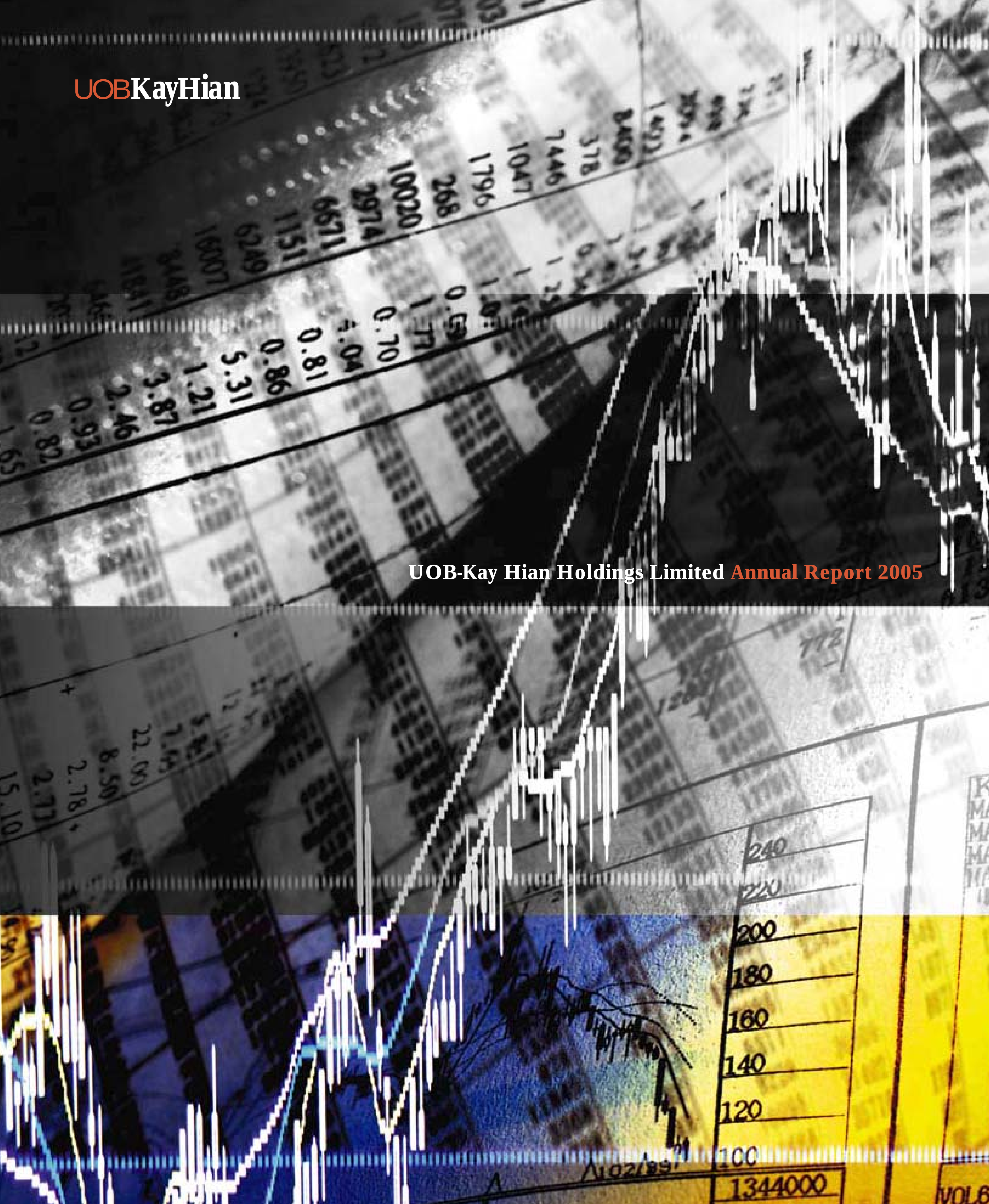
UOBKayHian



UOB-Kay Hian Holdings Limited Annual Report 2005

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CORPORATE INFORMATION

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
Certified Public Accountants

8 Cross Street
#17-00 PWC Building
Singapore 048424

Partner in charge – Peter Low Eng Huat
Date of appointment : 2002

Principal Bankers

BNP Paribas

Citibank, N. A.

Oversea-Chinese Banking Corporation Limited

Standard Chartered Bank

DBS Bank Ltd

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

UOB-KAY HIAN HOLDINGS

UOB-Kay Hian continues to forge ahead to expand its presence in the region with a new research team in Indonesia, and step up activities in both broking and corporate finance. The Group continues to build on its strong regional presence in Hong Kong, Thailand, the Philippines, Indonesia, New York, London and Shanghai. The listing of the Thailand subsidiary in 2005 paved the way for the progressive building of our brand name and presence in Thailand. Globally, the distribution effort has been an important part of the growth process, with the New York and London sales teams as the key distribution outfits outside Asia.

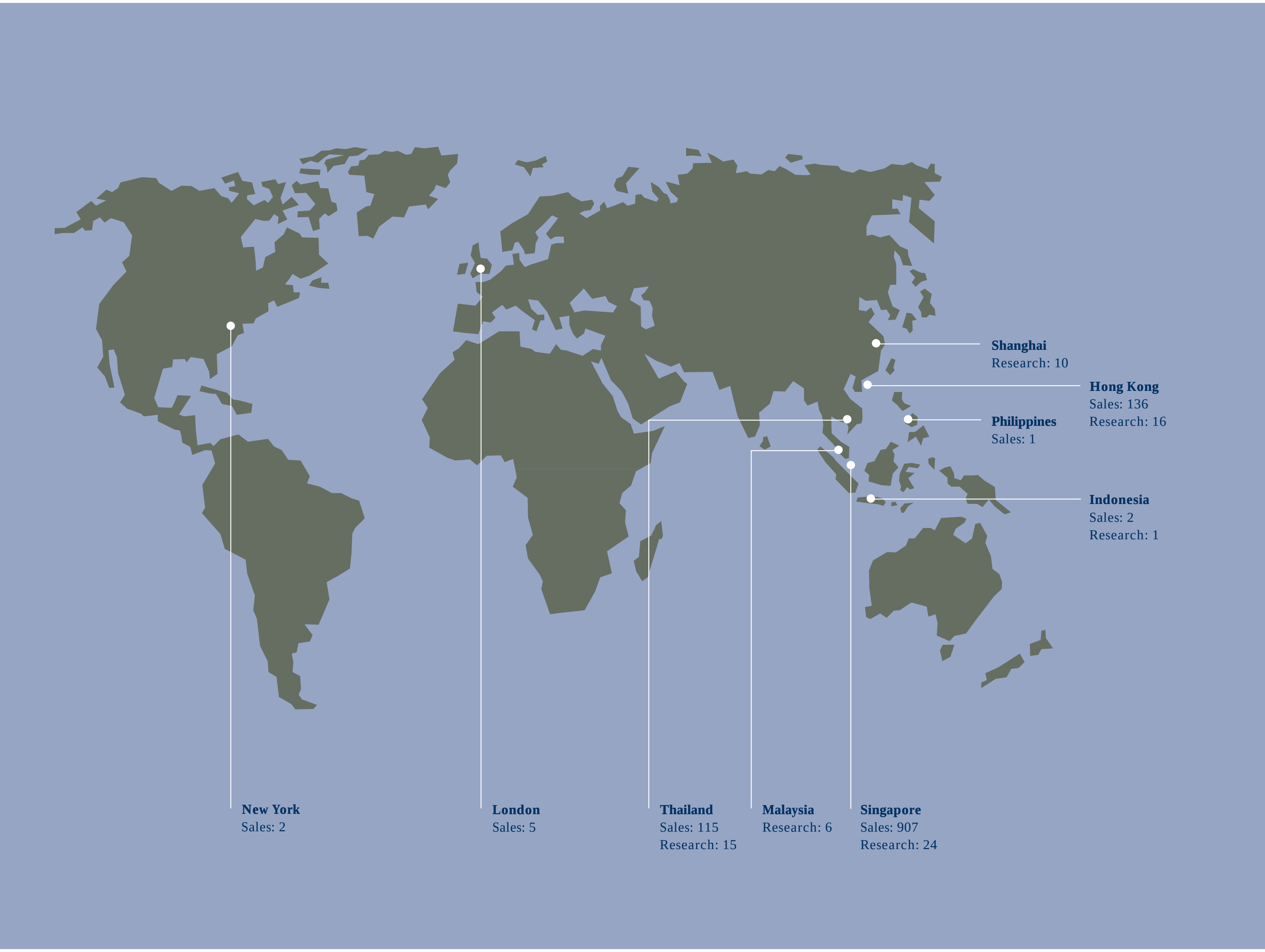
With a series of acquisitions since 2001, the regional network of the Group has provided new opportunities for growth as it leverages on well-established soft infrastructure in sales, research and financial service consultancy. Since 2001, the Group's net profit has grown by 47.3% per annum. The Group was able to reap economies of scale with the broadened research, sales and distribution network.

We have a strong team of 613 management and staff providing excellent and efficient broking services to our clients. The equity sales team was ranked as one of the top teams among local broking houses in Singapore by Asia Euro-Money in the 2005 survey.

Corporate finance and structured business finance segments remain important as high value-added segments of the business, and are significant growth drivers. At the same time, traditional agency and margin financing stay as important bread and butter businesses for the Group.

We continue to be a significant player in the Singapore IPO market as an underwriter and placement agent. Our good distribution network in Asia, London and New York is a significant advantage in securing high-value deals in the IPO market, with our institutional clientele base spanning key markets in the United States, Europe, the Middle East and Australasia. Our reputable research teams of 74 staff work closely with our 1,168 strong sales teams to provide comprehensive research advisory and consultancy services to our clients. London-based independent research ranking agency AQ also ranked the Singapore Research Team as the No. 1 team for Singapore Research, based on accuracy, in 2005.

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, Indonesia 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 stockbroker in Singapore, with 907 retail and institutional sales personnel. In addition, we have 261 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

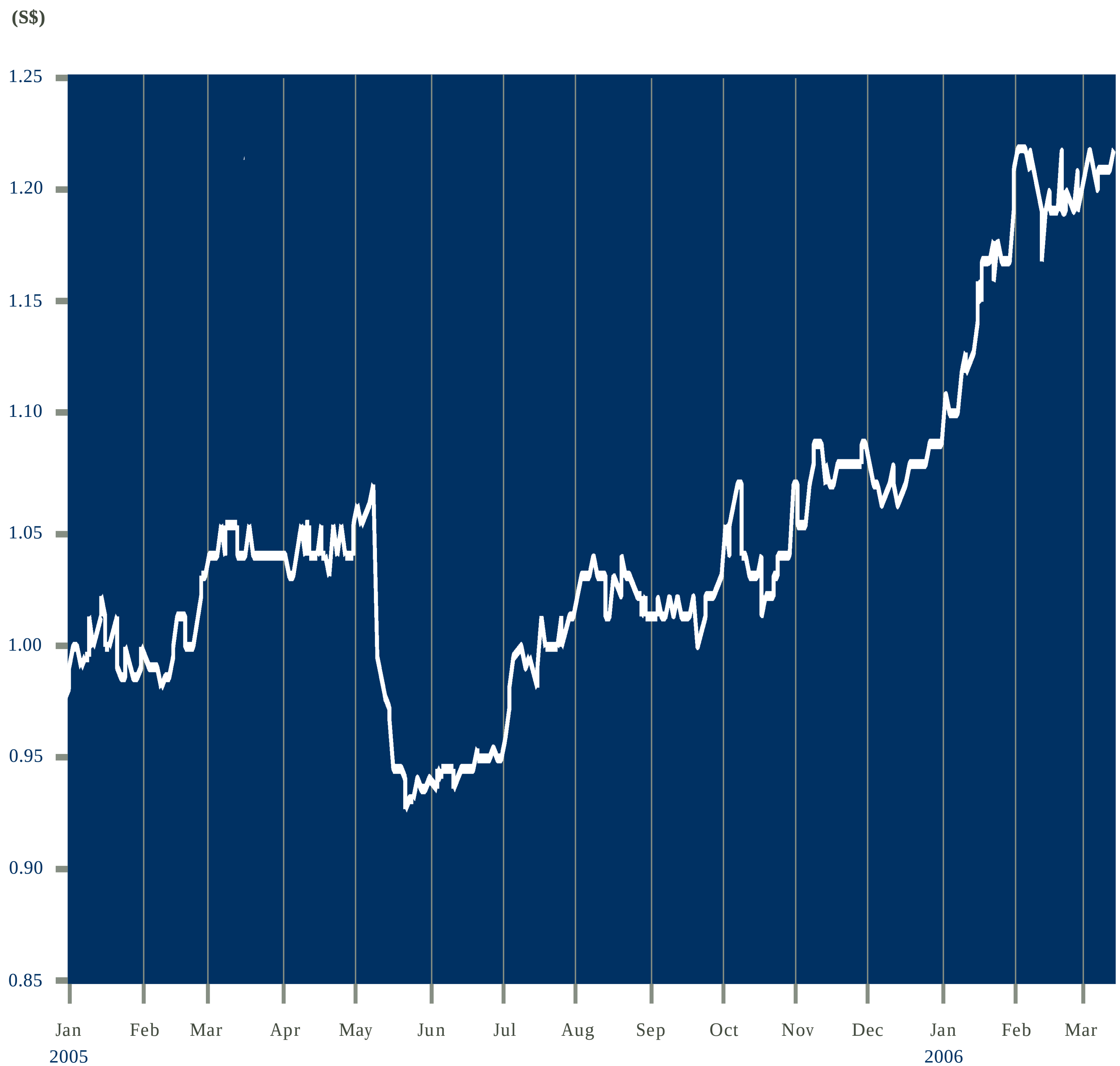
Our margin-based financing business complements our sales and distribution capability.
It is part of a suite of services that we provide as a one-stop service centre for our corporate and high net worth clientele.

