
NEWS RELEASE

Proposed Merger Of Kay Hian Holdings Limited, UOB Securities Pte Ltd And Overseas Stockbroking Interests

Introduction

The Board of Directors of United Overseas Bank Limited (UOB) is pleased to announce that UOB Securities Pte Ltd ("UOBS"), Kay Hian Holdings Limited ("Kay Hian") [collectively, the "Companies"], UOB and United Investments Limited ("UIL"), a wholly-owned subsidiary of UOB, have on 28 March 2000 entered into a conditional agreement to merge (the "Merger") the Companies and to transfer, for a cash consideration, the stockbroking interests of UOB in Malaysia, Indonesia, Thailand, the Philippines and Hong Kong (the "Overseas Stockbroking Interests") under a single new holding company ("Newco").

UOBS, a member of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), is a company whose principal activity is to act as stockbrokers in securities. As at 31 December 1999, UOBS has an authorised share capital of S\$51,000,000 divided into 50,000,000 ordinary shares of S\$1.00 each and 1,000,000 redeemable convertible preference shares of S\$1.00 each and an issued and paid-up share capital of S\$30,000,000 divided into 30,000,000 ordinary shares of S\$1.00 each.

The Overseas Stockbroking Interests encompass UOB Securities (Philippines), Inc., UOB Securities (Thailand) Co. Ltd, P T UOBB Securities, United Mok Ying Kie Limited and Affin-UOB Holdings Sdn Bhd. UOB and its subsidiaries (the "UOB Group") have 100% interest in each of UOB Securities (Philippines), Inc. and UOB Securities (Thailand) Co. Ltd., 85% interest in P T UOBB Securities, 55% interest in United Mok Ying Kie Limited and 45% interest in Affin-UOB Holdings Sdn Bhd.

Kay Hian, also a member of the SGX-ST, is an investment holding company primarily involved in stockbroking, research activities and the provision of management services. As at 31

December 1999, Kay Hian has an authorised share capital of S\$100,000,000 divided into 1,000,000,000 ordinary shares of S\$0.10 each and an issued and paid-up share capital of S\$43,917,120 divided into 439,171,200 ordinary shares of S\$0.10 each.

The Merger will result in the creation of a large and established stockbroking group in Singapore, with businesses spanning institutional and retail stockbroking, financial futures trading and related services. Newco will have a sales force comprising approximately 454 dealers and remisiers in Singapore, backed by outstanding research and a strong commitment to online financial services. The completion of the transfer of the Overseas Stockbroking Interests will add to and expand the regional operations of Newco.

Rationale For The Merger

The Board of Directors of UOB believes that the ongoing efforts by the Singapore Government to liberalise the financial sector in Singapore (including the stockbroking industry which is facing the freeing of commissions on the SGX-ST) will generate significant new challenges and increased competition for market participants here.

The rationale for the Merger is to place Newco in a stronger position and to allow the combined company to compete more effectively in the fast changing financial services environment. The Merger will combine the best management capabilities, resources and systems from the Companies and aims to benefit from economies of scale arising from minimising the duplication of effort and investment. This will result in synergistic benefits which will lead to a more efficient stockbroking group positioned to deliver a wider range of services to its customers.

As such, the Board of Directors of UOB believes that the Merger is in the interests of the shareholders of UOB.

The Merger

The Merger will involve the following:

- a. a scheme of arrangement (the "Scheme") under Section 210 of the Companies Act, Chapter 50 of Singapore, pursuant to which the existing issued and paid-up ordinary shares in the capital of Kay Hian will be cancelled in exchange for:
 - i. the allotment and issuance by Newco of new ordinary shares of S\$0.10 each ("Newco Shares"), credited as fully paid, to the holders of the existing ordinary shares in the issued and paid-up share capital of Kay Hian;

- ii. the allotment and issuance of new ordinary shares in the issued and paid-up share capital of Kay Hian, credited as fully paid, to Newco;
- b. a share exchange agreement (the "Share Exchange Agreement"), pursuant to which UIL, the sole shareholder of UOBS and a wholly-owned subsidiary of UOB, will sell all the shares held by it in the capital of UOBS to Newco in consideration for the issue of new Newco Shares to UIL; and
- c. the transfer of the Overseas Stockbroking Interests by the UOB Group to Newco for an aggregate cash consideration based on (i) the audited net tangible asset value as at 31 December 1999 of each of the Overseas Stockbroking Interests and/or the cost of acquisition of the investments of the respective Overseas Stockbroking Interests of an aggregate amount of approximately S\$53 million and (ii) such additional amount or adjustment as may be agreed (which is currently estimated to be about S\$3 million) which includes taking into account the current market value of the stock exchange membership(s) of each of the Overseas Stockbroking Interests, if appropriate, subject to obtaining all requisite governmental and other approvals.

