITED

Financial Statements

And Dividend Announcement

For First Quarter Ended 31 March 2014

(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	3 months ended	Increase /
	31/03/2014	31/03/2013	(Decrease) %
	S\$'000	S\$'000	
Revenue			
Commission income	56,276	86,858	(35.2)
Interest income	32,019	17,429	83.7
Dividend from quoted / unquoted securities	-	7	N.M
Other operating revenue	6,716	11,713	(42.7)
Total revenue	95,011	116,007	(18.1)
Foreign exchange gain	1,290	2,572	(49.8)
Total income	96,301	118,579	(18.8)
Costs and expenses			
Commission expenses	(13,918)	(20,609)	(32.5)
Personnel expenses	(26,059)	(36,163)	(27.9)
Depreciation expenses	(2,291)	(2,238)	2.4
(Allowance for) Write back of allowance for impairment of trade debtors & bad debts written off	(76)	178	(142.7)
Allowance for impairment of goodwill	(100)	-	N.M
Net fair value (loss) gain on financial assets / liabilities through profit or loss	(262)	220	(219.1)
Finance expenses	(15,965)	(3,426)	366.0
Other operating expenses	(16,876)	(16,584)	1.8
	(75,547)	(78,622)	(3.9)
Profit before tax	20,754	39,957	(48.1)
Income tax expense*	(2,631)	(6,723)	(60.9)
Profit after tax	18,123	33,234	(45.5)
Other comprehensive income (net of tax):			
Foreign currency translation difference	1,153	9,490	(87.9)
Available-for-sale financial assets	979	818	19.7
	2,132	10,308	(79.3)
Total comprehensive income for the period	20,255	43,542	(53.5)

*Overprovision of taxation in respect of prior years in the 3 months ended 31 March 2014 is S\$60,811. (3 months ended 31 March 2013: S\$12,825)

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 31/03/2014 S\$'000	3 months ended 31/03/2013 S\$'000	Increase / (Decrease) %
Profit attributable to:			
Owners of the Company	17,881	31,908	(44.0)
Non-controlling interests	242	1,326	(81.7)
	18,123	33,234	(45.5)
 Total comprehensive income attributable to:			
Owners of the Company	19,573	40,928	(52.2)
Non-controlling interests	682	2,614	(73.9)
	20,255	43,542	(53.5)

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 31/03/2014 SS'000	As at 31/12/2013 SS'000	As at 31/03/2014 SS'000	As at 31/12/2013 SS'000
ASSETS				
<u>Current assets</u>				
Cash and bank balances	224,089	245,959	158	186
Outstanding contracts receivable	842,418	619,722	-	-
Trade receivables	1,607,911	1,445,253	-	-
Other financial assets, at fair value through profit or loss	22,869	57,951	-	-
Other current assets	41,899	37,293	18,446	62,501
Derivative financial instruments	8	2,766	-	-
Total current assets	2,739,194	2,408,944	18,604	62,687
<u>Non-current assets</u>				
Trade and other receivables	90,821	91,710	189	190
Goodwill	7,460	7,536	-	-
Subsidiaries	-	-	349,374	349,374
Financial assets, available-for-sale	22,259	15,648	-	-
Trading rights in Exchanges	557	557	-	-
Memberships in Exchanges	211	209	-	-
Property, plant and equipment	58,203	59,997	-	-
Deferred tax assets	1,614	1,931	-	-
Total non-current assets	181,125	177,588	349,563	349,564
Total assets	2,920,319	2,586,532	368,167	412,251
LIABILITIES AND EQUITY				
<u>Current liabilities</u>				
Outstanding contracts payable	783,242	573,588	-	-
Trade and other payables	90,459	133,641	98,277	142,254
Other financial liabilities, at fair value through profit or loss	44	-	-	-
Borrowings	586,698	453,568	-	-
Debts issued	248,801	236,626	-	-
Income tax payable	17,597	15,509	-	-
Derivative financial instruments	2,728	1,882	-	-
Total current liabilities	1,729,569	1,414,814	98,277	142,254
<u>Non-current liabilities</u>				
Trade and other payables	2,215	2,215	-	-
Deferred tax liabilities	1,144	1,174	-	-
Total non-current liabilities	3,359	3,389	-	-
Total liabilities	1,732,928	1,418,203	98,277	142,254
<u>Equity</u>				
Capital, reserves and non-controlling interests				
Share capital	72,471	72,471	72,471	72,471
Reserves	(62,132)	(64,529)	-	-
Retained earnings	1,158,128	1,140,166	197,419	197,526
Equity attributable to owners of the Company	1,168,467	1,148,108	269,890	269,997
Non-controlling interests	18,924	20,221	-	-
Total equity	1,187,391	1,168,329	269,890	269,997
Total liabilities and equity	2,920,319	2,586,532	368,167	412,251
<u>Clients' trust / segregated accounts</u>				
Bank balances				
- with related parties	349,453	495,702	-	-
- with non-related banks	606,350	546,829	-	-
Margin with clearing houses	11,720	16,880	-	-
Less: Amounts held in trust	(967,523)	(1,059,411)	-	-
	-	-	-	-

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

	The Group			
	As at 31/03/2014		As at 31/12/2013	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amounts repayable in one year or less, or on demand	571,009	15,689	440,071	13,497
Amounts repayable after one year	-	-	-	-

