UOBKayHian
Your trusted broking partner

leadership

Breaking new grounds with out-of-the-box solutions

UOB-Kay Hian Holdings Limited | Annual Report 2013

Contents

Corporate Information & Market Review

Financial Statements

Corporate Information

Board of Directors

Wee Ee-chao
Chairman and Managing Director

Esmond Choo Liong Gee
Senior Executive Director

Neo Chin Sang
Executive Director

Dr. Henry Tay Yun Chwan
Independent Director

Chelva Retnam Rajah
Independent Director

Roland Knecht
Independent Director

Walter Tung Tau Chyr
Independent Director

Francis Lee Chin Yong
Non-Executive Director

Tang Wee Loke
Non-Executive Director

Audit Committee

Dr. Henry Tay Yun Chwan
Chairman

Chelva Retnam Rajah

Francis Lee Chin Yong

Nominating Committee

Roland Knecht
Chairman

Chelva Retnam Rajah

Tang Wee Loke

Remuneration Committee

Chelva Retnam Rajah
Chairman

Dr. Henry Tay Yun Chwan

Walter Tung Tau Chyr

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
63 Cantonment Road
Singapore 089758

Auditors

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

6 Shenton Way #32-00
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 is a regional broking and corporate finance services Group headquartered in Singapore. We are a widely recognised brand in every country 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 enrolled in our institutional and retail sales force. In addition to our broking agency services, we provide high value added services in corporate fund raising by deploying our wide and deep distribution capabilities to IPOs, secondary placements and other corporate finance and investment banking activities.

Through a series of acquisitions since 2001, in addition to Singapore our regional distribution footprint now spans regional financial centres such as 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 pulse of regional economic activities availing us the deep market knowledge necessary to respond appropriately to our clients.

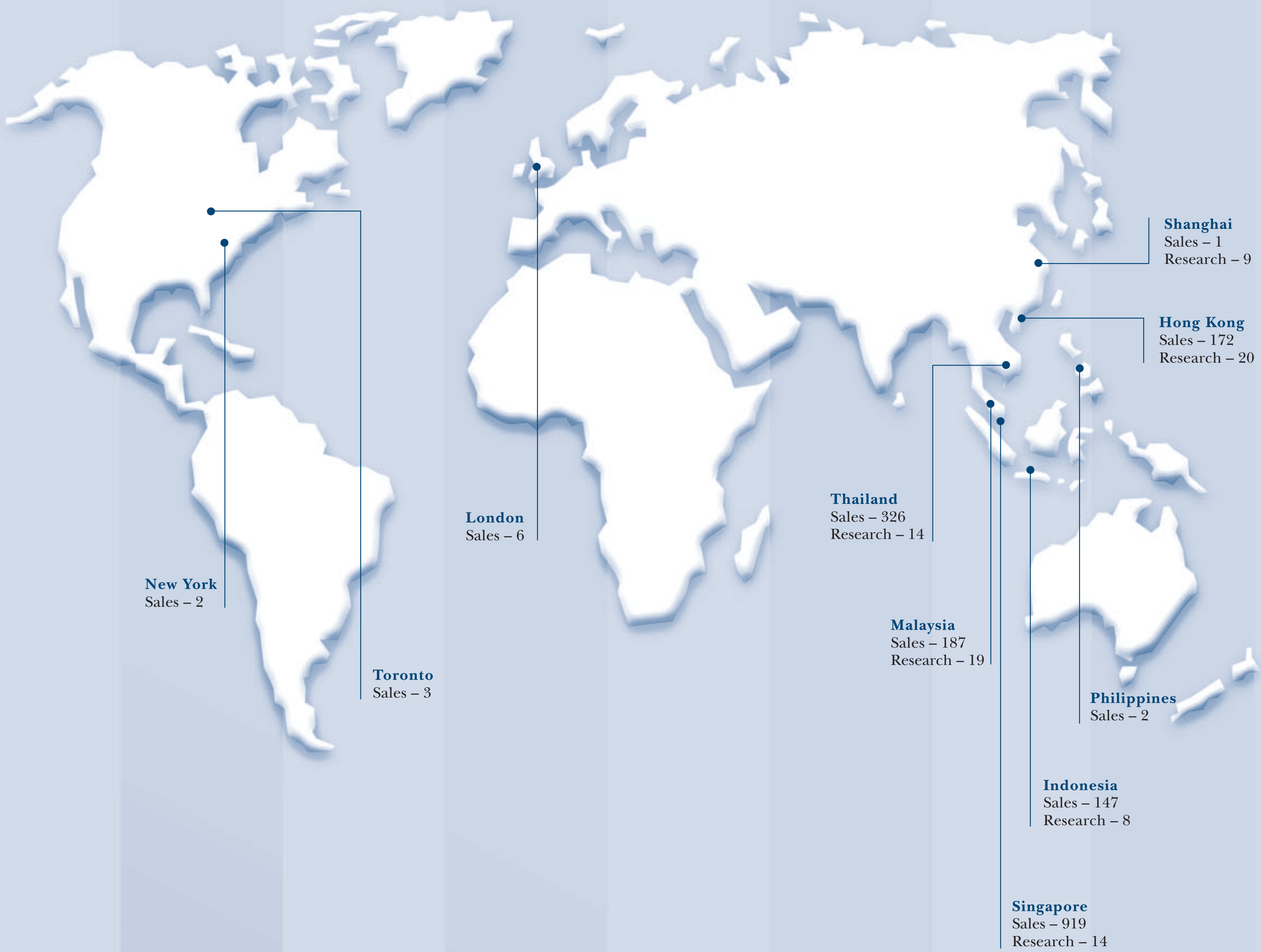
Group wide we employ approximately 2,768 professional and support staff globally. Our staff enrolment includes 1,765 sales traders and agents, 84 research analysts and 919 management, credit and back-office support staff.

We have achieved considerable scale and operational leverage from our synergistic acquisitions since 2001. We believe that our non-discretionary and fixed operating costs as a percentage of our revenue are the lowest amongst the brokerages in Singapore. Our efficient cost structure provides a defensive business model that helps us better weather the volatile trading conditions which have resulted from the ongoing uncertainties affecting global financial markets.

The demand by 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 strong cash position will allow us to benefit from business and corporate finance opportunities brought about by increasingly difficult credit conditions.

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. We are also a market leader in Singapore in providing a full range of corporate finance services ranging from financial advisory and investment banking, underwriting and placement services in both primary and secondary listings.

Acquisition Finance

We have acted as financer / arranger for transactions for principals acquiring strategic stakes in regional listed companies. Our key differentiators are our highly responsive, innovative and discreet service.

Retail and Institutional Sales

UOB Kay Hian is the largest stockbroker in Singapore, with 919 retail and institutional sales personnel. In addition, we have 846 sales executives covering Thailand, Hong Kong, China, the Philippines, Malaysia, Indonesia, UK, US and Canada. With our regional research coverage, we are able to provide a regional sales distribution that has 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, intuitive tools and ease of use.

Margin-based Finance

Our margin-based financing business complements our sales and distribution capability. 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

We commenced our Leveraged Foreign Exchange services to institutional and accredited investors in mid-13, and will be extending our services to target clients in the region.

Wealth Management

We have a team of dedicated sales personnel providing wealth management services in Singapore and Hong Kong. This further enhances our suite of services for our high networth clientele.

Contract for Differences (CFD)

We launched our CFD products for Singapore equities in 1Q14 and will be expanding our product base to include shares traded on major exchanges as well as major global indices. Our Direct Market Access platform offers clients price transparency and boosts an extensive inventory of available counters for covering short positions across these markets at highly competitive rates.

Group Financial Highlights

	Group For the Year Ended 31.12.2013 (S$'000)	Group For the Year Ended 31.12.2012 (S$'000)	Group For the Year Ended 31.12.2011 (S$'000)	Group For the Year Ended 31.12.2010 (S$'000)
Revenue & Foreign Exchange Gain	**449,930**	328,976	386,330	446,477
Profit from Operations	**113,537**	79,740	108,949	166,442
Profit Before Tax	**113,537**	79,740	108,949	166,442
Profit After Tax	**96,346**	67,296	93,249	140,938
Profit After Tax and Non-controlling Interests	**93,318**	65,727	91,935	139,519
Shareholders' Equity (excluding non-controlling interests)	**1,148,108**	1,085,568	1,086,798	1,063,321
Earnings Per Share	**12.88 cents**	9.07 cents	12.69 cents	19.25 cents
Gross Dividend Per Share (Note a)	**6.50 cents**	4.50 cents	6.50 cents	9.50 cents
Net Assets Per Share (Note b)	**158.42 cents**	149.79 cents	149.96 cents	146.72 cents
Percentage Return on Shareholders' Equity				
Profit Before Tax	**10.17%**	7.34%	10.13%	16.03%
Profit After Tax	**8.63%**	6.19%	8.67%	13.57%
Profit After Tax and Non-controlling Interests	**8.36%**	6.05%	8.55%	13.43%

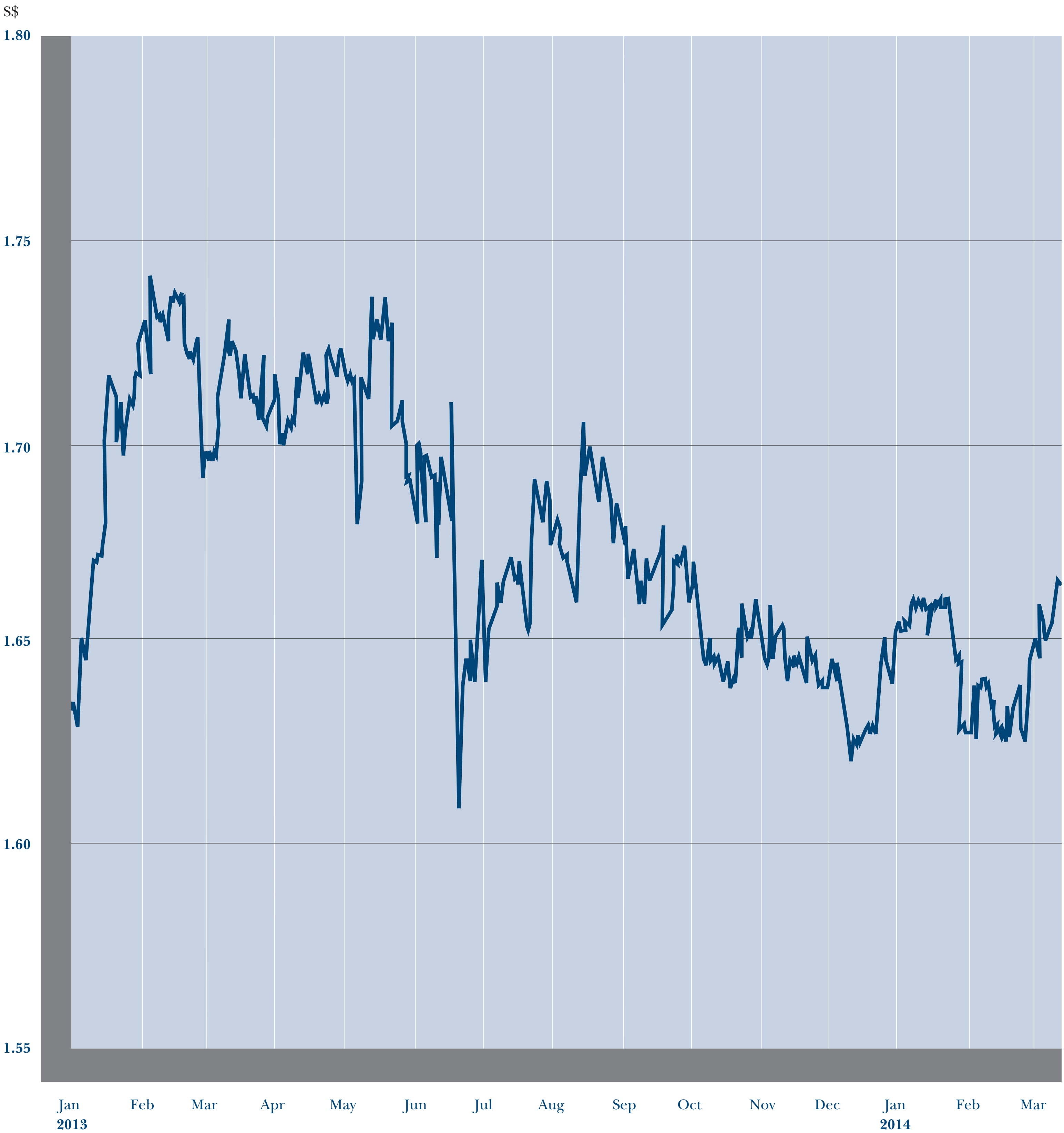
Note

(a) 2013 dividend of 6.5 cents (2012 : dividend of 4.5 cents) is paid/payable on a one-tier tax exempt.

(b) Net asset value is derived after deducting 2.8 cents (2012 : 3.0 cents) per share attributable to non-controlling interests.

UOB-Kay Hian Share Price

(From 2 January 2013 to 14 March 2014)



Last Close : **S$1.665** High : **S$1.76** Low : **S$1.61**

Chairman's Statement

Operating Environment

Equity markets in the region rebounded strongly in 2013 due to pent-up demand sparked by a resurgent US market. Trading volumes in a number of key markets we operate in improved significantly in 2013, particularly in Singapore, Hong Kong and Thailand.

The strong regional market recovery seen in 1H13 ebbed in 2H13 on newsflow in May 2013 that the Fed could begin tapering the US quantitative easing programme soon. At the same time, credit tightening, particularly for the property sector, by regional governments eg China, Hong Kong, Singapore and Malaysia, impinged on household liquidity with attendant effects on the market.

Investor sentiment in our key market Singapore was badly affected by the dramatic collapse of share prices of certain speculative counters in early-4Q13. We managed to avoid significant credit exposure as a result of our stringent credit and risk management controls, but were not spared from the effects of the resultant declining business volumes in 4Q13.

2013 Operating Performance

We are most pleased to report a strong financial performance for FY 2013.

Our 2013 Group operating revenue rose 35.5% to S$441m (2012: S$325.5m) while profit after tax expanded 42% to S$93.3m (2012: S$65.7m).

Our Corporate Finance and Equity Capital Market businesses performed well in 2013 and completed a number of significant M&A advisory, placement and IPO mandates.

Dividend

Maintaining our past dividend policy of paying out 50% distributable profits of the year under review, our Board of Directors has recommended a first and final tax-exempt (one-tier) dividend of S$47,106,086 amounting to 6.5 cents per share (2012: 4.5 cents per share). This will be the first year whereby our shareholders will be able to opt to receive their dividends in cash or in shares. As we expand our operations regionally, our Board considered it prudent to strengthen our financial reserves. Paying scrip dividends, while allowing our shareholders to reinvest their dividends in the Company's shares, also fulfills our objective of fortifying our reserves.

Current Year Prospects

2014 started cautiously with subdued retail participation. Our IPO and M&A pipeline, however, remains encouraging.

We expect the weak investor sentiment in 1Q14 to persist in the near term. The following developments will continue to weigh on regional markets:

a) slower economic growth in Greater China due to tighter liquidity and slower exports;

b) political uncertainties in Thailand and Indonesia due to impending elections;

c) simmering political tensions over Ukraine; and

d) continued tapering of monetary easing in the US and the possibility of interest rate hikes across global economies.

In 2013, we successfully consolidated our acquired Malaysian operations and built a credible sales and management team. We expect a turnaround for our Malaysian operations in 2014 and will continue to consider accretive acquisitions for further expansion.

