UOB-KAY HIAN HOLDINGS LIMITED

Annual Report 2003

Corporate Information

Board of Directors

Wee Ee-chao
Chairman and Managing Director

Tang Wee Loke
Deputy Managing Director

Walter Tung Tau Chyr

Neo Chin Sang

Samuel Poon Hon Thang
Non-executive Director

Dr. Henry Tay Yun Chwan
Independent Director

Chelva Retnam Rajah
Independent Director

Roland Knecht
Independent Director

Audit Committee

Dr. Henry Tay Yun Chwan
Chairman

Chelva Retnam Rajah

Samuel Poon Hon Thang

Nominating Committee

Roland Knecht
Chairman

Chelva Retnam Rajah

Tang Wee Loke

Remuneration Committee

Chelva Retnam Rajah
Chairman

Dr. Henry Tay Yun Chwan

Tang Wee Loke

Company Secretary

Mdm Chung Boon Cheow

Company Registration No.

200004464C

Registered Office

80 Raffles Place
#30-01 UOB Plaza 1
Singapore 048624
Tel : 6535 6868
Fax: 6532 6919

Registrar and Share Transfer Office

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

Auditors

PricewaterhouseCoopers
Certified Public Accountants
8 Cross Street
#17-00 PWC Building
Singapore 048424
Partner in charge – Peter Low Eng Huat
Date of appointment: 2002

Principal Bankers

Banque Nationale De Paris

Citibank, N. A.

Malayan Banking Berhad

Oversea-Chinese Banking Corporation Limited

Standard Chartered Bank

The Development Bank of Singapore Ltd

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

Contents

UOB Kay Hian Holdings (UOBKH) 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.

Our subsidiary UOB Kay Hian Private Limited is today an amalgamation of eight stockbroking houses, namely, Kay Hian, UOB Securities, RHB-Cathay Securities, OUB Securities, Grand Orient Securities, J M Sassoon, Millennium Securities and the retail arm of Credit Suisse First Boston. We now have a strong team of 985 sales personnel in Singapore. We have benefitted from economies of scale through such enlarged sales network and customer base.

As part of the UOB Group, we are able to tap on the Group's competitive strengths to cross-sell our products. We have broadened our business activities to cover fund management, unit trusts, derivatives trading and corporate finance.

To capitalise on the emerging opportunities in Asia, we have established offices spanning the region including Bangkok, Hong Kong, Kuala Lumpur and Shanghai besides the HQ in Singapore. We acquired BNP Paribas' Thai retail operations in late 2001 with the objective of building a strong stockbroking and financial services arm in Thailand. The acquisition of Worldsec International, a Hong Kong-based brokerage house, positions us well for the Chinese equity market. To enhance our institutional sales capability, we have also established sales offices in key global financial centres in New York and London.

Our Global Reach

Asia

China

Hong Kong, SAR

The Philippines

Thailand

Malaysia

Singapore

Indonesia

Europe, UK and The United States of America

UOB-Kay Hian Group

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 alliances with foreign brokers and new acquisitions to expand our market reach
- A large distribution network of 985 retail sales personnel and 241 institutional account executives positioned in 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

We have dedicated and experienced research teams covering the Singapore, Malaysia, Thailand, Hong Kong and Greater China markets. The teams provide research support for corporate finance work and investments.

Building on the experience of managing internal funds, we are growing our fund-management business to cater to clients.

The group has 241 account executives covering Thailand, Hong Kong, China, the Philippines, Malaysia and Indonesia.

With 985 retail sales personnel, UOB Kay Hian is one of the largest retail brokers in Singapore, with the capability to distribute a wide range of investment products.

Our online customer base and transactions are growing on the back of increased internet trading. Besides making improvements to our systems, we will also be establishing a regional online trading hub.

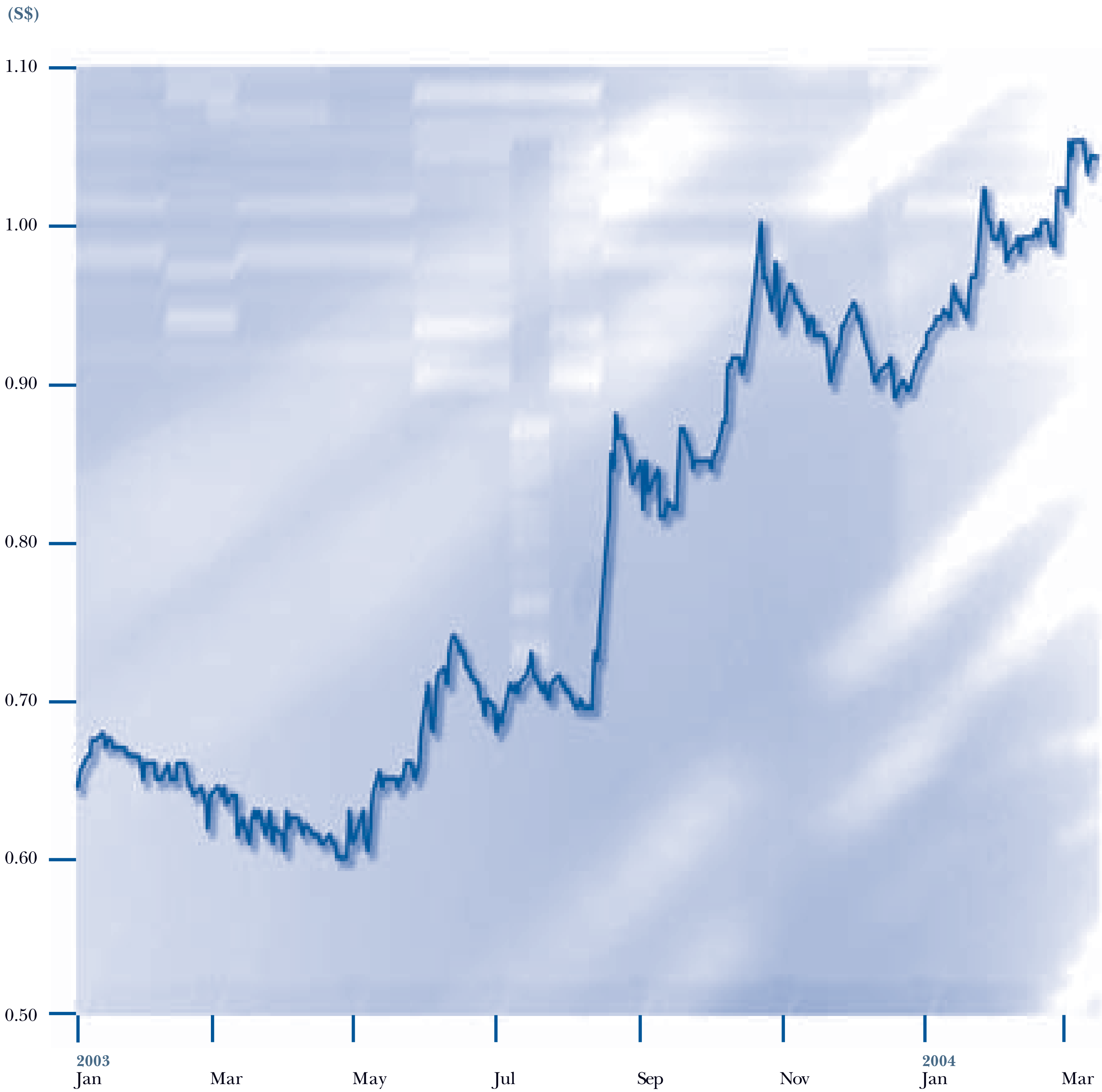
Our Administrative/Support departments provide integrated operational, internal audit, credit, finance, IT and research services.

Group Financial Highlights

	Group For the Year Ended 31.12.2003 (S$'000)	Group For the Year Ended 31.12.2002 (S$'000)	Group For the Year Ended 31.12.2001 (S$'000)
Revenue	326,723	162,405	111,199
Profit Before Taxation	96,079	12,219	20,568
Share of Results of Associated Companies	4,708	3,111	2,621
	100,787	15,330	23,189
Profit After Taxation	78,458	11,690	15,965
Profit After Taxation and Minority Interests	78,128	11,893	16,023
Shareholders' Equity	621,489	548,491	548,994
Adjusted Earnings Per Share	10.78 cents	1.64 cents	2.21 cents
Adjusted Gross Dividend Per Share	7.00 cents	1.10 cents	1.45 cents
Adjusted Net Asset Value Per Share	85.76 cents	75.68 cents	75.75 cents
Percentage Return on Shareholders' Equity			
Profit Before Tax	16.22%	2.79%	4.22%
Profit After Tax	12.62%	2.13%	2.91%
Profit After Tax and Minority Interests	12.57%	2.17%	2.92%

UOB-Kay Hian Share Price

(From 2 January 2003 to 15 March 2004 – Daily)



High: $1.05 **Low:** $0.60 **Last:** $1.04

Chairman's Statement

The Group had a good year, benefitting from the rebound in the regional bourses. The acquisition of the stockbroking business from Millennium Securities and J.M. Sassoon Securities in 2003 have also reaped economies of scale. Distribution capability was further enhanced by the establishment of our US sales office.

Net profit jumped more than six-fold from S$11.9m in 2002 to S$78.1m in 2003. UOB Kay Hian has a good share of the IPO and placement deals in Singapore, tapping on our extensive distribution network.

Besides Singapore-derived revenues, commission and trading incomes from Hong Kong and Thailand operations were also significant. This improvement was on the back of the better performances of regional bourses. The Group received more dividend income from the Singapore Exchange Ltd (SGX). The disposal of a long-term investment also yielded a profit of S$7.4m. Forex gains were made in 2003, a reversal from the loss in 2002.

Business expenses, personnel expenses, depreciation, amortisation and other operating expenses increased, in line with the expansion of group operations. Cost efficiency had improved as the group was able to contain the rise in costs at 55%, well below the revenue increase of 102.7%.

Dividend

The directors have recommended a final dividend of S$37,684,868 for the year ended 31 December 2003. This will be presented to shareholders for approval at the Annual General Meeting on 28 April 2004. Total ordinary dividend less Singapore income tax for the year will be S$40,511,234.

Current Year's Prospects

We expect 2004 to be another good year. Robust Asean and China growth as well as a US recovery will support activity in regional capital markets. UOB Kay Hian is well-positioned to capitalise on these by tapping on its retail and institutional sales capability.

Contributions from regional operations will continue to contribute to earnings. At the same time, domestic broking and capital market activities are expected to pick up with an increase in IPO and placement activities.

Acknowledgements

I wish to thank the board of directors and staff for their industry and commitment to the Group during the year. I would also like to thank all shareholders and clients for their relentless support.

Wee Ee-chao
Chairman and Managing Director

2003 Economic and Stock Market Review

Singapore

It was a rough ride for the economy. 1H03 was hit by the Iraq war and SARS which saw the economy dipping by 1.1%. However, recovery was well underway in 2H03 with GDP growing at 3.3%, leading to full-year expansion of 1.1%.

Manufacturing grew by 2.8%, driven by the electronics, chemicals and biomedical clusters. The electronics cluster rose by 5.5%, accelerating from the 4.2% growth in 2002. The chemicals segment expanded by 6.2% but this was only about half of 2002's growth. Due to slowing pharmaceutical production, the biomedical cluster grew by only 8.1%, compared with 2002's 45.7% surge. Construction was one of the worst-performing sectors, contracting by 10.7%.

The services sector remained relatively resilient despite SARS, growing by 1.0%. Wholesale and retail trade grew by 6.7%, boosted by strong non-oil re-exports, while financial services recorded a healthy growth of 3.7%. However, SARS led to the hotels and restaurants, transport and communications as well as business services subsectors contracting by 12.2%, 2.0% and 1.8% respectively.

Outlook for 2004

Singapore's economic growth prospect has improved. We expect the recovery momentum to strengthen in 2004, underpinned by a synchronised recovery of the US, EU and Japanese economies as well as a booming China. The services sector should be a main beneficiary of the recovery, driven by stronger tourist arrivals.