UOB Asia Limited has been appointed to advise the Companies on the Merger. Merrill Lynch (Singapore) Pte. Ltd. has been appointed as financial advisor to the independent directors of UOB.

Basis Of Share Swap

The basis on which the ordinary shares of Kay Hian and UOBS will be exchanged for Newco Shares would be determined by reference to the net tangible asset value of each of Kay Hian and UOBS as at 31 December 1999 based on their respective audited accounts for the financial year ended 31 December 1999 and the consolidated audited profits after tax of each of Kay Hian and UOBS for the five financial years ended 31 December 1999, giving to each of these factors a weighting of 50 per cent, subject to any adjustment as may be agreed. The exchange ratios of ordinary shares in each of Kay Hian and UOBS for Newco Shares (the "Share Exchange Ratios"), upon the Scheme becoming effective and binding and the completion of the Share Exchange Agreement, are as follows:

	<BR< TD>		Newco Shares Of S\$0.10 Each
Kay Hian shareholder	One existing ordinary share of S\$0.10 each	Exchanged for	1.00000000
Sole UOBS shareholder, namely, UIL	One existing ordinary share of S\$1.00 each	Exchanged for	9.51792698

By way of example, a holder of 1,000 ordinary shares of S\$0.10 each in the capital of Kay Hian will receive 1,000 Newco Shares of S\$0.10 each (fractions being disregarded). UIL, being the sole holder of all the 30,000,000 ordinary shares of S\$1.00 each in the capital of UOBS, will receive 285,537,809 Newco Shares of S\$0.10 each.

The actual number of Newco Shares which a shareholder will receive will be calculated such that any resultant fraction of a Newco Share will be disregarded. No cash payment will be required from UIL, the sole shareholder of UOBS, under the Share Exchange Agreement.

Financial Highlights Of UOBS And Kay Hian

For the financial year ended 31 December 1999, UOBS recorded a turnover of S\$99.89 million, a profit before tax of S\$46.82 million and a profit after tax but before extraordinary items of S\$35.19 million. As at 31 December 1999, its total assets amounted to S\$432.49 million and its total liabilities amounted to S\$216.98 million whilst its net tangible asset was S\$215.51 million.

For the financial year ended 31 December 1999, Kay Hian recorded a turnover of S\$196.85 million, a profit before tax of S\$76.57 million and a profit after tax but before extraordinary items of S\$57.82 million. As at 31 December 1999, its total assets amounted to S\$682.84 million and its total liabilities amounted to S\$381.49 million whilst its net tangible asset was S\$301.35 million.

Financial Effects Of The Merger (Excluding The Transfer Of The Overseas Stockbroking Interests)

For illustrative purposes, assuming that the Merger (excluding the transfer of the Overseas Stockbroking Interests) was effective on 1 January 1999, the proforma consolidated financial statistics of Newco for the financial year ended 31 December 1999 are summarised below:

Financial Year Ended 31 December 1999	
Proforma consolidated profit after tax but before extraordinary items	S\$93.00 million
Proforma consolidated profit after tax but before extraordinary items per Newco Share based on 724,709,009 Newco Shares of S\$0.10 each	12.83 cents
Proforma consolidated net tangible asset backing per Newco Share based on 724,709,009 Newco Shares of S\$0.10 each	S\$0.71

The total number of Newco Shares held by the shareholders of the Companies together with their respective percentage shareholdings in Newco upon the Merger becoming effective are as follows:

	Total Number Of Newco Shares	Percentage Shareholding In Newco
Kay Hian shareholders	439,171,200	60.60%
Sole UOBS shareholder, namely, UIL	285,537,809	39.40%
	724,709,009	100.00%

Notes:

1. The above calculations for the proforma consolidated profit after tax but before extraordinary items and net tangible asset backing are based on, inter alia, the consolidated accounts of each of Kay Hian and UOBS (excluding the Overseas Stockbroking Interests) for the financial year ended 31 December 1999.
2. The financial effect of the transfer of the Overseas Stockbroking Interests was excluded from the above calculations given that (i) the transfer of the Overseas Stockbroking Interests is subject to the relevant regulatory and other approvals in the respective jurisdictions and (ii) the financial effect of the transfer of the Overseas Stockbroking

Interests on the proforma consolidated profit after tax but before extraordinary items and net tangible asset backing is not expected to be material.