GROUP FINANCIAL HIGHLIGHTS

	Group For the Year Ended 31.12.2005 (S$'000)	Group For the Year Ended 31.12.2004 (S$'000)	Group For the Year Ended 31.12.2003 (S$'000)	Group For the Year Ended 31.12.2002 (S$'000)
Revenue & Foreign Exchange Gain	302,077	312,517	326,723	162,405
Profit from Operations	89,804	98,110	96,079	12,219
Share of Results of Associated Companies After Tax	2,812	8,620	3,651	2,434
Profit Before Tax	92,616	106,730	99,730	14,653
Profit After Tax	75,736	85,334	78,458	11,690
Profit After Tax and Minority Interests	75,448	85,386	78,128	11,893
Shareholders' Equity *(excluding minority interests)*	732,676	656,784	615,369	543,354
Earnings Per Share	10.41 cents	11.78 cents	10.78 cents	1.64 cents
Gross Dividend Per Share	8.50 cents	7.50 cents	7.00 cents	1.10 cents
Net Assets Per Share	102.96 cents	91.07 cents	85.76 cents	75.68 cents
Percentage Return on Shareholders' Equity				
Profit Before Tax	12.64%	16.25%	16.21%	2.70%
Profit After Tax	10.34%	12.99%	12.75%	2.15%
Profit After Tax and Minority Interests	10.30%	13.00%	12.70%	2.19%

U OB-KAY HIAN SHARE PRICE

(From 2 January 2005 to 15 March 2006 – daily)



Last Close: S$1.22

High: S$1.23

Low: S$0.915

CHAIRMAN'S STATEMENT

In 2005, UOB Kay Hian continued to build our regional franchise and brand equity as a leading regional provider of stockbroking and equity market services.

We played significant roles in international share offerings for a number of high profile regional transactions. With such participation coupled with our lead roles in a number of major and successful share offerings of China based companies our prospective clients in Singapore and the region have become aware of UOB Kay Hian's global distribution ability. We are optimistic that we will secure larger and more lucrative listing mandates in the future.

2005 also saw the listing of our subsidiary UOB Kay Hian Thailand, a major step in our overall plan to regionalise our presence. Timely and accurate research calls from our Hong Kong office resulted in UOB Kay Hian being ranked amongst top ten research houses in Hong Kong by Starmine / South China Morning Post annual ranking. This has gained us very good traction with large institutional investors in United States, Europe and Asia. We have also received accolades in Singapore for our research accuracy in recent polls by Business Times.

The year has generally been a challenging one especially for our Singapore and Thai operations. The combination of unprecedented high oil prices and rising interest rates have hurt corporate earnings particularly in the transportation and manufacturing sectors. Policy changes in China to cool its domestic rate of economic activity coupled with a number of individual corporate scandals affected several SGX listed local and China based companies in 2005. The adverse effects reverberated across the market hurting sentiment and affected negatively our higher margin retail agency business. Higher trading volumes in Singapore brought about by lower margin institutional and proprietary trading business were insufficient to offset the decline in our retail agency business.

With this background, our 2005 profit after tax (excluding gain on dilution of interest in subsidiary) of SGD69,712,000 reflected a fall of some 18.3% over the previous year. Our overall commissions, loan facility and arranger fees fell 36.1% in 2005.

Despite the volatility in regional markets, the scale and efficiencies achieved from our acquisitions over the last few years have given us a more robust cost to revenue structure. In 2005, we have been able to provide good quality earnings reflected by a healthy return on equity ratio of 10.9% on the back of an operating margin of 28.2%. Our net asset value grew strongly by 11% to SGD732.7m of which SGD152.3m were represented by cash balances (net of borrowings) – underpinning our strong financial position.

Dividend

I am pleased to advise that our board of directors has recommended an increased dividend payout represented by final dividend less Singapore income tax of S$46.4m for the financial year ended December 2005. This will be presented for approval by shareholders at the Annual General Meeting on 27 April 2006. Total ordinary dividend, less Singapore income tax for the year, is S$49.3m compared with S$43.5m.

Current Year Prospects

We are encouraged by strong trading volumes and more optimistic investor sentiment seen early in the current financial year. Property price driven wealth effect and better job prospects in Singapore underpinned investor confidence.

We expect to also benefit from strong equity market deal flows, higher retail agency and institutional trading volumes during the current financial year.

However global conditions are still volatile and sentiments may turn down adversely affecting our business. We therefore maintain a cautiously confident outlook for our prospects in the 2006 financial year.

Acknowledgements

I would like to extend a note of appreciation and thanks to all staff and associates for their relentless efforts and contributions to the Group in 2005. I would also like to express my gratitude to all shareholders for their unflagging support given to us.

Wee Ee-chao
Chairman and Managing Director

2005 ECONOMIC AND STOCK MARKET REVIEW

SINGAPORE

Review of 2005

2005 was another year of healthy growth. The year started relatively weakly with GDP expanding by just 4.5% in 1H05. 2H05 growth picked up by a robust 8.1% on the back of a recovery in global electronics demand and the continuing strength in the US and China economies. For the full year, the economy expanded by a strong 6.4%.

The global electronics recovery in 2H05 helped to stoke the strong full-year manufacturing growth of 9.3%. Electronics output, which accounted for nearly 36% of value-add to manufacturing, rose by 8.7%. Additional support also came from pharmaceuticals and marine & offshore engineering.

Similarly, the services sector also gathered strength in 2H05, leading to full-year growth of 6.0%. Healthy tourist arrivals enabled growth in the hotels & restaurants segment to accelerate, while strong entrepot trade led wholesale & retail trade higher. Sustained expansion in transport & communications and financial & business services also helped drive service's growth.

Outlook for 2006

Economic growth is expected to slow down slightly in 2006 due to a possible moderation in US growth and the coming off of the electronics cycle. Further downside risks include higher interest rates and oil prices. However, continued strength in China's economy and the Japanese recovery should boost the Singapore economy.

Stock Market Outlook

Barring any major shock, we expect the stock market to maintain a positive momentum for much of 2006. The key drivers for equities remain the major fundamental growth themes for 2006: a) a recovery in high-end property, b) the initiative to spruce up Orchard Road and other tourist attractions, including developing integrated resorts, c) strong growth in the oil-related sectors, especially in the marine & offshore engineering segments, and d) strong growth in China and India, both of which could replace the US as major growth engines for the region. The risks to the market continue to be rising interest rates, the sustainability of US economic growth, geopolitical issues in Asia and the Middle East, and an avian flu outbreak.

MALAYSIA

Review of 2005

The economy grew by a healthy 5.3%, underpinned by both external and domestic conditions. Sustained global economic growth and the recovery in global electronics demand helped the economy rebound in 2H05 following a moderation in growth in 2Q.

The turnaround in global electronics demand in 2H05 and the still-healthy global environment boosted 4Q05 manufacturing growth, resulting in a full-year increase of 4.9%. Similarly, the improving job market helped keep private consumption spending buoyant for the most part of 2005.

Inflation spiked 3.0% after rising by only 1.4% in 2004. Rising inflationary pressures led to the benchmark overnight policy rate being raised by 30bp to 3.0% in end-Nov 05 after nearly two years of stability. Still, this hike in interest rate did not push the economy off its growth trajectory.

Outlook for 2006

The economy is set for further growth in 2006. Global growth, though set for a moderation, should remain healthy and underpin domestic manufacturing and export growth. In addition, strengthening commodity prices, especially for crude petroleum and palm oil, should also be a boon to domestic demand. More importantly, the Ninth Malaysia Plan should lead to an increase in government spending, particularly in infrastructure, and this should lead to a turnaround in the construction sector. While rising interest rates remain a downside risk, any further rate hikes by the central bank would be measured and remain conducive to growth.

2005 ECONOMIC AND STOCK MARKET REVIEW

continued

Stock Market Outlook

We expect the KLCI to trend up to 1,080 (15x PE) in 2006. Domestically, further Ringgit appreciation and higher corporate earnings growth are potential catalysts. High oil & gas prices and the renewed strength in crude palm oil prices will improve the resilience of the Malaysian economy, especially for domestic demand.

There is low downside risk for KLCI for several reasons:

a) domestic liquidity conditions remain excellent,

b) the market has underperformed regional markets in the last two years, and

c) low expectations due to depressed market sentiment.

Surprise upside may come from the Ninth Malaysian Plan given the looming UMNO and general elections in 2007 and 2008 respectively as government development spending tends to rise prior to elections. This could be a catalyst for the construction sector which has undergone a severe downcycle in the past nine years.

THAILAND

Review of 2005

The economy grew at its slowest pace in three years, expanding by a modest 4.4% yoy in 9M05. 2005 could have been a good year for the economy since the Asian financial crisis if not for the record high energy prices. This higher cost of oil injected a further 8ppt into import growth, swinging the trade balance from a Bt53b surplus in 2004 to a Bt340b deficit in 2005.

The removal of the 18-month diesel subsidy programme in Jul 05 by the government resulted in consumer confidence falling to a three-year low and inflation surging to a record 6.2% in Oct 05. This, together with the US monetary tightening campaign, resulted in the benchmark 14-day Repo rate rising by 200bp to 4%. This move by the Bank of Thailand was to rein in inflationary risks and to maintain a stable exchange rate against broader currencies.

Outlook for 2006

2006 should have been a year of cautious optimism for growth, driven fundamentally by investments. However, given the current political unrest, political decision-making and economic activities have been disrupted. Government plans to prime the pump of the economy (over Bt200b) via mega-investments in public transport infrastructure, low-cost housing and nationwide water systems seem likely to be delayed. On a positive note, consumption remains supportive of growth even though persistently high oil prices and the expected hike in interest rates could moderate expenditure. The trade deficit situation is likely to improve as the lifting of diesel subsidies should cut back oil consumption and correct any trade imbalances. The economy is thus likely to expand significantly below our forecast of 5% in 2006, unless the political crisis is resolved soon.

