

A N N U A L R E P O R T 2 0 0 1

UOBKayHian

U O B - K A Y H I A N H O L D I N G S L I M I T E D

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C O R P O R A T E I N F O R M A T I O N

Board of Directors

Wee Ee-chao
Chairman and Managing Director

Tang Wee Loke
Deputy Managing Director

Walter Tung Tau Chyr

Samuel Poon Hon Thang

Neo Chin Sang

Dr. Henry Tay Yun Chwan
Independent Director

Chelva Retnam Rajah
Independent Director

Audit Committee

Dr. Henry Tay Yun Chwan
Chairman

Chelva Retnam Rajah

Tang Wee Loke

Company Secretary

Mdm Chung Boon Cheow

Registered Office

80 Raffles Place
#30-01 UOB Plaza 1
Singapore 048624
Tel : 6533 2936

Registrar and Share Transfer Office

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

Auditors

PricewaterhouseCoopers
Certified Public Accountants
Singapore
(Partner in charge – Leong Yit Siong)

Principal Bankers

Banque Nationale De Paris
Citibank NA
Development Bank of Singapore Ltd
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
Standard Chartered Bank
The Hongkong and Shanghai Banking
Corporation Limited
United Overseas Bank Limited

U O B - K A Y H I A N H O L D I N G S L T D

UOB-Kay Hian Holdings was formed from the merger of Kay Hian Holdings and UOB Securities in October 2000. Post-merger, our group became the largest stockbroking house in Singapore.

In 2001, our acquisitions of the retail arm of CSFB, RHB Cathay Securities and OUB Securities further enlarged our retail network. We now have a strong team of 789 sales personnel in Singapore. Size has enabled us to realise economies of scale and expand our customer base.

Being part of the merged UOB/OUB family, we also have opportunities to tap on the banks' competitive strengths and cross-sell products.

We have broadened our business to cover fund management, unit trusts, derivatives trading and corporate finance.

In addition, we have been spotting growth opportunities in the region. We acquired BNP Paribas Peregrine's retail operations in Thailand in 2001. Our long-term plan is to build a strong stockbroking and financial-services presence in Thailand. We are in negotiations for the acquisition of Worldsec International, a Hong Kong-based brokerage. If consummated, the acquisition will give us a coveted foothold in the China equities market, as Worldsec International has a team of researchers covering the China stock markets. The broadening of the scope of our business will attract more institutional investors, from Asia, Europe and the US.

To further rationalise our operations, we shut down our Philippines outfit in May 2001.

OUR REGIONAL REACH



Leveraging on our strengths ...

- A well-established and trusted brand name in the stockbroking industry
- A credit team with the financial strength to offer clients better cash management solutions
- Comprehensive research resources for both retail and institutional investors
- Strategic positioning through alliances with foreign brokers and new acquisitions to expand our market reach
- A large distribution network of 875 retail sales personnel and 185 institutional account executives covering a growing global network which spans Thailand, Hong Kong, China, the Philippines, Malaysia, Indonesia, the United States and Europe
- A solid track record in corporate advisory/finance work

Our Business Divisions

*Corporate Advisory/
Finance*

Fund Management

Institutional Sales

Retail Sales

Internet Broking

*Administrative/
Support Services*

A dedicated team of 11 experienced researchers and credit analysts to provide advice on corporate finance and investments

Building on our experience in managing internal funds, we are in the course of growing this particular business to cater to our stockbroking clients and institutions.

Currently, the group has 185 account executives in the region covering markets in Thailand, Hong Kong, China, the Philippines, Malaysia and Indonesia.

With a strong team of 875 retail sales personnel in the region, UOB Kay Hian has an extensive distribution network for retailing a wide range of investment products.

In tandem with the popularity of internet trading, our online customer base grew substantially in 2001. We are moving towards establishing an online regional trading hub.

To provide total integrated services, our Administrative/Support framework is structured to include Operations, Internal Audit, Credit, Finance, IT and Research capabilities.

GROUP FINANCIAL HIGHLIGHTS

	Actual Group For the Year Ended 31.12.2001 (S\$'000)	Proforma Group For the Year Ended 31.12.2000 (S\$'000)	Actual Group From 24.5.2000 to 31.12.2000 (S\$'000)	Actual Company For the Year Ended 31.12.2001 (S\$'000)	Actual Company From 24.5.2000 to 31.12.2000 (S\$'000)
Turnover	99,921	179,556	21,543	109,945	24,695
Profit Before Taxation	20,568	61,611	6,774	111,671	24,284
Share of Results of Associated Companies	2,621	5,923	287	–	–
	23,189	67,534	7,061	111,671	24,284
Profit After Taxation	15,937	51,442	5,874	84,838	18,084
Profit After Taxation and Minority Interests	15,995	51,442	5,874	84,838	18,084
Shareholders' Equity	548,358	547,167	547,167	485,033	419,320
Adjusted Earnings Per Share	2.21 cents	7.10 cents	0.81 cents	11.71 cents	2.50 cents
Adjusted Gross Dividend Per Share	1.25 cents	3.30 cents	3.30 cents	1.25 cents	3.30 cents
Adjusted Net Tangible Asset Per Share	75.67 cents	75.50 cents	75.50 cents	66.93 cents	57.86 cents
Percentage Return on Shareholders' Equity					
Profit Before Tax	4.23%	12.34%	1.29%	23.02%	5.79%
Profit After Tax	2.91%	9.40%	1.07%	17.49%	4.31%
Profit After Tax and Minority Interests	2.92%	9.40%	1.07%	17.49%	4.31%

Note: For comparison purposes, proforma group figures were prepared on the basis that the present group structure was in place on 1 January 2000.

UOB-KAY HIAN SHARE PRICE

(From 2 January 2001 to 31 March 2002 - Daily)



High \$0.72 (28/1/02) Low \$0.47 (17/9/01) Last \$0.69

CHAIRMAN'S STATEMENT

Against the backdrop of an extremely challenging business environment, the directors are glad to announce a profit after tax of S\$16m for the year ended 31 December 2001. Earnings dropped from a pro-forma S\$51m last year, dented by lower commission rates and anaemic trading values and volumes in Asia. Turnover fell to \$100m from a pro-forma \$180m. The unfortunate events of September 11 dealt a further blow to business.

Regional Operations

In the region, our Hong Kong and start-up business in Thailand incurred losses. We have expanded our Thailand operation by recruiting sales staff and setting up 16 offices in Bangkok and the provinces. In Hong Kong, we have recruited more sales staff to attain critical mass. Profits at our associate company in Malaysia also dipped on weaker volumes and poorer commission rates.

Dividend

The directors have recommended a final dividend of 1.25¢ for the year ended 31 December 2001. This will be presented to shareholders for approval at the Annual General Meeting on 31 May 2002. Total ordinary dividend less Singapore income tax for the year is S\$7,933,746.

Current Year's Prospects

The first quarter's performance has so far been quite encouraging. We expect 2002 to be more promising, barring unforeseen circumstances. Despite the volatility created by the Middle East conflict and higher oil prices, we are expecting an economic recovery led by ample liquidity, low interest rates and a mending US economy in the second half of 2002.

At the corporate level, UOB Kay Hian's management is positioning the group to ride on this recovery. We have been operating a tight ship, keeping costs down. The liberalisation of commissions and the hard knock from the recent 20% increase in trading platform fees charged by the Singapore Exchange necessitate more cost saving measures. We are also seeking new avenues of growth. Besides introducing new services such as fund management and corporate finance, we plan to expand in other growth markets given the right opportunities.

We will also step up efforts to reap synergistic benefits from the enlarged UOB Group. With the integration of OUB Securities in April 2002, we have further entrenched our position as the largest stockbroking house in Singapore, with a strong team of 789 dealers and remisiers. Having gained competitive advantages from recent mergers, we are now ready to meet future challenges.

Acknowledgements

I would like to express my heartfelt appreciation for the hard work and contributions of the Board of Directors and staff during the year. I would also like to thank all our shareholders and clients for their support.



Wee Ee-chao
Chairman and Managing Director

SINGAPORE

Review of 2001

Singapore's economy contracted 2.0% in 2001, after growing by a sterling 10.3% in 2000. Being export-led, the slump in external demand and the surprise terrorist attacks on 11 Sep affected the manufacturing sector. The sector contracted 11.6% in 2001, after growing 15.3% in 2000. Depressed household consumption and business investments also dragged down growth.

The services sector was somewhat more resilient. Service-producing industries continued to grow, albeit by a slower 1.6%, after the 9.0% growth in 2000. The wholesale and retail sector contracted by 2.8% in 2001, reversing from the 15.2% growth in 2000. This was due to a drop in entrepot trade and tourist arrivals. Financial services decelerated from 4.6% growth in 2000 to 2.2% growth in 2001, a result of the weaker performance of the Asian Dollar Market, insurance and investment advisory services.

Outlook for 2002

The US has recovered in stellar fashion, to a 5.8% annualised growth rate in 1Q02. Given Singapore's

dependence on the US economy, there has been a similar recovery in Singapore. Growth contracted by a smaller 1.7% in 1Q02, compared to 4Q01's -6.6%. A firmer upturn is expected in 2H02. Already, seasonally-adjusted qoq numbers suggest a turnaround in Singapore's manufacturing sector, which grew 26.9% in 4Q01, following a 30.7% decline in 3Q01. The outlook for this sector is getting better by the day, with a moderation in the NODX's decline and a recovery in 6-month forward leading indicators. We maintain our 4.0% growth estimate for 2002. The government is looking at 2 – 4% growth this year, revised from a previous 1 – 3% range.

Regional Risks

The key risk facing Asia and Singapore is Japan. Bankruptcies, policy flip-flops and slow banking-sector restructuring have led to the yen's weakening vs. the US dollar. This weakening will inevitably put downward pressure on Asian currencies. As the economic recovery is still fragile, any weakening of Asian currencies could wreck investor confidence in Asian economies. Besides regional risks, investors may also have to contend with the uncertainty surrounding the Middle East crisis and higher oil prices.

2001 ECONOMIC AND STOCK MARKET REVIEW

continued

Domestic Risks

Unemployment will be the other key risk this year. The government has estimated an increase from 4.7% in 2001 to 6% by end-2002. Restructuring in the banking sector and the economy's evolution towards higher value-added IT services have resulted in structural unemployment. Though measures have been taken to address this in 2 recent off-budget packages, unemployment still poses a threat to private consumption and gross fixed capital formation. It remains the key downside risk to our 2002 GDP growth forecast.

Stock Market Outlook

We are bullish on the outlook of the Singapore stock market in 2002. Three factors will drive stocks up, namely 1) historically low interest rates (due to excess liquidity in the banking system), 2) the government's pro-expansion fiscal and exchange rate policies and 3) a US economic recovery. Technology and IT-related sectors, which are the strategic focus of the government's economic policies, are likely to remain the main outperformers of the market this year. At some stage, property and banking counters could gain interest as well. Our target for the STI is 2500 by end-2002.