Stock Market Outlook

The outlook for equities is bright, as both the external and internal macroeconomic environment remain positive for corporate earnings. China's economic growth is still a major factor, while prospects in the Asean economies are brightened by strong commodity prices and the economic boom in North Asia. Liquidity also remains a favourable factor for equities as interbank rates are currently at historic lows.

Malaysia

The negative impact from SARS early in the year was offset by stronger commodity outputs, which resulted in an overall GDP growth of 5.2%. Growth was propelled by the stimulus package introduced by the government in May 03 to counter the effects of SARS.

2003 Economic and Stock Market Review

continued

Some initial impact from the 2004 expansionary budget also aided growth. The stimulus package included cuts in employees' contribution to the Employees Provident Fund (which increased disposable income and stimulated consumer spending) as well as a 50bps cut in the intervention rate to 4.5% (which stimulated private investment). Consequently, private expenditure rose 5.1%. The improved business confidence also contributed to the 2.7% growth in gross fixed capital formation. Total exports grew by 6.3% supported by exports of manufactured goods and primary commodities.

For Jan-Sep 03, the current account surplus increased significantly by 92.7% (+RM17.9b) to RM37.2b from RM19.3b in 2002. The main contributor was a higher surplus of RM68.0b in the goods account. As a result, foreign reserves in Malaysia jumped by 29.8% from RM131.5b in 2002 to RM170.7b in 2003.

Outlook for 2004

The stronger US economic growth (consensus: 4.6%) and the recovery in electronics' demand will further strengthen the manufacturing sector and exports in 2004. Domestically, the low interest rate and inflation environment will continue to boost business and consumer confidence, and sustain the growth in private consumption and investment. The services sector is also expected to strengthen after the fall-out from the SARS epidemic. The return of tourists will drive demand for tourism-related industries.

Stock Market Outlook

2004 is going to be the beginning of a new virtuous cycle with two key events that occurred in 2003: a new Prime Minister after 22 years and the dramatic rise in Malaysia's oil reserves. The latter should lead to more foreign investments, which will potentially add to the rising foreign reserves. The foreign reserves and excess liquidity are now at unprecedented highs, making the 1,000 level achievable for the Kuala Lumpur Composite Index.

Thailand

The economy grew by 6.7% in 2003, the highest since the 1997 Asian financial crisis. Although the SARS outbreak weakened growth in 2Q03, the economy rebounded in 2H03 on the back of stronger private investments as well as improving business and consumer confidence. Private consumption expanded by 6.3% while private investment rose by an impressive 17.9%.

Merchandise exports expanded by 13.2% driven by the strength of automotive, base metal products, electrical and mechanical appliances. Imports grew by 12.9% due to stronger domestic demand. Trade surplus also improved.

Capacity utilisation rose sharply as industrial production surged. In Dec 03, capacity utilisation was 73.0%, up from 62.0% in Dec 02. The industrial sector GDP was the best performer with growth at 9.3%, followed by agriculture at 6.8% and the service sector at 4.2%.

Government revenue surpassed its expenditure for the first time since 1997, brought about by better corporate earnings and a more efficient tax collection system.

Outlook for 2004

The government's expansionary fiscal and monetary policies, and the momentum from 4Q03's strong 7.8% GDP growth will support economic growth in 2004. Agriculture growth is expected to weaken, as the hike in agro-commodity prices appears less sustainable. However, industrial growth will continue to remain robust on the back of strong US demand while services will pick up as tourism recovers post-SARS.

Domestic private investment and private consumption will continue to be the main engines of growth. However, trade surplus could fall as growth in imports is likely to surpass exports due to strong domestic demand and the strength of the Baht against the US dollar.

Stock Market Outlook

The SET's spectacular 117% rise in 2003 will be a difficult act to follow. Last year was marked by a massive re-rating of the market given the robust growth of the economy. The sharp run-up in prices and the curbs on retail speculation will trigger a more cautious approach to stock trading in 2004. However, prospects for the market remain decidedly positive. Continued economic strength will support corporate earnings. While the 47% increase in 2003 earnings represents a peak in profit growth, the current market multiple of 12x can easily support less robust profit growth. Rising investment and the strong Baht suggest a likely rotation into domestic-related stocks. Foreign interest will remain strong as the privatisation of state enterprises will increase Thailand's weighting in the benchmark indices.

Hong Kong

The economy proved its resilience in 2003. The SARS outbreak failed to dampen growth in 1H03, with real GDP rising by 2.0%. The economy continued to accelerate by 4.5% in 2H03, aided in large part by its closer economic ties with China, including tourist flows. For the full year, GDP growth was 3.3%.

Exports continued to be the main growth driver, expanding by 14.2%. This robust growth was largely underpinned by a booming China, which was the destination for 43% of Hong Kong's 2003 exports. However, the China factor failed to lift private consumption, which saw flat growth due mainly to high unemployment and weak property prices. Nor did it boost capital investment which continued to decline by 0.1%.

A major concern remains the budget deficit, which is projected to be HK$49b (equivalent to 4% of GDP) for FY03/04. Revenue shortfalls due to a narrow tax base and continued large government expenditure should continue to keep the deficit issue on the forefront.

Outlook for 2004

The Hong Kong economy is set to accelerate even further in 2004. Continued liquidity, low interest rates, better employment prospects as well as a recovery in asset prices should underpin growth in domestic demand, while the Closer Economic Partnership Arrangement with China should also benefit exports in 2004. In addition, the fast recovery of the tourism industry will continue to boost the services sector.

Stock Market Outlook

The Hong Kong stock market is set to have a strong year in 2004, underpinned by the sharp recovery of the local economy and a supportive global economic environment. Attracted by the listings of major Chinese enterprises, inflow of funds from overseas will continue to be strong. Importantly, China, in her bid to reform the financial industry, will soon allow domestic institutional funds to invest in overseas markets. This will present an unprecedented opportunity for the Hong Kong financial markets, especially the stock market.

Corporate Governance Report

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

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

Guidance Note on Code

Board of Directors

The Board comprises 8 directors, 4 executive, 1 non-executive and 3 independent directors. 2.1

On an ongoing basis, the Board examines its size and, with a view to determining the impact of the number upon effectiveness, decides on what it considers an appropriate size for the Board to facilitate effective decision making taking into account the scope and nature of the Group's operations. 2.3

The roles of the chairman and managing director are not separated but the Board has a strong, independent group of directors to look after the shareholders' interest. The Audit, Remuneration and Nominating Committees are chaired by independent directors. 3.1

The chairman ensures that Board meetings are held when necessary and sets the Board meeting agenda. The chairman reviews the Board papers before they are presented to the Board and ensures that Board members are provided with complete, adequate and timely information. 3.2 & 3.3

To facilitate effective management, certain functions have been delegated by the Board to the various Board Committees, each of which has its own written terms of reference. The Board is assisted by an Audit Committee, a Remuneration Committee and a Nominating Committee. 1.1

The Board comprises directors who as a group provide core competencies such as business, law, finance, management and strategic planning experience and industry knowledge. 2.4

Directors' Attendance at Board and Committee Meetings in the year 2003. 1.1 & 11.7

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Wee Ee Chao	4	3	–	–	–	–	–	–
Tang Wee Loke	4	4	–	–	2	2	1	1
Walter Tung	4	4	–	–	–	–	–	–
Neo Chin Sang	4	4	–	–	–	–	–	–
Samuel Poon	4	2	5	3	–	–	–	–
Dr Henry Tay	4	4	5	5	2	2	–	–
Chelva Retnam Rajah	4	3	5	4	2	2	1	1
Roland Knecht	4	2	–	–	–	–	1	1

Key information on the directors and their appointments on the various Board Committees and on key management staff of the Group is given under the section "Profile of Directors and Key Management Personnel" on pages 19 and 21. 4.5

The Board oversees the overall strategy, supervises the management and reviews the affairs and financial position of the Company and the Group. Matters which are specifically reserved for the Board's decision include:- 1.2

- quarterly, interim and annual results announcements;
- financial statements;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders' meetings;
- major transactions; and
- interested person transactions.

To assist the Board in the discharge of its duties, management provides the Board with periodic accounts of the Company and the Group's performance, position and prospects. Directors receive Board papers in advance of Board and Committee meetings and have separate and independent access to the Company's senior management and Company secretary. There is a procedure whereby any director may in the execution of his duties, take independent professional advice. 6.1, 6.2, 6.3, 6.4 & 10.2

To familiarise newly appointed directors with the Group's business and corporate governance practices, directors are provided with relevant materials of the Group's business which explain activities and how the Group's business is managed. 1.3

Audit Committee ('AC')

The AC comprises three members, namely Dr. Henry Tay Yun Chwan (chairman), Mr. Chelva Retnam Rajah and Mr. Samuel Poon. Dr. Tay and Mr. Rajah are independent directors and Mr. Poon is a non-executive director. At least two members have accounting or related financial management expertise or experience. The AC met a total of 5 times during the year. The deputy managing director, financial controller and senior manager (internal audit) and the external auditors normally attend the meetings. During the year, members of the AC have had separate discussions with the senior manager (internal audit). This is to provide internal auditors with opportunities to discuss issues encountered in the course of their work directly with the AC. 11.1, 11.2, 11.3 & 11.5

The main terms of reference of the AC are:-

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

The AC:-

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

The AC, having reviewed the non-audit services provided by the external auditor and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors has, recommended their re-nomination. A sum of $53,235 was paid to the external auditors for non-audit services rendered during the year. The AC annually reviews the independence of the external auditors. 11.4 & 11.6

Internal Controls

The Board is responsible for ascertaining that management maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. The Board believes that the system of internal controls that has been maintained by management throughout the financial year is adequate to meet the needs of the Group in its current business environment. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. 12.1 & 12.2

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

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

Internal Audit

Internal audit performs continuous monitoring to ensure compliance with Group policies, internal controls and procedures designed to risk manage and safeguard the business and assets of the Group. The work of internal audit is focused on areas of greatest risk to the Group as determined through the audit planning process. The formal reports resulting from such reviews are provided to the AC and the chairman of the Board. PricewaterhouseCoopers, our external auditors, contributes a further independent perspective on certain aspects of the internal financial control system arising from their work and annually report their findings to the AC. 13.1

The senior manager (internal audit)'s line of functional reporting is to the chairman of the AC. Administratively, the internal auditor reports to the chairman and managing director of the Company.

The AC is satisfied that the internal audit function is adequately resourced to carry out its duties effectively and has appropriate standing within the Company. 13.3

The AC reviews, on an annual basis, the adequacy of the internal audit function and that the internal audit function meets the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. 13.2 & 13.4

Remuneration Committee ('RC')

The RC has three members and comprises independent directors, Mr. Chelva Retnam Rajah (chairman) and Dr. Henry Tay Yun Chwan and executive director, Mr. Tang Wee Loke. The RC has access to external consultants for expert advice on executive compensation, if necessary. 7.1 & 7.2

The main terms of reference of the RC are:-

- to make recommendations to the Board with regard to the remuneration of directors and key executives and to ascertain that they are fairly remunerated; and 7.3
- to formulate the framework of remuneration for the directors and key executives.

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate directors and managers. 8.1, 8.2 & 8.3

The RC reviews the remuneration packages of the Company's executive directors, which are based on the performance of the Group and the individual. All directors' fees are subject to the approval of shareholders at the annual general meeting.

The remuneration of the directors of the Company for the financial year ended 31 December 2003 is:- 9.1 & 9.2

Name	Band	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)
Wee Ee Chao	$3.75million to $4 million	–	9.16	90.84	–
Tang Wee Loke	$3.75million to $4 million	–	8.19	91.81	–
Walter Tung	$250,000 to $499,999	–	62.78	36.78	0.44
Neo Chin Sang	$250,000 to $499,999	–	66.53	33.47	–
Samuel Poon	Below $250,000	100	–	–	–
Dr. Henry Tay	Below $250,000	100	–	–	–
Chelva Retnam Rajah	Below $250,000	100	–	–	–
Roland Knecht	Below $250,000	100	–	–	–

The Company is of the view that disclosure of the remuneration of key management staff will be detrimental to the Group's interest because of the very competitive nature of the stockbroking industry.