Acknowledgements

On behalf of our Board of Directors, I wish to thank our management, staff, trading representatives and associates for helping our Group achieve strong profit growth despite a very volatile 2013. We also thank our shareholders for their unstinting support.

Wee Ee-chao
Chairman and Managing Director

GREATER CHINA

Review of 2013

In 2013, real GDP growth reached 7.7% yoy, the same pace as in 2012. Investment was the biggest contributor to GDP growth (54.4% of total), mainly due to fine-tuning measures implemented since 3Q13. Private and public consumption's share was 50%, while net exports accounted for -4.4%.

Economic reforms led to slower industrial investment, as reflected by a moderation in urban fixed-asset investment growth to 19.7% yoy. Retail sales growth fell to 13.1% yoy from 14.3% yoy in 2012 due to the government's anti-corruption measures. New bank lending rose slightly to Rmb8.9t, with the PBoC progressively adopting a more prudent stance towards credit creation.

Outlook for 2014

China's economy will continue to face headwinds due to tighter liquidity conditions, weak industrial new orders, and reform measures that reduce state subsidies for the corporate sector. As such, China's real GDP growth should moderate to 6.9% yoy.

In 2014, the Xi-Li government is expected to continue its focus on enhancing the quality of growth, improving social conditions, allowing greater private sector participation and introducing market principles to guide resource allocation. Investments will focus on renewable energy, environmental protection and social services.

Prudent monetary policy will continue in 2014 as part of the effort to prevent the deflation of the credit bubble. We expect new credit to shrink to Rmb8.5t and further measures to be outlined to improve risk management in both the banking sector and shadow banking.

Stock Market Review for 2013

MSCI China was flat for the year after having underperformed the region for 2 consecutive years. Concerns over slowing economic growth and tighter domestic liquidity weighed on investor sentiment. One bright spot was the Internet sector, which outperformed by 79ppt on optimism over China's e-commerce growth.

Stock Market Outlook for 2014

There are hopes for Chinese equities to outperform in 2014, as the current valuation of 8.4x 12-month forward PE should have priced in many of the negative domestic factors. We expect a 9% return for the full year, mainly driven by EPS growth.

Since 4Q13, Chinese equities have benefited from the rotation of investment funds from Southeast Asia to North Asia, due to the former's more demanding valuations and political situation. But the overall impact on China could be affected by the withdrawal of liquidity from emerging markets, following the start of QE taper.

Sectors with better top-line visibility and stocks with low gearing should outperform this year as investors remain concerned about the slowing growth environment and tighter liquidity conditions. The healthcare, renewable energy and Internet sectors which outperformed last year should continue to do so in 2014.

INDONESIA

Review of 2013

Indonesia recorded a 5.8% GDP growth in 2013, down from 6.3% in 2012. This is the lowest growth since the Global Financial Crisis of 2008-09. FDI and growing domestic consumption were again the key growth drivers in 2013, as was the case in 2012. Inflation rocketed from 4.0% in 2012 to 6.4% in 2013 following the 44% adjustment in subsidised fuel prices in Jun 13. Concerns over Indonesia's current account deficit caused the rupiah to depreciate by over 20% in 2013. As a result, Bank Indonesia raised the interest rate from 5.75% in May 13 to 7.50% in Nov 13. Bank Indonesia has also implemented rules on down payment and the loan-to-value (LTV) ratio to cool the property and auto sectors since 2012.

Outlook for 2014

UOB Economic-Treasury Research (UOB ETR) expects Indonesia's economic growth to face headwinds from a higher benchmark interest rate and subsidy reduction, even though election spending is driving consumption.

UOB ETR expects inflation to ease to 6.1% in 2014. A weak currency and high food prices are likely the key factors keeping inflation at elevated levels in 1H14, but UOB ETR believes that inflation will ease more quickly in 2H14.

Bank Indonesia is expected to maintain its tight monetary policy but further rate increase is unlikely given the expected moderation in inflation. It estimates GDP growth at the lower end of its 5.8-6.2% forecast range.

Stock Market Review for 2013

The JCI fell 1.0% in rupiah terms in 2013 and by 20.3% in US dollars, as the rupiah depreciated from Rp9,638/US$ on 1 Jan 13 to Rp12,175/US$.

Stock Market Outlook for 2014

In 1H14, investors will focus on the parliamentary election and the candidates running for the positions of president and vice president. PDI-P is expected to lead in both the parliamentary and presidential elections with Jokowi's nomination as the presidential candidate. Inflation will remain high in 1H14, with added pressure from the electricity tariff hike for industries. Despite improvements in the later part of last year, 1H14 trade balance and current account could remain in deficit given the lower coal exports, higher oil imports and stoppage of mineral ore exports.

For 2H14, uncertainty over investments could start to rebound. However, as a result of QE tapering in the US, UOB ETR expects the rupiah to weaken from Rp11,300/US$ currently to Rp11,700/US$ in 1H14. For 2H14, we expect the JCI to reach 5,200.

An unexpectedly stronger pick-up in sentiment towards Indonesian assets, arising from current account improvements, could see the rupiah reversing its weak trend. This could lead to re-rating of the market. The key risks faced by the market are external factors including monetary tightening in the developed markets. Domestically, an unexpected election outcome, i.e. a non-Jokowi candidate actually wins the presidential election, could lead to de-rating of the market.

For 2014, we recommend consumer plays, banks and telecommunication tower companies. Investors should also consider consumer companies with prospects for sustainable growth. Investors could also take a closer look at nickel companies that will benefit from the ban on ore exports. Bargain hunters could consider establishing positions in banking and property players, which are trading near the low valuations last seen in 2H08-1H09.

SINGAPORE

Review of 2013

Singapore's 2013 GDP growth of 4.1% was a solid pick-up from 2012's growth of only 1.9%. This was commendable against the backdrop of a challenging external environment given factors including US QE tapering concerns and China's slowdown. Singapore's economic growth was buoyed by a recovery in manufacturing in 2H13 and a resilient services sector.

Inflation eased to 2.4% in 2013 from an average of 4.9% in 2011-12. The moderation is attributable to the government's administrative measures to cool demand pressures in housing and motor vehicles.

Outlook for 2014

UOB Economic-Treasury Research (UOB ETR) estimates Singapore's 2014 GDP growth at 4.3%. 2014 will likely be the first time after the Global Financial Crisis of 2008 when the economic growth of the G3 nations (US, Japan and EU) will be positive. This will provide robust global demand for goods and services and will be beneficial to trade-dependent Asian countries, including Singapore.

In view of stronger economic growth and added inflationary pressures in 2014, UOB ETR expects MAS to continue with its current policy of appreciation bias for the S$ Nominal Effective Exchange Rate (NEER). 2014 inflation is projected to rise to 3.3% on domestic cost pressures such as rising labour costs and elevated industrial rental prices.

Stock Market Review for 2013

The FSSTI ended 2013 on a flat note. Sectors that outperformed include oil services, telecommunications and healthcare. It is not surprising that telecommunications and healthcare did well as investors sought refuge in defensive sectors with strong cash flows against an unfavourable external environment.

Interest rate-sensitive sectors such as property developers (-17% yoy) and REITs (-8% yoy) underperformed on fears of US tapering and the overhang from regulatory risks on developers.

Stock Market Outlook for 2014

We forecast a constructive outlook for the FSSTI in 2014. After trading sideways for most of 2013, the FSSTI is trading at reasonable valuations, at discounts to long-term mean PE and P/B valuations. Despite the inexpensive valuations, investors will be focusing on Singapore's earnings recovery in 2014 after a lacklustre 2013. In our view, sectors driving 2014 growth include telecommunications, plantation and banks. Markets will need to be convinced that 2014 earnings will be intact after a tepid 2013 before a sustainable rise in FSSTI can be seen.

Against this background, we believe stock picking and selective themes will be key to outperforming the market. Themes that we favour in 2014 include: a) management changes/new strategies, b) winners and losers of QE tapering, c) asset monetisation/accretive M&A, and d) stocks with pricing power to offset rising costs.

MALAYSIA

Review of 2013

Malaysia's GDP grew by a strong 5.1% yoy in 4Q13 (3Q13: 5.0%), bringing full-year 2013 GDP growth to 4.7% (2012: 5.6%). Growth was supported by decent domestic demand – private consumption and private investment grew 7.6% and 13.6% respectively in 2013.

Outlook for 2014

UOB Economic-Treasury Research (UOB ETR) retains its growth forecast for Malaysia at 5.2% this year, underpinned by a recovery in exports and an expected strengthening in demand from developed economies. Concurrently, government infrastructure projects will continue to drive domestic investments. Nonetheless, domestic consumer spending could be less robust after the recent measures to reduce subsidy spending.

UOB ETR maintains its outlook for a 25-bp hike in the Overnight Policy Rate (OPR) to 3.25% in 1H14 amid elevated inflation and expected pressure on the ringgit due to the US Fed's QE tapering.

Stock Market Review for 2013

2013 was a peculiar year where the FBMKLCI made the bulk of its moderate gains (10.5%) in two short periods amid cautious sentiment: a) first in May, post-general elections, after having started the year on a cautious undertone; and b) in 4Q14, after having recovered from US tapering fears in Aug 13, as positive vibes from the earlier- and larger-than-expected tariff hike by Tenaga Nasional were followed by heavy window-dressing towards year-end. Sector-wise, early market outperformers were the construction and property sectors, with glove manufacturers and the O&G drilling and production segment joining the fray in 2Q13. The traditionally higher-yielding sectors – consumer, REITs and telecommunications – underperformed the market.

Stock Market Outlook for 2014

The market correction in the early days of 2014 has been consistent with our expectations of a quiet opening for 2014, amid steady foreign selling and the impact of US QE tapering.

Notwithstanding the cautious start to 2014, we maintain our expectations for a steady ascent to our end-14 FBMKLCI target of 1,900 (with upside once Tenaga Nasional comes under our coverage), pegging the index at 15x prospective PE (mean: 14.6x), supported by ample domestic liquidity, which mitigates slowing domestic consumption and downside risk to corporate earnings.

We advocate a balanced strategy, being fairly defensive at the start of the year, but strategically position for selected domestic investment themes as the year unfolds.

A major investment theme is the surge of interest in small/mid-cap stocks, while market conditions (low interest rates and high financial liquidity) are supportive and remain conducive for value-enhancing corporate deals (privatisation, M&A, etc). We also note plantation as a rising theme, as CPO prices benefit from a prolonged dry season and amid the rising likelihood of an El Nino event forming. We OVERWEIGHT oil & gas and construction, as well as the plantation and gaming sectors.

THAILAND

Review of 2013

Thailand's GDP growth decelerated to 0.6% yoy in 4Q13 from the 2.7% posted in 3Q13. For the year, GDP expanded 2.9%, a sharp slowdown from the 6.5% seen in 2012. This was mainly due to the high bases of private consumption and investment (stimulated by the government's first-car buyer programme in 2012) and poor export performance. Overall domestic consumption growth slowed considerably to 1.0% in 2013 while overall investment fell 1.9%. Sluggish external demand resulted in goods export growth of 0.2% in 2013. As a result of the slowing economic recovery, inflation eased to 2.2% in 2013 from 3.0% in 2012.

Outlook for 2014

UOB Economic-Treasury Research (UOB ETR) estimates Thailand's GDP growth to be relatively weak at 3.0% in 2014. In view of poor consumer and investor confidence/sentiment, the National Economic and Social Development Board (NESDB) has reduced its 2014 investment growth forecast from 7.1% to 3.1% and cut consumption growth forecast from 2.9% to 1.6%. Key support for 2014 GDP will come mainly from the export sector which is forecast to grow 5-7%.

Against the backdrop of an uncertain political environment and potential capital outflows stemming from QE tapering, UOB ETR expects the baht to continue moving lower against the US dollar towards Bt34.30/US$ by end-14 from about Bt32.40/US$ currently.

Stock Market Review for 2013

The SET index closed at 1,298.71 at the end of 2013, dropping 6.7%. The average daily trading value was Bt50.6b, significantly up 59% from the Bt31.9b in 2012. Triggered by US tapering and domestic political tensions, foreign investors sold Bt194.7b (US$6.2b) worth of Thai equities. This is a big reversal from the optimism in 2012 when they bought some Bt76.9b worth of Thai equities.

Stock Market Outlook for 2014

Having fallen 27% from last year's peak, the SET is now trading at around 11.7x 2014 PE, which is at a nearly 23% discount to regional markets, while corporate earnings growth is forecast to be on a par with peers'. Market yield has also become attractive at nearly 4% (vs Asia ex-Japan average of 2.8%). This should attract investors. As such, the SET started to find strong support at the 1,200 level in Jan 14.

Assuming the current political problem stabilises in 1H14, the SET still has a chance to reach 1,500 this year, premised on about 10% earnings growth. This will peg the market at 12.7x 2014F PE, or +0.5 SD above the long-term overage.

Valuation and resilient business/earnings outlook will be the key themes for stock selection in 2014. We also favour export-related stocks and companies that will benefit from the Japanese recovery as Japan is the largest foreign investor and second-largest source of tourists in Thailand. We OVERWEIGHT banks, telecommunications, selected food exporters and hospitals.

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 9 directors of which 3 are executive, 2 are non-executive and 4 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

The Company has 4 independent directors out of a Board of 9 directors and is targeting to achieve a Board composition comprising at least 50% independent directors by 2017. 2.2

Independent Directors

3 of our independent directors, namely Dr Henry Tay Yun Chwan, Mr Chelva Retnam Rajah and Mr Roland Knecht, have served on the Board for more than nine years as 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. 2.4

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.

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, law, 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 2013: 1.4

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Wee Ee-chao	4	2	–	–	–	–	–	–
Neo Chin Sang	4	4	–	–	–	–	–	–
Esmond Choo Liong Gee*	4	4	4	4	–	–	–	–
Tang Wee Loke	4	4	–	–	–	–	1	1
Francis Lee Chin Yong	4	4	4	4	–	–	–	–
Henry Tay Yun Chwan	4	4	4	4	2	2	–	–
Chelva Retnam Rajah	4	3	4	3	2	2	1	1
Roland Knecht	4	4	–	–	–	–	1	1
Walter Tung Tau Chyr	4	4	–	–	2	2	–	–

** 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 19 to 21. 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;
– major transactions; and
– interested person transactions.

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 Chelva Retnam Rajah and 12.1, 12.2,
Mr Francis Lee Chin Yong. Dr Tay and Mr Rajah are independent directors and Mr Lee is a non-executive 12.5
director. At least 2 members have related financial management expertise or experience. The AC met a total of 4 times during the year. An 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: 12.3, 12.4

- to review with the internal and external auditors the adequacy of the internal control systems;
- 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 12.6
extent of such services will not prejudice the independence and objectivity of the external auditors. A sum of $124,427 was paid to the external auditors for non-audit services versus $590,566 for audit fees rendered during the year. The AC annually reviews the independence of the external auditors.

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 12.7
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.

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

Internal Control And Risk Management

The Board is responsible for ascertaining that management maintains a sound system of internal controls to 11.1, 11.2,
safeguard the shareholders' investments and the Group's assets. Based on the work carried out by the internal 11.3
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 internal controls in place to address risks relating to financial, operational and compliance 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.