Key Statistics – Singapore

	1998	1999	2000	2001
GDP Growth (%)	(0.1)	6.9	10.3	(2.0)
ST Index (end of year)	1392.73	2479.58	1926.83	1623.60
Market Capitalisation (S\$b)				
<i>Mainboard</i>	263.2	321.5	389.5	213.6
<i>CLOB</i>	88.5	148.2	82.0	154.0
<i>SESDAQ</i>	2.5	8.4	4.0	3.0
Number of Companies				
<i>Mainboard</i>	307	327	388	386
<i>CLOB</i>	18	18	18	18
<i>SESDAQ</i>	64	81	92	106
IPOs				
<i>Number</i>	21	50	81	35
<i>Amount raised (S\$b)</i>	0.4	2.2	2.9	0.5
Turnover				
<i>Volume (units b)</i>	74.1	155.8	97.3	93.1
<i>Value (S\$b)</i>	98.6	196.9	171.0	131.7

MALAYSIA

Review of 2001

Malaysia's economic growth slackened to 0.4% in 2001, from a strong 8.3% in 2000. The US economic downturn was the main factor. The manufacturing sector shrank 5.2%, in sharp contrast to its 21.0% growth in 2000. But as in Singapore, the services sector bucked the downturn. The sector grew a robust 5.2% in 2001, compared to 4.8% in 2000, with finance and business services doing particularly well.

Although economic growth was dismal, Malaysia continued to enjoy strong liquidity, which led to a revival of interest in its financial markets towards end-2001. Malaysia's current account balance surged to RM20.6b in the first 9 months of the year, as imports of intermediate and capital goods fell. This amount was 8.3% of its GDP (on an annualised basis), marginally lower than 2000's 9.4%. Foreign reserves also rose RM3.6b to RM117.2b at the end of the year.

Malaysia's M3 expanded 2.9% in 2001. The inflow of funds, together with capital controls, kept interest rates low. Inflation was subdued at 1.4%.

Outlook for 2002

A much-anticipated US economic recovery will stimulate Malaysia's exports. We expect exports to rise 8.8% and the economy to grow by 4.2%. The current account surplus should shrink, as imports grow at a faster pace.

External Risks

The major external risk for Malaysia, as in the case of Singapore, is yen weakness. If the yen weakens considerably, the ringgit's peg to the US dollar could come under threat. The weather phenomenon, *El Nino*, is also expected to strike this year. This would lower the production yields of Malaysia's key commodity exports such as palm oil, although the overall effect would be positive, as selling prices rise. Higher oil prices would also be positive for Malaysia, which is a net oil exporter. A large part of Malaysia's trade surplus comes from commodities.

2001 ECONOMIC AND STOCK MARKET REVIEW

continued

Domestic Risks

We see two possible risks for Malaysia this year. Given the peg, Malaysia's interest rates are inextricably linked to rates in the US. Any rise in US rates could raise rates in Malaysia – a risk for capital markets. The ability of the government to continue with counter-cyclical policies could also be limited by fiscal deficits.

Stock Market Outlook

The outlook for the Malaysian market has turned positive, with most economic indicators pointing to a recovery by 2H02. Our fair value for the KLCI is 860. Recovery and undervalued restructuring stocks are our key investment plays. The semiconductor and plantation sectors are natural sweet spots in a rebound in global demand. These sectors will also serve as hedges against devaluation should the yen weaken much further.

Key Statistics – Malaysia				
	1998	1999	2000	2001
GDP growth (%)	(7.4)	6.1	8.3	0.4
KLCI	586.13	812.33	679.64	696.09
Market Capitalisation (RMb)				
<i>Main Board</i>	353.4	527.6	423.9	444.3
<i>Second Board</i>	21.0	25.1	20.5	20.7
Number of stocks listed				
<i>Main Board</i>	454	474	498	520
<i>Second Board</i>	282	283	297	292
IPOs Main Board				
<i>Number</i>	6	10	12	6
<i>Amount raised (RMb)</i>	0.4	0.6	0.6	2.5
Turnover				
<i>Volume (units b)</i>	58.3	85.2	75.4	49.7
<i>Value (RMb)</i>	115.2	185.3	244.1	85.0

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DIRECTORS' REPORT

For the financial year ended 31 December 2001

The directors present their report to the members together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2001.

Directors

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

Wee Ee-chao

Tang Wee Loke

Walter Tung Tau Chyr

Samuel Poon Hon Thang

Neo Chin Sang

Henry Tay Yun Chwan

Chelva Retnam Rajah

Principal activities

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are stockbroking, futures broking, investment trading, margin financing, investment management, investment holding and provision of nominee and research services as set out in Note 14 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Results for the financial year

The consolidated net profit attributable to the members of the Company for the financial year was \$15,995,208.

The Company made a net profit for the financial year of \$84,837,745.

Material transfers to or from reserves and provisions

Material transfers to or from reserves during the financial year were as set out in the statements of changes in equity.

Material movements in provisions are set out in the notes to the financial statements.

DIRECTORS' REPORT

continued

Acquisition and disposal of subsidiaries

(a) Acquisition of subsidiaries by the Company

(i) UOB Kay Hian Securities (Philippines), Inc.

The Company acquired a 100% interest in UOB Kay Hian Securities (Philippines), Inc. for a cash consideration of \$1,853,631. The net tangible assets of the subsidiary acquired was \$1,045,913 at the acquisition date.

(ii) UOB Kay Hian Securities (Thailand) Co., Ltd

The Company acquired a 100% interest in UOB Kay Hian Securities (Thailand) Co., Ltd for a cash consideration of \$29,538,498. The net tangible assets of the subsidiary acquired was \$12,421,753 at the acquisition date.

(iii) PT UOB Kay Hian Securities

The Company acquired a 85% interest in PT UOB Kay Hian Securities for a cash consideration of \$568,767. The net tangible assets of the subsidiary acquired was \$463,114 at the acquisition date.

(b) Acquisition of subsidiaries by subsidiaries of the Company

During the financial year, UOB Kay Hian Overseas Limited, a wholly-owned Hong Kong subsidiary, acquired a 100% interest in UOB Kay Hian (Hong Kong) Limited for a cash consideration of \$6,975,358. The net tangible assets of UOB Kay Hian (Hong Kong) Limited was \$4,217,813 at the acquisition date.

(c) There were no other acquisitions or disposals of interests in subsidiaries during the financial year.

Issue of shares and debentures

(a) The Company did not issue any shares or debentures during the financial year.

(b) During the financial year, the following wholly-owned subsidiaries of the Company issued further ordinary shares:

(i) UOB Kay Hian Private Limited

On 23 July 2001, 15,000,000 ordinary shares of \$1 each of UOB Kay Hian Private Limited were allotted and issued at par to its immediate holding company, in satisfaction of the subordinated loan of \$15,000,000 due to its immediate holding company. The newly issued ordinary shares rank *pari passu* in all respects with the previously issued ordinary shares.

(ii) UOB Kay Hian Overseas Limited

On 20 March 2001 and 23 April 2001, UOB Kay Hian Overseas Limited issued a total of 43,000,000 ordinary shares of HK\$1 each at par for cash to its immediate holding company to provide additional working capital. The newly issued ordinary shares rank pari passu in all respects with the previously issued shares in the capital of the subsidiary.

(iii) UOB Kay Hian (Hong Kong) Limited

On 3 July 2001 and 27 November 2001, UOB Kay Hian (Hong Kong) Limited issued a total of 335,000 ordinary shares of HK\$100 each at par for cash to its immediate holding company to provide additional working capital. The newly issued ordinary shares rank pari passu in all respects with the previously issued ordinary shares.

(iv) UOB Kay Hian Asia Limited

On 9 April 2001, UOB Kay Hian Asia Limited issued 5,000,000 ordinary shares of HK\$1 each to its immediate holding company to provide additional working capital. The newly issued ordinary shares rank pari passu in all respects with the previously issued ordinary shares.

(v) PT. UOB Kay Hian Securities

On 11 February 2001 and 13 November 2001, a total of 4,500 ordinary shares, being 3,825 and 675 ordinary shares of Rp 1,000,000 each of PT. UOB Kay Hian Securities were allotted and issued at par for cash to the Company and a minority shareholder of the subsidiary respectively to provide additional working capital. The newly issued ordinary shares rank pari passu in all respects with the previously issued ordinary shares.

(c) There were no other issues of shares or debentures by any corporation in the Group during the financial year.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

continued

Directors' interests in shares or debentures

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interests in the share capital of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2001	At 1.1.2001	At 31.12.2001	At 1.1.2001
The Company <i>(Ordinary shares of \$0.10 each)</i>				
Wee Ee-chao	–	–	120,010,976	115,238,976
Tang Wee Loke	29,893,381	29,893,381	–	–
Walter Tung Tau Chyr	2,542,422	2,542,422	–	–

- (b) The directors' interests in the share capital of the Company and of related corporations as at 21 January 2002 were the same as at 31 December 2001, except that a director, Wee Ee-chao, was deemed to have an interest in 119,738,976 ordinary shares of the Company as at 21 January 2002.

Dividends

Dividends paid, declared or proposed since the end of the Company's preceding financial year were as follows:

	\$
A final dividend of 3.3 cents per share, net of tax at 24.5%, was paid on 3 July 2001 in respect of the financial period ended 31 December 2000 as proposed in the Directors' Report for that financial period	<u>18,056,125</u>
An interim dividend of 0.2 cents per share, net of tax at 24.5%, was paid on 18 October 2001 in respect of the financial year ended 31 December 2001	<u>1,094,305</u>
The directors propose a final dividend of 1.25 cents per share, net of tax at 24.5%, to be paid in respect of the financial year ended 31 December 2001	<u>6,839,441</u>

Bad and doubtful debts

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain the action taken in relation to the writing off of bad debts and providing for doubtful debts of the Company, and have satisfied themselves that the Company has no bad or doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off for bad debts or provided for doubtful debts in the Group inadequate to any substantial extent.

Current assets

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or that adequate provisions have been made for the diminution in values of such current assets.

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which would render the values attributed to current assets in the consolidated financial statements misleading.

Charges on assets and contingent liabilities

At the date of this report, no charges have arisen since the end of the financial year on the assets of the Company or any corporation in the Group which secure the liability of any other person, nor has any contingent liability arisen since the end of the financial year in the Company or any other corporation in the Group.

Ability to meet obligations

No contingent or other liability of the Company or any other corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company and the Group to meet their obligations as and when they fall due.

Other circumstances affecting the financial statements

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

Unusual items

In the opinion of the directors, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

Unusual items after the financial year

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would substantially affect the results of the operations of the Company and of the Group for the financial year in which this report is made.

