UOBKayHian

ANNUAL REPORT 2004

UOB-KAY HIAN HOLDINGS LIMITED

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Board of Directors

Wee Ee-chao
Chairman and Managing Director

Tang Wee Loke
Deputy Managing Director

Neo Chin Sang

Dr. Henry Tay Yun Chwan
Independent Director

Chelva Retnam Rajah
Independent Director

Roland Knecht
Independent Director

Walter Tung Tau Chyr
Non-executive Director

Samuel Poon Hon Thang
Non-executive 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
Certtified 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.

Overseas-Chinese Banking Corporation Berhad

Standard Chartered Bank

The Development Bank of Singapore Ltd

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

UOB-Kay Hian Holdings was formed from the merger of Kay Hian Holdings and UOB Securities in October 2000. With the liberalisation of the stockbroking industry in 2001, we have expanded through a series of acquisitions of brokerage businesses in Singapore and the region. Besides Singapore, our Group has offices in Hong Kong, Thailand, the Philippines, Indonesia, New York, London and Shanghai. Having built up a significant presence in Asia, UOB Kay Hian has established itself as a branded regional brokerage with a global reach and is now the largest stockbroking house in Singapore.

As a result of these synergistic acquisitions, our Group's revenue has grown nearly twofold and our profit after tax by more than fourfold since 2001. Our acquisition costs have been written off within a year, paving the way for continuous business growth in the future.

Our regional team of 638 management and staff makes us one of the most efficient full service brokerage measured by revenue per operational staff.

While our traditional agency and margin financing business remains an important mainstay, we have created substantial brand equity and revenue streams in the high value-added corporate finance and structured finance businesses.

We have consistently captured a considerable share of the Singapore IPO market as an underwriter or placement agent. Our mandates are executed often through placements to our international institutional clientele spanning the United States, Europe, Middle-East and Australasia. Our institutional and retail clients, including high networth customers, are served by a 1,279-strong sales team across the region, which is in turn supported by a reputable research team of 61 analysts and economists. UOB Kay Hian Research Pte Ltd was ranked first for its Singapore research by AQ Research, an independent UK rating agency which ranks research by the accuracy of forecast and recommendation.

Our Group is also a significant arranger and a key player in major fund-raising exercises that involve large and complex structured loan deals.

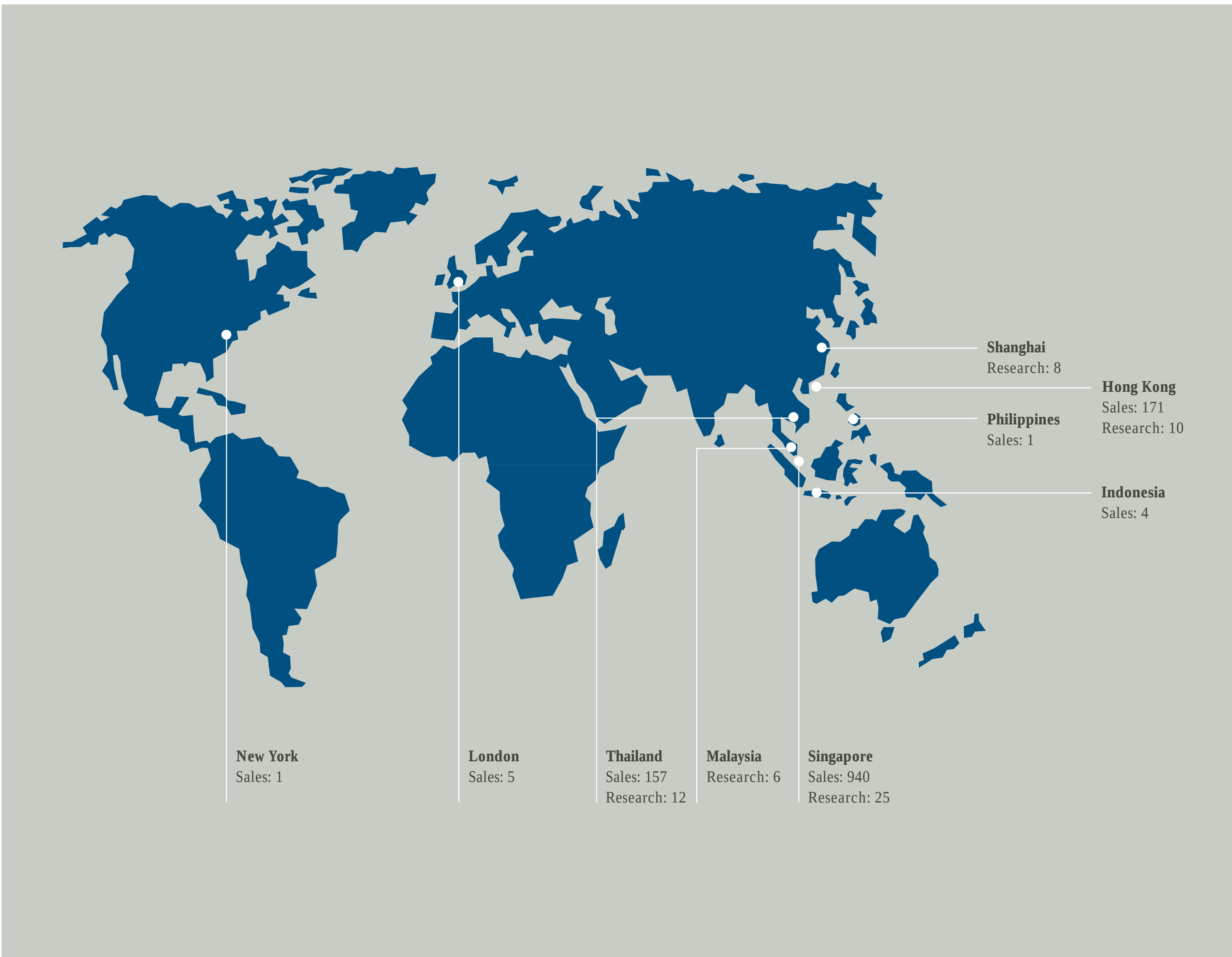
With the UOB Group as our substantial shareholder, we are able to provide a comprehensive range of financial products and services for both the equity and debt markets.

We abide by a strict code of corporate governance, led by a strong Board of Directors comprising individuals who are highly respected in the industries they operate in.

We are committed to good business practice in the areas of credit management, financial accounting, stockbroking operations and regulatory compliance.

continued

Our Global Presence



Our Business Divisions

Corporate Advisory/ Finance

We are a market leader in Singapore in providing underwriting and placement services in both primary and secondary listings. We have a dedicated and experienced research team covering the Singapore, Malaysia, Thailand and Greater China markets.

Structured Finance

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

Retail and Institutional Sales

UOB Kay Hian is the largest strockbroker in Singapore, with 940 retail and institutional sales personnel. In addition, we have 339 sales executives covering Thailand, Hong Kong, China, the Philippines, Malaysia and Indonesia. We are hence able to provide a regional sales distribution that has both width and depth.

Internet Broking

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

Margin-based Finance

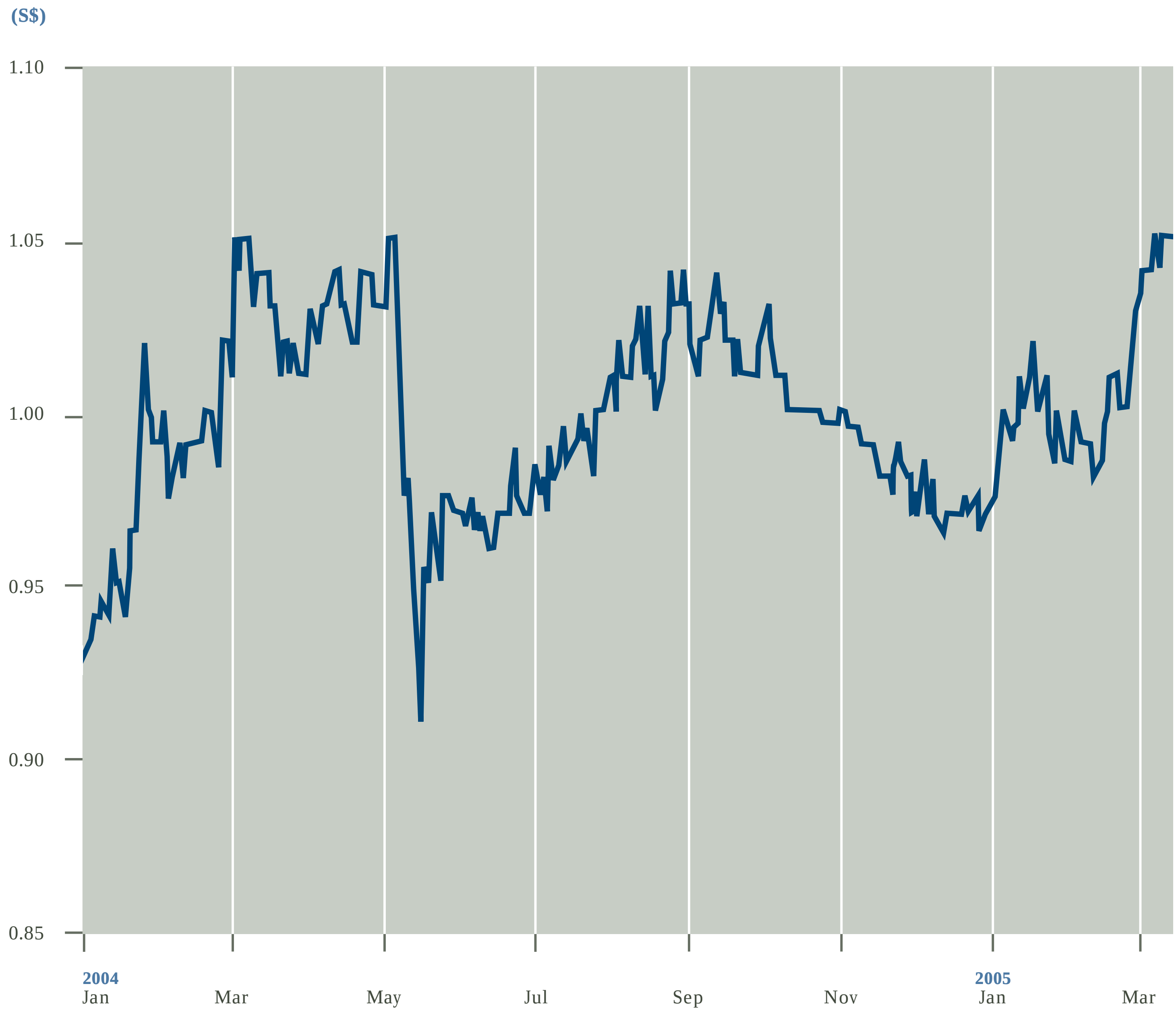
Our margin-based financing complements our sales and distribution capability. It is part of a suite of services that we provide as a one-stop service centre for our corporate and high networth clientele.

