

# UOB KayHian

**UOB-KAY HIAN HOLDINGS LIMITED**

Financial Statements

And Dividend Announcement

For Full Year Ended 31 December 2005

(Co. Ref. No. 200004464C)

These figures have not been audited.

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

	The Group					
	12 months ended	12 months ended	Increase / (Decrease)	3 months ended	3 months ended	Increase / (Decrease)
	31/12/2005	31/12/2004	%	31/12/2005	31/12/2004	%
	S\$'000	S\$'000		S\$'000	S\$'000	
<b>Revenue</b>						
Commission income	258,893	276,486	(6.4)	61,370	61,066	0.5
Interest income	28,871	20,499	40.8	9,323	5,690	63.8
Gross dividend from quoted securities	3,072	2,300	33.6	629	1,358	(53.7)
Foreign exchange gain / (loss)	5,186	1,962	164.3	(435)	(378)	15.1
Gain on dilution of interest in subsidiary	6,024	-	N.M.	6,024	-	N.M.
Facility, shares withdrawal and arrangement fees	5,917	9,182	(35.6)	2,989	1,413	111.5
Other operating income	4,357	4,680	(6.9)	486	1,458	(66.7)
<b>Total revenue</b>	<b>312,320</b>	<b>315,109</b>	<b>(0.9)</b>	<b>80,386</b>	<b>70,607</b>	<b>13.8</b>
<b>Costs and expenses</b>						
Commission expenses	(64,478)	(65,985)	(2.3)	(15,333)	(14,316)	7.1
Personnel expenses	(98,115)	(93,576)	4.9	(29,663)	(24,938)	18.9
Depreciation and amortisation expenses	(7,794)	(7,523)	3.6	(1,600)	(1,508)	6.1
Allowance for impairment of trade debtors	556	(31)	(1,893.5)	(22)	(570)	(96.1)
Interest expenses	(3,967)	(1,740)	128.0	(2,204)	(559)	294.3
Other operating expenses	(48,718)	(48,144)	1.2	(13,115)	(12,006)	9.2
	<b>(222,516)</b>	<b>(216,999)</b>	<b>2.5</b>	<b>(61,937)</b>	<b>(53,897)</b>	<b>14.9</b>
<b>Profit from operations</b>	<b>89,804</b>	<b>98,110</b>	<b>(8.5)</b>	<b>18,449</b>	<b>16,710</b>	<b>10.4</b>
Share of results of associated companies before tax <sup>1</sup>	3,425	9,276	(63.1)	554	5,563	(90.0)
<b>Profit before tax</b>	<b>93,229</b>	<b>107,386</b>	<b>(13.2)</b>	<b>19,003</b>	<b>22,273</b>	<b>(14.7)</b>
Income tax expense <sup>2</sup>	(17,493)	(22,052)	(20.7)	(2,084)	(5,661)	(63.2)
<b>Profit from ordinary activities after tax</b>	<b>75,736</b>	<b>85,334</b>	<b>(11.2)</b>	<b>16,919</b>	<b>16,612</b>	<b>1.8</b>
<b>Attributable to :</b>						
Equity holders of the Company	75,448	85,386	(11.6)	16,663	16,625	0.2
Minority interest	288	(52)	(653.8)	256	(13)	(2,069.2)
	<b>75,736</b>	<b>85,334</b>	<b>(11.2)</b>	<b>16,919</b>	<b>16,612</b>	<b>1.8</b>

N.M. = Not Meaningful.

	12 months ended	12 months ended	3 months ended	3 months ended
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
	S\$'000	S\$'000	S\$'000	S\$'000
<sup>1</sup> Share of results of associated companies after tax	2,812	8,620	431	5,562
<sup>2(a)</sup> Income tax expense (excluding share of tax of associated companies)	(16,880)	(21,396)	(1,961)	(5,660)
<sup>2(b)</sup> Over/(under) provision of taxation in respect of prior years	62	160	(1)	215