The Company and its subsidiaries do not have any employee who is an immediate family member of a director. 9.3

The Company does not have any employee share option scheme. 9.4

Nominating Committee ('NC')

The NC has three members and comprises independent directors, Mr. Roland Knecht (chairman) and Mr. Chelva Retnam Rajah and executive director, Mr. Tang Wee Loke.The main terms of reference of the NC are:- 4.1, 4.2, 4.3 & 4.4

- to review and make recommendations to the Board on all board appointments and re-appointments;
- to oversee the composition of the Board and to ensure that they meet the composition and balance required under the Code of Corporate Governance;
- to ascertain that the independent directors meet the criteria set out in the Code of Corporate Governance; and
- to assess the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

There is a process for the NC to evaluate the performance of the Board. Objective performance criteria used to assess the performance of the Board include:- 5.1, 5.2 & 5.3

- comparison with industry peers
- return on assets: and
- return on equity

Communication with Shareholders

The Board regards the annual general meeting as an opportunity to communicate directly with private investors and encourages participative dialogue. The members of the Board will attend the annual general meeting and are available to answer questions from shareholders present. External auditors are also present to assist directors in addressing relevant queries by shareholders. 10.1, P14 & 15

To maintain transparency, the Company makes timely disclosures to the public via MASNET system and postings on the Company's website. The Group issues prompt and broadly disseminated news releases on significant events and initiatives.

Dealings in Securities

The Group has adopted an internal code which is in conformity with the provisions of the SGX-ST's Best Practices Guide to provide guidance to its directors and officers in relation to the dealings in the Company's securities. A system of reporting of security dealing to the company secretary by directors has been established to effectively monitor the dealings of these parties in the securities of the Company. In addition, a circular is issued before the start of each period to remind officers to refrain from dealing in the Company's securities during the month prior to the release of the quarterly and full year announcements of the Group's financial results.

Interested Person Tranactions

Name of Interested person	Aggregate value of all interested person transactions entered into in 2003 (excluding transactions less than $100,000)
United Overseas Bank Limited	$26.73 million (rental for lease of office premises for 6 years)

The rental of office premises paid to an interested person for the year is disclosed in note 32 of the notes to the financial statements.

We do not have any shareholders' mandate pursuant to Rule 920 of the SGX-ST.

Material Contracts

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

Directors of UOB-Kay Hian Holdings Limited

Mr. Wee Ee-Chao 50, holds a Bachelor of Business Administration degree. He joined Kay Hian Pte Ltd in 1981 as Managing Director and became Chairman of Kay Hian Holdings Limited in 1996. He has been closely involved in the management and growth of UOB Kay Hian over the last 23 years. In August 2000 when UOB-Kay Hian Holdings Limited was incorporated with the merger of Kay Hian Holdings Ltd and UOB Securities Pte Ltd, Mr. Wee was appointed Chairman of UOB-Kay Hian Holdings Limited.

Besides his stockbroking involvement in UOB Kay Hian, Mr. Wee is also involved in real estate development and investment in the region. Mr. Wee was appointed the Chairman of the Singapore Tourism Board in January 2002.

Mr. Tang Wee Loke 56, holds a Bachelor of Business Administration degree. He began his career in Kay Hian Pte Ltd as an Analyst in 1973 and became a Director in 1977. Mr. Tang has been Deputy Managing Director of Kay Hian Pte Ltd since 1990. His involvement includes research, sales and general administration. When Kay Hian Holdings Ltd merged with UOBS in August 2000, he was appointed Deputy Managing Director of UOB-Kay Hian Holdings Limited. Mr. Tang stepped down as a member of the Audit Committee on 1 October 2002 when the new Code of Corporate Governance stipulated that the Audit Committee should consist of independent/ non-executive directors. He was appointed as member of the Remuneration and Nominating Committee on 1 October 2002.

He was a committee member of the Stock Exchange of Singapore from 1986 to 1999.

He was appointed as non-executive director of Singapore Exchange Ltd on 9 December 2002 and is a member of the audit committee. He is also the Vice-Chairman of the Securities Association of Singapore which represents the interest of SGX securities trading members in Singapore.

Mr. Walter Tung 55, holds a Bachelor of Business Administration degree and a Masters in Business Administration. He joined Kay Hian in 1982 as an Analyst in the Research Department and took over as Head of Research in 1983. He became a Director of Kay Hian Pte Ltd in 1985. He was appointed Director of Kay Hian Holdings Limited in September 1990 and Director of UOB-Kay Hian Holdings Limited in August 2000.

Presently, he continues to oversee the research activities in UOB Kay Hian's Singapore and Malaysia offices and business development for the UOB Kay Hian Group. Mr. Tung brings with him a strong background in strategic planning and marketing from his years working in the Inchcape Group and Shulton Far East Pte Ltd.

Mr. Neo Chin Sang 56, was the Chief Executive Officer of UOB Securities Pte Ltd (UOBS). He joined the UOB Banking Group and was its subsidiary, Industrial & Commercial Bank Limited Group's (ICB) Company Secretary and Group Accountant in 1982. He was later seconded from ICB to head the UOB Banking Group's stockbroking arm, UOBS. He served as the Chief Executive Officer of UOBS between 1992 and 2000. In August 2000, when UOB-Kay Hian Holdings Limited was incorporated, Mr. Neo was appointed as an Executive Director of the Company.

Mr. Neo is a Fellow Member of the Chartered Association of Certified Accountants and an Associate Member of the Institute of Chartered Secretaries & Administrators. He is also a Member of the Institute of Certified Public Accountants of Singapore.

Dr. Henry Tay Yun Chwan 59. Trained as a doctor, Dr. Tay graduated with a MBBS from Monash University in 1969. He was appointed as Director and Audit Committee Member of Kay Hian Holdings Limited on 1 August 1997 and became Chairman of the Audit Committee on 20 March 2000. When UOB-Kay Hian Holdings Limited was incorporated in August 2000, he was appointed Director and Chairman of the Audit Committee. Dr. Tay is an Independent Director of the Company.

He is the Executive Chairman of The Hour Glass Limited.

Dr. Tay's other current appointments include being the Honorary President of the Hong Kong – Singapore Business Association, Vice-chairman of the Community Chest. His previous appointments included being a Board Member of Singapore Tourism Board and Patron of Kennel Club.

Mr. Chelva Retnam Rajah 55, was educated at Lincoln College, Oxford University and Middle Temple, London. In 1972, he was admitted as an Advocate and Solicitor of the Supreme Court. During various periods from 1990 to 1995, he served as President of the Law Society of Singapore, Vice-President of the Singapore Academy of Law and Member of the Military Court of Appeal. He was appointed Senior Counsel in 1998. He is currently a partner at Tan Rajah & Cheah, Advocates & Solicitors.

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

Mr. Rajah is also chairman of Cathay Organisation Holdings Ltd.

Mr. Samuel Poon Hon Thang 54, holds a First Class Honours degree in Commerce from the then Nanyang University, Singapore. Mr. Poon was appointed a non-executive Director of UOB-Kay Hian Holdings Limited in August 2000 and was appointed a member of the Audit Committee on 1 October 2002.

He joined UOB in 1988 and held senior positions in the Credit & Marketing Division and in ICB. He also oversaw UOB's commercial banking business from 1995. He is now the Senior EVP in charge of institutional banking.

Mr. Roland Knecht 53, graduated from Swiss Mercantile School Wil and is a Member of The Singapore Society of Financial Analyst. He was appointed a Director of UOB-Kay Hian Holdings Limited on 1 September 2002. He is an Independent Director and Chairman of the Nominating Committee.

He is the Senior Representative of Far East Clariden Bank since 1985 and has been a member of the Executive Board of Management, Clariden Bank, Zurich since 2000. He is also the Managing Director of Clariden Asset Management (Singapore) Pte Ltd, and director of Clariden Asset Management (Hong Kong) Ltd and Clariden Trust (Singapore) Ltd.

Key management personnel of the Group

SINGAPORE

Mr. Esmond Choo Liong Gee 47, was appointed an Executive Director of UOB Kay Hian Pte Ltd on 1 October 2001. In addition to his management role for the group, he is involved in the strategic planning and development of the Group's business.

Prior to joining our Group, he was the Executive Director of RHB-Cathay Securities Pte Ltd since 1994 and had overall responsibility for RHB-Cathay's institutional dealing and equity research operations. Prior to joining RHB-Cathay he was the regional CEO of Sedgwick's captive insurance operations in Asia Pacific where Sedgwick Plc was a leading insurance brokerage.

Mr. Choo has accumulated substantial experience in the finance and insurance sectors since 1986 and is also a member of the Institute of Chartered Accountants in Australia.

Mr. Wong Khai Wah 64, joined UOB Kay Hian Pte Ltd as an Executive Director in October 2001. He is responsible for the management and supervision of the trading representatives. Prior to this, he was the Managing Director of the former RHB-Cathay Securities Pte Ltd for 28 years.

Mr. Lee It Hoe 62, joined UOB Kay Hian Pte Ltd as an Executive Director in 2002. Mr. Lee holds a Diploma from the Singapore Polytechnic. He has a total of 23 years experience in the securities industry having previously been an Executive Director of the former Grand Orient Securities Pte Ltd. He is responsible for the management and supervision of the trading representatives.

Mr. Tan Chek Teck 48, is the Executive Director responsible for the back office support function. He graduated with an Honours degree from the University of Edinburgh and is a member of the Institute of Chartered Accountants of Scotland as well as the Institute of Certified Public Accountants of Singapore.

Chek Teck has been working in the stockbroking industry since 1990. Prior to that he spent 6 years working with Coopers & Lybrand, Singapore.

HONG KONG

Mr. Lim Seng Bee 38, joined UOB Kay Hian (Hong Kong) Limited as its Managing Director in May 2001. He is responsible for the Hong Kong Office's business development, corporate planning, policies formulation and overall operations. Mr. Lim holds a Bachelor of Science degree from the Stern School of Business of the New York University.

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

THAILAND

Mr. Loh Poh Weng 62, holds a Master of Business Administration degree. He joined UOB Kay Hian Securities (Thailand) Limited as Executive Director and Chief Operating Officer in 2003. He started his career in banking. He was with Chase Manhattan Bank for 20 years before leaving them as head of the Bank's internal audit for the Asean region. Thereafter, he spent 15 years in executive directorship positions in the securities industry with DBS Vickers and Kim Eng Securities Thailand.

Mr. Chaipat Narkmontanakum 41, holds a Bachelor Degree from Chulalongkorn University, majoring in Accounting. He joined UOB Kay Hian Securities (Thailand) Co, Ltd as a Managing Director of Retail Sales in 2003. He is responsible for the retail sales business, retail research and business development of the company. He has more than 10 years of experience in securities business such as Union Securities, Nava Securities, BNNP Securities and DBS Vickers Securities.

Directors' Report

For the financial year ended 31 December 2003

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2003 and the balance sheet of the Company at 31 December 2003.

Directors

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

Wee Ee-chao

Tang Wee Loke

Walter Tung Tau Chyr

Neo Chin Sang

Samuel Poon Hon Thang

Henry Tay Yun Chwan

Chelva Retnam Rajah

Roland Knecht

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' 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 or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2003	At 1.1.2003	At 31.12.2003	At 1.1.2003
The Company				
(Ordinary shares of $0.10 each)				
Wee Ee-chao	–	–	116,626,976	122,470,976
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 2004 were the same as at 31 December 2003.

Directors' contractual benefits

During the financial year, the Company and certain subsidiaries 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.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the consolidated financial statements and in this report.

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.

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

Samuel Poon Hon Thang

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.

Directors' Report

For the financial year ended 31 December 2003

The announcements of quarterly 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.

The Audit Committee has also carried out the functions required of the Committee under the Code of Corporate Governance.

