UOB-Kay Hian Holdings Limited

your trusted brokering partner

strength trust

a tradition of...

expertise

Annual

Report

2007

UOBKayHian

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Corporate Information

Board of Directors

Wee Ee-chao
Chairman and Managing Director

Tang Wee Loke
Executive Director

Neo Chin Sang
Executive Director

Esmond Choo Liong Gee
Executive Director

Dr. Henry Tay Yun Chwan
Independent Director

Chelva Retnam Rajah
Independent Director

Roland Knecht
Independent Director

Walter Tung Tau Chyr
Independent Director

Francis Lee Chin Yong
Non-executive Director

Audit Committee

Dr. Henry Tay Yun Chwan
Chairman

Chelva Retnam Rajah

Francis Lee Chin Yong

Nominating Committee

Roland Knecht
Chairman

Chelva Retnam Rajah

Tang Wee Loke

Remuneration Committee

Chelva Retnam Rajah
Chairman

Dr. Henry Tay Yun Chwan

Walter Tung Tau Chyr

Company Secretary

Mdm Chung Boon Cheow

Company Registration No.

200004464C

Registered Office

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
Public Accountants and
Certified Public Accountants

8 Cross Street
#17-00 PWC Building
Singapore 048424

Partner in charge – Yee Chen Fah
Date of appointment : 2007

Principal Bankers

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 is a regional broking and corporate finance services Group headquartered in Singapore. We are a widely recognised brand in every country we operate, a reputation built on our responsive and discreet service. In Singapore we are the largest domestic broker based on the number of registered trading representatives enrolled in our institutional and retail sales force. In addition to our broking agency services, we provide high value added services in corporate fund raising by deploying our wide and deep distribution capabilities to IPOs, secondary placements and other corporate finance activities.

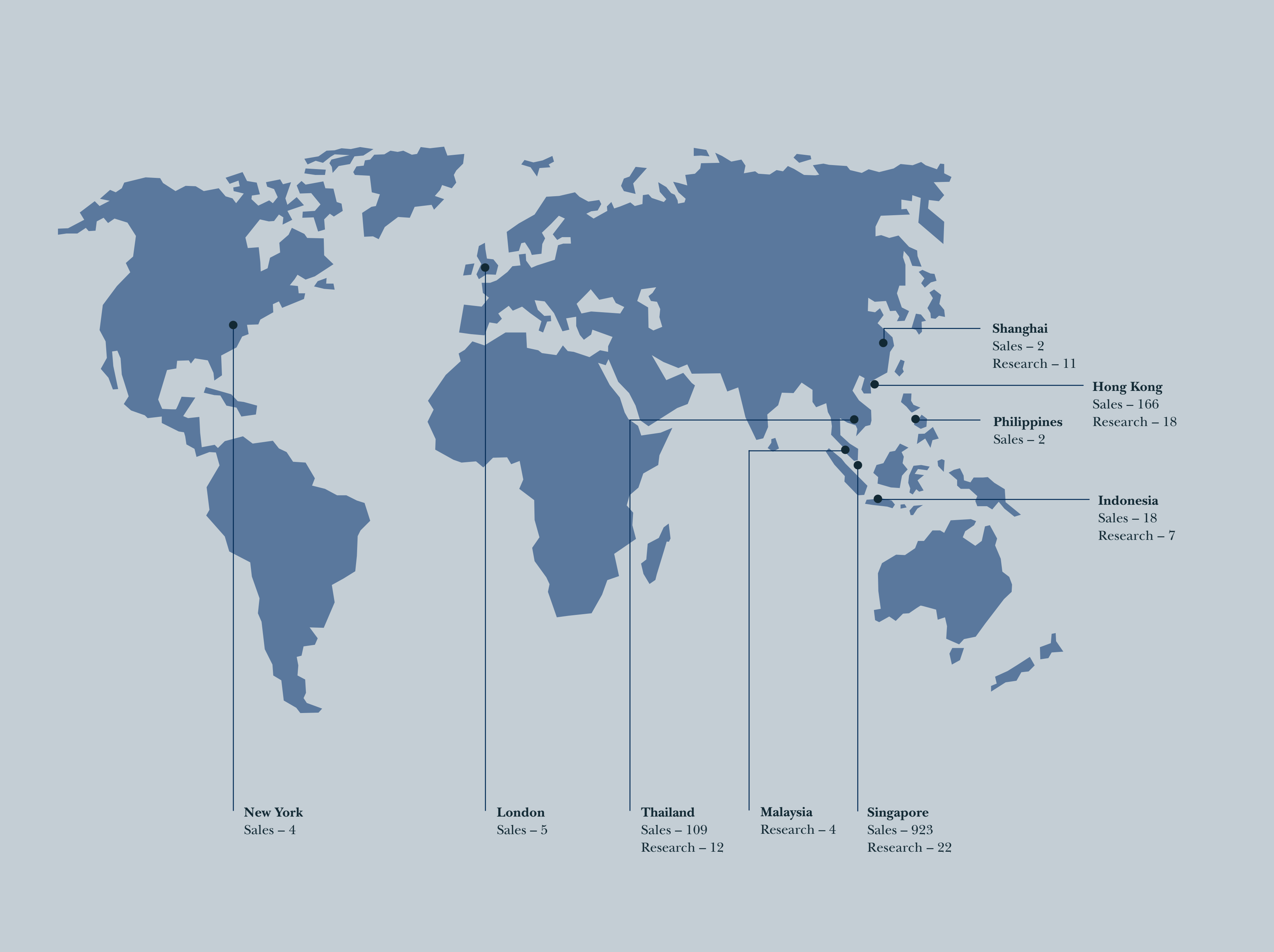
Through a series of acquisitions since 2001, our regional distribution foot print now spans regional financial centres such as Hong Kong, Thailand, Indonesia, London and New York. In addition we maintain research offices in Shanghai, Kuala Lumpur and an execution presence in Philippines. We are therefore at the pulse of regional economic activities availing us the deep market knowledge necessary to respond appropriately to our clients.