GROUP FINANCIAL HIGHLIGHTS

	Group For the Year Ended 31.12.2004 (S$'000)	Group For the Year Ended 31.12.2003 (S$'000)	Group For the Year Ended 31.12.2002 (S$'000)	Group For the Year Ended 31.12.2001 (S$'000)
Revenue	315,109	326,723	162,405	111,199
Profit from Operations	98,110	96,079	12,219	20,568
Share of Results of Associated Companies	9,276	4,708	3,111	2,621
Profit Before tax	107,386	100,787	15,330	23,189
Profit After Tax	85,334	78,458	11,690	15,965
Profit After Tax and Minority Interests	85,386	78,128	11,893	16,023
Shareholders' Equity	656,784	615,369	543,354	544,225
Adjusted Earnings Per Share	11.78 cents	10.78 cents	1.64 cents	2.21 cents
Adjusted Gross Dividend Per Share	7.50 cents	7.00 cents	1.10 cents	1.45 cents
Adjusted Net Assets Per Share	91.07 cents	85.76 cents	75.68 cents	75.75 cents
Percentage Return on Shareholders' Equity				
Profit Before Tax	16.35%	16.38%	2.82%	4.26%
Profit After Tax	12.99%	12.75%	2.15%	2.93%
Profit After Tax and Minority Interests	13.00%	12.70%	2.19%	2.94%

UOB-Kay Hian Share Price

(From 2 January 2004 to 15 March 2005 – daily)



High: $1.06 **Low:** $0.91 **Last:** $1.05

UOB-Kay Hian continued to distinguish itself as a regional powerhouse in stockbroking and fee-based businesses in 2004. We grew our trading, distribution and margin financing businesses. Our close working relationship with the UOB Group, a key corporate finance house in Singapore, help entrench our position as a leading player in the Singapore IPO market. To expand our regional securities business, we acquired the retail broking arm of BNP HK in the fourth quarter.

Our net profit rose by 9.3% as we capitalised on the strengths of our regional distribution network and the capabilities of our sales teams in major global financial centres like Singapore, Hong Kong, New York and London. Trading and distribution remained the largest contributor to our Group's business as regional bourses stayed buoyant. Margin financing income rose sharply due to contributions from other regional centres like Hong Kong. Gains from the divestment of our Malaysian associate's stockbroking business and broking licence almost doubled our income from associates.

Commission, amortisation and depreciation and other operating expenses fell. Improved efficiency was reflected in the operating margin, which rose to 34% from 31% in the previous year. Personnel expenses rose 13% as staff bonuses increased in line with higher profits.

We have a strong financial position represented by our net asset value of S$660m as at 31 December 2004 backed by a strong cash position. Our Singapore subsidiaries and associated companies accounted for 73% of the Group's assets and 62% of its liabilities.

Dividend

The board of directors has recommended a final dividend less Singapore income tax of $40,583,705 for the financial year ended December 2004. This will be presented for approval by shareholders at the Annual General Meeting on 29 April 2005. Total ordinary dividend, less Singapore income tax for the year, is $43,482,541.

Current Year's Prospects

Despite the uncertainty posed by rising oil prices and interest rates, we believe that the market outlook will remain positive. Good fundamentals of the regional economies and increased interest in Asia are generating more demand for capital market-related services in the region. Increased regional cooperation and trade ties with other markets are starting to lead to more cross-border deals and investments. Despite the market experiencing a slow and uncertain start this year, market conditions should start to improve as the US shows signs of growth re-acceleration. With our extensive network of offices in the region and our strong distribution and research teams, we are well positioned to capture a greater slice of the capital markets activity in the region.

Acknowledgements

I would like to thank all staff and associates for their invaluable contributions to our Group's success in 2004. I am grateful to our shareholders for their wholehearted support to the Group.

Wee Ee-chao
Chairman and Managing Director

SINGAPORE

Growth was exceptional in 2004. GDP grew by a robust 10.1% in 1H04 on the back of healthy external demand and the low base in 1H03 due to SARS. By 2H04, growth had moderated to 6.9% as growth in the US and China slowed and demand for electronics weakened. Still, the economy expanded by an outstanding 8.4% for the year.

Key to manufacturing's 13.9% growth was biomedical, electronics and chemicals. A strong surge in pharmaceuticals lifted biomedical manufacturing by 25.7% in 2004. Electronics expanded 14.9% in 2004 versus 5.2% in 2003, while chemicals rose 7.8% from 6.5% in 2003. Construction remained in the doldrums, contracting by 6.5%, albeit better than 2003's 9.5% decline.

The improved external environment was also a boon to the services sector, which grew 7.5%. The 35.9% surge in visitor arrivals helped push hotels & restaurants up by 12.4%, while strong motor vehicle sales and retail sales drove wholesale and retail trade higher by 14.6%. Also recording healthy growth in 2004 were financial services, transport & communications and business services, expanding by 6.0%, 9.1% and 2.2% respectively.

Outlook for 2005

Economic growth is expected to moderate in 2005. This moderation is largely due to high oil prices and the downtrend in the electronics cycle. Although growth in the US, Japan and China are expected to slow, they remain healthy and this augurs well for Singapore's externally-driven economy.

Stock Market Outlook

We remain positive on the outlook for the Singapore bourse. The key factors driving growth would be increasingly China and ASEAN. More specifically, we expect the marine sector to do very well as a result of higher oil prices. The benefits of the government's initiative to boost tourism and the possible integrated casino-leisure project will provide the other major push for the market. But higher oil prices and interest rates may be the limiting factor for the market.

MALAYSIA

The economy expanded by a robust 7.1% in 2004, the strongest growth since 2001. Strong external and domestic demand helped to propel an 8.0% growth in 1H04. By 2H04, growth moderated but remained healthy, with real GDP growing by 6.2% as external demand slowed on the electronics downcycle.

Exports rose 20.5% in 2004, aided in large part by the strong exports of electronics & electrical products. Imports were up by 25.8% due to increased imports of intermediate and capital goods to meet industrial and capital formation needs. At the same time, the strong economic outlook and rising incomes helped to lift private consumption, which rose 9.2% in 2004. Moreover, capital investment increased by 3.1% – the highest growth since 2000 – underpinned by the low interest rate environment.

The government is on track to reduce the budget deficit and balance the budget in the near future. For 2004, the government expects the deficit to fall to 4.5% of GDP from 5.4% in 2003, primarily on reduced development spending.

Outlook for 2005

Although growth is set to moderate in 2005 due to the slowing global economy and softer domestic demand, the economy is still expected to expand healthily. Domestic demand, especially for consumer and construction-related products, should help to offset the slowdown in export growth. The mild rise in interest rate and relatively low inflation should ensure a stable environment for sustained growth in private consumption and investment. Support for growth is also expected from the services sector, mainly from the tourism-related sectors (higher tourist arrivals) and the finance services sector (continued pick-up in stock market activities).

Stock Market Outlook

On the external front, Malaysia's cheap currency would be an additional buffer for the economy in 2005, and would boost exports and the tourism sector. The economy is expected to continue to benefit from stable and low interest rates, and high crude oil and CPO (Crude Palm Oil) prices.

Domestically, the positive developments and newsflow under PM Abdullah Badawi is expected to continue in 2005. The banking and property sectors are excellent reflation plays. More M&A activities are expected in the banking sector. The launch of REITs would be the focus of interest in the property sector. Contracts to develop new oil and gas discoveries should begin in earnest.

Despite the challenging external conditions, Bursa Malaysia would be buffered by the excess liquidity in the banking system. We raise KLCI's trading range from 800-880 to 880-980 points for 2005. This trading range factors in: a) KLCI's fair value of 930 points based on a comparison of P/B (Price to Book) and sovereign yields with other regional markets'; and b) 0-10% discount to its mean PE of 17x. A reversion to KLCI's average PE of 17x is possible during bouts of speculation of a repeg in the months to come.

Thailand

Stricken by the avian flu, sporadic insurgence in the south and soaring oil prices, Thailand saw a moderation in economic growth, with GDP growth of 6.1% versus 6.9% in 2003. 2004 could have been one of the more thriving years for the economy since the 1997 financial crisis, if it were not for the record high oil prices. In 2004, Dubai crude prices were on average US$8/bbl higher than 2003. This pushed up the value of imports by 5%, resulting in a lower trade surplus of Bt68b.

On the demand side, private consumption rose 5.6% while private investment expanded by an impressive 14.4%. Merchandise exports rose 19.7% driven by the strength in automotive, electrical and mechanical appliances. Imports grew 23.5% due to the surge in oil and raw materials.

Capacity utilisation rose 1.7ppt to 69.2% as the manufacturing cluster grew by a healthy 8.3%. The service sector expanded modestly at 6.8%, underpinned by the finance and tourism industries. Agriculture was a let down, contracting 4.4% due to the avian flu.