DIRECTORS' REPORT

continued

Directors' contractual benefits

Since the end of the previous financial period, the Company and certain subsidiary corporations have engaged in transactions in the normal course of business with the directors 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 as customers, employees or shareholders of these companies.

During the financial year, no director has received or become entitled to receive a benefit (other than as disclosed above and in the consolidated financial statements) 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.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company or of its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or of its subsidiaries.

There were no unissued shares under option in respect of the Company or its subsidiaries at the end of the financial year.

Corporate governance

The Company is committed to and strives to achieve best practices in corporate governance and business conduct. In this regard, the Company has constituted and implemented the following:

Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Henry Tay Yun Chwan (Chairman)

Chelva Retnam Rajah

Tang Wee Loke

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board of Directors acting through the Audit Committee. The committee met to review the scope of work of the internal auditors and of the statutory auditors, and the results arising therefrom, including their evaluation of the system of internal controls. The committee also reviewed the assistance given by the Group's officers to the internal auditors and the statutory auditors.

The announcements of half year and full year results, the audited financial statements of the Company and the audited consolidated financial statements of the Group were reviewed by the committee prior to their submission to the directors of the Company for adoption.

The committee reviewed the transactions entered into by the Group with interested persons connected with the Group and determined that all relevant requirements set out in the listing manual of the Singapore Exchange Limited have been complied with.

Dealing in securities

The Company has adopted the Singapore Exchange Best Practices Guide with respect to dealings in securities and has, in place, a policy for dealing in securities for guidance of directors and officers of the Group.

The Audit Committee has nominated PricewaterhouseCoopers for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors



Wee Ee-Chao

Director



Tang Wee Loke


Director

Singapore
24 April 2002

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 22 to 53 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2001, the results of the business and changes in equity of the Company and of the Group and the cash flows of the Group 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 as and when they fall due.

On behalf of the directors



Wee Ee-Chao

Director



Tang Wee Loke

Director

Singapore

24 April 2002

AUDITORS' REPORT

To the members of UOB-Kay Hian Holdings Limited

We have audited the financial statements of UOB-Kay Hian Holdings Limited and the consolidated financial statements of the Group for the financial year ended 31 December 2001 set out on pages 22 to 53. These financial statements are the responsibility of the Company's directors. 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 plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the Company and of the Group at 31 December 2001, the profit and changes in equity of the Company and of the Group and the cash flows of the Group for the financial year ended on that date; and
 - (ii) the other matters required by section 201 of the Act to be dealt with in the financial statements of the Company and the consolidated financial statements of the Group; and
- (b) the accounting and other records, and the registers 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.

We have considered the financial statements and auditors' reports of the subsidiaries of which we have not acted as auditors, and the financial statements of those subsidiaries which are not required by the laws of their countries of incorporation to be audited, being financial statements included in the consolidated financial statements. The names of these subsidiaries are stated in note 14 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under section 207(3) of the Act.


PricewaterhouseCoopers

Certified Public Accountants

Singapore

24 April 2002

I N C O M E S T A T E M E N T S

For the financial year ended 31 December 2001

		The Group		The Company	
	Notes	2001	24.5.2000 (date of incorporation) to 31.12.2000	2001	24.5.2000 (date of incorporation) to 31.12.2000
		\$	\$	\$	\$
Revenue	3	111,199,225	20,999,267	112,020,122	24,407,365
Commission expenses		(23,462,689)	(4,614,015)	-	-
Personnel expenses	4	(30,738,288)	(4,285,320)	(25,000)	(30,000)
Information expenses		(8,504,379)	(883,459)	-	-
Other operating expenses		(27,515,779)	(4,306,477)	(323,627)	(93,580)
Operating profit	5	20,978,090	6,909,996	111,671,495	24,283,785
Finance costs	6	(410,364)	(136,157)	-	-
Share of results of associated companies		2,621,009	286,669	-	-
Profit before tax		23,188,735	7,060,508	111,671,495	24,283,785
Tax	7	(7,251,539)	(1,186,840)	(26,833,750)	(6,200,000)
Profit after tax before minority interests		15,937,196	5,873,668	84,837,745	18,083,785
Minority interests		58,012	-	-	-
Net profit attributable to members of the Company		15,995,208	5,873,668	84,837,745	18,083,785
Earnings per share – basic (cents)	8	2.21	0.81		

BALANCE SHEETS

As at 31 December 2001

	Notes	The Group		The Company	
		2001 \$	2000 \$	2001 \$	2000 \$
Current assets					
Cash and bank balances	9	339,291,810	299,284,971	24,510,317	2,116
Outstanding contracts receivable		255,855,421	230,572,258	-	-
Trade debtors	10	122,183,792	180,593,942	-	-
Amounts due by subsidiaries – non-trade		-	-	29,323,736	19,709,782
Amount due by affiliated company – trade		9,126	6,584	-	-
Amounts due by associated companies					
– trade		-	191,266	-	-
– non-trade		7,220	588,736	-	443,896
Trading securities – long positions	11(a)	60,373,861	64,862,520	21,671,413	-
Goodwill	12	-	-	-	-
Income tax recoverable	7(b)	18,500	97,122	18,500	97,122
Other current assets	13	15,113,622	8,731,710	196,519	-
		792,853,352	784,929,109	75,720,485	20,252,916
Non-current assets					
Investments					
– in subsidiaries	14	-	-	402,351,802	419,292,262
– in associated companies	15	49,314,094	45,770,358	-	-
– in Exchanges	16	8,083,336	8,083,336	-	-
Trading rights in Exchange	17	570,020	711,360	-	-
Memberships in Exchanges		141,995	-	-	-
Subordinated loans to subsidiaries	18	-	-	7,277,025	-
Fixed assets	19	7,926,809	4,789,767	-	-
		66,036,254	59,354,821	409,628,827	419,292,262
Total assets		858,889,606	844,283,930	485,349,312	439,545,178
Current liabilities					
Outstanding contracts payable		230,815,471	207,919,971	-	-
Accounts payable	20	21,676,494	43,366,679	75,391	60,077
Amounts due to subsidiaries – non-trade		-	-	240,675	2,109,054
Amount due to associated company – trade		-	150,000	-	-
Amounts due to affiliated companies – trade		403,485	743,223	-	-
Borrowings	21	35,665,904	3,002,353	-	-
Trading securities – short positions	11(b)	10,193,023	7,581,392	-	-
Provision for tax	7(b)	10,847,743	15,516,590	-	-
		309,602,120	278,280,208	316,066	2,169,131
Non-current liabilities					
Borrowings	21	148,039	-	-	-
Deferred tax	7(c)	781,000	781,000	-	-
		929,039	781,000	-	-
Total liabilities		310,531,159	279,061,208	316,066	2,169,131
Net assets		548,358,447	565,222,722	485,033,246	437,376,047
Share capital and reserves					
Share capital	22	72,470,901	72,470,901	72,470,901	72,470,901
Reserves	23	353,154,862	486,928,703	297,240,719	346,821,361
Retained profits		117,964,096	5,823,118	115,321,626	18,083,785
Interests of members of the Company		543,589,859	565,222,722	485,033,246	437,376,047
Minority interests		4,768,588	-	-	-
		548,358,447	565,222,722	485,033,246	437,376,047
Clients' trust accounts					
Bank balances					
– with affiliated companies		24,875,947	27,803,396	-	-
– with other banks		38,628,169	8,180,724	-	-
Less: Amounts held in trust		(63,504,116)	(35,984,120)	-	-
		-	-	-	-

The accompanying notes form an integral part of these financial statements.
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2001

	Note	Share capital \$	Capital reserve \$
Balance at 1 January 2001			
– as previously reported		72,470,901	346,821,361
– effect of adopting SAS 31:			
Proposed final dividend in respect of financial period ended 31 December 2000	24	–	–
– as restated		72,470,901	346,821,361
Currency translation differences recognised directly in shareholders' equity		–	–
Net profit for the financial year		–	–
Transfer to retained profits for dividend received from a subsidiary distributed out of its pre-acquisition profits		–	(31,550,526)
Excess of purchase consideration paid over fair values of subsidiaries:			
– acquired by the Company		–	(18,030,116)
– acquired by a subsidiary		–	–
Statutory transfer		–	–
Final dividend for 2000 paid	24	–	–
Interim dividend for 2001 paid	24	–	–
Balance at 31 December 2001		72,470,901	297,240,719
Upon incorporation at 24 May 2000		2	–
Currency translation differences recognised directly in shareholders' equity		–	–
Net profit for the financial period		–	–
Excess of fair values of subsidiaries acquired over aggregate par value of ordinary shares issued as purchase consideration		–	346,821,361
Excess of net tangible assets of subsidiaries over fair values of subsidiaries at date of acquisition		–	–
Statutory transfer		–	–
Proposed final dividend in respect of financial period ended 31 December 2000	24	–	–
Issue of shares		72,470,899	–
Balance at 31 December 2000		72,470,901	346,821,361
– as previously reported		72,470,901	346,821,361
– effect of adopting SAS 31:			
Proposed final dividend in respect of financial period ended 31 December 2000	24	–	–
– as restated		72,470,901	346,821,361

Capital reserve on consolidation \$	Statutory reserve \$	Foreign currency translation reserve \$	Retained profits \$	Total \$
123,040,857	50,550	(356,922)	5,139,850	547,166,597
17,372,857	-	-	683,268	18,056,125
140,413,714	50,550	(356,922)	5,823,118	565,222,722
-	-	2,310,020	-	2,310,020
-	-	-	15,995,208	15,995,208
(66,385,601)	-	-	97,936,127	-
-	-	-	-	(18,030,116)
(2,757,545)	-	-	-	(2,757,545)
-	12,784	-	(12,784)	-
(17,372,857)	-	-	(683,268)	(18,056,125)
-	-	-	(1,094,305)	(1,094,305)
53,897,711	63,334	1,953,098	117,964,096	543,589,859
-	-	-	-	2
-	-	(356,922)	-	(356,922)
-	-	-	5,873,668	5,873,668
-	-	-	-	346,821,361
140,413,714	-	-	-	140,413,714
-	50,550	-	(50,550)	-
(17,372,857)	-	-	(683,268)	(18,056,125)
-	-	-	-	72,470,899
123,040,857	50,550	(356,922)	5,139,850	547,166,597
17,372,857	-	-	683,268	18,056,125
140,413,714	50,550	(356,922)	5,823,118	565,222,722