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	The Group		The Company	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
<b>ASSETS</b>				
<b><u>Current assets</u></b>				
Cash and cash equivalents	224,142	280,327	51,721	52,615
Outstanding contracts receivable	647,331	449,947	-	-
Trade debtors	561,280	402,108	-	-
Financial assets at fair value through profit or loss	2,321	13,283	-	-
Other receivables, deposits and prepayments	13,672	16,230	64,026	35,002
	<u>1,448,746</u>	<u>1,161,895</u>	<u>115,747</u>	<u>87,617</u>
<b><u>Non-current assets</u></b>				
Loans to subsidiaries	-	-	32,461	32,028
Investments				
- in subsidiaries	-	-	266,998	315,124
- in associated companies	37,917	39,252	-	-
Available-for-sale financial assets	29,662	4,021	-	-
Trading rights in Exchanges	115	112	-	-
Memberships in Exchanges	26	119	-	-
Fixed assets	6,315	9,332	-	-
Deferred tax assets	35	1,438	-	-
	<u>74,070</u>	<u>54,274</u>	<u>299,459</u>	<u>347,152</u>
<b>Total assets</b>	<b><u>1,522,816</u></b>	<b><u>1,216,169</u></b>	<b><u>415,206</u></b>	<b><u>434,769</u></b>
<b>LIABILITIES</b>				
<b><u>Current liabilities</u></b>				
Outstanding contracts payable	629,808	398,990	-	-
Trade and other payables	48,583	70,005	21,613	4,697
Financial liabilities at fair value through profit or loss	28	9,591	-	-
Borrowings	71,776	52,966	-	-
Current tax liabilities	25,659	24,596	281	146
	<u>775,854</u>	<u>556,148</u>	<u>21,894</u>	<u>4,843</u>
<b><u>Non-Current liabilities</u></b>				
Deferred Tax	799	-	-	-
<b>Total liabilities</b>	<b><u>776,653</u></b>	<b><u>556,148</u></b>	<b><u>21,894</u></b>	<b><u>4,843</u></b>
<b><u>Clients' trust / segregated accounts</u></b>				
Bank balances				
- with affiliated corporations	71,318	79,099	-	-
- with non-related banks	211,175	199,513	-	-
Margin with clearing houses	5,858	14,029	-	-
Less: Amounts held in trust	(288,351)	(292,641)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<b><u>746,163</u></b>	<b><u>660,021</u></b>	<b><u>393,312</u></b>	<b><u>429,926</u></b>
<b><u>SHAREHOLDERS' EQUITY</u></b>				
Share capital	72,471	72,471	72,471	72,471
Reserves	247,246	252,029	154,206	202,332
Retained earnings	412,960	332,284	166,635	155,123
	<u>732,677</u>	<u>656,784</u>	<u>393,312</u>	<u>429,926</u>
<b>Minority interests</b>	<b>13,486</b>	<b>3,237</b>	<b>-</b>	<b>-</b>
	<b><u>746,163</u></b>	<b><u>660,021</u></b>	<b><u>393,312</u></b>	<b><u>429,926</u></b>

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

	The Group			
	As at 31/12/2005		As at 31/12/2004	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amounts repayable in one year or less, or on demand	1,468	70,308	782	52,184
Amounts repayable after one year	-	-	-	-

### Details of any collateral

Details of secured group borrowings are as follows:

- Bank overdraft of a subsidiary amounting to S\$1,467,716 are secured by a fixed charge over immovable fixed assets and a floating charge over all assets of the subsidiary.