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 and the financial statements give a true and fair view of the Company's operations and finances, and an effective risk management and internal control system has 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 Chelva Retnam Rajah (chairman), Dr Henry Tay Yun Chwan and Mr Walter Tung Tau Chyr. The RC has access to external consultants for expert advice on executive compensation, if necessary. 7.1, 7.2, 7.3

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 managers. 8.1

The RC reviews the remuneration packages of the Company's executive directors and senior management, which are based on the performance of the Group and the individual.

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 2013 is as follows: 9.1, 9.2

Directors	Total Remuneration (S$'000)	Fees (%)	Fixed Salary (%)	Variable Income (%)	Total (%)
Wee Ee-chao	4,709	–	10.33	89.67	100
Esmond Choo Liong Gee	1,970	–	19.81	80.19	100
Neo Chin Sang	544	–	55.87	44.13	100
Dr Henry Tay Yun Chwan	69	100	–	–	100
Chelva Retnam Rajah	58	100	–	–	100
Francis Lee Chin Yong	45	100	–	–	100
Roland Knecht	44	100	–	–	100
Walter Tung Tau Chyr	39	100	–	–	100
Tang Wee Loke	39	100	–	–	100

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 five key management personnel (who are not Directors) within bands of S$250,000 each and the breakdown of each individual's 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. 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 option scheme. 9.5

Nominating Committee ("NC")

The NC has 3 members and comprises independent directors Mr Roland Knecht (chairman) and Mr Chelva Retnam Rajah, and non-executive director Mr Tang Wee Loke. 4.1

The key terms of reference of the NC are: 4.2, 4.3, 4.6

- 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;
- to oversee the composition and balance of the Board and to ensure that they meet the requirements under the Code;
- to ascertain that the independent directors meet the criteria set out in the Code;
- to assess the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board; and
- to review training and professional development programmes for the Board.

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

– comparison with industry peers;
– return on assets; and
– return on equity.

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.

Communication With Shareholders

The Board regards the annual general meeting as an opportunity to communicate directly with private investors 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.

During the financial year 2013 there was no new interested person transaction entered into by the Group as defined under the Listing Manual.

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.

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 Pte Ltd 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 32 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 ("UOBS"), 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 Pte Ltd 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.

Prior to joining our Group, he was the Executive Director of RHB-Cathay Securities Pte Ltd since 1994 and had overall responsibility for RHB-Cathay's institutional dealing and equity research operations. He held senior appointments with regional responsibilities with a major international insurance and risk management group prior to joining the stockbroking industry.

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

Mr. Neo Chin Sang – is a Fellow Member of the Chartered Association of Certified Accountants, an Associate Member of the Institute of Chartered Secretaries & Administrators and a Member of the Institute of Singapore Chartered Accountants.

He was appointed as an Executive Director when UOB-Kay Hian Holdings Limited was incorporated, after the merger of UOB Securities (Pte) Ltd ("UOBS") and Kay Hian Holdings Limited, in August 2000.

Mr. Neo joined the UOB Group as a senior management staff in 1982, responsible for various administrative and operations functions. Prior to this, he held management positions in various companies, including publicly listed corporations, for over 15 years.

In early 1992, he was seconded to head the UOB Banking Group's stockbroking arm, UOB Securities (Pte) Ltd as the Chief Executive Officer.

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 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. Chelva Retnam Rajah – was educated at Lincoln College, Oxford University and Middle Temple, London. In 1972, he was admitted as an Advocate and Solicitor of the Supreme Court of Singapore. He has served as a President of the Law Society of Singapore, Vice-President of the Singapore Academy of Law and Member of the Military Court of Appeal. He was appointed Senior Counsel in 1998. He is currently a partner at Tan Rajah & Cheah, Advocates & Solicitors.

Mr. Rajah was appointed Independent Director and Audit Committee member of Kay Hian Holdings Limited on 1 November 1999 and remained in the same positions when UOB-Kay Hian Holdings Limited was incorporated in August 2000. On 1 October 2002, he was appointed the Chairman of the Remuneration Committee.

Mr. Walter Tung Tau Chyr – holds a Bachelor of Business Administration and a Masters in Business Administration degree. He joined Kay Hian in 1982 as Research Analyst, and was appointed Head of Research in 1983. He was appointed a Director of Kay Hian Pte Ltd in 1985, Director of Kay Hian Holdings Limited in 1990 and Director of UOB-Kay Hian Holdings Limited in 2000.

Mr. Tung retired as Director of UOB Kay Hian Pte Ltd in 2004. He remains on the Board of Directors of UOB-Kay Hian Holdings Limited as an Independent Director. He is a member of the Remuneration Committee. Prior to joining Kay Hian, Mr. Tung worked for Shulton Far East Pte Ltd and the Inchcape Group.

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 the Group Managing Director, Group Head of Private Banking and Executive Committee Member of Banque Heritage, Geneva, until the end of November, 2013. Currently he is an advisor to Banque Heritage Geneva, and the sole shareholder and Executive Director of Atlas Asset Management Pte. Ltd. Singapore.

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. 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 ("CEO") 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 35 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 Pte Ltd as an Analyst in 1973 and became a Director in 1977. He was appointed Deputy Managing Director of Kay Hian Pte Ltd in 1990 and of UOB-Kay Hian Holdings Limited in 2000 following the merger of UOB Securities and Kay Hian.

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. He is a member of the nominating committee.

He was a committee member of the Stock Exchange of Singapore (SES) 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

SINGAPORE

Mr. Tan Chek Teck – holds a Bachelor of Commerce (Honors) degree from the University of Edinburgh, trained and qualified as a chartered accountant (Institute of Chartered Accountants of Scotland). He was appointed an Executive Director of UOB Kay Hian Pte Ltd in 2002 and Senior Executive Director on 1 January 2013. He is involved in general management and is the Head of Operations for the Group.

Mr. Tan has been working in the stockbroking industry since 1990. Prior to that, he spent 6 years working in Scotland and Singapore with an international public accounting firm.

Mr. Lim Seng Bee – 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 – 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 – 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, she was working for an established international public accounting firm.

Mr. Gary Tan Kheng Chye – 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 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.

MALAYSIA

Mr. David Lim Meng Hoe – holds a Bachelor of Economics from Monash University and has over 30 years of experience in the stockbroking industry in Malaysia.

He joined UOB Kay Hian Pte Ltd in 2011 and was appointed Managing Director of the Group's Malaysian operations in 2012.

HONG KONG

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 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 as Managing Director, Head of Equity Corporate Finance at Standard Chartered bank (HK) Ltd in 2009.

Mr. Hsu also serves as a Director of Hong Kong Pok Oi Hospital in 2013/2014.

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.

THAILAND

Mr. Chaipat Narkmontanakum – holds a Master Degree in Business Administration from University of La Verne, USA. He has more than 17 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.

INDONESIA

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 22 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.

The directors present their report together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2013.

1 DIRECTORS

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

Wee Ee-chao

Tang Wee Loke

Walter Tung Tau Chyr

Neo Chin Sang

Henry Tay Yun Chwan

Chelva Retnam Rajah

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:

	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
Name of directors and company in which interests are held	At beginning of year	At end of year	At beginning of year	At end of year
The Company *(Ordinary shares)*				
Wee Ee-chao	–	–	157,322,976	166,906,976
Tang Wee Loke	29,893,381	29,893,381	2,100,000	2,100,000
Walter Tung Tau Chyr	2,542,422	2,542,422	–	–

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.

Except as disclosed in this report, the directors' interests in the ordinary shares of the Company as at 21 January 2014 were the same as at 31 December 2013.

As at 21 January 2014, Mr Wee Ee-chao has a deemed interest of 167,781,976 shares in the Company.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

During the financial year, the Company and certain subsidiaries have engaged in transactions in the normal course of business with the directors, related corporations and companies in which certain directors have substantial financial interests. However, the directors have not received nor will they become entitled to receive any benefits arising out of these transactions other than those which they may be entitled to as customers, employees or shareholders of these companies.

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses, fees and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.

5 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.

6 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 Chelva Retnam Rajah, an independent director 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.

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.

7 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 2014

Statement of Directors

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 26 to 77 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and of the results, 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.

ON BEHALF OF THE DIRECTORS

Wee Ee-chao

Esmond Choo Liong Gee

Singapore
31 March 2014

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 statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2013, 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 26 to 77.

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 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 profit and loss accounts and balance sheets 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 state of affairs of the Group and of the Company as at 31 December 2013 and of the results, 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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP.

Public Accountants and Chartered Accountants Singapore

31 March 2014

Statements of Financial Position

31 December 2013

	Note	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
ASSETS					
Current assets					
Cash and cash equivalents	6	**245,959,138**	246,906,592	**186,180**	396,368
Outstanding contracts receivable	7(a)	**619,721,928**	797,772,510	**–**	–
Trade receivables	8	**1,445,253,229**	1,436,306,764	**–**	–
Other financial assets, at fair value through profit or loss	9	**57,950,877**	31,578,286	**–**	–
Other current assets	10	**37,292,926**	32,860,724	**62,501,514**	22,702,602
Derivative financial instruments	11	**2,766,442**	25,075	**–**	–
Total current assets		**2,408,944,540**	2,545,449,951	**62,687,694**	23,098,970
Non-current assets					
Trade and other receivables	8	**91,709,612**	–	**189,975**	183,450
Goodwill	12	**7,536,307**	4,606,563	**–**	–
Subsidiaries	13	**–**	–	**349,373,523**	265,854,164
Financial assets, available-for-sale	14	**15,647,518**	19,818,987	**–**	–
Trading rights in Exchanges	15	**556,742**	573,724	**–**	–
Memberships in Exchanges	15	**209,215**	219,780	**–**	–
Property, plant and equipment	16	**59,997,209**	63,145,659	**–**	–
Deferred tax assets	17	**1,931,194**	1,649,685	**–**	–
Total non-current assets		**177,587,797**	90,014,398	**349,563,498**	266,037,614
Total assets		**2,586,532,337**	2,635,464,349	**412,251,192**	289,136,584
LIABILITIES					
Current liabilities					
Outstanding contracts payable	7(b)	**573,587,433**	741,791,789	**–**	–
Trade and other payables	18	**133,641,258**	104,268,770	**142,254,596**	45,705,485
Borrowings	19	**453,568,437**	329,044,363	**–**	–
Debts issued	20	**236,625,750**	333,033,360	**–**	–
Income tax payable		**15,508,879**	12,954,831	**–**	–
Derivative financial instruments	11	**1,881,856**	2,512,199	**–**	–
Total current liabilities		**1,414,813,613**	1,523,605,312	**142,254,596**	45,705,485
Non-current liabilities					
Trade and other payables	18	**2,214,854**	3,135,414	**–**	–
Deferred tax liabilities	17	**1,174,285**	1,209,023	**–**	–
Total non-current liabilities		**3,389,139**	4,344,437	**–**	–
Total liabilities		**1,418,202,752**	1,527,949,749	**142,254,596**	45,705,485
EQUITY					
Capital, reserves and non-controlling interests					
Share capital	21	**72,470,901**	72,470,901	**72,470,901**	72,470,901
Reserves	22	**(64,528,547)**	(62,995,601)	**–**	–
Retained earnings		**1,140,166,052**	1,076,092,334	**197,525,695**	170,960,198
Equity attributable to owners of the Company		**1,148,108,406**	1,085,567,634	**269,996,596**	243,431,099
Non-controlling interests		**20,221,179**	21,946,966	**–**	–
Total equity		**1,168,329,585**	1,107,514,600	**269,996,596**	243,431,099
Total liabilities and equity		**2,586,532,337**	2,635,464,349	**412,251,192**	289,136,584
Clients' trust/segregated accounts					
Bank balances					
- with related parties		**495,701,947**	283,474,839	**–**	–
- with non-related banks		**546,828,920**	527,590,627	**–**	–
Margin with clearing house		**16,880,155**	19,127,560	**–**	–
Less: Amounts held in trust		**(1,059,411,022)**	(830,193,026)	**–**	–
		–	–	**–**	–

See accompanying notes to financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2013

	Note	Group 2013 $	Group 2012 $
Revenue	23	**441,029,536**	325,489,425
Net foreign exchange gain		**8,900,659**	3,487,021
Commission expense		**(69,766,048)**	(57,234,679)
Staff costs	24	**(135,541,855)**	(98,643,823)
Finance expense	25	**(54,314,172)**	(23,268,891)
Other operating expenses	26	**(76,771,139)**	(70,089,105)
Profit before income tax		**113,536,981**	79,739,948
Income tax expense	27	**(17,190,779)**	(12,443,640)
Profit for the year		**96,346,202**	67,296,308
Other comprehensive (expense) income:			
Item that may not be reclassified subsequently to profit or loss			
Actuarial loss on defined benefit plan	28	**(126,357)**	–
Income tax relating to components of other comprehensive income	27	**25,271**	–
		(101,086)	–
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	28	**(3,335,864)**	(21,853,291)
Available-for-sale investments	28	**738,915**	1,835,527
Income tax relating to components of other comprehensive income	27	**(39,613)**	(456,309)
		(2,636,562)	(20,474,073)
Other comprehensive expense for the year, net of tax	28	**(2,737,648)**	(20,474,073)
Total comprehensive income for the year		**93,608,554**	46,822,235
Profit attributable to:			
Owners of the Company		**93,318,455**	65,727,387
Non-controlling interests		**3,027,747**	1,568,921
		96,346,202	67,296,308
Total comprehensive income attributable to:			
Owners of the Company		**91,243,864**	45,808,564
Non-controlling interests		**2,364,690**	1,013,671
		93,608,554	46,822,235
Earnings per share – Basic and diluted	29	**12.88 cents**	9.07 cents

See accompanying notes to financial statements

Statements of Changes in Equity

Year ended 31 December 2013

	Note	Share capital $	Equity reserve $
Group			
Balance at 1 January 2012		72,470,901	(1,592,155)
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 2011 paid	30	–	–
Interim dividend for 2012 paid	30	–	–
Acquisition of additional interest in a subsidiary	13	–	57,794
Transfer to statutory reserve		–	–
Payment of dividend by a subsidiary		–	–
Balance at 31 December 2012		72,470,901	(1,534,361)
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 2012 paid	30	–	–
Acquisition of additional interest in a subsidiary	13	–	**288,828**
Transfer to statutory reserve		–	–
Payment of dividend by a subsidiary		–	–
Disposal of subsidiary	35	–	–
Balance at 31 December 2013		**72,470,901**	**(1,245,533)**

See accompanying notes to financial statements

Attributable to owners of the Company

Fair value reserve $	Foreign currency translation reserves $	Statutory reserve $	Retained earnings $	Attributable to owners of the Company $	Non-controlling interests $	Total $
1,074,059	(44,197,374)	1,541,366	1,057,501,489	1,086,798,286	21,594,957	1,108,393,243
–	–	–	65,727,387	65,727,387	1,568,921	67,296,308
1,373,391	(21,253,237)	(38,977)	–	(19,918,823)	(555,250)	(20,474,073)
1,373,391	(21,253,237)	(38,977)	65,727,387	45,808,564	1,013,671	46,822,235
–	–	–	(43,482,541)	(43,482,541)	–	(43,482,541)
–	–	–	(3,623,544)	(3,623,544)	–	(3,623,544)
–	–	9,075	–	66,869	(407,586)	(340,717)
–	–	30,457	(30,457)	–	–	–
–	–	–	–	–	(254,076)	(254,076)
2,447,450	(65,450,611)	1,541,921	1,076,092,334	1,085,567,634	21,946,966	1,107,514,600
–	–	–	**93,318,455**	**93,318,455**	**3,027,747**	**96,346,202**
642,316	**(2,583,556)**	**(52,695)**	**(80,656)**	**(2,074,591)**	**(663,057)**	**(2,737,648)**
642,316	**(2,583,556)**	**(52,695)**	**93,237,799**	**91,243,864**	**2,364,690**	**93,608,554**
–	–	–	**(28,988,360)**	**(28,988,360)**	–	**(28,988,360)**
–	–	**22,138**	–	**310,966**	**(1,150,913)**	**(839,947)**
–	–	**150,023**	**(175,721)**	**(25,698)**	**25,698**	–
–	–	–	–	–	**(285,130)**	**(285,130)**
–	–	–	–	–	**(2,680,132)**	**(2,680,132)**
3,089,766	**(68,034,167)**	**1,661,387**	**1,140,166,052**	**1,148,108,406**	**20,221,179**	**1,168,329,585**

