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*Delivering quality, creating value*



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## CORPORATE INFORMATION

### Board of Directors

Wee Ee Chao  
*Chairman and Managing Director*

Esmond Choo Liong Gee  
*Senior Executive Director*

Dr. Henry Tay Yun Chwan  
*Independent Director*

Roland Knecht  
*Independent Director*

Tang Wee Loke  
*Independent Director*

Francis Lee Chin Yong  
*Non-Executive Director*

### Audit Committee

Dr. Henry Tay Yun Chwan  
*Chairman*

Francis Lee Chin Yong  
  
Tang Wee Loke

### Nominating Committee

Roland Knecht  
*Chairman*

Tang Wee Loke

Esmond Choo Liong Gee

### Remuneration Committee

Roland Knecht  
*Chairman*

Dr. Henry Tay Yun Chwan

Tang Wee Loke

### Company Secretary

Mdm Chung Boon Cheow

### Company Registration No.

200004464C

### Registered Office

8 Anthony Road, #01-01  
Singapore 229957  
Tel : 6535 6868  
Fax : 6532 6919

### Registrar and Share Transfer Office

B.A.C.S. Private Limited  
8 Robinson Road #03-00  
ASO Building  
Singapore 048544

### Auditors

Deloitte & Touche LLP  
*Public Accountants and Chartered Accountants*

6 Shenton Way #33-00  
OUE Downtown 2  
Singapore 068809

*Partner in charge – Chua How Kiat  
Date of appointment – 26 April 2013*

### Principal Bankers

DBS Bank Ltd

Oversea-Chinese Banking  
Corporation Limited

Standard Chartered Bank

The Hongkong and Shanghai  
Banking Corporation Limited

United Overseas Bank Limited

## UOB-KAY HIAN HOLDINGS

UOB-Kay Hian is a regional financial services Group headquartered in Singapore. We are a widely-recognised brand in every country in which we have operations, a reputation built on our responsive and discreet service. In Singapore, we are the largest domestic broker based on the number of registered trading representatives employed. In addition to our broking agency services in equities, LFX and commodities, we provide high value added services in corporate advisory and fund raising, leveraging on our wide network of corporate contacts and deep distribution capabilities to execute IPOs, secondary placements and other corporate finance and investment banking activities.

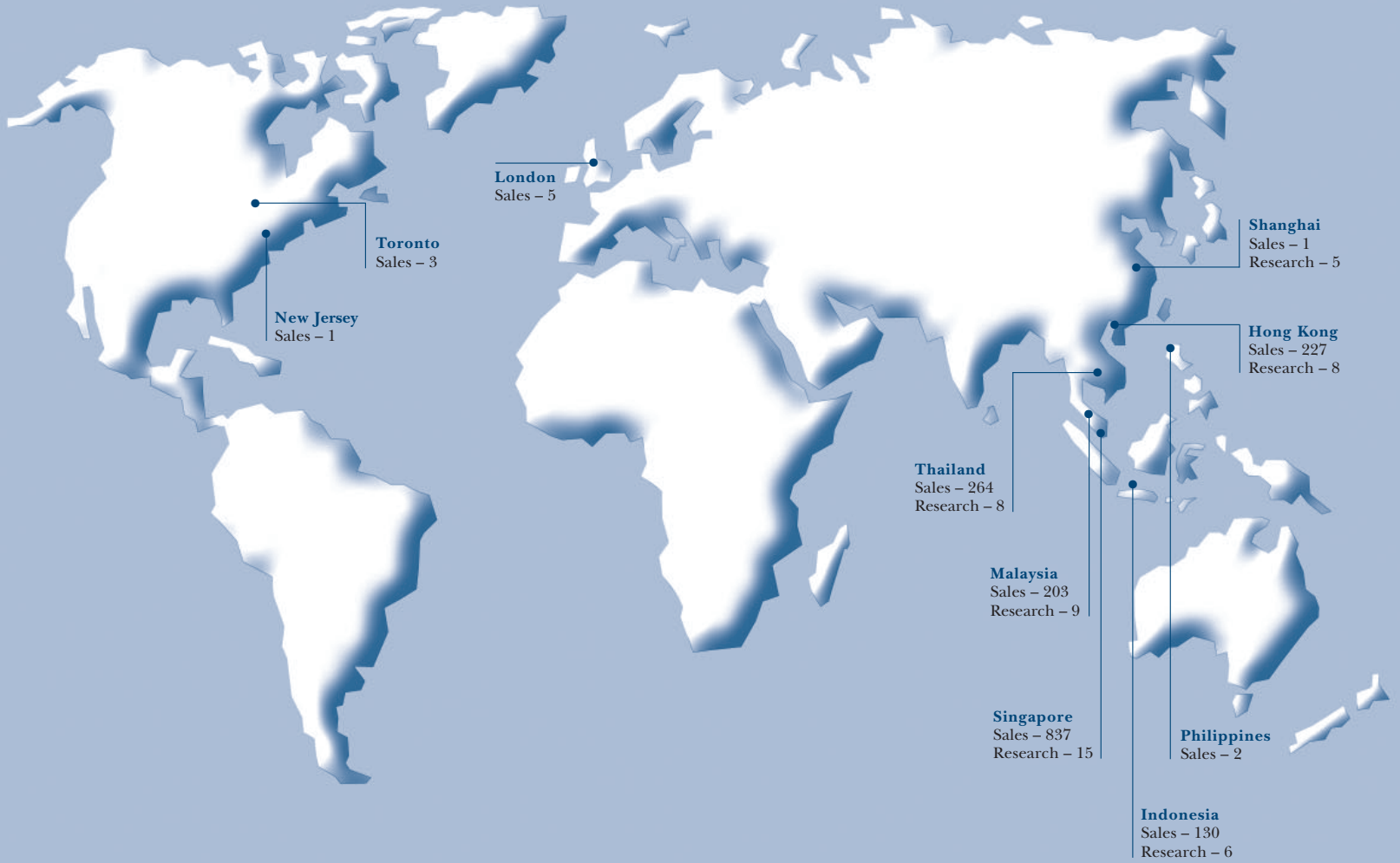
Our regional distribution footprint now spans regional financial centres in Singapore, Hong Kong, Thailand, Malaysia, Indonesia, London, New York and Toronto. In addition, we maintain a research office in Shanghai and an execution presence in the Philippines. We are therefore at the heart of regional economic activities and are well-placed to tap into the deep market knowledge necessary to respond swiftly to our clients.

The Group employs approximately 2,671 professional and support staff globally.

We have gained considerable scale and operational leverage from our synergistic acquisitions. Our defensive business model helps us better weather prevailing volatile trading conditions.

The demand from our institutional and accredited investor clients for incisive and timely equity research and ideas is made more urgent due to rapidly-changing global conditions. We therefore continue to invest heavily in our regional institutional sales and research resources, and in expanding our regional network.

## OUR GLOBAL PRESENCE



## **OUR BUSINESS DIVISIONS**

### **Corporate Advisory/Finance**

We have a dedicated and experienced research team covering the Singapore, Malaysia, Thailand, Indonesia and Greater China markets. As a market leader in Singapore, we provide a full range of corporate finance services ranging from financial advisory and investment banking to underwriting and placement services in both primary and secondary listings.

### **Acquisition Finance**

We act as financiers and arrangers for principals acquiring strategic stakes in regional listed companies. Our key differentiator is our highly-responsive, innovative and discreet service.

### **Retail and Institutional Sales**

UOB-Kay Hian is the largest stockbroker in Singapore, with 837 retail and institutional sales personnel. In addition, we have 836 sales executives covering Thailand, Hong Kong, China, the Philippines, Malaysia, Indonesia, the UK, the US and Canada. Supported by our regional research coverage, we are able to provide regional sales distribution services that have both width and depth.

### **Internet Broking**

Our online customer base and transactions are growing on the back of increased internet trading activity across key global markets. In Singapore, our UTRADE internet platform is a market leader and is trusted and well-regarded for its content and ease of use.

### **Margin-based Finance**

Our margin-based financing business complements our sales and distribution capabilities. It is part of a suite of services that we provide as a one-stop service centre for our corporate and high net worth clientele.

### **Leveraged Foreign Exchange**

Our Leveraged Foreign Exchange business allows institutional and accredited investors to access the deep liquidity of the global currency market at a competitive cost.

### **Wealth Management**

We have a team of dedicated sales personnel providing wealth management services in Singapore and Hong Kong. Leveraging our knowledge of global markets, we are able to offer bespoke and differentiated advisory services that meet our clients' financial needs.

### **Contract for Difference (CFD)**

Our CFD products business offers a large inventory of shares traded on major exchanges. Our Direct Market Access platform offers clients price transparency at competitive cost. Our extensive inventory of available counters for covering short positions will soon be expanded to enable trading on global indices.

## GROUP FINANCIAL HIGHLIGHTS

	<b>Group For the Year Ended 31.12.2015 (S\$'000)</b>	<b>Group For the Year Ended 31.12.2014 (S\$'000)</b>	<b>Group For the Year Ended 31.12.2013 (S\$'000)</b>	<b>Group For the Year Ended 31.12.2012 (S\$'000)</b>
Revenue & Foreign Exchange Gain	<b>386,445</b>	369,582	426,549	328,976
Profit from Operations	<b>84,903</b>	89,150	113,537	79,740
Profit Before Tax	<b>84,903</b>	89,150	113,537	79,740
Profit After Tax	<b>72,984</b>	76,054	96,346	67,296
Profit After Tax and Non-controlling Interests	<b>71,450</b>	74,364	93,318	65,727
Shareholders' Equity (excluding non-controlling interests)	<b>1,310,307</b>	1,230,075	1,148,108	1,085,568
Earnings Per Share	<b>9.38 cents</b>	10.07 cents	12.88 cents	9.07 cents
Gross Dividend Per Share <sup>(Note a)</sup>	<b>4.50 cents</b>	5.0 cents	6.50 cents	4.50 cents
Net Assets Per Share <sup>(Note b)</sup>	<b>169.69 cents</b>	163.96 cents	158.42 cents	149.79 cents
Percentage Return on Shareholders' Equity				
Profit Before Tax	<b>6.68%</b>	7.50%	10.17%	7.34%
Profit After Tax	<b>5.75%</b>	6.40%	8.63%	6.19%
Profit After Tax and Non-controlling Interests	<b>5.63%</b>	6.25%	8.36%	6.05%

### Note

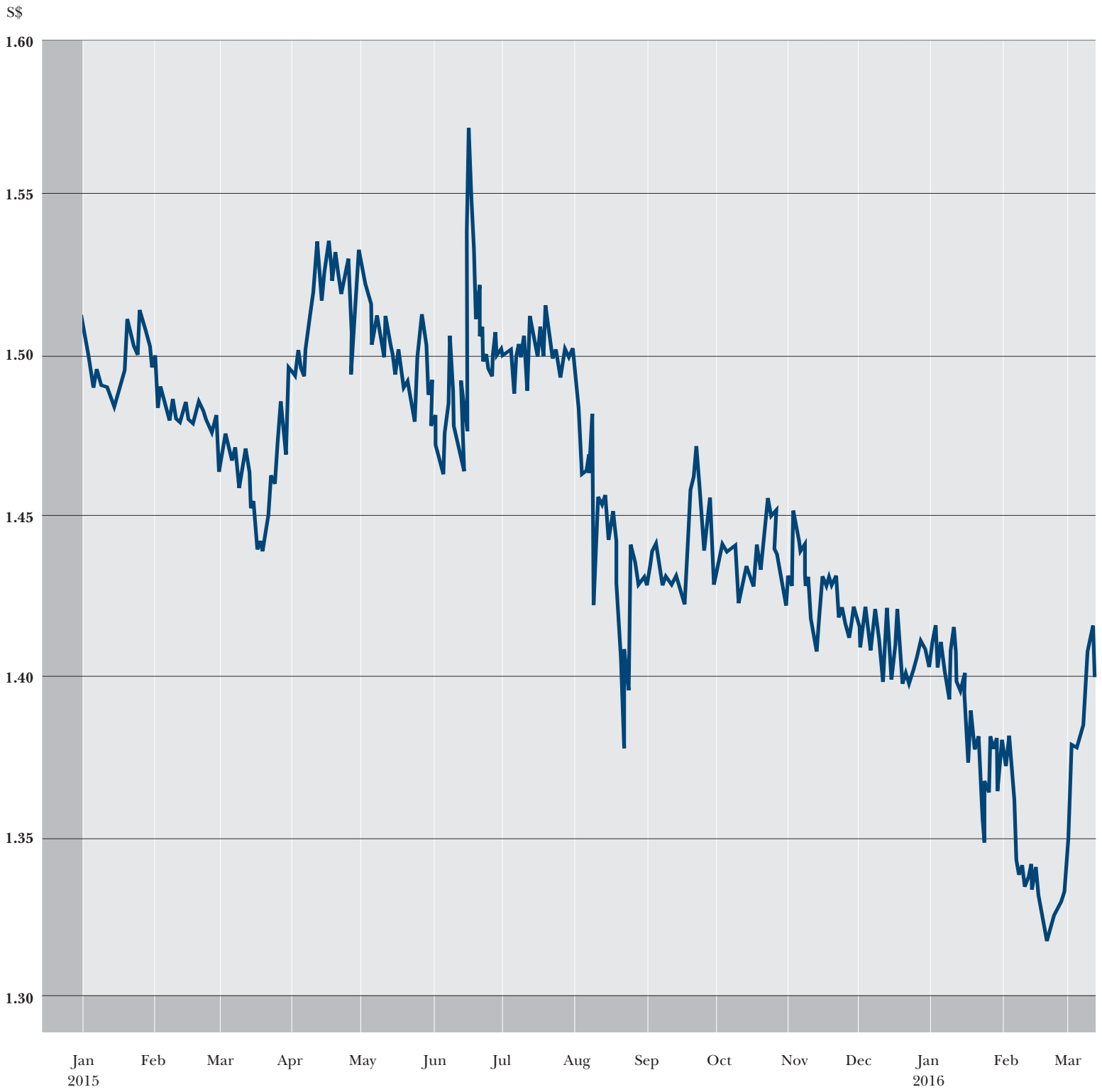
(a) 2015 dividend of 4.5 cents (2014 : dividend of 5.0 cents) is paid/payable on a one-tier tax exempt.

(b) Net asset value is derived after deducting 2.5 cents (2014 : 2.4 cents) per share attributable to non-controlling interests.



# UOB-KAY HIAN SHARE PRICE

From January 2015 to 15 March 2016



LAST CLOSE : S\$1.40

HIGH : S\$1.57

LOW : S\$1.31

## CHAIRMAN'S STATEMENT

### 2015 Operating Environment

2015 remained a challenging year as a whole. The high point of the year was seen in the Hong Kong market which enjoyed an extraordinarily robust first half in 2015. This market, however, lost significant momentum in the second half due to concerns over China's slowing economy and troubled financial system.

South East Asian markets, particularly Singapore, Malaysia and Indonesia, were exceptionally weak in 2015 due to weak commodity prices, slowing economic growth and concern over rising interest rates.

The weak market sentiments adversely affected the primary market transactions, leading to fewer IPOs and share placements being executed during the year.

The moribund South East Asian markets motivated more retail investors to engage in higher cross border trading activities in more liquid markets like the US and Hong Kong. We also saw growth in our Contract for Difference and other derivative products as investors capitalised on volatile market conditions.

### 2015 Operating Performance

Despite the challenging environment, our return on shareholder funds was maintained at a creditable rate of 5.63%.

Our 2015 group operating revenue rose 4.94% to S\$379.5m (2014: S\$361.7m) while profit after tax decreased 3.92% to S\$71.5m (2014: S\$74.4m) after taking into account a goodwill impairment charge of S\$3.7m.

Our regional diversification strategy was actualised by our Hong Kong office which achieved robust earnings in contrast to the slowdown in our South East Asian operation. Our Hong Kong office achieved a pre-tax profit of S\$27.1m, accounting for approximately 32% of our group pre-tax earnings for the year.

### Dividend

Our dividend policy of paying out 50% of distributable profits remains unchanged. Our Board of Directors has recommended a first and final tax-exempt (one-tier) dividend of S\$34,747,014 amounting to 4.5 cents per share (2014: 5 cents per share). As in the previous year, our shareholders will be able to opt to receive their dividends in cash or in shares.

### Current Year Prospects

For the first half of 2016, we expect market sentiment to be cautious as investors digest news of slowing economic activity, particularly in China. Volatile commodity prices, especially for crude oil, and currency exchange rates are expected to impinge on investor sentiment.

We are hopeful that conditions will improve towards the second half of 2016 led by the following potential catalysts:

- a) Valuations of regional markets have reached compelling levels. We expect corporate earnings to be boosted by cheaper energy and more competitive input costs in US dollar terms.
- b) Mutual funds will need to deploy their investable funds and assume more risks if they have not already done so by the second half of 2016. This may introduce more liquidity into equity markets and drive up valuations.
- c) Any further increase in regional interest rates in a generally benign interest rate environment could encourage a switch from fixed income to equity investment.
- d) Expected a gradual return of business confidence.

### Acknowledgements

This year will see the retirement of two of our long-serving independent directors.

Dr Henry Tay, Chairman of our Audit Committee who has served on our Board for 19 years, will not be seeking re-election at the coming AGM and will hence retire from our Board.

Mr Roland Knecht has served as our Independent Director for 14 years, and has been Chairman of our Nominating and Remuneration Committees. He too will not be seeking re-election at the coming AGM and will hence retire from our Board.

On behalf of the Board, we wish to thank Dr Tay and Mr Knecht for their invaluable contributions and counsel in the past. The Board has benefited greatly from their contributions during the period of our rapid expansion into the region. We wish Dr Tay and Mr Knecht well in their future undertakings.

On behalf of our Board of Directors, I also wish to thank our management, staff, trading representatives and associates for ensuring the continued profitability of our group. We also thank our shareholders for their unstinting support.



Wee Ee-chao  
*Chairman and Managing Director*

### GREATER CHINA

#### *Review of 2015*

China's economic growth slowed further to 6.9% yoy (2014: 7.4% yoy) as weak external demand and reduced fixed asset investment (FAI) activities took a toll. Exports fell 2.8% yoy, but trade surplus rose to US\$595b as imports fell 14.1% yoy, partly due to lower commodity prices.

Urban FAI rose only 10.0% yoy, due to a plunge in Gross Floor Area (GFA) new starts and weaker-than-expected fiscal support as implementation of fiscal projects slowed due to the anti-corruption campaign in China. In line with the slowing growth momentum, inflation fell to 1.4% for 2015, with a low of 1.2% recorded in May.

Over this period, macro policies stayed growth-supportive; the People's Bank of China (PBoC) cut the reserve requirement ratio (RRR) and lowered the benchmark interest rates five times. Recorded fiscal deficit reached Rmb2.4t, more than double the Rmb1.1t in 2014. Against this backdrop, the renminbi was allowed to depreciate, falling 4.5% against the US dollar, though it stayed flat against a trade weighted basket.

#### *Outlook for 2016*

As China enters its 13th Five-Year Plan period, the government is likely to guide market expectations on medium-term growth lower to about 6.5%. We expect this to be achievable on the back of continued macro easing. Hence, the fiscal deficit could surpass last year's level and there could be further RRR cuts to improve domestic liquidity. A key policy target of the PBoC in 2016 is to further lower domestic interest rates, which would call for greater monetisation and thereby result in a bias for renminbi weakness. Our forecast is for the renminbi to gradually depreciate towards Rmb6.80/US\$1 by year's end.

2016 will also mark the start of supply-side reforms and the government has announced clear steps to reduce excess capacity. This will likely help alleviate deflationary pressures in the medium term. But for now, we expect inflation to hit 2% this year at best, given the substantial decline in global commodity prices. The National People's Congress in Mar 16 will also provide details on China's investment in environmental protection, clean energy, urban infrastructure and electric vehicles. This should provide the much needed boost to investors' sentiment on China and mitigate concerns of a potential hard landing scenario.

#### *Stock Market Review for 2015*

Shanghai A-shares rallied 32.2% in 1H15 driven by aggressive margin financing, increased retail participation and improved liquidity from the Hong Kong-Shanghai connect. The HSI also reached a high of 28,442 in Apr 15, a level not seen since 2007.

However, all gains were given up by 2H15 as the Chinese government clamped down on excessive margin financing and investors were unnerved by rich valuations, as A-shares traded at 19.0x 12-month forward PE. The A-share index eventually rose only 9.3% for the year while the HSI dropped 7.2%.

#### *Stock Market Outlook for 2016*

We are expecting 5% return for 2016 with our end-16 MSCI China target at 66 points, in line with the weaker EPS growth outlook. That said, given the global market sell-down in Jan 16, returns from this juncture onwards will likely be significant.

With the index now trading at 8.6x 2016 PE, we believe most negatives have been priced in and valuations are undemanding. We prefer exposure to consumer spending in media, travel, automobile and insurance. On the infrastructure front, investors should focus on names exposed to urban rail transit, where state investment is expected to see 14% CAGR over the next five years.

### INDONESIA

#### *Review of 2015*

Indonesia's GDP grew 4.7% in 2015 following the 5.0% growth in 2014. The slower economic growth was due to a slowdown in household spending from 5.1% in 2014 to 4.9% in 2015. Indonesia forecast total investment of Rp519.5t for 2015, up 12.2% yoy, compared with the 16.2% yoy growth in 2014.

Inflation rose 3.3% yoy in 2015 and Bank Indonesia kept its interest rate high, mostly at an average of 7.5%, before lowering it to 7.2% in Jan 16.

The rupiah averaged Rp13,400/US\$1 in 2015, depreciating by 13% from Rp11,864/US\$1 in 2014. Indonesia's current account remained in deficit at US\$17.5b, although it had improved from the US\$26.2b deficit in 2014. Low commodity prices caused exports and imports to decline 15% yoy individually as weakening economic growth in the region worked against commodity exports. Imports fell 27% on the back of a slowdown in imports and a fall in oil prices.

#### *Outlook for 2016*

UOB Global Economics and Markets Research (GEMR) expects Indonesia's economic growth to accelerate in 2016 to 5.0%, primarily driven by an increase in government spending. UOB GEMR estimates inflation at 5.0% this year with downside risk if commodity prices remain depressed.

Should Bank Indonesia decide to reduce its interest rate, this could take place post 2Q16. We expect interest rate to be reduced by 75bp from 7.5% in Dec 15 to 6.75% by Dec 16.

***Stock Market Review for 2015***

In 2015, the JCI declined 10.5% in rupiah terms and 19.9% in US dollar terms. The returns underperformed the MSCI Asia Pacific index's -1.6% in US dollar terms during the same period. The main reason for the weak performance was the slow realisation of spending in 1H15 and weakness in rupiah.

***Stock Market Outlook for 2016***

Indonesia's stock market should outperform the MSCI Asia Pacific index in 2016, as domestic stimulus is likely to overcome the weakness in the region. We expect the JCI to appreciate to 5,750 by end-16, and the rupiah to continue depreciating to Rp13,900/US\$1 by end-16, driven by capital goods imports.

The potential interest rate reduction by Bank Indonesia could immediately benefit the banking sector. If the interest rate reduction is more than 50bp, we could see unit sales recovery in automobiles and property in 2H15.