Group wide we employ approximately 1,972 professional and support staff globally. Our staff enrolment include 1,229 sales trading staff and agents, 74 research analysts and 669 management, credit and back-office support staff.

We achieved considerable scale and operational leverage from our synergistic acquisitions since 2001. We believe that our non-discretionary and fixed operating cost as a percentage of our revenue are the lowest amongst the listed brokerages in Singapore. We believe that our efficient cost structure will help us better weather the volatile trading conditions created by highly mobile fund flows in a global market dominated by hedged funds, leveraged traders as well as derivative driven trading activities. In buoyant market conditions as we have seen in recent times, our efficient operating leverage have manifested in our strong profit growth of 97.8% over the same period last year.

We aim to maintain our dominance in the Singapore IPO market as an underwriter and placement agent of choice. Going forward, UOB Kay Hian will seek to participate in larger and more demanding mandates to move up the value chain. Our excellent 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 the United States, Europe, the Middle East and Asia.

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 923 retail and institutional sales personnel. In addition, we have 306 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 31.12.2007 (S$'000)	Group For the Year Ended 31.12.2006 (S$'000)	Group For the Year Ended 31.12.2005 (S$'000)	Group For the Year Ended 31.12.2004 (S$'000)
Revenue & Foreign Exchange Gain	792,151	421,003	302,077	312,517
Profit from Operations	329,179	166,937	89,804	98,110
Share of Results of Associated Companies After Tax	119	984	2,812	8,620
Profit Before Tax	329,298	167,921	92,616	106,730
Profit After Tax	275,031	139,052	75,736	85,334
Profit After Tax and Minority Interests	273,392	137,161	75,448	85,386
Shareholders' Equity (excluding minority interests)	961,239	810,588	732,676	656,784
Adjusted Earnings Per Share	37.72 cents	18.93 cents	10.41 cents	11.78 cents
Adjusted Gross Dividend Per Share[Note]	20.89 cents	12.50 cents	8.50 cents	7.50 cents
Adjusted Net Assets Per Share	134.66 cents	113.81 cents	102.96 cents	91.07 cents
Percentage Return on Shareholders' Equity				
Profit Before Tax	34.26%	20.72%	12.64%	16.25%
Profit After Tax	28.61%	17.15%	10.34%	12.99%
Profit After Tax and Minority Interests	28.44%	16.92%	10.30%	13.00%

Note: 2007 final dividend of 11.89 cents is payable on a one-tier tax exempt.

UOB-Kay Hian Share Price

(From 2 January 2007 to 14 March 2008 – daily)

Last Close : S$1.89

High : S$2.87

Low : S$1.33

Chairman's Statement

In 2007, our Group extended on its strong performance in 2006 by posting yet another record year of earnings.