Statements of Changes in Equity *(continued)*

Year ended 31 December 2013

	Note	Share capital $	Retained earnings $	Total $
Company				
Balance at 1 January 2012		72,470,901	177,065,481	249,536,382
Profit for the year, representing total comprehensive income for the year		–	41,000,802	41,000,802
Transactions with owners, recognised directly in equity				
Final dividend for 2011 paid	30	–	(43,482,541)	(43,482,541)
Interim dividend for 2012 paid	30	–	(3,623,544)	(3,623,544)
Balance at 31 December 2012		72,470,901	170,960,198	243,431,099
Profit for the year, representing total comprehensive income for the year		–	**55,553,857**	**55,553,857**
Final dividend for 2012 paid	30	–	**(28,988,360)**	**(28,988,360)**
Balance at 31 December 2013		**72,470,901**	**197,525,695**	**269,996,596**

See accompanying notes to financial statements

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Note	2013 $	2012 $
Operating activities			
Profit before income tax		**113,536,981**	79,739,948
Adjustments for:			
Depreciation expense		**9,134,848**	10,083,925
Net gain on disposal of property, plant and equipment		**(112,723)**	(67,153)
Impairment of goodwill		**–**	449,115
Impairment of trading rights in Exchanges		**–**	6,220,330
Gain on disposal of subsidiary	35	**(259,083)**	–
Dividend income		**(259,358)**	(126,775)
Allowance (Write back of allowance) for trade receivables		**(61,958)**	(310,005)
Allowance for impairment in financial assets, available-for-sale		**–**	1,042,364
Write back of provision for liability obligation		**–**	(1,042,364)
Interest expense		**54,314,172**	23,268,891
Exchange differences		**3,438,363**	1,414,447
Operating cash flows before movements in working capital		**179,731,242**	120,672,723
Changes in operating assets and liabilities:			
Other financial assets, at fair value through profit or loss		**(25,213,448)**	(1,461,008)
Trade, outstanding contracts and other receivables (Note A)		**107,077,363**	(533,205,838)
Financial assets, available-for-sale		**(232,760)**	(5,519,964)
Trade, outstanding contracts and other payables		**(171,421,824)**	362,112,708
Debts (redeemed) issued (Note A)		**(96,821,446)**	36,486,649
Cash used in operations		**(6,880,873)**	(20,914,730)
Interest paid	25	**(54,314,172)**	(23,268,891)
Income tax paid		**(13,882,120)**	(18,247,168)
Net cash used in operating activities		**(75,077,165)**	(62,430,789)

Consolidated Statement of Cash Flows *(continued)*

Year ended 31 December 2013

	Note	2013 $	2012 $
Investing activities			
Payments for property, plant and equipment		**(4,546,985)**	(4,747,220)
Acquisition of subsidiary	36	**(18,238,141)**	(15,155,416)
Proceeds from disposal of financial assets, available-for-sale		**324,142**	54,409
Proceeds from disposal of property, plant and equipment		**639,875**	135,934
Disposal of subsidiary	35	**4,719,188**	–
Dividends received from quoted/unquoted securities		**259,358**	126,775
Net cash used in investing activities		**(16,842,563)**	(19,585,518)
Financing activities			
Payment to non-controlling interests for additional interest in a subsidiary	13	**(839,947)**	(340,717)
Payment to non-controlling interests for dividend		**(285,130)**	(254,076)
Net draw down (repayment) of short-term bank loans		**138,629,499**	(1,221,677)
Dividends paid		**(28,988,360)**	(47,106,085)
Net cash from (used in) financing activities		**108,516,062**	(48,922,555)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		**(3,438,363)**	(1,414,447)
Net increase (decrease) in cash and cash equivalents		**13,157,971**	(132,353,309)
Cash and cash equivalents at beginning of the year		**221,251,976**	353,605,285
Cash and cash equivalents at end of the year	6	**234,409,947**	221,251,976

Note A

In 2013, the Group issued debts amounting to $97,004,990 on a non-cash basis as considerations in exchange for originating or purchasing certain trade receivables of equivalent amounts (Notes 8 and 20).

See accompanying notes to financial statements

1 GENERAL

The Company (Registration No. 200004464C) is incorporated in Singapore with its principal place of business and address of its 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.

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 2013 were authorised for issue by the Board of Directors on 31 March 2014.

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, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

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 2013, 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 except as disclosed below:

<u>FRS 1 *Presentation of Items of Other Comprehensive Income*</u>

The Group has applied the amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* retrospectively for the first time in the current year, and renamed the 'statement of comprehensive income' as the 'statement of profit or loss and other comprehensive income'. Under the amendments to FRS 1, the Group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

<u>FRS 113 *Fair Value Measurement*</u>

The Group has applied FRS 113 for the first time in the current year. FRS 113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements for FRS 113 apply to both financial instrument items and non-financial assets for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, 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 (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FRS 113 includes extensive disclosures requirements, although specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. Consequently the Group has not made any new disclosures required by FRS 113 for the comparative period.

Other than the additional disclosures, the application of FRS 113 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

- FRS 27 (Revised) *Separate Financial Statements*
- FRS 28 (Revised) *Investments in Associates and Joint Ventures*
- FRS 110 *Consolidated Financial Statements*
- FRS 111 *Joint Arrangements*
- FRS 112 *Disclosures of Interests in Other Entities*
- Amendments to FRS 32 *Financial Instruments: Presentation*
- Amendments to FRS 36 *Impairment of Assets*
- Amendments to FRS 110, FRS 112 and FRS 27: *Investment Entities*

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:

<u>FRS 112 *Disclosure of Interests in Other Entities*</u>

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after 1 January 2014, and the Group is currently estimating the extent of additional disclosures needed.

<u>Amendments to FRS 32 *Financial Instruments: Presentation*</u>

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 32 are effective for annual periods beginning on or after 1 January 2014, with retrospective application required.

The management is still evaluating the impact of the amendments to FRS 32 on the financial assets and liabilities that have been set-off on the statement of financial position.

<u>Amendments to FRS 36 *Impairment of Assets*</u>

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or cash generating unit (CGU) to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when such asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal, such as the level of 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined, and where the fair value measurements are at Level 2 or 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique, key assumptions used including discount rate(s) used.

Upon adoption of the amendments to FRS 36, the Group expects additional disclosures arising from any asset impairment loss or reversals, and where their respective recoverable amounts are determined based on fair value less costs of disposal.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders 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 (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control 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 subsidiary. 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, the profit or loss on disposal 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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. 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 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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 in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being 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.

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.

The accounting policy for initial measurement of non-controlling interests is described above.

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

<u>Effective interest method</u>

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 de-recognised on a trade date 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" financial assets 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 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. Fair value is determined in the manner described in Note 4.

The principal category of financial assets designated as at FVTPL are convertible loans and debt securities underpinning the credit-linked notes issued by the Group. Fair value designation significantly reduces the measurement inconsistency that would arise if these convertible loans and debt securities were classified as loans and receivables.

Available-for-sale financial assets

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 financial assets stated at cost less impairment. Fair value is determined in the manner described in Note 4. 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 revaluation 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 asset is recognised in profit or loss and other changes are recognised in other comprehensive income.

Loans and receivables

Outstanding contracts receivable, trade receivables and other current assets that have fixed or determinable payments that are not quoted in an active market or designated at fair value through profit or loss 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 recognition of interest would be 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 impaired where 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 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 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 against the allowance account. 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 heading of investments revaluation reserves. 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.

<u>Derecognition of financial assets</u>

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

<u>Classification as debt or equity</u>

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.

<u>Equity instruments</u>

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.

<u>Financial liabilities</u>

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

<u>Financial liabilities at fair value through profit or loss (FVTPL)</u>

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
- 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. Fair value is determined in the manner described in Note 4.

The principal category of financial liabilities designated as at FVTPL is the credit-linked notes issued by the Group. Fair value designation significantly reduces the measurement inconsistency that would arise if these liabilities were measured at amortised cost.

Other financial liabilities

Outstanding contracts payable and 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. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings 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 Group has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Group to reimburse the banks if the subsidiaries fail to make 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.

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 policy below.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value 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 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.

Intangible assets 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.

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.

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.

<u>The Group as lessee</u>

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 a liability. 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.

<u>The Group as lessor</u>

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.

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

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	Lower of the estimated useful life or the life of the lease term of 15 years
Buildings	5% to lower of the estimated useful life or the life of the lease term of 15 years
Leasehold improvements	16 to $33^1/_3$%
Furniture, fittings and office equipment	20 to $33^1/_3$%
Computer equipment and software	20 to $33^1/_3$%
Communication equipment	20 to $33^1/_3$%
Motor vehicles	18 to $33^1/_3$%

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.

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 services 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.

A subsidiary of the Group operates post-employment benefit plans under the Thai Labor Protection Act, which are considered as unfunded defined benefit plans. The post-employment benefit obligations are calculated under the Thai Labor Protection Act by an independent actuary at the end of the reporting period using the Projected Unit Credit Method, which is estimate of the present value of expected cash flows of benefits to be paid in the future, taken into account the actuarial assumptions, including salaries, turnover rate, mortality rate, years of service and other factors.

The expenses for the unfunded defined benefit plan are recognized as staff costs in the consolidated statement of profit or loss and other comprehensive income.

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.

MEMBERSHIP IN EXCHANGES – Membership in stock exchanges is stated at cost. Where an indication of impairment exists, the carrying amount is 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 on the end of the reporting period.

TRADING RIGHTS IN EXCHANGES – Trading rights in The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange, Bursa Malaysia, and trading right in 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, and is accounted for using the balance sheet liability method. 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 Chief Executive Officer ("CEO") 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 CEO 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, 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***

The following are the critical judgements, apart for those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Impairment of intangible assets excluding goodwill

The Group follows the guidance of FRS 36 *Impairment of Assets* to determine when an intangible asset is impaired. This determination requires significant judgement by management regarding impairment indicators.

In the prior year, intangible assets of the Group include trading rights in Exchanges held by the Group's subsidiaries. Details of trading rights are provided in Note 15 of the financial statements. In 2012, management determined that the trading rights held by UOB Kay Hian Securities (M) Sdn Bhd (previously known as Innosabah Securities Berhad) were impaired under the terms of acquisition for A. A. Anthony Securities Sdn Bhd agreed with the Malaysian regulators, which required the Group to give up one of its Malaysian stockbroking licenses. Management has therefore recognised an impairment loss of $6,220,330 on these trading rights which had been acquired during the acquisition of UOB Kay Hian Securities (M) Sdn Bhd in 2012.

(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 2013 is $17,190,779 (2012 : $12,443,640). Deferred tax assets and deferred tax liabilities as at 31 December 2013 amounted to $1,931,194 (2012 : $1,649,685) and $1,174,285 (2012 : $1,209,023) respectively. Income tax payable as at 31 December 2013 is $15,508,879 (2012 : $12,954,831).

(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, and 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 payment ability of the debtor, 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 2013, the carrying amount of trade receivables is $1,536,962,841 (2012 : $1,436,306,764) net of allowance for doubtful debts of $11,384,345 (2012 : $13,369,397).

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 in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was $7,536,307 (2012 : $4,606,563) after an impairment loss of $Nil (2012 : $449,115) was recognised during the financial year. Details of the impairment loss calculation are provided in Note 12 of 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 the finance department, in consultation with external experts, determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 4.

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:

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Financial assets				
Fair value through profit or loss (FVTPL):				
Held for trading	**57,950,877**	31,578,286	–	–
Designated as at FVTPL (see below)	**179,575,750**	123,177,189	–	–
Derivative financial instruments	**2,766,442**	25,075	–	–
Loan and receivables (including cash and cash equivalents)	**2,258,158,258**	2,388,294,498	**62,877,669**	23,282,420
Available-for-sale financial assets	**15,647,518**	19,818,987	–	–
Financial liabilities				
Fair value through profit or loss (FVTPL):				
Designated as at FVTPL (see below)	**179,575,750**	123,177,189	–	–
Derivative financial instruments	**1,881,856**	2,512,199	–	–
Amortised cost (including loans and debts issued)	**1,220,061,982**	1,388,096,507	**142,254,596**	45,705,485

(i) Trade receivables designated as at FVTPL

The carrying amount of trade 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 receivables designated as at FVTPL. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such trade receivables.

There is no change in fair value attributable to changes in credit risk recognised in 2013 and 2012.

(ii) Credit derivatives over trade receivables at fair value

There are no credit derivatives over trade 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 2013 and 2012.