Stock Market Outlook

Given these headwinds, it is no surprise that the stockmarket was limited to a modest 6% advance, much of which was owed to the Energy sector, on earnings growth of 12% overall, but just 1% ex-Energy. Apart from energy prices and interest rates, political factors also weighed as both EGAT's (Electricity Generating Authority of Thailand) and Thai Beverage's planned IPOs were delayed due to objections, while opposition to the government took to the streets with a series of weekend rallies. SET trading volumes fell 25% and investment banking activity fell sharply. The outlook for 2006, however, brightened in 4Q05 as the Baht strengthened, inflation peaked, and both business and consumer confidence improved. The SET bottomed out in July and added 13% by year-end.

There is cause for cautious optimism going into 2006 despite a still-subdued economic outlook. Energy prices remain very high and the interest rate cycle will probably not peak till 2Q. However, at current levels, the SET looks to have absorbed the bad news and is looking attractive to foreign investors. Politics remain the principal cause for concern, with a challenge to the current Administration looking increasingly likely, but we are encouraged by what appears to be a basically pro-business, pro-investment consensus across the political spectrum, despite differences over details. Listed company balance sheets are generally in excellent shape and the consumer will be supported by an increasingly tight labour market. The odds are improving that the Thai market will therefore soon unwind some of its underperformance of the past two years.

HONG KONG

Review of 2005

Supported by strong economic activities in the Chinese hintherland, Hong Kong achieved 7.3% growth in 2005. There was hardly any inflationary pressure and the job market was buoyant.

Demand from China drove exports up by 11.2%. Private consumption was firm as the employment situation improved. Investment slowed to 3.9% from 4.1% in 2004 as construction activities weakened.

The government achieved a HK$5.8b surplus in the operating account for the first time after eight consecutive years of deficit. This favourable budgetary position led to a salaries tax cut for taxpayers in the low- to middle-income brackets and an extension in the length of salaries tax deduction on mortgage interest, both of which should favour private consumption.

Outlook for 2006

Economic growth should return to a more sustainable pace in 2006. The implementation of the three phases of Closer Economic Partnership Arrangement between China and Hong Kong and the still supportive but moderating external demand should continue to lend support to Hong Kong's economic growth. Domestic consumption growth will be underpinned by further improvement in the labour market.

Stock Market Outlook

We remain bullish on the equity market in 2006. First, a higher local inflation rate will help support local property stocks. Second, there will still be a strong flow of funds into the Hong Kong and China markets given the robust economic outlook for China and the continued speculation about further Rmb revaluation. Third, in a bid to take pressure off the Rmb and reform the financial industry, China will let more domestic funds invest in overseas markets. Hong Kong is expected to be their first stop and large-cap blue chips and China H-share companies will be their likely targets. Lastly, Hong Kong stocks are not expensive on a valuation basis. The major risks to our bullish view are an abrupt slowdown in the US economy and an avian flu outbreak.

INDONESIA

Review of 2005

The economy performed remarkably well in 2005, with real GDP expanding by 5.6% despite rising inflation and interest rates. The growth was underpinned by healthy global demand for exports, government spending and investment.

Net exports, which contracted for most of 2005 on the back of higher oil prices, surged 23.3% in 4Q as oil imports slowed following the fuel price adjustments in October. This resulted in full-year net export expansion of 11.9%. Strong government spending in 2H05, especially the 30% rise in government consumption in 4Q, boosted overall growth. Even though investment moderated sharply in 4Q, full-year investment remained healthy.

Inflation, which had been relatively moderate for most of 2005, surged 17.8% in 4Q. This jump in prices was the result of a spike in fuel prices as some government subsidies were removed. Interest rates had been raised four times since August to 12.75% to meet the challenges of rising inflation and a weakening currency. Rising inflation and interest rates did not dampen economic growth.

2005 ECONOMIC AND STOCK MARKET REVIEW

continued

Outlook for 2006

Economic growth should moderate in 2006, with 1H growth hampered by higher interest rates and rising inflation. By 2H, both interest rates and inflation are expected to ease, thus providing further impetus for stronger growth. Moreover, the continuing strength in Southeast Asian economies, Japan and China should provide support to the Indonesian economy.

Stock Market Outlook

We remain optimistic that the Indonesian capital market will continue to perform well against its peers in the region as its valuation appears relatively attractive. While high interest rates and inflation may dampen market sentiment in 1Q06, the economy and business environment are expected to improve by 2H06.

Despite the initial skepticism it faced, the government of President Susilo Bambang Yudhoyono has demonstrated its determination to combat terrorism and reduce corruption by prosecuting several senior officials in state-owned banks. This boosted foreign investor confidence, as seen from several high-profile acquisitions of listed companies by foreign investors, such as H.M. Sampoerna by Philip Morris, Lippo Bank by Khazanah, Bank NISP by OCBC, Bank Buana by UOB and Excelcomindo by Telekom Malaysia.

CHINA

Review of 2005

2005 was another good year for China. Real GDP grew 9.9% after the 10.1% in 2004. Consumer price inflation remained subdued at 1.8%.

Export expanded strongly by 28.4% despite the Rmb revaluation. The robust growth was largely underpinned by strong global demand. The solid growth and a deceleration in imports (2005: 17.7% vs 2004: 35.8%) resulted in a trade surplus of US$102.1b, which was triple that of 2004. Consequently, foreign reserve surged to US$818.9b, providing ample liquidity for the domestic market.

Investment decelerated slightly to 25.7% from 26.8% in 2004 on the government's attempts to cool investment in overheated industries such as real estate and steel. Domestic consumption held up well, with retail sales chalking up growth of 12.9% on the back of rising household incomes.

Outlook for 2006

We forecast growth of 9.4%, fuelled by external and domestic demand. New government initiatives aimed at encouraging domestic consumption to curb excessive reliance on external demand, together with a stable investment policy, should spur growth. Further revaluation of the Rmb remains a possibility given the surge in foreign reserve and pressure from China's major trading partners, though the magnitude of change and its impact should be limited. Inflation of 2% is expected, which should keep interest rate stable despite the prospects of further US Federal Fund rate hikes.

Stock Market Outlook

With both the US and the Eurozone facing an economic slowdown, funds flowing into emerging markets are likely to stay strong in 2006. China equities, in particular, will remain a preferred asset class given their strong economic outlook, benign inflation, accommodating monetary policy, solid corporate earnings growth and upward pressure on the Rmb. The steady pace of financial reforms is also worth mentioning as the risk premium required for China equities will continue to decline, creating a favourable environment for equities investors. Thus, investors should stay overweight on China equities. At the sector level, we believe that consumer and financial stocks will benefit the most from the government's aggressive measures to boost private consumption.

CORPORATE GOVERNANCE REPORT

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

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

Guidelines

Board of Directors

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 various Board and Committee Meetings in the year 2005. 1.1 & 11.7

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

* By invitation of the Audit Committee.

CORPORATE GOVERNANCE REPORT

continued

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

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

- quarterly 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 $93,190 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

12.1 & 12.2

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.

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, contribute a further independent perspective on certain aspects of the internal financial control system arising from their work and annually report their findings to the AC. 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 whether 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 2005 is:- 9.1 & 9.2

Name	Band	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)
Wee Ee-chao	$4million to $4.25million	–	8.75	91.25	–
Tang Wee Loke	$4million to $4.25million	–	7.89	92.11	–
Neo Chin Sang	$250,000 to $499,999	–	63.27	36.73	–
Walter Tung	Below $250,000	100	–	–	–
Samuel Poon	Below $250,000	100	–	–	–
Dr. Henry Tay	Below $250,000	100	–	–	–
Chelva Retnam Rajah	Below $250,000	100	–	–	–
Roland Knecht	Below $250,000	100	–	–	–

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

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

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

Nominating Committee ('NC')

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

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

There is a process for the NC to evaluate the performance of the Board. 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

10.1, P14 & 15

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.

To maintain transparency, the Company makes timely disclosures to the public via SGXNET system and postings on the Company's website.

Dealings in Securities

The Group has adopted an internal code which is in accordance 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

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

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

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

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 52, 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 25 years. In August 2000 when UOB-Kay Hian Holdings Limited was incorporated with the merger of Kay Hian Holdings Ltd and UOB Securities Pte Ltd, Mr. Wee was appointed Chairman of UOB-Kay Hian Holdings Limited.

Besides his stockbroking involvement in UOB Kay Hian, Mr. Wee is also involved in real estate development and investment in the region. Mr. Wee was appointed as a non-executive director of Haw Par Limited on 8 July 2003.

Mr. Tang Wee Loke 58, 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 served on the SGX board as independent director since 19 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 58, was the Chief Executive Officer of UOB Securities Pte Ltd (UOBS). He joined the UOB Banking Group and was its subsidiary, Industrial & Commercial Bank Limited Group's (ICB) Company Secretary and Group Accountant in 1982. He was later seconded from ICB to head the UOB Banking Group's stockbroking arm, UOBS. He served as the Chief Executive Officer of UOBS between 1992 and 2000. In August 2000, when UOB-Kay Hian Holdings Limited was incorporated, Mr. Neo was appointed as an Executive Director of the Company.

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

Dr. Henry Tay Yun Chwan 61. Dr. Tay graduated with a MBBS (Honours)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 57, 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.

PROFILE OF DIRECTORS & KEY MANAGEMENT PERSONNEL

continued

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. Walter Tung 57, 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 56, 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, Group Head, Credit.

Mr. Roland Knecht 55, 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, Clariden Trust (Singapore) Ltd and Clariden Trust Management Ltd.

Key management personnel of the Group

SINGAPORE

Mr. Esmond Choo Liong Gee 49, 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 66, 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 64, 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 25 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 50, 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.

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

Mr. Lim Seng Bee 40, was appointed as Executive Director of UOB Kay Hian Private Limited in June 2005. In addition to his role as Managing Director of UOB Kay Hian (Hong Kong) Ltd, he is also involved in general management of the Singapore 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.

HONG KONG

Mr. Lim Seng Bee 40, 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. He was appointed as Executive Director of UOB Kay Hian Private Limited in June 2005.

Mr. Tang Kay Hwa 47, holds a Bachelor of Business Administration (Finance) degree. He was appointed the Deputy Managing Director of UOB Kay Hian (Hong Kong) Limited in 2002. He is in charge of the Hong Kong operation, reporting to Mr. Lim Seng Bee. He has more than 20 years of experience in the stock-broking industry in Hong Kong and Singapore since 1983 and has worked with Sun Hung Kai Investment Services Ltd and OUB Securities (HK) Ltd.

THAILAND

Mr. Loh Poh Weng 64, holds a Master of Business Administration degree. He joined UOB Kay Hian Securities (Thailand) Public Company 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 43, 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) Public Company Limited as a Managing Director of Retail Sales in 2003 and Co-Chief Executive Officer in 2004. His responsible closely involves in the management and growth of the company particularly on the operations of retails sales business, retail research and business development. 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 2005 and the balance sheet of the Company at 31 December 2005.

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 or debentures 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 31.12.2005	At 1.1.2005	At 31.12.2005	At 1.1.2005
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	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 2006 were the same as at 31 December 2005.