STATEMENT OF CHANGES IN EQUITY – COMPANY

For the financial year ended 31 December 2001

	Note	Share capital \$	Capital reserve \$	Retained profits \$	Total \$
Balance at 1 January 2001					
– as previously reported		72,470,901	346,821,361	27,660	419,319,922
– effect of adopting SAS 31: Proposed final dividend in respect of financial period ended 31 December 2000	24	–	–	18,056,125	18,056,125
– as restated		72,470,901	346,821,361	18,083,785	437,376,047
Net profit for the financial year		–	–	84,837,745	84,837,745
Transfer to retained profits for dividend received from a subsidiary distributed out of its pre-acquisition profits		–	(31,550,526)	31,550,526	–
Excess of purchase consideration paid over fair values of subsidiaries acquired by the Company		–	(18,030,116)	–	(18,030,116)
Final dividend for 2000 paid	24	–	–	(18,056,125)	(18,056,125)
Interim dividend for 2001 paid	24	–	–	(1,094,305)	(1,094,305)
Balance at 31 December 2001		72,470,901	297,240,719	115,321,626	485,033,246
Upon incorporation at 24 May 2000		2	–	–	2
Net profit for the financial period		–	–	18,083,785	18,083,785
Excess of fair values of subsidiaries acquired over aggregate par value of ordinary shares issued as purchase consideration		–	346,821,361	–	346,821,361
Proposed final dividend in respect of financial period ended 31 December 2000	24	–	–	(18,056,125)	(18,056,125)
Issue of shares		72,470,899	–	–	72,470,899
Balance at 31 December 2000		72,470,901	346,821,361	27,660	419,319,922
– as previously reported		72,470,901	346,821,361	27,660	419,319,922
– effect of adopting SAS 31: Proposed final dividend in respect of financial period ended 31 December 2000	24	–	–	18,056,125	18,056,125
– as restated		72,470,901	346,821,361	18,083,785	437,376,047

CONSOLIDATED CASHFLOW STATEMENT

For the financial year ended 31 December 2001

	Note	2001 \$	24.5.2000 (date of incorporation) to 31.12.2000 \$
Cash flows from operating activities			
Profit before tax		23,188,735	7,060,508
Adjustments for:			
Share of results of associated companies		(2,621,009)	(286,669)
Depreciation of fixed assets		2,303,117	273,123
Loss on disposal of fixed assets		413,144	-
Amortisation of goodwill		3,516,351	-
Goodwill written off		6,043,122	-
Amortisation of trading rights in Exchange		183,822	27,640
Write back of accumulated amortisation of investments in Exchange		-	(3,299,998)
Exchange difference		498,459	163,420
Dividend income		(1,129,924)	(92,740)
Interest expense		410,364	136,157
Operating cash flow before working capital change		<u>32,806,181</u>	<u>3,981,441</u>
Changes in operating assets and liabilities:			
Trading securities		7,727,410	(5,574,699)
Debtors and outstanding contracts receivable		40,658,538	164,175,154
Affiliated and associated companies		(314,734)	76,442
Creditors and outstanding contracts payable		(7,510,828)	(200,943,605)
		<u>73,366,567</u>	<u>(38,285,267)</u>
Income tax paid		(11,093,615)	(1,080,357)
Net cash inflow/(outflow) from operating activities		<u>62,272,952</u>	<u>(39,365,624)</u>
Cash flows from investing activities			
Payments for fixed assets		(4,947,929)	(68,618)
Proceeds from disposal of fixed assets		183,388	-
Purchase of investments in Exchange		-	(4,208,332)
Acquisition of businesses		(9,559,473)	-
Acquisition of subsidiaries [Note (a)]:			
Net tangible assets acquired		18,230,019	559,705,976
Less:			
Net tangible assets other than cash and cash equivalents		(6,175,494)	(219,737,367)
Cash and cash equivalents acquired on acquisition of subsidiaries		12,054,525	339,968,609
Cash consideration paid to acquire subsidiaries		(38,936,254)	-
Issue of shares to minority interest shareholders in subsidiaries		4,744,874	-
Dividends received		1,725,160	92,740
Net cash (outflow)/inflow from investing activities		<u>(34,735,709)</u>	<u>335,784,399</u>
Cash flows from financing activities			
Interest expense paid		(410,364)	(136,157)
Short-term bank loans and finance lease liabilities		23,348,829	1,556,100
Payment for subordinated loan		(661,725)	-
Dividends paid		(19,150,430)	-
Net cash inflow from financing activities		<u>3,126,310</u>	<u>1,419,943</u>
Increase in cash and cash equivalents during the financial year/period		<u>30,663,553</u>	<u>297,838,718</u>
Cash and cash equivalents at the beginning of the financial year/period		<u>297,838,718</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year/period	9	<u>328,502,271</u>	<u>297,838,718</u>

*The accompanying notes form an integral part of these financial statements.
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C O N S O L I D A T E D C A S H F L O W S T A T E M E N T

continued

Note

(a) Acquisition of subsidiaries

The net tangible assets of subsidiaries acquired by the Group during the financial year were as follows:

	2001	24.5.2000
	\$	(date of incorporation to 31.12.2000) \$
Fixed assets	1,032,748	5,006,327
Memberships, investments and trading rights in Exchanges	141,805	1,326,002
Associated companies	–	46,040,788
Trading securities	627,120	51,706,429
Debtors and outstanding contracts receivable	13,913,464	584,073,065
Amounts due to affiliated and associated companies, net	–	(30,194)
Creditors and outstanding contracts payable	(8,716,143)	(468,385,050)
Subordinated loans	(823,500)	–
	6,175,494	219,737,367
Cash and cash equivalents	12,054,525	339,968,609
Net tangible assets of subsidiaries acquired	18,230,019	559,705,976
Less: Minority interest share of net tangible assets of subsidiaries acquired	(81,426)	–
	18,148,593	559,705,976
Excess of cash consideration paid over fair values of subsidiaries acquired	20,787,661	
Cash consideration paid to acquire subsidiaries	38,936,254	

The purchase consideration for the subsidiaries acquired during the preceding financial period ended 31 December 2000 were by way of issue of the Company's ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2001

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is incorporated and domiciled in Singapore and is listed on the Official List of Singapore Exchange Securities Trading Limited. The address of the Company's registered office is: 80 Raffles Place
#30-01 UOB Plaza 1
Singapore 048624

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are stockbroking, futures broking, investment trading, margin financing, investment management, investment holding and provision of nominee and research services as set out in Note 14 to the financial statements.

In the financial statements, affiliated corporations refer to corporations which are shareholders of the Company or corporations in which certain shareholders of the Company control or have significant financial interests.

2. Significant accounting policies

(a) Basis of preparation

The financial statements are prepared in accordance with and comply with Singapore Statements of Accounting Standard. The financial statements are prepared in accordance with the historical cost convention, modified to include quoted equity investments held as part of the arbitrage trading portfolio and certain quoted investments held as part of trading portfolio at valuation.

The financial statements are expressed in Singapore dollars.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the consolidated income statement from the date of their acquisition or disposal. Intercompany balances and transactions and resulting unrealised profits are eliminated in full on consolidation. Unrealised losses resulting from intercompany transactions are also eliminated unless cost cannot be recovered. Where necessary, the accounting policies of subsidiaries have been changed to ensure their consistency with the accounting policies adopted by the Group.

(c) Foreign currencies

Transactions in foreign currencies during the financial year are translated into Singapore dollars at the rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Exchange differences arising are taken to the income statements.

For the purpose of the consolidation of subsidiaries and the equity accounting of associated companies:

- (i) In respect of foreign subsidiaries and associated companies whose operations are not an integral part of the Company's operations, the balance sheets are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, and the results are translated using average monthly exchange rates. The exchange differences arising on translation of foreign subsidiaries, and the Group's share of exchange differences arising from the translation of foreign associated companies are taken directly to the foreign currency translation reserve. On disposal, these translation differences are recognised in the consolidated income statement as part of the gain or loss on disposal.
- (ii) In respect of foreign subsidiaries whose operations are integral to those of the Company, all monetary assets and liabilities are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, all non-monetary assets and liabilities are recorded at the exchange rates when the relevant transactions occurred, and the results are translated using average monthly exchange rates. The exchange differences arising are taken to the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

continued

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated on a straight-line basis to write off the cost of fixed assets over the expected useful lives. The annual rates used for this purpose are:

	%
Buildings	5
Leasehold improvements	10 – 33 ¹ / ₃
Furniture, fittings and office equipment	10 – 33 ¹ / ₃
Computer equipment and software	20 – 33 ¹ / ₃
Communication equipment	20 – 33 ¹ / ₃
Motor vehicles	20 – 33 ¹ / ₃

(e) Investments

(i) Long-term investments

Investments in subsidiaries are stated at cost. Dividends received from subsidiaries distributed out of their pre-acquisition profits are set-off against cost of investment in subsidiaries. Provision is made for any diminution in value, other than temporary, of the investments in subsidiaries determined on an individual basis.

Other equity investments, including investments in associated companies, that are intended to be held for the long term, are stated at cost and provision is made for any diminution in value, other than temporary, of the investments determined on an individual basis.

(ii) Quoted investments held as part of trading portfolio

Long positions in quoted equity and bond investments held as part of the trading portfolio are stated at the lower of cost and market value, determined on an individual security basis. Short positions, including borrowed positions, held as part of the trading portfolio are stated at the higher of the transacted value and market value, determined on an individual security basis. Cost of long positions and transacted value of short positions are determined on a first-in, first-out basis, and market value is based on the last transacted price at the balance sheet date.

(iii) Quoted investments held as part of arbitrage trading portfolio

Quoted equity and bond investments held as part of the arbitrage trading portfolio are stated at market value, which is based on the last transacted price at the balance sheet date.

(iv) Profits/losses on disposal of investments and increases/decreases in carrying value of investments

Profits/losses on disposal of investments and increases/decreases in carrying value of investments are taken to the income statements.

(f) 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 balance sheet under “Other current assets – amounts deposited with lenders of securities” and “Accounts payable – cash collaterals held for securities lent to clients” respectively.

(g) Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets of businesses acquired by the Group. Goodwill is amortised on a straight-line basis, through the consolidated income statement, over its useful economic life of 12 months from the date of acquisition of the businesses. Goodwill which is assessed as having no continuing economic value is written off to the consolidated income statement.

(h) Accounting for leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statements over the lease period. Fixed assets acquired under finance leases are depreciated over the useful lives of the fixed assets.

Operating lease payments are charged to the income statements on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

(i) Trading rights in Exchange

Trading rights in Stock Exchange of Hong Kong Limited ("SEHK") are stated at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis to write off the cost of the trading rights over five years.

(j) Associated companies

Associated companies are companies in which a long-term equity interest of between 20 and 50 percent is held and over whose financial and operating policy decisions the Group has significant influence.

Associated companies are accounted for under the equity method whereby the Group's share of profits less losses of associated companies is included in the consolidated income statement, and the Group's share of post-acquisition retained profits or accumulated losses, and reserves are adjusted against the cost of the investments in the consolidated balance sheet. These amounts are taken from the latest audited or management accounts of the companies concerned, made up to the same date as the end of the financial year of the Group. Where the accounting policies of associated companies do not conform with those of the Group, adjustments are made where the amounts involved are considered significant to the Group.