(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 currency 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. 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) Currency risk

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 currency 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 currency translation 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 $
At 31 December 2013						
Financial assets						
Cash and cash equivalents	**1,275,950**	**22,443,641**	**39,435,190**	**14,782,400**	**73,352,438**	**60,630,933**
Outstanding contracts receivable	**1,006,332**	**36,908,077**	**65,145,053**	**29,867,832**	**50,996,246**	**30,043,109**
Trade receivables	**41,995,158**	**300,729,246**	**245,534,664**	**25,936,122**	**90,015,107**	**95,364,774**
Other financial assets, at fair value through profit or loss	**7,023,288**	**10,806,096**	**21,643,058**	**59**	**–**	**4,268,968**
Other current assets	**46,061**	**271,376**	**7,946,683**	**2,594,020**	**3,470,446**	**5,827,105**
Financial assets, available-for-sale	**–**	**8,052,614**	**–**	**–**	**5,884,003**	**1,710,900**
	51,346,789	**379,211,050**	**379,704,648**	**73,180,433**	**223,718,240**	**197,845,789**
Financial liabilities						
Outstanding contracts payable	**9,772,279**	**40,307,471**	**42,609,263**	**25,509,479**	**69,333,336**	**25,717,188**
Trade and other payables	**286,704**	**19,854,435**	**11,305,544**	**5,880,877**	**7,224,819**	**8,428,830**
Borrowings	**27,998,517**	**128,271,803**	**35,122,066**	**9,632,500**	**3,865,000**	**603,480**
Debts issued	**–**	**150,620,750**	**–**	**–**	**–**	**86,005,000**
	38,057,500	**339,054,459**	**89,036,873**	**41,022,856**	**80,423,155**	**120,754,498**
Net financial assets	**13,289,289**	**40,156,591**	**290,667,775**	**32,157,577**	**143,295,085**	**77,091,291**
Less: Net financial assets denominated in the respective entities' functional currencies	**–**	**(550,646)**	**(291,434,660)**	**(90,579,674)**	**(94,465,167)**	**(27,365,332)**
Intercompany balances	**(16,706,607)**	**(15,944)**	**(4,399,408)**	**52,368,750**	**(1,865,369)**	**1,011,828**
Currency forwards	**(269,986)**	**42,172,718**	**(1,354,966)**	**–**	**(41,018,131)**	**398,105**
Foreign currencies trust balances	**–**	**(4,182,311)**	**138,040**	**(399,447)**	**(48,253,419)**	**(41,549,519)**
Currency exposures	**(3,687,304)**	**77,580,408**	**(6,383,219)**	**(6,452,794)**	**(42,307,001)**	**9,586,373**
At 31 December 2012						
Financial assets						
Cash and cash equivalents	1,022,634	39,137,066	46,926,075	23,260,292	64,065,721	56,446,654
Outstanding contracts receivable	2,280,455	48,236,933	121,868,101	6,983,175	60,213,350	57,018,869
Trade receivables	1,588,613	409,743,554	241,278,147	1,337,797	78,463,048	110,425,826
Other financial assets, at fair value through profit or loss	7,055,546	14,490,974	196	60	3,247,369	4,586,700
Other current assets	29,112	382,455	9,035,666	2,957,857	4,247,200	4,090,404
Financial assets, available-for-sale	–	6,976,294	–	–	10,387,045	2,455,648
	11,976,360	518,967,276	419,108,185	34,539,181	220,623,733	235,024,101
Financial liabilities						
Outstanding contracts payable	4,000,379	50,479,204	114,007,233	7,554,607	82,915,688	58,100,003
Trade and other payables	178,178	19,240,589	2,215,691	3,863,655	6,833,115	3,278,980
Borrowings	–	126,961,463	38,894,022	–	28,836,000	17,286,688
Debts issued	–	253,023,360	–	–	–	80,010,000
	4,178,557	449,704,616	155,116,946	11,418,262	118,584,803	158,675,671
Net financial assets	7,797,803	69,262,660	263,991,239	23,120,919	102,038,930	76,348,430
Less: Net financial assets denominated in the respective entities' functional currencies	–	(351,970)	(268,982,672)	(16,626,980)	(93,659,175)	(29,962,017)
Intercompany balances	(21,308,067)	10,620,735	5,296,199	(21,368)	2,511,586	(974,817)
Currency forwards	2,057,470	(9,520,161)	2,949,868	1,793,908	–	711,492
Foreign currencies trust balances	–	(544,814)	(836,355)	(1,864,103)	(12,058,360)	(33,140,801)
Currency exposures	(11,452,794)	69,466,450	2,418,279	6,402,376	(1,167,019)	12,982,287

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 $
At 31 December 2013		
Financial assets		
Cash and cash equivalents representing net financial assets/currency exposure	**1,807**	**728**
At 31 December 2012		
Financial assets		
Cash and cash equivalents representing net financial assets/currency exposure	1,986	735

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.

	2013 Increase (Decrease)		2012 Increase (Decrease)	
	Profit after tax $	Equity $	Profit after tax $	Equity $
The Group				
Singapore dollar	**(156,526)**	–	(483,308)	–
United States dollar	**2,951,455**	**341,833**	2,637,085	294,400
Hong Kong dollar	**(270,968)**	–	102,051	–
Malaysian ringgit	**(273,921)**	–	270,180	–
Thai baht	**(2,045,708)**	**249,776**	(487,582)	438,333
Company				
United States dollar	**36**	–	37	–
Malaysian ringgit	**90**	–	99	–

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) Price risk

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:

	2013		2012	
	Increase			
	Profit after tax $	Equity $	Profit after tax $	Equity $
The Group				
Listed in Singapore	**1,481,160**	**–**	1,168,520	–
Listed on other exchanges	**1,075,568**	**85,545**	352,773	122,782

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*

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 2013 would increase/decrease by $1,414,431 (2012 : $838,612).

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 $
The Group					
At 31 December 2013					
Assets					
Cash and cash equivalents	**152,992,306**	**35,913,331**	**–**	**57,053,501**	**245,959,138**
Trade receivables	**–**	**1,395,011,850**	**141,223,260**	**727,731**	**1,536,962,841**
Other financial assets	**–**	**5,424,306**	**18,133,203**	**707,619,357**	**731,176,866**
Total financial assets	**152,992,306**	**1,436,349,487**	**159,356,463**	**765,400,589**	**2,514,098,845**
Liabilities					
Borrowings	**11,549,191**	**442,019,246**	**–**	**–**	**453,568,437**
Debts issued	**–**	**95,402,490**	**141,223,260**	**–**	**236,625,750**
Other financial liabilities	**–**	**–**	**–**	**711,325,401**	**711,325,401**
Total financial liabilities	**11,549,191**	**537,421,736**	**141,223,260**	**711,325,401**	**1,401,519,588**

	Variable rates less than 6 months $	Fixed rates less than 6 months $	Fixed rates more than 6 months $	Non-interest bearing $	Total $
At 31 December 2012					
Assets					
Cash and cash equivalents	109,515,787	56,281,297	–	81,109,508	246,906,592
Trade receivables	–	1,276,403,727	159,206,389	696,648	1,436,306,764
Other financial assets	–	10,225,521	21,546,519	847,908,639	879,680,679
Total financial assets	109,515,787	1,342,910,545	180,752,908	929,714,795	2,562,894,035
Liabilities					
Borrowings	25,654,616	303,389,747	–	–	329,044,363
Debts issued	–	173,826,971	159,206,389	–	333,033,360
Other financial liabilities	–	–	–	851,708,172	851,708,172
Total financial liabilities	25,654,616	477,216,718	159,206,389	851,708,172	1,513,785,895

	Variable rates less than 6 months $	Fixed rates more than 6 months $	Non-interest bearing $	Total $
The Company				
At 31 December 2013				
Assets				
Cash and cash equivalents	**728**	**–**	**185,452**	**186,180**
Other assets	**–**	**189,975**	**62,501,514**	**62,691,489**
Total financial assets	**728**	**189,975**	**62,686,966**	**62,877,669**
Total financial liabilities	**–**	**–**	**142,254,596**	**142,254,596**
At 31 December 2012				
Assets				
Cash and cash equivalents	–	–	396,368	396,368
Other assets	–	183,450	22,702,602	22,886,052
Total financial assets	–	183,450	23,098,970	23,282,420
Total financial liabilities	–	–	45,705,485	45,705,485

(iv) *Credit risk*

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. Its subsidiaries also have to comply with the rules of Singapore Exchange Securities Trading Ltd ("SGX-ST") and other Exchange rules to ensure that its subsidiaries conduct its business 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, if the full guaranteed amount is claimed by the counterparty to the guarantee is $306,000,079 (2012 : $191,700,764). 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).

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

	2013 $	2012 $
Quoted securities	**7,233,493,916**	3,775,624,883
Cash	**148,595**	166,110
Bankers' guarantees	**170,000**	200,000
	7,233,812,511	3,775,990,993

The amount of collateral held as security for trade receivables impaired as at 31 December 2013 is $100,976 (2012 : $600,077).

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 or put options packaged with certain debts issued by the Group. The embedded credit default swaps and the put option allows 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).

As the Group holds collaterals, the net exposure to credit risk for each class of financial instruments is immaterial except as follows:

	2013 $	2012 $
Outstanding contracts receivable	**137,236,071**	199,004,113
Trade receivables	**487,030,261**	339,884,959
Outstanding contracts payable	**19,000,626**	6,416,673

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 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 age analysis of trade receivables past due but not impaired is as follows:

	The Group	
	2013 $	2012 $
1 to 30 days past due	**149,367,872**	137,888,078
31 days to 60 days past due	**1,092,502**	1,114,726
More than 60 days past due	**5,484,203**	7,275,240
	155,944,577	146,278,044

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

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

	2013 $	2012 $
At beginning of year	**13,369,397**	13,075,364
Currency translation difference	**71,211**	(382,511)
Increase (Decrease) in allowance recognised in profit or loss	**(61,958)**	(310,005)
Amount written off during the year	**(2,500,682)**	–
Acquisition of subsidiary	**506,377**	986,549
At end of year	**11,384,345**	13,369,397

(v) *Liquidity risk*

Prudent liquidity risk management entails maintaining sufficient cash and marketable securities, adequate committed banking credit facilities and 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 31 December				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2013		2012					
	Assets	Liabilities	Assets	Liabilities				
Other financial assets, at fair value through profit or loss (see Note 9)								
Listed equity shares	**57,950,877**	–	31,578,286	–	Level 1	Quoted bid prices of an active market.	N/A	N/A
Derivative financial instruments (see Note 11)								
Foreign currency forward contracts	**134,834**	**2,866**	25,075	2,040	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	N/A

Financial assets/ liabilities	Fair value as at 31 December				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2013		2012					
	Assets	Liabilities	Assets	Liabilities				
Interest rate swaps	–	**510,844**	–	825,883	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	N/A
Open client position	**2,631,608**	**1,368,146**	–	1,684,276	Level 2	Quoted market price of underlying reference security	N/A	N/A
Financial assets, available-for-sale (see Note 14)								
Listed securities	**1,710,900**	–	2,455,648	–	Level 1	Quoted bid prices in an active market.	N/A	N/A
Fund investment	**5,662,590**	–	4,257,467	–	Level 2	Net Asset Value (NAV) per share published by the administrator of those funds that are adjusted when necessary, to reflect the effect of the time passed since the calculation date, liquidity risk, limitations on redemptions and other factors.	N/A	N/A
Unquoted equities	**39,940**	–	44,600	–	Level 3	Net asset methodology not supportable by observable market prices or rates.	Reported value of asset and liabilities	The higher the reported value of net asset, the higher the fair value
Trade receivables and debt securities (see Note 8 and Note 20)								
Trade receivables and debt securities, designated at fair value through profit or loss	**179,575,750**	**179,575,750**	123,177,189	123,177,189	Level 3	Transaction pricing including recent acquisition or transactions	N/A	N/A

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.

Unquoted equity shares – 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. 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 $3,994 (2012 : $4,460).

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 recently occurring transaction adjusted for all changes in risks and information since that transaction date. Structured liabilities comprise credit-linked notes underpinned by the trade receivables. The fair value of these structured liabilities is determined with reference to the fair value of the underlying trade receivables held as assets. If there had been a change in the credit worthiness of the counterparties to the trade receivables and all other variables were held constant, the Group's profit and loss and equity would not be affected as any increase/decrease in the fair value of the financial assets would be offset with a corresponding increase/decrease in the fair value of the financial liabilities.

Company

The Company had no financial assets or liabilities carried at fair value in 2012 and 2013.

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

	Financial assets available-for-sale (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 $
2013			
Opening balance	**44,600**	**123,177,189**	**123,177,189**
Settlements during the year	**–**	**(31,500,489)**	**(31,500,489)**
Additions during the year	**–**	**97,004,990**	**97,004,990**
Foreign currency translation differences recognised in profit or loss	**–**	**(9,105,940)**	**(9,105,940)**
Fair value decrease recognised in other comprehensive income	**(4,660)**	**–**	**–**
Ending balance	**39,940**	**179,575,750**	**179,575,750**
2012			
Opening balance	61,530	68,093,670	68,093,670
Settlements during the year	–	(39,352,060)	(39,352,060)
Additions during the year	–	96,271,555	96,271,555
Foreign currency translation differences recognised in profit or loss	–	(1,835,976)	(1,835,976)
Fair value decrease recognised in other comprehensive income	(16,930)	–	–
Ending balance	44,600	123,177,189	123,177,189

Fair value of the Group financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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 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 which 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 2013 and 2012.

The Group's overall strategy remains unchanged from 2012.

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.

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

	The Group	
	2013	**2012**
	$	**$**
Rental of premises paid/payable to a related party	**(354,075)**	(493,198)
Rental of premises received/receivable from a related party	**535,536**	535,536

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

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

(b) Key management personnel compensation is as follows:

	The Group	
	2013	**2012**
	$	**$**
Salaries and other short-term employee benefits	**16,712,010**	12,707,096
Employer's contribution to defined contribution plans, including Central Provident Fund	**68,423**	52,307
	16,780,433	12,759,403

(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 2013 and 2012 are disclosed in Note 19 as borrowings from a related party.

6 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Bank balances with:				
– Related party (Note 5)	**20,734,412**	29,502,346	**186,180**	396,368
– Non-related banks	**189,279,840**	155,195,749	**–**	–
Cash on hand	**31,556**	27,695	**–**	–
	210,045,808	184,725,790	**186,180**	396,368
Fixed deposits with:				
– Related party (Note 5)	**33,800,670**	25,767,228	**–**	–
– Non-related banks	**2,112,660**	36,413,574	**–**	–
	35,913,330	62,180,802	**–**	–
	245,959,138	246,906,592	**186,180**	396,368

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 6.5% (2012 : 2.6%) per annum and are for a tenure of approximately 7 days (2012 : 52 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 consolidated cash and cash equivalents comprise the following:

	The Group	
	2013	**2012**
	$	**$**
Cash and cash equivalents (as above)	**245,959,138**	246,906,592
Less: Bank overdrafts (Note 19)	**(11,549,191)**	(25,654,616)
Cash and cash equivalents per consolidated statement of cash flows	**234,409,947**	221,251,976

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:

	The Group	
	2013	**2012**
	$	**$**
Due from third parties	**619,721,928**	797,772,510

(b) Outstanding contracts payable comprises the following:

	The Group	
	2013	**2012**
	$	**$**
Due to third parties	**573,587,433**	741,791,789

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

8 TRADE RECEIVABLES

	The Group		The Company	
	2013	2012	2013	2012
	$	$	$	$
Trade receivables from related companies:				
At amortised cost	–	–	**189,975**	183,450
Trade receivables from third parties:				
At amortised cost [Note 8(a)]	**1,368,771,436**	1,326,498,972	–	–
Designated as at fair value through profit or loss [Note 8(b)]	**179,575,750**	123,177,189	–	–
Less: Allowance for impairment of doubtful trade receivables	**(11,384,345)**	(13,369,397)	–	–
	1,536,962,841	1,436,306,764	**189,975**	183,450
Current trade receivables (recoverable within 12 months)	**1,445,253,229**	1,436,306,764	–	–
Non-current trade receivables (recoverable after 12 months)	**91,709,612**	–	**189,975**	183,450
	1,536,962,841	1,436,306,764	**189,975**	183,450

(a) Included in trade receivables at amortised cost are medium term notes and loans issued amounting to $68,356,728 (2012 : $209,856,171), with maturity dates ranging from 28 October 2019 to 2 June 2020 (2012 : 10 April 2013 to 28 October 2019). These trade receivables bear effective interest rates ranging from 4.24% to 12% per annum (2012 : 3.85% to 12% per annum). These trade receivables have been designated as the referenced assets in respect of certain derivatives embedded with, or put options packaged with, certain debts issued by the Group (Notes 11 and 20).

(b) Trade receivables designated as at fair value through profit or loss comprised of medium term notes, convertible loans and distressed debts purchased at a deep discount with maturity dates ranging from 6 March 2017 to 9 December 2025 (2012 : 6 March 2017 to 9 December 2025). These medium term notes and convertible loans bear effective interest rates ranging from 2% to 6% per annum (2012 : 2% per annum). The effective interest rates realised for distressed debts range from 13.18% to 90.85% per annum (2012 : 13.18% to 30.56% per annum). These medium term notes, convertible loans and distressed debts have been designated as the referenced assets for certain debts issued by the Group (Note 20).

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, or through a put option (Note 20). Given that the trade receivables have been designated as referenced assets, they have been classified as current assets consistent with the underlying liabilities.

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 receivables approximate their fair value due to the relatively short term maturity period or frequent repricing of the financial instruments. The exposure to interest rate risks of trade receivables is disclosed in Note 4(c)(iii).