Outlook for 2005

Thailand will fundamentally be flying on one engine in 2005, i.e. investments. Consumption growth is expected to weaken owing to the edgy consumer confidence following the tsunami disaster and persistently high crude prices. On the external front, a trade deficit is most likely to emerge as capital imports and raw materials remain vital for an economy undergoing an investment cycle. 1H05 economic growth is likely to be lacklustre as the tourism industry soaks up its losses while consumers and businesses cope with higher energy costs as diesel subsidies are lifted. The good news is that the government's pump priming activities will give a boost to economic growth. In the pipeline, the government plans to mobilise at least Bt1trillion, partly through the debt and equity markets over the next five years to finance its mega-infrastructure projects. Economic activities are likely to pickup in 2H05 as the tourism industry should fully recover by then. In all, growth will be driven by FDIs and private investments. 2005 GDP is forecast to expand 5.6%.

Stock Market Outlook

The SET followed 2003's world-beating 117% rise with a world-trailing decline of 15%. Earnings were not the problem as they grew 36% yoy. Part of the problem was that the SET was heavily overbought by January 2004. The composition of 2004's SET earnings was also an issue.

Last year was a year of spectacular commodity price appreciation – especially in the energy sector. This drove up earnings for commodity and energy cyclicals, but at progressively lower valuations, discounted to take account of a likely 2005 cyclical peak. Meanwhile, higher material costs squeezed margins for industrials and contributed to a general economic slowdown in 2H04.

After marking time for about a year, strong earnings growth has left valuations more reasonable, and the SET PE is now just 10x – low enough to cope even with some earnings disappointment. Certainly, current valuations have attracted foreign investors back to the market, with early indications that 2005 may be the strongest year ever for foreign net investment. The introduction of an index futures market by mid-year should sustain foreign interest and boost trading volumes significantly, while three major privatisations (EGAT, TOT, CAT) will boost the SET's profile. The fact that this is the last year for Thai corporates to claim a tax reduction for listing will also ensure a very active private IPO market.

Hong Kong

GDP growth of 8.1% in 2004 was driven by both domestic consumption and trade. Confidence has returned to the property market, evident from the 26.5% rise in property prices over the last 12 months. The 68-month run of deflation has also ended, when the CPI reverted to positive growth of 0.9% yoy in Jul 04.

Exports, which rose 16%, was another growth engine. A booming China economy (China's GDP expanded 9.5%) has contributed to more re-exports from Hong Kong to China. In 2004, 44% of Hong Kong exports was destined for China, up from 42.6% in 2003.

Besides trade, Hong Kong also benefitted from the influx of China tourists. Visitor arrivals rose 40.4%, while China visitor arrivals rose a more robust 44.6% and accounted for 56.1% of total arrivals. Part of the strength was due to the low base caused by SARS in 2003, but the increasing affluence of the China population was another major factor.

Outlook for 2005

The economy is set to record continued respectable growth in 2005, driven by the strength of the China economy. Consensus is for the US federal funds rate to rise from the current 2.5% to 3.7% by end-05. This will exert upward pressure on Hong Kong interest rates. However, liquidity should remain high as foreign funds continue to flow into Hong Kong on the expectation that a Rmb upward revaluation (widely anticipated by the market) could trigger a HK$ repeg as well. However, we view a HK$ repeg as unlikely.

Stock Market Outlook

Both Hong Kong and China stocks experienced high volatility in 2004. The local bourse started the year on a strong note due to optimism about China's economy and enthusiasm about major IPOs such as China Life Insurance. But fears of an overheated China's economy sent the market sharply lower in 2Q04, led by China-based natural resources stocks. The sell-off was followed by a sharp recovery in 2H04 as a result of the renewed optimism about China's economy and speculation of a Rmb revaluation.

The economic backdrop for 2005 will be similar to that of 2004 and remains friendly for equities: a weak US$, a firm property market, continued economic expansion driven by strong private consumption and continued growth in tourism, moderate inflation and a robust China's economy. The key risk factors are rising US interest rates and the possibility that local interest rates will rise more rapidly than US interest rates. As a result of the uncertain outlook for local interest rates, we expect the market to be range bound in 1H05. But similar to 2004, a powerful recovery is possible in 2H05, driven by the optimism towards the listing of major Chinese state-owned banks, the continued speculation about a Rmb revaluation and the eventual launch of QDII (Qualified Domestic Institutional Investors)that will allow Chinese investors to invest in overseas stocks.

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.

Board of Directors

Guidance Note on Code

The Board comprises 8 directors, 3 executive, 2 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 Board members are also provided with adequate and timely information for their review and consideration. 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 2004. 1.1 & 11.7

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	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	3	4	*3	3	2	1	1
Neo Chin Sang	4	4	–	–	–	–	–	–
Walter Tung	4	4	–	–	–	–	–	–
Samuel Poon	4	2	4	2	–	–	–	–
Henry Tay	4	4	4	4	3	3	–	–
Chelva R Rajah	4	4	4	4	3	3	1	1
Roland Knecht	4	2	–	–	–	–	1	1

* By invitation of the Audit Committee.

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 to 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 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 4 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 auditors and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the auditors has recommended their re-nomination. A sum of $122,282 was paid to the 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 reports 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:- 7.3

- 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
- 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 2004 is:- 9.1 & 9.2

Name	Band	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)
Wee Ee-chao	$4million to $4.25million	–	8.77	91.23	–
Tang Wee Loke	$4million to $4.25million	–	7.88	92.12	–
Neo Chin Sang	$250,000 to $499,999	–	66.74	33.26	–
Walter Tung*	below $250,000	15.42	84.57	–	0.01
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	–	–	–

* Walter Tung resigned as executive director of UOB Kay Hian Pte Ltd on 1 September 2004 but remained as a non-executive director of UOB-Kay Hian Holdings Limited.

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. With effect from 1st November 2004 the company's announcements were made via the SGXNET.

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 prior to the release of the Group's financial results.

Interested Person Transactions

Name of Interested person	Aggregate value of all interested person transactions entered into in 2004 (excluding transactions less than $100,000)
United Overseas Bank Limited	$1.25 million (rental for additional 4930 sq ft of office space leased until 31.12.08).

The rental of office premises paid to an interested person for the year is disclosed in note 30 of the notes to the financial statements.

We do not have any shareholders' mandate to conduct interested person transaction.

Material Contracts

Except as disclosed in the Directors' Report and financial statements, no material contracts (including loans) of the Company or its subsidiaries involving the interests of the chief executive officer or any director or controlling shareholders subsisted at the end of the financial year or have been entered into since 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 51, 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 24 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 (UOBS), Mr. Wee was appointed Chairman of UOB-Kay Hian Holdings Limited.

Besides his stockbroking involvement in UOB Kay Hian, Mr. Wee is also involved in real estate development and investment in the region. Mr. Wee was appointed the Chairman of the Singapore Tourism Board from 2002 to 2004.

Mr. Tang Wee Loke 57, 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. 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. Neo Chin Sang 57, was the Chief Executive Officer of 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 60. 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. His previous appointments included being Vice-Chairman of the Community Chest, a Board Member of Singapore Tourism Board and Patron of Kennel Club.

Mr. Chelva Retnam Rajah 56, 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. Roland Knecht 54, 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 director of Clariden Asset Management (Singapore) Pte Ltd, Clariden Asset Management (Hong Kong) Ltd and Clariden Trust (Singapore) Ltd.

Mr. Walter Tung 56 , 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.

Mr. Tung retired as Director of UOB Kay Hian Pte Ltd on 1 September 2004. He remains on the Board of Directors of UOB-Kay Hian Holdings Limited as a non-executive director.

Mr. Samuel Poon Hon Thang 55, 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 & Individual Finance Services.

Key management personnel of the Group

SINGAPORE

Mr. Esmond Choo Liong Gee 48, was appointed an Executive Director of UOB Kay Hian Pte Ltd on 1 October 2001. In addition to his role in the Group Executive Committee, he is involved in the strategic planning and development of the Group's Equity Capital Market business.

Prior to joining our Group, he was the Executive Director of RHB-Cathay Securities Pte Ltd since 1994 and had overall responsibility for RHB-Cathay's institutional dealing and equity research operations. 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 65, 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 63, 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 24 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 49, is the Executive Director responsible for Operations. 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.

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

HONG KONG

Mr. Lim Seng Bee 39, 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 63, 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 42, holds a Bachelor Degree from Chulalongkorn University, majoring in Accounting and MBA from University of La Verne, USA. 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.

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2004 and the balance sheet of the Company at 31 December 2004.

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 31.12.2004	At 1.1.2004	At 31.12.2004	At 1.1.2004
The Company				
(Ordinary shares of $0.10 each)				
Wee Ee-chao	–	–	116,626,976	116,626,976
Tang Wee Loke	29,893,381	29,893,381	2,100,000	–
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 2005 were the same as at 31 December 2004.

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.

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, 11 March 2005

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 26 to 60 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 2004 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, 11 March 2005

AUDITORS' REPORT

To the Members of UOB-Kay Hian Holdings Limited

We have audited the accompanying financial statements of UOB-Kay Hian Holdings Limited set out on pages 26 to 60 for the financial year ended 31 December 2004, comprising the balance sheet of the Company and the consolidated financial statements of the Group. 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 the 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 state of affairs of the Company and of the Group as at 31 December 2004, 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 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.

PricewaterhouseCoopers

Certified Public Accountants

Singapore, 11 March 2005

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2004

	Notes	The Group 2004 $	The Group 2003 $
Revenue	3	**315,109,370**	326,722,919
Commission expenses		**(65,984,598)**	(70,788,162)
Personnel expenses	4	**(93,575,784)**	(83,088,912)
Depreciation and amortisation expenses		**(7,253,082)**	(15,161,283)
Other operating expenses	5	**(50,185,877)**	(61,605,265)
Profit from operations		**98,110,029**	96,079,297
Share of results of associated companies before tax		**9,275,952**	4,707,672
Profit before tax		**107,385,981**	100,786,969
Income tax expense	6	**(22,051,679)**	(22,329,123)
Profit from ordinary activities after tax		**85,334,302**	78,457,846
Minority interests		**51,963**	(329,942)
Net profit attributable to members of the Company		**85,386,265**	78,127,904
Earnings per share - basic and diluted (cents)	7	**11.78**	10.78

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 25.