3. The above calculations for the total number of Newco Shares held by the shareholders of the Companies are based on the Share Exchange Ratios pursuant to the Scheme and the Share Exchange Agreement.

Approvals And Conditions For The Share Exchange Agreement And The Transfer Of The Overseas Stockbroking Interests

The completion of the Share Exchange Agreement will be subject to, inter alia, the following:

- a. the approval of the shareholders of UOB to the terms of the Share Exchange Agreement at an extraordinary general meeting to be convened;
- b. the approval from the SGX-ST for the listing of and quotation for the entire issued share capital of Newco on the Official List of the SGX-ST;
- c. the confirmation from the Securities Industry Council (the "SIC") that the Merger will not give rise to any obligation under the Singapore Code on Take-overs and Mergers on the part of UOB and/or UIL to make a take-over offer for Kay Hian and/or Newco;
- d. the receipt of all relevant governmental, regulatory and other statutory approvals and consents which UIL requires in order to enable it to implement and give effect to the Share Exchange Agreement; and
- e. the fulfilment of the conditions pursuant to the Scheme.

The completion of the transfer of the Overseas Stockbroking Interests will be subject to, inter alia, the following:

- a. the approval of the shareholders of UOB to the terms of such transfer at an extraordinary general meeting to be convened;
- b. the receipt of all relevant governmental, regulatory and other statutory approvals and consents required in the respective jurisdictions in order to give effect to such transfer;
- c. the approval from the SGX-ST for the listing of and quotation for the entire issued share capital of Newco on the Official List of the SGX-ST; and
- d. the fulfilment of the conditions pursuant to the Scheme and the Share Exchange Agreement and the completion of the Share Exchange Agreement.

Mr Wee Cho Yaw, members of his immediate family (including Mr Wee Ee Cheong and Mr Wee Ee Chao) and their family holding companies will abstain from voting on any resolution(s) to approve the Share Exchange Agreement and the transfer of the Overseas Stockbroking Interests in respect of the shares held by each of them in the capital of UOB at an extraordinary general meeting to be convened.

The SIC has ruled that the Singapore Code on Take-overs and Mergers will not apply to the Scheme and accordingly, UOB and/or UIL will not be required to make a general offer for Newco or Kay Hian following the Merger.

The lodgement of a copy of the Scheme with the Registrar of Companies and Businesses and the completion of the Share Exchange Agreement will be simultaneous, and is not subject to the completion of the transfer of the Overseas Stockbroking Interests. The completion of the transfer of each of the Overseas Stockbroking Interests is subject to the receipt of all relevant approvals in its respective jurisdiction and the satisfaction or waiver (as the case may be) of all conditions pursuant to the transfer of the Overseas Stockbroking Interests.

Subject to all relevant approvals being obtained and conditions being satisfied or waived (as the case may be), the Scheme is expected to become effective and binding, and the Share Exchange Agreement is expected to be completed, by no later than 31 December 2000.

UOBS will become a wholly-owned subsidiary of Newco upon the completion of the Share Exchange Agreement.

A document explaining the Merger in greater detail and to convene an extraordinary general meeting will be despatched to the shareholders of UOB in due course.

Disclosure Of Interests

Mr Wee Cho Yaw, Chairman & CEO of UOB, Mr Wee Ee Cheong, Deputy Chairman & President of UOB, Mr Wee Ee Chao, Mr Wee Ee Lim and Wee Investments Private Ltd are substantial shareholders of UOB with a total interest (both direct and deemed) of approximately 16.13% in the issued and paid-up share capital of UOB. Mr Wee Ee Chao is a substantial shareholder of Kay Hian with a deemed interest of 26.24% in the issued and paid-up share capital of Kay Hian. Messrs Wee Cho Yaw, Wee Ee Cheong and Wee Ee Lim are related to Mr Wee Ee Chao. Messrs Wee Cho Yaw, Wee Ee Cheong, Wee Ee Chao and Wee Ee Lim have

deemed interests in the issued and paid-up share capital of UOB held by Wee Investments Private Ltd.

Audit Committee

The Audit Committee of UOB is of the view that the Merger is on normal commercial terms and is not prejudicial to the interests of the shareholders of UOB.

By Order Of The Board

Mrs Vivien Chan

Group Company Secretary

Dated this 28th day of March 2000