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, 10 March 2006

STATEMENT BY DIRECTORS

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 2005 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, 10 March 2006

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 2005, 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 2005, 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, 10 March 2006

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2005

	Notes	The Group 2005 $	2004 $
Revenue	5	**296,890,833**	310,554,710
Foreign exchange gain		**5,186,294**	1,962,440
Gain on dilution of interest in subsidiary		**6,023,807**	–
Commission expenses		**(64,477,799)**	(65,984,598)
Personnel expenses	6	**(98,115,199)**	(93,575,784)
Finance expense	7	**(3,967,310)**	(1,740,145)
Other operating expenses	8	**(51,736,532)**	(53,106,594)
Profit from operations		**89,804,094**	98,110,029
Share of results of associated companies after tax		**2,811,897**	8,619,665
Profit before tax		**92,615,991**	106,729,694
Income tax expense	9	**(16,879,712)**	(21,395,392)
Profit after tax		**75,736,279**	85,334,302
Attributable to:			
Equity holders of the Company		**75,448,053**	85,386,265
Minority interests		**288,226**	(51,963)
		75,736,279	85,334,302
Earnings per share – basic and diluted (cents)	10	**10.41**	11.78

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

BALANCE SHEETS

As at 31 December 2005

	Notes	The Group 2005 $	The Group 2004 $	The Company 2005 $	The Company 2004 $
ASSETS					
Current assets					
Cash and cash equivalents	11	**224,142,201**	280,326,915	**51,720,594**	52,614,697
Outstanding contracts receivable	12(a)	**647,330,871**	449,947,159	**–**	–
Trade receivables	13	**561,279,537**	402,107,756	**–**	–
Financial assets at fair value through profit or loss	14(a)	**2,321,243**	12,955,525	**–**	–
Other current assets	15	**13,671,273**	16,230,602	**64,026,172**	35,001,848
Derivative financial instruments	31	**477**	–	**–**	–
		1,448,745,602	1,161,567,957	**115,746,766**	87,616,545
Non-current assets					
Loans to subsidiaries	16	**–**	–	**32,460,824**	32,027,700
Investments					
– in subsidiaries	17	**–**	–	**266,997,855**	315,124,224
– in associated companies	18	**37,916,698**	39,252,013	**–**	–
Available-for-sale financial assets	19	**29,661,819**	4,348,284	**–**	–
Trading rights in Exchanges	20	**115,372**	111,938	**–**	–
Memberships in Exchanges		**26,118**	118,633	**–**	–
Property, plant and equipment	21	**6,315,000**	9,332,498	**–**	–
Deferred income tax assets	24	**35,029**	1,438,028	**–**	–
		74,070,036	54,601,394	**299,458,679**	347,151,924
Total assets		**1,522,815,638**	1,216,169,351	**415,205,445**	434,768,469
LIABILITIES					
Current liabilities					
Outstanding contracts payable	12(b)	**629,808,507**	398,990,051	**–**	–
Trade and other payables	22	**48,368,389**	70,005,091	**21,612,799**	4,696,466
Financial liabilities at fair value through profit or loss	14(b)	**27,858**	9,590,854	**–**	–
Borrowings	23	**71,775,706**	52,965,569	**–**	–
Current income tax liabilities		**25,659,321**	24,596,573	**280,877**	146,371
Derivative financial instruments	31	**214,420**	–	**–**	–
		775,854,201	556,148,138	**21,893,676**	4,842,837
Non-current liabilities					
Deferred income tax liabilities	24	**798,717**	–	**–**	–
		798,717	–	**–**	–
Total liabilities		**776,652,918**	556,148,138	**21,893,676**	4,842,837
Net assets		**746,162,720**	660,021,213	**393,311,769**	429,925,632
SHAREHOLDERS' EQUITY					
Share capital	25	**72,470,901**	72,470,901	**72,470,901**	72,470,901
Reserves	26	**247,244,629**	252,028,490	**154,205,891**	202,332,260
Retained earnings		**412,960,767**	332,284,308	**166,634,977**	155,122,471
		732,676,297	656,783,699	**393,311,769**	429,925,632
Minority interests		**13,486,423**	3,237,514	**–**	–
Total equity		**746,162,720**	660,021,213	**393,311,769**	429,925,632
Clients' trust/segregated accounts					
Bank balances					
– with affiliated corporations		**71,317,956**	79,098,913	**–**	–
– with non-related banks		**211,175,787**	199,513,623	**–**	–
Margin with clearing house		**5,857,733**	14,028,626	**–**	–
Less: Amounts held in trust		**(288,351,476)**	(292,641,162)	**–**	–
		–	–	**–**	–

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 2005

	Notes	Share capital $	Capital reserve $	Capital reserve on consolidation $
Balance at 1 January 2005				
– As previously reported		**72,470,901**	**202,332,260**	**53,897,711**
– Effect of changes in accounting policies adjusted prospectively	3.3	–	–	–
– As restated		72,470,901	202,332,260	53,897,711
Fair value gains on available-for-sale financial assets	19	–	–	–
Currency translation differences		–	–	–
Net gain recognised directly in equity		–	–	–
Net profit for the financial year		–	–	–
Total recognised gains for the financial year		–	–	–
Net transfer to retained profits and adjustment to capital reserve on consolidation for dividend received from subsidiaries distributed out of its pre-acquisition profits	26(b), (c)	–	(48,126,369)	17,372,857
Final dividend for 2004 paid	27	–	–	–
Interim dividend for 2005 paid	27	–	–	–
Dilution of interest in subsidiary		–	–	–
Transfer from retained earnings to statutory reserves	26(e)	–	–	–
Redemption of shares by a subsidiary		–	–	–
Balance at 31 December 2005		**72,470,901**	**154,205,891**	**71,270,568**

	Notes	Share capital $	Capital reserve $	Capital reserve on consolidation $
Balance at 1 January 2004		**72,470,901**	**202,332,260**	**53,897,711**
Currency translation differences		–	–	–
Net profit/(loss) for the financial year		–	–	–
Total recognised gains and losses for the financial year		–	–	–
Final dividend for 2003 paid	27	–	–	–
Interim dividend for 2004 paid	27	–	–	–
Redemption of shares by a subsidiary		–	–	–
Balance at 31 December 2004		**72,470,901**	**202,332,260**	**53,897,711**

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

Statutory reserve $	Fair value reserve $	Foreign currency translation reserve $	Retained earnings $	Minority interests $	Total $
–	**–**	**(4,201,481)**	**332,284,308**	**3,237,514**	**660,021,213**
–	14,070,473	–	18,788,082	–	32,858,555
–	14,070,473	(4,201,481)	351,072,390	3,237,514	692,879,768
–	11,198,613	–	–	–	11,198,613
–	–	101,528	–	(208,606)	(107,078)
–	11,198,613	101,528	–	(208,606)	11,091,535
–	–	–	75,448,053	288,226	75,736,279
–	**11,198,613**	**101,528**	**75,448,053**	**79,620**	**86,827,814**
–	–	–	30,753,512	–	–
–	–	–	(40,583,705)	–	(40,583,705)
–	–	–	(2,898,836)	–	(2,898,836)
(190,883)	(41,333)	606	–	12,886,437	12,654,827
830,647	–	–	(830,647)	–	–
–	–	–	–	(2,717,148)	(2,717,148)
639,764	**25,227,753**	**(4,099,347)**	**412,960,767**	**13,486,423**	**746,162,720**

Foreign currency translation reserve $	Retained earnings $	Minority interests $	Total $
(813,308)	**287,481,748**	**6,119,528**	**621,488,840**
(3,388,173)	–	(47,229)	(3,435,402)
–	85,386,265	(51,963)	85,334,302
(3,388,173)	**85,386,265**	**(99,192)**	**81,898,900**
–	(37,684,869)	–	(37,684,869)
–	(2,898,836)	–	(2,898,836)
–	–	(2,782,822)	(2,782,822)
(4,201,481)	**332,284,308**	**3,237,514**	**660,021,213**

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2005

	Notes	2005 $	2004 $
Cash flows from operating activities			
Profit before tax and after share of results of associated companies		**92,615,991**	106,729,694
Adjustments for:			
Share of results of associated companies		**(2,811,897)**	(8,619,665)
Depreciation and amortisation expenses	8	**7,794,575**	7,253,082
Gain on dilution of interest in subsidiary		**(6,023,807)**	–
Loss on disposal of fixed assets		**18,639**	136,342
Gross dividend income from quoted securities	5	**(3,071,620)**	(2,300,396)
Interest income	5	**(28,870,752)**	(20,498,401)
Interest expense	7	**3,967,310**	1,740,145
Exchange differences		**(47,985)**	(2,677,474)
Operating cash flow before working capital changes		**63,570,454**	81,763,327
Changes in operating assets and liabilities:			
Financial assets/liabilities at fair value through profit or loss		**1,072,178**	4,376,605
Debtors and outstanding contracts receivable		**(337,297,883)**	344,959,235
Due (to)/from associated companies	22	**(73,189)**	377,589
Creditors and outstanding contracts payable		**209,469,363**	(380,313,215)
Cash (used in)/generated from operations		**(63,259,077)**	51,163,541
Interest received	5	**28,870,752**	20,516,807
Interest paid	7	**(3,967,310)**	(1,740,145)
Drawdown of short-term bank loans		**16,737,050**	20,365,750
Income tax paid		**(15,878,101)**	(18,901,939)
Net cash (used in)/provided by from operating activities		**(37,496,686)**	71,404,014

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

	Notes	2005 $	2004 $
Cash flows from investing activities			
Payments for fixed assets	21	**(1,964,211)**	(3,009,560)
Proceeds from disposal of fixed assets		**21,047**	63,949
Contributions by minority interests		**18,470,452**	–
Payment to minority interest for redemption of shares by a subsidiary		**(2,717,148)**	(2,782,822)
Dividends received from quoted securities		**3,071,620**	2,300,396
Dividend received from associated companies		**5,839,666**	20,205,262
Net cash provided by investing activities		**22,721,426**	16,777,225
Cash flows from financing activities			
Dividends paid		**(43,482,541)**	(40,583,705)
Net cash used in financing activities		**(43,482,541)**	(40,583,705)
Net (decrease)/increase in cash and cash equivalents during the financial year		**(58,257,801)**	47,597,534
Cash and cash equivalents at beginning of the financial year		**278,422,096**	230,824,562
Cash and cash equivalents at end of the financial year	11	**220,164,295**	278,422,096

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 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

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention as modified to include financial assets held as part of the trading portfolio at valuation, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting 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. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 4.

In 2005, the Group and the Company adopted the new or revised FRS and Interpretations to FRS (INT FRS) that are applicable in the current financial year. The 2005 financial statements have been amended as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The following are the FRS and INT FRS that are relevant to the Group:

FRS 1 (revised 2004) Presentation of Financial Statements

FRS 8 (revised 2004) Accounting Policies, Changes in Accounting Estimates and Errors

FRS 10 (revised 2004) Events after the Balance Sheet Date

FRS 16 (revised 2004) Property, Plant and Equipment

FRS 17 (revised 2004) Leases

FRS 21 (revised 2004) The Effects of Changes in Foreign Exchange Rates

FRS 24 (revised 2004) Related Party Disclosures

FRS 27 (revised 2004) Consolidated and Separate Financial Statements

FRS 28 (revised 2004) Investments in Associates

FRS 32 (revised 2004) Financial Instruments : Disclosure and Presentation

FRS 33 (revised 2004) Earnings per share

FRS 36 (revised 2004) Impairment of Assets

FRS 38 (revised 2004) Intangible Assets

FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement

FRS 105 Non-current Assets Held for Sale and Discontinued Operations

The adoption of the above FRS did not result in substantial changes to the Group's accounting policies except as disclosed in Note 3.

2.2 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. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument.

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.

2.3 Group accounting

(a) *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.

2. Significant accounting policies *(continued)*

2.3 Group accounting *(continued)*

(a) Subsidiaries (continued)

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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Please refer to Note 2.6 for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. 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 the transaction provides evidence of an impairment of the asset transferred. 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 Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, 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 attributed to the equity holders of the Company, 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 attributed to the equity holders of the Company until the minority's share of losses previously absorbed by the equity holders of the Company has been recovered.

Please refer to note 2.7 for the Company's accounting policy on investments in subsidiaries.

(b) 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 recording investments in associated companies initially at cost, and recognising the Group's share of the associated companies' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Please refer to Note 2.7 for the Company's accounting policy on investments in associated companies.

(c) Transaction costs

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

2.4 Property, plant and equipment

(a) Measurement

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (Note 2.6).

(b) Depreciation

Depreciation is calculated using the straight line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

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

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.

2. Significant accounting policies *(continued)*

2.4 Property, plant and equipment *(continued)*

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

2.5 Intangible assets

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

(a) *Acquisitions pre 1 January 2001*

Goodwill on acquisitions was adjusted against shareholders' equity in the year of acquisition.

The Group also had acquisitions where the costs of acquisitions were less than fair value of the identifiable net assets acquired. Such differences ("negative goodwill") were adjusted against shareholders' equity in the year of acquisition.

On disposal of the subsidiaries and associated companies, such goodwill and negative goodwill previously adjusted against shareholders' equity are not recognised in the income statement.

(b) *Acquisitions post 1 January 2001*

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associated companies is included in investments in associated companies.