(k) Trade debtors

Trade debtors are carried at anticipated realisable value.

Bad debts are written off and specific provisions are made against debts considered to be doubtful of recovery. In respect of the subsidiaries which are clearing members of Singapore Exchange Securities Trading Limited ("SGX-ST"), a general provision is made on the remaining debts arising from stockbroking transactions to cover inherent losses which have not been specifically identified, based on Rule 5.10 issued by SGX-ST.

(l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, that it is probable an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(m) Taxation

Tax expense is determined on the basis of tax effect accounting using the liability method. Deferred taxation is provided on significant timing differences arising from the different treatments in accounting and taxation of relevant items.

In accounting for timing differences, deferred tax assets are not recognised unless there is reasonable expectation of their realisation.

NOTES TO THE FINANCIAL STATEMENTS

continued

(n) Revenue recognition

- (i) Brokerage income is recognised as earned on the date the contracts are entered into.
- (ii) Dividend income is recorded gross in the period in which dividend is declared payable by the investee company.
- (iii) Interest income is recognised on an accrual basis.

(o) Financial risk management

The Group's activities performed by its subsidiaries in each country of operations expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign exchange rates and interest rates, and credit and liquidity risks. The Group's overall financial risk management focuses on the uncertainty of financial markets and seeks to minimize potential adverse effect on the financial performance of the Group. The Group uses foreign currency borrowings and foreign exchange contracts to hedge certain 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 Company and its respective subsidiaries' financial risk management policies.

(i) Foreign exchange risk

The Company and the Group have investments in foreign subsidiaries and associated companies, whose net assets are exposed to currency translation risk. The Group is also exposed to foreign exchange risk arising from the Company's and its subsidiaries' dealing in securities and holding net long positions in assets, liabilities and foreign currency exchange contracts in foreign currencies. The Group is primarily exposed to United States Dollars and Malaysian Ringgit. The Group holds net long positions in non-local currency for working capital purposes. 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 finance departments of the Group hedges significant net exposures in each of the foreign currencies through foreign currency borrowings and foreign exchange contracts.

(ii) Interest rate risk

The Group's interest income and interest expense are exposed to changes in market interest rates. Interest rate risk relates to interest from share financing, interest charged on overdue trade debts, interest on 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.

(iii) Credit risk

The Group has no significant concentration of credit risk. The statutory and regulatory requirements of the respective countries which the Group's subsidiaries operate also have provisions to ensure that each company in the Group does not have concentration of credit risk. The credit department monitors the credit risk to ensure compliance with the guidelines set by the credit committee. The credit department sets trading limits for each client, combined trading limit for all clients of each trading representative and each security and monitors overdue debts. The trading limits and 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.

(iv) 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 utilize 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 listed securities and accepts only marketable securities as collateral.

3. Revenue

	The Group		The Company	
	2001	24.5.2000 to 31.12.2000	2001	24.5.2000 to 31.12.2000
	\$	\$	\$	\$
Commissions and trading income	83,286,206	18,333,711	--	--
Interest income				
– fixed deposits with affiliated companies	1,459,093	369,065	18,193	--
– fixed deposits with other banks	3,788,373	1,198,369	--	--
– clients	9,102,113	1,401,382	--	--
– subordinated loans to subsidiaries	--	--	176,062	--
– others	1,155,061	146,004	546,578	--
Gross dividend from quoted securities	1,129,924	92,740	--	--
Gross dividend from investment in unquoted equity shares in subsidiary	--	--	*109,204,602	24,694,597
Foreign currency exchange gain/ (loss), net	5,184,063	(740,901)	2,074,687	(287,232)
Other operating revenue	6,094,392	198,897	--	--
	111,199,225	20,999,267	112,020,122	24,407,365

* Dividend received by the Company from a subsidiary during the financial year comprises:

	Gross dividend \$	Tax deducted at source \$	Net dividend \$
Amount credited to income statement	109,204,602	(26,755,128)	82,449,474
Amount distributed out of subsidiary's pre-acquisition profits set off against the cost of investments in that subsidiary [Note 14(a)]	41,788,776	(10,238,250)	31,550,526
	150,993,378	(36,993,378)	114,000,000

4. Personnel expenses

Included in personnel expenses of the Company are directors' remuneration amounting to \$25,000 (2000: \$30,000). Included in personnel expenses of the Group are remuneration for directors of the Company amounting to \$2,986,893 (2000: \$350,058) and other directors of the subsidiaries amounting to \$3,204,828 (2000: \$644,020).

Number of directors of the Company in remuneration bands:

	The Group	
	2001	24.5.2000 to 31.12.2000
\$500,000 and above	2	--
\$250,000 to \$499,999	--	--
Below \$250,000	5	8
Total	7	8

Number of persons employed by the Group and the Company at the end of the financial year is 710 (2000: 406) and nil (2000: nil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

continued

5. Operating profit

	The Group		The Company	
	2001	24.5.2000 to 31.12.2000	2001	24.5.2000 to 31.12.2000
	\$	\$	\$	\$
Operating profit is arrived at after:				
<i>Charging:</i>				
Auditors' remuneration paid/payable to				
– Auditors of the Company	155,116	20,333	22,000	12,000
– Other auditors (including other member firms of PricewaterhouseCoopers)	123,065	29,332	–	–
Amortisation of goodwill	3,516,351	–	–	–
Goodwill written off	6,043,122	–	–	–
Depreciation of fixed assets				
– Buildings	12,413	–	–	–
– Leasehold improvements	440,909	45,902	–	–
– Furniture, fittings and office equipment	701,043	74,208	–	–
– Computer equipment and software	933,372	122,254	–	–
– Communication equipment	151,511	24,118	–	–
– Motor vehicles	63,869	6,641	–	–
	2,303,117	273,123	–	–
(Write back)/Provision for doubtful trade debts	(6,557,879)	3,821,100	–	–
Provision for additional liabilities of trading securities – short positions	–	11,821	–	–
Rental expenses – operating leases	7,473,348	972,947	–	–
Amortisation of trading rights in Exchange	183,822	27,640	–	–
Loss on disposal of fixed assets	413,144	–	–	–
<i>And crediting:</i>				
Write-back of accumulated amortisation for investment in Exchange	–	3,299,998	–	–
Write-back of provision for diminution in value of trading securities – long positions	2,035,986	1,157,695	–	–
Write-back of provision for additional liabilities of trading securities – short positions	13,119	–	–	–
Bad debts recovered	243,820	–	–	–

6. Finance costs

	The Group	
	2001	24.5.2000 to 31.12.2000
	\$	\$
Interest expense		
– on bank borrowings (affiliated companies)	94,852	43,471
– on other bank borrowings	201,151	92,686
– others	114,361	–
	410,364	136,157

7. Tax

(a) Tax expense

	The Group		The Company	
	2001	24.5.2000 to 31.12.2000	2001	24.5.2000 to 31.12.2000
	\$	\$	\$	\$
Income tax expense attributable to profit is made up of:				
Income tax provision				
– current year	6,494,442	1,009,029	26,833,750	6,200,000
Transfer to deferred tax	–	117,000	–	–
Share of tax of associated companies	748,149	60,811	–	–
	7,242,591	1,186,840	26,833,750	6,200,000
Underprovision in prior years	8,948	–	–	–
	7,251,539	1,186,840	26,833,750	6,200,000

The income tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to profit before tax due to the following factors:

	The Group		The Company	
	2001	24.5.2000 to 31.12.2000	2001	24.5.2000 to 31.12.2000
	\$	\$	\$	\$
Profit before tax	23,188,735	7,060,508	111,671,495	24,283,785
Tax expense at statutory rate	5,681,240	1,800,430	27,359,516	6,192,365
Singapore statutory stepped income exemption and tax rebate	(400,607)	–	(17,467)	–
Concessionary tax and tax exempt income	(76,739)	–	–	–
Expenses not deductible for tax purposes	2,542,692	64,316	–	7,635
Losses of subsidiaries	1,753,306	247,344	–	–
Non-taxable gain	(2,363,303)	(912,960)	(508,299)	–
Differences arising from income tax expense of foreign associated companies	106,002	(12,290)	–	–
	7,242,591	1,186,840	26,833,750	6,200,000

NOTES TO THE FINANCIAL STATEMENTS

continued

7. Tax *(continued)*

(b) Provision for tax/(income tax recoverable)

	The Group		The Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Provision for tax	10,847,743	15,516,590	-	-
Income tax recoverable	(18,500)	(97,122)	(18,500)	(97,122)
	10,829,243	15,419,468	(18,500)	(97,122)

Movements in provision for tax/
(income tax recoverable) are as follows:

2001	The Group		The Company	
	Provision for tax \$	Income tax recoverable \$	Total \$	Income tax recoverable \$
Balance at the beginning of the financial year	15,516,590	(97,122)	15,419,468	(97,122)
Income tax paid	(11,093,615)	-	(11,093,615)	(26,755,128)
Current financial year's tax expense on profit	6,415,820	78,622	6,494,442	26,833,750
Underprovision in prior years	8,948	-	8,948	-
Balance at the end of the financial year	10,847,743	(18,500)	10,829,243	(18,500)
24.5.2000 to 31.12.2000				
	Provision for tax \$	Income tax recoverable \$	Total \$	Income tax recoverable \$
Balance at date of acquisition of subsidiaries	15,490,796	-	15,490,796	-
Income tax paid	(1,080,357)	-	(1,080,357)	(6,297,122)
Current financial year's tax expense on profit	1,106,151	(97,122)	1,009,029	6,200,000
Balance at the end of the financial year	15,516,590	(97,122)	15,419,468	(97,122)

(c) Composition of deferred taxation

The provision for deferred income tax comprises the estimated expense at current income tax rates on the following items:

	The Group	
	2001 \$	2000 \$
Difference in depreciation of fixed assets for accounting and income tax purposes	691,000	691,000
Other timing differences	90,000	90,000
	781,000	781,000

(d) Movements in provision for deferred taxation

	The Group	
	2001 \$	2000 \$
Balance at the beginning of the financial year	781,000	664,000
Transfer from income statement	-	117,000
Balance at the end of the financial year	781,000	781,000

8. Earnings per share

	The Group	
	2001 \$	2000 \$
Net profit attributable to members of the Company	15,995,208	5,873,668
Number of ordinary shares in issue	724,709,009	724,709,009

Basic earnings per share is calculated by dividing the net profit attributable to members of the Company by the number of ordinary shares in issue during the financial year.

