

**Issuer:** UOB-Kay Hian Holdings Limited

**Security:** UOB-Kay Hian Holdings Limited

**Meeting details:**

Date: 28 April 2017

Time: 17:30H

Venue: Auditorium, 8 Anthony Road, Singapore 229957

**Company Description**

UOB-Kay Hian Holdings Limited, an investment holding company, provides stockbroking, futures broking, structured lending, investment trading, margin financing, and nominee and research services in Singapore, Hong Kong, Thailand, and internationally. It offers corporate finance services, including financial advisory and investment banking, underwriting, and placement services in primary and secondary listings; and acts as a financier/arranger for principals acquiring strategic stakes in regional listed companies. The company also provides Internet broking, leveraged foreign exchange, and wealth management services; and inventory of shares traded on various exchanges. In addition, it offers equities, LFX, and commodities broking agency services; corporate advisory and fund raising services through IPOs, secondary placements, and other corporate finance and investment banking activities; and money lending services. The company was formerly known as Kay Hian Holdings Ltd. and changed its name to UOB-Kay Hian Holdings Limited in October 2000. UOB-Kay Hian Holdings Limited was incorporated in 1970 and is headquartered in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=U10](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=U10))

**Q1.** The Singapore operation accounts for 52% of the group's external sales and about 57% of the group's segment profits (page 76 – Segment information). As shown in the Company Profile (page 5), the group is the largest stockbroker in Singapore, with 791 retail and institutional sales personnel.

Over the past year, the headcount in sales in Singapore has been cut from 837 to 791 and the headcount in research was reduced from 15 to 13 (page 4).

- a) For Singapore, the revenue from external sales in 2016 dropped by 12%, from \$135 million in 2015 to \$118 million in 2016. **Can management elaborate further on the group's strategies to overcome the challenges in a maturing market?**
- b) **How can the group position itself to take advantage of better trading conditions should market sentiments improve?**
- c) **Does the group have a pro-active diversification strategy to increase the group's exposure to overseas markets? If so, what is the group's target of overseas revenue/profit?**

**Q2.** In 2011, the group generated \$75 million in interest income from clients and \$275 million in commission income. In 2016, the interest income was \$101 million and commission income was \$200 million (page 72). In the 5 years, the ratio of interest income to commission income has increased from 27% to 51%.

- a) **Is the group becoming more focused on the financing business than a transaction-based business?**
- b) **Is this a deliberate and measured move to mitigate falling commission income?**

In Note 4(c) (page 53 – Financial risk management policies and objectives), it was disclosed that:

*The Group's activities undertaken by its subsidiaries in each country of operations expose it to a range of financial risks. These include market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. .... Financial risk management of the Group is carried out by the Credit Committee and finance department of the Company and its respective subsidiaries.*

- c) **How much oversight does the audit committee have on the credit committee and on the group's risk management policies?**

**Q3.** The group's operations in Thailand grew via an acquisition of the retail business from Country Group Securities Public Company (CGS) by UOB Kay Hian Securities (Thailand) PCL ("UOB KH Thailand") in August 2016. The group has also been increasing its stake in UOB KH Thailand over the year.

- a) **With the acquisition, what is UOB KH Thailand's market share in the domestic market? Does it have the necessary scale to operate and compete efficiently?**

The total consideration of THB 405 million (approximately \$15.9 million) for the acquisition of CGS included the amount of \$12.7 million that is recognised as provisional goodwill (page 65 – Goodwill). The acquisition of a new business and the impairment of goodwill are key audit matters highlighted in the Independent Auditors' Report as well (page 31).

- b) **Can management help shareholders understand the strategic value of CGS?**
- c) **With regard to UOB KH Thailand, what are the benefits of keeping UOB KH Thailand listed?**

**Separately, can shareholders understand how the group is growing the Hong Kong business?** It is currently the second largest contributor of revenue and profit behind Singapore.