Goodwill for acquisitions post 1 January 2005 is determined after deducting the Group's share of their identifiable net assets and contingent liabilities.

From 1 January 2005, goodwill recognised as intangible assets is tested at least annually for impairment and carried at cost less accumulated impairment losses (Note 2.6).

Gains and losses on the disposal of the subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold.

2.6 Impairment of assets

(a) *Goodwill*

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units (CGU) expected to benefit from synergies of the business combination.

An impairment loss is recognised in the income statement when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value in use.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill is not reversed in the subsequent period.

(b) *Trading rights in Exchanges*

Property, plant and equipment

Investments in subsidiaries and associated companies

Trading rights in Exchanges, property, plant and equipment and investments in subsidiaries and associated companies are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs to.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

2. Significant accounting policies *(continued)*

2.6 Impairment of assets *(continued)*

(b) Trading rights in Exchanges
Property, plant and equipment
Investments in subsidiaries and associated companies (continued)

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2.7 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are stated at cost less accumulated impairment losses (Note 2.6) in the Company's balance sheet. On disposal of investments in subsidiaries and associated companies, the difference between net disposal proceeds and the carrying amount of the investment is taken to the income statement.

2.8 Investments in financial assets

(a) Classification

The Group classifies its investments in financial assets in the following categories: financial assets at fair value through profit or loss, trade loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category and classified as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the balance sheet date. These are classified as non-current assets. Loan and receivables are included in trade and other receivables on the balance sheet (Note 2.13).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

(d) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" investment category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in the fair value reserve within equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments in the fair value reserve within equity are included in the income statement.

(e) Determination of fair value

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

2. Significant accounting policies *(continued)*

2.8 Investments in financial assets *(continued)*

(f) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from the fair value reserve within equity and recognised in the income statement. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement, until the equity investments are disposed of.

2.9 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.

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.

2.10 Trading rights in Exchanges

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 (note 2.6(b)).

2.11 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.

2.12 Outstanding contracts

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

2.13 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the debts. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

2.14 Trade payables

Trade payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

2.15 Fair value estimation

The fair value of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. The fair value of the unquoted equity securities is estimated by reference to the net asset value of this company as at balance sheet date. The net asset value of the non-listed company approximates its fair value as it comprises mainly financial assets through profit or loss and monetary assets. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying amount of current receivables and payables are assumed to approximate their fair values.

2.16 Leases

Operating leases

Leases of assets 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.

2.17 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. Significant accounting policies *(continued)*

2.17 Deferred income taxes *(continued)*

Deferred income 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Employee benefits

(a) *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 services 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.

(b) *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.

2.19 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Singapore Dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for currency translation differences on net investment in foreign entities and borrowings.

Currency translation differences on non-monetary items, such as equity investments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Currency translation differences on non-monetary items, such as equity investments classified as available-for-sale financial assets, are included in the fair value reserve within equity.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

2.20 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.

2.21 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with financial institutions and bank overdrafts. Bank overdrafts are included in borrowings on the balance sheet.

2.22 Dividend

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.23 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds.

3. Effects on financial statements on adoption of new or revised FRS

The effects on adoption of the following FRS in 2005 are set out below:

3.1 FRS 16 (revised 2004) *Property, Plant and Equipment*

Depreciable amount

Previously, in accordance with the requirements of FRS 16 (now superceded by FRS 16 (revised 2004)), residual values were estimated only at the date of acquisition and not subsequently increased for changes in price.

The Group has re-measured the residual value of its plant and equipment on 1 January 2005 in accordance with the requirements of FRS 16 (revised 2004) which requires the re-measurement of the residual value of an item of plant and equipment at least at each financial year end (Note 2.4). This change did not materially affect the financial statements for the year ended 31 December 2005.

3.2 FRS 27 (revised 2004) *Consolidated and Separate Financial Statements*

Previously, there was no requirement for the presentation of minority interests within equity. FRS 27 (revised 2004) requires minority interests to be presented with equity of the Group retrospectively.

3.3 FRS 39 (revised 2004) *Financial Instruments: Recognition and Measurement*

(a) Classification and consequential accounting for financial assets and financial liabilities

(i) Previously, the Group's equity investments which were intended for sale in the short term were stated at the lower of cost and market value, determined on individual security basis, with changes in market value included in the income statement. In accordance with FRS 39 (revised 2004), these investments are now classified in the "financial assets at fair value through profit and loss" category and are initially recognised at fair value and subsequently re-measured to fair value at the balance sheet date with all gains and losses recognised in income statement in the period in which the change in fair value arises (Note 2.8).

This change was effected prospectively from 1 January 2005 and consequently affected the following balance sheet items as at 1 January 2005.

	The Group $
Increase / (decrease) in:	
Financial assets at fair value through profit and loss	619,964
Retained earnings	619,964

The effects on the balance sheets as at 31 December 2005 and income statements for the year ended 31 December 2005 are set out in Note 3.4.

(ii) Under FRS 39 (revised 2004), the investments in equity interests of other companies are classified as "available-for-sale financial assets" and are initially recognised at fair value and subsequently measured at fair values at the balance sheet date with all gains and losses other than impairment loss taken to equity. Impairment losses are taken to the income statement in the period it arises. On disposal, gains and losses previously taken to equity are included in the income statement (Note 2.8(c), (d) and (f)).

This change was effected prospectively from 1 January 2005 and consequently affected the following balance sheet items as at 1 January 2005.

	The Group $
Increase / (decrease) in:	
Available-for-sale financial assets	
– Non-current assets	14,070,473
Fair value reserve	14,070,473

The effects on the balance sheets as at 31 December 2005 and income statements for the year ended 31 December 2005 are set out in Note 3.4.

(b) Impairment and uncollectibility of financial assets

Previously, the Group maintained a general provision against its trade and other receivables for risks that were not specifically identified to any customer. On adoption of FRS 39 (revised 2004), the Group is now required to assess at each balance sheet date if there is any objective evidence that a financial asset or group of financial assets is impaired (Note 2.8). Impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables (Note 2.13).

3. Effects on financial statements on adoption of new or revised FRS *(continued)*

3.3 FRS 39 (revised 2004) *Financial Instruments: Recognition and Measurement (continued)*

(b) Impairment and uncollectibility of financial assets *(continued)*

This change was effected prospectively from 1 January 2005 and consequently affected the following balance sheet items as at 1 January 2005:

	The Group $
Increase / (decrease) in:	
Trade receivables	18,961,698
Investment in associated companies	1,500,000
Deferred tax assets	(2,248,000)
Retained earnings	18,213,698

(c) Fair values of financial assets and liabilities

Previously, the Group used the last transacted prices of quoted financial assets or liabilities as the market values. Fair values unquoted financial assets and liabilities were measured based on last transacted prices of recent arm's length transactions.

Fair values estimation is now carried out in accordance with the guidance set out in FRS 39 (revised 2004) (note 2.15).

This change did not materially affect the financial statements for the year ended 31 December 2005.

(d) Accounting for derivative financial instruments and hedging activities

The Group enters into forward currency exchange contracts and currency options to manage its exposure to currency risks arising from non-functional currency denominated receivables and payables. Previously, the notional principal amounts of the forward currency exchange contracts were recorded as off-balance sheet items. The contracted rates of the forward currency exchange contracts were used to translate the foreign currency monetary assets and liabilities. The fair values of the forward foreign exchange contracts were not separately recognised in the financial statements.

In accordance with FRS 39 (revised 2004), these forward currency exchange contracts does not qualify for fair value hedge accounting and consequently, the changes in fair values of these are included in the income statement in the period it arise.

	The Group $	The Company $
Increase in:		
Derivative financial instruments (Note 31)		
– current assets	493,288	462,568
– current liabilities	538,868	517,691
Decrease in:		
Retained earnings	(45,580)	(55,123)

3.4 Summary of effects on adoption of new or revised FRS on:

(a) Consolidated balance sheet as at 31 December 2005

Description of change	Increase
Fair value reserve	25,227,753
Retained earnings	18,788,082
Available-for-sale financial assets (non-current)	25,227,753
Investment in associated companies	1,500,000
Deferred tax assets	(2,248,000)
Trade receivables	19,536,082
Financial assets at fair value through profit or loss	42,666
Financial liabilities at fair value through profit or loss	547

(b) Consolidated income statement for the year ended 31 December 2005

Description of change	Increase
Fair value gains of financial assets / liabilities	42,119
Profit after tax attributable to members of the company	42,119
Basis and diluted earnings per share	0.01 cents

4. Critical accounting estimates and judgement

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

5 Revenue

	The Group	
	2005	2004
	$	$
Commission income	**254,674,353**	273,894,131
Interest income		
– fixed deposits with affiliated corporations	**1,816,101**	909,420
– fixed deposits with non-related banks	**3,951,406**	393,153
– clients	**22,008,552**	18,476,443
– others	**1,094,693**	719,385
	28,870,752	20,498,401
Gross dividend from quoted securities	**3,071,620**	2,300,396
Facility, shares withdrawal and arrangement fees	**5,917,115**	9,266,908
Other operating revenue	**4,356,993**	4,594,874
	296,890,833	310,554,710

6. Personnel expenses

	The Group	
	2005	2004
	$	$
Wages, salaries and other staff costs	**94,225,579**	89,959,106
Employer's contribution to defined contribution plans including CPF	**3,889,620**	3,616,678
	98,115,199	93,575,784

7. Finance expense

	The Group	
	2005	2004
	$	$
Interest expense:		
– bank borrowings from affiliated corporations	**400,576**	455,625
– borrowings from non-related banks	**2,052,410**	983,960
– others	**1,514,324**	300,560
	3,967,310	1,740,145

8. Other operating expenses

	The Group 2005 $	The Group 2004 $
Auditors' remuneration paid / payable to		
– Auditors of the Company	**158,500**	142,750
– Other auditors (include other PricewaterhouseCoopers firms outside Singapore)	**235,995**	204,536
Other fees paid / payable to		
– Auditors of the Company	**56,029**	122,282
– Other auditors (include other PricewaterhouseCoopers firms outside Singapore)	**39,729**	40,233
Net fair value (gains) / losses on financial assets at fair value through profit or loss	**(42,119)**	113,735
Rental expenses – operating leases	**9,515,040**	8,772,369
Management fees	**20,277**	481,641
Marketing and business promotions	**5,257,394**	2,501,035
Communication expenses	**8,375,276**	8,810,760
Contract processing charges	**2,896,562**	3,252,383
Information services	**7,477,162**	9,442,774
Depreciation and amortization expenses	**7,794,575**	7,253,082
Loss on disposal of fixed assets	**18,639**	136,342
General administrative expenses	**9,933,473**	11,832,672
	51,736,532	53,106,594

9. Tax

Income tax expense

	The Group 2005 $	The Group 2004 $
Tax expense attributable to profit is made up of:		
Current income tax		
– Singapore	**11,731,929**	15,280,307
– Foreign	**5,260,519**	6,129,311
	16,992,448	21,409,618
Deferred tax	**(51,011)**	145,942
	16,941,437	21,555,560
Over provision in prior years		
– current income tax	**(61,725)**	(160,168)
	16,879,712	21,395,392

9. 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	
	2005	**2004**
	$	**$**
Profit from operations	**89,804,094**	98,110,029
Tax expense at statutory rate of 20% (2004: 20%)	**17,960,819**	19,622,006
Effects of:		
– Singapore statutory stepped income exemption and tax rebate	**(77,738)**	(55,410)
– Concessionary tax	**(1,215,478)**	(1,097,893)
– Income not subject to tax	**(4,656,709)**	(1,861,084)
– Expenses not deductible for tax purposes	**2,980,909**	4,241,560
– Utilisation of previously unrecognised tax losses	**–**	(828,839)
– Tax benefit on tax losses and other temporary differences not recognised	**136,427**	462,901
– Different tax rates in other countries	**1,813,207**	1,072,319
	16,941,437	21,555,560

10. 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	
	2005	**2004**
Net profit attributable to members of UOB-Kay Hian Holdings Limited ($)	**75,448,053**	85,386,265
Number of ordinary shares in issue for basic and diluted earnings per share	**724,709,009**	724,709,009
Basic and diluted earnings per share	**10.41 cents**	11.78 cents

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

11. Cash and cash equivalents

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Bank balances with:				
– affiliated corporations	**8,115,244**	13,958,299	**127,453**	71,822
– non-related banks	**58,591,347**	61,851,244	**–**	–
Cash on hand	**13,528**	16,708	**–**	–
	66,720,119	75,826,251	**127,453**	71,822
Fixed deposits with:				
– affiliated corporations	**107,649,353**	170,134,902	**51,593,141**	52,542,875
– non-related banks	**49,772,729**	34,365,762	–	–
	157,422,082	204,500,664	**51,593,141**	52,542,875
	224,142,201	280,326,915	**51,720,594**	52,614,697

11. Cash and cash equivalents *(continued)*

The carrying amounts of cash and cash equivalents approximate their fair values.