9. Cash and bank balances

	The Group		The Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Bank balances (with affiliated companies)	212,076,763	108,073,727	24,510,317	2,116
Cash on hand and other bank balances	127,215,047	191,211,244	-	-
	339,291,810	299,284,971	24,510,317	2,116

For the purposes of the consolidated cash flow statement, the year end consolidated cash and cash equivalents comprise the following:

	The Group	
	2001 \$	2000 \$
Cash and bank balances (as above)	339,291,810	299,284,971
Less: Bank overdrafts Note 21	(10,789,539)	(1,446,253)
Cash and cash equivalents per consolidated cash flow statement	328,502,271	297,838,718

At the balance sheet date, included in cash and bank balances are the following fixed bank deposits:

	2001 \$	Interest Rates	Maturity
The Company			
Fixed bank deposits with affiliated companies	24,321,410	0.75% to 1.125% per annum	Within one month after balance sheet date
The Group			
Fixed bank deposits with affiliated companies	194,438,533	0.25% to 14.75% per annum	Within three months after balance sheet date
Fixed bank deposits with other banks	65,593,780	0.25% to 15.75% per annum	Within four months after balance sheet date

NOTES TO THE FINANCIAL STATEMENTS

continued

10. Trade debtors

(a) Trade debtors comprise:

	The Group	
	2001	2000
	\$	\$
Trade debtors	137,979,355	199,982,542
Less: Provision for doubtful trade debts	(18,696,610)	(21,937,379)
	<u>119,282,745</u>	<u>178,045,163</u>
Assets segregated for customers [Note 10(b)]	2,901,047	2,548,779
	<u>122,183,792</u>	<u>180,593,942</u>

Movements in provision for doubtful trade debts are as follows:

	The Group	
	2001	2000
	\$	\$
Balance at the beginning of the financial year	21,937,379	-
Acquisition of subsidiaries	3,226,003	18,116,279
Provision (written back)/made during the financial year	(6,557,879)	3,821,100
Provision utilised	(56,321)	-
Exchange rate adjustment	147,428	-
Balance at the end of the financial year	<u>18,696,610</u>	<u>21,937,379</u>

(b) Assets segregated for customers

	The Group	
	2001	2000
	\$	\$
Margin deposits with Singapore Exchange		
Derivatives Clearing Limited	57,630	68,510
Fixed deposits (with affiliated company)	2,094,499	2,053,726
Bank balances (with affiliated company)	748,918	426,543
	<u>2,901,047</u>	<u>2,548,779</u>

11. Trading securities

(a) Trading securities – long positions (current assets)

	The Company	
	2001	2000
	\$	\$
Quoted bonds held as part of trading portfolio:		
– at cost	21,671,413	-
– at market value	<u>21,855,906</u>	<u>-</u>

11. Trading securities *(continued)*

(a) Trading securities – long positions (current assets) *(continued)*

	The Group	
	2001 \$	2000 \$
Quoted equity securities held as part of trading portfolio, at cost	25,177,415	20,014,453
Less:		
Provision for shortfall in market value over cost of long positions		
Balance at the beginning of the financial year	(2,239,993)	–
Acquisition of subsidiaries	(8,267)	(3,397,688)
Provision written-back during the financial year	2,035,986	1,157,695
Foreign exchange rate adjustment	(92)	–
Balance at the end of the financial year	(212,366)	(2,239,993)
	24,965,049	17,774,460
Quoted equity securities held as part of arbitrage trading portfolio, at market value	10,768,149	13,082,231
Quoted bonds held as part of trading portfolio, at cost	21,671,413	21,365,312
Quoted bonds held as part of arbitrage trading portfolio, at market value	2,969,250	3,640,517
Unquoted bonds, at cost	–	9,000,000
	60,373,861	64,862,520
Quoted equity securities held as part of trading portfolio, at market value	25,671,881	17,905,606
Quoted bonds held as part of trading portfolio, at market value	21,855,906	23,460,228

(b) Trading securities – short positions (current liabilities)

	The Group	
	2001 \$	2000 \$
Quoted equity securities held as part of trading portfolio, at transacted values	2,951	27,806
Less:		
Provision for additional liabilities where market values are in excess of transacted values		
Balance at the beginning of the financial year	13,119	–
Acquisition of subsidiaries	–	1,298
Provision (written-back)/made during the financial year	(13,119)	11,821
Balance at the end of the financial year	–	13,119
	2,951	40,925
Quoted equity securities held as part of arbitrage trading portfolio, at market value	10,190,072	7,540,467
	10,193,023	7,581,392
Quoted equity securities held as part of trading portfolio, at market value	1,418	40,745

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Goodwill

	The Group	
	2001 \$	2000 \$
Goodwill on acquisition of businesses	9,559,473	-
Amortisation of goodwill	(3,516,351)	-
Goodwill assessed as having no continuous economic value written off	(6,043,122)	-
	-	-

13. Other current assets

	The Group		The Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Deposits [Note 13(a)]	9,238,553	4,293,741	-	-
Staff loans	1,174,959	793,423	-	-
Amount due from a director of the Company	-	33,187	-	-
Amounts due from other directors of subsidiaries	-	748,245	-	-
Prepayments	309,620	182,998	-	-
Amount deposited with lenders of securities [Note 13(b)]	2,394,875	751,723	-	-
Other receivables	1,995,615	1,928,393	196,519	-
	15,113,622	8,731,710	196,519	-

(a) Deposits of certain subsidiaries amounting to \$2,216,368 (2000: \$2,340,299) are placed as securities with clearing houses of Exchanges [Notes 25(a) and 25(b)].

(b) Securities borrowing and lending contracts

	The Group	
	2001 \$	2000 \$
<i>Securities borrowed</i>		
Securities borrowed from lenders, at market value:		
- lent to clients	1,451,985	740,858
- utilised for delivery against the Group's trading securities - short positions/in the custody of the Group	780,000	-
	2,231,985	740,858
Cash collaterals placed with lenders	2,394,875	751,723

13. Other current assets (continued)

	The Group	
	2001	2000
	\$	\$
<i>Securities lent</i>		
Securities lent to clients, at market value:		
– borrowed from lenders	1,451,985	621,531
– from securities held by the Group	332,500	–
	1,784,485	621,531
Cash collaterals received from clients [Note 20]	1,821,744	*621,531

* The cash collaterals held for securities lent to a client as at 31 December 2000 amounting to \$621,531 was included in “Amounts held in trust”.

14. Investments in subsidiaries

(a) Investments in subsidiaries comprise:

	The Company	
	2001	2000
	\$	\$
Unquoted equity shares, at cost:		
Balance at beginning of financial year, at cost	419,292,262	–
Acquisition of/subscription of shares in subsidiaries during the financial year, at cost	32,640,182	419,292,262
	451,932,444	419,292,262
Less: Excess of purchase consideration paid over fair values of subsidiaries acquired during the financial year	*(18,030,116)	–
Less: Dividend received from subsidiary distributed out of its pre-acquisition profits	(31,550,526)	–
	402,351,802	419,292,262

* During the financial year, as part of the merger agreement entered in 2000, the Company acquired certain subsidiaries from an affiliated company. The excess of purchase consideration paid over the fair values of these subsidiaries acquired amounting to \$18,030,116 is charged against the Company’s capital reserve (Note 23), and a corresponding amount is setoff against the Company’s cost of investments in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

continued

14. Investments in subsidiaries (continued)

(b) The subsidiaries are:

Name of subsidiary (Country of incorporation)	Principal activities	Country of business	Cost of investment		Equity holding by					
			2001	2000	The Company		Subsidiaries			
			\$	\$	2001	2000	2001	2000		
						%	%	%	%	
Kay Hian Holdings Limited (Singapore)	Investment holding	Singapore	252,153,126	252,153,126	100	100	-	-		
UOB Securities	Stockbroking Pte Ltd (Singapore)	Singapore	135,588,610	167,139,136	100	100	-	-		
Held by UOB Securities Pte Ltd										
UOB Securities Nominees Pte Ltd (Singapore)	Nominee services	Singapore	-	-	-	-	100	100		
* UOBS Research (M) Sdn Bhd (Malaysia)	Dormant	Dormant	-	-	-	-	-	-		100
+ PT UOB Kay Hian Securities (Indonesia)	Stockbroking	Indonesia	1,142,400	-	85	-	-	-		
+ UOB Kay Hian Securities (Philippines), Inc. (Philippines)	Stockbroking	Philippines	1,045,913	-	100	-	-	-		
++ UOB Kay Hian Securities (Thailand) Co, Ltd (Thailand)	Stockbroking	Thailand	12,421,753	-	100	-	-	-		
Held by Kay Hian Holdings Limited										
UOB Kay Hian Private Limited (Singapore)	Stockbroking	Singapore	-	-	-	-	100	100		
Held by UOB Kay Hian Private Limited										
UOB Kay Hian Nominees Pte Ltd (Singapore)	Nominee services	Singapore	-	-	-	-	100	100		
UOB Kay Hian Research Pte. Ltd. (Singapore)	Research activities	Singapore	-	-	-	-	100	100		
UOB Kay Hian Trading Pte Ltd (Singapore)	Investment trading	Singapore	-	-	-	-	100	100		
UOB Kay Hian Futures Pte Ltd (Singapore)	Futures broking	Singapore	-	-	-	-	100	100		
UOB Kay Hian Opportunities Fund Pte Ltd (Singapore)	Investment holding	Singapore	-	-	-	-	100	100		

14. Investments in subsidiaries (continued)

Name of subsidiary (Country of incorporation)	Principal activities	Country of business	Cost of investment		Equity holding by				
			2001 \$	2000 \$	The Company 2001 %	2000 %	Subsidiaries 2001 %	2000 %	
Held by Kay Hian Holdings Limited									
Held by UOB Kay Hian Opportunities Fund Pte Ltd									
Sentosa Investors Services Ltd (Cayman Islands)	Investment trading	Singapore	-	-	-	-	84.5	-	
UOB Kay Hian Advisors Limited (Singapore)	Investment management	Singapore	-	-	-	-	100	100	
+ UOB Kay Hian (Malaysia) Holdings Sdn. Bhd. (Malaysia)	Investment holding	Malaysia	-	-	-	-	100	100	
+ UOB Kay Hian Overseas Limited (Hong Kong, SAR)	Investment holding	Hong Kong, SAR	-	-	-	-	100	100	
Held by UOB Kay Hian Overseas Limited									
+ UOB Kay Hian (Hong Kong) Limited (Hong Kong, SAR)	Stockbroking	Hong Kong, SAR	-	-	-	-	100	-	
Held by UOB Kay Hian (Hong Kong) Limited									
+# UOB Kay Hian Nominees Limited (Hong Kong, SAR)	Nominee services	Hong Kong, SAR	-	-	-	-	100	-	
+ UOB Kay Hian Overseas Finance Limited (Hong Kong, SAR)	Margin financing	Hong Kong, SAR	-	-	-	-	100	100	
+ UOB Kay Hian Overseas Asia Limited (Hong Kong, SAR)	Stockbroking	Hong Kong, SAR	-	-	-	-	100	100	
# UOB Kay Hian Overseas (BVI) Limited (British Virgin Islands)	Dormant	Dormant	-	-	-	-	100	100	
			402,351,802	419,292,262					