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

19 March 2004

Statement by Directors

In the opinion of the directors,

(a) the balance sheet of the Company and the financial statements of the Group as set out on pages 28 to 66 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 2003 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) 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

19 March 2004

Auditors' Report

To the members of UOB-Kay Hian Holdings Limited

We have audited the balance sheet of UOB-Kay Hian Holdings Limited and the consolidated financial statements of the Group for the financial year ended 31 December 2003 set out on pages 00 to 00. 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 balance sheet of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the affairs of the Company and of the Group at 31 December 2003 and the results, changes in equity and cash flows of the Group for the financial year ended on that date, and

(b) the accounting and other records (excluding 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' report of the subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of the subsidiaries are stated in Note 37 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

19 March 2004

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2003

	Notes	The Group 2003 $	The Group 2002 $
Revenue	3	**326,722,919**	162,405,405
Commission expenses		**(70,788,162)**	(38,421,512)
Personnel expenses	4	**(83,088,912)**	(50,543,024)
Other operating expenses	5	**(76,766,548)**	(61,222,038)
Profit from operations		**96,079,297**	12,218,831
Share of results of associated companies before tax		**4,707,672**	3,111,381
Profit before tax		**100,786,969**	15,330,212
Income tax expense	6	**(22,329,123)**	(3,639,721)
Profit from ordinary activities after tax		**78,457,846**	11,690,491
Minority interests		**(329,942)**	202,313
Net profit attributable to members of the Company		**78,127,904**	11,892,804
Earnings per share – basic (cents)	7	**10.78**	1.64

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Pages 26 & 27.

Balance Sheets

As at 31 December 2003

	Notes	The Group 2003 $	The Group 2002 $	The Company 2003 $	The Company 2002 $
ASSETS					
Current assets					
Cash and cash equivalents	8	**232,271,443**	290,007,579	**6,006,760**	106,969,337
Outstanding contracts receivable	9(a)	**852,412,676**	183,493,993	**–**	–
Trade debtors	10	**349,346,689**	158,198,944	**–**	–
Trading securities – long positions	11(a)	**55,362,251**	54,061,093	**2,615,595**	27,656,794
Amounts due from subsidiaries – non-trade	12	**–**	–	**141,651,096**	34,546,486
Amount due from affiliated corporation – non-trade		**–**	25,761	**–**	–
Amount due from associated company – non-trade	12	**304,408**	17,157	**–**	–
Other current assets	13	**11,492,242**	16,672,694	**67,446**	118,637
		1,501,189,709	702,477,221	**150,340,897**	169,291,254
Non-current assets					
Subordinated loan to a subsidiary	14	**–**	–	**17,540,000**	904,613
Investments					
– in subsidiaries	15	**–**	2	**405,507,351**	402,885,504
– in associated companies	16	**51,803,285**	49,240,918	**–**	–
– in Exchanges	17	**4,020,626**	7,300,002	**–**	–
Trading rights in Exchanges	18	**248,386**	474,638	**–**	–
Memberships in Exchanges		**128,999**	134,313	**–**	–
Fixed assets	19	**11,707,960**	11,717,223	**–**	–
Goodwill	20	**2,054,445**	2,785,359	**–**	–
Deferred tax assets	23	**1,580,000**	290,000	**–**	–
		71,543,701	71,942,455	**423,047,351**	403,790,117
Total assets		**1,572,733,410**	774,419,676	**573,388,248**	573,081,371
LIABILITIES					
Current liabilities					
Outstanding contracts payable	9(b)	**792,522,332**	165,563,400	**–**	–
Trade and other payables	21	**56,712,836**	22,120,226	**147,103**	52,205
Trading securities – short positions	11(b)	**47,293,317**	13,705,026	**–**	–
Amounts due to subsidiaries – non-trade	12	**–**	–	**7,419,725**	494,849
Amounts due to affiliated corporations – non-trade		**–**	91,038	**–**	–
Borrowings	22	**32,141,881**	18,961,887	**–**	–
Current tax liabilities		**22,574,204**	5,327,050	**72,371**	118,146
		951,244,570	225,768,627	**7,639,199**	665,200
Non-current liabilities					
Borrowings	22	**–**	159,637	**–**	–
		–	159,637	**–**	–
Total liabilities		**951,244,570**	225,928,264	**7,639,199**	665,200
Clients' trust/segregated accounts					
Bank balances					
– with affiliated corporations		**64,252,309**	27,309,986	**–**	–
– with non-related banks		**159,241,591**	83,003,675	**–**	–
Margin with clearing house		**4,247,800**	7,852,013	**–**	–
Less: Amounts held in trust		**(227,741,700)**	(118,165,674)	**–**	–
		–	–	**–**	–
Net assets		**621,488,840**	548,491,412	**565,749,049**	572,416,171
SHAREHOLDERS' EQUITY					
Share capital	24	**72,470,901**	72,470,901	**72,470,901**	72,470,901
Reserves	25	**350,325,122**	350,219,289	**297,240,719**	297,240,719
Retained earnings	26	**192,573,289**	120,663,391	**196,037,429**	202,704,551
Total shareholders' equity		**615,369,312**	543,353,581	**565,749,049**	572,416,171
Minority interests		**6,119,528**	5,137,831	**–**	–
		621,488,840	548,491,412	**565,749,049**	572,416,171

The accompanying notes form an integral part of these financial statements.

Auditors' Report – Pages 26 & 27.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2003

	Note	Share capital $	Capital reserve $
Balance at 1 January 2003		**72,470,901**	**297,240,719**
Currency translation differences		–	–
Net profit for the financial year		–	–
Total recognised gains for the financial year		–	–
Final dividend for 2002 paid	27	–	–
Interim dividend for 2003 paid	27	–	–
Balance at 31 December 2003		**72,470,901**	**297,240,719**
Balance at 1 January 2002		72,470,901	297,240,719
Currency translation differences		–	–
Net profit for the financial year		–	–
Total recognised gains and losses for the financial year		–	–
Transfer from statutory reserve to retained earnings		–	–
Final dividend for 2001 paid	27	–	–
Interim dividend for 2002 paid	27	–	–
Balance at 31 December 2002		72,470,901	297,240,719

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Pages 26 & 27.

Capital reserve on consolidation $	Statutory reserve $	Foreign currency translation reserve $	Retained earnings $	Total $
53,897,711	**–**	**(919,141)**	**120,663,391**	**543,353,581**
–	–	105,833	–	105,833
–	–	–	78,127,904	78,127,904
–	–	**105,833**	**78,127,904**	**78,233,737**
–	–	–	(3,391,641)	(3,391,641)
–	–	–	(2,826,365)	(2,826,365)
53,897,711	**–**	**(813,308)**	**192,573,289**	**615,369,312**
53,897,711	63,334	1,953,098	118,599,531	544,225,294
–	–	(2,872,239)	–	(2,872,239)
–	–	–	11,892,804	11,892,804
–	–	(2,872,239)	11,892,804	9,020,565
–	(63,334)	–	63,334	–
–	–	–	(7,065,913)	(7,065,913)
–	–	–	(2,826,365)	(2,826,365)
53,897,711	–	(919,141)	120,663,391	543,353,581

Consolidated Cash Flow Statement

For the financial year ended 31 December 2003

	Note	2003 $	2002 $
Cash flows from operating activities			
Profit before tax and after share of results of associated companies		**100,786,969**	15,330,212
Adjustments for:			
Share of results of associated companies		**(4,707,672)**	(3,111,381)
Depreciation of fixed assets		**4,766,678**	3,939,443
(Gain)/Loss on disposal of fixed assets		**(29,780)**	380,367
Amortisation of trading rights in Exchange		**223,913**	15,293
Impairment loss on trading rights in Exchanges		**–**	274,738
Gain on sale of investment in Exchanges		**(7,371,374)**	(176,702)
Amortisation of goodwill		**10,170,692**	5,550,437
Dividend income		**(8,747,853)**	(2,179,371)
Interest income		**(12,915,257)**	(12,268,964)
Interest expense		**1,442,972**	1,188,073
Exchange differences		**397,395**	(1,468,673)
Operating cash flow before working capital changes		**84,016,683**	7,473,472
Changes in operating assets and liabilities:			
Trading securities		**32,287,133**	9,824,771
Debtors and outstanding contracts receivable		**(854,811,555)**	23,995,359
Due from/to associated companies and affiliated corporation		**(352,528)**	(347,602)
Creditors and outstanding contracts payable		**661,548,301**	(53,969,864)
Cash utilised in operations		**(77,311,966)**	(13,023,864)
Interest received		**12,915,257**	12,268,964
Interest paid		**(1,442,972)**	(1,188,073)
Proceeds from/(repayment of) short-term bank loans		**14,297,251**	(8,507,180)
Income tax paid		**(5,373,100)**	(9,128,622)
Net cash outflow from operating activities		**(56,915,530)**	(19,578,775)

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Pages 26 & 27.

	Note	2003 $	2002 $
Cash flows from investing activities			
Payments for fixed assets		**(4,535,765)**	(8,301,391)
Proceeds from disposal of fixed assets		**105,509**	130,570
Purchase of trading rights in Exchange		**–**	(222,500)
Proceeds from sale of investment in Exchanges		**10,650,750**	960,036
Acquisition of businesses		**(9,439,778)**	(8,335,796)
Acquisition of subsidiaries, net of cash acquired	8	**(125,277)**	(34,879)
Issue of shares to minority interest shareholders in subsidiaries		**494,970**	883,625
Dividends received		**9,364,248**	3,302,766
Net cash inflow/(outflow) from investing activities		**6,514,657**	(11,617,569)
Cash flows from financing activities			
Subordinated loan contributed by minority interest		**–**	29,792
Dividends paid		**(6,218,006)**	(9,892,278)
Net cash inflow/(outflow) from financing activities		**(6,218,006)**	(9,862,486)
Net decrease in cash and cash equivalents during the financial year		**(56,618,879)**	(41,058,830)
Cash and cash equivalents at the beginning of the financial year		**287,443,441**	328,502,271
Cash and cash equivalents at the end of the financial year	8	**230,824,562**	287,443,441

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 Singapore Exchange Securities Trading Limited. The address of its registered office is as follows: 80 Raffles Place, #30-01 UOB Plaza 1, Singapore 048624.

The principal activity of the Company consists of investment holding. The principal activities of the Group consist of stockbroking, futures broking, investment trading, margin financing, investment management, investment holding and provision of nominee and research services.

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.

Effect of changes in Singapore Companies Legislation

Pursuant to the Singapore Companies (Amendment) Act 2002, with effect from financial year commencing on or after 1 January 2003, Singapore-incorporated companies are required to prepare and present their statutory accounts in accordance with the Singapore Financial Reporting Standards ("FRS"). Hence, these financial statements, including the comparative figures, have been prepared in accordance with FRS.

Previously, the Company and the Group prepared their statutory accounts in accordance with Singapore Statements of Accounting Standard. The adoption of FRS did not have a material impact on the accounting policies and figures presented in the statutory accounts for financial year ended 31 December 2002.

2. Significant accounting policies

(a) Basis of preparation

These financial statements have been prepared under the historical cost convention as modified to include quoted equity investments held as part of the arbitrage trading portfolio at valuation. The preparation of financial statements in conformity with Singapore Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. These estimates are based on management's best knowledge of current events and actions.

(b) Revenue recognition

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

Dividend income is recorded gross in the period in which dividend is declared payable by the investee company.

Commission, fees and interest income are recognised on an accrual basis.

(c) Group accounting

(1) Subsidiaries

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Please refer to note (e) for the accounting policy on goodwill.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(2) Associated companies

Associated companies are entities over which the Group generally has between 20% and 50% of the voting rights, and over which the Group has significant influence, but which it does not control. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recognising the Group's share of the results of associated companies in the consolidated income statement and the Group's share of post-acquisition movements in reserves in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of investment. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

The Group's investments in associated companies are stated in the balance sheet at an amount that reflects its share of the net assets of the associated companies and includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(3) Transaction costs

External costs directly attributable to an acquisition is included as part of the cost of acquisition.

(d) Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis to write off the cost of fixed assets over the expected useful lives. The estimated annual rates are as follows:

	%
Buildings	5
Leasehold improvements	10 – 33⅓
Furniture, fittings and office equipment	10 – 33⅓
Computer equipment and software	20 – 33⅓
Communication equipment	20 – 33⅓
Motor vehicles	20 – 33⅓

Repairs and maintenance are taken to the income statement during the financial period in which they are incurred. The cost of major renovations and restorations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and depreciated over the remaining useful life of the asset.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations.