## 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	The Group			
	12 months ended 31/12/2005	12 months ended 31/12/2004	3 months ended 31/12/2005	3 months ended 31/12/2004
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>				
Profit before tax and after share of results of associated companies	93,229	107,386	19,003	22,273
Adjustments for:				
Share of results of associated companies	(3,425)	(9,276)	(554)	(5,563)
Depreciation and amortisation expenses	7,794	7,523	1,600	1,508
Gain on dilution of interest in subsidiary	(6,024)	-	(6,024)	-
Loss on disposal of fixed assets	2	136	-	192
Gross dividend income from quoted securities	(3,072)	(2,300)	(629)	(1,358)
Interest income	(28,871)	(20,499)	(9,323)	(5,690)
Interest expense	3,967	1,740	2,204	559
Exchange differences	(47)	(2,677)	(1,491)	(871)
Operating cash flow before working capital changes	63,553	82,033	4,786	11,050
Changes in operating assets and liabilities:				
Financial assets at fair value through profit or loss	1,072	4,377	6,103	4,392
Debtors and outstanding contracts receivable	(337,297)	347,828	357,538	350,723
Due from/to associated companies	(73)	377	-	(29)
Creditors and outstanding contracts payable	209,469	(380,314)	(313,653)	(324,080)
Cash (utilised in) / generated from operations	(63,276)	54,301	54,774	42,056
Interest received	28,871	20,517	9,323	5,708
Interest paid	(3,967)	(1,740)	(2,204)	(559)
Drawdown of short-term bank loans	16,737	20,366	33,266	18,282
Income tax paid	(15,878)	(18,902)	617	(1,225)
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(37,513)</b>	<b>74,542</b>	<b>95,776</b>	<b>64,262</b>
<b>Cash flows from investing activities</b>				
Payments for fixed assets	(1,964)	(3,010)	(476)	(1,526)
Proceeds from disposal of fixed assets	37	64	1	-
Acquisition of business	-	(3,137)	-	(3,137)
Contributions by minority interests	18,470	0	18,470	-
Payment for redemption of shares by a subsidiary	(2,717)	(2,783)	-	72
Dividends received	8,912	22,506	1,150	21,452
<b>Net cash inflow from investing activities</b>	<b>22,738</b>	<b>13,640</b>	<b>19,145</b>	<b>16,861</b>
<b>Cash flows from financing activities</b>				
Dividends paid	(43,483)	(40,584)	-	-
<b>Net cash (outflow) from financing activities</b>	<b>(43,483)</b>	<b>(40,584)</b>	<b>-</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents during the financial period</b>	<b>(58,258)</b>	<b>47,598</b>	<b>114,921</b>	<b>81,123</b>
<b>Cash and cash equivalents at beginning of the financial period</b>	<b>278,422</b>	<b>230,824</b>	<b>105,243</b>	<b>197,299</b>
<b>Cash and cash equivalents at end of the financial period</b>	<b>220,164</b>	<b>278,422</b>	<b>220,164</b>	<b>278,422</b>

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (continued)**

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

	<b>The Group</b>	
	<b>As at 31/12/2005 S\$'000</b>	<b>As at 31/12/2004 S\$'000</b>
Cash and bank balances	224,142	280,327
Less: Bank overdrafts	(3,978)	(1,905)
Cash and cash equivalents per consolidated cash flow statement	220,164	278,422

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**STATEMENT OF CHANGES IN EQUITY – THE GROUP**

	<b>Share capital S\$'000</b>	<b>Capital reserve S\$'000</b>	<b>Capital reserve on consolidation S\$'000</b>	<b>Statutory Reserve S\$'000</b>	<b>Fair value reserve S\$'000</b>	<b>Foreign currency translation reserve S\$'000</b>	<b>Retained earnings S\$'000</b>	<b>Minority interests S\$'000</b>	<b>Total Equity S\$'000</b>
<b>Balance at 1 January 2005</b>									
- As previously reported	72,471	202,332	53,898	-	-	(4,201)	332,284	3,237	660,021
- Effect of changes in accounting policies adjusted prospectively	-	-	-	-	14,070	-	18,789	-	32,859
- As restated	72,471	202,332	53,898	-	14,070	(4,201)	351,073	3,237	692,880
Fair value gains on available-for-sale financial assets	-	-	-	-	11,199	-	-	-	11,199
Currency translation differences	-	-	-	-	-	102	-	(209)	(107)
Net gain recognised directly in equity	-	-	-	-	11,199	102	-	(209)	11,092
Net profit for the financial year	-	-	-	-	-	-	75,448	288	75,736
<b>Total recognised gains and losses for the financial year</b>	-	-	-	-	11,199	102	75,448	79	86,828
Net transfer to retained profits and adjustment to capital reserve on consolidation for dividend received from subsidiaries distributed out of its pre-acquisition profits	-	(48,126)	17,373*	-	-	-	30,753	-	-
Final Dividend for 2004 paid	-	-	-	-	-	-	(40,584)	-	(40,584)
Interim Dividend for 2005 paid	-	-	-	-	-	-	(2,899)	-	(2,899)
Dilution of interest in subsidiary	-	-	-	(191)	(41)	-	-	12,887	12,655
Transfer from Retained Earnings to Statutory Reserves	-	-	-	831	-	-	(831)	-	-
Payment of redemption of shares by a subsidiary	-	-	-	-	-	-	-	(2,717)	(2,717)
<b>Balance at 31 December 2005</b>	<b>72,471</b>	<b>154,206</b>	<b>71,271</b>	<b>640</b>	<b>25,228</b>	<b>(4,099)</b>	<b>412,960</b>	<b>13,486</b>	<b>746,163</b>