+ Companies audited by another member firm of PricewaterhouseCoopers

++ Company audited by other auditors

Not required under the laws of the country of incorporation to be audited

* Members' voluntary liquidation of this subsidiary was completed during the financial year

NOTES TO THE FINANCIAL STATEMENTS

continued

15. Investments in associated companies

(a) The investments in associated companies, which are held by subsidiaries, comprise:

	The Group	
	2001 \$	2000 \$
Unquoted equity shares, at cost	45,544,500	45,544,500
Group's share of associated companies' post acquisition:		
– net profit	2,098,718	225,858
– foreign currency adjustment	1,670,876	–
	3,769,594	225,858
	49,314,094	45,770,358

(b) The following information relates to the associated companies:

Name of company	Country of incorporation	Principal activities	Percentage of paid up capital held
Trans-Pacific Credit Private Limited	Singapore	Margin financing	50
Thong & Kay Hian Securities Sdn. Bhd.	Malaysia	Stockbroking	30
Thong & Kay Hian Options Sdn. Bhd.	Malaysia	Dealing in options	30

16. Investments in Exchanges

Quoted equity shares in Exchanges

	The Group	
	2001 \$	2000 \$
Singapore Exchange Limited, at cost	8,083,336	8,083,336
Less :		
Accumulated amortisation		
Balance at the beginning of the financial year	–	–
Acquisition of subsidiaries	–	3,299,998
Write-back of accumulated amortisation during the financial year	–	(3,299,998)
Balance at the end of the financial year	–	–
	8,083,336	8,083,336
Hong Kong Exchanges and Clearing Limited, at cost	–	–
	8,083,336	8,083,336
Market value of quoted equity shares in:		
– Singapore Exchange Limited	18,975,753	19,893,937
– Hong Kong Exchanges and Clearing Limited	2,265,572	3,203,232

17. Trading rights in Exchange

	The Group	
	2001 \$	2000 \$
Trading rights in Stock Exchange of Hong Kong Limited, at cost:		
Balance at the beginning of the financial year	889,200	–
Acquisition of subsidiary	1	889,200
Foreign exchange rate adjustment	60,799	–
Balance at the end of the financial year	950,000	889,200
Accumulated amortisation:		
Balance at the beginning of the financial year	(177,840)	–
Acquisition of subsidiary	–	(150,200)
Amortisation during the financial year	(183,822)	(27,640)
Foreign exchange rate adjustment	(18,318)	–
Balance at the end of the financial year	(379,980)	(177,840)
	570,020	711,360

18. Subordinated loans to subsidiaries

As at the balance sheet date, subordinated loans granted by the Company to subsidiaries are as follows:

Subsidiary	2001 \$	2000 \$	Interest rate	Maturity
UOB Kay Hian Overseas Limited	6,600,000	–	Annual rate of three months fixed deposit rate in Singapore dollars in Hong Kong	19 January 2003
PT UOB Kay Hian Securities	677,025	–	14.5% per annum	9 February 2003
	7,277,025	–		

19. Fixed assets

The Group	Buildings \$	Leasehold improvements \$	Furniture, fittings and office equipment \$	Computer equipment and software \$	Communication equipment \$	Motor vehicles \$	Total \$
<i>Cost</i>							
At 1 January 2001	–	1,982,520	4,521,957	5,270,803	1,441,228	119,548	13,336,056
Acquisition of subsidiaries	220,409	387,818	717,452	942,810	38,883	113,193	2,420,565
Additions	–	1,214,099	998,637	2,119,868	48,993	566,332	4,947,929
Disposals	–	(214,869)	(372,149)	(1,477,535)	(418,333)	(177,624)	(2,660,510)
Exchange rate adjustments	5,128	38,712	25,038	32,534	11,976	257	113,645
At 31 December 2001	225,537	3,408,280	5,890,935	6,888,480	1,122,747	621,706	18,157,685

NOTES TO THE FINANCIAL STATEMENTS

continued

19. Fixed assets *(continued)*

	Buildings \$	Leasehold improvements \$	Furniture, fittings and office equipment \$	Computer equipment and software \$	Communication equipment \$	Motor vehicles \$	Total \$
<i>Accumulated depreciation</i>							
At 1 January 2001	–	1,468,502	2,990,693	2,957,388	1,116,424	13,282	8,546,289
Acquisition of subsidiaries	34,438	277,557	380,880	610,220	18,938	65,784	1,387,817
Depreciation charge	12,413	440,909	701,043	933,372	151,511	63,869	2,303,117
Disposals	–	(209,300)	(255,279)	(1,153,500)	(406,255)	(39,644)	(2,063,978)
Exchange rate adjustments	1,294	18,360	9,277	23,325	4,763	612	57,631
At 31 December 2001	48,145	1,996,028	3,826,614	3,370,805	885,381	103,903	10,230,876
Net book value at 31 December 2001	177,392	1,412,252	2,064,321	3,517,675	237,366	517,803	7,926,809
Net book value at 31 December 2000	–	514,018	1,531,264	2,313,415	324,804	106,266	4,789,767

20. Accounts payable

	The Group		The Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Trade creditors	6,621,778	29,327,248	–	–
Accrued operating expenses	11,124,963	12,928,748	75,391	60,077
Cash collaterals held for securities lent to clients [Note 13(b)]	1,821,744	–	–	–
Other payables	2,108,009	1,110,683	–	–
	21,676,494	43,366,679	75,391	60,077

21. Borrowings

(a) Current

	The Group	
	2001 \$	2000 \$
Bank overdrafts:		
– with affiliated companies	10,497,204	599,957
– with other banks	292,335	846,296
	10,789,539	1,446,253
Short-term bank loans:		
– with affiliated companies	15,378,529	–
– with other banks	9,485,068	1,556,100
	24,863,597	1,556,100
Finance lease liabilities	12,768	–
	35,665,904	3,002,353

21. Borrowings (continued)

(a) Current (continued)

(i) The terms of short-term bank loans and bank overdrafts of the Group at the balance sheet date are as follows:

Balances with affiliated companies	Balances with other banks	Interest rates	Security, if any	Maturity
Short-term bank loans				
11,188,529	9,485,068	2.6% to 3.85% per annum	*	within 3 months after balance sheet date
4,190,000	–	4.25% per annum	#	within 1 month after balance sheet date
<u>15,378,529</u>	<u>9,485,068</u>			
Bank overdrafts				
8,751,680	–	Pegged to bank's prime rate	*	
833,782	–	Pegged to bank's prime rate	Unsecured	
911,742	–	1% to 1.5% per annum over fixed deposit interest rate	#	
–	292,335	5.125% per annum	Unsecured	
<u>10,497,204</u>	<u>292,335</u>			

* These short-term bank loans and bank overdrafts of a subsidiary are secured by fixed charges over immovable fixed assets and floating charges over all assets of the subsidiary.

These short-term bank loans and bank overdrafts of another subsidiary are secured by fixed deposits of the subsidiary.

(ii) Finance lease liabilities

	The Group	
	2001 \$	2000 \$
Not later than one financial year	17,750	–
Later than one financial year but not later than five financial years	39,624	–
Minimum lease payments	57,374	–
Less: Future finance charges	(16,042)	–
Provided for in the financial statements	<u>41,332</u>	–
Representing lease liabilities:		
Current	12,768	–
Non-current [Note 21(b)]	28,564	–
	<u>41,332</u>	–

NOTES TO THE FINANCIAL STATEMENTS

continued

21. Borrowings *(continued)*

(b) *Non-current*

	The Group	
	2001 \$	2000 \$
Subordinated loan	119,475	–
Finance lease liabilities [Note 21 (a) (ii)]	28,564	–
	148,039	–

The subordinated loan granted to a subsidiary by its minority interest shareholder is unsecured and bears interest at a rate of 14.5% per annum. The subordinated loan to the extent of \$39,825 matures on 9 February 2003 and the remaining amount of \$79,650 will mature on 9 May 2003.

22. Share capital of UOB-Kay Hian Holdings Limited

(a) *Authorised share capital*

The total authorised number of ordinary shares is 1 billion shares (2000: 1 billion shares) with a par value of \$0.10 per share (2000: \$0.10 per share).

(b) *Issued and fully paid up share capital*

	2001 Number of shares	2000 Number of shares	2001 \$	2000 \$
	Ordinary shares at the beginning and at the end of the financial year	724,709,009	724,709,009	72,470,901

23. Reserves

	The Group		The Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Capital reserve	297,240,719	346,821,361	297,240,719	346,821,361
Capital reserve on consolidation	53,897,711	140,413,714	–	–
Statutory reserve	63,334	50,550	–	–
Foreign currency translation reserve	1,953,098	(356,922)	–	–
	353,154,862	486,928,703	297,240,719	346,821,361

(a) *Capital reserve and capital reserve on consolidation*

The capital reserve of the Company arose from the excess of fair values of subsidiaries acquired over the aggregate par value of the Company's ordinary shares issued as consideration to acquire the subsidiaries at the date of acquisition.

The capital reserve on consolidation arose from the excess of the net tangible assets of subsidiaries acquired over their fair values as determined by the directors at the date of their acquisitions.

On the mandatory adoption of Singapore Statement of Accounting Standard 22 (Revised 2000): Business Combinations, in line with the transitional provisions in that Statement, the Statement has not been applied retrospectively to goodwill or negative goodwill which had previously been adjusted against shareholders' equity.

23. Reserves (continued)

(b) Statutory reserve

The statutory reserve represents the amount set aside out of the profit of a subsidiary, UOB Kay Hian Futures Pte Ltd, as required by the Rules of Singapore Exchange Derivatives Trading Limited. The statutory reserve is not available for distribution as dividends.

24. Dividends

	The Group and The Company	
	2001	2000
	\$	\$
Interim dividend in respect of the financial year ended 31 December 2001 of 0.2 cents per ordinary share less tax at 24.5% paid	1,094,305	-
Final dividend in respect of the financial year ended 31 December 2000 of 3.3 cents per ordinary share less tax at 24.5% paid	18,056,125	-
	<u>19,150,430</u>	<u>-</u>

The directors have proposed a final dividend in respect of the financial year ended 31 December 2001 of 1.25 cents per ordinary share less tax at 24.5% amounting to a total of \$6,839,441. These financial statements do not reflect this proposed final dividend, which if declared payable will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2002.

Following the adoption of SAS 31, Provisions, Contingent Liabilities and Contingent Assets, the proposed final dividend in respect of the financial period ended 31 December 2000 has been adjusted against retained profits at 31 December 2000.

25. Contingent liabilities

(a) Obligations by virtue of certain subsidiaries being clearing members of Singapore Exchange Securities Trading Limited ("SGX-ST") – secured

At the balance sheet date, there were contingent liabilities of \$1,753,868 (2000: \$1,907,799) in respect of the obligations of certain subsidiaries to The Central Depository (Pte) Limited ("CDP") by virtue of the subsidiaries being clearing members of SGX-ST. At the balance sheet date, the contingent liabilities are secured against deposits to the extent of \$1,753,868 (2000: \$1,907,799) placed by the subsidiaries with CDP.