2. Significant accounting policies (continued)

(e) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiaries or business, over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

Goodwill is amortised using the straight-line method over its useful life which is estimated to be 12 months. Management determines the estimated useful life of goodwill based on its evaluation of the respective businesses at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired businesses.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

(f) Investments

(i) Long-term investments

Equity investments, including investments in subsidiaries and associated companies, that are intended to be held for the long term, are stated at cost. Dividends received from subsidiaries distributed out of their pre-acquisition profits are set-off against cost of investment in subsidiaries.

An allowance for diminution is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

(ii) Quoted and unquoted 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. Market value is calculated by reference to the last transacted price at the close of business on the balance sheet date.

Long positions in unquoted investments are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investment determined on an individual basis.

(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 on an individual security basis, which is calculated by reference to the last quoted bid price for long positions or last quoted offer price for short positions at the close of business on the balance sheet date.

(iv) On disposal of investments, the difference between net disposal proceeds and its carrying amount is taken to the income statement.

(g) 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.

Market value of securities is determined by reference to the quoted prices of respective Stock Exchanges at the close of business on the balance sheet date.

(h) Trading rights in Exchange

Trading rights in Stock Exchange of Hong Kong Limited ("SEHK") and Hong Kong Futures Exchange Limited ("HKFE") 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. Where an indication of impairment exists, the carrying amount of the trading rights is assessed and written down immediately to its recoverable amount.

(i) Membership in Exchanges

Membership in stock exchanges are stated at cost. Where an indication of impairment exists, the carrying amount is assessed and written down immediately to its recoverable amount.

(j) Trade debtors

Trade debtors are carried at anticipated realisable value.

Bad debts are written off and specific allowances are made against debts considered to be doubtful of recovery. In respect of the subsidiary which is a clearing member of Singapore Exchange Securities Trading Limited ("SGX-ST"), a general allowance is made on the remaining debts arising from stockbroking transactions to cover inherent losses which have not been specifically identified, based on Rule 11.12 issued by SGX-ST.

(k) Leases

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement 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 termination takes place.

(l) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Significant accounting policies (continued)

(m) Employee benefits

Employee entitlements to annual leave and severance payments are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and severance payments as a result of services rendered by employees up to the balance sheet date.

(n) Foreign currency translation

(1) Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements and balance sheet of the Company are presented in Singapore Dollars, which is the measurement currency of the Company.

(2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

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 statement.

(3) Group companies

In respect of associated companies and foreign subsidiaries 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 the average monthly exchange rates for the financial year. 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, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(o) Segment reporting

Geographical segments provide services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

Business segments provide services that are subject to risks and returns that are different from those of other business segments.

(p) Cash and cash equivalents

Cash and cash equivalents are stated in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are included under borrowings in current liabilities on the balance sheet.

(q) Dividend

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders.

3. Revenue

	The Group 2003 $	The Group 2002 $
Commissions and trading income	**288,219,367**	139,640,588
Interest income		
– fixed deposits with affiliated corporations	**526,111**	1,446,447
– fixed deposits with non-related banks	**926,378**	1,074,374
– clients	**10,672,030**	8,987,572
– others	**790,738**	760,571
	12,915,257	12,268,964
Gross dividend from quoted securities	**8,747,853**	2,179,371
Gain on sale of investment in Exchanges	**7,371,374**	176,702
Foreign exchange gain	**5,719,425**	–
Other operating revenue	**3,749,643**	8,139,780
	326,722,919	162,405,405

4. Personnel expenses

	The Group 2003 $	The Group 2002 $
Wages, salaries and other staff costs	**79,075,956**	47,348,219
Pension costs – defined contribution plans	**4,012,956**	3,194,805
	83,088,912	50,543,024

Personnel expenses of the Group includes directors' remuneration which comprises fees, salary, bonus and commission as follows:

	The Group 2003 $	The Group 2002 $
Remuneration for directors of the Company	**8,633,098**	2,603,723

	The Group 2003	The Group 2002
Number of persons employed at the end of the financial year	**986**	930

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2003

continued

5. Other operating expenses

Other operating expenses include the following:

	The Group	
	2003	2002
	$	$
Charging/(crediting):		
Auditors' remuneration paid/payable to		
– Auditors of the Company	**156,733**	156,182
– Other auditors (include other PricewaterhouseCoopers firms outside Singapore)	**167,962**	99,445
Other fees paid/payable to		
– Auditors of the Company	**53,235**	48,403
– Other auditors (include other PricewaterhouseCoopers firms outside Singapore)	**20,383**	1,008
Depreciation of fixed assets		
– Buildings	**14,136**	13,963
– Leasehold improvements	**1,469,783**	1,107,417
– Furniture, fittings and office equipment	**1,104,008**	859,928
– Computer equipment and software	**1,788,159**	1,651,138
– Communication equipment	**251,050**	168,039
– Motor vehicles	**139,542**	138,958
	4,766,678	3,939,443
Interest expense on:		
– bank borrowings from affiliated corporations	**777,996**	1,031,587
– borrowings from non-related banks	**489,337**	73,211
– others	175,639	83,275
	1,442,972	1,188,073
Bad debts written off	**87,505**	241,542
Bad debts recovered	**(62,336)**	(13,427)
Amortisation of trading rights in Exchanges	**223,913**	15,293
Impairment loss on trading rights in Exchanges	**–**	274,738
Amortisation of goodwill	**10,170,692**	5,550,437
Foreign exchange loss	**–**	1,231,512
Rental expenses – operating leases	**8,441,597**	9,715,710

6. Tax

Tax expense

	The Group 2003 $	The Group 2002 $
Tax expense attributable to profit is made up of:		
Current income tax		
– Singapore	**19,555,374**	4,542,617
– Foreign	**3,767,694**	380,967
	23,323,068	4,923,584
Deferred tax	**(1,273,318)**	–
	22,049,750	4,923,584
Share of tax of associated companies	**1,056,769**	677,762
	23,106,519	5,601,346
(Over)/under provision in prior years		
– current income tax	**(760,714)**	(1,270,625)
– deferred tax	**(16,682)**	(691,000)
	22,329,123	3,639,721

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	The Group 2003 $	The Group 2002 $
Profit from operations	**96,079,297**	12,218,831
Tax expense at statutory rate of 22% (2002: 22%)	**21,137,445**	2,688,143
Singapore statutory stepped income exemption and tax rebate	**(72,675)**	(74,840)
Concessionary tax	**(70,219)**	(129,417)
Income not subject to tax	**(2,188,709)**	(374,017)
Expenses not deductible for tax purposes	**2,864,832**	1,966,052
Utilisation of previously unrecognised tax losses	**(735,947)**	(778,567)
Tax benefit on tax losses and other temporary differences not Recognized	**462,775**	871,792
Effect of different tax rates in other countries	**652,248**	754,438
	22,049,750	4,923,584

7. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to members of UOB-Kay Hian Holdings Limited by the number of ordinary shares in issue during the financial year.

	The Group	
	2003	2002
	$	$
Net profit attributable to members of UOB-Kay Hian Holdings Limited ($)	**78,127,904**	11,892,804
Number of ordinary shares in issue for basic and diluted earnings per share	**724,709,009**	724,709,009
Basic and diluted earnings per share	**10.78 cents**	1.64 cents

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

8. Cash and cash equivalents

	The Group		The Company	
	2003	2002	2003	2002
	$	$	$	$
Bank balances with:				
– affiliated corporations	**82,422,143**	29,465,166	**96,347**	62,735
– non-related banks	**95,406,980**	51,090,564	**–**	–
Cash on hand	**19,738**	16,655	**–**	–
	177,848,861	80,572,385	**96,347**	62,735
Fixed deposits with:				
– affiliated corporations	**48,544,663**	180,728,522	**5,910,413**	106,906,602
– non-related banks	**5,877,919**	28,706,672	**–**	–
	54,422,582	209,435,194	**5,910,413**	106,906,602
	232,271,443	290,007,579	**6,006,760**	106,969,337

The fixed deposits at the balance sheet date have the following maturity and weighted average effective interest rates:

	The Group		The Company	
	2003	2002	2003	2002
	$	$	$	$
Maturity (number of months from financial year end)	**Within five months**	Within eight months	**Within one month**	Within one month
Weighted average effective interest rate (% per annum)	**0.4521%**	0.8217%	**0.5%**	0.73%

8. Cash and cash equivalents (continued)

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

	The Group	
	2003	2002
	$	$
Cash and bank balances (as above)	**232,271,443**	290,007,579
Less: Bank overdrafts (Note 22)	**(1,446,881)**	(2,564,138)
Cash and cash equivalents per consolidated cash flow statement	**230,824,562**	287,443,441

Acquisition of subsidiary

The aggregate effect of the acquisition of subsidiary during the financial year is as follows:

	2003	2002
	$	$
Cash and cash equivalents	**396,469**	584,674
Debtors and outstanding contracts receivable	**74,420**	54,426
Fixed assets	**54,604**	37,443
Total assets	**525,493**	676,543
Creditors and outstanding contracts payable	**(3,241)**	(38,416)
Current tax liabilities	**(506)**	(18,574)
Total liabilities	**(3,747)**	(56,990)
Net identifiable assets acquired	**521,746**	619,553
Less : Cash and cash equivalents in subsidiary acquired	**(396,469)**	(584,674)
Net cash outflow from acquisition of subsidiary	**125,277**	34,879

Dilution of interest in subsidiaries

There was no cash effect arising from the dilution of interest in subsidiaries during the financial year as the subsidiaries were not previously consolidated into the Group (See Note 15).

9. Outstanding contracts

(a) Outstanding contracts receivable comprise the following:

	The Group	
	2003	2002
	$	$
Due from associated company	**1,034,951**	2,653,291
Due from third parties	**851,377,725**	180,840,702
	852,412,676	183,493,993

(b) Outstanding contracts payable comprise the following:

	The Group	
	2003	2002
	$	$
Due to associated company	**3,812,991**	2,477,047
Due to third parties	**788,709,341**	163,086,353
	792,522,332	165,563,400

10. Trade debtors

	The Group	
	2003	2002
	$	$
Trade debtors		
– Associated company	**1,136,665**	817,863
– Third parties	**374,594,180**	180,043,750
	375,730,845	180,861,613
Less: Allowance for doubtful trade debts	**(26,384,156)**	(22,662,669)
	349,346,689	158,198,944

11. Trading securities

Current assets

(a) *Trading securities – long positions*

	The Company 2003 $	The Company 2002 $
Trading portfolio, at cost		
Quoted bonds	**2,615,595**	2,666,794
Unquoted asset backed commercial papers	**–**	24,990,000
	2,615,595	27,656,794
Fair value		
Trading portfolio, at market value		
Quoted bonds	**3,125,929**	3,096,083

	The Group 2003 $	The Group 2002 $
Trading portfolio, at cost		
Quoted equity securities	**5,442,524**	5,397,618
Less: Allowance for shortfall in market value over cost of long positions	**(228,191)**	(209,015)
	5,214,333	5,188,603
Quoted bonds	**5,900,019**	5,951,218
Unquoted equity securities	**335,087**	314,364
Unquoted asset backed commercial papers	**–**	24,990,000
Unquoted convertible bond	**–**	700,000
	11,449,439	37,144,185
Arbitrage trading portfolio, at market value		
Quoted equity securities	**39,768,522**	14,451,481
Quoted bonds	**4,144,290**	2,465,427
	43,912,812	16,916,908
	55,362,251	54,061,093
Fair values		
Trading portfolio, at market value		
Quoted equity securities	**17,636,428**	5,189,977
Quoted bonds	**7,181,229**	6,987,642
Unquoted equity securities	**648,821**	458,008

The unquoted equity securities represent an overseas subsidiary's subscription to shares in a non-listed company set up by an overseas exchange in 1996. The fair value of the unquoted equity securities is estimated by reference to the net asset value of this company as at 31 December 2003.