\* Adjustment for dividend payment previously over adjusted from capital reserve on consolidation.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. *(continued)*

**STATEMENT OF CHANGES IN EQUITY – THE GROUP** *(continued)*

	Share capital S\$'000	Capital Reserve S\$'000	Capital Reserve on consolidation S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Minority interests S\$'000	Total Equity S\$'000
<b>Balance at 1 January 2004</b>	72,471	202,332	53,898	(814)	287,482	6,120	621,489
Currency translation differences	-	-	-	(3,387)	-	(158)	(3,545)
Net profit for the financial year	-	-	-	-	85,386	58	85,444
<b>Total recognised gains and losses for the financial year</b>	-	-	-	(3,387)	85,386	(100)	81,899
Final Dividend for 2003 paid	-	-	-	-	(37,685)	-	(37,685)
Interim Dividend for 2004 paid	-	-	-	-	(2,899)	-	(2,899)
Payment of redemption of shares by a subsidiary	-	-	-	-	-	(2,783)	(2,783)
<b>Balance at 31 December 2004</b>	<b>72,471</b>	<b>202,332</b>	<b>53,898</b>	<b>(4,201)</b>	<b>332,284</b>	<b>3,237</b>	<b>660,021</b>

**STATEMENT OF CHANGES IN EQUITY – THE COMPANY**

	Share Capital S\$'000	Capital Reserve S\$'000	Retained earnings S\$'000	Total S\$'000
<b>Balance at 1 January 2005</b>	72,471	202,332	155,123	429,926
Net profit and total recognised gain for the financial year	-	-	6,869	6,869
Transfer to retained profits for dividend received from subsidiaries distributed out of its pre-acquisition profits	-	(48,126)	48,126	-
Final Dividend for 2004 paid	-	-	(40,584)	(40,584)
Interim Dividend for 2005 paid	-	-	(2,899)	(2,899)
<b>Balance at 31 December 2005</b>	<b>72,471</b>	<b>154,206</b>	<b>166,635</b>	<b>393,312</b>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. *(continued)*

STATEMENT OF CHANGES IN EQUITY – THE COMPANY *(continued)*

	Share Capital S\$'000	Capital Reserve S\$'000	Retained earnings S\$'000	Total S\$'000
<b>Balance at 1 January 2004</b>	72,471	202,332	196,038	470,841
Net loss and total recognised losses for the financial year	-	-	(331)	(331)
Final Dividend for 2003 paid	-	-	(37,685)	(37,685)
Interim Dividend for 2004 paid	-	-	(2,899)	(2,899)
<b>Balance at 31 December 2004</b>	<b>72,471</b>	<b>202,332</b>	<b>155,123</b>	<b>429,926</b>

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

NIL

2 Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910. (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed by the auditors.

3 Where the figures have been audited or reviewed, the auditors' report. (including any qualifications or emphasis of matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group and the Company have applied the same accounting policies in the financial statements for the current reporting period compared to the audited financial statements as at 31 December 2004 except as stated in item 5 below.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

**Changes in accounting policies**

In 2005, the Group and the Company adopted the Financial Reporting Standards (FRS) below. The 2004 comparatives have been amended where as required, in accordance with the relevant transitional provisions in the respective FRS.

- FRS 1 (revised 2004) Presentation of Financial Statements
- FRS 8 (revised 2004) Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 10 (revised 2004) Events after the Balance Sheet Date
- FRS 16 (revised 2004) Property, Plant and Equipment
- FRS 17 (revised 2004) Leases
- FRS 21 (revised 2004) The Effects of Changes in Foreign Exchange Rates
- FRS 24 (revised 2004) Related Party Disclosures
- FRS 27 (revised 2004) Consolidated and Separate Financial Statements
- FRS 28 (revised 2004) Investments in Associates
- FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation
- FRS 33 (revised 2004) Earnings per share
- FRS 36 (revised 2004) Impairment of Assets
- FRS 38 (revised 2004) Intangible Assets
- FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement
- FRS 105 Non-current Assets Held for Sale and Discontinued Operations

The adoption of the above FRS did not result in changes to the Group's and Company's accounting policies except as disclosed below:

**I Effect of changes to the financial statements**

- (a) FRS 39 is applied prospectively with effect from 1 January 2005 and consequently affects the following consolidated balance sheet items as at 1 January 2005:

<b>Group</b>	Increase / (decrease)
<u>Description of change</u>	FRS 39 (revised 2004)
<u>Consolidated balance sheet items at</u>	<u>01/01/2005</u>
	S\$'000
Fair value reserve	14,070
Retained earnings	18,789
Other financial assets (Non-current)	13,323
Other financial assets (Current)	19,536

- (b) FRS 39 affects the following consolidated balance sheet items as at 31 December 2005 and consolidated income statement items for the financial year:

<b>Group</b>	Increase / (decrease)
<u>Description of change</u>	FRS 39 (revised 2004)
<u>Consolidated balance sheet items at</u>	<u>31/12/2005</u>
	S\$'000
Fair value reserve	25,228
Retained earnings	18,789
Other financial assets (Non-current)	24,481
Other financial assets (Current)	19,579
Other financial liabilities (Current)	(1)
<u>Consolidated income statement items for the financial year</u>	<u>31/12/2005</u>
	S\$'000
Fair value (gains) / losses of financial assets / liabilities	(42)
Profit after tax attributable to members of the company	(42)
Basic and diluted earning per share	0.01 cent



**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change. (continued)**

**II Description of changes**

- (a) FRS 27 (revised 2004) requires the Group to present minority interests in the consolidated balance sheet within equity, separately from the shareholders' equity of the Company. The superseded FRS 27 did not require the presentation of minority interests within equity.
- (b) FRS 39 (revised 2004) and FRS 32 (revised 2004) have affected:
- (i) Classification and consequential accounting of financial assets and financial liabilities

FRS 39 requires all financial assets and liabilities to be classified into appropriate categories at initial recognition and re-evaluates this designation at every reporting date. The classification depends on the purpose for which the financial asset or liabilities were acquired or incurred. The categories and the respective subsequent measurement rules are as follows:

- Financial assets or financial liabilities at fair value through profit or loss

The Group's investment in quoted equity investments and derivative contracts that are not hedges are classified in this category. The Group's investment in equity investment is classified in this category if they were acquired principally for the purpose of selling in the short term. They are initially recognised at fair value and subsequently re-measured to fair value at the balance sheet date with all gains and losses recognised in profit or loss in the period in which the change in fair value arise.

Previously, the Group's equity investments in which the Group intend to sell in the short term were stated at the lower of cost and market value on an individual security basis, with changes in market value included in the income statement.

- Loans and receivables

These include the Group's trade and other receivables and cash and bank balances. They are initially recognised at its fair value plus transaction costs and subsequently accounted for at amortised cost using the effective interest method, less impairment (see note (ii) below).

Previously, the Group's trade and other receivables were stated at the gross proceeds receivable less an allowance for doubtful receivable. Cash and bank balances were recognised at cost. Interest-free loans from the Company to its subsidiaries were stated at gross receivables in the Company's balance sheet.

- Available-for-sale financial assets

These include the Group's investments that are not classified in the 3 categories above, namely the investment in equity interest of other companies. They are initially recognised at their fair values and subsequently measured at the fair values at the balance sheet date with all gains and losses other than impairment loss taken to equity. Impairment losses are taken to the income statement in the period it arises. On disposal, gains and losses previously taken to equity are included in the income statement.

Previously, such investments of the Group were stated at cost less provision for diminution in value that was other than temporary, which was charged to the income statement when it arose. Any reversal of the provision was also included in the income statement.

- Other financial liabilities

These are financial liabilities that are not held for trading nor designated as fair value through profit or loss. These include the Group's trade and other payables and bank borrowings. They are initially recognised at its fair value less transaction costs and subsequently accounted for at amortised cost using the effective interest method.

Previously, trade and other payables were stated at cost. Bank borrowings were stated at the proceeds received and transaction costs on borrowings were classified as deferred charges and amortised on a straight-line basis over the period of the borrowings.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change. (continued)**

(ii) Impairment and uncollectibility of financial assets

FRS 39 (revised 2004) requires the Group to assess at each balance sheet date if there is any objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Impairment of trade receivables is established when there is objective that the Group will not be able to collect all amounts due according to the original terms of receivables. The impairment charge is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The impairment charge is recognised in the income statement.

Previously, the Group maintained a general provision against its trade and other receivables for risks that are not specifically identified to any customer. See note (i) above for previous accounting treatment of investments.