As at period end, the Group had debts issued amounting to S\$248,801,119. 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\$571,009,417 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 31/03/2014 S\$'000	3 months ended 31/03/2013 S\$'000
Operating activities		
Profit before income tax	20,754	39,957
Adjustments for:		
Depreciation expenses	2,291	2,238
(Gain) Loss on disposal of property, plant and equipment	(26)	8
Allowance (Write back of allowance) for trade receivables	103	(250)
Allowance for impairment in goodwill	100	-
Dividend income from quoted / unquoted securities	-	(7)
Finance expenses	15,965	3,426
Exchange differences	370	996
Operating cash flow before working capital changes	39,557	46,368
Changes in operating assets and liabilities:		
Financial assets / liabilities at fair value through profit or loss	35,184	1,840
Financial assets, available for sale	(5,527)	(6,491)
Trade, outstanding contracts and other receivables	(373,577)	(282,807)
Trade, outstanding contracts and other payables	167,597	126,197
Cash used in operations	(136,766)	(114,893)
Interest paid	(15,965)	(3,426)
Income tax paid	(320)	(588)
Net cash used in operating activities	(153,051)	(118,907)
Investing activities		
Payments for property, plant and equipment	(460)	(766)
Proceeds from disposal of property, plant and equipment	74	1
Proceeds from disposal of financial assets, available-for-sale	-	37
Acquisition of subsidiary	-	(18,239)
Dividends received from quoted / unquoted securities	-	7
Net cash used in investing activities	(386)	(18,960)
Financing activities		
Drawdown of short-term bank loans	136,594	142,814
Payment to non-controlling interest for additional interest in a subsidiary	(1,193)	-
Net cash (used in) from financing activities	135,401	142,814
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(370)	(996)

- 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 31/03/2014 S\$'000	3 months ended 31/03/2013 S\$'000
Net (decrease) increase in cash and cash equivalents during the financial period	(18,406)	3,951
Cash and cash equivalents at beginning of the financial period	234,410	221,251
Cash and cash equivalents at end of the financial period	216,004	225,202

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

	The Group	
	As at 31/03/2014 S\$'000	As at 31/03/2013 S\$'000
Cash and bank balances	224,089	271,558
Less: Bank overdrafts	(8,085)	(46,356)
Cash and cash equivalents per consolidated cash flow statement	216,004	225,202

- 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 2014	72,471	1,661	(1,246)	3,090	(68,034)	1,140,166	1,148,108	20,221	1,168,329
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	17,881	17,881	242	18,123
Other comprehensive income	-	2	-	961	729	-	1,692	440	2,132
Total	-	2	-	961	729	17,881	19,573	682	20,255
Acquisition of additional interest in a subsidiary	-	32	754	-	-	-	786	(1,979)	(1,193)
Transfer from statutory reserve	-	(81)	-	-	-	81	-	-	-
Balance at 31 March 2014	72,471	1,614	(492)	4,051	(67,305)	1,158,128	1,168,467	18,924	1,187,391

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 2013	72,471	1,542	(1,534)	2,447	(65,450)	1,076,092	1,085,568	21,946	1,107,514
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	31,908	31,908	1,326	33,234
Other comprehensive income	-	87	-	873	8,060	-	9,020	1,288	10,308
Total	-	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	24,586	1,151,056

STATEMENT OF CHANGES IN EQUITY – THE COMPANY

	Share capital S\$'000	Retained earnings S\$'000	Total S\$'000
Balance at 1 January 2014	72,471	197,526	269,997
Total comprehensive loss for first quarter		(107)	(107)
Balance at 31 March 2014	72,471	197,419	269,890

	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

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 2014	31 December 2013
No. of shares	724,709,009	724,709,009

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.

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 2013.

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 31/03/14	3 months ended 31/03/13
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	2.47 cents	4.40 cents
(ii) On a fully diluted basis	2.47 cents	4.40 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	As at	As at	As at
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	161.23 cents	158.42 cents	37.24 cents	37.26 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

Concerns over cooling measures and political uncertainties impinging the region weigh down investor sentiments. Trading volumes across regional markets were thin. Against this background of a challenging environment, the Group recorded a pre-tax profit of \$20.8 million (2013: \$40.0m).

Total revenue decreased 18.1% from \$116.0m to \$95.0m of which commission income accounted for \$56.3m (2013: \$86.9m). Interest income rose from \$17.4m to \$32.0m with higher investment activities whilst other operating income declined from \$11.7m to \$6.7m, in line with less corporate finance activities.

Commission and personnel expenses decreased along with lower brokerage but finance expenses were higher due to higher funding requirements.

Balance Sheet

The Group's net asset value position has remained healthy at S\$1.2 billion as at 31 March 2014. There were no significant changes in the composition of Group balance sheet 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.**

We expect weak investor sentiment to continue in the coming months in the absence of any positive economic catalyst to spur investor interest.

We anticipate trading activities to be rotational or event driven rather than a broad based recovery of the overall market. Market conditions would likely be better if we see inflow of institutional funds when macroeconomic indicators improve and regional political situations become clearer in some of the neighbouring countries.

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/recommendeded, a statement to that effect.

No dividend has been declared / recommended for the quarter ended 31 March 2014

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 31 March 2014 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 2014