The tax amnesty accompanied by fund repatriation could benefit banks in terms of lower cost of fund, money supply, and loan growth. Continuous government spending on infrastructure should support a recovery in GDP growth.

The lower oil and commodity prices will bode well for consumer companies trading in food and fast moving consumer goods. Cement companies could also benefit as their utility costs decline.

**MALAYSIA*****Review of 2015***

Malaysia endured a barrage of economic challenges in 2015, as external (eg the collapse of crude oil prices) and domestic (eg government agency 1MDB's financial liquidity woes, implementation of GST and various subsidy reductions) challenges brought the ringgit to an all-time closing low and forced the government to recalibrate Budget 2016.

Despite the global economic headwinds, Malaysia's real GDP growth remained resilient at 4.7% yoy through 3Q15, driven by private investment growth. Although the growth in external trade slowed, 2015 net exports grew 14.3% yoy to RM94.3b, and the country continued to generate a comfortable level of current account surplus.

***Outlook for 2016***

We reckon there would be downside bias to the government's revised GDP growth forecast of 4.0-4.5%, given the high risk of crude oil prices undershooting Budget 2016's base-case assumption and the slowing global economy. The need to manage the country's fiscal deficit may force the Malaysian government to further cut back on spending.

Nevertheless, positively, the worst is over for the ringgit with rising foreign direct investment (FDI) from China, which had pledged to buy Malaysian Government Securities (MGS) during Premier Li Keqiang's visit to Malaysia in Nov 15. UOB Global Economics and Market Research predicts the ringgit to end the year at RM4.20/US\$1. China's rising involvement in Malaysia also strengthens the viability of many infrastructure projects, which should gain momentum in 2H16.

***Stock Market Review for 2015***

2015 represented the second consecutive year of mild contraction for the FBMKLCI (-3.9% yoy), which was also one of the worst performing regional bourses in US dollar terms, no thanks to the ringgit's (-18.5% yoy) underwhelming performance. Despite a domestic liquidity-led rebound partly driven by the plan to revitalise government-linked equity fund ValueCap with RM20b of fresh funding, the FBMKLCI was unable to stage a convincing year-end recovery.

***Stock Market Outlook for 2016***

We foresee a less volatile year with the FBMKLCI chalking up some gains despite persistent structural socio-economic issues and external concerns.

Our assessment incorporates: a) modest realignment and resumption of corporate earnings growth to GDP growth (vs near-to-sub-zero growth in 2013-15 when GDP grew 4.5-6.0%), b) a more stable political environment as much of 1MDB's financial woes have been mostly redressed, and c) improved sentiment on the ringgit.

Foreign equity flows turned positive in Oct 15, after five months of net selling, while foreign ownership of Malaysian equities should stay relatively stable at the 21-22% level.

Compelling investment themes include: a) high-dividend yielders; b) El Nino beneficiaries; c) infrastructure-related plays (which benefit building material producers, particularly cement producers); and d) emerging China-related investments.

**SINGAPORE*****Review of 2015***

Singapore's GDP grew 2.0% yoy in 2015, one of the slowest growth since the 2009 recession when GDP declined 0.6% yoy. A key drag was the manufacturing sector, which endured a 5.2% yoy decline owing to weaker contributions from clusters such as electronics, transport and precision engineering. Support came from the services sector, which grew 3.4% yoy, underpinned by contributions from wholesale & retail trade, insurance and finance.

External demand remained lacklustre whereas domestic sectors faced a challenging environment due to the ongoing economic restructuring and tight labour market. Economy-wide productivity had remained weak since the productivity reform in 2011.

2015 headline inflation declined 0.5% yoy (2014: +1.0% yoy) due to the government's administrative measures to cool prices of housing and cars. Excluding these two items, core inflation eased to 0.5% yoy compared with the 1.9% yoy in 2014.

### ***Outlook for 2016***

UOB Global Economics and Market Research (GEMR) forecasts Singapore's GDP to grow 2.7% in 2016. Besides benefitting from a low base effect, manufacturing is expected to enjoy a modest pick-up on continued recovery in US demand.

In terms of interest rates, UOB GEMR forecasts interest rates to rise in 2016, with 3-month Singapore Interbank Offered Rate (SIBOR) expected to end the year at 1.5%.

### ***Stock Market Review for 2015***

The FSSTI was one of the worst performers in the region, declining 14.3% yoy in 2015 (in local currency terms) to 2,882.73. External macro concerns and lacklustre corporate earnings were a key drag on the market.

Underperformers in 2015 included sectors such as banking (-17.3% yoy) and telecommunications (-7.3% yoy) as investors priced in concerns over issues such as asset quality, slower regional growth and the potential emergence of a fourth mobile operator in Singapore.

Given the macro uncertainties, investors sought refuge in defensive sectors such as land transport (+10.7% yoy) and healthcare (+13.7% yoy). The former was a beneficiary of the new bus financing framework.

### ***Stock Market Outlook for 2016***

Owing to the uncertain macro outlook, geo-political risk and limited corporate earnings visibility, we expect the FSSTI to remain volatile.

Hence, we adopt a selective approach, buying on weakness, and would focus on solid blue chips with reasonable yields and strong financials. Market valuations could remain below the long-term mean on weaker growth prospects, lower-than-mean ROE and a lack of catalysts.

Themes we like for 2016 include: a) capacity-driven growth, b) secular trend winners, c) growth at reasonable price (GARP), and d) regulatory changes.

## **THAILAND**

### ***Review of 2015***

In 2015, Thailand's GDP grew 2.8%, higher than the 0.8% growth in 2014. This was led by private consumption, which expanded 2.1% (2014: 0.6%), driven by the government's consumption policy

that is designed to boost lower income spending. Also, total investment grew 4.7%, led by infrastructural and public investments which grew 29.8% yoy. Export value came in at US\$212.1b, representing a decline of 5.6% (2014: -0.3%) largely due to the economic slowdown suffered by Thailand's key trading partners and a fall in export prices.

### ***Outlook for 2016***

UOB Global Economics and Market Research (GEMR) forecasts GDP growth of 3.2% yoy for Thailand in 2016. The major supporting factors include: a) growth in tourism; b) robust public investment; and c) the recent stimulus programmes designed to help low-income earners in rural areas, which should ultimately stabilise consumption. This would help to partially offset the negative impact of the severe drought as well as the slow growth in exports and in the manufacturing sector. Besides the government's stimulus programmes, we also expect to see other supporting domestic factors, such as low interest rates and lower corporate and individual income taxes. UOB GEMR does not expect the Bank of Thailand to lower policy rates again in 2016, and the baht could depreciate further to Bt37/US\$1.

### ***Stock Market Review for 2015***

2015 was a tough year for the SET Index. The index started the year at 1,500-1,600 in 1Q15, and then dropped continuously until it hit a low of close to 1,300 in Dec 15. This poor performance was driven by low oil prices that hurt the energy sector. Worries about the Fed's interest rate hike, China's economic slowdown, as well as concerns over Thailand's deadly bombings in Aug 15 and declining exports, hurt overall sentiment.

### ***Stock Market Outlook for 2016***

Although the index trades at a 14% premium to the MSCI ex-Japan index, we believe downside is limited due to an abundance of liquidity from local funds and investors amid low interest rates. Our bottom-up target for the SET in 2016 is 1,385 based on forward PE of 13.84x, or -0.5SD below the 5-year mean. This target offers a 7% upside from the current level. If tourism and investment recover as expected, and the impact of the drought, sluggish export growth and external factors is minimal, the SET could rise toward 1,520, based on a 5-year average forward PE of 15.2x.

In our strategy, we will avoid domestic cyclical plays but will selectively BUY the following stocks: a) undervalued downstream energy names that will mainly benefit from strong demand for olefins products, b) beneficiaries of a weak baht in the electronics sector, c) undervalued banking stocks, d) contractors and construction materials companies that will benefit from mega projects, and e) property stocks with cheap valuations and good earnings visibility.

## CORPORATE GOVERNANCE DISCLOSURE GUIDE

Guideline	Questions	How has the Company complied? <sup>1</sup>
General	<p>(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>(a) &amp; (b)</p> <p>Yes, except that the Company has deviated from Guidelines 1.6, 2.4 and 9.3 as explained in the respective sections on pgs 13, 14 and 15.</p>
<b>Board Responsibility</b>		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	<ul style="list-style-type: none"> <li>– material acquisition and disposal of assets</li> <li>– significant investments and funding</li> <li>– corporate guarantees</li> <li>– significant interested person transactions</li> </ul>
<b>Members of the Board</b>		
Guideline 2.6	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?</p>	<p>(a) Supports diversity.</p> <p>(b) Three members of our Board have extensive stockbroking experience, 2 are bankers and 1 is a retail entrepreneur.</p> <p>(c) The NC reviews the composition of the Board and Board committees having regard to the performance and contribution of each individual director and to ensure diversity of skills and experience within the Board and Board committees. Where there is a resignation or retirement of an existing director, the NC will re-evaluate the Board composition to assess the competencies for the replacement. Candidates are sourced through a network of contacts and recommendations. New directors will be appointed by way of a Board resolution, after the NC makes the necessary recommendation to the Board.</p>
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	<p>(i) No new directors appointed in the last financial year.</p> <p>(ii) Directors to be re-elected are assessed and recommended by the NC before submission to the Board for approval. In making recommendation for the re-election of directors, the NC will consider each director's contribution and performance.</p>

<sup>1</sup>Responses should be clear and concise to enable shareholders to better understand the Company's corporate governance arrangements.

<b>Guideline</b>	<b>Questions</b>	<b>How has the Company complied?</b>
Guideline 1.6	<p>(a) Are new directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?</p>	<p>(a) – No formal training is given.</p> <p>– New directors are provided with information on the corporate background, key personnel, various business divisions, group structure and financial statements of the Group. Directors are also kept abreast on regulatory requirements concerning disclosure of interests and restrictions on dealings in securities. The Company also provides a write-up on the directors' duties and responsibilities to assist him in the exercise of his legal, fiduciary and statutory duties under the Singapore Companies Act, the Listing Manual of the Singapore Exchange Securities Trading Limited, the Code of Corporate Governance 2012, Singapore securities legislation and the internal guidelines on securities trading.</p> <p>(b) (i) No new directors appointed in the last financial year. See Guideline 1.6(a) above.</p> <p>(b) (ii) All directors are regularly updated with changes in the relevant laws and regulations to assist them in discharging their duties and responsibilities. Directors have opportunities for continuing education in various areas and are kept informed of relevant training courses or talks organised both internally or by external authorities or organisations.</p>
Guideline 4.4	<p>(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?</p> <p>(b) If a maximum number has not been determined, what are the reasons?</p> <p>(c) What are the specific considerations in deciding on the capacity of directors?</p>	<p>(a) Based on the number of other listed companies' board representations held by our directors, the NC felt that 5 + 1 or 6 was a reasonable number.</p> <p>(b) N.A.</p> <p>(c) Specific considerations when deciding on capacity of directors are:</p> <ul style="list-style-type: none"> <li>– different capabilities of the directors;</li> <li>– nature of organisation where they hold appointments;</li> <li>– kind of committees they serve on; and</li> <li>– director's own assessment on the demands of his competing interests.</li> </ul>
<b>Board Evaluation</b>		
Guideline 5.1	<p>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</p> <p>(b) Has the Board met its performance objectives?</p>	<p>(a) Objective performance criteria used to assess the performance of the Board include:</p> <ul style="list-style-type: none"> <li>– comparison with industry peers;</li> <li>– return on assets; and</li> <li>– return on equity.</li> </ul> <p>(b) Yes</p>

Guideline	Questions	How has the Company complied?
<b>Independence of Directors</b>		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. Currently, 50% of the Board is independent.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.  (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) N.A.  (b) N.A.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	Yes, 2 of our independent directors, namely Dr. Henry Tay Yun Chwan and Mr. Roland Knecht. Their independence has been thoroughly reviewed by the Nominating Committee and the Board. The Board is satisfied that the independent directors are considered independent as each of them has met all the conditions and criteria of independence under the Code each year. The independent directors also do not have any cross directorships with any of the Group's companies. In addition, they do not receive any incentive compensation other than the fixed fees which are approved by shareholders at Annual General Meetings. Having fulfilled the aforementioned justification, the Board is assured that each independent director is independent in character and judgement, objective and fully committed.  The Board acknowledges and recognises the benefits of the experience and stability brought about by these long-serving directors and that they continue to contribute objectively and positively to the Board process.  Dr. Tay and Mr. Knecht will not be seeking re-election at the 2016 AGM and the Board and nominating committee are in the process of reviewing and appointing new Independent Directors.



Guideline	Questions	How has the Company complied?
<b>Disclosure on Remuneration</b>		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes.
Guideline 9.3	<p>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>(a) The Company does not disclose the remuneration of the top five key management personnel (who are not directors) within bands of S\$250,000 each, the breakdown of each individual's remuneration and the aggregate total remuneration, as it believes that such disclosure is disadvantageous to its business interests, given the highly competitive human resource environment and for purposes of maintaining confidentiality of staff remuneration matters. Non disclosure does not compromise the ability of the Company to meet the code on good corporate governance as the remuneration committee, comprising independent directors, reviews the remuneration package of such key management personnel who are remunerated based on the performance of the Group to ensure that they are fairly remunerated.</p> <p>(b) The Company is not disclosing this for reasons as explained under (a) above.</p>
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.	<p>(a) The CEO and the executive committee evaluate the performance of the executive directors and key management personnel against the performance criteria (see below) to arrive at the remuneration to be received. This is reviewed and approved by the Remuneration Committee.</p> <p>Performance criteria:</p> <ul style="list-style-type: none"> <li>(i) Market Conditions</li> <li>(ii) Remuneration levels within the industry</li> <li>(iii) Company's performance and individual performance</li> </ul>

<b>Guideline</b>	<b>Questions</b>	<b>How has the Company complied?</b>
	(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?	(b) N.A.
	(c) Were all of these performance conditions met? If not, what were the reasons?	(c) N.A.
<b>Risk Management and Internal Controls</b>		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	To assist the Board in the discharge of its duties, management provides the Board with periodic accounts of the Company and the Group's performance, position and prospects. Directors receive Board papers in advance of Board and Board Committee meetings and have separate and independent access to the Company's senior management and Company secretary. There is a procedure whereby any director may, in the execution of his duties, take independent professional advice.  All directors are regularly updated with changes in the relevant laws and regulations to assist them in discharging their duties and responsibilities.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	(a) Based on the work carried out by the internal auditor, the review undertaken by the external auditors as part of their statutory audit and certain agreed upon procedures, and the existing management controls in place, the AC and the Board are of the opinion that there are adequate and effective internal controls and a risk management system in place to address risks relating to financial, operational, compliance, information technology controls and risk management systems matters. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss, errors, poor judgement, fraud and other irregularities and other unforeseen events.

<b>Guideline</b>	<b>Questions</b>	<b>How has the Company complied?</b>
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(b) Yes.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.  (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(a) A sum of \$354,714 was paid to the external auditors for non-audit services versus \$700,080 for audit fees rendered during the year.  (b) N.A.
<b>Communication with Shareholders</b>		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?  (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?  (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(a) The Company meets up with the shareholders once a year at the Annual General Meeting ("AGM"). The Company strives to ensure the timely disclosure of key information and all announcements are made through SGXNet. The Company also maintains a website with an Investor Relations section where corporate information, announcements and the Company's annual report can be accessed. At our AGM, shareholders are given the opportunity to express their views and question management on the operation of the Company.  (b) No. This is done by the board of directors.  (c) Through postings on the Company's website and press releases.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	N.A.

## CORPORATE GOVERNANCE REPORT

*This report describes UOB-Kay Hian Holdings Limited's corporate governance practices which are in essence in line with the recommendations in the Code of Corporate Governance 2012 (the "Code"). The Company is committed to maintaining a high standard of corporate governance and transparency and disclosure of material information.*

The Board of directors is responsible for the corporate governance of the Company and its subsidiaries. The directors of the Company have a duty to act honestly, transparently, diligently, independently and in the best interests of all shareholders, in order to enhance shareholders' interest. The major processes by which the directors meet their duties are described in this report.

### Board Of Directors

### Guidelines

- The Board comprises 6 directors of which 2 are executive, 1 is non-executive and 3 are independent directors. 2.1
- On an ongoing basis, the Board examines its size and, with a view to determining the impact of the number upon effectiveness, decides on what it considers an appropriate size for the Board to facilitate effective decision making taking into account the scope and nature of the Group's operations. 2.5
- The roles of the chairman and managing director are not separate but the Board has a strong, independent group of directors to look after the shareholders' interest. The Audit Committee, Remuneration Committee and Nominating Committee are chaired by independent directors. 3.1
- Currently, the Company has 3 independent directors out of a Board of 6 directors resulting in 50% of the Board being independent. Please refer to the respective committee write-ups for the composition of the committees. 2.2

### Independent Directors

- Two of our independent directors, namely Dr. Henry Tay Yun Chwan and Mr. Roland Knecht, have served on the Board for more than nine years as independent directors, and have indicated that they will not seek re-election at the 2016 AGM. 2.4

The Board and management would like to express their heartfelt appreciation and gratitude to both Dr. Tay and Mr. Knecht for the many years of service and commitment as independent directors. They have been appointed to key roles in our various committees and the Board would like to wish them all the best in their future endeavours. The Board and the Nominating committee are in the process of reviewing and appointing new Independent Directors.

Their independence has been thoroughly reviewed by the Nominating Committee and the Board. The Board is satisfied that the independent directors are considered independent as each of them has met all the conditions and criteria of independence under the Code each year. The independent directors also do not have any cross directorships with any of the Group's companies. In addition, they do not receive any incentive compensation other than the fixed fees which are approved by shareholders at Annual General Meetings. Having fulfilled the aforementioned justification, the Board is assured that each independent director is independent in character and judgement, objective and fully committed.

The Board acknowledges and recognises the benefits of the experience and stability brought about by these long-serving directors and that they continue to contribute objectively and positively to the Board process. The Board remains committed to a progressive renewal of Board membership and is in the process of replacing the retiring directors.

- Though our chairman and managing director is the same person, we have not appointed a lead independent director as our chairman and managing director is complemented by a strong independent board who is able to engage the chairman and managing director on substantive business issues and corporate governance matters. 3.3

The chairman ensures that Board meetings are held when necessary and sets the Board meeting agenda. The Board members are also provided with adequate and timely information for their review and consideration. 3.2

To facilitate effective management, certain functions are delegated by the Board to Board Committees, each with its own terms of reference. The Board is assisted by an Audit Committee, a Remuneration Committee and a Nominating Committee. 1.3

The Board comprises directors who as a group provide core competencies such as business, finance, management and strategic planning experience and industry knowledge. 2.6

The following is a summary of directors' attendance at meetings of Board and various Board Committees in the financial year 2015: 1.4

Board members	Board	Audit Committee	Remuneration Committee	Nominating Committee
<b>Meetings held</b>	4	4	1*	1
<b>Meetings attended</b>				
Mr. Wee Ee-chao	4	N.A.	N.A.	N.A.
Mr. Esmond Choo Liong Gee**	4	4	N.A.	1
Dr. Henry Tay Yun Chwan	4	4	1	N.A.
Mr. Roland Knecht	4	N.A.	N.A.	1
Mr. Francis Lee Chin Yong	3	3	N.A.	N.A.
Mr. Tang Wee Loke	2	2	N.A.	1

\* Attended by previous committee members

\*\* Mr. Esmond Choo Liong Gee attended by invitation of the Audit Committee

Key information on the directors and their appointments on the various Board Committees and on key management personnel of the Group is given under the section "Profile of Directors and Key Management Personnel" on pages 25 to 27. 4.7

The Board has limited the directors' other listed company board representations to a maximum of 5. 4.4

The Board oversees the overall strategy, provides entrepreneurial leadership, sets strategic objectives, establishes a framework of prudent and effective controls, supervises the management, reviews management performance and reviews the affairs and financial position of the Company and the Group. Matters which are specifically reserved for the Board's decision include: 1.1, 1.5

- quarterly and annual results announcements;
- financial statements;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders' meetings;
- interested person transactions; and
- major transactions such as material acquisition and disposal of assets, significant investments and funding & corporate guarantees.

To assist the Board in the discharge of its duties, management provides the Board with periodic accounts of the Company and the Group's performance, position and prospects. Directors receive Board papers in advance of Board and Board Committee meetings and have separate and independent access to the Company's senior management and Company secretary. There is a procedure whereby any director may, in the execution of his duties, take independent professional advice. 6.1, 6.2, 6.3, 10.3

To familiarise newly appointed directors with the Group's business and corporate governance practices, directors are provided with relevant materials of the Group's business which explain activities and how the Group's business is managed. 1.6

All directors are regularly updated with changes in the relevant laws and regulations to assist them in discharging their duties and responsibilities. Directors have opportunities for continuing education in various areas and are kept informed of relevant training courses or talks organised both internally or by external authorities or organisations.

**Audit Committee (“AC”)**

The AC comprises 3 members, namely Dr. Henry Tay Yun Chwan (chairman), Mr Tang Wee Loke and Mr. Francis Lee Chin Yong. Dr. Tay and Mr. Tang are independent directors and Mr. Lee is a non-executive director. At least 2 members have related financial management expertise or experience. Mr. Tang Wee Loke was appointed as an Audit Committee member on 1 May 2015. 12.1, 12.2, 12.5

Dr. Tay will not be seeking re-election at the 2016 AGM and will also retire as Chairman of the Audit Committee.

The AC met a total of 4 times during the year. A senior executive director, the heads of internal audit, compliance, finance and the external auditors normally attend the meetings. During the year, the chairman of the AC has had separate meetings with the external auditors and the head of internal audit and compliance director. This is to provide the external auditors and the internal auditor with opportunities to discuss issues encountered in the course of their work directly with the AC.

The key terms of reference of the AC are:

- to review with the internal and external auditors the adequacy of the internal control systems; 12.3, 12.4
- to review the audit plans and findings of the internal and external auditors;
- to review all announcements of financial results; and
- to review interested person transactions.

The AC:

- has full access to and co-operation from management as well as full discretion to invite any director (executive or non-executive) to attend its meetings;
- has been given reasonable resources to enable it to complete its functions properly; and
- has reviewed findings and evaluations of the system of internal controls with the internal and external auditors.

The AC, having reviewed the non-audit services provided by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. A sum of \$354,714 was paid to the external auditors for non-audit services versus \$700,080 for audit fees rendered during the year. The AC annually reviews the independence of the external auditors. 12.6

The Company has complied with rules 712, 715 and 716 of the Listing Manual of the SGX-ST (the “Listing Manual”) on the appointment of auditors.

The AC has established a whistle-blowing policy where staff may in confidence raise concerns about possible improprieties in matters of financial reporting, fraud or other matters. The AC is empowered to conduct or authorise investigations into any activity within its terms of reference and obtain independent advice where it deems necessary. 12.7

The external auditors during their quarterly meetings with the AC will update the members of the relevant changes to the accounting standards. 12.8

## Internal Control And Risk Management

The Board is responsible for ascertaining that management maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. Based on the work carried out by the internal auditor, the review undertaken by the external auditors as part of their statutory audit and certain agreed upon procedures, and the existing management controls in place, the AC and the Board are of the opinion that there are adequate and effective internal controls and a risk management system in place to address risks relating to financial, operational, compliance, information technology controls and risk management systems matters. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss, errors, poor judgement, fraud and other irregularities and other unforeseen events. 11.1, 11.2, 11.3

During the year, the AC, on behalf of the Board, has reviewed the effectiveness of the Group's material internal controls. The processes used by the AC to review the effectiveness of the system of internal control and risk management include:

- discussions with management on risks identified by internal audit;
- the audit processes;
- the review of internal and external audit plans; and
- the review of significant issues arising from internal and external audits.