We have been able to capitalise on the buoyant regional stock markets in 2007. Our Singapore and regional operations particularly in Hong Kong performed extremely well in 2007. Both our New York and London sales offices contributed positively to our earnings and were very active in 2007. Consistent with its prevailing domestic market sentiments, our profitable Thai operations saw brokerage income levels stabilising.

In 2007 we continued to leverage on our strong regional distribution network to be a substantial player in Singapore and Hong Kong IPO markets and dominated follow-on share placements by securing and executing mandates from China and regionally based companies listed on the SGX.

We are proud to have earned the distinction to be among the top five Top Tier international broking firms in the 2007 BT-Starmine published rankings in recognition for our accuracy in big-cap stock equity research recommendations. Our Hong Kong equity research products on China based small and mid-cap companies listed on HKSE continued to enjoy good global institutional following.

We are pleased to announce our 2007 profit from ordinary activities after tax of S$275,030,816. This reflects an increase of 97.8% over the previous year. Our overall commission and fee income were 84.1% higher than in 2006. Our 2007 earnings also reflect a strong return on equity ratio of 30.9%, up from 17.8% in 2006. Our operating margin of 38.7% was an improvement on the 35.1% in 2006 and our net asset value grew by 18.3% in 2007.

Dividend

I am pleased to advise that our Board of directors has recommended an increased dividend payout represented by final exempt (one-tier) dividend of S$86.2m amounting to 11.89 cents per share for the financial year ended 31 December 2007. This dividend represents an increase of 88.7% in real terms over 2006 and will be presented to shareholders for approval at the Annual General Meeting on 29 April 2008.

Current Year Prospects

In contrast with 2007, market prospects in 2008 have been clouded by uncertainties brought about by the significant deterioration in the state of global credit markets and the weakening US Dollar. The spike in commodity prices across the board has increased the risk of cost inflation and implies weaker forward corporate earnings. This coupled with expectations of a global economic slow down, have resulted in the significant sell-down in the regional markets in the first quarter of 2008. Until a sustained recovery of confidence returns we expect global financial markets to remain volatile.

We are however optimistic about benefiting from the opportunities which may be presented to us if we manage these challenges well.

Acknowledgements

Mr Tang Wee Loke retired with effect from 31 December 2007 as our Group Deputy Managing Director and Executive Director. In his illustrious career with the Group which spanned over 35 years, he had served with distinction.

I would like to congratulate Mr Tang on his retirement and thank him for his invaluable contribution to the Group, especially during our important formative years. Mr Tang will remain as a Non-Executive Director of our Group.

I thank all staff and associates for their hard work and contribution to the Group in 2007.

As we navigate through these turbulent markets, we hope to continue to receive the unstinting support of our stakeholders.
I would also like to express my appreciation to our shareholders for their continued belief in and support for our Group.

Wee Ee-chao
Chairman and Managing Director

CHINA

Review of 2007

The economy registered strong growth in 2007 amid rising inflationary pressure. Real GDP expanded 11.4% yoy after a 10.4% yoy gain in 2006. CPI rose 4.8% yoy, up from 1.5% yoy in 2006.

The government implemented tightening monetary policies in 2007, raising the reserve ratio 10 times and lifting interest rates six times in a bid to curb inflation and mop up the excess liquidity resulting from a ballooning trade surplus. However, these policies did not have much effect as inflation continued to intensify.

Expansion in investment growth and consumer spending remained robust in 2007, with fixed-asset investments rising 25.8% yoy (+26.7% yoy in 2006) and nominal retail sales climbing 16.8% yoy (+13.7% yoy in 2006). Export growth showed signs of a slowdown in 4Q07 as the government cut export tax rebates in 2H07 and Rmb appreciation accelerated in 2H07. The slowdown in the US economy was also a reason for the moderation in exports, though the impact had yet to widen. Notably, contribution from consumption to GDP growth in 2007 outpaced that from investment for the first time in seven years as consumption growth accelerated.

Inflationary pressure started to heighten in 2H07, driven by continued food price hikes, especially the pork price hikes sparked off by supply shortage. Core inflation remained subdued at 1.4% yoy.

Outlook for 2008

Economic growth is likely to slow down in 2008 mainly on the back of softening external demand caused by a slowdown in G3 economies. Domestic demand should remain healthy, fuelled by rising income and investment demand on the back of continued urbanisation. The government may allow faster Rmb revaluation of up to 10% in 2008 in an effort to ease imported inflation and slow down trade surplus accumulation. Inflationary pressure could remain strong in 1H08 and moderate in 2H08 due to easing food prices as pork supply catches up with demand. There is little room for interest rate hikes by the central bank despite the inflationary pressure as the US is on an interest rate downcycle.