(iii) Fair values of financial assets and liabilities

At each balance sheet date, the fair values of quoted financial assets and liabilities are based on current bid and offer prices respectively. If the market for a financial asset or liabilities is not active (and for unquoted financial assets and liabilities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Previously, the Group used the last transacted prices of quoted financial assets or liabilities as the market values. Fair values of unquoted financial assets were estimated by reference to the net asset value of this company as at the balance sheet date.

**6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
Earnings per ordinary share for the period after deducting any provision for preference dividends:-		
(i) Based on weighted average number of ordinary shares in issue	10.41 cents	11.78 cents
(ii) On a fully diluted basis	10.41 cents	11.78 cents

**7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on; and (b) immediately preceding financial year.**

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	101.10 cents	90.63 cents	54.27 cents	59.32 cents

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affect the turnovers, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

### Operating Profit and Expenses

The Group has made a profit after taxation of S\$75.7million in 2005 compared to S\$85.3million in 2004. Approximately 24% of 2005 profits are generated by the overseas subsidiaries compared to 29% in 2004.

The Group listed its subsidiary on the Stock Exchange of Thailand in the 4<sup>th</sup> quarter 2005. As a result, the Group made a gain of S\$6.0million on dilution of its interest in this subsidiary from 100% to 77%. The lower profit after tax is mainly due to lower commission income, fees income and higher personnel expenses. The decrease in the Group commission income is mainly due to reduction in Thailand market turnover.

Changes in accounting policy due to the adoption of FRS39 resulted in a write-back of previous years' provisions after tax totalling S\$18.8million into the opening retained earnings for 2005. The bonus provided in personnel expenses in 2005 took this additional S\$18.8million into consideration as profits in previous years had been reduced by this amount and no bonus was paid thereon.

Lower share of income derived from associated companies mainly arose from realisation of the sale of the Malaysian stockbroking business and its dealing licence which was completed in 4<sup>th</sup> quarter of 2004.

### Balance Sheet

Generally, the variations in the Group's balance sheet items between financial years/quarters are dependent on the volume of business activities towards the end of each reporting year/quarter. The substantial increase of non-current available-for-sale financial assets is mainly due to adoption of the accounting policy required by FRS39 to mark to market its financial assets.

In accordance with the transitional provisions of FRS39, adjustments of S\$32.9million have been credited to the opening reserves due to fair value adjustments and write back of general provision for doubtful debts in respect of previous years.

Inter-company balances are included in the Company's other receivables, deposits and prepayment and trade and other payables.

- 9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

- 10 A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The market sentiments in Singapore, Hong Kong and Thailand have remained bullish since beginning of 2006. As the bulk of the Group's revenue is derived from commission income, profitability will be dependent to a material extent upon the levels of turnover in the Singapore, Hong Kong, Thailand markets. If the current turnover continues, we expect the Group to remain profitable.

**11 Dividend**

**(a) Current Financial Period Reported On**

*Any dividend declared for the current financial year reported on?* **Yes**

Name of Dividend	Proposed Final	Interim
Dividend Type	Cash	Cash
Dividend Rate	77% per ordinary share less tax	5% per ordinary share less tax
Dividend Amount per share (in cents)	8 cents per share less tax	0.5 cent per share less tax
Par value of shares	\$0.10	\$0.10
Tax Rate	20%	20%

**(b) Corresponding Period of the Immediately Preceding Financial Period**

*Any dividend declared for the corresponding period of the immediately preceding financial year?* **Yes**

Name of Dividend	Proposed Final	Interim
Dividend Type	Cash	Cash
Dividend Rate	70% per ordinary share less tax	5% per ordinary share less tax
Dividend Amount per share (in cents)	7 cents per share less tax	0.5 cent per share less tax
Par value of shares	\$0.10	\$0.10
Tax Rate	20%	20%

**(c) Date payable**

The final ordinary dividend will be paid on 30 May 2006, subject to the approval of shareholders of the Company at the Annual General Meeting to be convened at 6:00pm on 27 April 2006 at the Penthouse, UOB Limited, 80 Raffles Place, 61<sup>st</sup> Storey, UOB Plaza 1, Singapore 048624.

**(d) Books closure date**

Notice is hereby given that the Transfer Books and Register of Members of the Company will be closed on 16 May 2006 for the preparation of Dividend Warrants. Registrable transfers received by the Company's Registrar, B.A.C.S. Private Limited of 63 Cantonment Road, Singapore 089758 no later than 5:00pm on 15 May 2006, will be registered before entitlements to the dividends are determined.

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

Not applicable.