The Board has also received assurance from the managing director and the senior management that the financial records have been properly maintained, the financial statements give a true and fair view of the Company's operations and finances and effective risk management and internal control systems have been put in place. To manage the operations, financial and compliance risks, the Company has in place the following structures involving senior management:

- management oversight and control;
- risk recognition and assessment;
- control framework and segregation of duties;
- monitoring, communication and rectification; and
- audit and review.

## Internal Audit

Internal audit performs continuous monitoring to ensure compliance with Group policies, internal controls and procedures designed to manage and safeguard the business and assets of the Group. The work of internal audit is focused on areas of greatest risk to the Group as determined through the audit planning process. The formal reports resulting from such reviews are provided to the AC and the chairman of the Board. The Company's external auditors, Deloitte & Touche LLP, contribute a further independent perspective on certain aspects of the internal financial control system arising from their work and annually report their findings to the AC.

The internal auditor's line of functional reporting is to the chairman of the AC. Administratively, the internal auditor reports to the chairman and managing director of the Company. 13.1

The AC is satisfied that the internal audit function is adequately resourced to carry out its duties effectively and has appropriate standing within the Company. 13.2

The AC reviews, on a regular basis, the adequacy of the internal audit function and whether the internal audit function meets the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. 13.4, 13.5

**Remuneration Committee (“RC”)**

The RC has 3 members, comprising independent directors, Mr. Roland Knecht (chairman), Dr. Henry Tay Yun Chwan and Mr. Tang Wee Loke. Mr. Roland Knecht was appointed as the chairman of the RC on 1 May 2015 and Mr Tang Wee Loke appointed RC member also on 1 May 2015. The RC has access to external consultants for expert advice on executive compensation, if necessary. 7.1, 7.2, 7.3

Mr. Knecht and Dr. Tay have indicated that they will not seek re-election at the 2016 AGM and will also relinquish their positions in the RC.

The key terms of reference of the RC are:

- to make recommendations to the Board with regard to the remuneration of directors and key management personnel and to ascertain that they are fairly remunerated; and
- to formulate the framework of remuneration for the directors and key management personnel.

The Group’s remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate directors and key management personnel. 8.1

The RC reviews the remuneration packages of the Company’s executive directors and key management personnel, which are based on the performance of the Group and the individual, market conditions and remuneration levels within the industry.

When reviewing the structure of directors’ fees, the RC considers their respective roles and responsibilities on the Board and in the Board Committees. All directors’ fees are subject to the approval of the shareholders at the annual general meeting.

**Disclosure on Directors’ Remuneration**

The remuneration of the directors of the Company for the financial year ended 31 December 2015 is as follows: 9.1, 9.2

Directors	Total Remuneration (S\$’000)	Fees (%)	Fixed Salary (%)	Variable Income (%)	Total (%)
Wee Ee-chao	3,976	–	12.20	87.80	100
Esmond Choo Liong Gee	1,641	–	23.84	76.16	100
Dr. Henry Tay Yun Chwan	69	100	–	–	100
Francis Lee Chin Yong	45	100	–	–	100
Tang Wee Loke	48	100	–	–	100
Roland Knecht	50	100	–	–	100
Neo Chin Sang*	256	–	39.71	60.29	100
Chelva Retnam Rajah*	19	100	–	–	100
Walter Tung Tau Chyr*	13	100	–	–	100

\* Retired in 2015

There are no benefits in kind, stock options, share-based incentives or other long-term incentives.

The Company does not disclose the remuneration of the top five key management personnel (who are not directors) within bands of \$250,000 each, the breakdown of each individual’s remuneration and the aggregate total remuneration, as it believes that such disclosure is disadvantageous to its business interests, given the highly competitive human resource environment and for purposes of maintaining confidentiality of staff remuneration matters. Non disclosure does not compromise the ability of the Company to meet the code on good corporate governance as the RC, comprising independent directors, reviews the remuneration package of such key management personnel who are remunerated based on the performance of the Group to ensure that they are fairly remunerated. 9.3



The Company and its subsidiaries do not have any employee who is an immediate family member of a director.	9.4
The Company does not have any employee share scheme.	9.5
<b>Nominating Committee (“NC”)</b>	
The NC has 3 members, independent directors, Mr. Roland Knecht (chairman) and Mr. Tang Wee Loke and senior executive director Mr. Esmond Choo. Mr. Esmond Choo was appointed as NC member on 1 May 2015.	4.1
Mr. Knecht will not be seeking re-election at the 2016 AGM and will also retire as Chairman of the NC.	4.2, 4.3, 4.6
The key terms of reference of the NC are:	
<ul style="list-style-type: none"> <li>– to review and make recommendations to the Board on all board appointments and re-appointments and to consider the skills and experience required to ensure the Board has the appropriate balance of independent directors with the right expertise skills, attributes and ability. New directors may be appointed by a Board resolution following which they are subject to re-elections by the shareholders at the next annual general meeting;</li> <li>– to oversee the composition and balance of the Board and to ensure that they meet the requirements under the Code;</li> <li>– to ascertain that the independent directors meet the criteria set out in the Code;</li> <li>– to assess the effectiveness of the Board as a whole and its Board Committees and the contribution by the chairman and each director to the effectiveness of the Board; and</li> <li>– to review training and professional development programmes for the Board.</li> </ul>	
The NC, when making recommendations for new appointments to the Board, will consider the nominee’s track record, experience, financial literacy, core competencies and ability to commit time and effort to carry out his duties and responsibilities effectively.	
The NC is also tasked with developing, maintaining and reviewing relevant and appropriate recruitment, development and succession planning processes.	
There is a process for the NC to evaluate the performance of the Board. Objective performance criteria used to assess the performance of the Board include:	5.1, 5.2, 5.3
<ul style="list-style-type: none"> <li>– comparison with industry peers;</li> <li>– return on assets; and</li> <li>– return on equity.</li> </ul>	
On an annual basis the directors will perform a self-evaluation by completing a director self-evaluation form which would be reviewed by the NC.	
<b>Communication With Shareholders</b>	
The Board regards the annual general meeting as an opportunity to communicate directly with shareholders and to encourage participative dialogue. The members of the Board will attend the annual general meeting and are available to answer questions from the shareholders present. External auditors are also present to assist directors in addressing relevant queries by the shareholders.	15.1, 15.3, 15.4, 16.3
To maintain transparency, the Company makes timely disclosures to the public via SGXNet and postings on the Company’s website. Information on the Company’s corporate financials and stock is available in the investor relations section of the Company’s website.	15.2

### Dealings In Securities

The Group has adopted an internal code of best practices on securities transactions to provide guidance to its directors and officers in relation to dealings in the Company's securities. A system of reporting of securities dealings to the Company secretary by directors has been established to effectively monitor the dealings of these parties in the securities of the Company. In addition, a circular is issued before the start of each moratorium period to remind officers to refrain from dealing in the Company's securities prior to the release of the Group's financial results. The officers of the Company are also discouraged from dealing in the Company's securities on a short-term basis.

### Interested Person Transactions

The Company has established internal procedures to ensure that interested person transactions are undertaken on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and policies, and are not prejudicial to the interests of the Company and its minority shareholders and on terms which are generally no more favourable to the interested persons as defined in Chapter 9 of the Listing Manual, than those extended to or received from unrelated third parties.

Particulars of interested person transactions required to be disclosed under rule 907 of the Listing Manual are as follows:

Name of interested person	Aggregate value of all interested person transactions in FY2015 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted in FY2015 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Peak Properties Pte Ltd	\$535,536 <sup>(1)</sup>	Not applicable
PT UOB Property	\$264,456 <sup>(2)</sup>	Not applicable

<sup>(1)</sup>Receipt of rent for lease of 7,438 square feet of office space at 8 Anthony Road #01-02 Singapore.

<sup>(2)</sup>Payment of rent for lease of 12,482 square feet of office space in Jakarta.

### Material Contracts

Except as disclosed in the directors' report and financial statements, no material contracts (including loans) of the Company or its subsidiaries involving the interests of the managing director or any director or controlling shareholder subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

## PROFILE OF DIRECTORS & KEY MANAGEMENT PERSONNEL

### Directors of UOB-Kay Hian Holdings Limited

**Mr. Wee Ee Chao** – holds a Bachelor of Business Administration degree from American University (USA). He joined Kay Hian & Co (Pte) in 1981 as Managing Director and became Chairman of Kay Hian Holdings Limited in 1996. He has been closely involved in the management and growth of UOB Kay Hian over the last 34 years. In August 2000 when UOB-Kay Hian Holdings Limited was incorporated with the merger of Kay Hian Holdings Limited and UOB Securities (Pte) Ltd, Mr. Wee was appointed Chairman of UOB-Kay Hian Holdings Limited.

Besides his stockbroking involvement in UOB Kay Hian, Mr. Wee is also involved in investment and real estate development in the region. He serves on the Board of Haw Par Corporation Ltd and UOL Group Limited as a Non-executive Director and is also a Director of Kheng Leong Co. Pte. Ltd. and Wee Investment Group. He was appointed Chairman of the Singapore Tourism Board from January 2002 to December 2004. He was also the First Vice-President of the Real Estate Developers' Association of Singapore ("REDAS") from 2005 to 2006 and continued to serve on the committee of REDAS from 2007 to 2010.

**Mr. Esmond Choo Liong Gee** – holds a Bachelor of Commerce (Honors) Degree and is a member of the Institute of Chartered Accountants in Australia. He was first appointed an Executive Director of UOB Kay Hian Private Limited on 1 October 2001 and then as Executive Director of UOB-Kay Hian Holdings Limited on 31 May 2006. He was appointed Senior Executive Director on 1 January 2013. Mr. Choo is a member of the Group Executive Committee and is involved in the strategic planning and development of the Group's Equity and Capital Market business. He was appointed a member of the nominating committee on 1 May 2015.

He has proactively served in various industry committees and was the past Chairman of the Stockbrokers Association of Singapore from 2009 to 2012. In recognition of his contribution to the Securities and Futures industry, Esmond was conferred the title IBF Distinguished Fellow in 2014.

Mr. Choo has accumulated substantial experience in the finance and insurance sectors since 1986.

**Dr. Henry Tay Yun Chwan** – holds a MBBS (Honors) from Monash University. He was appointed Director and Audit Committee member of Kay Hian Holdings Limited on 1 August 1997 and subsequently Chairman of the Audit Committee on 20 March 2000. When UOB-Kay Hian Holdings Limited was incorporated in August 2000, he was appointed Director and Chairman of the Audit Committee. Dr. Tay is an Independent Director of the Company.

He is the Executive Chairman of The Hour Glass Limited and the Founder President and now Honorary President of The Hong Kong-Singapore Business Association. He also holds directorships in several private companies with diverse interests including real estate, F&B and entertainment. His previous appointments included being Vice-Chairman of the Community Chest (1994 to 2004), a Board Member of the Singapore Tourism Board and Patron of the Singapore Kennel Club. He is an active fund raiser for various charitable organisations.

Dr. Tay has received many awards including the Friends of Ministry of Community Development and Sports Award in 2002 and the President's Social Service Award in 2005.

**Mr. Roland Knecht** – graduated from Swiss Mercantile School, Wil. He was appointed a Director of UOB-Kay Hian Holdings Limited on 1 September 2002. He is an Independent Director and Chairman of the Nominating Committee. He was appointed Chairman of the Remuneration Committee on 1 May 2015.

He is the controlling shareholder and Executive Director of Atlas Asset Management Pte. Ltd. Singapore, a licensed fund management company.

**Mr. Lee Chin Yong Francis** – was appointed a Non-executive Director of UOB-Kay Hian Holdings Limited and a member of the Audit Committee on 3 July 2006. Mr. Lee is the Managing Director, Head of Retail of United Overseas Bank Limited ("UOB"). He is responsible for the Group's retail businesses for consumers (including Private Banking) and small business customers. He joined UOB in 1980. Prior to his appointment in Singapore in 2003, he was the Chief Executive Officer of UOB (Malaysia). Between 2003 and 2008, Mr. Lee was the head of the International Division and spearheaded the Group's expansion in the region. He was also responsible for the Bank's consumer banking business in Singapore and the region.

Mr. Lee is a Director of several UOB subsidiaries and affiliates, including United Overseas Bank (Malaysia) Bhd, PT Bank UOB Indonesia, United Overseas Bank (Thai) Public Company Ltd and United Overseas Bank (China) Ltd.

He holds a Malaysia Certificate of Education and has 37 years of experience in the financial industry.

**Mr. Tang Wee Loke** – holds a Bachelor of Business Administration degree. He began his career in Kay Hian & Co (Pte) as an Analyst in 1973 and became a Director in 1977. He was appointed Deputy Managing Director of Kay Hian James Capel Pte Ltd in 1990 and of UOB-Kay Hian Holdings Limited in 2000 following the merger of UOB Securities (Pte) Ltd and Kay Hian Holdings Limited.

He retired from his position as Deputy Managing Director in December 2007 and remained as an Executive Director of UOB-Kay Hian Holdings Limited until 31 December 2011. He was appointed Non-executive Director from 1 January 2012 and has from 1 January 2015 become an Independent Director. He is a member of the Nominating Committee and was appointed a member of the Audit Committee and Remuneration Committee on 1 May 2015.

He was a committee member of the Stock Exchange of Singapore from 1986 to 1999. He served on the SGX board as an Independent Director from December 2002 to September 2007. He was the founder chairman of the Securities Association of Singapore, which represents the interest of securities trading members in Singapore.

## **Key Management Personnel of the Group**

### *S I N G A P O R E*

**Mr. Tan Chek Teck** (*Senior Executive Director*) – holds a Bachelor of Commerce (Honors) degree from the University of Edinburgh. He trained and qualified as a chartered accountant in Edinburgh, Scotland with an international public accounting firm. He subsequently went on to join OUB Securities Pte Ltd in 1990 before it was integrated into UOB Kay Hian Private Limited in 2002.

Mr Tan is part of the senior management team and is Head of Operations of the Group.

**Mr. Lim Seng Bee** (*Senior Executive Director*) – holds a Bachelor of Science degree from the Stern School of Business of New York University. He was appointed Executive Director of UOB Kay Hian Private Limited in June 2005 and Senior Executive Director on 1 January 2013. Mr. Lim is a member of the Group Executive Committee. In addition to being involved in the general management of the Singapore operations, he is also responsible for the management of the regional business in North Asia.

Prior to joining UOB Kay Hian (Hong Kong) Limited, he had extensive experience in managing the securities business in Hong Kong.

**Mr. Kok Heng Loong** (*Executive Director*) – holds a Bachelor of Business Administration degree from the National University of Singapore. He has been in the stockbroking industry since 1989 and joined UOB Kay Hian Private Limited in February 2012 as an Executive Director. He is involved in the general management and development of the retail business for the Group.

**Ms. Oh Whee Mian** (*Executive Director*) – holds a Bachelor of Accountancy (Honors) degree from Nanyang Technology University of Singapore. She joined UOB Kay Hian Private Limited in 2001 and was appointed Executive Director in 2013. She is involved in the general management of the Singapore office and overseeing the regional offices. Prior to joining UOB Kay Hian Private Limited, she was working for an established international public accounting firm.

**Mr. Gary Tan Kheng Chye** (*Executive Director*) – holds a Bachelor of Business Administration degree from Royal Melbourne Institute of Technology, Australia. He has been in the stockbroking industry since 1997 and was working for an established local bank backed brokerage before joining UOB Kay Hian Private Limited in February 2013 as an Executive Director. He is involved in general management focusing on overseeing the strategic planning and development of the Group’s technology platform and online trading business.

#### M A L A Y S I A

**Mr. David Lim Meng Hoe** – holds a Bachelor of Economics from Monash University and has over 32 years of experience in the stockbroking industry in Malaysia.

He joined UOB Kay Hian Private Limited in 2011 and was appointed Managing Director of the Group’s Malaysian operations in 2012.

#### H O N G K O N G

**Mr. Karman Hsu** – holds a degree in Economics and Commerce from the University of Melbourne, qualified as a Chartered Accountant with KPMG Peat Marwick in Australia and as a CPA with KPMG Peat Marwick in Hong Kong. He joined UOB Kay Hian (Hong Kong) Limited as its Chief Executive Officer in January 2012.

Mr. Hsu has more than 20 years experience in the securities industry with various established financial institutions. Prior to joining the Group, he was Head of Corporate Finance with Cazenove Asia in 1996 and was made Partner at Cazenove & Co PLC in 2001. He was subsequently appointed as Managing Director of JP Morgan Cazenove and Head of Investment Banking for Asia of Cazenove Asia Limited. His last held position before joining the Group was Managing Director, Head of Equity Corporate Finance at Standard Chartered Bank (HK) Ltd in 2009.

**Mr. Mickey Lee Long Chin** – holds a Bachelor of Engineering degree from the National University of Singapore. He was appointed the Deputy Managing Director of UOB Kay Hian (Hong Kong) Limited in 2006. He is involved in the general management of the Hong Kong operations. Mr. Lee has more than 20 years experience in the stockbroking industry in Hong Kong and Singapore. He is also a Director of The Hong Kong Association of Online Brokers Limited.

#### T H A I L A N D

**Mr. Chaipat Narkmontanakum** – holds a Master Degree in Business Administration from University of La Verne, USA. He has more than 18 years of experience in the stockbroking industry in Thailand. He previously worked for Nava Securities, BNPP Securities and DBS Vickers Securities.

Mr. Chaipat joined UOB Kay Hian Securities (Thailand) Public Company Limited as a Managing Director of Retail Sales in 2003 and was subsequently appointed Chief Executive Officer.

He oversees the Group’s Thailand operations and is responsible for the strategic development and management of the equities and derivatives business.

#### I N D O N E S I A

**Mr. Himawan Gunadi** – holds a Bachelor of Business Administration in Finance from the University of Texas and has a degree in Master of Business Administration in Finance from the University of Northrop, California. He has more than 24 years working experience in the stockbroking industry. He joined PT UOB Kay Hian Securities in October 2006 as the Managing Director and is responsible for developing the Company’s retail and institution business in Indonesia.

Prior to joining the Group, he was the Director & Head of Local Equity Sales of DBS Vickers Securities Indonesia and the Director of Local Equity Sales of Peregrine Securities before that.

## DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 32 to 82 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

### 1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Wee Ee-chao

Tang Wee Loke

Henry Tay Yun Chwan

Roland Knecht

Esmond Choo Liong Gee

Francis Lee Chin Yong

### 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

### 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and company in which interests are held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
<b>The Company</b> <i>(Ordinary shares)</i>				
Wee Ee-chao	–	–	180,785,080	190,757,925
Tang Wee Loke	31,190,491	32,306,830	2,191,122	2,269,545

By virtue of Section 7 of the Singapore Companies Act, Mr Wee Ee-chao is deemed to have an interest in all the related corporations of the Company.

The directors' interests in the ordinary shares of the Company as at 21 January 2016 were the same as at 31 December 2015.

#### **4 SHARE OPTIONS**

(a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

#### **5 AUDIT COMMITTEE**

The Audit Committee of the Company, consisting all non-executive directors, is chaired by Dr. Henry Tay Yun Chwan, an independent director, and includes Mr Tang Wee Loke and Mr Francis Lee Chin Yong. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- (a) the audit plans and results of the internal and external auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Group's financial and operating results and accounting policies;
- (c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;
- (d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Group's external auditors; and
- (f) the re-appointment of the external auditors of the Group.

## DIRECTORS' STATEMENT *continued*


The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

### 6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



Wee Ee-chao



Esmond Choo Liong Gee

Singapore  
31 March 2016



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UOB-KAY HIAN HOLDINGS LIMITED

## Report on the Financial Statements

We have audited the accompanying financial statements of UOB-Kay Hian Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 82.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



Public Accountants and  
Chartered Accountants  
Singapore

31 March 2016

# STATEMENTS OF FINANCIAL POSITION

31 December 2015

	Note	The Group		The Company	
		2015 \$	2014 \$	2015 \$	2014 \$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	372,227,184	180,959,130	145,814	313,822
Outstanding contracts receivable	7(a)	370,565,857	529,251,770	–	–
Trade and other receivables	8	1,814,078,438	1,705,153,086	–	–
Other financial assets, at fair value through profit or loss	9	21,267,021	160,829	–	–
Other current assets	10	31,792,992	37,653,383	66,213,377	33,938,968
Derivative financial instruments	11	9,031	6,702	–	–
Total current assets		<u>2,609,940,523</u>	<u>2,453,184,900</u>	<u>66,359,191</u>	<u>34,252,790</u>
<b>Non-current assets</b>					
Trade and other receivables	8	226,320,000	86,563,049	212,175	198,075
Goodwill	12	1,416,932	5,697,022	–	–
Subsidiaries	13	–	–	349,373,524	349,373,523
Available-for-sale investments	14	3,410,525	25,124,448	–	–
Trading rights in Exchanges	15(a)	103,067	98,087	–	–
Memberships in Exchanges	15(b)	212,263	217,307	–	–
Property, plant and equipment	16	47,367,051	53,564,006	–	–
Deferred tax assets	17	1,028,535	1,840,555	–	–
Total non-current assets		<u>279,858,373</u>	<u>173,104,474</u>	<u>349,585,699</u>	<u>349,571,598</u>
<b>Total assets</b>		<u>2,889,798,896</u>	<u>2,626,289,374</u>	<u>415,944,890</u>	<u>383,824,388</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Outstanding contracts payable	7(b)	335,066,120	484,999,716	–	–
Trade and other payables	18	86,434,605	101,527,114	75,563,268	82,477,385
Borrowings	19	662,133,714	384,205,938	612,175	–
Debts issued	20	465,893,530	392,462,659	–	–
Income tax payable		8,761,843	11,463,706	–	–
Derivative financial instruments	11	45,526	159,854	–	–
Total current liabilities		<u>1,558,335,338</u>	<u>1,374,818,987</u>	<u>76,175,443</u>	<u>82,477,385</u>
<b>Non-current liabilities</b>					
Trade and other payables	18	1,261,864	2,214,854	–	–
Deferred tax liabilities	17	863,189	970,379	–	–
Total non-current liabilities		<u>2,125,053</u>	<u>3,185,233</u>	<u>–</u>	<u>–</u>
<b>Total liabilities</b>		<u>1,560,460,391</u>	<u>1,378,004,220</u>	<u>76,175,443</u>	<u>82,477,385</u>
<b>EQUITY</b>					
<b>Capital, reserves and non-controlling interests</b>					
Share capital	21	141,326,252	110,676,914	141,326,252	110,676,914
Reserves	22	(32,980,769)	(48,106,647)	–	–
Retained earnings		1,201,961,994	1,167,505,217	198,443,195	190,670,089
Equity attributable to owners of the Company		<u>1,310,307,477</u>	<u>1,230,075,484</u>	<u>339,769,447</u>	<u>301,347,003</u>
Non-controlling interests		19,031,028	18,209,670	–	–
Total equity		<u>1,329,338,505</u>	<u>1,248,285,154</u>	<u>339,769,447</u>	<u>301,347,003</u>
<b>Total liabilities and equity</b>		<u>2,889,798,896</u>	<u>2,626,289,374</u>	<u>415,944,890</u>	<u>383,824,388</u>
<b>Clients' trust/segregated accounts</b>					
Bank balances					
– with related parties		326,170,383	410,980,002	–	–
– with non-related banks		1,081,169,309	771,095,929	–	–
Margin with clearing house		54,067,964	9,371,587	–	–
Less: Amounts held in trust		<u>(1,461,407,656)</u>	<u>(1,191,447,518)</u>	<u>–</u>	<u>–</u>
		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