9 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The investments below include investments in quoted debt and equity securities that offer the Group the opportunity for return through dividend income and fair value gains. Equity securities have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

Included in listed debt securities at fair value are instruments amounting to $17,829,384 (2012 : $21,546,519) with an average effective interest rate of 8.4% (2012 : 7.0%) per annum and maturity dates ranging from 13 July 2014 to 4 May 2017 (2012 : 13 July 2014 to 4 May 2017).

Financial assets, at fair value through profit or loss

	The Group	
	2013	2012
	$	$
Trading securities		
Listed securities:		
– Debt securities – Singapore	**17,829,384**	21,546,519
– Equity securities – Singapore	**14,209,407**	2,197,442
– Equity securities – Indonesia	**4,265,230**	4,581,360
– Equity securities – Hong Kong	**21,643,058**	–
– Equity securities – Others	**3,798**	3,252,965
	57,950,877	31,578,286

10 OTHER CURRENT ASSETS

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Amounts due from subsidiaries [Note 10(a)]	**–**	–	**62,452,330**	20,650,917
Deposits [Note 10(b)]	**15,346,262**	11,994,825	**–**	–
Prepayments	**2,202,824**	2,374,903	**–**	–
Amounts deposited with lenders of securities [Note 10(c)]	**8,546,711**	3,746,798	**–**	–
Other receivables	**11,197,129**	14,744,198	**49,184**	2,051,685
	37,292,926	32,860,724	**62,501,514**	22,702,602

(a) The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(b) Included in deposits is an amount of $3,385,582 (2012 : $2,842,403) 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	
	2013	**2012**
	$	**$**
Securities borrowed		
Securities borrowed from lenders, at fair value:		
– Lent to clients	**6,490,233**	2,294,723
Securities lent		
Securities lent to clients, at fair value:		
– Borrowed from lenders	**6,490,233**	2,294,723

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

11 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2013		**2012**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	$	**$**	**$**	**$**
Forward foreign exchange contracts	**134,834**	**2,866**	25,075	2,040
Interest rate swaps	**–**	**510,844**	–	825,883
Open client positions	**2,631,608**	**1,368,146**	–	1,684,276
Put options	**–**	**–**	–	–
	2,766,442	**1,881,856**	25,075	2,512,199

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 2 to 7 days (2012 : 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 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	
	2013	2012	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$		
The Group								
Forward foreign exchange contracts	**44,675,319**	32,081,639	**134,834**	25,075	**2,866**	2,040	**Within one week after end of the reporting period**	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.

Contracts with nominal values of $31,000,000 (2012 : $35,000,000) have fixed interest payments at an average rate of 1.54% per annum (2012 : 1.54% per annum) for periods up until 2014 (2012 : up until 2013) and have floating interest receipts at 3-month SGD Swap Offer Rate, which approximates an average of 0.27% per annum (2012 : 0.39% per annum).

The fair value of outstanding interest rate swaps as at 31 December 2013 is estimated at $510,844 in liability (2012 : $825,883 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 the end of the reporting period:

Outstanding floating for fixed contracts

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2013	2012	2013	2012	2013	2012
	%	%	$	$	$	$
Group						
Less than 1 year	**1.54**	1.54	**31,000,000**	35,000,000	**(510,844)**	(825,883)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the 3-month SGD Swap Offer Rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Open client positions

Open client positions represent balances with clients where the valuation of financial derivative open positions results in amounts due to the Group or amounts payable by the Group. The derivative exposure to market risk from the open client position is fully hedged by the Group's holdings of trading securities (Note 9).

Put options

Put options are contractual agreement that convey the right, but not the obligation, for the purchaser to sell or deliver the underlying asset at an agreed-upon value either on or before the expiration of the option.

In prior years, the Group had entered into a put option that allowed the Group to deliver the underlying referenced assets [Note 8(a)] to the noteholder (Note 20) as full and final settlement upon the occurrence of a credit event.

As of 31 December 2012, the put option had nominal value amounting to $134,530,000 and fair value amounting to $Nil.

In 2013, the put option was closed out with no gain or loss.

12 GOODWILL

	The Group $
Cost:	
At 1 January 2012	5,187,874
Exchange differences	(132,196)
At 31 December 2012	5,055,678
Exchange differences	**(215,992)**
Arising on acquisition of subsidiary [Note 36(a)]	**4,494,968**
On disposal of subsidiary (Note 35)	**(1,349,232)**
At 31 December 2013	**7,985,422**
Impairment:	
Impairment loss recognised in the year ended 31 December 2012 and balance at 31 December 2012 (Note 26)	**(449,115)**
Impairment loss recognised in the year ended 31 December 2013	**–**
Balance as at 31 December 2013	**(449,115)**
Carrying amount:	
At 31 December 2013	**7,536,307**
At 31 December 2012	**4,606,563**

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:

	The Group	
	2013 **$**	**2012** **$**
UOB Kay Hian Securities (Thailand) Public Company Limited and its subsidiary (single CGU)	**3,653,478**	5,055,678
UOB Kay Hian Securities (M) Sdn Bhd (single CGU) [Note 12(a)]	**4,331,944**	–
	7,985,422	5,055,678

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

(a) UOB Kay Hian Securities (M) Sdn Bhd inclues the business of A.A. Anthony Securities Sdn Bhd transferred during the year.

The recoverable values of cash-generating units including goodwill 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. Key assumptions used in the calculation of value-in-use are operating margins, growth rates and discount rates.

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% (2012 : 0.14%) for the following four years. The rate used to discount the forecast cash flows is 7% per annum (2012 : 7.13% per annum).

Cash flow forecasts from the Malaysia CGU, which comprise of UOB Kay Hian Securities (M) Sdn Bhd, are based on estimated profits and cash flows projected on an estimated growth rate of 5% per annum (2012 : NA). The rate used to discount the forecasted cash flows is 6.6% per annum (2012 : NA).

As at 31 December 2013 and 2012, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable values to be below the carrying values of the CGUs.

As at 31 December 2013, before impairment testing, goodwill of $3.65 million (2012 : $5.05 million)was allocated to the 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 $0.45 million (2012 : $0.45 million).

13 SUBSIDIARIES

	The Company	
	2013	**2012**
	$	**$**
Equity investments at cost		
At beginning of year	**265,854,164**	243,273,005
Additions during the year	**83,519,359**	22,581,159
At end of year	**349,373,523**	265,854,164

Details of subsidiaries are included in Note 34.

Additions in 2013 comprised of the acquisition of A.A. Anthony Securities Sdn Bhd [Note 36(a)] and the incorporation of UOB Kay Hian (Australia) Pty Ltd. Additions in 2012 comprised of the acquisition of Innosabah Securities Berhad (since renamed UOB Kay Hian Securities (M) Sdn Bhd) [Note 36 (b)].

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.

	2013	**2012**
	$	**$**
Amounts paid to acquire additional interest in a subsidiary	**839,947**	340,717
NCI acquired	**(1,150,913)**	(407,586)
Statutory reserve transferred from NCI	**22,138**	9,075
Difference recognised in equity reserve	**(288,828)**	(57,794)
Total movement in equity reserve (Note 22)	**(288,828)**	(57,794)

14 FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	The Group	
	2013	**2012**
	$	**$**
Financial assets, available-for-sale include the following:		
(a) Listed securities, at fair value:		
– Equity – Philippines	**1,710,900**	2,455,648
(b) Unquoted investments, at fair value:		
– Fund in Vietnam	**5,662,590**	4,257,467
– Equity – Vietnam	**39,940**	44,600
(c) Unquoted investments, at cost less impairment:		
– Fund in Cayman Islands	**2,214,854**	2,538,997
– Equity – Thailand	**155,878**	161,525
– Equity – Others	**135,230**	135,230
– Debt – Thailand	**5,728,126**	10,225,520
	15,647,518	19,818,987

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

	The Group	
	2013	**2012**
	$	**$**
At beginning of year	**3,548,250**	2,505,886
Charged to profit or loss (Note 26)	**–**	1,042,364
At end of year	**3,548,250**	3,548,250

The fund investment at fair value amounting to $5,662,590 (2012 : $4,257,467) includes a fund in which a subsidiary is the only investor with 100% ownership interest. The fund has not been consolidated with the Group as the effects of consolidation have been assessed by management to be immaterial.

Fund investment at cost with carrying amount of $2,214,854 (2012 : $2,538,997) includes impairment losses amounting to $2,735,998 (2012 : $2,735,998). The underlying instruments of 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 impairment loss.

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).

The unlisted equity securities amounting to $155,878 (2012 : $161,525) 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

	The Group	
	2013	**2012**
	$	**$**
Trading rights in The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited, Philippines Stock Exchange, Inc., and Bursa Malaysia, at amortised cost	**556,742**	573,724

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

	$
The Group	
At 1 January 2012	97,353
Acquired on acquisition of subsidiary [Note 36(b)]	6,709,510
Impairment loss recognised during the year (Note 26)	(6,220,330)
Currency translation differences	(12,809)
At 31 December 2012	573,724
Currency translation differences	**(16,982)**
At 31 December 2013	**556,742**

The impairment loss recognised in 2012 comprised of the impairment recognised in respect of the trading rights held by UOB Kay Hian Securities (M) Sdn Bhd. As a result of the Group's subsequent acquisition of A. A. Anthony Securities Sdn Bhd which was completed on 16 January 2013, the Group have to give up one of its Malaysian stockbroking licenses under the terms of the acquisition agreed with the Malaysian regulators [Note 36(a)]. The impaired trading rights had been acquired on the acquisition of UOB Kay Hian Securities (M) Sdn Bhd (previously known as Innosabah Securities Berhad) in 2012 [Note 36(b)].

(b) Memberships in exchanges

	The Group	
	2013	**2012**
	$	**$**
Memberships in The Stock Exchange of Thailand, Jakarta Stock Exchange, at amortised cost	**209,215**	219,780

There is no impairment loss recognised in 2013 and 2012.

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings $	Leasehold land $	Leasehold improvements $	Furniture, fittings and office equipment $	Computer equipment and software $	Communication equipment $	Motor vehicles $	Total $
Group								
Cost:								
At 1 January 2012	32,370,383	35,029,255	7,052,801	6,727,876	21,128,832	2,100,402	1,637,788	106,047,337
Acquisition of subsidiary	904,983	2,111,627	–	3,063,921	1,725,035	269,975	302,709	8,378,250
Additions	41,500	–	855,447	1,413,671	2,172,947	20,332	243,323	4,747,220
Disposals	–	–	(139,566)	(196,642)	(519,634)	(6,600)	(258,242)	(1,120,684)
Currency translation differences	(17,427)	(40,663)	(141,773)	(227,402)	(469,383)	(87,120)	(68,576)	(1,052,344)
At 31 December 2012	33,299,439	37,100,219	7,626,909	10,781,424	24,037,797	2,296,989	1,857,002	116,999,779
Acquisition of subsidiary	**2,816,030**	**–**	**2,245,130**	**2,065,139**	**1,597,499**	**–**	**260,310**	**8,984,108**
Additions	**–**	**–**	**1,219,479**	**438,633**	**1,307,143**	**7,653**	**1,574,077**	**4,546,985**
Disposal of subsidiary	**–**	**–**	**(49,262)**	**(89,877)**	**(288,060)**	**–**	**–**	**(427,199)**
Disposals	**(150,267)**	**(350,623)**	**(46,940)**	**(351,953)**	**(1,032,429)**	**(176,113)**	**(409,969)**	**(2,518,294)**
Currency translation differences	**(134,322)**	**(75,110)**	**(159,456)**	**(339,786)**	**(368,495)**	**(31,604)**	**(118,588)**	**(1,227,361)**
Reclassification	**–**	**–**	**2,065,942**	**(1,785,627)**	**–**	**(280,315)**	**–**	**–**
At 31 December 2013	**35,830,880**	**36,674,486**	**12,901,802**	**10,717,953**	**25,253,455**	**1,816,610**	**3,162,832**	**126,358,018**
Accumulated depreciation:								
At 1 January 2012	5,099,957	5,519,761	5,354,276	4,842,195	17,169,977	1,881,849	948,275	40,816,290
Acquisition of subsidiary	779	102	–	2,832,584	1,384,981	266,628	279,277	4,764,351
Depreciation charge	2,366,536	2,549,142	1,426,987	1,317,114	2,084,697	69,791	269,658	10,083,925
Disposals	–	–	(125,065)	(194,121)	(467,875)	(6,600)	(258,242)	(1,051,903)
Currency translation differences	(139)	(18)	(127,492)	(170,634)	(353,299)	(67,236)	(39,725)	(758,543)
At 31 December 2012	7,467,133	8,068,987	6,528,706	8,627,138	19,818,481	2,144,432	1,199,243	53,854,120
Acquisition of subsidiary	**1,509,660**	**–**	**1,908,617**	**1,597,364**	**1,351,281**	**–**	**206,058**	**6,572,980**
Disposal of subsidiary	**–**	**–**	**(49,262)**	**(87,867)**	**(286,108)**	**–**	**–**	**(423,237)**
Depreciation charge	**2,429,535**	**2,549,672**	**844,560**	**675,465**	**2,058,611**	**49,843**	**527,162**	**9,134,848**
Disposals	**(3,631)**	**(474)**	**(40,737)**	**(350,502)**	**(1,009,718)**	**(176,113)**	**(409,969)**	**(1,991,144)**
Currency translation differences	**(57,024)**	**(117)**	**(133,837)**	**(237,341)**	**(260,483)**	**(14,492)**	**(83,464)**	**(786,758)**
Reclassification	**–**	**–**	**1,552,489**	**(1,290,356)**	**–**	**(262,133)**	**–**	**–**
At 31 December 2013	**11,345,673**	**10,618,068**	**10,610,536**	**8,933,901**	**21,672,064**	**1,741,537**	**1,439,030**	**66,360,809**
Net book value:								
At 31 December 2013	**24,485,207**	**26,056,418**	**2,291,266**	**1,784,052**	**3,581,391**	**75,073**	**1,723,802**	**59,997,209**
At 31 December 2012	25,832,306	29,031,232	1,098,203	2,154,286	4,219,316	152,557	657,759	63,145,659

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 amount, determined after appropriate offsetting are shown on the statement of financial position as follows:

	The Group	
	2013	**2012**
	$	**$**
Deferred tax assets	**1,931,194**	1,649,685
Deferred tax liabilities	**(1,174,285)**	(1,209,023)

The following are the major 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 loss	Total
	$	$	$
The Group			
Deferred tax assets			
At 1 January 2012	214,587	509,563	724,150
Credited to profit or loss (Note 27)	–	1,072,811	1,072,811
Currency translation differences	–	(23,896)	(23,896)
Financial assets, available-for-sale [Note 22(b)]	(123,380)	–	(123,380)
At 31 December 2012	91,207	1,558,478	1,649,685
Credited to profit or loss (Note 27)	–	**366,850**	**366,850**
Currency translation differences	–	**(57,123)**	**(57,123)**
Defined benefit plan	**25,271**	–	**25,271**
Acquisition of subsidiary [Note 36(a)]	–	**398,157**	**398,157**
Disposal of subsidiary (Note 35)	**(90,915)**	**(360,731)**	**(451,646)**
At 31 December 2013	**25,563**	**1,905,631**	**1,931,194**

	Fair value losses/ Actuarial losses	Accelerated tax depreciation	Total
	$	$	$
Deferred tax liabilities			
At 1 January 2012	42,858	(1,877,418)	(1,834,560)
Credited to profit or loss (Note 27)	–	955,316	955,316
Currency translation differences	(2,497)	5,647	3,150
Financial assets, available-for-sale [Note 22(b)]	(332,929)	–	(332,929)
At 31 December 2012	(292,568)	(916,455)	(1,209,023)
Credited to profit or loss (Note 27)	–	**37,799**	**37,799**
Currency translation differences	**24,420**	**12,132**	**36,552**
Financial assets, available-for-sale [Note 22(b)]	**(39,613)**	–	**(39,613)**
At 31 December 2013	**(307,761)**	**(866,524)**	**(1,174,285)**

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately $126,380,481 (2012 : $124,601,569) 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 companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. These tax losses have no expiry date. No deferred tax liability has been recognised in respect of undistributed earnings of subsidiaries because the Group is in a position to control the timing of the reversal of any temporary differences and it is probable that any such differences will not reverse in the foreseeable future.