BALANCE SHEETS

As at 31 December 2004

	Notes	The Group 2004 $	The Group 2003 $	The Company 2004 $	The Company 2003 $
ASSETS					
Current assets					
Cash and cash equivalents	8	**280,326,915**	232,271,443	**52,614,697**	6,006,760
Outstanding contracts receivable	9(a)	**449,947,159**	852,412,676	**–**	–
Trade debtors	10	**402,107,756**	349,346,689	**–**	–
Trading securities – long positions	11(a)	**13,283,183**	55,362,251	**–**	2,615,595
Other receivables, deposits and prepayments	12	**16,230,602**	11,796,650	**35,001,848**	141,718,542
		1,161,895,615	1,501,189,709	**87,616,545**	150,340,897
Non-current assets					
Loans to subsidiaries	13	**–**	–	**32,027,700**	17,540,000
Investments					
– in subsidiaries	14	**–**	–	**315,124,224**	310,598,892
– in associated companies	15	**39,252,013**	51,803,285	**–**	–
– in Exchanges	16	**4,020,626**	4,020,626	**–**	–
Trading rights in Exchanges	17	**111,938**	248,386	**–**	–
Memberships in Exchanges		**118,633**	128,999	**–**	–
Fixed assets	18	**9,332,498**	11,707,960	**–**	–
Intangible assets	19	**–**	2,054,445	**–**	–
Deferred tax assets	22	**1,438,028**	1,580,000	**–**	–
		54,273,736	71,543,701	**347,151,924**	328,138,892
Total assets		**1,216,169,351**	1,572,733,410	**434,768,469**	478,479,789
LIABILITIES					
Current liabilities					
Outstanding contracts payable	9(b)	**398,990,051**	792,522,332	**–**	–
Trade and other payables	20	**70,005,091**	56,712,836	**4,696,466**	7,566,828
Trading securities – short positions	11(b)	**9,590,854**	47,293,317	**–**	–
Borrowings	21	**52,965,569**	32,141,881	**–**	–
Current tax liabilities		**24,596,573**	22,574,204	**146,371**	72,371
		556,148,138	951,244,570	**4,842,837**	7,639,199
Total liabilities		**556,148,138**	951,244,570	**4,842,837**	7,639,199
Clients' trust/segregated accounts					
Bank balances					
– with affiliated corporations		**79,098,913**	64,252,309	**–**	–
– with non-related banks		**199,513,623**	159,241,591	**–**	–
Margin with clearing house		**14,028,626**	4,247,800	**–**	–
Less: Amounts held in trust		**(292,641,162)**	(227,741,700)	**–**	–
		–	–	**–**	–
Net assets		**660,021,213**	621,488,840	**429,925,632**	470,840,590
SHAREHOLDERS' EQUITY					
Share capital	23	**72,470,901**	72,470,901	**72,470,901**	72,470,901
Reserves	24	**252,028,490**	255,416,663	**202,332,260**	202,332,260
Retained earnings		**332,284,308**	287,481,748	**155,122,471**	196,037,429
Total shareholders' equity		**656,783,699**	615,369,312	**429,925,632**	470,840,590
Minority interests		**3,237,514**	6,119,528	**–**	–
		660,021,213	621,488,840	**429,925,632**	470,840,590

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 25.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2004

	Note	Share capital $	Capital reserve $
Balance at 1 January 2004		**72,470,901**	**202,332,260**
Currency translation differences		–	–
Net profit for the financial year		–	–
Total recognised gains and losses for the financial year		–	–
Final dividend for 2003 paid		–	–
Interim dividend for 2004 paid		–	–
Balance at 31 December 2004		**72,470,901**	**202,332,260**
Balance at 1 January 2003			
– As previously reported		**72,470,901**	**297,240,719**
Transfer to retained earnings for dividend received from a subsidiary distributed out of pre-acquisition profits	14(b)	–	(94,908,459)
– As restated		72,470,901	202,332,260
Currency translation differences		–	–
Net profit for the financial year		–	–
Total recognised gains for the financial year		–	–
Final dividend for 2002 paid		–	–
Interim dividend for 2003 paid		–	–
Balance at 31 December 2003		**72,470,901**	**202,332,260**

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 25.

Capital reserve on consolidation $	Foreign currency translation reserve $	Retained earnings $	Total $
53,897,711	**(813,308)**	**287,481,748**	**615,369,312**
–	(3,388,173)	–	(3,388,173)
–	–	85,386,265	85,386,265
–	**(3,388,173)**	**85,386,265**	**81,998,092**
–	–	(37,684,869)	(37,684,869)
–	–	(2,898,836)	(2,898,836)
53,897,711	**(4,201,481)**	**332,284,308**	**656,783,699**
53,897,711	**(919,141)**	**120,663,391**	**543,353,581**
–	–	94,908,459	–
53,897,711	(919,141)	215,571,850	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)**	**287,481,748**	**615,369,312**

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2004

	Note	2004 $	2003 $
Cash flows from operating activities			
Profit before tax and after share of results of associated companies		**107,385,981**	100,786,969
Adjustments for:			
Share of results of associated companies		**(9,275,952)**	(4,707,672)
Depreciation and amortisation expenses		**7,253,082**	15,161,283
Loss / (gain) on disposal of fixed assets		**136,342**	(29,780)
Gain on sale of investment in Exchanges		**–**	(7,371,374)
Gross dividend income from quoted securities		**(2,300,396)**	(8,747,853)
Interest income		**(20,498,401)**	(12,915,257)
Interest expense		**1,740,145**	1,442,972
Exchange differences		**(2,677,474)**	397,395
Operating cash flow before working capital changes		**81,763,327**	84,016,683
Changes in operating assets and liabilities:			
Trading securities		**4,376,605**	32,287,133
Debtors and outstanding contracts receivable		**344,959,235**	(854,811,555)
Due from / to associated companies		**377,589**	(352,528)
Creditors and outstanding contracts payable		**(380,313,215)**	661,548,301
Cash generated from / (utilised in) operations		**51,163,541**	(77,311,966)
Interest received		**20,516,807**	12,915,257
Interest paid		**(1,740,145)**	(1,442,972)
Drawdown of short-term bank loans		**20,365,750**	14,297,251
Income tax paid		**(18,901,939)**	(5,373,100)
Net cash inflow / (outflow) from operating activities		**71,404,014**	(56,915,530)

The accompanying notes form an integral part of these financial statements.
Auditors' Report – Page 25.

	Note	2004 $	2003 $
Cash flows from investing activities			
Payments for fixed assets		**(3,009,560)**	(4,535,765)
Proceeds from disposal of fixed assets		**63,949**	105,509
Proceeds from sale of investment in Exchanges		**–**	10,650,750
Acquisition of businesses		**–**	(9,439,778)
Acquisition of subsidiaries, net of cash acquired	8	**–**	(125,277)
Issue of shares to minority interest shareholders in subsidiaries		**–**	494,970
Payment for redemption of shares by a subsidiary		**(2,782,822)**	–
Dividends received		**22,505,658**	9,364,248
Net cash inflow from investing activities		**16,777,225**	6,514,657
Cash flows from financing activities			
Dividends paid		**(40,583,705)**	(6,218,006)
Net cash outflow from financing activities		**(40,583,705)**	(6,218,006)
Net increase/(decrease) in cash and cash equivalents during the financial year		**47,597,534**	(56,618,879)
Cash and cash equivalents at beginning of the financial year		**230,824,562**	287,443,441
Cash and cash equivalents at end of the financial year	8	**278,422,096**	230,824,562

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

1. General

UOB-Kay Hian Holdings Limited (the "Company") is incorporated and domiciled in Singapore and is publicly traded on the Singapore Exchange. 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 is that of investment holding. The principal activities of the Group are 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.

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

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

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when declared payable by the investee company.

Revenue from facility and arrangement services are recognised during the year in which the services are rendered.

(c) Group accounting

(1) Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or 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 to the date on which that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, 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 2(e) for the accounting policy on goodwill on acquisition of subsidiaries.

In preparing the consolidated financial statements, 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.

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the parent. It is measured at the minorities' share of the subsidiaries' identifiable assets and liabilities, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are taken to the consolidated income statement, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are taken to the

2. Significant accounting policies *(continued)*

(c) Group accounting *(continued)*

consolidated income statement until the minority's share of losses previously taken to the consolidated income statement is fully recovered.

Please refer to note 2(f) for the Company's accounting policy on investments in subsidiaries.

(2) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. 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.

Please refer to note 2(f) for the Company's accounting policy on investments in associated companies.

(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 annual rates used for this purpose are:

	%
Buildings	5
Leasehold improvements	10 – $33\frac{1}{3}$
Furniture, fittings and office equipment	10 – $33\frac{1}{3}$
Computer equipment and software	20 – $33\frac{1}{3}$
Communication equipment	20 – $33\frac{1}{3}$
Motor vehicles	20 – $33\frac{1}{3}$

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 the cost can be reliably measured.

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

(1) Long-term investments

Investments in subsidiaries and associated companies are stated at cost less accumulated impairment losses in the Company's balance sheet. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Dividends received from subsidiaries distributed out of their pre-acquisition profits are set-off against cost of investment in subsidiaries.

Other investments comprise long-term equity and are stated at cost. 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.

(2) 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. Cost of long positions and transacted values of short positions are determined on a first-in, first-out basis, and market value is based on the last transacted price at the balance sheet date. Market value is calculated by reference to stock exchange quoted prices at the close of business on the balance sheet date.

Long positions in unquoted investments are stated at lower of cost and net realisable value, determined on an individual basis.

(3) 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.

(4) On disposal of investments, including subsidiaries and associated companies, 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 receivables, deposits and prepayments – Amounts deposited with lenders of securities" and "Trade and other payables – Cash collaterals held for securities lent to clients" respectively.