Stock Market Review for 2007

Hong Kong-listed China stocks performed well in 2007 as investors expected continued funds flow from China to Hong Kong for two reasons. First, owing to the continued upward pressure on the Rmb, the government decided to liberalise its capital control, which would allow more domestic money to be invested overseas. The Hong Kong market is considered the first stop as mainland investors are familiar with the market. Second, China A-shares were trading at a high premium to their China H-share counterparts, which would prompt mainland investors to switch from A- to H-shares. The benchmark H-share index moved up gradually during 1H07 and staged an explosive rally in August when the government said it would allow mainland individual investors to invest in the Hong Kong market. Cyclical sectors such as shipping and metals were among the best performing groups.

Stock Market Outlook for 2008

Despite concerns over credit tightening and food price inflation, China should be able to maintain a GDP growth of more than 10% as robust domestic demand should help offset the weakness in external demand. Food price inflation should also come under control by mid-08 as a result of rising food supply and the government's tightening measures. Meanwhile, corporate earnings are expected to be good given firm domestic demand, the positive impact of the Rmb appreciation and the standardisation of corporate tax rates. Therefore, the investment environment will gradually improve from 2Q08 onwards when major Chinese corporations report their 1Q08 earnings and will improve further in 3Q08 when China holds the 2008 Beijing Olympics.

The outlook for natural resources remains good because of the firm demand from China and India and the continued weakness in the US dollar. We favour sectors like energy, metals and coal. We also like banks as widening interest margins and growth in non-interest income will offset the negative impact of slower loan growth. In addition, we favour other domestic-oriented sectors, such as consumer and property, given the robust domestic demand and continued urbanisation. We recommend investors avoid exporters, which will be hurt by the Rmb appreciation and higher raw material and labour costs.

HONG KONG

Review of 2007

The economy achieved robust growth, with real GDP expected to have grown 6% yoy in 2007 after a 6.8% yoy gain in 2006. This would have been supported largely by strong economic activities in China. Inflationary pressure picked up on the back of strong domestic demand and rising imported inflation, particularly from China.

Exports remained robust, thanks to strong regional trade flow which grew 8.3% yoy. The strong growth came from re-exports on the back of robust exports from China while exports of Hong Kong-made goods declined 20% yoy. Private consumption held firm in 2007, underpinned by continued improvement in the labour market and a strong stock market performance. Business confidence remained upbeat, which helped to keep investment growth resilient. Further improvement in the budget position is expected, which may stimulate more tax cuts in 2008.

Outlook for 2008

The economy could maintain respectable growth in 2008 even though external demand could soften as G3 economies slow down. The demand from US consumers would weaken but demand from emerging markets could remain healthy. On the domestic front, consumer spending may be resilient, supported by a healthy labour market. Interest rates are likely to fall as the US interest rate downcycle continues. On the other hand, inflation could continue to pick up on more imported pressure, particularly from China. As such, real interest rates could end up lower, which would support the local property market. We expect Hong Kong's GDP to grow 4.8% yoy in 2008.

Stock Market Review for 2007

Local property stocks made a strong showing in 2007, thanks to the US interest rate cuts starting 4Q07, robust domestic demand, and continued weakness of the HK$ against the Rmb and other major currencies. The Hang Seng Index (HSI) rose to a record high of 32,000 in October. Average turnover increased significantly from HK$33.7b in 2006 to HK$67.1b in 2007. Funds raised through the IPO market stood at HK$290b. Despite the robust market conditions, export-oriented manufacturers performed poorly because of rising raw material and operating costs as well as weakness in the economies of developed countries. HSBC, the largest stock in terms of market capitalisation, also performed poorly as a result of heavy losses related to its sub-prime exposure.

Stock Market Outlook for 2008

Several factors lend support to Hong Kong equity prices. First, Hong Kong real interest rates are likely to stay in negative territory over the next 12 months because of the continued rate cuts in the US. Second, the weakness in the HK$ against the Rmb will attract more mainland visitors to Hong Kong, hence boosting investment and consumption there. This bodes well for tourist spending and property prices. Lastly, the low unemployment rate and the government's decision to cut income and other taxes will support local consumption. Therefore, despite concerns over a US recession, we expect a decoupling of Hong Kong and US equities in 2008 because of the differences in fundamentals.