11. Trading securities (continued)

Current liabilities

(b) Trading securities – short positions

	The Group	
	2003	2002
	$	$
Trading portfolio, at transacted values		
Quoted equity securities	**37,117**	103,693
Add: Allowance for additional liabilities where market values are in excess of transacted values	**47**	1,587
	37,164	105,280
Arbitrage trading portfolio, at market value		
Quoted equity securities	**47,256,153**	13,599,746
	47,293,317	13,705,026
Fair values		
Trading portfolio, at market value		
Quoted equity securities	**37,032**	104,910

12. Amounts due from/to subsidiaries and associated company

Included in the amount due to subsidiaries is a loan of S$10,200,000 (2002: S$10,200,000) to a subsidiary bearing interest at 0.6575% per annum (2002: 0.6875% per annum). This amount is netted off against the amount due to the same subsidiary in 2003 as the Company has the right to offset the amount due from the subsidiary against the amount due to the subsidiary. This loan is unsecured and repayable on demand.

Except for the above, the other non-trade amounts due from/to subsidiaries and an associated company are unsecured, interest free and repayable on demand.

13. Other current assets

	The Group		The Company	
	2003	2002	2003	2002
	$	$	$	$
Deposits [Note 13(a)]	**6,428,299**	7,241,306	–	–
Staff loans	**3,610**	716,154	–	–
Prepayments	**745,551**	2,493,754	–	–
Amount deposited with lenders of securities [Note 13(b)]	**345,879**	1,424,975	–	–
Loan to Diversified Assets Limited	–	2,657,345	–	–
Other receivables	**3,968,903**	2,139,160	**67,446**	118,637
	11,492,242	16,672,694	**67,446**	118,637

13. Other current assets (continued)

(a) Deposit of a subsidiary amounting to $2,817,735 (2002: $2,100,000) is placed as collateral with the clearing house of the Singapore Exchange Securities Trading Limited [Note 28(a)].

(b) Securities borrowing and lending contracts

	The Group	
	2003	2002
	$	$
Securities borrowed		
Securities borrowed from lenders, at market value:		
– lent to clients	**306,965**	1,314,969
Cash collaterals placed with lenders	**345,879**	1,424,975
Securities lent		
Securities lent to clients, at market value:		
– borrowed from lenders	**306,965**	1,314,969
Cash collaterals received from clients		
– in accounts payable (Note 21)	**273,657**	1,401,959
– in trust	**181,305**	77,033
	454,962	1,478,992
Market value of share collaterals received from clients	**40,400**	40,400
	495,362	1,519,392

14. Subordinated loan to a subsidiary

At the balance sheet date, the following subordinated loan was granted by the Company to a subsidiary:

Subsidiary	Carrying amount $	Fair value $	Effective Interest rate	Maturity
UOB Kay Hian Overseas Limited	17,540,000	16,798,052	Nil	Due within 2 years from balance sheet date

The fair value is based on discounted cash flow using a discount rate based upon the borrowing rate quoted by the Group's banker at the balance sheet date.

15. Investments in subsidiaries

	The Group	
	2003	2002
	$	$
Unquoted equity shares, at cost		
Diversified Assets Limited	–	2

	The Company	
	2003	2002
	$	$
Unquoted equity shares, at cost	**405,507,351**	402,885,504

Details of subsidiaries are included in Note 37.

Incorporation of subsidiary

On 10 February 2003, the Group incorporated a wholly-owned subsidiary, UOB Kay Hian (U.S.) Inc. ("UOBKHUS") in the United States of America with a paid-up capital of US$2.

The principal activity of UOBKHUS is that of a stock and share broker.

Acquisition of subsidiary

On 12 February 2003, a wholly-owned subsidiary of the Group acquired 100% of the issued capital of Worldsec Investment Consulting (Shanghai) Company Limited, incorporated in the People's Republic of China for a cash consideration of U$300,000. On 28 April 2003, the name of the acquired subsidiary was changed to UOB Kay Hian Investment Consulting (Shanghai) Company Limited.

The fair value of the net assets approximated to the book value of the net assets acquired, and no goodwill or discount on acquisition was established. The effect of the acquisition to the Group's financial position is disclosed in Note 8.

The principal activities of the acquired subsidiary are that of providing investment consulting and research services.

Contribution by the acquired subsidiary to Group operating profit for the financial year ended 31 December 2003 is not significant. The acquired subsidiary's assets and liabilities at 31 December 2003 were $602,768 and $24,720 respectively.

Dilution of interests

Diversified Assets Limited

Diversified Assets Limited ("DAL") was set up in 2002 as an investment holding company, with its paid-up capital of US$2 held by a wholly-owned subsidiary of the Group, UOB Kay Hian Overseas (BVI) Limited.

All the benefits and substantially all the risk of ownership of DAL was transferred to an investor through a put option on the shares of DAL granted to UOB Kay Hian Overseas (BVI) Limited by the investor; and a call option granted by UOB Kay Hian Overseas (BVI) Limited on the shares of DAL to the investor.

DAL was considered a subsidiary of the Group under section 5 of the Singapore Companies Act. However, DAL was in substance, not a subsidiary of the Group under Financial Reporting Standard No. 27 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries". Consequently, DAL was accounted for as an investment in accordance with Financial Reporting Standard No. 25 "Accounting for Investments", in the financial statements of the Group in 2002.

In 2003, following the exercise of the call option on the equity of DAL by the investor, the Group no longer holds any shares in DAL.

UOB Kay Hian Petroleum Fund and Petro Asia Resources Pte Ltd

UOB Kay Hian Petroleum Fund ("UOBKHPF") was set up in 2002 with two founder shares allotted to a wholly-owned subsidiary of the Group. As the founder shares were uncalled, the cost of investment to the Group was nil. These founder shares do not carry any voting rights nor rights to dividends. Petro Asia Resources Pte Ltd ("PPL") is a S$2 company with its two issued shares owned by UOBKHPF.

The sole purpose of the above structure was to facilitate the acquisition of petroleum assets by UOBKHPF through PPL. Under the scheme, the investor (unit holders) inject funds by way of a convertible loan to UOBKHPF and its subsidiary to fund the acquisition through PPL.

With the uncalled founder shares in UOBKHPF being the only issued shares of the Company in 2002, UOBKHPF and its subsidiary, PPL were then considered subsidiaries of the Group under section 5 of the Singapore Companies Act. However, UOBKHPF and PPL were not subsidiaries of the Group under Financial Reporting Standard No. 27 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" and therefore were accounted in the consolidated financial statements of the Group in accordance with Financial Reporting Standard No. 25 "Accounting for Investments".

In 2003, the convertible loan was converted into preference shares of UOBKHPF by the investor, with voting rights and rights to dividends residing with these preference shares. Following this, the Group's interests in UOBKHPF and its subsidiary, PPL have been diluted and these entities are no longer considered subsidiaries of the Group.

16. Investments in associated companies

Investments in associated companies, which are held by subsidiaries, comprise:

	The Group	
	2003	**2002**
	$	**$**
Unquoted equity shares, at cost	**45,544,500**	45,544,500
Group's share of associated companies' post acquisition:		
– net profit	**6,698,885**	3,664,377
– foreign currency adjustment	**(440,100)**	32,041
	6,258,785	3,696,418
	51,803,285	49,240,918

On 14 November 2003, an associated company, Thong & Kay Hian Securities Sdn Bhd, entered into an agreement to dispose its stockbroking business. The sale is subject to the approval of the Malaysian regulatory authorities.

Details of associated companies are included in Note 37.

17. Investments in Exchanges

	The Group 2003 $	The Group 2002 $
Quoted equity shares in Exchanges		
Singapore Exchange Limited, at cost	**4,020,626**	7,300,002
Hong Kong Exchange and Clearing Limited, at cost	**–**	–
	4,020,626	7,300,002
Market value of quoted equity shares in:		
– Singapore Exchange Limited	**16,976,814**	17,890,906
– Hong Kong Exchange and Clearing Limited	**–**	1,755,303

A subsidiary was allocated shares in the Hong Kong Exchange and Clearing Limited ("HKEC") and a trading right in the Stock Exchange of Hong Kong Limited ("SEHK") following the merger of SEHK and the Hong Kong Futures Exchange Limited in 2000. The subsidiary's entire cost of the previous equity shares in SEHK had been allocated to the trading right. The shares in HKEC were sold in 2003.

18. Trading rights in Exchanges

	The Group 2003 $	The Group 2002 $
Trading rights in Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited, at cost:		
At the beginning of financial year	**1,112,500**	950,000
Acquisition of business/subsidiary	**–**	222,500
Foreign exchange rate adjustment	**(16,250)**	(60,000)
At the end of financial year	**1,096,250**	1,112,500
Accumulated amortisation:		
At the beginning of financial year	**(637,862)**	(379,980)
Amortisation during the financial year	**(223,913)**	(15,293)
Impairment loss	**–**	(274,738)
Foreign exchange rate adjustment	**13,911**	32,149
At the end of financial year	**(847,864)**	(637,862)
	248,386	474,638

19. Fixed assets

	Buildings $	Leasehold improvements $	Furniture, fittings and office equipment $	Computer equipment and software $	Communication equipment $	Motor vehicles $	Total $
The Group							
Cost							
At 1 January 2003	216,387	5,433,265	6,353,305	10,520,978	1,343,131	606,505	24,473,571
Acquisition of businesses/subsidiaries	–	–	59,990	–	9,228	77,442	146,660
Additions	–	1,124,111	946,693	2,267,160	197,801	–	4,535,765
Disposals	–	(85,366)	(192,021)	(166,016)	(8,477)	(9,881)	(461,761)
Exchange rate adjustments	14,264	105,420	89,903	141,936	(4,743)	28,865	375,645
At 31 December 2003	230,651	6,577,430	7,257,870	12,764,058	1,536,940	702,931	29,069,880
Accumulated depreciation							
At 1 January 2003	59,722	2,661,833	4,208,362	4,746,060	869,620	210,751	12,756,348
Acquisition of businesses/subsidiaries	–	–	52,805	–	7,218	32,033	92,056
Depreciation charge	14,136	1,469,783	1,104,008	1,788,159	251,050	139,542	4,766,678
Disposals	–	(55,548)	(161,442)	(155,058)	(8,477)	(5,333)	(385,858)
Exchange rate adjustments	4,224	52,592	35,778	36,480	(4,616)	8,238	132,696
At 31 December 2003	78,082	4,128,660	5,239,511	6,415,641	1,114,795	385,231	17,361,920
Net book value at 31 December 2003	**152,569**	**2,448,770**	**2,018,359**	**6,348,417**	**422,145**	**317,700**	**11,707,960**
Net book value at 31 December 2002	156,665	2,771,432	2,144,943	5,774,918	473,511	395,754	11,717,223

20. Goodwill

Goodwill arising on acquisition of businesses

	The Group	
	2003	2002
	$	$
At the beginning of financial year	**2,785,359**	–
Acquisition of businesses	**9,439,778**	8,335,796
Amortisation during the financial year	**(10,170,692)**	(5,550,437)
At the end of financial year	**2,054,445**	2,785,359
Gross goodwill	**21,236,301**	11,796,523
Accumulated amortisation	**(19,181,856)**	(9,011,164)
Net book value	**2,054,445**	2,785,359

21. Trade and other payables

	The Group		The Company	
	2003	2002	2003	2002
	$	$	$	$
Trade creditors				
– Associated company	**938,407**	1,010,927	–	–
– Third parties	**17,218,012**	5,218,979	–	–
	18,156,419	6,229,906	–	–
Accrued operating expenses	**33,030,767**	14,361,146	**147,103**	52,205
Cash collaterals held for securities lent to clients [Note 12(b)]	**273,657**	1,401,959	–	–
Other payables	**5,251,993**	127,215	–	–
	56,712,836	22,120,226	**147,103**	52,205

22. Borrowings

	The Group 2003 $	The Group 2002 $
Current		
Bank overdrafts:		
– with affiliated corporations	–	924,518
– with non-related banks	**1,446,881**	1,639,620
	1,446,881	2,564,138
Short-term bank loans:		
– with affiliated corporations	**17,540,000**	16,397,749
– with non-related banks	**13,155,000**	–
	30,695,000	16,397,749
	32,141,881	18,961,887
Non-current		
Subordinated loan	–	159,637
TOTAL BORROWINGS	**32,141,881**	19,121,524