2. Significant accounting policies *(continued)*

(g) Securities borrowed and lent (continued)

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

(h) Trading rights in Exchange

Trading rights in The Stock Exchange of Hong Kong Limited 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 is stated at cost. Where an indication of impairment exists, the carrying amount is assessed and written down immediately to its recoverable amount.

(j) Outstanding contracts

Outstanding contracts in respect of both receivables and payables are stated at their contracted values.

(k) Trade debtors

Trade debtors are stated at cost less allowance for doubtful trade debts on a review of outstanding amounts at balance sheet date. An allowance for doubtful trade debts is made when there is objective evidence that the amounts due according to the original terms of the receivables are not collectible.

In respect of a 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.

Bad debts are written off when identified and specific allowances are made against debts considered to be doubtful of recovery.

(l) 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.

(m) 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.

(n) Employee benefits

(1) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The Group's contribution to defined contribution plans are recognised in the financial year to which they relate.

2. Significant accounting policies *(continued)*

(n) Employee benefits *(continued)*

(2) Employee leave entitlement

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.

(o) 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 closing 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 disposal.

(p) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

(q) Cash and cash equivalents

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.

(r) 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 2004 $	The Group 2003 $
Commission income	**276,486,351**	288,219,367
Interest income		
– fixed deposits with affiliated corporations	**909,420**	526,111
– fixed deposits with non-related banks	**393,153**	926,378
– clients	**18,476,443**	10,672,030
– others	**719,385**	790,738
	20,498,401	12,915,257
Gross dividend from quoted securities	**2,300,396**	8,747,853
Gain on sale of investment in Exchanges	**–**	7,371,374
Foreign exchange gain	**1,962,440**	5,719,425
Facility and arrangement fees	**9,266,908**	2,023,270
Other operating revenue	**4,594,874**	1,726,373
	315,109,370	326,722,919

4. Personnel expenses

	The Group 2004 $	The Group 2003 $
Wages, salaries and other staff costs	**89,959,106**	79,075,956
Pension costs – defined contribution plans	**3,616,678**	4,012,956
	93,575,784	83,088,912

Included in personnel expenses of the Group are remuneration which comprises fees, salary, bonus and commission for the directors of the Company and key management of the Group amounting to $13,352,800 (2003: $11,521,234).

	The Group 2004	The Group 2003
Number of persons employed at the end of the financial year	**1,121**	986

For the financial year ended 31 December 2004

continued

5. Other operating expenses

Other operating expenses include the following:

	The Group	
	2004	**2003**
	$	**$**
Charging/(crediting):		
Auditors' remuneration paid / payable to		
– Auditors of the Company	**142,750**	156,733
– Other auditors (include other PricewaterhouseCoopers firms outside Singapore)	**204,536**	167,962
Other fees paid / payable to		
– Auditors of the Company	**122,282**	53,235
– Other auditors (include other PricewaterhouseCoopers firms outside Singapore)	**40,233**	20,383
Interest expense on:		
– bank borrowings from affiliated corporations	**455,625**	777,996
– borrowings from non-related banks	**983,960**	489,337
– others	**300,560**	175,639
	1,740,145	1,442,972
Bad debts written off	**–**	87,505
Bad debts recovered	**–**	(62,336)
Rental expenses – operating leases	**8,772,369**	8,441,597

6. Tax

Income tax expense

	The Group	
	2004	**2003**
	$	**$**
Tax expense attributable to profit is made up of:		
Current income tax		
– Singapore	**15,280,307**	19,555,374
– Foreign	**6,129,311**	3,767,694
	21,409,618	23,323,068
Deferred tax	**145,942**	(1,273,318)
	21,555,560	22,049,750
Share of tax of associated companies	**656,287**	1,056,769
	22,211,847	23,106,519
Over provision in prior years		
– current income tax	**(160,168)**	(760,714)
– deferred tax	**–**	(16,682)
	22,051,679	22,329,123

6. Tax *(continued)*

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	
	2004	**2003**
	$	**$**
Profit from operations	**98,110,029**	96,079,297
Tax expense at statutory rate of 20% (2003: 22%)	**19,622,006**	21,137,445
Singapore statutory stepped income exemption and tax rebate	**(55,410)**	(72,675)
Concessionary tax	**(1,097,893)**	(70,219)
Income not subject to tax	**(1,861,084)**	(2,188,709)
Expenses not deductible for tax purposes	**4,241,560**	2,864,832
Utilisation of previously unrecognised tax losses	**(828,839)**	(735,947)
Tax benefit on tax losses and other temporary differences not recognised	**462,901**	462,775
Effect of different tax rates in other countries	**1,072,319**	652,248
	21,555,560	22,049,750

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	
	2004	**2003**
Net profit attributable to members of UOB-Kay Hian Holdings Limited ($)	**85,386,265**	78,127,904
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	**11.78 cents**	10.78 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	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Bank balances with:				
– affiliated corporations	**13,958,299**	82,422,143	**71,822**	96,347
– non-related banks	**61,851,244**	95,406,980	**–**	–
Cash on hand	**16,708**	19,738	**–**	–
	75,826,251	177,848,861	**71,822**	96,347
Fixed deposits with:				
– affiliated corporations	**170,134,902**	48,544,663	**52,542,875**	5,910,413
– non-related banks	**34,365,762**	5,877,919	**–**	–
	204,500,664	54,422,582	**52,542,875**	5,910,413
	280,326,915	232,271,443	**52,614,697**	6,006,760

8. Cash and cash equivalents *(continued)*

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Singapore dollar	**189,941,295**	124,448,186	**52,614,697**	6,006,760
United States dollar	**45,099,146**	51,355,632	**–**	–
Malaysian ringgit	**25,572,180**	13,200,862	**–**	–
Hong Kong dollar	**3,450,702**	11,783,169	**–**	–
Thailand baht	**5,215,427**	22,001,211	**–**	–
Indonesian rupiah	**4,054,259**	3,819,550	**–**	–
Others	**6,993,906**	5,662,833	**–**	–
	280,326,915	232,271,443	**52,614,697**	6,006,760

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

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Maturity (number of months from financial year end)	**Within six months**	Within six months	**Within six months**	Within six months
Weighted average effective interest rate (% per annum)				
Singapore dollar	**1.3902%**	0.4699%	**1.4285%**	0.500%
United States dollar	**1.7211%**	0.7444%	**–**	–
Malaysian ringgit	**2.400%**	–	**–**	–
Hong Kong dollar	**–**	0.0577%	**–**	–
Others	**4.4446%**	5.4491%	**–**	–

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

	The Group	
	2004	**2003**
	$	**$**
Cash and bank balances (as above)	**280,326,915**	232,271,443
Less: Bank overdrafts (Note 21)	**(1,904,819)**	(1,446,881)
Cash and cash equivalents per consolidated cash flow statement	**278,422,096**	230,824,562

8. Cash and cash equivalents *(continued)*

Acquisition of subsidiary

The aggregate effect of the acquisition of subsidiary in the previous financial year was as follows:

	2003
	$
Cash and cash equivalents	396,469
Debtors and outstanding contracts receivable	74,420
Fixed assets	54,604
Total assets	525,493
Creditors and outstanding contracts payable	(3,241)
Current tax liabilities	(506)
Total liabilities	(3,747)
Net identifiable assets acquired	521,746
Less : Cash and cash equivalents in subsidiary acquired	(396,469)
Net cash outflow from acquisition of subsidiary	125,277

There were no such acquisitions during the financial year.

9. Outstanding contracts

(a) Outstanding contracts receivable comprise the following:

	The Group	
	2004	2003
	$	$
Due from associated company	–	1,034,951
Due from third parties	**449,947,159**	851,377,725
	449,947,159	852,412,676

(b) Outstanding contracts payable comprise the following:

	The Group	
	2004	2003
	$	$
Due to associated company	–	3,812,991
Due to third parties	**398,990,051**	788,709,341
	398,990,051	792,522,332

9. Outstanding contracts *(continued)*

Outstanding contracts receivable and payable are denominated in the following currencies:

	The Group Receivable		The Group Payable	
	2004	2003	2004	2003
	$	$	$	$
Singapore dollar	**243,137,386**	451,222,376	**212,787,818**	405,764,538
United States dollar	**26,800,377**	45,315,543	**21,780,748**	32,554,939
Malaysian ringgit	**20,703,660**	34,292,789	**23,226,928**	35,861,613
Hong Kong dollar	**129,992,946**	218,870,164	**116,043,376**	197,414,697
Thailand baht	**18,806,697**	95,609,147	**19,883,817**	114,124,104
Others	**10,506,093**	7,102,657	**5,267,364**	6,802,441
	449,947,159	852,412,676	**398,990,051**	792,522,332

10. Trade debtors

	The Group	
	2004	2003
	$	$
Trade debtors		
– Associated company	**–**	1,136,665
– Third parties	**427,338,164**	374,594,180
	427,338,164	375,730,845
Less: Allowance for doubtful trade debts	**(25,230,408)**	(26,384,156)
	402,107,756	349,346,689

Trade debtors are denominated in the following currencies:

	The Group	
	2004	2003
	$	$
Singapore dollar	**282,062,464**	296,004,660
United States dollar	**17,762,698**	16,319,564
Malaysian ringgit	**2,065,103**	2,995,807
Hong Kong dollar	**77,040,685**	37,558,478
Thailand baht	**39,104,924**	20,837,460
Indonesian rupiah	**8,205,403**	198,087
Others	**1,096,887**	1,816,789
	427,338,164	375,730,845

Concentrations of credit risk with respect to trade receivables are limited due to the Group's diversified customer base who are internationally dispersed and who invest in a large spectrum of industries and a variety of end markets. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and Company's trade receivables.