Property stocks will remain the market's focus given the booming property market, negative real interest rates and abundant liquidity. We favour property investment companies because of the strong demand for high-grade office space. Retail stocks may see a rerating as the strong growth in Hong Kong retail sales suggests that the gap between China and Hong Kong consumer stocks should narrow.

INDONESIA

Review of 2007

For the first time since the 1998 financial crisis, real GDP growth surpassed 6%, coming in at 6.3% in 2007. On the expenditure side, the main growth driver was investment, which expanded 9.2%. The ratio of investment to GDP climbed to 24.9% in 2007 from 24.1% in 2006. Healthy private consumption growth of 5.0% indicated that strong domestic demand offset the weaker external demand caused by a global economic slowdown.

Surplus in balance of payment for four consecutive years helped lift Indonesia's foreign exchange reserves to its highest level of US$56.9b as of end-07. This was attributable to capital inflows to financial markets, direct capital investment and remittance from Indonesia's migrant workers. A strong foreign exchange reserve position should help keep the Rupiah stable and improve the country's ability to service its foreign debts.

Inflation was relatively manageable at 6.6% in 2007, although there were signs of rising inflation. This enabled the central bank to cut its benchmark rate by 150bp to 8% as at end-07.

Outlook for 2008

A prolonged period of high commodity prices and rising oil prices poses the biggest risk for the economy. However, the Indonesian economy should hold up well despite an impending US economic slowdown, as the economy is still largely driven by strong domestic consumption and investments. Foreign direct investment should continue its positive momentum from the previous year as the government continues to step up its effort to attract foreign investors.

Stock Market Review for 2007

In line with our expectation, the stock market had another good year in 2007. The Indonesia Stock Exchange (IDX) rose 52% to close at 2,746 as at end-07, making it the second best performing market in Asia. The market was propelled by the strong economy, as well as escalating prices of commodities such as metals, energy and vegetable oil. Fear of a global economic meltdown triggered by US mortgage defaults in 4Q07 did have some impact on the market, but expectation of strong corporate performances pushed the market up for the sixth consecutive year.

Stock Market Outlook for 2008

Rising food and fuel prices could lead to higher inflation and create pressure for interest rates. This may prevent central bank Bank Indonesia from cutting its policy interest rate. However, we are positive on the Indonesian market, which is supported by the strength of the domestic economy despite threats of a US and global economic slowdown. The domestic economy is likely to remain robust as domestic consumption accounts for 72% of GDP. The rising trend of coal, crude palm oil, and other commodity prices will continue to benefit the economy. In addition, the government is expected to boost the economy through increased infrastructure spending ahead of the general and presidential elections in 2009.

MALAYSIA

Review of 2007

Growth prospects for the Malaysian economy remained favourable in 2007 despite uncertainties in the global economy. Given the strong domestic economic fundamentals in 2007, the economy would have expanded by about 6.0%. On the supply side, output growth was supported by expansion in all sectors of the economy. Meanwhile, demand growth was driven by resilient domestic demand in both the private and public sectors, largely due to stronger consumer sentiment and business confidence, as well as higher government spending. The overnight policy rate was kept at 3.5% by Bank Negara Malaysia in 2007 to support the growth.

Outlook for 2008

The Kuala Lumpur Composite Index (KLCI) is expected to trade lower after the announcement of the shocking 12th General Election results. Barisan Nasional (BN) has failed to retain two-thirds majority although it has still won a simple majority, that would allow it to form the government. Besides losing Kelantan, BN also lost Penang, Perak, Selangor and Kedah to the opposition. Although BN will form the next federal government, the loss of the presidents of Gerakan, MIC and PPP could lead to a replacement of political personalities.

We foresee uncertainty over the political scene and the status of projects announced in the last 2 – 3 years. The opposition's huge victories could lead to a review of existing government policies. The new developments could slow down the pace of price increases, such as adjustments of electricity tariffs and fuel prices. In the longer term, the changes would be positive for Malaysia as the new policies would be more moderate and incorporate more multi-racial elements.

Stock Market Review for 2007

Despite the US sub-prime crisis, KLCI continued to hit fresh highs and closed at 1,445 in December, up 31.8% yoy, after underperforming in 2006. The plantation sector was the best performer, up 90.5% yoy, thanks to stronger-than-expected crude palm oil prices. The construction and property sectors grew 58.4% yoy and 63.5% yoy respectively, supported by the rollout of 9MP projects, exemption of real property gains tax, relaxation of Foreign Investment Committee rules, and inroads into foreign construction projects. Mergers and acquisitions continued to dominate the market in 2007.