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Singapore dollar	**112,072,795**	189,941,295	**50,778,393**	52,614,697
United States dollar	**41,937,781**	45,099,146	**942,201**	–
Malaysian ringgit	**15,214,434**	25,572,180	**–**	–
Hong Kong dollar	**15,129,586**	3,450,702	**–**	–
Thailand baht	**26,417,555**	5,215,427	**–**	–
Indonesian Rupiah	**5,005,033**	4,054,259	**–**	–
Others	**8,365,017**	6,993,906	**–**	–
	224,142,201	280,326,915	**51,720,594**	52,614,697

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

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
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	**3.0586%**	1.3902%	**1.6891%**	1.4285%
United States dollar	**4.0025%**	1.7211%	**0.1382%**	–
Malaysian ringgit	**2.5017%**	2.400%	**–**	–
Hong Kong dollar	**2.6500%**	–	**–**	–
Thailand baht	**3.2388%**	–	**–**	–
Others	**5.9783%**	4.4446%	**–**	–

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

	The Group	
	2005	**2004**
	$	**$**
Cash and bank balances (as above)	**224,142,201**	280,326,915
Less: Bank overdrafts (Note 23)	**(3,977,906)**	(1,904,819)
Cash and cash equivalents per consolidated cash flow statement	**220,164,295**	278,422,096

12. Outstanding contracts

(a) Outstanding contracts receivable comprise the following:

	The Group	
	2005	**2004**
	$	**$**
Due from third parties	**647,330,871**	449,947,159

(b) Outstanding contracts payable comprise the following:

	The Group	
	2005	**2004**
	$	**$**
Due to third parties	**629,808,507**	398,990,051

12. Outstanding contracts *(continued)*

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

	The Group Receivable		The Group Payable	
	2005	2004	2005	2004
	$	$	$	$
Singapore dollar	**320,057,462**	243,137,386	**288,542,800**	212,787,818
United States dollar	**13,498,624**	26,800,377	**10,275,568**	21,780,748
Malaysian ringgit	**7,971,466**	20,703,660	**9,996,012**	23,226,928
Hong Kong dollar	**255,795,861**	129,992,946	**260,376,146**	116,043,376
Thailand baht	**38,529,233**	18,806,697	**45,095,928**	19,883,817
Others	**11,478,225**	10,506,093	**15,522,053**	5,267,364
	647,330,871	449,947,159	**629,808,507**	398,990,051

The carrying amounts of outstanding contracts receivable and payable approximate their fair values.

13. Trade receivables

	The Group	
	2005	2004
	$	$
Trade receivables to:		
– Third parties	**565,806,721**	427,338,164
	565,806,721	427,338,164
Less: Allowance for impairment of trade receivables	**(4,527,184)**	(25,230,408)
	561,279,537	402,107,756

Trade receivables are denominated in the following currencies:

	The Group	
	2005	2004
	$	$
Singapore dollar	**375,391,383**	282,062,464
United States dollar	**23,140,155**	17,762,698
Malaysian ringgit	**17,375,462**	2,065,103
Hong Kong dollar	**94,773,475**	77,040,685
Thailand baht	**48,605,517**	39,104,924
Indonesian rupiah	**537,405**	8,205,403
Others	**5,983,324**	1,096,887
	565,806,721	427,338,164

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 trade receivables.

The carrying amounts of trade receivables approximate their fair value. The exposure to interest rate risks of current trade receivables are disclosed in Note 30(c).

14. Financial assets/liabilities at fair value through profit or loss

Current assets

(a) Financial assets at fair value through profit or loss

	The Group	
	2005	2004
	$	$
Trading securities – long positions		
Quoted equity securities – at fair value (2004: at cost)	**2,321,243**	601,413
Less: Fair value losses	**–**	(113,573)
	2,321,243	487,840
Quoted bonds – At cost	**–**	3,284,424
	2,321,243	3,772,264
Trading portfolio, at fair value		
Quoted equity securities	**–**	7,284,440
Quoted bonds	**–**	1,898,821
	–	9,183,261
	2,321,243	12,955,525
Fair values		
Quoted equity securities	**2,321,243**	7,784,848
Quoted bonds	**–**	5,790,641

Financial assets at fair value through profit or loss include the following:

	The Group		
	2005	2004	
	At fair value	At fair value	At cost
Listed securities			
– Equity securities - Malaysia	**2,144,589**	–	–
– Equity securities - Singapore	**176,062**	498,420	485,491
– Equity securities - Others	**592**	1,988	2,349
	2,321,243	500,408	487,840
Trading portfolio			
– Equity securities - Malaysia	**–**	213,108	–
– Equity securities - New Zealand	**–**	4,922,164	–
– Equity securities - Singapore	**–**	1,758,171	–
– Equity securities - Thailand	**–**	384,657	–
– Equity securities - Others	**–**	6,340	–
	–	7,284,440	–
	2,321,243	7,784,848	487,840
Bonds			
– Bonds – Hong Kong	**–**	3,891,820	3,284,424
Trading portfolio			
– Bonds - Singapore	**–**	1,898,821	–
	–	5,790,641	3,284,424

Quoted bonds in 2004 have a weighted average effective interest rate of 3.5% per annum and matured in December 2005.

Current investments as at 1 January 2004 and 31 December 2004 have been reclassified into “Available-for-sale financial assets” and “Financial assets at fair value through profit or loss” so as to conform to the presentation adopted in 2005. Financial assets at fair value through profit or loss are measured in accordance with the accounting policy as set out in Note 2.8 only with effect from 1 January 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

continued

14. Financial assets/liabilities at fair value through profit or loss *(continued)*

Current liabilities

(b) Financial liabilities at fair value through profit or loss

	The Group 2005 $	The Group 2004 $
Trading securities – short position		
Quoted equity securities – fair value (2004: at cost)	**27,858**	16,150
Add: Fair value losses	**–**	162
	27,858	16,312
Trading portfolio, at fair value		
Quoted equity securities	**–**	9,574,542
	27,858	9,590,854
Fair values		
Quoted equity securities	**27,858**	9,590,854

Financial liabilities at fair value through profit or loss include the following:

	The Group 2005 At fair value	The Group 2004 At fair value	The Group 2004 At cost
Listed securities			
– Equity securities - Singapore	**27,830**	11,750	11,743
– Equity securities - Others	**28**	4,562	4,407
	27,858	16,312	16,150
Trading portfolio			
– Equity securities – Australia	**–**	1,961,410	–
– Equity securities – Europe	**–**	3,316,762	–
– Equity securities – Hong Kong	**–**	1,722,095	–
– Equity securities – Thailand	**–**	2,574,275	–
	–	9,574,542	–
	27,858	9,590,854	16,150

Financial assets/liabilities at fair value through profit or loss are denominated in the following currencies:

	The Group Financial assets 2005 $	The Group Financial assets 2004 $
Singapore dollar	**176,062**	5,496,480
Thailand baht	**1**	384,658
Malaysian ringgit	**2,144,589**	213,108
New Zealand dollar	**–**	6,820,985
Others	**591**	40,294
	2,321,243	12,955,525

	The Group Financial liabilities 2005 $	The Group Financial liabilities 2004 $
Hong Kong dollar	**–**	1,722,094
Thailand baht	**–**	2,574,275
Euro dollar	**–**	3,316,762
Australian dollar	**–**	1,961,411
Others	**27,858**	16,312
	27,858	9,590,854

15. Other current assets

	The Group		The Company	
	2005	2004	2005	2004
	$	$	$	$
Intangible assets [Note 15(a)]	–	2,837,349	–	–
Amounts due from subsidiaries [Note 15(b)]	–	–	**63,988,446**	34,939,435
Amounts due from an associated Company [Note 15(b)]	–	8	–	–
Deposits [Note 15(c)]	**8,230,336**	6,289,952	–	–
Prepayments	**1,188,719**	1,369,345	**3,000**	3,000
Amount deposited with lenders of securities [Note 15(d)]	**1,423,199**	1,865,287	–	–
Other receivables	**2,829,019**	3,868,661	**34,726**	59,413
	13,671,273	16,230,602	**64,026,172**	35,001,848

(a) Intangible asset comprise consideration paid in the previous year to secure the services of certain employees for the future economic benefits that were attributable to the expertise of these employees. The amount was amortised over a period of 12 months.

(b) At 31 December 2005, included in the Company's amounts due from subsidiaries is a loan of $10,200,000 (2004: $10,200,000) to a subsidiary bearing interest at 2.595% (2004: 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.

(c) Included in deposits is an amount of $2,464,280 (2004: $2,464,280) 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 28(a)].

(d) Securities borrowing and lending contracts

	The Group	
	2005	2004
	$	$
Securities borrowed		
Securities borrowed from lenders, at fair value:		
– lent to clients	**1,304,500**	1,455,350
Cash collaterals placed with lenders	**1,423,199**	1,865,287
Securities lent		
Securities lent to clients, at fair value:		
– borrowed from lenders	**1,304,500**	1,455,350
Cash collaterals received from clients		
– in trade and other payables (Note 22)	**337,633**	354,568
– in trust	**1,092,361**	1,170,378
	1,429,994	1,524,946
Fair value of share collaterals received from clients	**43,800**	64,000
	1,473,794	1,588,946

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

Other current assets are denominated in the following currencies:

	The Group		The Company	
	2005	2004	2005	2004
	$	$	$	$
Singapore dollar	**8,112,360**	8,417,322	**64,026,172**	35,001,848
Hong Kong dollar	**3,609,197**	4,831,296	–	–
Others	**1,949,716**	2,981,984	–	–
	13,671,273	16,230,602	**64,026,172**	35,001,848

16. Loans to subsidiaries

	The Company	
	2005	**2004**
	$	**$**
Loan to a subsidiary	**31,712,474**	31,537,500
Subordinated loan to a subsidiary	**748,350**	490,200
	32,460,824	32,027,700

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 2.595% (2004: 1.22%) and 2.25% (2004: 2.25%) per annum respectively.

The fair values for loans to subsidiaries are as follows:

	The Company	
	2005	**2004**
	$	**$**
Loan to a subsidiary	**31,897,598**	31,307,064
Subordinated loan to a subsidiary	**688,627**	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.

17. Investments in subsidiaries

	The Company	
	2005	**2004**
	$	**$**
Quoted equity shares, at cost	**12,421,753**	–
Unquoted equity shares, at cost	**254,576,102**	315,124,224
	266,997,855	315,124,224
At beginning of the financial year, at cost	**315,124,224**	310,598,892
Less: Dividend received from a subsidiary distributed out of its pre-acquisition profits (Note 26(b))	**(48,126,369)**	–
Acquisition of/subscription of shares in subsidiaries during the financial year, at cost	**–**	4,525,332
At end of the financial year	**266,997,855**	315,124,224

Details of subsidiaries are included in Note 36.