See accompanying notes to financial statements

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

		The Group	
	Note	2015 \$	2014 \$
<b>Revenue</b>	23	379,547,411	361,687,516
Net foreign exchange gain		6,897,854	7,894,377
Commission expense		(46,800,451)	(55,488,551)
Staff costs	24	(124,483,123)	(113,922,469)
Finance expense	25	(47,993,997)	(36,754,580)
Other operating expenses	26	(82,264,287)	(74,266,261)
<b>Profit before income tax</b>		<b>84,903,407</b>	89,150,032
Income tax expense	27	(11,919,337)	(13,095,846)
<b>Profit for the year</b>		<b>72,984,070</b>	76,054,186
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gain on defined benefit plans	28, 35	730,857	–
Income tax relating to components of other comprehensive income that will not be reclassified subsequently	27	(150,476)	–
		<b>580,381</b>	–
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	28	16,518,761	16,197,088
Available-for-sale investments	28	(2,209,931)	60,791
Income tax relating to components of other comprehensive income that may be reclassified subsequently	27	397,139	(54,355)
		<b>14,705,969</b>	16,203,524
<b>Other comprehensive income for the year, net of tax</b>	28	<b>15,286,350</b>	16,203,524
<b>Total comprehensive income for the year</b>		<b>88,270,420</b>	92,257,710
<b>Profit attributable to:</b>			
Owners of the Company		71,449,951	74,363,986
Non-controlling interests		1,534,119	1,690,200
		<b>72,984,070</b>	76,054,186
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		87,093,400	89,823,124
Non-controlling interests		1,177,020	2,434,586
		<b>88,270,420</b>	92,257,710
<b>Earnings per share</b>			
Basic and diluted	29	9.38 cents	10.07 cents

See accompanying notes to financial statements

## STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2015

	Note	Share capital \$	Equity reserve \$
<b>The Group</b>			
Balance as at 1 January 2014		72,470,901	(1,245,533)
Total comprehensive income for the year			
Profit for the year		-	-
Other comprehensive income for the year		-	-
Total		-	-
Transactions with owners, recognised directly in equity			
Final dividend for 2013 paid	30	38,206,013	-
Acquisition of additional interest in a subsidiary	13	-	969,189
Transfer to statutory reserve		-	-
Payment of dividend by a subsidiary		-	-
Balance as at 31 December 2014		110,676,914	(276,344)
Total comprehensive income for the year			
Profit for the year		-	-
Other comprehensive income for the year		-	-
Total		-	-
Transactions with owners, recognised directly in equity			
Final dividend for 2014 paid	30	30,649,338	-
Payment of dividend by a subsidiary		-	-
Balance as at 31 December 2015		141,326,252	(276,344)

See accompanying notes to financial statements

Fair value reserve \$	Foreign currency translation reserves \$	Statutory reserve [Note 22(c)] \$	Retained earnings \$	Equity attributable to owners of the Company \$	Non-controlling interests \$	Total \$
3,089,766	(68,034,167)	1,661,387	1,140,166,052	1,148,108,406	20,221,179	1,168,329,585
–	–	–	74,363,986	74,363,986	1,690,200	76,054,186
47,361	15,352,637	59,140	–	15,459,138	744,386	16,203,524
<u>47,361</u>	<u>15,352,637</u>	<u>59,140</u>	<u>74,363,986</u>	<u>89,823,124</u>	<u>2,434,586</u>	<u>92,257,710</u>
–	–	–	(47,106,086)	(8,900,073)	–	(8,900,073)
–	–	74,838	–	1,044,027	(3,978,182)	(2,934,155)
–	–	(81,265)	81,265	–	–	–
–	–	–	–	–	(467,913)	(467,913)
<u>3,137,127</u>	<u>(52,681,530)</u>	<u>1,714,100</u>	<u>1,167,505,217</u>	<u>1,230,075,484</u>	<u>18,209,670</u>	<u>1,248,285,154</u>
–	–	–	<b>71,449,951</b>	<b>71,449,951</b>	<b>1,534,119</b>	<b>72,984,070</b>
<b>(1,781,770)</b>	<b>16,944,050</b>	<b>(36,402)</b>	<b>517,571</b>	<b>15,643,449</b>	<b>(357,099)</b>	<b>15,286,350</b>
<u><b>(1,781,770)</b></u>	<u><b>16,944,050</b></u>	<u><b>(36,402)</b></u>	<u><b>71,967,522</b></u>	<u><b>87,093,400</b></u>	<u><b>1,177,020</b></u>	<u><b>88,270,420</b></u>
–	–	–	(37,510,745)	(6,861,407)	–	(6,861,407)
–	–	–	–	–	(355,662)	(355,662)
<u><b>1,355,357</b></u>	<u><b>(35,737,480)</b></u>	<u><b>1,677,698</b></u>	<u><b>1,201,961,994</b></u>	<u><b>1,310,307,477</b></u>	<u><b>19,031,028</b></u>	<u><b>1,329,338,505</b></u>

## STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2015

	Note	Share capital \$	Retained earnings \$	Total \$
<b>The Company</b>				
Balance as at 1 January 2014		72,470,901	197,525,695	269,996,596
Profit for the year, representing total comprehensive income for the year		–	40,250,480	40,250,480
Final dividend for 2013 paid	30	<u>38,206,013</u>	<u>(47,106,086)</u>	<u>(8,900,073)</u>
Balance as at 31 December 2014		110,676,914	190,670,089	301,347,003
Profit for the year, representing total comprehensive income for the year		–	45,283,851	45,283,851
Final dividend for 2014 paid	30	<u>30,649,338</u>	<u>(37,510,745)</u>	<u>(6,861,407)</u>
Balance as at 31 December 2015		<u>141,326,252</u>	<u>198,443,195</u>	<u>339,769,447</u>

See accompanying notes to financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 \$	2014 (Restated) \$
<b>Operating activities</b>			
Profit before income tax		84,903,407	89,150,032
Adjustments for:			
Depreciation expense		8,625,863	8,858,099
Net loss on disposal of property, plant and equipment		38,187	6,029
Impairment of goodwill		3,700,647	1,828,557
Loss on disposal of trading rights in Exchanges		-	320,457
Dividend income		(68,732)	(452,393)
Write back of allowance for trade receivables		(333,047)	(276,364)
(Gain) Loss on disposal of available-for-sale investments		(1,833,902)	21,109
Interest expense		47,993,997	36,754,580
Exchange differences		(1,209,758)	(1,270,889)
Operating cash flows before movements in working capital		141,816,662	134,939,217
Changes in operating assets and liabilities:			
Other financial assets, at fair value through profit or loss		(20,009,542)	59,602,853
Trade, outstanding contracts and other receivables (Note A)		(79,450,866)	(120,661,577)
Trade, outstanding contracts and other payables		(156,770,547)	(118,583,569)
Debts issued (Note A)		77,246,243	124,848,848
Cash (used in) generated from operations		(37,168,050)	80,145,772
Interest paid	25	(47,993,997)	(36,754,580)
Income tax paid		(13,717,232)	(17,322,816)
Net cash (used in) from operating activities		(98,879,279)	26,068,376

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 \$	2014 (Restated) \$
<b>Investing activities</b>			
Payments for property, plant and equipment		(3,273,483)	(2,510,112)
Payments for available-for-sale investments		–	(8,854,372)
Proceeds from disposal of available-for-sale investments		20,426,731	–
Proceeds from capital repayment of available-for-sale investment		952,989	–
Proceeds from disposal of property, plant and equipment		51,899	95,555
Proceeds from disposal of trading rights in Exchanges		–	141,903
Dividends received from quoted/unquoted securities		68,732	452,393
Net cash from (used in) investing activities		<u>18,226,868</u>	<u>(10,674,633)</u>
<b>Financing activities</b>			
Payment to non-controlling interests for additional interest in a subsidiary	13	–	(2,934,155)
Payment to non-controlling interests for dividend		(355,662)	(467,913)
Net drawdown (repayment) of short-term bank loans		287,370,345	(67,281,701)
Dividends paid		(6,861,407)	(8,900,073)
Net cash from (used in) financing activities		<u>280,153,276</u>	<u>(79,583,842)</u>
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		1,209,758	1,270,889
Net increase (decrease) in cash and cash equivalents		200,710,623	(62,919,210)
Cash and cash equivalents at beginning of the year		<u>171,490,737</u>	<u>234,409,947</u>
<b>Cash and cash equivalents at end of the year</b>	6	<u>372,201,360</u>	<u>171,490,737</u>

### Note A

In 2015, the Group did not issue any debt on a non-cash basis.

In 2014, the Group issued debts amounting to \$35,876,480 on a non-cash basis as considerations in exchange for originating or purchasing certain trade and other receivables of equivalent amounts (Notes 8 and 20).

See accompanying notes to financial statements



# NOTES TO FINANCIAL STATEMENTS

31 December 2015

## 1 GENERAL

The Company (Registration No.200004464C) is incorporated in Singapore with its principal place of business and registered office at 8 Anthony Road, #01-01, Singapore 229957. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are stockbroking, futures broking, investment trading, margin financing, investment holding and provision of nominee and research services, which are disclosed in Note 34 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2015 were authorised for issue by the Board of Directors on 31 March 2016.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**ADOPTION OF NEW AND REVISED STANDARDS** – On 1 January 2015, the Group adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*<sup>3</sup>
- FRS 115 *Revenue from Contracts with Customers*<sup>3</sup>
- Amendments to FRS 7 *Disclosure Initiative*<sup>2</sup>
- Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*<sup>2</sup>
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*<sup>1</sup>

<sup>1</sup>Applies to annual periods beginning on or after 1 January 2016, with early application permitted.

<sup>2</sup>Applies to annual periods beginning on or after 1 January 2017, with early application permitted.

<sup>3</sup>Applies to annual periods beginning on or after 1 January 2018, with early application permitted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following, where management is currently evaluating the impact from applying these FRSs and amendments to FRS:

### FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

### FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

### Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments have been made to the following:

- Materiality and aggregation – An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statement of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.
- Presentation of items of other comprehensive income (“OCI”) arising from equity-accounted investments - An entity’s share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes – Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

**BASIS OF CONSOLIDATION** – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

### Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable

FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

**BUSINESS COMBINATIONS** – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

**FINANCIAL INSTRUMENTS** – Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

#### **Financial assets**

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "available-for-sale investments" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

### Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in 'other operating expenses' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4 to the financial statements.

The principal category of financial assets designated as at FVTPL is medium term notes and debt securities underpinning the credit-linked notes issued by the Group. These medium term notes and debt securities are designated as at fair value through profit or loss to better reflect the underlying intention of the Group to manage and evaluate its performance on a fair value basis.

### Available-for-sale investments

Certain shares and debt securities held by the Group are classified as being available-for-sale and are stated at fair value, except for certain available-for-sale investments stated at cost less accumulated impairment losses. Fair value is determined in the manner described in Note 4 to the financial statements. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in fair value reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the available-for-sale monetary asset is recognised in profit or loss and other changes are recognised in other comprehensive income.

### Loans and receivables

Outstanding contracts receivable, trade and other receivables and other current assets that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the header of fair value reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### **Financial liabilities and equity instruments**

#### Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

#### Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- on initial recognition, the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other operating expenses' in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4 to the financial statements.

The principal category of financial liabilities designated as at FVTPL is the credit-linked notes issued by the Group. These credit-link notes are designated as at fair value through profit or loss to better reflect the underlying intention of the Group to manage and evaluate its performance on a fair value basis.

#### Other financial liabilities

Outstanding contracts payable, trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to meet principal or interest payments when due in accordance with the terms of their borrowings.

### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

### Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 11 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

### Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Any embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

### Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group have a legally enforceable right to set off the recognised amounts; and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

## INTANGIBLE ASSETS

### Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the Group's policy below.

### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The costs of such intangible assets are their fair values at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

**IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL** – At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, including memberships and trading rights in exchanges, property, plant and equipment and investments in subsidiaries, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible asset with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessor

Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

#### The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as liabilities. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land	Over the terms of lease of $6\frac{2}{3}\%$
Buildings	Over the terms of lease from $5\%$ to $6\frac{2}{3}\%$
Leasehold improvements	16 to $33\frac{1}{3}\%$
Furniture, fittings and office equipment	20 to $33\frac{1}{3}\%$
Computer equipment and software	20 to $33\frac{1}{3}\%$
Communication equipment	20 to $33\frac{1}{3}\%$
Motor vehicles	18 to $33\frac{1}{3}\%$

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

GOODWILL – Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

## NOTES TO FINANCIAL STATEMENTS *continued*

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Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**PROVISIONS** – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**REVENUE RECOGNITION** – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

### Commission income

Commission income is recognised as earned on the date the contracts are entered into.

### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### Trading income

Trading income relates mainly to proprietary trading entered into by the Group and is recognised on a mark-to-market or realisation basis.

### Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### Fee income

Fee income from custodian, management, shares withdrawal, arrangement and advisory services are recognised during the year in which the services are rendered.

**BORROWING COSTS** – Borrowing costs are recognised in profit or loss in the period in which they are incurred.

**RETIREMENT BENEFIT COSTS** – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefits costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

Curtailment gains and losses are accounted for as past service costs.

**EMPLOYEE LEAVE ENTITLEMENT** – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

**MEMBERSHIPS IN EXCHANGES** – Memberships in The Stock Exchange of Thailand and Jakarta Stock Exchange are stated at cost, less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the memberships are assessed and written down immediately to its recoverable amount.

**SECURITIES BORROWED AND LENT** – Securities borrowed and lent are accounted for as collateralised borrowings. The amounts of cash collaterals advanced for securities borrowed and cash collaterals received for securities lent are recorded in the statement of financial position under "Other current assets - Amounts deposited with lenders of securities" and "Trade and other payables – Cash collaterals held for securities lent to clients" respectively.



Market value of securities is determined by reference to the quoted prices of the respective Stock Exchanges at the close of business at the end of the reporting period.

**TRADING RIGHTS IN EXCHANGES** – Trading rights in The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange and the Philippine Stock Exchange are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the trading rights is assessed and written down immediately to its recoverable amount.

**INCOME TAX** – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**SEGMENT REPORTING** – An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

The Group determines and presents operating segments based on information that is internally provided to the Managing Director ("MD") and the Board of Directors ("BOD"), who are the Group's chief operating decision makers. All operating segments' operating results are reviewed regularly by the Group's MD and BOD to make decision about resources to be allocated to the segment and assess its performance.

**CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS** – Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### **3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) ***Critical judgements in applying the Group's accounting policies***

Management is of the opinion that any instances of application of judgements are not expected to have a significant impact on the amounts recognised in the financial statements.

(ii) ***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) **Income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. Details of income taxes are provided in Notes 17 and 27 to the financial statements. The income tax expense for the year ended 31 December 2015 is \$11,919,337 (2014 : \$13,095,846). Deferred tax assets and deferred tax liabilities as at 31 December 2015 amounted to \$1,028,535 (2014 : \$1,840,555) and \$863,189 (2014 : \$970,379) respectively. Income tax payable as at 31 December 2015 is \$8,761,843 (2014 : \$11,463,706).

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgements as to whether there is observable data indicating that there has been a significant change in the ability of the debtor to repay amounts owing to the Group, or whether there have been significant changes with adverse effect in the economic or legal environment in which the debtor operates in.

As at 31 December 2015, the carrying amount of trade and other receivables is \$2,040,398,438 (2014 : \$1,791,716,135) net of allowance for doubtful debts of \$7,571,667 (2014 : \$10,753,185).

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded in profit or loss. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate and growth rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was \$1,416,932 (2014 : \$5,697,022) after an impairment loss of \$3,700,647 (2014 : \$1,828,557) was recognised during the year. Details of the impairment loss calculation are provided in Note 12 to the financial statements.

(d) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Management and finance department, in consultation with external experts, determine the appropriate valuation techniques and inputs for fair value measurements.

The Finance Director reports to the Board of Directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities. These valuations will be approved by the Board of Directors. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 4 to the financial statements.

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Note	The Group		The Company	
		2015	2014	2015	2014
		\$	\$	\$	\$
<b>Financial assets</b>					
Fair value through profit or loss (FVTPL):					
Held for trading	9	21,267,021	160,829	–	–
Designated as at FVTPL (see below)	8	446,934,269	372,854,456	–	–
Derivative financial instruments	11	9,031	6,702	–	–
Loans and receivables (including cash and cash equivalents)		2,364,815,003	2,163,875,818	66,571,366	34,450,865
Available-for-sale investments	14	3,410,525	25,124,448	–	–
<b>Financial liabilities</b>					
Fair value through profit or loss (FVTPL):					
Designated as at FVTPL (see below)	18, 20	448,456,453	372,852,659	–	–
Derivative financial instruments	11	45,526	159,854	–	–
Amortised cost (including loans and debts issued)		1,102,333,380	992,557,622	76,175,443	82,477,385

(i) Trade and other receivables designated as at FVTPL

The carrying amount of trade and other receivables designated as at FVTPL approximate their fair values.

At the end of the reporting period, there are no significant concentrations of credit risk for trade and other receivables designated as at FVTPL. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such trade and other receivables.

There is no change in fair value attributable to changes in credit risk recognised in 2015 and 2014.

(ii) Credit derivatives over trade and other receivables at fair value

There are no credit derivatives over trade and other receivables designated as at fair value.

(iii) Financial liabilities designated as at FVTPL

The carrying amount of financial liabilities designated as at FVTPL approximate their fair values.

There is no change in fair value attributable to changes in credit risk recognised in 2015 and 2014.

(iv) Difference between carrying amount and maturity amount

The carrying amount of financial liabilities designated as at FVTPL equals their maturity amount.

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements that are in scope of the offsetting disclosure.

The Company does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

(c) Financial risk management policies and objectives

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.

The Group has a system of controls in place to manage these risks to an acceptable level without stifling its business. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial instruments such as foreign currency borrowings, foreign exchange contracts and interest rate swaps to manage certain risk exposures.

Financial risk management of the Group is carried out by the Credit Committee and finance department of the Company and its respective subsidiaries. The Credit Committee approves the financial risk management policies of the Company and its subsidiaries. Management will review and approve inputs used in the valuation of these financial instruments carried at fair value. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures and these are reported to the Credit Committee.

There has been no change to the Group's exposure to these financial risks or the manner in which the Group manages and measures the risk. Market risks exposures are measured using sensitivity analysis indicated below.

(i) *Foreign exchange risk management*

Exposures to foreign currencies are monitored closely to ensure that there are no significant adverse financial effects to the Group from changes in the exchange rates. The Group manages significant net exposures in each of the foreign currencies through foreign currency borrowings and foreign exchange contracts.

The Group as a policy hedges all trade receivables and trade payables denominated in foreign currencies although it may from time to time have some short term exposures due to timing differences. The Group enters into forward foreign exchange contracts and foreign currencies borrowings to hedge its foreign currency risk.

The Group's exposure to foreign exchange risks arises from:

- dealing in securities denominated in foreign currencies;
- having assets and liabilities denominated in non-functional currencies;
- holding non-local currencies (primarily in United States dollar, Hong Kong dollar, Malaysian ringgit and Thai baht) for working capital purposes; and
- investments in foreign subsidiaries primarily in Hong Kong dollar and Thai baht, whose net assets are exposed to foreign exchange risk at the end of the reporting period.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Singapore dollar \$	United States dollar \$	Hong Kong dollar \$	Malaysian ringgit \$	Thai baht \$	Others \$
<b>At 31 December 2015</b>						
<b>Financial assets</b>						
Cash and cash equivalents	1,884,395	67,943,767	16,641,375	24,265,323	60,599,767	57,377,922
Outstanding contracts receivable	1,118,014	31,090,136	58,884,563	25,849,757	38,252,599	46,152,264
Trade and other receivables	2,010,039	1,023,472,103	254,111,185	14,705,681	80,033,816	157,036,520
Other financial assets, at fair value through profit or loss	–	–	230	37	19,038,061	3,955
Other current assets	542,202	1,768,495	6,443,441	1,461,259	4,166,762	5,239,748
Available-for-sale investments	–	1,261,864	–	–	158,399	1,990,263
	<u>5,554,650</u>	<u>1,125,536,365</u>	<u>336,080,794</u>	<u>66,282,057</u>	<u>202,249,404</u>	<u>267,800,672</u>
<b>Financial liabilities</b>						
Outstanding contracts payable	1,136,426	37,083,316	26,218,931	19,322,603	68,969,606	36,601,654
Trade and other payables	1,293,687	11,949,713	13,861,252	4,280,679	6,865,697	1,746,382
Borrowings	2,200,783	538,297,910	21,175,800	4,937,250	–	95,121,971
Debts issued	–	421,943,990	–	–	–	43,949,540
	<u>4,630,896</u>	<u>1,009,274,929</u>	<u>61,255,983</u>	<u>28,540,532</u>	<u>75,835,303</u>	<u>177,419,547</u>
Net financial assets	923,754	116,261,436	274,824,811	37,741,525	126,414,101	90,381,125
Less: Net financial assets denominated in the respective entities' functional currencies	–	(507,769)	(271,161,385)	(82,159,296)	(112,739,583)	(29,898,109)
Intercompany balances	–	(246,199)	5,842,173	48,660,233	(2,233,146)	851,158
Currency forwards	(62,218)	(98,208,595)	(730,200)	(1,086,195)	161,028	(3,911,198)
Foreign currencies trust balances	11,904	(2,565,762)	(18,236)	(3,023,332)	(13,147,135)	(53,630,961)
Currency exposures	<u>873,440</u>	<u>14,733,111</u>	<u>8,757,163</u>	<u>132,935</u>	<u>(1,544,735)</u>	<u>3,792,015</u>
<b>At 31 December 2014</b>						
<b>Financial assets</b>						
Cash and cash equivalents	1,134,231	20,405,114	13,111,352	26,014,591	49,997,891	52,556,828
Outstanding contracts receivable	9,792,064	30,696,117	89,043,241	26,131,558	68,213,447	70,511,950
Trade and other receivables	12,267,735	566,258,125	365,654,790	13,916,768	97,917,265	68,892,246
Other financial assets, at fair value through profit or loss	–	–	155,513	48	–	5,268
Other current assets	46,240	859,911	13,025,657	2,214,938	3,862,048	6,713,053
Available-for-sale investments	–	7,639,528	–	–	15,375,102	2,109,818
	<u>23,240,270</u>	<u>625,858,795</u>	<u>480,990,553</u>	<u>68,277,903</u>	<u>235,365,753</u>	<u>200,789,163</u>
<b>Financial liabilities</b>						
Outstanding contracts payable	2,392,456	37,492,075	40,147,238	27,612,658	107,755,714	55,386,350
Trade and other payables	605,345	20,788,894	9,739,943	6,125,426	8,526,735	3,888,425
Borrowings	14,996,131	224,851,709	89,148,460	–	6,026,250	8,999,053
Debts issued	–	347,012,191	–	–	–	45,450,468
	<u>17,993,932</u>	<u>630,144,869</u>	<u>139,035,641</u>	<u>33,738,084</u>	<u>122,308,699</u>	<u>113,724,296</u>
Net financial assets	5,246,338	(4,286,074)	341,954,912	34,539,819	113,057,054	87,064,867
Less: Net financial assets denominated in the respective entities' functional currencies	–	(704,876)	(337,456,859)	(93,558,468)	(108,568,988)	(30,488,076)
Intercompany balances	(1,284,788)	229,430	(8,681,262)	59,208,650	14,892,915	(441,274)
Currency forwards	(128,442)	1,805,389	(3,477,163)	(153,779)	–	46,551
Foreign currencies trust balances	–	(8,637,387)	15,272	(951,527)	(3,050,894)	(54,317,811)
Currency exposures	<u>3,833,108</u>	<u>(11,593,518)</u>	<u>(7,645,100)</u>	<u>(915,305)</u>	<u>16,330,087</u>	<u>1,864,257</u>

## NOTES TO FINANCIAL STATEMENTS *continued*

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Foreign currencies trust balances are monies held on behalf of clients and they do not form a part of the statement of financial position of the Group.