(b) Obligations by virtue of a subsidiary being a clearing member of Singapore Exchange Derivatives Clearing Limited ("SGX-DC") – secured

The Rules of SGX-DC enable it to mobilise resources to meet any liabilities should any clearing member of SGX-DC become insolvent and is unable to discharge its obligations to SGX-DC. At the balance sheet date, a subsidiary by virtue of it being a clearing member of SGX-DC, has placed a security deposit of \$462,500 (2000: \$432,500) with SGX-DC for this purpose. Should this be insufficient, further liabilities of SGX-DC shall be shared by the solvent clearing members of SGX-DC based on a formula set out by SGX-DC.

(c) Corporate guarantees

- (i) At the balance sheet date, the Company had given guarantees amounting to \$27,000,000 (2000: \$Nil) to banks to support credit facilities granted by the banks to certain subsidiaries of the Company, of which the amount utilised as at the balance sheet date was \$292,335 (2000: \$Nil).
- (ii) At the balance sheet date, a subsidiary has issued corporate guarantees to banks for facilities extended to an associated company of the subsidiary amounting to \$30,388,800 (2000: \$36,654,350) of which the amount utilised as at the balance sheet date was \$Nil (2000: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS

continued

26. Commitments

(a) Lease commitments

Commitments in relation to non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are payable as follows:

	The Group	
	2001	2000
	\$	\$
Not later than one financial year	7,911,348	2,784,171
Later than one financial year but not later than five financial years	167,618	2,240,796
	8,078,966	5,024,967

(b) Underwriting and placement commitments

	The Group	
	2001	2000
	\$	\$
Underwriting and placement commitments	–	7,358,864

27. Financial instruments

Foreign exchange contracts

As at the balance sheet date, the Company and the Group have the following outstanding commitments for foreign exchange contracts. The settlement dates of the foreign exchange contracts entered into by the Company are within 5 months from the balance sheet date, and the settlement dates of the foreign exchange contracts entered into by the subsidiary are within one week from the balance sheet date.

	The Group		The Company	
	2001	2000	2001	2000
	\$	\$	\$	\$
Foreign currencies bought from affiliated companies	20,836,897	–	20,836,897	–
Foreign currencies sold to affiliated companies	24,467,364	–	20,875,416	–

28. Related party transactions

(a) The Group in the normal course of business:

- (i) acts as brokers in securities for associated companies, certain affiliated companies, directors of the Company and its subsidiaries and their connected persons; and
- (ii) refers clients who require margin financing to an associated company, in which a director of the Company has a substantial interest.

28. Related party transactions *(continued)*

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	
	2001	2000
	\$	\$
Rental of premises paid/payable to an affiliated company	4,756,290	638,962
Research fees paid/payable to an associated company	792,865	105,214
Management fees earned from an associated company	1,644,342	27,900
Management fees paid/payable to affiliated companies	379,496	105,062

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

29. Segmental information

Primary reporting format – geographic segments

The Group

2001

	Singapore 2001 \$	Others 2001 \$	Total 2001 \$
Revenue	98,117,695	13,081,530	111,199,225
Segment results	27,441,707	(6,463,617)	20,978,090
Finance costs	(162,293)	(248,071)	(410,364)
Share of results of associated companies	2,602,251	18,758	2,621,009
Profit before tax			23,188,735
Tax			(7,251,539)
Profit after tax before minority interests			15,937,196
Minority Interests			58,012
Net profit attributable to members of the Company			15,995,208
Capital expenditure	2,303,274	2,644,655	4,947,929
Depreciation of fixed assets	1,434,325	868,792	2,303,117
Amortisation and write-off of goodwill	9,559,473	–	9,559,473
Amortisation of trading rights in Exchange	–	183,822	183,822
	10,993,798	1,052,614	12,046,412
	2001 \$	2001 \$	2001 \$
Segment assets	727,641,996	131,247,610	858,889,606
Segment liabilities	234,858,842	75,672,317	310,531,159

NOTES TO THE FINANCIAL STATEMENTS

continued

29. Segmental information *(continued)*

2000	Singapore 24.5.2000 to 31.12.2000 \$	Others 24.5.2000 to 31.12.2000 \$	Total 24.5.2000 to 31.12.2000 \$
Revenue	19,700,877	1,298,390	20,999,267
Segment results	7,465,688	(555,692)	6,909,996
Finance costs	(75,526)	(60,631)	(136,157)
Share of results of associated companies	624,579	(337,910)	286,669
Profit before tax			7,060,508
Tax			(1,186,840)
Net profit attributable to members of the Company			5,873,668
Capital expenditure	33,408	35,210	68,618
Depreciation of fixed assets	208,505	64,618	273,123
Amortisation of trading rights in Exchange	–	27,640	27,640
	208,505	92,258	300,763
	2000 \$	2000 \$	2000 \$
Segment assets	799,036,941	45,246,989	844,283,930
Segment liabilities	259,634,919	19,426,289	279,061,208
Secondary reporting format – industry segments			
The Group			
2001	Securities/Futures Broking 2001 \$	Proprietary Trading 2001 \$	Total 2001 \$
Revenue	105,812,505	5,386,720	111,199,225
Capital expenditure	4,947,929	–	4,947,929
	2001 \$	2001 \$	2001 \$
Segment assets	792,638,359	66,251,247	858,889,606

29. Segmental information (continued)

2000	Securities/Futures Broking 24.5.2000 to 31.12.2000 \$	Proprietary Trading 24.5.2000 to 31.12.2000 \$	Total 25.5.2000 to 31.12.2000 \$
Revenue	19,942,428	1,056,839	20,999,267
Capital expenditure	68,618	–	68,618
	2000 \$	2000 \$	2000 \$
Segment assets	788,548,977	55,734,953	844,283,930

30. Fair values

The carrying amounts of financial assets and financial liabilities of the Group and the Company as at the balance sheet date approximate to their fair values unless otherwise disclosed in the financial statements.

31. Events occurring after balance sheet date

Subsequent to the balance sheet date:

- (a) a wholly-owned subsidiary, UOB Kay Hian Overseas Limited, issued 7,000,000 ordinary shares of HK\$1 each at par value for cash to its immediate holding company to provide additional working capital. The newly issued ordinary shares rank pari passu in all respects with the previously issued ordinary shares of the subsidiary.
- (b) the Group acquired the business and certain assets of an affiliated company, OUB Securities Pte Ltd, incorporated in Singapore, and has entered into an agreement to acquire the business and certain assets of another affiliated company, OUB securities (H.K.) Limited, incorporated in Hong Kong.

32. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current financial year.

33. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors on 24 April 2002.

STATISTICS OF SHAREHOLDINGS

As at 15 April 2002

Authorised share capital	\$ 100,000,000.00
Issued and fully paid-up capital	\$ 72,470,900.90
Class of shares	Ordinary shares of \$0.10 each
Voting rights	On a show of hands: One vote for each member On a poll: One vote for each ordinary share

Analysis of Shareholdings

Size of Shareholdings	No. of Shareholdings	%	No. of Shares	%
1 – 1,000	1,724	12.96	1,493,680	0.21
1,001 – 10,000	9,506	71.48	41,037,221	5.66
10,001 – 1,000,000	2,055	15.45	66,855,190	9.22
1,000,001 & Above	14	0.11	615,322,918	84.91
Total	13,299	100.00	724,709,009	100.00

Top Twenty Shareholders

Name	No. of Shares	%
United Investments Ltd	285,537,809	39.40
U.I.P. Holdings Ltd	115,238,976	15.90
DBS Nominees Pte Ltd	50,972,321	7.03
United Overseas Bank Nominees Pte Ltd	42,067,900	5.80
Tang Wee Loke	29,893,381	4.12
Oversea Chinese Bank Nominees Pte Ltd	22,304,200	3.08
Employees Provident Fund Board	20,476,000	2.83
Overseas Union Bank Nominees Pte Ltd	12,909,009	1.78
Citibank Nominees S'pore Pte Ltd	11,921,000	1.64
Bank of China Nominees Pte Ltd	10,000,000	1.38
Lim & Tan Securities Pte Ltd	5,444,900	0.75
UOB Kay Hian Pte Ltd	5,038,000	0.70
Tung Tau Chyr Walter	2,542,422	0.35
DB Nominees (S) Pte Ltd	1,022,000	0.14
Khoo Boo Kwee	808,000	0.11
DBS Vickers Secs (S) Pte Ltd	758,400	0.10
Tay Chin Hoe	735,000	0.10
Citibank Consumer Noms Pte Ltd	635,400	0.09
Philip Securities Pte Ltd	585,800	0.08
OCBC Securities Private Limited	576,200	0.08
	619,421,718	85.46

Substantial Shareholders

Name of Substantial Shareholders	Shares registered in the name of the substantial shareholders	Shares held by the substantial shareholders in the name of nominees	Shares in which the substantial shareholders are deemed to have an interest	Total	Percentage of issued shares
United Investments Limited	285,537,809	–	–	285,537,809	39.40
Wee Ee Chao	–	115,238,976	4,823,000	120,061,976	16.57

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the Penthouse, UOB Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Friday, 31 May 2002 at 6.00 p.m. for the following purposes:-

Ordinary Business

- 1 To receive and adopt the audited Accounts for the year ended 31 December 2001 and the Reports of the Directors and Auditors thereon.
- 2 To declare a final dividend of 12.5% less income tax for the year ended 31 December 2001.
- 3 To approve Directors' fees of \$25,000 for the year ended 31 December 2001 (2000: \$30,000).
- 4(a) To re-elect Mr Walter Tung Tau Chyr, a Director retiring pursuant to Article 91 of the Company's Articles of Association.
- 4(b) To re-elect Mr Samuel Poon Hon Thang, a Director retiring pursuant to Article 91 of the Company's Articles of Association.
- 5 To re-appoint PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration.

Special Business

- 6 To consider and, if thought fit, to pass with or without any modifications, the following resolution as ordinary resolution:-
"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 issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 50% of the issued share capital of the Company for the time being, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company for the time being, 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 To transact such other business that can be transacted at an Annual General Meeting of the Company.

By Order of the Board



Chung Boon Cheow
Secretary

Singapore
14 May 2002

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 80 Raffles Place #30-01, UOB Plaza 1, Singapore 048624 not less than 48 hours before the time appointed for holding the meeting.

Statement Pursuant To Article 54 Of The Company's Articles Of Association

The ordinary resolution in item 6 is to authorise the Directors of the Company to issue shares up to 50% of the Company's issued share capital, with an aggregate sub-limit of 20% of the Company's issued share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.