11. Trading securities

Current assets

(a) Trading securities – long positions

	The Company 2004 $	The Company 2003 $
Trading portfolio, at cost		
Quoted bonds	–	2,615,595
Fair value		
Trading portfolio, at market value		
Quoted bonds	–	3,125,929

	The Group 2004 $	The Group 2003 $
Trading portfolio, at cost		
Quoted equity securities	**601,413**	5,442,524
Less: Allowance for shortfall in market value over cost of long positions	**(113,573)**	(228,191)
	487,840	5,214,333
Quoted bonds	**3,284,424**	5,900,019
Unquoted equity securities	**327,658**	335,087
	4,099,922	11,449,439
Arbitrage trading portfolio, at market value		
Quoted equity securities	**7,284,440**	39,768,522
Quoted bonds	**1,898,821**	4,144,290
	9,183,261	43,912,812
	13,283,183	55,362,251
Fair values		
Trading portfolio, at market value		
Quoted equity securities	**13,518,588**	17,636,428
Quoted bonds	**3,891,820**	7,181,229
Unquoted equity securities	**564,649**	648,821

Quoted bonds have a weighted average effective interest rate of 3.5% (2003: 3.48%) per annum and will mature by December 2005 (2003: December 2005).

The fair values of the quoted equity securities and bonds are determined by reference to stock exchange quoted last transacted prices at balance sheet date.

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 the balance sheet date. The net asset value of the non-listed company approximates its fair value as it comprises mainly short-term investment securities and monetary assets.

11. Trading securities *(continued)*

Current liabilities

(b) Trading securities – short positions

	The Group	
	2004	2003
	$	$
Trading portfolio, at transacted values		
Quoted equity securities	**16,150**	37,117
Add: Allowance for additional liabilities where market values are in excess of transacted values	**162**	47
	16,312	37,164
Arbitrage trading portfolio, at market value		
Quoted equity securities	**9,574,542**	47,256,153
	9,590,854	47,293,317
Fair values		
Trading portfolio, at market value		
Quoted equity securities	**16,312**	37,032

The fair value of the quoted equity securities and bonds is determined by reference to stock exchange quoted last transacted prices at balance sheet date.

Trading securities long and short positions are denominated in the following currencies:

	The Group Long positions		The Company Long positions	
	2004	2003	2004	2003
	$	$	$	$
Singapore dollar	**5,496,480**	10,457,372	**–**	–
United States dollar	**–**	2,615,595	**–**	2,615,595
Thailand baht	**712,316**	27,869,041	**–**	–
Australian dollar	**–**	5,514,390	**–**	–
New Zealand dollar	**6,820,985**	7,587,260	**–**	–
Others	**253,402**	1,318,593	**–**	–
	13,283,183	55,362,251	**–**	2,615,595

	The Group Short positions	
	2004	2003
	$	$
Hong Kong dollar	**1,722,094**	1,089,586
Thailand baht	**2,574,275**	36,492,140
Euro	**3,316,762**	1,517,601
Australian dollar	**1,961,411**	7,277,492
Others	**16,312**	916,498
	9,590,854	47,293,317

12. Other receivables, deposits and prepayments

	The Group		The Company	
	2004	2003	2004	2003
	$	$	$	$
Amounts due from subsidiaries	–	–	**34,939,435**	141,651,096
Amounts due from an associated company	**8**	304,408	**–**	–
Deposits [Note 12(a)]	**6,289,952**	6,428,299	**–**	–
Prepayments	**1,369,345**	745,551	**3,000**	–
Amount deposited with lenders of securities [Note 12(b)]	**1,865,287**	345,879	**–**	–
Other receivables	**6,706,010**	3,972,513	**59,413**	67,446
	16,230,602	11,796,650	**35,001,848**	141,718,542

At 31 December 2004, included in the Company's amounts due from subsidiaries is a loan of $10,200,000 (2003: $10,200,000) to a subsidiary bearing interest at 1.22% (2003: 1.22%) per annum. This loan is unsecured and repayable on demand.

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

(a) Included in deposits is an amount of $2,464,280 (2003: $2,817,735) placed by a subsidiary as collateral with the Central Depository (Pte) Limited by virtue of the subsidiary being a clearing member of the Singapore Exchange Securities Trading Limited [Note 26(a)].

(b) Securities borrowing and lending contracts

	The Group	
	2004	2003
	$	$
Securities borrowed		
Securities borrowed from lenders, at market value:		
– lent to clients	**1,455,350**	306,965
Cash collaterals placed with lenders	**1,865,287**	345,879
Securities lent		
Securities lent to clients, at market value:		
– borrowed from lenders	**1,455,350**	306,965
Cash collaterals received from clients		
– in trade and other payables (Note 20)	**354,568**	273,657
– in trust	**1,170,378**	181,305
	1,524,946	454,962
Market value of share collaterals received from clients	**64,000**	40,400
	1,588,946	495,362

12. Other receivables, deposits and prepayments *(continued)*

Other receivables, deposits and prepayments are denominated in the following currencies:

	The Group		The Company	
	2004	2003	2004	2003
	$	$	$	$
Singapore dollar	**8,417,322**	6,313,344	**35,001,848**	141,718,542
Hong Kong dollar	**4,831,296**	4,381,910	**–**	–
Others	**2,981,984**	1,101,396	**–**	–
	16,230,602	11,796,650	**35,001,848**	141,718,542

13. Loans to subsidiaries

	The Company	
	2004	2003
	$	$
Loan to a subsidiary	**31,537,500**	17,540,000
Subordinated loan to a subsidiary	**490,200**	–
	32,027,700	17,540,000

The loans to subsidiaries are due later than one year but not later than five years from the balance sheet date. The loan to a subsidiary is denominated in Hong Kong dollar and the subordinated loan to a subsidiary is denominated in United States dollar. The effective interest rates for the loan to a subsidiary and the subordinated loan to a subsidiary is 1.22% (2003: Nil) and 2.25% (2003: Nil) per annum respectively.

The fair values for loans to subsidiaries are as follows:

	The Company	
	2004	2003
	$	$
Loan to a subsidiary	**31,537,500**	16,798,062
Subordinated loan to a subsidiary	**449,050**	–

The fair values are based on discounted cash flows using a discount rate determined based on the fixed deposit rate quoted by the Company's banker at the balance sheet date.

14. Investments in subsidiaries

		The Company	
		2004	2003
		$	$
(a)	Unquoted equity shares, at cost	**315,124,224**	310,598,892
(b)	At beginning of the financial year, at cost		
	– As previously reported	**310,598,892**	402,885,504
	Less: Dividend received from a subsidiary distributed out of its pre-acquisition profits (Note 24(b))*	**–**	(94,908,459)
	– As restated	**310,598,892**	307,977,045
	Acquisition of/subscription of shares in subsidiaries during the financial year, at cost	**4,525,332**	2,621,847
	At end of the financial year	**315,124,224**	310,598,892

14. Investments in subsidiaries *(continued)*

* The amount of $94,908,459 was previously recorded as dividend income in the financial year ended 31 December 2002. As this amount relates to distributions out of the subsidiary's pre-acquisition profits, it should have been set off against the Company's cost of investment in the subsidiary. A corresponding transfer from capital reserve to retained earnings of the same amount was also effected to reflect the realisation of the pre-acquisition profits upon the distribution by the subsidiary. The effect of these movements on the capital reserve is disclosed in Note 24(b).

Details of subsidiaries are included in Note 34.

15. Investments in associated companies

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

	The Group	
	2004	**2003**
	$	**$**
Unquoted equity shares, at cost	**45,544,500**	45,544,500
Less: Dividend received from an associated company distributed out of its pre-acquisition profits	**(13,845,337)**	–
	31,699,163	45,544,500
Group's share of associated companies' post acquisition reserves:		
– net profit	**14,686,357**	6,698,885
Less: Dividend received from an associated company distributed out of its post-acquisition profits	**(5,727,732)**	–
– foreign currency adjustment	**(1,405,775)**	(440,100)
	7,552,850	6,258,785
	39,252,013	51,803,285

Details of associated companies are included in Note 34.

16. Investments in Exchanges

	The Group	
	2004	**2003**
	$	**$**
Quoted equity shares in Exchanges		
Singapore Exchange Limited, at cost	**4,020,626**	4,020,626
Fair value of quoted equity shares:		
– Singapore Exchange Limited, at market value	**17,981,359**	16,976,814

The fair value of the quoted equity shares in Singapore Exchange Limited is determined by reference to stock exchange quoted last transacted price at balance sheet date.

17. Trading rights in Exchanges

	The Group 2004 $	The Group 2003 $
Trading rights in Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited, at cost:		
Cost:		
At beginning of the financial year	**1,096,250**	1,112,500
Foreign exchange rate adjustment	**(45,000)**	(16,250)
At end of the financial year	**1,051,250**	1,096,250
Accumulated amortisation:		
At beginning of the financial year	**(847,864)**	(637,862)
Amortisation during the financial year	**(130,164)**	(223,913)
Foreign exchange rate adjustment	**38,716**	13,911
At end of the financial year	**(939,312)**	(847,864)
	111,938	248,386

18. 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 2004	230,651	6,577,430	7,257,870	12,764,058	1,536,940	702,931	29,069,880
Additions	–	782,831	521,420	1,509,408	195,094	807	3,009,560
Disposals	–	(7,471)	(45,610)	(455,845)	–	(119,548)	(628,474)
Exchange rate adjustments	(5,114)	(74,967)	(54,447)	(157,061)	(25,684)	(17,477)	(334,750)
At 31 December 2004	225,537	7,277,823	7,679,233	13,660,560	1,706,350	566,713	31,116,216
Accumulated depreciation							
At 1 January 2004	78,082	4,128,660	5,239,511	6,415,641	1,114,795	385,231	17,361,920
Depreciation charge	14,139	1,388,597	1,084,339	2,203,020	265,290	113,088	5,068,473
Disposals	–	(3,313)	(38,399)	(266,923)	–	(119,548)	(428,183)
Exchange rate adjustments	(1,728)	(54,677)	(35,343)	(98,296)	(20,255)	(8,193)	(218,492)
At 31 December 2004	90,493	5,459,267	6,250,108	8,253,442	1,359,830	370,578	21,783,718
Net book value at 31 December 2004	**135,044**	**1,818,556**	**1,429,125**	**5,407,118**	**346,520**	**196,135**	**9,332,498**
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