The Company's exposures to foreign currency are as follows:

	Malaysian ringgit \$	United States dollar \$
<b>At 31 December 2015</b>		
<b>Financial assets</b>		
Cash and cash equivalents representing net financial assets/currency exposure	<u>1,511</u>	<u>813</u>
<b>At 31 December 2014</b>		
<b>Financial assets</b>		
Cash and cash equivalents representing net financial assets/currency exposure	<u>1,753</u>	<u>759</u>

A 5% strengthening of the relevant foreign currencies against the functional currency of each Group entity at the end of the reporting period would increase (decrease) profit after tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2015		2014	
	← Profit after tax \$	Increase (Decrease) Equity \$	Profit after tax \$	→ Equity \$
<b>The Group</b>				
Singapore dollar	37,558	–	163,482	–
United States dollar	579,264	63,093	(820,289)	325,826
Hong Kong dollar	376,558	–	(326,064)	–
Malaysian ringgit	5,716	–	(39,038)	–
Thai baht	<u>(66,424)</u>	<u>–</u>	<u>696,478</u>	<u>–</u>
<b>The Company</b>				
United States dollar	41	–	38	–
Malaysian ringgit	<u>76</u>	<u>–</u>	<u>88</u>	<u>–</u>

A 5% weakening of the relevant foreign currencies against the functional currency of each Group entity would have had the equal but opposite effect on profit after tax and equity to the amounts shown above, on the basis that all other variables remain constant.

In determining the percentage of the currencies fluctuation, the Group has considered the economic environment in which it operates.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. Trading activity in foreign currency denominated securities is subject to fluctuations that are cyclical in nature, resulting in uneven foreign currency exposure over the year.

### (ii) *Equity price risk management*

The Group is exposed to market risk because of fluctuation in prices in the equity markets. Its exposure arises from:

- any equity positions that its subsidiaries may have taken;
- falling value of collateral to support financing its subsidiaries provide to their clients; and
- inability of its subsidiaries' clients to pay for the losses which may arise from the force-selling of clients' positions.

The Group has adequate policies and control procedures in place to ensure that its exposure are within the Group's policies and there are sufficient collateral to cover clients' exposures. The Group will only have exposures to securities which are liquid and readily convertible to cash.

The Group's exposure is primarily in the Singapore market. If listed security prices increase by 5% in the Singapore market and other exchanges, the impact on profit after tax and equity, with all other variables including tax rate being held constant will be:

	2015		2014	
	Profit after tax	Equity	Profit after tax	Equity
	\$	\$	\$	\$
<b>The Group</b>				
Listed in Singapore	29,021	–	–	–
Listed on other exchanges	210	99,513	8,039	105,491

In determining the percentage of the market fluctuation, the Group has considered the economic environments in which it operates.

A 5% decrease in listed security prices would have had the equal but opposite effect on profit after tax and equity to the amounts shown above, on the basis that all other variables remain constant.

(iii) *Cash flow and fair value interest rate risk management*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest income and interest expense are exposed to changes in market interest rates. Interest rate risk arises from financial assets such as receivables from share financing, overdue trade receivables, short-term deposits with banks and interest on borrowings from banks. The Group's bank deposits and borrowings are generally short-term. The interest expenses for short-term borrowings are at market rates which are generally fixed at the inception of the borrowings. Interest income from share financing and on overdue trade debts are generally pegged to the respective currencies' prime rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would increase/decrease by \$2,565,874 (2014 : \$1,170,824).

The tables below set out the Group and the Company's exposure to interest rate risks. Included in the tables are assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Variable rates less than 6 months \$	Fixed rates less than 6 months \$	Fixed rates more than 6 months \$	Non- interest bearing \$	Total \$
<b>The Group</b>					
<b>At 31 December 2015</b>					
<b>Assets</b>					
Cash and cash equivalents	256,613,224	50,867,230	–	64,746,730	372,227,184
Trade and other receivables	–	1,647,096,381	391,340,521	1,961,536	2,040,398,438
Other financial assets	–	19,038,061	–	404,772,166	423,810,227
Total financial assets	256,613,224	1,717,001,672	391,340,521	471,480,432	2,836,435,849
<b>Liabilities</b>					
Borrowings	25,824	662,107,890	–	–	662,133,714
Debts issued	–	74,556,248	391,337,282	–	465,893,530
Other financial liabilities	–	–	–	422,808,115	422,808,115
Total financial liabilities	25,824	736,664,138	391,337,282	422,808,115	1,550,835,359

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2015

	Variable rates less than 6 months \$	Fixed rates less than 6 months \$	Fixed rates more than 6 months \$	Non- interest bearing \$	Total \$
<b>At 31 December 2014</b>					
<b>Assets</b>					
Cash and cash equivalents	126,550,764	5,556,114	–	48,852,252	180,959,130
Trade and other receivables	–	1,485,777,731	301,759,730	4,178,674	1,791,716,135
Other financial assets	–	14,549,729	663,344	574,133,915	589,346,988
Total financial assets	<u>126,550,764</u>	<u>1,505,883,574</u>	<u>302,423,074</u>	<u>627,164,841</u>	<u>2,562,022,253</u>
<b>Liabilities</b>					
Borrowings	9,468,393	374,737,545	–	–	384,205,938
Debts issued	–	90,704,726	301,757,933	–	392,462,659
Other financial liabilities	–	–	–	588,901,538	588,901,538
Total financial liabilities	<u>9,468,393</u>	<u>465,442,271</u>	<u>301,757,933</u>	<u>588,901,538</u>	<u>1,365,570,135</u>
	Variable rates less than 6 months \$	Fixed rates less than 6 months \$	Fixed rates more than 6 months \$	Non- interest bearing \$	Total \$
<b>The Company</b>					
<b>At 31 December 2015</b>					
<b>Assets</b>					
Cash and cash equivalents	813	–	–	145,001	145,814
Other assets	–	–	212,175	66,213,377	66,425,552
Total financial assets	<u>813</u>	<u>–</u>	<u>212,175</u>	<u>66,358,378</u>	<u>66,571,366</u>
Total financial liabilities	<u>–</u>	<u>612,175</u>	<u>–</u>	<u>75,563,268</u>	<u>76,175,443</u>
<b>At 31 December 2014</b>					
<b>Assets</b>					
Cash and cash equivalents	759	–	–	313,063	313,822
Other assets	–	–	198,075	33,938,968	34,137,043
Total financial assets	<u>759</u>	<u>–</u>	<u>198,075</u>	<u>34,252,031</u>	<u>34,450,865</u>
Total financial liabilities	<u>–</u>	<u>–</u>	<u>–</u>	<u>82,477,385</u>	<u>82,477,385</u>

(iv) *Credit risk management*

The Group has policies and controls in place to limit its exposure to single clients and single securities. These will also reduce its concentration risks. Some of the Company's subsidiaries have to comply with the rules of Singapore Exchange Securities Trading Ltd ("SGX-ST") and other Exchange rules to ensure that these subsidiaries conduct their businesses prudently.

The Credit Department monitors the Group's exposure to ensure compliance with the guidelines set by the Credit Committee. Trading limits are set for each client and each trading representative. In addition, limits are also set for each counter. The trading limits and outstanding trade positions are monitored daily and follow-up actions are taken promptly. The Credit Committee also



meets regularly to review clients' and trading representatives' limits and trade positions.

The maximum amount the Company could be forced to settle under the financial guarantee contract in Note 32(b), if the full guaranteed amount is claimed by the counterparty to the guarantee is \$467,222,966 (2014 : \$296,608,486). Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses [Note 32(b)].

During the financial year, the collateral held as security for trade receivables is as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Quoted securities	<b>8,249,966,840</b>	5,752,833,973
Cash	<b>57,923</b>	122,316
Bankers' guarantees	<b>80,000</b>	110,000
Others	<b>293,552</b>	263,580
	<b><u>8,250,398,315</u></b>	<b><u>5,753,329,869</u></b>

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Certain trade receivables have been designated as the referenced assets in respect of derivatives embedded with certain debts issued by the Group. The embedded credit default swaps allow the Group to deliver the underlying referenced assets to the noteholders as full and final settlement upon the occurrence of a credit event (Note 20).

The carrying amount of financial assets recorded in the financial statements, less collateral held as security for trade receivables, represents the Group's net exposure to credit risk.

The Group establishes an allowance for impairment that represents its estimate of receivables from clients which may not be recoverable. The allowance is determined after taking into consideration the collaterals and trading representatives' ability to make payment for their clients' debts.

The allowance account in respect of outstanding contract receivables, trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and fixed deposits are placed with reputable banks and financial institutions. Consequently, management does not expect any of these institutions to fail to meet its obligations.

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The table below is an analysis of trade receivables as at the end of the reporting period:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Not past due and not impaired	<b>1,901,803,112</b>	1,667,348,338
Past due but not impaired		
1 to 30 days	<b>132,883,450</b>	116,774,323
31 days to 60 days	<b>743,500</b>	456,345
More than 60 days	<b>4,968,376</b>	7,137,129
	<b><u>2,040,398,438</u></b>	<b><u>1,791,716,135</u></b>

The Group has not recognised any allowance on these receivables as the directors are of the view that these receivables are recoverable.

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2015

The movement of allowance for impairment of trade and other receivables individually determined to be impaired is as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
At beginning of year	<b>10,753,185</b>	11,384,345
Currency translation difference	<b>355,500</b>	160,144
Decrease in allowance recognised in profit or loss	<b>(333,047)</b>	(276,364)
Amount written off during the year	<b>(3,203,971)</b>	(514,940)
At end of year	<b><u>7,571,667</u></b>	<u>10,753,185</u>

(v) *Liquidity risk management*

Prudent liquidity risk management entails maintaining sufficient cash and marketable securities, adequate committed banking credit facilities and the ability to close out market positions. The Group aims to maintain sufficient cash internally for working capital purposes and from time to time may utilise excess cash of related companies. The Group also aims at maintaining flexibility in funding by keeping committed banking credit facilities. The Group only carries out dealing in and financing of listed securities and accepts only marketable securities which are readily convertible into cash as collateral. In addition, the Group ensures that exposures to a single client and to a single security comply with the Group's credit policies and the relevant regulations.

The Group's financial liabilities will all mature within one year, except for certain liabilities which include the liability arising from the agreement entered into by a subsidiary with a third party in relation to the fund investment held at cost (Notes 14 and 18).

(vi) *Fair value of financial assets and financial liabilities*

The Group determines fair values of various financial assets and financial liabilities in the following manner:

**Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial assets/ liabilities	Fair value as at (\$)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2015		2014				
	Assets	Liabilities	Assets	Liabilities			
Other financial assets, at fair value through profit or loss (see Note 9)							
Quoted equity securities	2,228,960	–	160,829	–	Level 1	Quoted bid prices of an active market.	N/A
Unquoted debt securities	19,038,061	–	–	–	Level 2	Discounted cash flow.	N/A
Derivative financial instruments (see Note 11)							
Foreign currency forward contracts	9,031	45,526	6,702	5,654	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Interest rate swaps	–	–	–	154,200	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A

Financial assets/ liabilities	Fair value as at (\$)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2015		2014				
	Assets	Liabilities	Assets	Liabilities			
Available-for-sale investments (see Note 14)							
Quoted securities	1,990,261	–	2,109,818	–	Level 1	Quoted bid prices in an active market.	N/A
Fund investments	–	–	5,384,084	–	Level 2	Net Asset Value (NAV) per share published by the administrator of those funds. The underlying net assets of the fund consists of listed equities, and cash and fixed deposits, whose carrying amounts are considered to approximate their fair values.	N/A
Unquoted equity securities	–	–	40,590	–	Level 3	Net asset methodology not supportable by observable market prices or rates.	Net asset value of \$Nil (2014: \$40,590)
Unquoted debt securities	–	–	15,213,073	–	Level 2	Discounted cash flow.	N/A
Trade and other receivables (see Note 8)							
Trade receivables designated as at fair value through profit or loss	446,934,269	–	372,854,456	–	Level 3	Transaction pricing including recent acquisition or transactions /non-binding broker quotation. (Price-based [Note(a)])	Comparable bond price/ Broker quoted price, ranging from \$2.75 to \$100 per \$100 par value (2014: \$3.5 to \$100 per \$100 par value).
Debts issued(see Note 20)							
Notes issued, designated as at fair value through profit or loss	–	446,931,030	–	372,852,659	Level 3	Fair value of underlying referenced assets.	Fair value of underlying referenced assets.
Trade and other payables(see Note 18)							
Trade payables, designated as at fair value through profit or loss	–	1,525,423	–	–	Level 2	Quoted market price of underlying shares.	N/A

- (a) The Group may also apply a price-based methodology, which utilises, where available, quoted prices or other market information obtained from recent trading activity in positions with the same or similar characteristics to the position being valued. The market activity and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the observability of prices from those markets. When less liquidity exists for a security or loan, the “price” inputs are considered unobservable and the fair value measurements are classified as Level 3 (see below).

A significant increase (decrease) in each of the unobservable input would result in a significantly higher (lower) fair value measurement.

#### Significant assumptions in determining fair value of financial assets and liabilities

##### Fund investments – available-for-sale

The Group invests in managed funds which are not quoted in an active market and which may be subjected to restrictions on redemptions such as lock up periods, redemption gates and side pockets. Transactions in the shares of such funds are valued based on the Net Assets Value (NAV) per share published by the administrator of those funds. Such NAV is adjusted when necessary, to reflect the effect of the time passed since the calculation date, liquidity risk, limitations on redemptions and other factors. Depending on the fair value of an underlying fund’s assets and liabilities and on the adjustments needed on the NAV per share published by that fund, the Group classifies the fair value of that investment as either Level 2 or Level 3.

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2015

### Unquoted equity securities – available-for-sale

Fair value is estimated using a net asset methodology to appropriately measure its assets and liabilities which includes some assumptions that are not supportable by observable market prices or rates.

As of 31 December 2014, if these inputs to the valuation model were 10% higher/lower with all the other variables held constant, the carrying amount of the shares would decrease/increase by \$4,059.

As of 31 December 2015, there is no unquoted equity securities, at fair value held by the Group classified as available-for-sale.

### Derivative financial instruments - at fair value through profit or loss

The Group uses widely recognised valuation models for determining fair values of over-the-counter interest rate swaps and forward foreign exchange contracts. The most frequently applied valuation technique includes forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, inputs into models are market observable and are therefore included within Level 2.

### Financial assets/liabilities designated as at fair value through profit or loss

Trade receivables and structured liabilities which were designated as at fair value through profit or loss are categorised in Level 3 of the fair value hierarchy. The fair value of the trade receivables may be estimated from the market price on a similar recently executed transaction that the Group has entered into, or non-binding broker quotations obtained from an independent external party. Non-binding broker quotation is used as the primary basis for valuation when there is limited, or no, relevant market activity for a specific instrument or for other instruments that share similar characteristic. The non-binding broker quotations are developed by the independent external party, which are based on inputs such as the last transaction price of illiquid quoted securities and recently executed transactions of similar assets to which the Group is not a party of. These broker quotations are typically used for the Group's structuring of any new structured transaction and also used by the Finance Department on a quarterly basis in determining if the fair value of these trade receivables is reasonable. On a periodic basis, the Group will obtain an understanding from the independent broker on the valuation techniques used in deriving the broker quotations and will also challenge any significant inputs or methods used. In addition, the Group will also assess for any changes in the underlying credit worthiness of these trade receivables using public information which will be used to validate the movement in the broker quotations and consider for any adjustments to be made to the underlying trade receivables. Any adjustment to the fair value of the trade receivables would also result in an adjustment to the debt securities with no resulting impact to the profit and loss. The fair value of the trade receivables will be adjusted for all changes in risks and information since that transaction date or non-binding broker quotations based on publicly available information if necessary. In 2015 and 2014, there has been no adjustment made to the non-binding broker quotations for determining the fair value of these trade receivables.

Structured liabilities comprise credit-linked notes underpinned by certain trade receivables designated as reference assets. The credit default swaps embedded in these notes allow the Group to deliver the underlying referenced assets to the noteholders as full and final settlement upon the occurrence of a credit event. The notes will be redeemed at carrying amount on the maturity date provided that there is no occurrence of a credit event. These notes can also be redeemed prior to maturity date, which are repayable on demand at the option of either the noteholder or the Group, through physical delivery of the underlying reference assets. These notes are designed to mitigate the Group's exposure to credit risk on the underlying referenced assets, and their fair values are determined with referenced to the fair value of the underlying trade receivables held as assets.

### **The Company**

The Company had no financial assets or liabilities carried at fair value in 2015 and 2014.

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy in the period.

### **Reconciliation of Level 3 fair value measurements**

	<b>Available-for-sale investments (unquoted equity shares) \$</b>	<b>Financial assets designated as at fair value through profit or loss \$</b>	<b>Financial liabilities designated as at fair value through profit or loss \$</b>
<b>The Group</b>			
<b>2015</b>			
Opening balance	40,590	372,854,456	372,852,659
Disposals/settlements during the year	(40,590)	(140,591,653)	(140,592,261)
Additions during the year	–	200,734,056	200,733,349
Fair value changes recognised in profit or loss	–	13,937,410	13,937,283
Fair value changes recognised in other comprehensive income	–	–	–
Ending balance	–	446,934,269	446,931,030

	Available-for-sale investments (unquoted equity shares) \$	Financial assets designated as at fair value through profit or loss \$	Financial liabilities designated as at fair value through profit or loss \$
<b>The Group</b>			
<b>2014</b>			
Opening balance	39,940	179,575,750	179,575,750
Disposals/settlements during the year	–	(86,247,767)	(86,249,553)
Additions during the year	–	275,547,230	275,547,230
Fair value increase recognised in profit or loss	–	3,979,243	3,979,232
Fair value increase recognised in other comprehensive income	650	–	–
Ending balance	<u>40,590</u>	<u>372,854,456</u>	<u>372,852,659</u>

**Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis**

The carrying amounts of cash and cash equivalents, debt securities, trade and other current receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity or frequent repricing of these financial instruments. The carrying amount of debts issued and the assets underpinning them approximate their respective fair values due to their relatively short-term maturity or frequent repricing. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

(d) Capital risk management policies and objectives

The Group's main objective when managing capital is to maximise shareholders' returns and at the same time conduct its business within prudent guidelines. Management strives to maintain an optimal capital structure so as to maximise shareholder value. To achieve this, the Group may adjust the amount of dividend payment and source for borrowings from banks which provide facilities that best meet its needs at competitive rates.

The capital structure of the Group consists of equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings.

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

The Group's overall strategy remains unchanged from 2014.

**5 SIGNIFICANT RELATED PARTY TRANSACTIONS**

- (a) The Group in the normal course of business acts as brokers in securities for certain related companies, directors of the Company and its subsidiaries and their connected persons. During the year, the Group has entered into the following trading transactions:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	\$	\$
Commission income received from directors	<u>265,928</u>	<u>261,644</u>

In addition to the above and the related party transactions disclosed elsewhere in the financial statements, significant related party transactions during the year were as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	\$	\$
Rental of premises paid/payable to a related party	(278,531)	(335,337)
Rental of premises received/receivable from a related party	<u>535,536</u>	<u>535,536</u>

Related party transactions were made on terms agreed between the parties concerned.

No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by the related party.

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2015

(b) Key management personnel compensation is as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Salaries and other short-term employee benefits	<b>13,398,303</b>	12,555,260
Employer's contribution to defined contribution plans, including Central Provident Fund	<b>73,852</b>	72,439
	<b><u>13,472,155</u></b>	<u>12,627,699</u>

(c) The Group has banking facilities from United Overseas Bank Limited Group (which is defined in the SGX-ST listing manual as a person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company) in the normal course of business. The outstanding borrowings as at 31 December 2015 and 2014 are disclosed in Note 19 to the financial statements.

### 6 CASH AND CASH EQUIVALENTS

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Bank balances with:				
– Related parties [Note 5(c)]	<b>163,414,478</b>	30,247,631	<b>145,814</b>	313,822
– Non-related banks	<b>157,918,370</b>	145,126,515	–	–
Cash on hand	<b>27,105</b>	28,870	–	–
	<b><u>321,359,953</u></b>	<u>175,403,016</u>	<b><u>145,814</u></b>	<u>313,822</u>
Fixed deposits with:				
– Related parties [Note 5(c)]	<b>47,972,510</b>	4,692,681	–	–
– Non-related banks	<b>2,894,721</b>	863,433	–	–
	<b><u>50,867,231</u></b>	<u>5,556,114</u>	–	–
Cash and bank balances	<b><u>372,227,184</u></b>	<u>180,959,130</u>	<b><u>145,814</u></b>	<u>313,822</u>

At the end of the reporting period, the carrying amounts of cash and bank balances approximate their fair values.

Fixed deposits bear average effective interest rates of 1.29% (2014: 8.57%) per annum and are for a tenure of approximately 12 days (2014: 17 days).

Cash and cash equivalents do not include trust balances as they represent monies held on behalf of clients and segregated in accordance with the requirements of the SGX-ST Rules 12.11.1 and the local regulations in the respective countries. Accordingly, they do not form part of the statement of financial position of the Group.

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

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Cash and bank balances (as above)	<b>372,227,184</b>	180,959,130
Less: Bank overdrafts (Note 19)	<b>(25,824)</b>	(9,468,393)
Cash and cash equivalents per consolidated statement of cash flows	<b><u>372,201,360</u></b>	<u>171,490,737</u>

### 7 OUTSTANDING CONTRACTS RECEIVABLE/PAYABLE

Outstanding contracts receivable and payable represent amounts receivable or payable in respect of trades which have been executed on an exchange prior to the end of the reporting period and have not been settled as at the end of the reporting period.

(a) Outstanding contracts receivable comprises the following:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Due from third parties	<b><u>370,565,857</u></b>	<u>529,251,770</u>

(b) Outstanding contracts payable comprises the following:

	The Group	
	2015	2014
	\$	\$
Due to third parties	<u>335,066,120</u>	<u>484,999,716</u>

The carrying amounts of outstanding contracts receivable and payable approximate their fair values due to the relatively short-term maturity of these financial instruments.