18. Investments in associated companies

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

	The Group	
	2005	**2004**
	$	**$**
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	**(19,052,803)**	(13,845,337)
	26,491,697	31,699,163
Effect on adoption of FRS 39 (Note 3.3(b))	**1,500,000**	–
Group's share of associated companies' post acquisition reserves:		
– net profit	**17,498,254**	14,686,357
Less: Dividend received from an associated company distributed out of its post-acquisition profits	**(6,359,932)**	(5,727,732)
– foreign currency translation adjustment	**(1,213,321)**	(1,405,775)
	9,925,001	7,552,850
	37,916,698	39,252,013

18. Investments in associated companies *(continued)*

The summarised financial information of associated companies are as follows:

	The Group	
	2005	**2004**
	$	**$**
– Assets	**84,182,292**	143,500,701
– Liabilities	**3,315,617**	55,156,392
– Revenues	**11,141,617**	21,785,700
– Net profit	**6,133,762**	24,718,934

Details of associated companies are included in Note 36.

19. Available-for-sale financial assets

	The Group	
	2005	**2004**
	$	**$**
Balance at beginning of financial year		
– At cost	**4,348,284**	4,348,284
– Effect of adoption of FRS 39 on 1 January 2005 [Note 3.3(a)(ii)]	**14,070,473**	–
As restated	**18,418,757**	4,348,284
Currency translation differences	**(11,730)**	–
Additions	**56,179**	–
Fair value gains transferred to equity (Note 26(d))	**11,198,613**	–
	29,661,819	4,348,284

Available-for-sale financial assets include the following:

	The Group		
	2005	**2004**	
	At fair value	**At fair value**	**At cost**
Listed securities			
– Equity securities – Singapore	**28,930,901**	17,880,904	4,020,626
– Equity securities – Philippines	**235,125**	–	–
Unlisted securities			
– Equity securities – Thailand	**495,793**	537,853	327,658
	29,661,819	18,418,757	4,348,284

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 financial assets through profit or loss and monetary assets.

Investments in exchanges as at 1 January 2004 and 31 December 2004 have been reclassified into "Available-for-sale financial assets" so as to conform to the presentation adopted in 2005. Available-for-sale financial assets are measured in accordance with the accounting policy as set out in Note 2.8 only with effect from 1 January 2005.

20. Trading rights in Exchanges

	The Group 2005 $	The Group 2004 $
Trading rights in Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited and Philippine Stock Exchange, Inc, at cost:		
Cost:		
At beginning of the financial year	**1,051,250**	1,096,250
Acquisition	**44,141**	–
Foreign exchange rate adjustment	**21,500**	(45,000)
At end of the financial year	**1,116,891**	1,051,250
Accumulated amortisation:		
At beginning of the financial year	**(939,312)**	(847,864)
Amortisation during the financial year	**(42,921)**	(130,164)
Foreign exchange rate adjustment	**(19,286)**	38,716
At end of the financial year	**(1,001,519)**	(939,312)
	115,372	111,938

21. Property, plant and equipment

	Buildings $	Leasehold improvements $	Furniture, fittings and office equipment $	Computer equipment and software $	Communication equipment $	Motor vehicles $	Total $
The Group							
Cost							
At 1 January 2005	225,537	7,277,823	7,679,233	13,660,560	1,706,350	566,713	31,116,216
Additions	–	505,030	308,526	914,746	177,420	58,489	1,964,211
Disposals	–	(268,274)	(870,252)	(20,504)	(827)	(75,021)	(1,234,878)
Exchange rate adjustments	(8,074)	(40,444)	(58,269)	(39,273)	12,365	(16,276)	(149,971)
At 31 December 2005	217,463	7,474,135	7,059,238	14,515,529	1,895,308	533,905	31,695,578
Accumulated depreciation							
At 1 January 2005	90,493	5,459,267	6,250,108	8,253,442	1,359,830	370,578	21,783,718
Depreciation charge	13,873	1,210,161	861,115	2,473,846	246,567	108,743	4,914,305
Disposals	–	(265,640)	(840,309)	(20,045)	–	(63,017)	(1,189,011)
Exchange rate adjustments	(3,514)	(46,548)	(44,596)	(29,801)	8,085	(12,060)	(128,434)
At 31 December 2005	100,852	6,357,240	6,226,318	10,677,442	1,614,482	404,244	25,380,578
Net book value at 31 December 2005	**116,611**	**1,116,895**	**832,920**	**3,838,087**	**280,826**	**129,661**	**6,315,000**
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**

22. Trade and other payables

	The Group		The Company	
	2005	2004	2005	2004
	$	$	$	$
Trade payables to:				
– third parties	**6,589,614**	30,843,452	**–**	–
– subsidiaries	**–**	–	**17,624,898**	760,250
– associated company	**–**	73,189	**–**	–
Accrued operating expenses	**40,745,664**	37,665,697	**3,987,901**	3,936,216
Cash collaterals held for securities lent to clients [Note 15(d)]	**337,633**	354,568	**–**	–
Other payables	**695,478**	1,068,185	**–**	–
	48,368,389	70,005,091	**21,612,799**	4,696,466

The amounts due to subsidiaries and an associated company are unsecured, interest-free and repayable on demand. The carrying amounts of trade and other payables approximate their fair values.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2005	2004	2005	2004
	$	$	$	$
Singapore dollar	**33,359,468**	40,782,925	**21,612,799**	4,696,466
United States dollar	**1,039,028**	858,426	**–**	–
Hong Kong dollar	**10,549,621**	9,508,131	**–**	–
Indonesian rupiah	**382,373**	13,988,997	**–**	–
Thailand baht	**2,280,927**	4,134,243	**–**	–
Others	**756,972**	732,369	**–**	–
	48,368,389	70,005,091	**21,612,799**	4,696,466

23. Borrowings

	The Group	
	2005	2004
	$	$
Current		
Bank overdrafts:		
– with affiliated corporations	**1,462,211**	782,095
– with non-related banks	**2,515,695**	1,122,724
	3,977,906	1,904,819
Short-term bank loans:		
– with affiliated corporations	**26,818,750**	17,022,750
– with non-related banks	**40,979,050**	34,038,000
	67,797,800	51,060,750
Total borrowings	**71,775,706**	52,965,569

The carrying amounts of borrowings approximate their fair values. Borrowings are denominated in the following currencies:

	The Group	
	2005	2004
	$	$
United States dollar	**1,462,211**	782,095
Hong Kong dollar	**70,313,495**	43,796,198
Thailand baht	**–**	8,387,276
	71,775,706	52,965,569

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

continued

23. Borrowings *(continued)*

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

Year ended 31 December 2005

Bank overdrafts

$	Weighted average effective interest rates	Security, if any
Balances with affiliated corporations		
1,462,211	5.00% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary
Balances with non-related banks		
5,505	5.00% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary
2,510,190	5.00% per annum	Unsecured
2,515,695		

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with affiliated corporations			
26,818,750	4.79% per annum	Unsecured	Due within 6 months from balance sheet date
Balances with non-related banks			
40,979,050	4.74% per annum	Unsecured	Due within 6 months from balance sheet date

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			

24. 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	
	2005	**2004**
	$	**$**
At 1 January	**2,274,638**	2,589,000
Effect of changes in accounting policies (Note 3.3(b))	**(2,248,000)**	–
Credited / (debited) to income statement	**9,761**	(313,137)
Exchange rate adjustment	**(1,370)**	(1,225)
At 31 December	**35,029**	2,274,638

The Group

Deferred tax liabilities

	Accelerated tax depreciation	
	2005	**2004**
	$	**$**
At 1 January	**(836,610)**	(1,009,000)
Charged to income statement	**41,250**	167,195
Exchange rate adjustment	**(3,357)**	5,195
At 31 December	**(798,717)**	(836,610)

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	
	2005	**2004**
	$	**$**
Deferred tax assets	**35,029**	2,274,638
Deferred tax liabilities	**(798,717)**	(836,610)
	(763,688)	1,438,028

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 $3,590,000 (2004: $6,002,000) 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 $9,000 (2004: $123,000), $Nil (2004: $209,000) and $441,000 (2004: $940,000) which will expire within three years, five years and twenty years of the loss being incurred respectively, all other tax losses have no expiry date.

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

25. Share capital of UOB-Kay Hian Holdings Limited

(a) *Authorised ordinary share capital*

The total authorised number of ordinary shares is 1 billion shares (2004: 1 billion shares) with a par value of $0.10 per share (2004: $0.10 per share).

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

	2005 Number of shares	**2004 Number of shares**	**2005 $**	**2004 $**
At beginning and at end of the financial year	**724,709,009**	724,709,009	**72,470,901**	72,470,901

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

continued

26. Reserves

(a) *Composition*

	The Group		The Company	
	2005	2004	2005	2004
	$	$	$	$
Capital reserve	**154,205,891**	202,332,260	**154,205,891**	202,332,260
Capital reserve on consolidation	**71,270,568**	53,897,711	**–**	–
Fair value reserve	**25,227,753**	–	**–**	–
Foreign currency translation reserve	**(4,099,347)**	(4,201,481)	**–**	–
Statutory reserves	**639,764**	–	**–**	–
	247,244,629	252,028,490	**154,205,891**	202,332,260

(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.

During the financial year, a dividend amounting to $48,126,369 was distributed out of a subsidiary pre-acquisition profits. Consequently, an equivalent amount was transferred from the capital reserve to retained earnings.

(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.

An amount of $17,372,857 was transferred from retained earnings to capital reserve on consolidation. The amount pertained to a dividend payment by a subsidiary out of its pre-acquisition retained earnings in the previous financial years that was over-adjusted against capital reserve on consolidation.

(d) *Fair value reserve*

	The Group	
	2005	2004
	$	$
Balance at beginning of financial year		
– As previously reported	**–**	–
– Effect of adoption of FRS 39 on 1 January 2005 (Note 3.3(a)(ii))	**14,070,473**	–
As restated	**14,070,473**	–
Fair value gains on available-for-sale financial assets (Note 19)	**11,198,613**	–
Minority interest	**(41,333)**	–
Balance at end of financial year	**25,227,753**	–

(e) *Statutory reserve*

Under the Public Limited Company Act B.E. 2535 of Thailand, UOB Kay Hian Securities (Thailand) Public Company Limited is required to set aside a statutory reserve of at least 5 percent of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10 per cent of the registered capital. The reserve is non-distributable.

27. Dividends

Ordinary dividends paid

	The Group and The Company	
	2005	2004
	$	$
Interim dividend in respect of the financial year ended 31 December 2005 of 0.5 cents (31 December 2004: 0.5 cents) per ordinary share less tax at 20% (2004: 20%) paid	**2,898,836**	2,898,836
Final dividend in respect of the financial year ended 31 December 2004 of 7.0 cents (31 December 2003: 6.5 cents) per ordinary share less tax at 20% (2003: 22%) paid	**40,583,705**	37,684,869
	43,482,541	40,583,705

Ordinary dividends proposed

The directors have proposed a final dividend of 8 cents per ordinary share less tax at 20% amounting to a total of $46,381,377. 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 2006.

28. 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 $1,812,099 (2004: $2,401,977) 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 (2004: $2,464,280) placed by the subsidiary with CDP.

(b) Corporate guarantees

At the balance sheet date, the Company had given guarantees amounting to $81,990,283 (2004: $111,674,288) 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 $70,307,990 (2004: $43,796,198).

29. Commitments

Operating lease commitments

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

	The Group	
	2005 $	2004 $
Not later than 1 financial year	**8,777,357**	8,724,496
Later than 1 financial year but not later than 5 financial years	**13,480,251**	20,875,187
	22,257,608	29,599,683

30. Financial risk management

The Group's activities undertaken by its subsidiaries in each country of operations expose it to a variety of financial risks: price risk (including currency risk, fair value, interest rate risk and market risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall financial risk management focuses on the uncertainty of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures.

Financial risk management of the Group is carried out by the credit committee and finance department of the Company and its respective subsidiaries. The credit committee approves the Company and its respective subsidiaries' financial risk management policies.

(a) Currency 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.

(b) Market risk

The Group is exposed to equity securities market risk because of the dealing in securities. The Group maintains adequate policies to ensure that it is not exposed to excessive positions which will subject the Group to excessive loss due to market fluctuations.