18 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	2013	2012
	$	$	$	$
Trade payables to:				
– Third parties	**54,733,639**	44,816,906	–	–
Accrued operating expenses	**65,239,936**	50,311,893	**4,578,251**	3,140,887
Cash collaterals held for securities lent to clients	**6,811,607**	2,052,014	–	–
Amount due to subsidiaries	–	–	**137,668,493**	42,558,633
Other payables	**9,070,930**	10,223,371	**7,852**	5,965
	135,856,112	107,404,184	**142,254,596**	45,705,485
Current	**133,641,258**	104,268,770	**142,254,596**	45,705,485
Non-current	**2,214,854**	3,135,414	–	–
	135,856,112	107,404,184	**142,254,596**	45,705,485

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

Accrued operating expenses include the defined benefit obligations amounting to $1,667,524 (2012: $1,292,044) arising from post-employment benefit plans operated under the Thailand Labour Protection Act by a subsidiary.

Other payables include the provision for the litigation of $1.76 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 (Note 35).

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. In 2012, a write back of $1,042,364 was recognised in respect of the liability as a result of an equivalent impairment in the fund investment held at cost.

The carrying amounts of trade and other payables approximate their fair values at the end of the reporting period.

19 BORROWINGS

	The Group	
	2013	2012
	$	$
Current		
Bank overdrafts:		
– with related parties	**11,549,191**	25,654,616
Short-term bank loans:		
– with related parties	**271,966,840**	164,675,489
– with non-related banks	**170,052,406**	138,714,258
	442,019,246	303,389,747
Total borrowings	**453,568,437**	329,044,363

The carrying amounts of borrowings approximate their fair values.

19 BORROWINGS *(continued)*

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

Year ended 31 December 2013

Bank overdrafts

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with related parties			
11,549,191	**5.00% per annum**	**A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary**	**Upon demand**

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with related parties			
271,966,840	**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			
156,554,906	**0.91% 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**
13,497,500	**3.57% per annum**	**Unsecured**	**Due within 6 months from the end of the reporting period**

Year ended 31 December 2012

Bank overdrafts

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with related parties			
25,654,616	5.00% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Upon demand

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with related parties			
164,675,489	1.18% 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			
109,878,258	0.93% 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
28,836,000	3.57% per annum	Unsecured	Due within 6 months from the end of the reporting period

20 DEBTS ISSUED

	The Group	
	2013	2012
	$	$
Notes issued		
At amortised cost	**57,050,000**	209,856,171
Designated as at fair value through profit or loss	**179,575,750**	123,177,189
	236,625,750	333,033,360

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.

These notes with embedded credit default swaps or packaged put options, were issued at par with maturity dates ranging from 6 March 2017 to 9 December 2025 (2012 : 10 April 2013 to 9 December 2025). The embedded credit default swaps or packaged put options 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 face value on the maturity date provided that there is no occurrence of a credit event.

The notes with medium term notes or convertible loans as their underlying reference assets bear effective interest rate ranging from 1% to 5.5% per annum in 2013 (2012 : 1% per annum). The effective interest rates realised for the notes with distressed debts as their underlying reference assets range from 6.08% to 90.72% per annum (2012: 6.08% to 14.77% per annum).

The carrying amounts of debts issued, which are repayable on demand, approximate their fair values.

21 SHARE CAPITAL

	The Group and The Company			
	2013	2012	2013	2012
	Number of ordinary shares		$	$
Issued and paid up:				
Beginning and end of year	**724,709,009**	724,709,009	**72,470,901**	72,470,901

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.

22 RESERVES

(a) Composition

	The Group	
	2013	2012
	$	$
Fair value reserve	**3,089,766**	2,447,450
Foreign currency translation reserves	**(68,034,167)**	(65,450,611)
Statutory reserve	**1,661,387**	1,541,921
Equity reserve (Note 13)	**(1,245,533)**	(1,534,361)
	(64,528,547)	(62,995,601)

22 RESERVES *(continued)*

		The Group	
		2013	2012
		$	$
(b)	Fair value reserve		
	At beginning of year	**2,447,450**	1,074,059
	Fair value gains on financial assets, available-for-sale	**738,915**	1,835,527
	Deferred tax on fair value gains on financial assets, available-for-sale (Note 17)	**(39,613)**	(456,309)
		3,146,752	2,453,277
	Currency translation differences	**(56,986)**	(5,827)
	At end of year	**3,089,766**	2,447,450

(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	
	2013	2012
	$	$
Commission income	**287,871,240**	225,679,930
Trading income	**4,443,533**	7,356,363
Interest income		
– fixed deposits with a related party (Note 5)	**1,446,083**	858,556
– fixed deposits with non-related banks	**4,598,776**	5,880,532
– clients	**104,088,403**	65,585,571
– others	**1,923,793**	2,329,016
	112,057,055	74,653,675
Dividend income from quoted/unquoted securities	**259,358**	126,775
Facility, shares withdrawal and arrangement fees	**19,069,284**	8,560,763
Advisory fees	**9,235,230**	255,949
Other operating revenue	**8,093,836**	8,855,970
	441,029,536	325,489,425

24 STAFF COSTS

	The Group	
	2013	2012
	$	$
Wages, salaries and other staff costs	**130,027,910**	93,588,168
Employers' contribution to defined contribution plans including Central Provident Fund	**5,513,945**	5,055,655
	135,541,855	98,643,823

25 FINANCE EXPENSE

	The Group	
	2013	2012
	$	$
Interest expense:		
– bank borrowings from related parties (Note 5)	**3,734,979**	2,879,194
– borrowings from non-related banks	**2,289,040**	1,344,485
– debts issued	**47,305,621**	18,068,023
– others	**984,532**	977,189
	54,314,172	23,268,891

26 OTHER OPERATING EXPENSES

	The Group	
	2013	2012
	$	$
Net fair value gain on financial assets at fair value through profit or loss	**(90,325)**	(2,503,598)
Operating lease expenses	**6,869,876**	6,138,919
Marketing and business promotions	**8,260,443**	6,637,514
Communication expenses	**17,228,175**	15,115,102
Contract processing charges	**3,413,308**	2,774,773
Information services	**7,946,711**	7,807,288
Depreciation expenses	**9,134,848**	10,083,925
Net gain on disposal of property, plant and equipment	**(112,723)**	(67,153)
Impairment of goodwill (Note 12)	**–**	449,115
Impairment of trading rights in Exchanges (Note 15)	**–**	6,220,330

26 OTHER OPERATING EXPENSES *(continued)*

	The Group	
	2013	**2012**
	$	**$**
Audit fees:		
– paid to auditors of the Company	**173,365**	170,000
– paid to other auditors	**530,616**	393,823
Non-audit fees:		
– paid to auditors of the Company	**97,916**	100,701
– paid to other auditors	**63,914**	28,868
Maintenance and rental of office equipment	**1,753,407**	1,488,005
Printing and stationery	**1,578,870**	1,325,976
Allowance for impairment in financial assets, available-for-sale (Note 14)	**–**	1,042,364
Write back of provision for liability obligation (Note 18)	**–**	(1,042,364)
Write back of allowance for impairment of trade receivables	**(61,958)**	(310,005)
Other staff cost	**8,833,373**	4,337,749
General administrative expenses	**11,151,323**	9,897,773
	76,771,139	70,089,105

27 INCOME TAX EXPENSE

Income tax recognised in profit or loss

	The Group	
	2013	**2012**
	$	**$**
Tax expense attributable to profit is made up of:		
Current income tax:		
– Singapore	**14,655,806**	11,210,340
– Foreign	**5,203,262**	3,214,053
	19,859,068	14,424,393
Deferred income tax (Note 17)	**(535,504)**	(1,286,765)
	19,323,564	13,137,628
(Over) Under provision in prior years:		
– current income tax	**(2,263,640)**	47,374
– deferred tax (Note 17)	**130,855**	(741,362)
	17,190,779	12,443,640

Domestic income tax is calculated at 17% (2012 : 17%) of the estimated assessable profit 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:

	The Group	
	2013	**2012**
	$	**$**
Profit before tax	**113,536,981**	79,739,948
Tax calculated at tax rate of 17% (2012 : 17%)	**19,301,287**	13,555,791
Effects of:		
– Singapore statutory stepped income exemption and tax rebate	**(232,038)**	(108,670)
– Concessionary tax	**(1,042,222)**	(1,432,990)
– Income not subject to tax	**(4,861,653)**	(4,021,350)
– Expenses not deductible for tax purposes	**4,296,854**	4,346,905
– Tax benefits on tax losses and other temporary differences not recognised	**1,164,258**	154,137
– Different tax rates in other countries	**697,078**	643,805
– Overprovision in prior years	**(2,132,785)**	(693,988)
	17,190,779	12,443,640

Income tax relating to each component of other comprehensive income

	The Group	
	2013	**2012**
	$	**$**
Deferred tax		
Gains from financial assets, available-for-sale	**(39,613)**	(456,309)
Actuarial loss on defined benefit plan	**25,271**	–
	(14,342)	(456,309)

28 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	The Group	
	2013	**2012**
	$	**$**
Actuarial loss on defined benefit plan	**(126,357)**	–
Deferred tax impact of actuarial loss	**25,271**	–
Available-for-sale investments:		
Gains arising during the year	**738,915**	1,835,527
Deferred tax liability arising on revaluation of financial assets, available-for-sale	**(39,613)**	(456,309)
Exchange differences on translation of foreign operations	**(3,335,864)**	(21,853,291)
Other comprehensive income for the year, net of tax	**(2,737,648)**	(20,474,073)

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:

	2013	2012
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**$93,318,455**	$65,727,387
Weighted average number of ordinary shares for the purposes of basic earnings per share	**724,709,009**	724,709,009
Basic earnings per share	**12.88 cents**	9.07 cents

Diluted earnings per share is equal to basic earnings per share as there are no potential dilutive ordinary shares.

30 DIVIDENDS

	The Group and The Company	
	2013	2012
	$	$
One-tier tax-exempt interim dividend in respect of the year ended 31 December 2012 of 0.5 cents per ordinary share paid	–	3,623,544
One-tier tax-exempt final dividend in respect of the year ended 31 December 2012 of 4.0 cents per ordinary share paid (31 December 2011 : 6.0 cents per ordinary share paid)	**28,988,360**	43,482,541
	28,988,360	47,106,085

At the Annual General Meeting on 29 April 2014, a one-tier tax-exempt final dividend of 6.5 cents per ordinary share in respect of year ended 31 December 2013 amounting to a total of $47,106,086 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 2014.

31 CONTINGENT LIABILITIES

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 were contingent liabilities of $3,190,300 (2012 : $2,837,489) 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 $3,385,582 (2012 : $2,842,403) placed by the subsidiary with CDP.

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	
	2013	2012
	$	$
Within one year	**3,362,759**	4,694,314
In the second to fifth years inclusive	**4,157,010**	1,705,905
	7,519,769	6,400,219

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 (2012 : 3 years) and rentals are fixed for an average of 3 years (2012 : 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 $559,949 (2012 : $581,624). The property is managed and maintained by a property manager at an annual cost of $180,360 (2012 : $179,910).

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

	The Group	
	2013	2012
	$	$
Within one year	**535,536**	535,536
In the second to fifth years inclusive	**2,142,144**	2,142,144
After five years	**2,454,540**	2,990,076
	5,132,220	5,667,756

(b) Financial guarantees

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 make principal or interest payments when due in accordance with the terms of their borrowings [(Note 4(c)(iv)].

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.

Based on reportable segments:

	Singapore $	Hong Kong $	Thailand $	Others $	Elimination $	Total $
The Group						
2013						
Revenue						
– External sales	**214,077,168**	**57,627,579**	**35,829,677**	**21,438,057**	**–**	**328,972,481**
– Interest income	**81,260,326**	**18,115,298**	**7,977,048**	**4,704,383**	**–**	**112,057,055**
– Inter-segment sales	**8,005,425**	**(325,474)**	**4,926,067**	**7,064,409**	**(19,670,427)**	**–**
	303,342,919	**75,417,403**	**48,732,792**	**33,206,849**	**(19,670,427)**	**441,029,536**
Segment results	**85,595,221**	**16,663,980**	**18,061,207**	**(3,696,228)**	**(3,087,199)**	**113,536,981**
Profit before tax						**113,536,981**
Income tax expense						**(17,190,779)**
Profit after tax						**96,346,202**
Segment assets (Note A)	**1,971,426,359**	**535,383,838**	**162,871,432**	**190,525,274**	**(275,605,760)**	**2,584,601,143**
Deferred tax assets						**1,931,194**
Consolidated total assets						**2,586,532,337**
Segment liabilities (Note A)	**1,130,852,583**	**232,778,566**	**62,351,971**	**63,436,119**	**(87,899,651)**	**1,401,519,588**
Income tax payable						**15,508,879**
Deferred tax liabilities						**1,174,285**
Consolidated total liabilities						**1,418,202,752**
Other segment items						
Capital expenditure	**1,508,025**	**657,940**	**1,164,352**	**1,216,668**	**–**	**4,546,985**
Goodwill	**–**	**–**	**3,204,363**	**4,331,944**	**–**	**7,536,307**
Depreciation expense	**6,199,240**	**539,339**	**1,058,634**	**1,337,635**	**–**	**9,134,848**
Finance expense	**51,772,808**	**937,935**	**1,335,887**	**267,542**	**–**	**54,314,172**

33 SEGMENT INFORMATION *(continued)*

	Singapore $	Hong Kong $	Thailand $	Others $	Elimination $	Total $
The Group						
2012						
Revenue						
– External sales	171,804,357	43,919,220	23,842,949	11,269,309	–	250,835,835
– Interest income	50,124,875	15,800,016	5,904,660	2,824,039	–	74,653,590
– Inter-segment sales	6,760,536	(591,173)	4,954,299	5,540,644	(16,664,306)	–
	228,689,768	59,128,063	34,701,908	19,633,992	(16,664,306)	325,489,425
Segment results	55,486,672	14,346,461	8,824,611	952,581	129,623	79,739,948
Profit before tax						79,739,948
Income tax expense						(12,443,640)
Profit after tax						67,296,308
Segment assets	2,075,972,945	507,988,926	196,054,510	95,917,122	(242,118,839)	2,633,814,664
Deferred tax assets						1,649,685
Consolidated total assets						2,635,464,349
Segment liabilities	1,264,186,996	233,632,884	101,879,579	47,965,228	(133,878,792)	1,513,785,895
Income tax payable						12,954,831
Deferred tax liabilities						1,209,023
Consolidated total liabilities						1,527,949,749
Other segment items						
Capital expenditure	1,014,467	599,353	1,172,722	1,960,678	–	4,747,220
Goodwill	–	–	4,606,563	–	–	4,606,563
Impairment losses recognised in profit or loss	1,042,364	–	449,115	6,220,330	–	7,711,809
Depreciation expense	8,124,219	366,601	930,648	662,457	–	10,083,925
Finance expense	21,792,290	243,871	1,091,903	140,827	–	23,268,891

Note A

In 2013, for Singapore segment, the Group issued debts of $97,004,900 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 consolidated revenue and assets.