## 8 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Trade receivables from third parties:				
At amortised cost [Note 8(a)]	1,601,035,836	1,429,614,864	-	-
Designated as at fair value through profit or loss [Note 8(b)]	446,934,269	372,854,456	-	-
Less: Allowance for impairment of trade receivables				
- individually assessed	(7,571,667)	(10,753,185)	-	-
	<u>2,040,398,438</u>	<u>1,791,716,135</u>	<u>-</u>	<u>-</u>
Other receivables from subsidiary:				
At amortised cost	-	-	212,175	198,075
	<u>2,040,398,438</u>	<u>1,791,716,135</u>	<u>212,175</u>	<u>198,075</u>
Current trade receivables (recoverable within 12 months)	1,814,078,438	1,705,153,086	-	-
Non-current trade receivables (recoverable after 12 months)	226,320,000	86,563,049	212,175	198,075
	<u>2,040,398,438</u>	<u>1,791,716,135</u>	<u>212,175</u>	<u>198,075</u>

(a) Included in trade receivables at amortised cost is a medium term note issued amounting to \$18,962,500 (2014 : \$19,610,000), with maturity being June 2020 (2014 : June 2020). This trade receivable bears effective interest rates of 12% per annum (2014 : 12% per annum). This trade receivable has been designated as the referenced asset in respect of certain derivative embedded with certain debt issued by the Group (Note 20) which has carrying amount of \$18,962,500 (2014 : \$19,610,000), with maturity being June 2020 (2014: June 2020). The terms and conditions of this trade receivable carried at amortised cost is similar to those designated as at fair value through profit or loss.

(b) Trade receivables designated as at fair value through profit or loss comprised of medium term notes and distressed debts purchased at a deep discount with maturities ranging from March 2019 to November 2034 (2014 : March 2019 to December 2025). These medium term notes bear effective interest rates ranging from 2.03% to 6.18% per annum ( 2014 : 4.47% to 6.78% per annum). The effective interest rates realised for distressed debts range from 15.83% to 54.91% per annum (2014 : 18.19% to 67.90% per annum). These medium term notes and distressed debts have been designated as the referenced assets for certain debts issued by the Group (Note 20) under certain structured transactions entered into by the Group, which has the carrying amount of \$446,931,030 (2014 : \$372,852,659) and maturities ranging from March 2019 to December 2025 (2014 : March 2017 to December 2025).

The net exposure to credit risk from these trade receivables designated as the referenced assets is mitigated through the embedded credit default swaps in the credit-linked notes. The notes will be redeemed at carrying amount on the maturity date provided that there is no occurrence of a credit event. These notes can also be redeemed prior to maturity date through physical delivery of the underlying referenced assets at the option of either the noteholder or the Group and are designed to mitigate the Group's exposure to credit risk on the underlying referenced assets. Given that the trade receivables have been designated as referenced assets, they have been classified as current assets consistent with the underlying liabilities.

In 2013, due to growing number of structured transactions entered into by the Group, the management has decided to designate any medium term notes and distressed debts issued under such arrangements going forward, along with their corresponding credit-linked notes, at fair value through profit or loss to better reflect the underlying intention of the Group to manage and evaluate its performance on a fair value basis.

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2015

Concentration of credit risk with respect to trade receivables is limited due to the Group's diversified customer base. Management believes that there is no anticipated additional credit risk beyond amount of allowance for impairment made in the Group's trade receivables. Trade receivables from third parties bear interest at market rates.

At the end of the reporting period, the carrying amounts of trade and other receivables carried at amortised cost approximate their fair value due to the relatively short-term maturity or frequent repricing of the financial instruments. The exposure to interest rate risks of trade and other receivables is disclosed in Note 4(c) (iii).

### 9 OTHER FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2015 \$	2014 \$
Trading securities		
Quoted securities:		
– Equity securities – Singapore	2,224,738	–
– Equity securities – Hong Kong	230	155,513
– Equity securities – Others	3,992	5,316
Unquoted debt securities	19,038,061	–
	<u>21,267,021</u>	<u>160,829</u>

Other financial assets, at fair value through profit or loss include investments in quoted equity securities and unquoted debt securities that offer the Group the opportunity for return through dividend income and fair value gains. Except for unquoted debt securities, they have no fixed maturity or coupon rate. The fair values of the quoted equity securities are based on closing quoted market prices on the last market day of the financial year. The fair values of the unquoted debt securities are computed on the discounted cash flow basis using discount rates based upon market-related rates for similar instruments as at the end of the reporting period.

The investments in unquoted debt securities of \$19,038,061 (2014 : \$Nil), represents investments in debts securities of private sectors in Thailand.

### 10 OTHER CURRENT ASSETS

	The Group		The Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Amounts due from subsidiaries [Note 10(a)]	–	–	66,162,692	33,888,283
Deposits [Note 10(b)]	16,849,516	15,699,419	–	–
Prepayments	3,235,199	2,850,144	–	–
Amounts deposited with lenders of securities [Note 10(c)]	1,746,711	3,146,711	–	–
Other receivables	9,961,566	15,957,109	50,685	50,685
	<u>31,792,992</u>	<u>37,653,383</u>	<u>66,213,377</u>	<u>33,938,968</u>

- (a) The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.
- (b) Included in deposits is an amount of \$2,485,582 (2014 : \$3,085,582) placed by a subsidiary as collateral with The Central Depository (Pte) Limited by virtue of the subsidiary being a clearing member of the Singapore Exchange Securities Trading Limited (Note 31).
- (c) Securities borrowing and lending contracts

	The Group	
	2015 \$	2014 \$
<b>Securities borrowed</b>		
Securities borrowed from lenders, at fair value:		
– Lent to clients	<u>213,978</u>	<u>1,410,460</u>
<b>Securities lent</b>		
Securities lent to clients, at fair value:		
– Borrowed from lenders	<u>213,978</u>	<u>1,410,460</u>

The carrying amounts of other current assets approximate their fair values.



## 11 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group			
	2015		2014	
	Assets	Liabilities	Assets	Liabilities
	\$	\$	\$	\$
Forward foreign exchange contracts	9,031	45,526	6,702	5,654
Interest rate swaps	–	–	–	154,200
	<u>9,031</u>	<u>45,526</u>	<u>6,702</u>	<u>159,854</u>

### Forward foreign exchange contracts

In order to manage the risks arising from fluctuations in currency exchange rates, the Group utilises forward foreign exchange contracts with settlement dates ranging between 4 to 7 days (2014 : 2 to 7 days).

Forward foreign exchange contracts are entered into from time to time to manage exposure to fluctuations in foreign currency exchange rates on trade receivables and payables.

The following table details the forward foreign exchange contracts outstanding at the end of the reporting period:

	Contract or underlying principal amount		Gross positive fair value		Gross negative fair value		Settlement dates of open contracts	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$		
<b>The Group</b>								
Forward foreign exchange contracts	<u>107,792,842</u>	<u>6,887,303</u>	<u>9,031</u>	<u>6,702</u>	<u>45,526</u>	<u>5,654</u>	<b>Within one week after end of the reporting period</b>	Within one week after end of the reporting period

### Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates.

As at 31 December 2015, the Group does not have any outstanding interest rate swaps.

As at 31 December 2014, contracts with nominal values of \$27,000,000 have fixed interest payments at an average rate of 1.54% per annum for periods up until 2015 and have floating interest receipts at 3-month SGD Swap Offer Rate, which approximates an average of 0.23% per annum.

The fair value of outstanding interest rate swaps as at 31 December 2014 is estimated at \$154,200 in liability, measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at 31 December 2014:

### Outstanding floating for fixed contracts

	Average contracted fixed interest rate	Notional principal amount	Fair value
	2014 %	2014 \$	2014 \$
<b>Group</b>			
Less than 1 year	<u>1.54</u>	<u>27,000,000</u>	<u>(154,200)</u>

In 2014, the interest rate swaps settled on a quarterly basis. The floating rate on the interest rate swaps was the 3-month SGD Swap Offer Rate. The Group settled the difference between the fixed and floating interest rate on a net basis.

## NOTES TO FINANCIAL STATEMENTS *continued*

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### 12 GOODWILL

	<b>The Group</b>
	<b>\$</b>
<b>Cost:</b>	
At 1 January 2014	7,985,422
Exchange differences	(10,728)
At 31 December 2014	<u>7,974,694</u>
Exchange differences	<u>(579,443)</u>
At 31 December 2015	<u><b>7,395,251</b></u>
<b>Impairment:</b>	
At 1 January 2014	(449,115)
Impairment loss (Note 26)	(1,828,557)
At 31 December 2014	<u>(2,277,672)</u>
Impairment loss (Note 26)	<u>(3,700,647)</u>
At 31 December 2015	<u><b>(5,978,319)</b></u>
<b>Carrying amount:</b>	
At 31 December 2015	<u><b>1,416,932</b></u>
At 31 December 2014	<u>5,697,022</u>

Goodwill arose in the acquisitions entered into by the Group in prior years because the cost of combination included the benefits of a larger client base, future market developments and revenue growth. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

The goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	<b>2015</b>	<b>The Group</b>	<b>2014</b>
	<b>\$</b>		<b>\$</b>
UOB Kay Hian Securities (Thailand) Public Company Limited (single CGU) [Note 12(a)]	<b>3,694,604</b>		3,727,073
UOB Kay Hian Securities (M) Sdn Bhd (single CGU) [Note 12(b)]	<b>3,700,647</b>		4,247,621
	<u><b>7,395,251</b></u>		<u>7,974,694</u>

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined based on value-in-use calculations.

The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management. The key assumptions used in the calculation of value-in-use are operating margins, growth rates and discount rates.

- (a) Cash flow forecasts from the Thailand CGU, which comprise of UOB Kay Hian Securities (Thailand) Public Company Limited, are derived based on an estimated operating margin of 0.14% (2014: 0.14%) for the following three years. The rate used to discount the forecast cash flows is 6.58% per annum (2014: 6.83% per annum).

As at 31 December 2015, before impairment testing, goodwill of \$3.69 million was allocated to the Thailand CGU. In 2015, no impairment on goodwill has been recognised for the Thailand CGU.

As at 31 December 2014, before impairment testing, goodwill of \$3.73 million was allocated to Thailand CGU. Due to the resignation of marketing officers transferred from a previous acquisition, the Group has revised its cash flow forecasts for this CGU. The Thailand CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of \$1.83 million.

- (b) Cash flow forecasts from the Malaysia CGU, which comprise of UOB Kay Hian Securities (M) Sdn Bhd, are based on financial budgets and forecasts approved by management for the following year. Cash flow projections beyond that period is extrapolated based on an estimated growth rate of 3% per annum (2014: 5% per annum). The rate used to discount the forecasted cash flows is 6.94% per annum (2014: 6.85% per annum).

As at 31 December 2015, before impairment testing, goodwill of \$3.70 million (2014: \$4.25 million) was allocated to the Malaysia CGU. Due to weaker than expected performance during the financial year, the Group has revised its cash flow forecasts for this CGU. The Malaysia CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of \$3.70 million.

As at 31 December 2014, no impairment on goodwill has been recognised for the Malaysian CGU as management believed that the estimated recoverable amount of this CGU exceeded its carrying amount.

As at 31 December 2015 and 2014, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGUs.

### 13 SUBSIDIARIES

	The Company	
	2015	2014
	\$	\$
<b>Equity investments at cost</b>		
At beginning of the year	349,373,523	349,373,523
Additions during the year	<u>1</u>	<u>–</u>
At end of the year	<u>349,373,524</u>	<u>349,373,523</u>

Details of subsidiaries are included in Note 34 to the financial statements.

Addition in 2015 comprised of the incorporation of UOB Kay Hian Credit (M) Sdn Bhd.

The following schedule shows the effect of changes in the Group's ownership interest in a subsidiary that did not result in a change of control, on the equity attributable to owners of the parent.

	2015	2014
	\$	\$
Amounts paid to acquire additional interest in a subsidiary	–	2,934,155
Non-controlling interest acquired	–	(3,978,182)
Statutory reserve transferred from non-controlling interest	–	74,838
Difference recognised in equity reserve	–	(969,189)
Total movement in equity reserve (Note 22)	–	(969,189)

### 14 AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2015	2014
	\$	\$
Available-for-sale investments include the following:		
(a) Quoted securities, at fair value:		
– Equity securities – Philippines	1,990,261	2,109,818
(b) Unquoted investments, at fair value:		
– Fund in Vietnam	–	5,384,084
– Equity securities – Vietnam	–	40,590
– Debt securities – Thailand	–	15,213,073
(c) Unquoted investments, at cost less impairment:		
– Fund in Cayman Islands	1,261,864	2,214,854
– Equity securities – Thailand	158,400	162,029
	<u>3,410,525</u>	<u>25,124,448</u>

Movements in allowance for impairment losses during the year are as follows:

	The Group	
	2015	2014
	\$	\$
At beginning of the year	3,548,250	3,548,250
Write back on disposal	(502,924)	–
At end of the year	<u>3,045,326</u>	<u>3,548,250</u>

In 2014, the fund investment at fair value amounting to \$5,384,084 included a fund in which a subsidiary was the only investor with 100% ownership interest. The fund was not consolidated with the Group as the effects of consolidation were assessed by management to be immaterial. The fund investment was disposed by the Group during the year.

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2015

In 2011, a subsidiary entered into an agreement with a third party in relation to the fund investment held at cost amounting to \$4,428,000. Under this arrangement, all future cash flows from the fund will be transferred to the third party and any capital calls by the fund will also be reimbursed by the third party. A matching liability is recognised for this arrangement (Note 18).

Fund investment at cost with carrying amount of \$1,261,864 (2014 : \$2,214,854) includes impairment losses amounting to \$2,735,998 (2014 : \$2,735,998). The underlying instruments of the fund investment consist primarily of unquoted China equities whose fair value estimates generated by the various valuation models cannot be reliably estimated as the range of fair values varied significantly. Accordingly, the fund investment is stated at cost less accumulated impairment loss.

The unquoted equity securities amounting to \$158,400 (2014 : \$162,029) in Thailand represent an overseas subsidiary's subscription to shares in a non-listed company set up by an overseas exchange in 1996.

### 15 TRADING RIGHTS IN EXCHANGES/MEMBERSHIPS IN EXCHANGES

#### (a) Trading rights in Exchanges

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Trading rights in The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited and Philippines Stock Exchange, Inc. at amortised cost	<u>103,067</u>	<u>98,087</u>

The following is a reconciliation of the carrying amount of trading rights in Exchanges at the beginning and end of the reporting period:

<b>The Group</b>	<b>\$</b>
At 1 January 2014	556,742
Disposal during the year	(462,360)
Currency translation differences	<u>3,705</u>
At 31 December 2014	98,087
Currency translation differences	<u>4,980</u>
At 31 December 2015	<u>103,067</u>

In 2014, management ceased the business operation of UOB Kay Hian Futures (M) Sdn Bhd, a subsidiary of UOB Kay Hian Securities (M) Sdn Bhd. Accordingly, the trading rights were disposed. As at 31 December 2015 and 31 December 2014, the subsidiary is under member's voluntary liquidation (Note 34).

#### (b) Memberships in Exchanges

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Memberships in The Stock Exchange of Thailand, Jakarta Stock Exchange, at amortised cost	<u>212,263</u>	<u>217,307</u>

There is no impairment loss recognised in 2015 and 2014.

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings \$	Leasehold land \$	Leasehold improvements \$	Furniture, fittings and office equipment \$	Computer equipment and software \$	Communication equipment \$	Motor vehicles \$	Total \$
<b>The Group</b>								
Cost:								
At 1 January 2014	35,830,880	36,674,486	12,901,802	10,717,953	25,253,455	1,816,610	3,162,832	126,358,018
Additions	–	–	368,669	350,024	1,599,655	26,905	164,859	2,510,112
Disposals	–	–	(1,914,742)	(1,219,341)	(1,421,108)	–	(306,483)	(4,861,674)
Currency translation differences	(66,552)	(32,025)	81,795	11,226	297,320	32,511	57,922	382,197
Reclassification	–	–	(8,856)	6,559	2,297	–	–	–
At 31 December 2014	35,764,328	36,642,461	11,428,668	9,866,421	25,731,619	1,876,026	3,079,130	124,388,653
Additions	–	–	<b>926,784</b>	<b>362,028</b>	<b>1,914,526</b>	<b>46,273</b>	<b>23,872</b>	<b>3,273,483</b>
Disposals	–	–	<b>(411,440)</b>	<b>(554,784)</b>	<b>(745,433)</b>	<b>(50,264)</b>	<b>(53,588)</b>	<b>(1,815,509)</b>
Currency translation differences	<b>(431,701)</b>	<b>(207,735)</b>	<b>(256,621)</b>	<b>(417,564)</b>	<b>(275,118)</b>	<b>35,717</b>	<b>(84,118)</b>	<b>(1,637,140)</b>
At 31 December 2015	<b>35,332,627</b>	<b>36,434,726</b>	<b>11,687,391</b>	<b>9,256,101</b>	<b>26,625,594</b>	<b>1,907,752</b>	<b>2,965,296</b>	<b>124,209,487</b>
Accumulated depreciation:								
At 1 January 2014	11,345,673	10,618,068	10,610,536	8,933,901	21,672,064	1,741,537	1,439,030	66,360,809
Depreciation charge	2,426,566	2,549,432	863,773	592,025	1,739,280	42,165	644,858	8,858,099
Disposals	–	–	(1,847,186)	(1,195,311)	(1,411,110)	–	(306,483)	(4,760,090)
Currency translation differences	(31,524)	(107)	72,764	7,485	253,637	30,201	33,373	365,829
Reclassification	–	–	(7,422)	10,414	(2,992)	–	–	–
At 31 December 2014	13,740,715	13,167,393	9,692,465	8,348,514	22,250,879	1,813,903	1,810,778	70,824,647
Depreciation charge	<b>2,420,277</b>	<b>2,549,262</b>	<b>758,614</b>	<b>477,861</b>	<b>1,749,855</b>	<b>46,343</b>	<b>623,651</b>	<b>8,625,863</b>
Disposals	–	–	<b>(357,155)</b>	<b>(524,701)</b>	<b>(743,287)</b>	<b>(46,692)</b>	<b>(53,588)</b>	<b>(1,725,423)</b>
Currency translation differences	<b>(206,260)</b>	<b>(729)</b>	<b>(169,412)</b>	<b>(303,522)</b>	<b>(177,401)</b>	<b>36,923</b>	<b>(62,250)</b>	<b>(882,651)</b>
At 31 December 2015	<b>15,954,732</b>	<b>15,715,926</b>	<b>9,924,512</b>	<b>7,998,152</b>	<b>23,080,046</b>	<b>1,850,477</b>	<b>2,318,591</b>	<b>76,842,436</b>
Carrying amount:								
At 31 December 2015	<b>19,377,895</b>	<b>20,718,800</b>	<b>1,762,879</b>	<b>1,257,949</b>	<b>3,545,548</b>	<b>57,275</b>	<b>646,705</b>	<b>47,367,051</b>
At 31 December 2014	22,023,613	23,475,068	1,736,203	1,517,907	3,480,740	62,123	1,268,352	53,564,006

The Group has pledged property, plant and equipment having a carrying amount of approximately \$39 million (2014:\$44 million) to secure banking facilities granted to the Group (Note 19).

## NOTES TO FINANCIAL STATEMENTS *continued*

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### 17 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority. The amounts, determined after appropriate offsetting, are shown on the statement of financial position as follows:

	The Group	
	2015 \$	2014 \$
Deferred tax assets	<u>1,028,535</u>	<u>1,840,555</u>
Deferred tax liabilities	<u>(863,189)</u>	<u>(970,379)</u>

The following are the major deferred tax assets and liabilities recognised by the Group and the movement thereon, during the current and prior reporting periods:

	Fair value losses/ Actuarial losses \$	Tax losses \$	Total \$
<b>The Group</b>			
<i>Deferred tax assets</i>			
At 1 January 2014	359,068	1,572,126	1,931,194
Charged to profit or loss (Note 27)	–	(172,770)	(172,770)
Currency translation differences	12,857	69,274	82,131
At 31 December 2014	371,925	1,468,630	1,840,555
Charged to profit or loss (Note 27)	–	(690,398)	(690,398)
Currency translation differences	(9,418)	38,272	28,854
Defined benefit plan (Note 27)	(150,476)	–	(150,476)
At 31 December 2015	<u>212,031</u>	<u>816,504</u>	<u>1,028,535</u>
	Fair value (gains)/losses \$	Accelerated tax depreciation \$	Total \$
<b>The Group</b>			
<i>Deferred tax liabilities</i>			
At 1 January 2014	(892,812)	(281,473)	(1,174,285)
Credited to profit or loss (Note 27)	–	282,903	282,903
Currency translation differences	(17,545)	(7,097)	(24,642)
Available-for-sale investments [Note 22(a)]	(54,355)	–	(54,355)
At 31 December 2014	(964,712)	(5,667)	(970,379)
Charged to profit or loss (Note 27)	–	(277,574)	(277,574)
Currency translation differences	(13,295)	920	(12,375)
Available-for-sale investments [Note 22(a)]	397,139	–	397,139
At 31 December 2015	<u>(580,868)</u>	<u>(282,321)</u>	<u>(863,189)</u>

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits are probable. The Group has unrecognised tax losses of \$98,969,353 (2014 : \$124,164,150) at the end of the reporting period, which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those subsidiaries with unrecognised tax losses and capital allowances in their respective countries of incorporation. These tax losses have no expiry date. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately \$21.5 million (2014 : \$20.2 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 18 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Trade payables to third parties:				
At amortised cost	21,431,568	41,411,616	–	–
Designated as at fair value through profit or loss	1,525,423	–	–	–
Accrued operating expenses	54,597,339	45,503,416	3,811,506	3,447,097
Cash collaterals held for securities lent to clients	177,694	983,026	–	–
Amount due to subsidiaries	–	–	71,743,402	79,021,895
Other payables	9,964,445	15,843,910	8,360	8,393
	<b>87,696,469</b>	<b>103,741,968</b>	<b>75,563,268</b>	<b>82,477,385</b>
Current	86,434,605	101,527,114	75,563,268	82,477,385
Non-current	1,261,864	2,214,854	–	–
	<b>87,696,469</b>	<b>103,741,968</b>	<b>75,563,268</b>	<b>82,477,385</b>

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Accrued operating expenses include the employee benefit obligations amounting to \$1,965,243 (2014: \$2,110,929) and \$706,308 (2014: \$733,257) arising from post-employment benefit plans operated under the Thailand Labour Protection Act and Indonesia Labour Law respectively by subsidiaries of the Company. Details of the relevant information of employee benefit obligations are set out in Note 35 to the financial statements.

Other payables include the provision for the litigation of \$1.79 million (2014: \$1.83 million) retained by UOB Kay Hian Securities (Thailand) Public Company Limited in relation to legal cases at the disposal of its subsidiary, United Securities Public Company Limited.

Non-current payables include the liability arising from the agreement entered into by a subsidiary to assign all future cash flows from the fund investment held at cost to a third party (Note 14). The amount payable under the liability is determined by reference to the fund investment held at cost.