(c) 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 tables below set out the Group and the Company's exposure to interest rate risks. Included in the tables are assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

30. Financial risk management *(continued)*

(c) *Cash flow and fair value interest rate risk (continued)*

The Group

	Variable rates Less than 6 months $'000	Fixed rates Less than 6 months $'000	Fixed rates 6 to 12 months $'000	Non-interest bearing $'000	Total $'000
At 31 December 2005					
Assets					
Cash and cash equivalents	42,195	157,422	–	24,525	224,142
Trade receivables	561,280	–	–	–	561,280
Financial assets	–	–	–	679,314	679,314
Investments in associated companies	–	–	–	37,917	37,917
Other assets	–	–	–	20,163	20,163
Total assets	**603,475**	**157,422**	**–**	**761,919**	**1,522,816**
Liabilities					
Borrowings	3,978	67,798	–	–	71,776
Other financial liabilities	–	–	–	678,419	678,419
Non-financial liabilities	–	–	–	26,458	26,458
Total liabilities	**3,978**	**67,798**	**–**	**704,877**	**776,653**

	Variable rates Less than 6 months $'000	Fixed rates Less than 6 months $'000	Fixed rates 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 receivables	402,108	–	–	–	402,108
Financial assets	–	–	5,183	462,068	467,251
Investment in associated companies	–	–	–	39,252	39,252
Other assets	–	–	–	27,231	27,231
Total assets	449,956	204,501	5,183	556,529	1,216,169
Liabilities					
Borrowings	1,905	51,061	–	–	52,966
Other financial liabilities	–	–	–	478,585	478,585
Non-financial liabilities	–	–	–	24,597	24,597
Total liabilities	1,905	51,061	–	503,182	556,148

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 2005				
Assets				
Cash and cash equivalents	–	51,593	127	51,720
Investments in subsidiaries	–	–	266,998	266,998
Other assets	–	–	96,487	96,487
Total assets	**–**	**51,593**	**363,612**	**415,205**
Liabilities				
Total liabilities	**–**	**–**	**21,894**	**21,894**

	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
Investment in subsidiaries	–	–	315,124	315,124
Other assets	–	–	67,029	67,029
Total assets	72	52,543	382,153	434,768
Liabilities				
Total liabilities	–	–	4,843	4,843

30. Financial risk management *(continued)*

(d) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(e) Liquidity risk

The Group adopts prudent liquidity risk management by maintaining sufficient cash and marketable securities, having an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit facilities available.

31. 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 2005 and 2004, 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	
	2005	2004	2005	2004	2005	2004	2005	2004
	$	$	$	$	$	$	$	$
Forward foreign exchange contracts								
– Positive fair value	**716,238**	15,514,477	**477**	493,288	**–**	–	**Within six months after balance sheet date**	Within six months after balance sheet date
– Negative fair value	**42,862,385**	13,730,600	**–**	–	**(214,420)**	(538,868)		

The Company

	Contract or underlying principal amount		Year–end positive fair value		Year-end negative fair value		Settlement dates of open contracts	
	2005	2004	2005	2004	2005	2004	2005	2004
	$	$	$	$	$	$	$	$
Forward foreign exchange contracts								
– Positive fair value	**–**	10,017,165	**–**	462,568	**–**	–	**–**	Within six months after balance sheet date
– Negative fair value	**–**	10,475,000	**–**	–	**–**	(517,691)	**–**	

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

32. Significant related party transactions

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

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

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

32. Significant related party transactions *(continued)*

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

	The Group	
	2005	**2004**
	$	**$**
Rental of premises paid / payable to affiliated companies	**6,293,428**	6,041,374
Research fees paid / payable to an associated company	**–**	468,276
Management and other fees earned from an associated company	**2,537,152**	5,330,348

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

(b) Key management personnel compensation is as follows:

	The Group	
	2005	**2004**
	$	**$**
Salaries and other short-term employee benefits	**14,847,497**	13,306,448
Defined contribution plans-contributions to CPF	**39,950**	46,352
	14,887,447	13,352,800

(c) 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 nominal amount of all voting shares in the Company). The Group also has banking facilities from the controlling shareholder in the normal course of business. The outstanding borrowings as at 31 December 2005 are disclosed in Note 23 as borrowings from affiliated corporations.

33. Segment information

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

Primary reporting format – geographical segments

The Group

2005

	Singapore	Hong Kong	Thailand	Others	Elimination	Total
	$	$	$	$	$	$
Revenue						
– External sales	186,198,300	83,433,451	21,289,616	5,969,466	–	296,890,833
– Inter-segment sales	8,303,015	–	4,103,174	5,413,785	(17,819,974)	–
	194,501,315	83,433,451	25,392,790	11,383,251	(17,819,974)	296,890,833
Segment results	66,060,646	9,701,255	11,225,120	2,094,309	722,764	89,804,094
Share of results of associated companies	2,429,611	–	–	382,286	–	2,811,897
Profit before tax						92,615,991
Income tax expense						(16,879,712)
Profit after tax						75,736,279
Segment assets	1,033,206,860	498,975,142	100,426,397	41,018,805	(188,763,293)	1,484,863,911
Associated companies	33,185,929	–	–	4,730,769	–	37,916,698
Deferred tax asset						35,029
Consolidated total assets						1,522,815,638
Segment liabilities	446,674,016	445,897,108	42,895,364	3,963,490	(189,235,098)	750,194,880
Current tax liabilities						25,659,321
Deferred tax liabilities						798,717
Consolidated total liabilities						776,652,918
Other segment items						
Capital expenditure	803,674	683,597	301,699	175,241	–	1,964,211
Depreciation and amortisation expenses	2,600,613	4,202,651	903,364	87,947	–	7,794,575

33. Segment information *(continued)*

2004

	Singapore $	Hong Kong $	Thailand $	Others $	Elimination $	Total $
Revenue						
– External sales	212,397,418	68,134,413	25,401,773	4,621,106	–	310,554,710
– Inter-segment sales	6,982,054	–	3,628,507	3,972,470	(14,583,031)	–
	219,379,472	68,134,413	29,030,280	8,593,576	(14,583,031)	310,554,710
Segment results	72,460,166	13,969,477	12,212,758	57,923	(590,295)	98,110,029
Share of results of associated companies	3,424,961	–	–	5,194,704	–	8,619,665
Profit before tax						106,729,694
Income tax expense						(21,395,392)
Profit after tax						85,334,302
Segment assets	852,697,272	274,800,044	59,925,116	74,449,482	(86,392,604)	1,175,479,310
Associated companies	29,888,518	–	–	9,363,495	–	39,252,013
Deferred tax asset						1,438,028
Consolidated total assets						1,216,169,351
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						–
Consolidated total liabilities						556,148,138
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

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.

34. Comparatives

(a) Finance expenses of $1,740,145 in 2004, which was previously classified as part of other operating expenses, is now disclosed separately on the consolidated income statement. The revised presentation does not result in a change in the net profits of the Group.

(b) Certain expenses which are in the nature of rebates amounting to $2,592,220 in 2004 and were previously classified as part of other operating expenses have been reclassified and netted off against commission income as it is more appropriate to disclose revenue after deducting such items. The revised presentation does not result in a change in the net profits of the Group.

(c) Trading securities long position of $327,658 in 2004 has been reclassified to available-for-sale financial assets as the directors have determined that these assets will be held for long-term. The revised presentation does not result in a change in the net assets of the Group.

35. 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 10 March 2006.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

continued

36. Listing of companies in the Group

	Name of company	Principal activities	Country of incorporation	Equity holding by The Company 2005 %	The Company 2004 %	Subsidiaries 2005 %	Subsidiaries 2004 %
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**	92.5	**–**	–
(c)	UOB Kay Hian Securities (Philippines), Inc.	Stockbroking	Philippines	**100**	100	**–**	–
(b)	UOB Kay Hian Securities (Thailand) Public Company Limited	Stockbroking	Thailand	**77***	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	Dormant	Singapore	**–**	–	**100**	100
(b)	UOB Kay Hian (Malaysia) Holdings Sdn. Bhd.	Research activities	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	Dormant	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

* The Company's interest in UOB Kay Hian Securities (Thailand) Public Company Limited ("UKHST") was diluted from 100% to 77% pursuant to the initial public offering by UKHST on the Stock Exchange of Thailand resulting in a gain of $6.02 million.

	Name of company	Principal activities	Country of incorporation	The Company 2005 %	The Company 2004 %	Subsidiaries 2005 %	Subsidiaries 2004 %
	Held by UOB Kay Hian Opportunities Fund Pte Ltd						
(d)	Sentosa Investor Services Ltd	Dormant	Cayman Islands	**–**	–	**100**	88.6
	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	Dormant	Hong Kong, SAR	**–**	–	**100**	100
(d)	UOB Kay Hian (BVI) Limited	Investment holding	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.)	Dormant	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

ANALYSIS OF SHAREHOLDINGS

As at 16 March 2006

No. Of Shares Issued : 724,709,009 Ordinary Shares Of $0.10 Each

Voting Rights : On A Show Of Hands : One Vote For Each Member

On A Poll : One Vote For Each Ordinary Share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	373	3.37	135,411	0.02
1,000 – 10,000	8,906	80.45	35,782,194	4.94
10,001 – 1,000,000	1,770	15.99	57,857,441	7.98
1,000,001 & Above	21	0.19	630,933,963	87.06
Total	11,070	100.00	724,709,009	100.00

Top Twenty Shareholders as at 16 March 2006	No. of Shares	%
United Overseas Bank Ltd	285,537,809	39.40
U.I.P. Holdings Ltd	115,238,976	15.90
DBS Nominees Pte Ltd	49,369,391	6.81
United Overseas Bank Nominees Pte Ltd	46,793,709	6.46
Tang Wee Loke	29,893,381	4.12
Citibank Nominees S'pore Pte Ltd	29,175,554	4.03
Employees Provident Fund Board	20,476,000	2.83
OCBC Nominees Singapore Pte Ltd	15,736,825	2.17
Bank Of China Nominees Pte Ltd	10,000,000	1.38
DBSN Services Pte Ltd	4,491,388	0.62
Tye Hua Nominees (Pte) Ltd	4,413,000	0.61
HSBC (Singapore) Nominees Pte Ltd	3,163,000	0.44
Eng Hui Cheh	2,765,000	0.38
Tung Tau Chyr Walter	2,542,422	0.35
Lau Mei Lea	2,100,000	0.29
Raffles Nominees Pte Ltd	1,982,101	0.27
UOB Kay Hian Pte Ltd	1,871,000	0.26
CIMB-GK Securities Pte Ltd	1,756,807	0.24
Phillip Securities Pte Ltd	1,385,400	0.19
Oversea Chinese Bank Nominees Pte Ltd	1,148,000	0.16
	629,839,763	86.91

	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 16 March 06, approximately 38.89% of the issued shares of the company is held by the public (Rule 723 of the SGX-ST Listing Manual).

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at The Penthouse, UOB Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Thursday, 27 April 2006 at 6.00 p.m. for the following purposes:-

Ordinary Business

1 To receive and adopt the audited financial statements for the year ended 31 December 2005 and the reports of the directors and auditors thereon.

2 To declare a final dividend of 8 cents per ordinary share less income tax for the year ended 31 December 2005.

3 To approve the sum of $ 180,500 as directors' fees for the year ended 31 December 2005. (2004: $155,500)

4(a) To re-elect Mr Roland Knecht, 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 Roland Knecht, if re-elected as a director, will remain a member and chairman of the nominating committee. Mr Knecht is an independent director.

4(b) To re-elect Mr Tang Wee Loke, 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 Tang Wee Loke, if re-elected as a director, will remain a member of the nominating committee and a member of the remuneration committee. Mr Tang is a non-independent director.

4(c) To re-elect Mr Walter Tung Tau Chyr, 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, 11 April 2006

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)

Company Registration 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 Thursday, 27 April 2006 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 financial statements and reports		
2	To declare a final dividend		
3	To approve directors' fees		
4(a)	To re-elect Mr Tang Wee Loke as director		
4(b)	To re-elect Mr Walter Tung Tau Chyr as director		
4(c)	To re-elect Mr Roland Knecht 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 ____________ 2006.

Total Number of Shares Held

____

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

IMPORTANT

Please read notes overleaf

Please cut along the doted 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 Tuesday, 25 April 2006.

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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