19. Intangible assets

Goodwill arising on acquisition of businesses

	The Group	
	2004	**2003**
	$	**$**
At the beginning of financial year	**2,054,445**	2,785,359
Acquisition of businesses	**–**	9,439,778
Amortisation during the financial year	**(2,054,445)**	(10,170,692)
At the end of financial year	**–**	2,054,445
Gross goodwill	**21,236,301**	21,236,301
Accumulated amortisation	**(21,236,301)**	(19,181,856)
Net book value	**–**	2,054,445

20. Trade and other payables

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Trade creditors				
– Associated company	**–**	938,407	**–**	–
– Third parties	**30,843,452**	17,218,012	**–**	–
	30,843,452	18,156,419	**–**	–
Amount due to subsidiaries	–	–	**760,250**	7,419,725
Amount due to an associated company	**73,189**	–	**–**	–
Accrued operating expenses	**37,665,697**	33,030,767	**3,936,216**	147,103
Cash collaterals held for securities lent to clients [Note 12(b)]	**354,568**	273,657	**–**	–
Other payables	**1,068,185**	5,251,993	**–**	–
	70,005,091	56,712,836	**4,696,466**	7,566,828

The amounts due to subsidiaries and an associated company are unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Singapore dollar	**40,782,925**	35,347,982	**4,696,466**	7,566,828
United States dollar	**858,426**	7,009,220	**–**	–
Hong Kong dollar	**9,508,131**	1,397,268	**–**	–
Indonesian rupiah	**13,988,997**	778,254	**–**	–
Thailand baht	**4,134,243**	11,754,981	**–**	–
Others	**732,369**	425,131	**–**	–
	70,005,091	56,712,836	**4,696,466**	7,566,828

21. Borrowings

	The Group 2004 $	The Group 2003 $
Current		
Bank overdrafts:		
– with affiliated corporations	**782,095**	–
– with non-related banks	**1,122,724**	1,446,881
	1,904,819	1,446,881
Short-term bank loans:		
– with affiliated corporations	**17,022,750**	17,540,000
– with non-related banks	**34,038,000**	13,155,000
	51,060,750	30,695,000
Total borrowings	**52,965,569**	32,141,881

The carrying amounts of total borrowings are denominated in the following currencies:

	The Group 2004 $	The Group 2003 $
United States dollar	**782,095**	–
Hong Kong dollar	**43,796,198**	31,198,862
Thailand baht	**8,387,276**	–
Others	–	943,019
	52,965,569	32,141,881

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

Year ended 31 December 2004

Bank overdrafts

$	Weighted average effective interest rates	Security, if any
Balances with affiliated corporations		
782,095	5.25% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary
Balances with non-related banks		
1,122,724	5.00% per annum	Unsecured

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with affiliated corporations			
14,927,750	1.23% per annum	Unsecured	Due within 6 months from balance sheet date
2,095,000	3.06% per annum	Unsecured	At call
17,022,750			
Balances with non-related banks			
27,753,000	1.12% per annum	Unsecured	Due within 6 months from balance sheet date
6,285,000	2.37% per annum	Unsecured	At call
34,038,000			

21. Borrowings *(continued)*

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 6 months from balance sheet date
Balances with non-related banks			
13,155,000	1.135% per annum	Unsecured	Due within 6 months from balance sheet date

22. 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

	Allowances $
At 1 January 2004	2,589,000
Credited to income statement	(313,137)
Exchange rate adjustment	(1,225)
At 31 December 2004	2,274,638

Deferred tax liabilities

	Accelerated tax depreciation $
At 1 January 2004	(1,009,000)
Charged to income statement	167,195
Exchange rate adjustment	5,195
At 31 December 2004	(836,610)

22. Deferred income taxes *(continued)*

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	
	2004	2003
	$	$
Deferred tax assets	**2,274,638**	2,589,000
Deferred tax liabilities	**(836,610)**	(1,009,000)
	1,438,028	1,580,000

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 $6,002,000 (2003: $12,589,000) 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 $209,000 (2003: $1,083,000), $123,000 (2003: $629,000) and $940,000 (2003: $Nil) which will expire within five years, three years and twenty years of the loss being incurred respectively, all other tax losses have no expiry date.

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

23. Share capital of UOB-Kay Hian Holdings Limited

(a) Authorised ordinary share capital

The total authorised number of ordinary shares is 1 billion shares (2003: 1 billion shares) with a par value of $0.10 per share (2003: $0.10 per share).

(b) Issued and fully paid up ordinary share capital

	2004 Number of shares	2003 Number of shares	2004 $	2003 $
At beginning and at end of the financial year	**724,709,009**	724,709,009	**72,470,901**	72,470,901

24. Reserves

(a) Composition

	The Group		The Company	
	2004	2003	2004	2003
	$	$	$	$
Capital reserve (Note 24(b))	**202,332,260**	202,332,260	**202,332,260**	202,332,260
Capital reserve on consolidation	**53,897,711**	53,897,711	**–**	–
Foreign currency translation reserve	**(4,201,482)**	(813,308)	**–**	–
	252,028,489	255,416,663	**202,332,260**	202,332,260

24. Reserves *(continued)*

(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.

The movement in capital reserve of the Company is as follows:

	The Company	
	2004	**2003**
	$	**$**
At beginning of the financial year		
– As previously reported	**202,332,260**	297,240,719
Transfer to retained profits for dividend received from a subsidiary distributed out of its pre-acquisition profits	**–**	(94,908,459)
– As restated and at end of the financial year	**202,332,260**	202,332,260

(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.

25. Dividends

Ordinary dividends paid

	The Group and The Company	
	2004	**2003**
	$	**$**
Interim dividend in respect of the financial year ended 31 December 2004 of 0.5 cents (31 December 2003: 0.5 cents) per ordinary share less tax at 20% (2003: 22%) paid	**2,898,836**	2,826,365
Final dividend in respect of the financial year ended 31 December 2003 of 6.5 cents (31 December 2002: 0.6 cents) per ordinary share less tax at 20% (2002: 22%) paid	**37,684,869**	3,391,641
	40,583,705	6,218,006

Ordinary dividends proposed

The directors have proposed a final dividend in respect of the financial year ended 31 December 2004 of 7 cents per ordinary share less tax at 20% amounting to a total of $40,583,705. 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 2005.

26. Contingent liabilities

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

At the balance sheet date, there were contingent liabilities of $2,401,977 (2003: $2,840,309) in respect of the obligations of a subsidiary to The Central Depository (Pte) Limited ("CDP") by virtue of the subsidiary being a clearing member of the SGX-ST. The contingent liabilities are secured against deposits amounting to $2,464,280 (2003: $2,817,735) placed by the subsidiary with CDP.

26. Contingent liabilities *(continued)*

(b) Corporate guarantees

At the balance sheet date, the Company had given guarantees amounting to $111,674,288 (2003: $102,576,113) 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 $43,796,198 (2003: $31,198,863).

27. 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	
	2004	**2003**
	$	**$**
Not later than 1 financial year	**8,724,496**	8,089,031
Later than 1 financial year but not later than 5 financial years	**20,875,187**	20,055,553
	29,599,683	28,144,584

28. Financial risk management

The Group's activities undertaken 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 minimise 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.

(a) 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.

28. Financial risk management *(continued)*

(b) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest income and interest expense are exposed to changes in market interest rates. Interest rate risk 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.

The Group

	Variable rates	Fixed rates			
	Less than 6 months $'000	Less than 6 months $'000	6 to 12 months $'000	Non-interest bearing $'000	Total $'000
At 31 December 2004					
Assets					
Cash and cash equivalents	47,848	204,501	–	27,978	280,327
Trade debtors	402,108	–	–	–	402,108
Investments	–	–	5,183	51,373	56,556
Other assets	–	–	–	477,178	477,178
Total assets	**449,956**	**204,501**	**5,183**	**556,529**	**1,216,169**
Liabilities					
Borrowings	1,905	51,061	–	–	52,966
Other liabilities	–	–	–	503,182	503,182
Total liabilities	**1,905**	**51,061**	**–**	**503,182**	**556,148**

	Variable rates	Fixed rates				
	Less than 6 months $'000	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Non-interest bearing $'000	Total $'000
At 31 December 2003						
Assets						
Cash and cash equivalents	102,365	54,422	–	–	75,484	232,271
Trade debtors	349,347	–	–	–	–	349,347
Investments	–	–	2,615	7,429	101,142	111,186
Other assets	–	–	–	–	879,929	879,929
Total assets	451,712	54,422	2,615	7,429	1,056,555	1,572,733
Liabilities						
Borrowings	1,447	30,695	–	–	–	32,142
Other liabilities	–	–	–	–	919,103	919,103
Total liabilities	1,447	30,695	–	–	919,103	951,245

28. Financial risk management *(continued)*

(b) Cash flow and fair value interest rate risk (continued)

The Company

	Variable rates Less than 6 months $'000	Fixed rates Less than 6 months $'000	Non-interest bearing $'000	Total $'000
At 31 December 2004				
Assets				
Cash and cash equivalents	72	52,543	–	52,615
Other assets	–	–	382,153	382,153
Total assets	72	52,543	382,153	434,768
Liabilities				
Total liabilities	–	–	4,843	4,843

At 31 December 2003

Assets

	Variable rates	Fixed rates			
	Less than 6 months $'000	Less than 6 months $'000	6 to 12 months $'000	Non-interest bearing $'000	Total $'000
Cash and cash equivalents	97	5,910	–	–	6,007
Investments	–	–	2,615	–	2,615
Other assets	–	–	–	469,858	469,858
Total assets	97	5,910	2,615	469,858	478,480
Liabilities					
Total liabilities	–	–	–	7,639	7,639

(c) Market risk

The Group is exposed to equity securities market risk because of the investments held. The Group is not exposed to commodity market risk.