34 LISTING OF COMPANIES IN THE GROUP

Name of company	Principal activities	Country of incorporation	Equity holding by Company 2013 %	Equity holding by Company 2012 %	Equity holding by Subsidiaries 2013 %	Equity holding by Subsidiaries 2012 %
Subsidiaries						
PT UOB Kay Hian Securities [c]	Stockbroking	Indonesia	**99.0**	99.0	–	–
UOB Kay Hian Securities (Philippines), Inc.[c]	Stockbroking	Philippines	**100**	100	–	–
UOB Kay Hian Securities (Thailand) Public Company Limited [b]	Stockbroking	Thailand	**70.7**	70.7	**9.3**	8.2
UOB Kay Hian (U.K.) Limited [c]	Arranger	United Kingdom	**100**	100	–	–
UOB Kay Hian (U.S.) Inc. [c]	Stockbroking	United States of America	**100**	100	–	–
UOB Kay Hian Private Limited [a]	Stockbroking	Singapore	**100**	100	–	–
UOB Kay Hian Trading Pte Ltd [a]	Investment trading	Singapore	**100**	100	–	–
UOB Kay Hian (Malaysia) Holdings Sdn Bhd [b]	Research activities	Malaysia	**100**	100	–	–
UOB Kay Hian Overseas Limited [b]	Investment holding	Hong Kong, SAR	**100**	100	–	–
UOB Kay Hian Credit Pte Ltd[a]	Money lending	Singapore	**100**	100	–	–
Trans-Pacific Credit Private Limited [a]	Margin financing	Singapore	**100**	100	–	–
UOB Kay Hian Properties Pte Ltd [a]	Investment in Group office premises	Singapore	**100**	100	–	–
UOB Kay Hian Securities (M) Sdn Bhd [b]	Stockbroking	Malaysia	**100**	100	–	–
A.A. Anthony Securities Sdn Bhd [b]	Stockbroking	Malaysia	**100**	–	–	–
UOB Kay Hian (Australia) Pty Ltd [b]	LFX, Commodities, Derivatives trading	Australia	**100**	–	–	–
Held by UOB Kay Hian Private Limited						
UOB Kay Hian Nominees Pte Ltd[a]	Nominee services	Singapore	–	–	**100**	100
UOB Kay Hian Research Pte Ltd [a]	Research activities	Singapore	–	–	**100**	100

34 LISTING OF COMPANIES IN THE GROUP *(continued)*

Name of company	Principal activities	Country of incorporation	Equity holding by Company 2013 %	Company 2012 %	Subsidiaries 2013 %	Subsidiaries 2012 %
Subsidiaries						
Held by UOB Kay Hian Overseas Limited						
UOB Kay Hian (Hong Kong) Limited [(b)]	Stockbroking	Hong Kong, SAR	–	–	**100**	100
UOB Kay Hian Futures (Hong Kong) Limited [(b)]	Futures broking	Hong Kong, SAR	–	–	**100**	100
UOB Kay Hian Finance Limited [(b)]	Money lending	Hong Kong, SAR	–	–	**100**	100
UOB Kay Hian (BVI) Limited [(d)]	Investment holding	British Virgin Islands	–	–	**100**	100
UOB Kay Hian Investment Consulting (Shanghai) Company Limited [(b)]	Investment consulting and research services	People's Republic of China	–	–	**100**	100
Held by UOB Kay Hian Securities (Thailand) Public Company Limited						
United Securities Public Company Limited [(b) #]	Stockbroking	Thailand	–	–	–	93.47
Held by UOB Kay Hian Securities (M) Sdn Bhd						
UOB Kay Hian Futures (M) Sdn Bhd [(b)]	Futures broking	Malaysia	–	–	**100**	100
UOB Kay Hian Nominees (Asing) Sdn Bhd [(b)]	Nominee services	Malaysia	–	–	**100**	100
UOB Kay Hian Nominees (Tempatan) Sdn Bhd [(b)]	Nominee services	Malaysia	–	–	**100**	100
A.A. Anthony Nominees (Tempatan) Sdn Bhd [(b)]	Nominee services	Malaysia	–	–	**100**	–
A.A. Anthony Nominees (Asing) Sdn Bhd [(b)]	Nominee services	Malaysia	–	–	**100**	–

(a) Audited by Deloitte & Touche LLP, Singapore.
(b) Audited by overseas practices of Deloitte Touche Tohmatsu.
(c) Audited by other auditors.
(d) Audit not required under the laws of the country of incorporation.
\# United Securities Public Company Limited was disposed during the financial year (Note 35)

35 DISPOSAL OF SUBSIDIARY

On 2 May 2013, the Group disposed of its 93.47% owned subsidiary in Thailand, United Securities Public Company Limited ("United Securities").

Details of the disposal are as follows:

Book values of net assets over which control was lost

	2013 $
Non-current asset	
Financial assets, available for sale	4,752,331
Deferred tax assets	451,646
Total non-current assets	5,203,977
Current asset	
Other current assets	1,141,089
Trade receivables	1,485,049
Bank balances and cash	35,252,363
Total current assets	37,878,501
Current liabilities	
Trade payables	2,039,110
Attributable goodwill	1,349,232
Net assets derecognised	42,392,600
Consideration received:	
Cash	39,971,551
Total consideration received	39,971,551
Gain on disposal:	
Consideration received	39,971,551
Net assets derecognised	(42,392,600)
Non-controlling interest derecognised	2,680,132
Gain on disposal	259,083
Net cash inflow arising on disposal	
Cash consideration received	39,971,551
Cash and cash equivalents disposed of	(35,252,363)
	4,719,188

UOB Kay Hian Securities (Thailand) Public Company Limited ("UOBKH Thailand") retained the obligation for indemnification relating to legal cases of United Securities incurred before the date of the share purchase agreement entered into for sale of United Securities. UOBKH Thailand has recorded such obligation as provision for litigation amounting to Baht 45.46 million (approximately $1.76 million).

On 17 June 2013, UOBKH Thailand was sued by a former shareholder of 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. The Court has in December 2013 ruled that the sale of the shares is 'not considered an act of repetitive tort or breach of contract'. The rest of the matters will be heard in July 2014. The management believes that UOBKH Thailand will not be obliged to pay such compensation nor proceed with the actions sued.

36 ACQUISITION OF SUBSIDIARY

(a) On 16 January 2013, the Group acquired 100% of A.A. Anthony Securities Sdn Bhd for cash consideration of RM123,573,508 or $50,268,611. This transaction has been accounted for by the acquisition method of accounting.

The Group acquired A.A. Anthony Securities Sdn Bhd for various reasons, primarily to expand its presence in Malaysia.

Subsequent to the acquisition, the business of A.A. Anthony Securities Sdn Bhd was transferred to UOB Kay Hian Securities (M) Sdn Bhd on 3 May 2013.

(i) Consideration transferred (at acquisition date fair values)

	$
A.A. Anthony Securities Sdn Bhd	
Cash	**50,268,611**

(ii) Assets acquired and liabilities assumed at the date of acquisition

	$
A.A. Anthony Securities Sdn Bhd	
Current assets	
Cash and bank balances	**32,030,470**
Trade receivables	**38,863,433**
Other current assets	**3,434,283**
Non-current assets	
Plant and equipment	**2,411,128**
Deferred tax asset	**398,157**
Current liabilities	
Trade and other payables	**(31,363,828)**
Net assets acquired and liabilities assumed	**45,773,643**

The trade receivables acquired in the transaction is net of allowance for impairment of doubtful trade receivables amounting to $4,553,698.

(iii) Provisional goodwill arising on acquisition

	$
A.A. Anthony Securities Sdn Bhd	
Consideration transferred	**50,268,611**
Less: Fair value of identifiable net assets acquired	**(45,773,643)**
Provisional goodwill arising on acquisition	**4,494,968**

The Group has not conducted purchase price allocation to determine the fair value of the assets and liabilities acquired. A purchase price allocation will be conducted within one year from the date of acquisition.

(iv) Net cash outflow on acquisition of a subsidiary

	$
Consideration paid in cash	**50,268,611**
Less: Cash and bank balances acquired	**(32,030,470)**
	18,238,141

(v) Impact of acquisition on the results of the Group

Included in the profit for 2013 is a loss of RM1,080,817 or $426,580 attributable to A.A. Anthony Securities Sdn Bhd. Revenue for 2013 from A.A. Anthony Securities Sdn Bhd amounted to RM6,338,510 or $2,505,613.

Had the business combination in 2013 been effected in 1 January 2013, the revenue of the Group would have been $441,029,536 and the profit for 2013 would have been $96,346,202.

(b) On 3 May 2012, the Group acquired 100% of Innosabah Securities Berhad ("Innosabah") (since renamed UOB Kay Hian Securities (M) Sdn Bhd) for cash consideration of RM55,324,576 or $22,581,159. This transaction has been accounted for by the acquisition method of accounting.

The Group acquired Innosabah for various reasons, the primary reason being to gain the right and license to conduct stockbroking business in Malaysia.

(i) Consideration transferred (at acquisition date fair values)

	$
Innosabah Securities Berhad	
Cash	22,581,159

(ii) Assets acquired and liabilities assumed at the date of acquisition

	$
Innosabah Securities Berhad	
Current assets	
Cash and bank balances	7,425,743
Trade receivables	8,013,276
Non-current assets	
Trading rights in Exchanges	6,709,510
Plant and equipment	3,613,899
Current liabilities	
Trade and other payables	(3,181,269)
Net assets acquired and liabilities assumed	22,581,159

The trade receivables acquired in the transaction is net of allowance for impairment of doubtful trade receivables amounting to $986,549.

(iii) Goodwill arising on acquisition

	$
Innosabah Securities Berhad	
Consideration transferred	22,581,159
Less: Fair value of identifiable net assets acquired	(22,581,159)
Goodwill arising on acquisition	–

No goodwill arose from the acquisition.

(iv) Net cash outflow on acquisition of subsidiaries

	$
Consideration paid in cash	22,581,159
Less: Cash and bank balances acquired	(7,425,743)
	15,155,416

(v) Impact of acquisition on the results of the Group

Included in the profit for 2012 is a loss of RM2,900,907 or $1,172,157 attributable to UOB Kay Hian Securities (M) Sdn Bhd. Revenue for 2012 from UOB Kay Hian Securities (M) Sdn Bhd amounted to RM3,257,907 or $1,316,126.

Had the business combination in 2012 been effected at 1 January 2012, the revenue of the Group would have been $326,603,943 and the profit for 2012 would have been $67,141,787.

Analysis of Shareholdings

as at 17 March 2014

No. of shares held	:	724,709,009 ordinary shares		
Voting rights	:	On a show of hands	:	One vote for each member
		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 – 999	379	3.54	129,111	0.02
1,000 – 10,000	8,379	78.26	35,860,859	4.95
10,001 – 1,000,000	1,922	17.95	80,626,220	11.12
1,000,001 & Above	27	0.25	608,092,819	83.91
Total	10,707	100.00	724,709,009	100.00

Top Twenty Shareholders as at 17 March 2014	No. of Shares	%
United Overseas Bank Limited	285,537,809	39.40
U.I.P. Holdings Limited	128,088,976	17.68
UOB Kay Hian Pte Ltd	41,147,000	5.68
Tang Wee Loke	29,893,381	4.12
DBS Nominees Pte Ltd	27,125,413	3.74
United Overseas Bank Nominees Pte Ltd	14,785,400	2.04
DBSN Services Pte Ltd	10,604,000	1.46
Citibank Nominees Singapore Pte Ltd	10,420,034	1.44
Ho Yeow Koon & Sons Pte Ltd	10,101,000	1.39
HL Bank Nominees (S) Pte Ltd	10,006,000	1.38
OCBC Nominees Singapore Pte Ltd	6,135,225	0.85
HSBC (Singapore) Nominees Pte Ltd	5,953,348	0.82
Tye Hua Nominees (Pte) Ltd	4,413,000	0.61
Maybank Kim Eng Securities Pte Ltd	3,254,400	0.45
Tung Tau Chyr Walter	2,542,422	0.35
Lau Mei Lea	2,100,000	0.29
Lim & Tan Securities Pte Ltd	2,028,200	0.28
Hai Chua Fishery Pte Ltd	1,737,000	0.24
Chen Chun Nan	1,648,000	0.23
Ang Jwee Herng	1,513,000	0.21
	599,033,608	82.66

	Direct Interest		Deemed Interest	
Substantial Shareholders	No. of Shares	% of Total Issued Shares	No. of Shares	% of Total Issued Shares
United Overseas Bank Limited	285,537,809	39.40	4,413,000 (1)	0.61
U.I.P. Holdings Limited	128,313,976	17.71	–	–
Wee Ee Chao	–	–	169,039,976 (2)	23.33
K.I.P. Inc	–	–	40,726,000 (3)	5.62

Notes: (1) United Overseas Bank Limited's deemed interest arises from the 4,413,000 shares held by Tye Hua Nominees (Pte) Ltd.

(2) Mr Wee Ee Chao's deemed interest arises from the 128,313,976 shares held by U.I.P. Holdings Limited (includes purchases up to 17 March 2014) and 40,726,000 shares held by UOB Kay Hian Pte Ltd – K.I.P. Inc.

(3) K.I.P. Inc's deemed interest arises from the 40,726,000 shares registered in name of UOB Kay Hian Pte Ltd – K.I.P. Inc.

Public Float

Based on available information as at 17 March 2014, approximately 31.60% 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 Tuesday, 29 April 2014 at 5.30 p.m. for the following purposes:-

Ordinary Business

1 To receive and adopt the audited financial statements for the year ended 31 December 2013 and the reports of the directors and auditors thereon.

2 To declare a first and final one-tier tax exempt dividend of 6.5 cents per ordinary share for the year ended 31 December 2013.

3 To approve the sum of S$294,000 as directors' fees for the year ended 31 December 2013. (2012: S$294,000)

4(a) To re-elect Mr Walter Tung Tau Chyr, a director who will retire by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

Note: Mr Walter Tung Tau Chyr, if re-elected as a director, will remain a member of the remuneration committee. Mr Tung is an independent director. Key information on Mr Tung is set out in the "Profile of Directors & Key Management Personnel" section of the annual report.

4(b) To re-elect Mr Neo Chin Sang, a director who will retire by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

Note: Key information on Mr Neo Chin Sang is set out in the "Profile of Directors & Key Management Personnel" section of the annual report.

4(c) To re-elect Mr Francis Lee Chin Yong, a director who will retire by rotation pursuant to Article 91 of the Company's Articles of Association 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. Mr Lee is a non-independent director. Key information on Mr Lee is set out in the "Profile of Directors & Key Management Personnel" section of the annual report.

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 <u>Authority to allot and issue shares and convertible securities</u>

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 <u>Authority to allot and issue shares pursuant to the UOB-Kay Hian Holdings Limited Scrip Dividend Scheme</u>

That pursuant to Section 161 of the Companies Act, Cap. 50, the directors 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 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
14 April 2014

Note

A member entitled to attend and vote at the annual general meeting may appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company. 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 Company's Articles of Association

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.

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