The carrying amounts of trade and other payables approximate their fair values.

## 19 BORROWINGS

	The Group		The Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
<i>Current</i>				
Bank overdrafts:				
– with related parties [Note 5(c)]	–	9,360,204	–	–
– with non-related banks	25,824	108,189	–	–
	<b>25,824</b>	<b>9,468,393</b>	<b>–</b>	<b>–</b>
Short-term bank loans:				
– with related parties [Note 5(c)]	466,976,663	230,271,905	612,175	–
– with non-related banks	195,131,227	144,465,640	–	–
	<b>662,107,890</b>	<b>374,737,545</b>	<b>612,175</b>	<b>–</b>
Total borrowings	<b>662,133,714</b>	<b>384,205,938</b>	<b>612,175</b>	<b>–</b>

The carrying amounts of borrowings approximate their fair values.

In 2015, the short-term bank loan of the Company with a related party bears effective interest rate of 1.79% per annum. It is secured with a fixed charge over immovable fixed assets and a floating charge over all assets of the Company, and is due within 6 months from the end of the reporting period.

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2015

The terms of bank overdrafts and short-term bank loans of the Group at the end of the reporting period are as follows:

### 31 December 2015

#### Bank overdrafts

\$	Weighted average effective interest rates	Security, if any	Maturity
Balances with non-related banks			
<u>25,824</u>	1% per annum	Unsecured	Upon demand

#### Short-term bank loans

\$	Weighted average effective interest rates	Security, if any	Maturity
Balances with related parties			
<u>466,976,663</u>	1.19% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Due within 6 months from the end of the reporting period
Balances with non-related banks			
<u>190,193,997</u>	1.29% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Due within 6 months from the end of the reporting period
<u>4,937,250</u>	4.31% per annum	Unsecured	Due within 6 months from the end of the reporting period

### 31 December 2014

#### Bank overdrafts

\$	Weighted average effective interest rates	Security, if any	Maturity
Balances with related parties			
<u>9,360,204</u>	5.00% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Upon demand
Balances with non-related banks			
<u>108,189</u>	5.00% per annum	Unsecured	Upon demand

#### Short-term bank loans

\$	Weighted average effective interest rates	Security, if any	Maturity
Balances with related parties			
<u>230,271,905</u>	0.99% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Due within 6 months from the end of the reporting period
Balances with non-related banks			
<u>133,139,390</u>	1.04% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Due within 6 months from the end of the reporting period
<u>11,326,250</u>	6.99% per annum	Unsecured	Due within 6 months from the end of the reporting period



## 20 DEBTS ISSUED

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Notes issued		
At amortised cost [Note 20(a)]	<b>18,962,500</b>	19,610,000
Designated as at fair value through profit or loss [Note 20(b)]	<b>446,931,030</b>	372,852,659
	<b>465,893,530</b>	392,462,659

In 2010, the Group established a USD1,000,000,000 multi-currency structured note programme arranged by a related party in which the Group may raise funds through the issuance of notes from time to time under the programme. The terms and conditions of debts issued, including those carried at amortised cost and designated as at fair value through profit or loss, have taken into consideration the terms and conditions of the corresponding underlying referenced assets (Note 8).

- (a) Included in the debts issued is a note carried at amortised cost with no repricing term, amounting to \$18,962,500 (2014: \$19,610,000), with maturity being June 2020 (2014 : June 2020). The credit default swap embedded in the note is considered to be closely related to the host instrument, and accordingly, is not accounted for separately. The referenced asset underpinning this note is carried at amortised cost, with carrying amount of \$18,962,500 (2014:\$19,610,000), and maturity being June 2020 (2014 : June 2020).
- (b) These notes with embedded credit default swaps were issued at par with maturities ranging from March 2019 to December 2025 (2014 : March 2019 to December 2025) under certain structured transactions entered into by the Group. The embedded credit default swaps allow the Group to deliver the underlying referenced assets [Note 8(a) and (b)] to the noteholders as full and final settlement upon the occurrence of a credit event. The notes will be redeemed at carrying amount on the maturity date provided that there is no occurrence of a credit event. These notes can also be redeemed prior to maturity date through physical delivery of the underlying referenced assets at the option of either the noteholder or the Group and are designed to mitigate the Group's exposure to credit risk on the underlying referenced assets. The referenced assets underpinning these notes have carrying amount of \$446,934,269 (2014 : \$372,854,456) and maturities ranging from March 2019 to November 2034 (2014 : March 2019 to December 2025).

In 2013, due to growing number of structured transactions entered into by the Group, the management has decided to designate any debts issued under such arrangements going forward, along with their corresponding underlying referenced assets, at fair value through profit or loss to better reflect the underlying intention of the Group to manage and evaluate its performance on a fair value basis.

The notes with medium term notes as their underlying referenced assets bear effective interest rate ranging from 1.36% to 5.79% per annum in 2015 (2014 : 3.96% to 5.66% per annum). The effective interest rates realised for the notes with distressed debts as their underlying referenced assets ranging from 15.57% to 53.55% per annum (2014 : 16.08% to 67.35% per annum).

The carrying amounts of debts issued, which are repayable on demand, approximate the fair values of the underlying referenced assets (Note 8).

## 21 SHARE CAPITAL

	<b>The Group and The Company</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Number of ordinary shares</b>		<b>\$</b>	<b>\$</b>
Issued and paid up:				
At beginning of the year	<b>750,214,907</b>	724,709,009	<b>110,676,914</b>	72,470,901
Issue of shares pursuant to Scrip				
Dividend Scheme (Note 30)	<b>21,940,961</b>	25,505,898	<b>30,649,338</b>	38,206,013
At end of the year	<b>772,155,868</b>	750,214,907	<b>141,326,252</b>	110,676,914

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

In 2014, a resolution was passed during the Company's Annual General Meeting to empower directors of the Company to allot and issue, from time to time, shares in the capital of the Company pursuant to the UOB-Kay Hian Holdings Limited Scrip Dividend Scheme as announced on 14 August 2013. Pursuant to the Scrip Dividend Scheme, the Company issued 21,940,961 ordinary shares in 2015 (2014 : 25,505,898 ordinary shares) to eligible shareholders who elected to participate in the scheme.

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2015

### 22 RESERVES

	The Group	
	2015	2014
	\$	\$
Fair value reserve [Note 22(a)]	1,355,357	3,137,127
Foreign currency translation reserves [Note 22(b)]	(35,737,480)	(52,681,530)
Statutory reserve [Note 22(c)]	1,677,698	1,714,100
Equity reserve [Note 22(d)]	(276,344)	(276,344)
	<u>32,980,769</u>	<u>(48,106,647)</u>

(a) Fair value reserve

	The Group	
	2015	2014
	\$	\$
At beginning of the year	3,137,127	3,089,766
Changes during the year in other comprehensive income	(376,029)	39,682
Related income tax in other comprehensive income (Note 17)	397,139	(54,355)
Reclassification to profit or loss on disposal	(1, 833,902)	21,109
	<u>1,324,335</u>	<u>3,096,202</u>
Currency translation differences	31,022	40,925
At end of the year	<u>1,355,357</u>	<u>3,137,127</u>

(b) Foreign currency translation reserves

Foreign currency translation reserve represents exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Singapore dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of foreign currency translation reserve.

(c) Statutory reserve

Under the Public Limited Company Act B.E. 2535 of Thailand, a subsidiary, UOB Kay Hian Securities (Thailand) Public Company Limited is required to set aside a statutory reserve of at least 5 percent of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10 per cent of the registered capital. The reserve is non-distributable.

In accordance with the Securities Regulation Code of the Philippines, a subsidiary, UOB Kay Hian Securities (Philippines), Inc. is required to set aside a certain minimum percentage of its profit after tax annually and transfer the same amount to a reserve fund.

(d) Equity reserve

The equity reserve represents the effects of changes in ownership interests in subsidiaries when there is no change in control.

### 23 REVENUE

	The Group	
	2015	2014
	\$	\$
Commission income	217,297,239	230,143,320
Trading income	2,777,783	4,522,291
Interest income		
– fixed deposits with related parties [ Note 5(c)]	1,530,672	1,747,755
– fixed deposits with non-related banks	3,694,496	3,874,017
– clients	108,474,797	92,734,455
– others	1,573,016	1,515,309
	<u>115,272,981</u>	<u>99,871,536</u>
Dividend income from quoted/unquoted securities	68,732	452,393
Facility, shares withdrawal and arrangement fees	27,782,414	10,724,328
Advisory fees	6,116,790	3,941,415
Other operating revenue	10,231,472	12,032,233
	<u>379,547,411</u>	<u>361,687,516</u>

**24 STAFF COSTS**

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Wages, salaries and other staff costs	118,219,774	107,914,830
Employers' contribution to employee benefit plans including Central Provident Fund	6,263,349	6,007,639
	<u>124,483,123</u>	<u>113,922,469</u>

**25 FINANCE EXPENSE**

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Interest expense:		
– bank borrowings from related parties [Note 5(c)]	3,172,122	3,235,165
– borrowings from non-related banks	3,518,776	2,498,905
– debts issued	40,407,202	29,997,696
– others	895,897	1,022,814
	<u>47,993,997</u>	<u>36,754,580</u>

**26 OTHER OPERATING EXPENSES**

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Net fair value loss (gain) on other financial assets, at fair value through profit or loss	3,392,609	(301,709)
Operating lease expenses	8,141,268	7,598,236
Marketing and business promotions	6,535,918	6,978,995
Communication expenses	18,114,487	17,553,327
Contract processing charges	2,552,452	2,743,699
Information services	8,571,456	8,315,879
Depreciation expenses	8,625,863	8,858,099
Net loss on disposal of property, plant and equipment	38,187	6,029
Impairment of goodwill (Note 12)	3,700,647	1,828,557
Audit fees:		
– paid to auditors of the Company	181,950	181,950
– under provision of prior year fees	14,617	–
– paid to other auditors	503,513	459,419
Non-audit fees:		
– paid to auditors of the Company	288,066	54,650
– paid to other auditors	66,648	34,704
Maintenance and rental of office equipment	2,387,795	2,046,091
Printing and stationery	1,336,170	1,461,160
Loss on disposal of available-for-sale investments	–	21,109
Write back of allowance for impairment of trade receivables	(333,047)	(276,364)
Other staff cost	6,765,628	6,200,346
General administrative expenses	<u>11,380,060</u>	<u>10,502,084</u>
	<u>82,264,287</u>	<u>74,266,261</u>

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2015

### 27 INCOME TAX EXPENSE

Income tax recognised in profit or loss:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Tax expense comprises:		
Current income tax		
– Singapore	7,651,364	9,857,694
– Foreign	3,408,820	4,106,215
	<u>11,060,184</u>	<u>13,963,909</u>
Deferred income tax (Note 17)	1,276,557	(97,806)
	<u>12,336,741</u>	<u>13,866,103</u>
Over provision in prior years:		
– current income tax	(108,819)	(757,930)
– deferred income tax (Note 17)	(308,585)	(12,327)
	<u>11,919,337</u>	<u>13,095,846</u>

Domestic income tax is calculated at 17% (2014 : 17%) of the estimated assessable income for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Profit before income tax	84,903,407	89,150,032
Income tax expense calculated at 17% (2014 : 17%)	14,433,579	15,155,505
Effects of:		
– Singapore statutory stepped income exemption and tax rebate	(187,954)	(226,077)
– Concessionary tax	(914,477)	(918,654)
– Income not subject to tax	(6,799,343)	(7,369,156)
– Expenses not deductible for tax purposes	5,093,121	5,897,903
– Tax benefits on tax losses and other temporary differences not recognised	408,749	572,091
– Different tax rates of subsidiaries operating in other jurisdictions	303,066	754,491
– Overprovision in prior years	(417,404)	(770,257)
	<u>11,919,337</u>	<u>13,095,846</u>

Income tax relating to each component of other comprehensive income:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Deferred income tax		
Loss (Gains) from available-for-sale investments (Note 17)	397,139	(54,355)
Actuarial gain on defined benefit plans (Note 17)	(150,476)	–
	<u>246,663</u>	<u>(54,355)</u>

## 28 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	The Group	
	2015	2014
	\$	\$
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial gain on defined benefit plan	730,857	–
Deferred tax liability arising on actuarial gain	(150,476)	–
<i>Items that may be reclassified subsequently to profit or loss</i>		
Available-for-sale investments:		
(Loss) Gains arising during the year	(376,029)	39,682
Reclassification to profit or loss on disposal	(1,833,902)	21,109
Deferred tax asset(liability) arising on revaluation of available-for-sale investment	397,139	(54,355)
Exchange differences on translation of foreign operations	<u>16,518,761</u>	<u>16,197,088</u>
Other comprehensive income for the year, net of tax	<u>15,286,350</u>	<u>16,203,524</u>

## 29 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to ordinary owners of the Company is based on the following data:

	2015	2014
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	<u>\$71,449,951</u>	<u>\$74,363,986</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>762,117,127</u>	<u>738,335,448</u>
Basic earnings per share	<u>9.38 cents</u>	<u>10.07 cents</u>

Diluted earnings per share is equal to basic earnings per share as there are no potential ordinary shares outstanding as at 31 December 2015 and 31 December 2014.

## 30 DIVIDENDS

	The Group and The Company	
	2015	2014
	\$	\$
One-tier tax-exempt final dividend in respect of the year ended 31 December 2014 of 5.0 cents per ordinary share paid (31 December 2013 : 6.5 cents per ordinary share paid)	<u>37,510,745</u>	<u>47,106,086</u>
Dividend paid in cash	6,861,407	8,900,073
Dividend paid through issuance of new shares under the Scrip Dividend Scheme (Note 21)	<u>30,649,338</u>	<u>38,206,013</u>
	<u>37,510,745</u>	<u>47,106,086</u>

At the Annual General Meeting on 27 April 2016, a one-tier tax-exempt final dividend of 4.5 cents per ordinary share in respect of year ended 31 December 2015 amounting to a total of \$34,747,014 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2015

### 31 CONTINGENT LIABILITIES

- (a) Obligations by virtue of a subsidiary being a clearing member of Singapore Exchange Securities Trading Limited (“SGX-ST”) - secured

At the end of the reporting period, there are contingent liabilities of \$2,233,998 (2014 : \$2,731,363) in respect of the obligations of a subsidiary to The Central Depository (Pte) Limited (“CDP”) by virtue of the subsidiary being a clearing member of the SGX-ST. The contingent liabilities are secured against deposits amounting to \$2,485,582 (2014 : \$3,085,582) placed by the subsidiary with CDP.

- (b) Legal liabilities retained in a former subsidiary disposed in prior years

On 17 June 2013, UOB Kay Hian Securities (Thailand) Public Company Limited (“UOBKH Thailand”) was sued by a former shareholder of United Securities Public Company Limited (“United Securities”), seeking compensation of Baht 300 million (approximately \$12.61 million) for the breach of the Definitive Agreement entered into during the initial purchase of United Securities by UOBKH Thailand. Subsequently, on 25 June 2013, such former shareholder of United Securities additionally sued UOBKH Thailand to revoke the Share Purchase Agreement between UOBKH Thailand and a group of investors, and to prohibit the transfer of Stock Exchange of Thailand Membership to UOBKH Thailand. On 22 October 2014, the cases were dismissed by the judge. The plaintiff appealed this decision to the Supreme Court. Management believes that UOBKH Thailand will not be obliged to pay such compensation.

### 32 COMMITMENTS

- (a) Operating lease commitments

#### The Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities, are as follows:

	The Group	
	2015	2014
	\$	\$
Within one year	6,464,314	6,447,615
In the second to the fifth years inclusive	<u>1,624,968</u>	<u>6,063,787</u>
	<u>8,089,282</u>	<u>12,511,402</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years (2014 : 3 years) and rentals are fixed for an average of 3 years (2014 : 3 years).

#### The Group as lessor

The Group rents out its property in Singapore under operating leases.

Property rental income earned during the year was \$557,026 (2014 : \$551,166). The property is managed and maintained by a property manager at an annual cost of \$180,960 (2014 : \$180,435).

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	The Group	
	2015	2014
	\$	\$
Within one year	535,536	535,536
In the second to fifth year inclusive	2,142,144	2,142,144
After five years	<u>1,383,468</u>	<u>1,919,004</u>
	<u>4,061,148</u>	<u>4,596,684</u>

- (b) Financial guarantees

The Company has issued corporate guarantees [(Note 4(c)(iv))] to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

### 33 SEGMENT INFORMATION

The Group is organised on a geographical basis, namely Singapore, Hong Kong, Thailand and other countries. The Group provides securities and futures broking and other related services. There is no single external customer that contributes more than 10% of the consolidated revenue.

The measurement basis of the Group's reportable segments is in accordance with its accounting policy as described in Note 2. The information below is also reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's revenue and results by reportable segments:

	Singapore \$	Hong Kong \$	Thailand \$	Others \$	Elimination \$	Total \$
<b>The Group</b>						
<b>2015</b>						
<b>Revenue</b>						
– External sales	135,343,342	77,201,476	26,540,145	23,355,565	–	262,440,528
– Realised gain on available-for-sale investments	1,833,902	–	–	–	–	1,833,902
– Interest income	74,549,870	27,555,433	7,290,046	5,877,632	–	115,272,981
– Inter-segment sales	17,087,790	7,819,601	3,977,575	5,179,803	(34,064,769)	–
	<u>228,814,904</u>	<u>112,576,510</u>	<u>37,807,766</u>	<u>34,413,000</u>	<u>(34,064,769)</u>	<u>379,547,411</u>
Segment results	47,821,284	27,149,168	12,172,505	650,565	(2,890,115)	84,903,407
Profit before tax						84,903,407
Income tax expense						(11,919,337)
Profit after tax						<u>72,984,070</u>
Segment assets (Note A)	2,184,265,582	651,543,812	161,256,576	181,681,228	(289,976,837)	2,888,770,361
Deferred tax assets						1,028,535
Consolidated total assets						<u>2,889,798,896</u>
Segment liabilities (Note A)	1,301,942,105	272,044,368	44,772,919	62,495,086	(130,419,119)	1,550,835,359
Income tax payable						8,761,843
Deferred tax liabilities						863,189
Consolidated total liabilities						<u>1,560,460,391</u>
<b>Other segment items</b>						
Capital expenditure	1,386,436	364,352	844,047	678,648	–	3,273,483
Goodwill	–	–	1,416,932	–	–	1,416,932
Impairment loss	–	–	–	3,700,647	–	3,700,647
Depreciation expense	6,066,662	532,933	903,999	1,122,269	–	8,625,863
Finance expense	43,435,321	3,364,593	785,896	408,187	–	47,993,997

**NOTES TO FINANCIAL STATEMENTS** *continued*

31 December 2015

	Singapore \$	Hong Kong \$	Thailand \$	Others \$	Elimination \$	Total \$
<b>The Group</b>						
<b>2014</b>						
<b>Revenue</b>						
– External sales	147,724,665	59,135,657	29,367,051	25,588,607	–	261,815,980
– Interest income	66,458,779	20,909,750	7,151,918	5,351,089	–	99,871,536
– Inter-segment sales	9,547,769	9,033	4,531,332	8,895,856	(22,983,990)	–
	<u>223,731,213</u>	<u>80,054,440</u>	<u>41,050,301</u>	<u>39,835,552</u>	<u>(22,983,990)</u>	<u>361,687,516</u>
Segment results	56,220,047	18,589,966	12,607,227	5,522,988	(3,790,196)	89,150,032
Profit before tax						89,150,032
Income tax expense						(13,095,846)
Profit after tax						<u>76,054,186</u>
Segment assets (Note A)	1,874,122,474	708,578,527	195,416,583	219,529,486	(373,198,251)	2,624,448,819
Deferred tax assets						1,840,555
Consolidated total assets						<u>2,626,289,374</u>
Segment liabilities (Note A)	989,943,578	380,336,086	83,020,601	87,766,589	(175,496,719)	1,365,570,135
Income tax payable						11,463,706
Deferred tax liabilities						970,379
Consolidated total liabilities						<u>1,378,004,220</u>
<b>Other segment items</b>						
Capital expenditure	829,337	311,730	557,758	811,287	–	2,510,112
Goodwill	4,247,621	–	1,449,401	–	–	5,697,022
Impairment loss	–	–	1,828,557	–	–	1,828,557
Depreciation expense	6,004,153	548,106	986,961	1,318,879	–	8,858,099
Finance expense	<u>33,704,130</u>	<u>1,736,553</u>	<u>902,110</u>	<u>411,787</u>	<u>–</u>	<u>36,754,580</u>

Note A

In 2015, the Group did not issue any debt on a non-cash basis.

In 2014, the Group issued debts amounting to \$35,876,480 on a non-cash basis as considerations in exchange for originating or purchasing certain trade receivables of equivalent amounts (Notes 8 and 20).

The Group operates mainly in the securities/futures broking business. There are no other business segments that contribute more than 10% of the combined revenue, net profit or assets of all operating segments.

**34 LISTING OF COMPANIES IN THE GROUP**

Name of company	Principal activities	Country of incorporation	Proportion of ownership and voting power			
			Company		Subsidiaries	
			2015 %	2014 %	2015 %	2014 %
<b>Subsidiaries</b>						
PT UOB Kay Hian Securities <sup>(c)</sup>	Stockbroking	Indonesia	<b>99.0</b>	99.0	–	–
UOB Kay Hian Securities (Philippines), Inc. <sup>(c)</sup>	Stockbroking	Philippines	<b>100</b>	100	–	–
UOB Kay Hian Securities (Thailand) Public Company Limited <sup>(b)</sup>	Stockbroking	Thailand	<b>70.7</b>	70.7	<b>13.2</b>	13.2
UOB Kay Hian (U.K.) Limited <sup>(c)</sup>	Arranger	United Kingdom	<b>100</b>	100	–	–
UOB Kay Hian (U.S.) Inc. <sup>(c)</sup>	Stockbroking	United States of America	<b>100</b>	100	–	–
UOB Kay Hian Private Limited <sup>(a)</sup>	Stockbroking	Singapore	<b>100</b>	100	–	–
UOB Kay Hian Trading Pte Ltd <sup>(a)</sup>	Investment trading	Singapore	<b>100</b>	100	–	–
UOB Kay Hian (Malaysia) Holdings Sdn Bhd <sup>(b)</sup>	Research activities	Malaysia	<b>100</b>	100	–	–
UOB Kay Hian Overseas Limited <sup>(b)</sup>	Investment holding	Hong Kong, SAR	<b>100</b>	100	–	–



Name of company	Principal activities	Country of incorporation	Proportion of ownership and voting power			
			Company		Subsidiaries	
			2015 %	2014 %	2015 %	2014 %
<b>Subsidiaries</b>						
UOB Kay Hian Credit Pte Ltd <sup>(a)</sup>	Money lending	Singapore	100	100	–	–
Trans-Pacific Credit Private Limited <sup>(a)</sup>	Margin financing	Singapore	100	100	–	–
UOB Kay Hian Properties Pte Ltd <sup>(a)</sup>	Investment in Group office premises	Singapore	100	100	–	–
UOB Kay Hian Securities (M) Sdn Bhd <sup>(b)</sup>	Stockbroking	Malaysia	100	100	–	–
A.A. Anthony Securities Sdn Bhd <sup>(b)</sup>	Dormant	Malaysia	100	100	–	–
UOB Kay Hian (Australia) Pty Ltd <sup>(b, e)</sup>	Dormant	Australia	100	100	–	–
UOB Kay Hian Credit (M) Sdn Bhd <sup>(f)</sup>	Dormant	Malaysia	100	–	–	–
<b>Held by UOB Kay Hian Private Limited</b>						
UOB Kay Hian Nominees Pte Ltd <sup>(a)</sup>	Nominee services	Singapore	–	–	100	100
UOB Kay Hian Research Pte Ltd <sup>(a)</sup>	Research activities	Singapore	–	–	100	100
<b>Held by UOB Kay Hian Overseas Limited</b>						
UOB Kay Hian (Hong Kong) Limited <sup>(b)</sup>	Stockbroking	Hong Kong, SAR	–	–	100	100
UOB Kay Hian Futures (Hong Kong) Limited <sup>(b)</sup>	Futures broking	Hong Kong, SAR	–	–	100	100
UOB Kay Hian Finance Limited <sup>(b)</sup>	Money lending	Hong Kong, SAR	–	–	100	100
UOB Kay Hian (BVI) Limited <sup>(d)</sup>	Investment holding	British Virgin Islands	–	–	100	100
UOB Kay Hian Investment Consulting (Shanghai) Company Limited <sup>(b)</sup>	Investment consulting and research services	People's Republic of China	–	–	100	100
<b>Held by UOB Kay Hian Securities (M) Sdn Bhd</b>						
UOB Kay Hian Futures (M) Sdn Bhd <sup>(b)</sup>	Under member's voluntary liquidation	Malaysia	–	–	100	100
UOB Kay Hian Nominees (Asing) Sdn Bhd <sup>(b)</sup>	Nominee services	Malaysia	–	–	100	100
UOB Kay Hian Nominees (Tempatan) Sdn Bhd <sup>(b)</sup>	Nominee services	Malaysia	–	–	100	100
A.A. Anthony Nominees (Tempatan) Sdn Bhd <sup>(b)</sup>	Under member's voluntary liquidation	Malaysia	–	–	100	100
A.A. Anthony Nominees (Asing) Sdn Bhd <sup>(b)</sup>	Under member's voluntary liquidation	Malaysia	–	–	100	100

<sup>(a)</sup> Audited by Deloitte & Touche LLP, Singapore.