(d) Credit risk

The Group has no significant concentrations 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.

(e) 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.

29. Derivative 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 derivative 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 2004 and 2003, 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 Group

	Contract or underlying principal amount		Year–end positive fair value		Year-end negative fair value		Settlement dates of open contracts	
	2004 $	2003 $	2004 $	2003 $	2004 $	2003 $	2004 $	2003 $
Forward foreign exchange contracts								
– Positive fair value	**15,514,477**	20,944,080	**493,288**	702,465	**–**	–	**Within six months after balance sheet date**	Within six months after balance sheet date
– Negative fair value	**13,730,600**	13,553,452	**–**	–	**(538,868)**	(708,201)		

The Company

	Contract or underlying principal amount		Year–end positive fair value		Year-end negative fair value		Settlement dates of open contracts	
	2004 $	2003 $	2004 $	2003 $	2004 $	2003 $	2004 $	2003 $
Forward foreign exchange contracts								
– Positive fair value	**10,017,165**	10,050,809	**462,568**	679,605	**–**	–	**Within six months after balance sheet date**	Within six months after balance sheet date
– Negative fair value	**10,475,000**	10,712,500	**–**	–	**(517,691)**	(702,768)		

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.

30. 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	
	2004 $	2003 $
Rental of premises paid / payable to an affiliated company	**6,041,374**	5,138,446
Research fees paid / payable to an associated company	**468,276**	673,773
Management and other fees earned from an associated company	**5,330,348**	1,616,258

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

(b) During the financial year, a subsidiary has entered into a new 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 norminal 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 2004 are disclosed in Note 21 as borrowings from affiliated corporations.

31. 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 – geographical segments

The Group

2004

	Singapore $	Hong Kong $	Thailand $	Others $	Elimination $	Total $
Revenue						
– External sales	216,286,358	69,060,379	25,401,773	4,360,860	–	315,109,370
– Inter-segment sales	6,982,054	–	3,628,507	3,972,470	(14,583,031)	–
	223,268,412	69,060,379	29,030,280	8,333,330	(14,583,031)	315,109,370
Segment results	72,460,166	13,969,477	12,212,758	57,923	(590,295)	98,110,029
Share of results of associated companies before tax	3,925,116	–	–	5,350,836	–	9,275,952
Profit before tax						107,385,981
Income tax expense						(22,051,679)
Profit after tax						85,334,302
Minority Interests						51,963
Net profit attributable to members of the Company						85,386,265
Segment assets	852,697,272	274,800,044	59,925,116	74,449,482	(86,392,603)	1,175,479,311
Associated companies	29,888,518	–	–	9,363,494	–	39,252,012
Deferred tax asset						1,606,638
Consolidated total assets						1,216,337,961
Segment liabilities	328,655,431	234,020,042	28,482,534	25,833,657	(85,440,099)	531,551,565
Current tax liabilities						24,596,573
Deferred tax liabilities						168,610
Consolidated total liabilities						556,316,748
Other segment items						
Capital expenditure	1,204,896	1,400,575	380,834	23,255	–	3,009,560
Depreciation and amortisation expenses	4,960,777	1,109,608	1,104,365	78,332	–	7,253,082

31. Segment information *(continued)*

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
Other segment items						
Capital expenditure	2,943,647	1,383,241	141,937	66,940	–	4,535,765
Depreciation and amortisation expenses	12,674,135	1,078,345	1,337,716	71,087	–	15,161,283

Secondary reporting format – business segments

The Group operates mainly in securities/ futures broking business. There are no other business segments that contribute more than 10% of the consolidated revenue and assets.

32. 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.

33. 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 11 March 2005.

34. Listing of companies in the Group

	Name of company	Principal activities	Country of incorporation	Equity holding by The Company 2004 %	The Company 2003 %	Subsidiaries 2004 %	Subsidiaries 2003 %
	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	**92.5**	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)	UOB Kay Hian (U.K.) Limited (Formerly known as Worldsec International (U.K.) Limited)	Arranger	United Kingdom	**100**	100	**–**	–
(c)	UOB Kay Hian (U.S.) Inc.	Stockbroking	United States of America	**100**	100	**–**	–
	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
(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 Investor Services Ltd	Investment trading	Cayman Islands	**–**	–	**88.6**	79.9
	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
(b)	UOB Kay Hian Asia Limited	Stockbroking	Hong Kong, SAR	**–**	–	**100**	100
(d)	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**	100
	Associated companies						
	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 Corporation Sdn. Bhd. (Formerly known as Thong & Kay Hian Securities Sdn. Bhd.)	Stockbroking (Ceased operations with effect from 18 October 2004)	Malaysia	**–**	–	**30**	30
(b)	Thong & Kay Hian Options Sdn. Bhd.	Dormant	Malaysia	**–**	–	**30**	30

(a) Audited by PricewaterhouseCoopers, Singapore
(b) Audited by other PricewaterhouseCoopers firms outside Singapore
(c) Audited by other auditors
(d) Audit not required under the laws of the country of incorporation

As at 18 March 2005

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	366	3.04	136,577	0.02
1,000 – 10,000	9,739	80.79	39,318,784	5.43
10,001 – 1,000,000	1,929	16.00	62,202,590	8.58
1,000,001 & Above	21	0.17	623,051,058	85.97
Total	12,055	100.00	724,709,009	100.00

Top Twenty Shareholders as at 18 March 2005	No. of Shares	%
United Overseas Bank Ltd	285,537,809	39.40
U.I.P. Holdings Ltd	115,238,976	15.90
United Overseas Bank Nominees Pte Ltd	53,800,909	7.42
DBS Nominees Pte Ltd	44,954,819	6.20
Tang Wee Loke	29,893,381	4.12
Employees Provident Fund Board	20,476,000	2.83
OCBC Nominees Singapore Pte Ltd	17,445,400	2.41
Citibank Nominees S'pore Pte Ltd	13,359,600	1.84
Bank of China Nominees Pte Ltd	10,000,000	1.38
Raffles Nominees Pte Ltd	5,712,101	0.79
HSBC (Singapore) Nominees Pte Ltd	4,716,000	0.65
Tye Hua Nominees (Pte) Ltd	4,413,000	0.61
Eng Hui Cheh	3,000,000	0.41
Tung Tau Chyr Walter	2,542,422	0.35
Kwan Wai Meng	2,325,000	0.32
Lau Mei Lea	2,100,000	0.29
Morgan Stanley Asia (S'pore) Pte Ltd	1,978,200	0.27
UOB Kay Hian Pte Ltd	1,880,000	0.26
Philip Securities Pte Ltd	1,390,200	0.19
Kim Eng Securities Pte Ltd	1,170,400	0.16
	621,934,217	85.80

	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 Overseas Bank Limited	285,537,809	39.40	4,413,000 (2)	0.61

Notes

(1) Mr Wee Ee-chao's deemed interest arises from the 115,238,976 shares held by U.I.P. Holdings Limited and 1,388,000 shares held by UOB Kay Hian Private Limited

(2) United Overseas Bank Limited's deemed interest arises from the 4,413,000 shares held by Tye Hua Nominees (Private) Limited.

Public Float

Based on available information as at 18 March 05, approximately 38.84% of the issued shares of the company is held by the public (Rule 723 of the SGX-ST Listing Manual).

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at The Penthouse, UOB Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Friday, 29 April 2005 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 2004 and the reports of the directors and auditors thereon.

2 To declare a final dividend of 7 cents per ordinary share less income tax for the year ended 31 December 2004.

3 To approve the sum of $155,500 as directors' fees for the year ended 31 December 2004 (2003: $113,000).

4(a) To re-elect Mr Chelva Retnam Rajah, a director who will retire by rotation in accordance with Article 91 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

Note: Mr Chelva Retnam Rajah, if re-elected, will remain a member of the audit committee, a member of the nominating committee and a member and the chairman of the remuneration committee. Mr Chelva Retnam Rajah is an independent director.

4(b) To re-elect Mr Samuel Poon Hon Thang, a director who will retire by rotation in accordance with Article 91 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

Note: Mr Samuel Poon Hon Thang, if re-elected, will remain a member of the audit committee. Mr Samuel Poon Hon Thang is a non-independent director.

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

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 new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed and any subsequent 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, 13 April 2005

Notes

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 aggregate 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 issues of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 20% of the issued share capital of the Company at the time this resolution is passed.

PROXY FORM

UOB-KAY HIAN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

Co. Reg. No. 200004464C

IMPORTANT

1 For investors who have used their CPF monies to buy UOB-Kay Hian Holdings Limited's shares, this annual report is forwarded to them at the request of their CPF approved nominees and is sent solely FOR INFORMATION ONLY.

2 This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ______________________________ NRIC/Passport No. ______________

of ______________________________

being a member/members of UOB-Kay Hian Holdings Limited hereby appoint:-

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the annual general meeting of the Company to be held at The Penthouse, UOB Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Friday, 29 April 2005 at 6.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of annual general meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the annual general meeting.)

No.	Resolutions	For	Against
Ordinary Business			
1	To receive and adopt the audited accounts and reports		
2	To declare a final dividend		
3	To approve directors' fees		
4(a)	To re-elect Mr Chelva Retnam Rajah as director		
4(b)	To re-elect Mr Samuel Poon Hon Thang as director		
4(c)	To re-elect Mr Neo Chin Sang as director		
5	To re-appoint PricewaterhouseCoopers as auditors and to authorise the directors to fix their remuneration		
Special Business			
6	To authorise the directors to allot and issue shares and convertible securities		

Dated this ______________ day of ______________ 2005.

Total Number of Shares Held

____

Signature(s) of Member(s) or Common Seal

IMPORTANT
Please Read Notes Overleaf

Please cut along dotted-lines

Notes

1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If the number of shares is not inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2 A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3 Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.

4 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 later than 6.00 p.m. on Wednesday, 27 April 2005.

5 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer of the corporation.

6 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.

7 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8 The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

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