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

Year ended 31 December 2003

Bank overdrafts

$	Weighted average effective interest rates	Security, if any
Balances with non-related banks		
503,862	5% per annum	Unsecured
943,019	7.06% per annum	Cash and trading securities of the subsidiary
1,446,881		

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with affiliated corporations			
17,540,000	1.4375% per annum	Unsecured	Due within one week from balance sheet date
Balances with non-related banks			
13,155,000	1.135% per annum	Unsecured	Due within one week from balance sheet date

22. Borrowings (continued)

Year ended 31 December 2002

Bank overdrafts

$	Weighted average effective interest rates	Security, if any
Balances with affiliated corporations		
924,518	2.25% per annum	Fixed deposits of the subsidiary
Balances with non-related banks		
1,484,663	5.9862% per annum	Fixed charge over immovable fixed assets and floating charge over all assets of the subsidiary
18,452	5% per annum	Unsecured
136,505	2.54% per annum	Cash and trading securities of the subsidiary
1,639,620		

Short-term bank loans

$	Weighted average effective interest rate	Security, if any	Maturity
Balances with affiliated corporations			
16,397,749	2.7281% per annum	Unsecured	Due within two months from balance sheet date

23. Deferred income taxes

The movement in the Group's deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year are as follows:

The Group

Deferred tax assets

	Provisions $	Others $	Total $
At 1 January 2003	1,203,000	68,000	1,271,000
Charged/(credited) to income statement	1,386,000	(68,000)	1,318,000
At 31 December 2003	2,589,000	–	2,589,000

23. Deferred income taxes (continued)

Deferred tax liabilities

	Unremitted foreign income $	Accelerated tax depreciation $	Total $
At 1 January 2003	(90,000)	(891,000)	(981,000)
Charged/(credited) to income statement	90,000	(118,000)	(28,000)
At 31 December 2003	–	(1,009,000)	(1,009,000)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amount, determined after appropriate offsetting, is shown in the balance sheet:

	The Group	
	2003 $	2002 $
Deferred tax assets	**2,589,000**	1,271,000
Deferred tax liabilities	**(1,009,000)**	(981,000)
	1,580,000	290,000

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately $12,589,000 (2002: $17,749,000) which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. Other than tax losses of $1,083,000 (2002: $1,627,000) and $629,000 (2002: $778,000) which will expire within five years and three years of the loss being incurred respectively, all other tax losses have no expiry date.

The deferred tax asset shown on balance sheet may be recovered within 12 months.

24. Share capital of UOB-Kay Hian Holdings Limited

(a) *Authorised ordinary share capital*

The total authorised number of ordinary shares is 1 billion shares (2002: 1 billion shares) with a par value of $0.10 per share (2002: $0.10 per share).

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

	2003 Number of shares	2002 Number of shares	2003 $	2002 $
At the beginning and at the end of financial year	**724,709,009**	724,709,009	**72,470,901**	72,470,901

25. Reserves

(a) *Composition*

	The Group		The Company	
	2003	2002	2003	2002
	$	$	$	$
Capital reserve	**297,240,719**	297,240,719	**297,240,719**	297,240,719
Capital reserve on consolidation	**53,897,711**	53,897,711	–	–
Foreign currency translation reserve	**(813,308)**	(919,141)	–	–
	350,325,122	350,219,289	**297,240,719**	297,240,719

(b) *Capital reserve*

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.

(c) *Capital reserve on consolidation*

The Group's 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.

26. Retained earnings

(a) Retained profits of the Group and the Company are distributable except for accumulated retained profits of associated companies amounting to $6,698,885 (2002: $3,664,377) which are included in the Group's retained profits.

(b) Movement in retained earnings for the Company are as follows:

	The Company	
	2003	2002
	$	$
At the beginning of financial year	**202,704,551**	115,321,626
Net (loss)/profit during financial year	**(449,116)**	97,275,203
Dividends paid (Note 27)	**(6,218,006)**	(9,892,278)
At the end of financial year	**196,037,429**	202,704,551

Movement in retained earnings for the Group is shown in the Consolidated Statement of Changes in Equity.

27. Dividends

Ordinary dividends paid

	The Group and The Company 2003	2002
	$	$
Interim dividend in respect of the financial year ended 31 December 2003 of 0.5 cents (31 December 2002: 0.5 cents) per ordinary share less tax at 22% (2002: 22%) paid	**2,826,365**	2,826,365
Final dividend in respect of the financial year ended 31 December 2002 of 0.6 cents (31 December 2001: 1.25 cents) per ordinary share less tax at 22% (2001: 22%) paid	**3,391,641**	7,065,913
	6,218,006	9,892,278

Ordinary dividends proposed

The directors have proposed a final dividend in respect of the financial year ended 31 December 2003 of 6.5 cents per ordinary share less tax at 20% amounting to a total of $37,684,868. 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 2004.

28. Contingent liabilities

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

At the balance sheet date, there were contingent liabilities of $2,840,309 (2002: $2,076,415) in respect of the obligations of a subsidiary to The Central Depository (Pte) Limited ("CDP") by virtue of the subsidiary being a clearing member of the SGX-ST. At the balance sheet date, the subsidiary has deposits amounting to $2,817,735 (2002: $2,100,000) with CDP. The contingent liabilities are secured against deposits to the extent of $2,817,735 (2002: $2,076,415) placed by the subsidiary with CDP.

(b) Corporate guarantees

(i) At the balance sheet date, the Company had given guarantees amounting to $102,576,113 (2002: $77,352,125) 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 $31,198,863 (2002: $16,416,201).

(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 $23,574,038 (2002: $25,404,225) of which the amount utilised as at the balance sheet date was $Nil (2002: $Nil).

29. Commitments

Operating lease commitments

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

	The Group	
	2003	2002
	$	$
Not later than 1 financial year	**8,089,031**	7,553,648
Later than 1 financial year but not later than 5 financial years	**20,055,553**	19,606,256
Later than 5 financial years	–	3,719,235
	28,144,584	30,879,139

30. 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.

30. Financial risk management (continued)

(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.

31. Financial instruments

In order to manage the risks arising from fluctuations in currency exchange rates, the Company and the Group make use of the following financial instruments:

Forward foreign exchange contracts

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

At 31 December 2003 and 2002, the Company and the Group have the following outstanding commitments for forward foreign exchange contracts.

The underlying principal amount, fair values and settlement dates of the Company's and the Group's forward foreign exchange contracts at the balance sheet date were:

The Company

	Contract or underlying principal amount		Year–end positive fair value		Year-end negative fair value		Settlement dates of open contracts	
	2003	2002	2003	2002	2003	2002	2003	2002
	$	$	$	$	$	$	$	$
Forward foreign exchange contracts								
– Positive fair value	**10,050,809**	9,951,233	**679,605**	47,521	–	–	**Within five months after balance sheet date**	Within five months after balance sheet date
– Negative fair value	**10,712,500**	10,050,000	–	–	**(702,768)**	(76,981)		

31. Financial instruments (continued)

The Group

	Contract or underlying principal amount		Year–end positive fair value		Year-end negative fair value		Settlement dates of open contracts	
	2003	2002	2003	2002	2003	2002	2003	2002
	$	$	$	$	$	$	$	$
Forward foreign exchange contracts								
– Positive fair value	**20,944,080**	10,954,627	**702,465**	79,489	–	–	**Between two days and five months after balance sheet date**	Between one week and ten months after balance sheet date
– Negative fair value	**13,553,452**	10,317,619	–	–	**(708,201)**	(77,206)		

The fair values of forward foreign exchange contracts have been calculated using forward rates quoted by the Group's banker for similar contracts as at the balance sheet date.

32. Significant related party transactions

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

(1) acts as brokers in securities for associated companies, certain affiliated companies, directors of the Company and its subsidiaries and their connected persons; and

(2) refers clients who require margin financing to an associated company, in which a director of the Company has a substantial interest.

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	
	2003	2002
	$	$
Rental of premises paid/payable to an affiliated company	**5,138,446**	6,401,223
Research fees paid/payable to an associated company	**673,773**	536,193
Management and other fees earned from an associated company	**1,616,258**	1,092,240

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

(b) During the financial year, a subsidiary has entered into a lease agreement with United Overseas Bank Limited Group (the "controlling shareholder", which is defined in the SGX-ST listing manual as a person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company). The Group also has banking facilities from the controlling shareholder in the normal course of business. The outstanding borrowings as at 31 December 2003 are disclosed in Note 22 as borrowings from affiliated corporations.

33. Segment information

The Group is organised on a geographical basis, namely Singapore, Hong Kong, Thailand and other countries. The Group provides securities and futures broking and other related services.

Primary reporting format – geographic segments

The Group

Year ended 31 December 2003

	Singapore $	Hong Kong $	Thailand $	Others $	Elimination $	Total $
Revenue						
– External sales	**242,483,851**	**50,717,566**	**27,061,781**	**6,459,721**	**–**	**326,722,919**
– Inter-segment sales	**2,972,928**	**–**	**2,519,531**	**2,598,664**	**(8,091,123)**	**–**
	245,456,779	**50,717,566**	**29,581,312**	**9,058,385**	**(8,091,123)**	**326,722,919**
Segment results	**76,408,571**	**6,228,498**	**11,839,496**	**1,487,498**	**115,234**	**96,079,297**
Share of results of associated companies before tax	**4,011,589**	**–**	**–**	**696,083**	**–**	**4,707,672**
Profit before tax						**100,786,969**
Income tax expense						**(22,329,123)**
Profit after tax						**78,457,846**
Minority Interests						**(329,942)**
Net profit attributable to members of the Company						**78,127,904**
Segment assets	**1,105,391,334**	**320,154,826**	**105,233,273**	**89,590,231**	**(101,019,539)**	**1,519,350,125**
Associated companies	**27,095,757**	**–**	**–**	**24,707,528**	**–**	**51,803,285**
Deferred tax asset						**1,580,000**
Consolidated total assets						**1,572,733,410**
Segment liabilities	**598,237,892**	**291,759,273**	**79,739,308**	**60,270,011**	**(101,336,118)**	**928,670,366**
Current tax liabilities						**22,574,204**
Consolidated total liabilities						**951,244,570**

33. Segment information (continued)

Year ended 31 December 2003 *(continued)*

	Singapore $	Hong Kong $	Thailand $	Others $	Elimination $	Total $
Other segment items						
Capital expenditure	**2,943,647**	**1,383,241**	**141,937**	**66,940**	–	**4,535,765**
Depreciation of fixed assets	**2,503,443**	**854,432**	**1,337,716**	**71,087**	–	**4,766,678**
Amortisation of goodwill	**10,170,692**	–	–	–	–	**10,170,692**
Amortisation of trading rights in Exchanges	–	**223,913**	–	–	–	**223,913**

Year ended 31 December 2002

	Singapore $	Hong Kong $	Thailand $	Others $	Elimination $	Total $
Revenue						
– External sales	122,124,155	20,496,868	17,276,200	2,508,182	–	162,405,405
– Inter-segment sales	2,794,160	–	897,142	748,957	(4,440,259)	–
	124,918,315	20,496,868	18,173,342	3,257,139	(4,440,259)	162,405,405
Segment results	13,850,810	(2,380,572)	3,210,280	(908,824)	(1,552,863)	12,218,831
Share of results of associated companies before tax	3,008,990	–	–	102,391	–	3,111,381
Profit before tax						15,330,212
Income tax expense						(3,639,721)
Profit after tax						11,690,491
Minority Interests						202,313
Net profit attributable to members of the Company						11,892,804
Segment assets	579,484,428	106,861,740	31,119,428	47,529,600	(40,106,438)	724,888,758
Associated companies	24,608,716	–	–	24,632,202	–	49,240,918
Deferred tax asset						290,000
Consolidated total assets						774,419,676

33. Segment information (continued)

Year ended 31 December 2002 *(continued)*

	Singapore $	Hong Kong $	Thailand $	Others $	Elimination $	Total $
Segment liabilities	147,520,596	95,247,366	18,249,962	21,008,839	(61,425,549)	220,601,214
Current tax liabilities						5,327,050
Consolidated total liabilities						225,928,264
Other segment items						
Capital expenditure	4,240,316	1,304,242	2,643,633	113,200	–	8,301,391
Depreciation of fixed assets	1,832,672	677,415	1,370,023	59,333	–	3,939,443
Amortisation of goodwill	5,550,437	–	–	–	–	5,550,437
Amortisation of trading rights in Exchanges	–	15,293	–	–	–	15,293

Secondary reporting format – business segments

The Group

Year ended 31 December 2003

	Securities/Futures Broking $	Proprietary Trading $	Group $
Revenue	**321,251,804**	**5,471,115**	**326,722,919**
Total assets	**1,489,668,738**	**83,064,672**	**1,572,733,410**
Capital expenditure	**4,535,765**	–	**4,535,765**

Year ended 31 December 2002

	Securities/Futures Broking $	Proprietary Trading $	Group $
Revenue	160,073,895	2,331,510	162,405,405
Total assets	731,658,713	42,760,963	774,419,676
Capital expenditure	8,301,391	–	8,301,391

Notes to the Financial Statements

For the financial year ended 31 December 2003

continued

34. 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.