<sup>(b)</sup> Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

<sup>(c)</sup> Audited by other auditors.

<sup>(d)</sup> Audit not required under the laws of the country of incorporation.

<sup>(e)</sup> In 2014, UOB Kay Hian (Australia) Pty Ltd has ceased to be an Australian Financial Securities Licensee of the Australian Securities & Investment Commission.

<sup>(f)</sup> UOB Kay Hian Credit (M) Sdn Bhd is a newly incorporated and wholly-owned subsidiary of the Company in Malaysia, and is not audited during the year.

**NOTES TO FINANCIAL STATEMENTS** *continued*

31 December 2015

Information about the composition of the Group at the end of the financial year is as follows:

(a) Wholly-owned subsidiaries

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		31 December 2015	31 December 2014
Stockbroking	Singapore	1	1
Stockbroking	Malaysia	1	1
Stockbroking	Philippines	1	1
Stockbroking	Hong Kong	1	1
Stockbroking	U.S.A	1	1
Arranger	U.K.	1	1
Research Activities	Singapore	1	1
Research Activities	Malaysia	1	1
Investment Trading	Singapore	1	1
Investment Holding	BVI	1	1
Investment Holding	Hong Kong	1	1
Investment in Group office premises	Singapore	1	1
Investment Consulting and Research Services	China	1	1
Money Lending	Singapore	1	1
Money Lending	Hong Kong	1	1
Margin Financing	Singapore	1	1
Nominee Services	Singapore	1	1
Nominee Services	Malaysia	2	2
Futures Brokering	Hong Kong	1	1
Under member's voluntary liquidation	Malaysia	3	3
Dormant	Malaysia	2	1
Dormant	Australia	1	1
		<u>26</u>	<u>25</u>

(b) Non wholly-owned subsidiaries that have material non-controlling interests

Principal activity	Place of incorporation and operation	Proportion of ownership interests and voting right held by non-controlling interests		Number of non wholly-owned subsidiaries	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
Stockbroking	Thailand	<u>16.1%</u>	<u>16.1%</u>	<u>1</u>	<u>1</u>

Summarised financial information in respect of UOB Kay Hian Securities (Thailand) Public Company Limited, a subsidiary in which the Group has material non-controlling interests, is set out below. The summarised financial information below represents amounts before intragroup eliminations.

**UOB Kay Hian Securities (Thailand) Public Company Limited**

	31 December 2015	31 December 2014
	\$	\$
Current assets	<u>157,280,366</u>	<u>176,070,237</u>
Non-current assets	<u>4,747,871</u>	<u>20,231,407</u>
Current liabilities	<u>(45,562,642)</u>	<u>(84,947,106)</u>
Non-current liabilities	<u>(28,303)</u>	<u>(24,935)</u>
Equity attributable to owners of the Company	<u>97,655,957</u>	<u>93,372,137</u>
Non-controlling interests	<u>18,781,335</u>	<u>17,957,466</u>
Revenue	<u>37,828,335</u>	<u>41,053,520</u>
Expenses	<u>(28,341,341)</u>	<u>(30,950,736)</u>

**UOB Kay Hian Securities (Thailand) Public Company Limited** *(continued)*

	<b>31 December 2015</b>	<b>31 December 2014</b>
	<b>\$</b>	<b>\$</b>
Profit for the year	<u>9,486,994</u>	<u>10,102,784</u>
Profit attributable to owners of the Company	<u>7,956,742</u>	<u>8,425,698</u>
Profit attributable to the non-controlling interests	<u>1,530,252</u>	<u>1,677,086</u>
Profit for the year	<u>9,486,994</u>	<u>10,102,784</u>
Other comprehensive (loss) income attributable to owners of the Company	<u>(1,823,634)</u>	<u>4,098,821</u>
Other comprehensive (loss) income attributable to the non-controlling interests	<u>(350,724)</u>	<u>737,715</u>
Other comprehensive (loss) income for the year	<u>(2,174,358)</u>	<u>4,836,536</u>
Total comprehensive income attributable to owners of the Company	<u>6,133,108</u>	<u>12,524,519</u>
Total comprehensive income attributable to the non-controlling interests	<u>1,179,528</u>	<u>2,414,801</u>
Total comprehensive income for the year	<u>7,312,636</u>	<u>14,939,320</u>
Dividends paid to non-controlling interests	<u>(355,662)</u>	<u>(467,913)</u>
Net cash inflow from operating activities	<u>12,289,555</u>	<u>2,863,223</u>
Net cash outflow from investing activities	<u>(846,404)</u>	<u>(492,627)</u>
Net cash outflow from financing activities	<u>(2,216,947)</u>	<u>(2,900,887)</u>
Net cash inflow (outflow)	<u>9,226,204</u>	<u>(530,291)</u>

**35 EMPLOYEE BENEFIT OBLIGATIONS**

The subsidiaries of the Group operate post-employment benefit plans under their respective local legislations, which are considered as unfunded defined benefit plans.

Amounts recognised in accrued operating expenses (Note 18) in respect of the Group's defined benefit plans are as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Present value of unfunded obligations	<u>2,671,551</u>	<u>2,844,186</u>
Net liability recognised in statement of financial position	<u>2,671,551</u>	<u>2,844,186</u>

Amounts recognised in statement of profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Service cost:		
Current service cost	<u>485,308</u>	<u>480,693</u>
Past service cost	<u>(97,374)</u>	<u>(157,786)</u>
Net interest expense	<u>139,453</u>	<u>116,704</u>
Components of employee benefit costs recognised in profit or loss	<u>527,387</u>	<u>439,611</u>
Remeasurement on the net defined benefit liability:		
Actuarial losses arising from changes in financial assumptions	<u>228,654</u>	<u>-</u>
Actuarial gains arising from changes in demographic assumptions	<u>(156,502)</u>	<u>-</u>
Actuarial gains arising from changes in experience adjustments	<u>(803,009)</u>	<u>-</u>
Components of defined benefit costs recognised in other comprehensive income	<u>(730,857)</u>	<u>-</u>
Exchange differences on foreign plans	<u>36,780</u>	<u>169,215</u>
Total	<u>(166,690)</u>	<u>608,826</u>

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2015

Changes in the present value of the defined benefit obligation are as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Opening defined benefit obligation	2,844,186	2,239,205
Current service cost	485,308	480,693
Past service cost, including gain on curtailments	(97,374)	(157,786)
Net interest expense	139,453	116,704
Remeasurement on the net defined benefit liability	(730,857)	–
Exchange differences on foreign plans	36,780	169,215
Benefits paid	(5,945)	(3,845)
Closing defined benefit obligation	<u>2,671,551</u>	<u>2,844,186</u>

The principal assumptions used for the purpose of actuarial valuations are as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
<u>Financial assumptions</u>		
Discount rates	2.80% ~ 9.11%	3.83% ~ 8.50%
Expected rates of salary increase	6.00% ~ 7.00%	6.00% ~ 8.00%
Retirement ages	55 ~ 60 years	55 ~ 60 years
Turnover rates	0% ~ 24%	0% ~ 24%
Mortality rates	10%	10%

Significant actuarial assumptions for the determination of the defined obligation are discount rates, expected rates of salary increase, turnover rates and mortality rates. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate increases (decreases) by 1%, the defined benefit obligation would decrease by \$212,274 (increase by \$247,247).
- If the expected rate of salary increases (decreases) by 1%, the defined benefit obligation would increase by \$234,022 (decrease by \$205,583).
- If the turnover rate increases (decreases) by 1%, the defined benefit obligation would decrease by \$227,706 (increase by \$163,858).
- If the life expectancy increases (decreases) by 1%, the defined benefit obligation would increase by \$18,242 (decrease by \$18,064).

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

### 36 RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. In 2015, the Group concluded that it was more appropriate to present the movement in available-for-sale investments previously recognised as operating activities to investing activities in the consolidated statement of cash flows to better reflect the nature of such investments. As a result, certain items have been amended in the consolidated statement of cash flows.

Comparative figures have been adjusted to conform to the current year's presentation.

The items were reclassified as follows:

	<b>Previously reported</b>	<b>The Group</b>	<b>After reclassification</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Consolidated statement of cash flows</b>			
<b>Operating activities</b>			
Available-for-sale investments	(8,968,493)	8,968,493	–
Trade, outstanding contracts and other receivables	(156,538,057)	35,876,480	(120,661,577)
Debts issued	160,725,328	(35,876,480)	124,848,848
Cash generated from operations	71,177,279	8,968,493	80,145,772
Net cash from operating activities	<u>17,099,883</u>	<u>8,968,493</u>	<u>26,068,376</u>
<b>Investing activities</b>			
Payments for available-for-sale investments	–	(8,854,372)	(8,854,372)
Proceeds from disposal of available-for-sale investments	114,121	(114,121)	–
Net cash used in investing activities	<u>(1,706,140)</u>	<u>(8,968,493)</u>	<u>(10,674,633)</u>

## ANALYSIS OF SHAREHOLDINGS

as at 11 March 2016

No. of shares held : 772,155,868 ordinary shares  
 On a poll : One vote for each ordinary share  
 No. of treasury shares : Nil

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	59	0.55	2,076	0.00
100 – 1,000	1,000	9.37	756,215	0.10
1,001 – 10,000	7,351	68.89	32,467,499	4.20
10,001 – 1,000,000	2,232	20.92	87,230,980	11.30
1,000,001 & ABOVE	29	0.27	651,699,098	84.40
<b>TOTAL</b>	<b>10,671</b>	<b>100.00</b>	<b>772,155,868</b>	<b>100.00</b>

### TOP TWENTY SHAREHOLDERS AS AT 11 MARCH 2016

	NO. OF SHARES	%
UNITED OVERSEAS BANK LIMITED	308,590,757	39.96
U.I.P. HOLDINGS LIMITED	139,252,705	18.03
UOB KAY HIAN PTE LTD	52,253,518	6.77
TANG WEE LOKE	32,306,830	4.18
DBS NOMINEES PTE LTD	17,803,770	2.31
CITIBANK NOMINEES SINGAPORE PTE LTD	14,612,684	1.89
UNITED OVERSEAS BANK NOMINEES (PTE) LTD	13,403,972	1.74
HO YEOW KOON & SONS PTE LTD	10,539,295	1.36
HL BANK NOMINEES (S) PTE LTD	10,006,000	1.30
RAFFLES NOMINEES (PTE) LTD	5,807,853	0.75
OCBC NOMINEES SINGAPORE PTE LTD	5,788,219	0.75
DBSN SERVICES PTE LTD	5,472,313	0.71
TYE HUA NOMINEES (PTE) LTD	4,769,286	0.62
LIM & TAN SECURITIES PTE LTD	4,250,406	0.55
PHILLIP SECURITIES PTE LTD	2,614,715	0.34
LAI CHOY KUEN	2,581,067	0.34
TUNG TAU CHYR WALTER	2,542,422	0.33
LAU MEI LEA	2,269,545	0.29
MAYBANK KIM ENG SECURITIES PTE LTD	2,128,957	0.28
HAI CHUA FISHERY PTE LTD	1,877,238	0.24
	<b>638,871,552</b>	<b>82.74</b>

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	% of Total Issued Shares	No. of Shares	% of Total Issued Shares
United Overseas Bank Limited	308,590,757	39.96	4,769,286 <sup>(1)</sup>	0.62
U.I.P. Holdings Limited	139,252,705	18.03	–	–
Wee Ee Chao	–	–	191,004,625 <sup>(2)</sup>	24.74
K.I.P. Inc	–	–	51,751,920 <sup>(3)</sup>	6.70

Notes : <sup>(1)</sup> United Overseas Bank Limited's deemed interest arises from the 4,769,286 shares held by Tye Hua Nominees (Private) Limited.  
<sup>(2)</sup> Mr Wee Ee Chao's deemed interest arises from the 139,252,705 shares held by U.I.P. Holdings Limited and 51,751,920 shares held by UOB Kay Hian Pte Ltd - K.I.P. Inc  
<sup>(3)</sup> K.I.P. Inc's deemed interest arises from the 51,751,920 shares registered in name of UOB Kay Hian Pte Ltd - K.I.P. Inc.

### Public Float

Based on available information as at 11 March 2016, approximately 30.08% of the issued shares of the company is held by the public (Rule 723 of SGX-ST Listing Manual).

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at the Auditorium, 8 Anthony Road, Singapore 229957 on Wednesday, 27 April 2016 at 5.30 p.m. for the following purposes:

### Ordinary Business

- 1 To receive and adopt the directors' statement and audited financial statements for the year ended 31 December 2015 and the auditors' report thereon.
  - 2 To declare a first and final one-tier tax exempt dividend of 4.5 cents per ordinary share for the year ended 31 December 2015.
  - 3 To approve the sum of S\$244,667 as directors' fees for the year ended 31 December 2015. (2014: S\$294,000)
  - 4 (a) To re-elect Mr Francis Lee Chin Yong, a director who will retire by rotation pursuant to Article 91 of the Constitution of the Company and who, being eligible, will offer himself for re-election.  
  
Note: Mr Francis Lee Chin Yong, if re-elected as a director, will remain a member of the audit committee. Key information on Mr Lee is set out in the "Profile of Directors & Key Management Personnel" section of the annual report.
  - (b) To record the retirement of Mr Roland Knecht, a director who will be due for re-election pursuant to Article 91 of the Constitution of the Company and who will not be seeking re-election.  
  
Note: Upon the retirement of Mr Roland Knecht as a director, he will cease to be a member and the chairman of the remuneration committee and nominating committee. Mr Knecht is an independent director.
  - (c) To record the retirement of Dr Henry Tay Yun Chwan, a director who will not be seeking re-appointment.  
  
Note: Dr Henry Tay Yun Chwan was re-appointed as a director at the last annual general meeting to hold office until this annual general meeting pursuant to Section 153(6) of the Companies Act, Cap. 50 which was in force immediately before 3 January 2016. Upon the retirement of Dr Tay as a director, he will cease to be a member and the chairman of the audit committee and a member of the remuneration committee. Dr Tay is an independent director.
- 5 To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the directors to fix their remuneration.

### Special Business

To consider and, if thought fit, to pass with or without any modifications, the following resolutions as ordinary resolutions:

#### 6 Authority to allot and issue shares and convertible securities

That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the directors of the Company to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and upon such terms and conditions and for such purposes as the directors may in their absolute discretion deem fit, provided always that the aggregate number of shares and convertible securities to be issued pursuant to this resolution does not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company as at the date of the passing of this resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company as at the date of the passing of this resolution, and for the purpose of this resolution, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this resolution is passed (after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares), and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

#### 7 Authority to allot and issue shares pursuant to the UOB-Kay Hian Holdings Limited Scrip Dividend Scheme

That pursuant to Section 161 of the Companies Act, Cap. 50, the directors of the Company be empowered to allot and issue from time to time such number of shares in the capital of the Company as may be required to be allotted and issued pursuant to the UOB-Kay Hian Holdings Limited Scrip Dividend Scheme.

8 Proposed adoption of the Share Buyback Mandate

*All capitalised terms in this resolution which are not defined herein shall have the same meanings ascribed to them in the Addendum circulated to shareholders of the Company dated 11 March 2016 together with the Company's annual report.*

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (“**Shares**”) not exceeding in aggregate the number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this resolution (excluding any Shares which are held as treasury shares as at that date) (the “**Maximum Percentage**”), at such price or prices as may be determined by the directors from time to time up to the Maximum Price, whether by way of:
  - (i) on-market purchases, transacted on the Singapore Exchange Securities Trading Limited through the ready market, and which may be transacted through the Company's subsidiary, a licensed stockbroker, or through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
  - (ii) off-market purchases, otherwise than on a securities exchange, in accordance with an equal access scheme(s) as may be determined or formulated by the directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual,

on the terms set out in the Addendum, be and is hereby authorised and approved generally and unconditionally (the “**Share Buyback Mandate**”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors pursuant to the Share Buyback Mandate may be exercised by the directors at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earliest of:
  - (i) the date on which the next annual general meeting is held or required by law to be held; or
  - (ii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Company in general meeting, whichever is earlier; or
  - (iii) the date on which the share buybacks are carried out to the full extent mandated; and
- (c) the directors of the Company and each of them be and is hereby authorised to do such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they and/or he may consider necessary, desirable or expedient to give effect to the transactions contemplated and/or authorised by this resolution.

9 To transact such other business as can be transacted at an annual general meeting of the Company.

By Order of the Board



Chung Boon Cheow  
Secretary  
Singapore, 8 April 2016

## NOTICE OF ANNUAL GENERAL MEETING *continued*

### Notes

- 1 (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap 50.

- 2 A proxy need not be a member of the Company.
- 3 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Anthony Road #01-01, Singapore 229957 not less than 48 hours before the time appointed for holding the meeting.

### Explanatory notes and statements pursuant to Article 54 of the Constitution of the Company

**Resolution 2** – if passed, will give the members the option to participate in the UOB-Kay Hian Holdings Limited Scrip Dividend Scheme to receive new shares in lieu of all of the cash amount of the said dividend pursuant to the terms and conditions as set out in the Scrip Dividend Scheme Statement dated 6 February 2014.

**Resolution 6** – if passed, is to authorise the directors from the date of the above meeting until the date of the next annual general meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares and convertible securities which the directors may allot and issue under this resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this resolution is passed. For issues of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this resolution is passed.

**Resolution 7** – if passed, is to empower the directors to allot and issue new shares in the Company from time to time, as may be required pursuant to the UOB-Kay Hian Holdings Limited Scrip Dividend Scheme.

**Resolution 8** – if passed, is to adopt the Share Buyback Mandate. In the event the Company were to purchase or acquire its Shares, the Company will use internal cash resources and/or external borrowings to finance the purchase or acquisition of those Shares. In purchasing or acquiring Shares pursuant to the Share Buyback Mandate, the directors will, principally, consider the availability of internal resources. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on whether the Shares are purchased or acquired out of capital or profits, the number of Shares purchased or acquired, the price at which such Shares are purchased or acquired and whether the Shares purchased or acquired are held in treasury or cancelled.

An illustration of the total number of Shares which may be purchased or acquired by the Company up to the Maximum Percentage, pursuant to the Share Buyback Mandate, is contained in section 2.3.1 of the Addendum.

An illustration of the maximum amount of financing or funds required for the purchase or acquisition of Shares up to the Maximum Percentage at the relevant Maximum Price in the case of market purchases and an illustration of the maximum amount of financing or funds required for the purchase or acquisition of Shares up to the Maximum Percentage at the relevant Maximum Price in the case of off-market purchases, pursuant to the Share Buyback Mandate, are contained in section 2.7.3 of the Addendum.

An illustration of the financial effects of a purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate on the audited financial statements of the Company and its subsidiaries, for the year ended 31 December 2015 is set out in section 2.7 of the Addendum.

### Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the annual general meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the annual general meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the annual general meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



# PROXY FORM

## UOB-KAY HIAN HOLDINGS LIMITED

(Incorporated In The Republic Of Singapore)  
Company Registration No. 200004464C

### IMPORTANT

- 1 Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the annual general meeting.
- 2 For CPF/SRS investors who have used their CPF monies to buy shares in UOB-Kay Hian Holdings Limited, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
- 3 By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the notice of annual general meeting dated 8 April 2016.

I/We \_\_\_\_\_ NRIC/Passport/Co.Reg. No. \_\_\_\_\_  
of \_\_\_\_\_

being a member/members of UOB-Kay Hian Holdings Limited hereby appoint:-

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%
and/or <i>(delete as appropriate)</i>				

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the annual general meeting of the Company to be held at the Auditorium, 8 Anthony Road, Singapore 229957 on Wednesday, 27 April 2016 at 5.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the annual general meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they may on any other matter arising at the annual general meeting.

No.	Resolutions	No. of Votes For*	No. of Votes Against*
<b>Ordinary Business</b>			
1	To receive and adopt the directors' statement and audited financial statements for the year ended 31 December 2015 and the auditors' report thereon		
2	To declare a first and final one-tier tax exempt dividend		
3	To approve directors' fees		
4(a)	To re-elect Mr Francis Lee Chin Yong as director		
5	To re-appoint Deloitte & Touche LLP as auditors and to authorise the directors to fix their remuneration		
<b>Special Business</b>			
6	To authorise the directors to allot and issue shares and convertible securities		
7	To authorise the directors to allot and issue shares pursuant to the UOB-Kay Hian Holdings Limited Scrip Dividend Scheme		
8	To approve the proposed adoption of the Share Buyback Mandate		

\* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

**Total Number of Ordinary Shares Held**

\_\_\_\_\_  
Signature(s) of Member(s) or Common Seal

IMPORTANT – PLEASE READ NOTES OVERLEAF

Cut along dotted lines



**NOTES TO PROXY FORM**

- 1 If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If the number of shares is not inserted, this form of proxy will be deemed to relate to all the shares held by the member.
- 2 (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.  
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.
- 3 A proxy need not be a member of the Company.
- 4 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Anthony Road #01-01, Singapore 229957 not less than 48 hours before the time appointed for holding the meeting.
- 5 Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.
- 6 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer of the corporation.
- 7 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- 8 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
- 9 The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.