**13 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

	The Group 2005					Total S\$'000
	Singapore S\$'000	Hong Kong S\$'000	Thailand S\$'000	Others S\$'000	Elimination S\$'000	
<b>Revenue</b>						
External sales	199,503	84,969	21,290	6,558	-	312,320
Inter-segmental sales	8,339	-	4,103	5,378	(17,820)	-
	<u>207,842</u>	<u>84,969</u>	<u>25,393</u>	<u>11,936</u>	<u>(17,820)</u>	<u>312,320</u>
Segment results	66,061	9,701	11,225	2,094	723	89,804
Share of results of associated companies before tax	3,043	-	-	382	-	3,425
Profit before tax						93,229
Income tax expense						(17,493)
Profit after tax						75,736
Minority Interests						(288)
<b>Net profit attributable to members of the Company</b>						<b><u>75,448</u></b>
Segment assets	1,033,207	498,975	100,426	41,019	(188,763)	1,484,864
Associated companies	33,186	-	-	4,731	-	37,917
Deferred tax assets						35
<b>Consolidated total assets</b>						<b><u>1,522,816</u></b>
Segment liabilities	446,674	445,897	42,895	3,964	(189,235)	750,195
Current tax liabilities						25,659
Deferred tax liabilities						799
<b>Consolidated total liabilities</b>						<b><u>776,653</u></b>
<b>Other segment items</b>						
Capital expenditure	804	683	302	175	-	1,964
Depreciation of fixed assets	2,601	1,322	903	88	-	4,914
Amortisation of intangible assets	-	2,837	-	-	-	2,837
Amortisation of trading rights in Exchange	-	43	-	-	-	43

**13 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year. (continued)**

	The Group					Total S\$'000
	2004					
	Singapore S\$'000	Hong Kong S\$'000	Thailand S\$'000	Others S\$'000	Elimination S\$'000	
<b>Revenue</b>						
External sales	216,286	69,060	25,402	4,361	-	315,109
Inter-segmental sales	6,983	-	3,628	3,972	(14,583)	-
	<u>223,269</u>	<u>69,060</u>	<u>29,030</u>	<u>8,333</u>	<u>(14,583)</u>	<u>315,109</u>
Segment results	72,460	13,969	12,213	58	(590)	98,110
Share of results of associated companies before tax	3,925	-	-	5,351	-	<u>9,276</u>
Profit before tax						107,386
Income tax expense						<u>(22,052)</u>
Profit after tax						85,334
Minority Interests						<u>52</u>
<b>Net profit attributable to members of the Company</b>						<b><u>85,386</u></b>
Segment assets	852,697	274,800	59,925	74,449	(86,392)	1,175,479
Associated companies	29,889	-	-	9,363	-	39,252
Deferred tax assets						<u>1,438</u>
<b>Consolidated total assets</b>						<b><u>1,216,169</u></b>
Segment liabilities	328,655	234,020	28,483	25,834	(85,440)	531,552
Current tax liabilities						24,596
Deferred tax liabilities						<u>-</u>
<b>Consolidated total liabilities</b>						<b><u>556,148</u></b>
<b>Other segment items</b>						
Capital expenditure	1,205	1,401	381	23	-	3,010
Depreciation of fixed assets	2,906	980	1,104	79	-	5,069
Amortisation of intangible assets	2,054	270	-	-	-	2,324
Amortisation of trading rights in Exchange	-	130	-	-	-	<u>130</u>

**14 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

See Item 8.

**15 Breakdown of revenue**

	<b>The Group</b>		<b>% Increase / (Decrease)</b>
	<b>S\$'000</b>	<b>S\$'000</b>	
	<b>For the year ended 31/12/2005</b>	<b>For the year ended 31/12/2004</b>	
Revenue reported for first half year	142,449	187,029	(23.8)
Operating profit after tax but before minority interests reported for first half year	33,985	55,101	(38.3)
Revenue reported for second half year	169,871	128,080	32.6
Operating profit after tax but before minority interests reported for second half year	41,751	30,233	38.1

**16 Breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

	<b>2005 S\$'000</b>	<b>2004 S\$'000</b>
Ordinary	49,280,213	43,482,541
Preference	-	-
<b>Total</b>	<b>49,280,213</b>	<b>43,482,541</b>

**BY ORDER OF THE BOARD**

**Wee Ee-chao**  
**Managing Director**  
**28 February 2006**