35. Comparatives

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

(a) Finance costs of $1,188,073 which are necessary for the operations of the Group's stockbroking business incurred in 2002 have been reclassified as part of operating expenses. The revised presentation does not result in a change in the net profits of the Group.

(b) Assets segregated for customers amounting to S$10,877,366 in 2002 and corresponding clients' liabilities of the same amount relating to futures broking activities have been reclassified from trade debtors and trade creditors respectively to clients' trust/segregated accounts on the balance sheet. The directors are of the opinion that due to the trust nature of the assets segregated for customers, the re-classification of these balances would provide a clearer presentation of the assets and liabilities of the Group. The revised presentation does not result in a change in the net assets of the Group.

36. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of UOB-Kay Hian Holdings Limited on 19 March 2004.

37. Listing of companies in the Group

Name of company	Principal activities	Country of incorporation	Equity holding by The Company 2003 %	The Company 2002 %	Subsidiaries 2003 %	Subsidiaries 2002 %
Subsidiaries						
(a) Kay Hian Holdings Limited	Investment holding	Singapore	**100**	100	–	–
(a) UOB Securities Pte Ltd	Dormant	Singapore	**100**	100	–	–
(c) PT UOB Kay Hian Securities	Stockbroking	Indonesia	**85**	85	–	–
(b) UOB Kay Hian Securities (Philippines), Inc.	Stockbroking	Philippines	**100**	100	–	–
(b) UOB Kay Hian Securities (Thailand) Co, Ltd	Stockbroking	Thailand	**100**	100	–	–
(b) Worldsec International (U.K.) Limited	Arranger	United Kingdom	**100**	100	–	–
(f) UOB Kay Hian (U.K.) Limited	Dormant	United Kingdom	**100**	100	–	–
(d) UOB Kay Hian (U.S.) Inc.	Stockbroking	United States of America	**100**	–	–	–

37. Listing of companies in the Group (continued)

Name of company	Principal activities	Country of incorporation	Equity holding by The Company 2003 %	The Company 2002 %	Subsidiaries 2003 %	Subsidiaries 2002 %
Subsidiaries *(continued)*						
Held by Kay Hian Holdings Limited						
(a) UOB Kay Hian Private Limited	Stockbroking	Singapore	–	–	**100**	100
(a) UOB Kay Hian Trading Pte Ltd	Investment trading	Singapore	–	–	**100**	100
UOB Kay Hian Futures Pte Ltd	Under member's voluntary liquidation	Singapore	–	–	**100**	100
(a) UOB Kay Hian Opportunities Fund Pte Ltd	Investment holding	Singapore	–	–	**100**	100
(a) UOB Kay Hian Advisors Limited	Investment management	Singapore	–	–	**100**	100
(b) UOB Kay Hian (Malaysia) Holdings Sdn. Bhd.	Investment holding	Malaysia	–	–	**100**	100
(b) UOB Kay Hian Overseas Limited	Investment holding	Hong Kong, SAR	–	–	**100**	100
Held by UOB Securities Pte Ltd						
(a) UOB Securities Nominees Pte Ltd	Nominee Services	Singapore	–	–	**100**	100
Held by UOB Kay Hian Private Limited						
(a) UOB Kay Hian Nominees Pte Ltd	Nominee Services	Singapore	–	–	**100**	100
(a) UOB Kay Hian Research Pte Ltd	Research activities	Singapore	–	–	**100**	100
Held by UOB Kay Hian Opportunities Fund Pte Ltd						
(b) Sentosa Investors Services Ltd	Investment trading	Cayman Islands	–	–	**79.86**	82.1
Held by UOB Kay Hian Advisors Limited						
(g) UOB Kay Hian Petroleum Fund	Investment holding	Cayman Islands	–	–	–	100
Held by UOB Kay Hian Overseas Limited						
(b) UOB Kay Hian (Hong Kong) Limited	Stockbroking	Hong Kong,SAR	–	–	**100**	100
(b) UOB Kay Hian Futures (Hong Kong) Limited	Futures broking	Hong Kong,SAR	–	–	**100**	100
(b) UOB Kay Hian Finance Limited	Money lending	Hong Kong,SAR	–	–	**100**	100

37. Listing of companies in the Group (continued)

Name of company	Principal activities	Country of incorporation	Equity holding by The Company 2003 %	The Company 2002 %	Equity holding by Subsidiaries 2003 %	Subsidiaries 2002 %
Subsidiaries *(continued)*						
Held by UOB Kay Hian Overseas Limited *continued*						
(b) UOB Kay Hian Asia Limited	Stockbroking	Hong Kong,SAR	–	–	**100**	100
(e) UOB Kay Hian (BVI) Limited	Dormant	British Virgin Islands	–	–	**100**	100
(b) UOB Kay Hian Investment Consulting (Shanghai) Company Limited	Investment consulting and research services	People's Republic of China	–	–	**100**	–
Held by UOB Kay Hian Petroleum Fund						
(g) PetroAsia Resources Pte Ltd	Investment holding	Singapore	–	–	–	100
Held by UOB Kay Hian Overseas (BVI) Limited						
(g) Diversified Assets Limited	Investment holding	British Virgin Islands	–	–	–	100
Associates						
Held by Kay Hian Holdings Limited						
(a) Trans-Pacific Credit Private Limited	Margin financing	Singapore	–	–	**50**	50
Held by UOB Kay Hian (Malaysia) Holdings Sdn. Bhd.						
(b) Thong & Kay Hian Securities Sdn. Bhd.	Stockbroking	Malaysia	–	–	**30**	30
(b) Thong & Kay Hian Options Sdn. Bhd.	Dealing in options (Ceased operations with effect from 30 September 2003)	Malaysia	–	–	**30**	30

(a) Audited by PricewaterhouseCoopers, Singapore

(b) Audited by other PricewaterhouseCoopers firms outside Singapore

(c) Audited by other auditors

(d) Entity newly incorporated during the financial year. No audit required for the financial period ended 31 December 2003, as allowed by the law of the country of incorporation.

(e) Audit not required under the laws of the country of incorporation

(f) Application has been made by the subsidiary to be struck off from the Register of Companies.

(g) Entities no longer considered subsidiaries of the Group in 2003 as stated in Note 15.

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Analysis of Shareholdings

As at 15 March 2004

Authorised share capital	$ 1,000,000,000 Ordinary Shares of $0.10 each
Issued and fully paid	$ 724,709,009 Ordinary Shares of $0.10 each

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	365	2.91	135,638	0.02
1,000 – 10,000	10,190	81.20	40,684,436	5.61
10,001 – 1,000,000	1,977	15.75	65,722,377	9.07
1,000,001 & Above	18	0.14	618,166,558	85.30
Total	12,550	100.00	724,709,009	100.00

Top Twenty Shareholders	No. of Shares	%
United Investment Ltd	285,537,809	39.40
U.I.P. Holdings Ltd	115,238,976	15.90
United Overseas Bank Nominees Pte Ltd	47,736,509	6.59
DBS Nominees Pte Ltd	43,745,721	6.04
Tang Wee Loke	29,893,381	4.12
Employees Provident Fund Board	20,476,000	2.83
Oversea Chinese Bank Nominees Pte Ltd	19,494,400	2.69
Citibank Nominees S'pore Pte Ltd	12,847,600	1.77
Bank of China Nominees Pte Ltd	10,000,000	1.38
Raffles Nominees Pte Ltd	9,572,101	1.32
Lim & Tan Securities Pte Ltd	8,062,600	1.11
Tye Hua Nominees (Pte) Ltd	4,413,000	0.61
Tung Tau Chyr Walter	2,542,422	0.35
Low Check Kian	2,226,000	0.31
Lau Mei Lea	2,100,000	0.29
UOB Kay Hian Pte Ltd	1,890,000	0.26
G K Goh Stockbrockers Pte Ltd	1,373,039	0.19
Kwan Wai Meng	1,017,000	0.14
Samco Construction Pte Ltd	890,000	0.12
Khoo Boo Kwee	808,000	0.11
	619,864,558	85.53

	Direct interest		Deemed interest	
Substantial Shareholders	**No. of shares**	**% of total issued shares**	**No. of shares**	**% of total issued shares**
Wee Ee Chao	–	–	116,626,976 (1)	16.09
United InvestmentsLimited	285,537,809	39.40	3,505,000 (2)	0.48
United Overseas BankLimited	–	–	289,950,809 (3)	40.01

Notes

(1) Mr Wee Ee Chao is deemed to have an interest in the following shares held by:-

Name of company	No. of shares
U.I.P. Holdings Limited	115,238,976
UOB Kay Hian Private Limited	1,388,000
	116,626,976

(2) United Investments Limited is deemed to have an interest in the 3,505,000 shares held by Tye Hua Nominees (Private) Limited.

(3) United Overseas Bank Limited is deemed to have an interest in the following shares held by:-

Name of company	No. of shares
United Investments Limited	285,537,809
Tye Hua Nominees (Private) Limited	4,413,000
	289,950,809

Public Float

Based on available information as at 15 March 04, approximately 38.89% of the issued shares of the company is held by the public (Rule 723 of the SGX-ST Listing Manual).

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at The Penthouse, UOB Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Wednesday, 28 April 2004 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 2003 and the reports of the directors and auditors thereon.

2 To declare a final dividend of 6.5 cents per ordinary share less income tax for the year ended 31 December 2003.

3 To approve the sum of $113,000 as directors' fees for the year ended 31 December 2003 (2002: $40,000).

4(a) To re-elect Mr Tang Wee Loke, a director retiring pursuant to Article 91 of the Company's Articles of Association.

Note: Mr Tang Wee Loke is considered an executive director. If re-elected, he will remain a member of the nominating and remuneration committees.

4(b) To re-elect Mr Walter Tung Tau Chyr, a director retiring pursuant to Article 91 of the Company's Articles of Association.

4(c) To re-elect Dr Henry Tay Yun Chwan, a director retiring pursuant to Article 91 of the Company's Articles of Association.

Note: Dr Henry Tay Yun Chwan is considered an independent non-executive director. If re-elected, he will remain a member and chairman of the audit committee and a member of the remuneration committee.

5 To re-appoint PricewaterhouseCoopers as auditors of the Company and to 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 allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and upon such terms and conditions and for such purposes as the directors may in their absolute discretion deem fit, provided always that the aggregate number of shares and convertible securities to be issued pursuant to this resolution does not exceed 50% of the issued share capital of the Company as at the date of the passing of this resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company as at the date of the passing of this resolution, and for the purpose of this resolution, the issued share capital shall be the Company's issued share capital at the time this resolution is passed (after adjusting for any subsequent consolidation or subdivision of the Company's shares), and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

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

By Order of the Board

Chung Boon Cheow
Secretary

Singapore
12 April 2004

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 set out in item 6 above, if passed, will authorise the directors from the date of the above meeting until the date of the next annual general meeting, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities which the directors may allot and issue under this resolution shall not exceed 50% of the issued share capital of the Company at the time this resolution is passed. For allotments and issues of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be allotted and issued shall not exceed 20% of the issued share capital of the Company at the time this resolution is passed.

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