Stock Market Outlook for 2008

After a strong run-up in 2007, we expect the next leg-up in the KLCI to be driven by elections, ie the General Election and UMNO election. This will be the biggest push factor for the implementation of pro-growth plans and policies announced in the past. Although higher food and fuel prices would put upward pressure on inflation, factors such as capacity expansion could help mitigate the impact.

Growth in 2008 is expected to be driven by domestic demand and a strong inflow of foreign direct investments. Iskandar Development Region and Northern Corridor Economic Region would be the key recipients of FDIs. Investors should continue to focus on domestic plays. The Employee Provident Fund withdrawal scheme will bolster consumer discretionary spending, the property sector and the banking sector. In additional, changes in policy mindset on the property sector will be the catalysts for a real estate boom. Construction and building materials are expected to benefit from the government's pump-priming measures in the form of infrastructure projects and price adjustments after the elections.

SINGAPORE

Review of 2007

It was a year of robust growth. Real GDP rose 7.7% following 2006's 8.2%. The construction and financial services sectors recorded powerful growth of 20.3% and 16.9% respectively. On the other hand, the manufacturing sector's growth slowed to 5.8%.

Despite the strong 2007 performance, 4Q07 economic growth moderated. 4Q07 GDP growth of 5.4% was lower than 3Q07's 9.5%. The slowdown was mainly due to a sharp decline in biomedical manufacturing rather than the impact of a slowing US economy. This resulted in the manufacturing sector recording a growth of 0.2% in 4Q07, a sharp decline from 3Q07's 11.0%.

The construction sector's 20.3% growth in 2007 was contributed by growth over all four quarters. The strength showed signs of persisting, with contracts awarded rising 128% in 4Q07, a reversal from the 23% contraction in 3Q07. For the financial services sector, 4Q07 growth of 15.9% was due to broad-based strengthening of activities across all major segments.

Outlook for 2008

The pace of economic growth is expected to moderate in 2008. There is broad consensus that the US economy is entering a slowdown. The key uncertainty is over the length and severity of the slowdown. Persistently high crude oil prices could also contribute to downside risks. In view of this, the Ministry of Trade and Industry decided in mid-Feb 08 to lower its 2008 GDP forecast to 4.0 – 6.0% from 4.5 – 6.5% previously.

Stock Market Review for 2007

2007 was generally a positive year, with the Straits Times Index (STI) gaining 18.7% to close at 3,465. Volatility increased in 2H07 as concerns over the sub-prime fallout led to steep sell-offs. A subsequent rally in Aug-Sep 07 led to the STI rallying to a high of 3,905 before correcting on renewed sub-prime and credit concerns. Market volume reached a multi-year high of 4.6b units in June before tapering off to 1b-2b units in 3Q07. The shipping and offshore & marine sectors were the best performers in 2007, with stocks in our coverage gaining 160% and 101% respectively. Property stocks performed well in the first half but underperformed in the second half as government measures to cool the residential property market took effect.

Stock Market Outlook for 2008

2008 started on a cautionary tone. Uncertainty over the degree of slowdown in the US and general inflationary pressures should result in a challenging environment for local stocks. Valuations, which reached multi-year highs in 2007, have so far eased back to more realistic levels. However a prolonged economic slowdown could result in more downward earnings revisions.

Still, the volatility will also create opportunities for investors who are looking to diversify into companies with stable earnings and higher-yield stocks. A strong S$ will also attract investors who are looking for stability.

Sectors that are likely to be prominent are the tourism and construction sectors. Both sectors will benefit from higher tourist arrivals and increased infrastructure spending. Aside from these sectors, blue-chip index stocks could stage a stronger comeback in 2H08.

THAILAND

Review of 2007

2007 was a year of sub-trend growth for Thailand due to the poor performance of the military-backed government. The economy started the year with extremely weak domestic consumption and private investment. 9M07 GDP grew 4.4% yoy, fuelled by healthy export growth. Exports increased 18% in 2007, boosted by electronics, vehicles, chemical products, petroleum products, metal products, plastic products and electrical generators. Trade and current account surpluses stood at US$12b and US$15b (6% of GDP) respectively at the end of 2007.

Private investment in Thailand declined in 1H07. The Private Investment Index (PII) expanded 2% yoy in Oct 07, vs -3.8% in 1Q07 and -2.7% in 2Q07. Inflationary pressure was subdued in 2007 due to a higher base in 2006 and lower domestic demand. Though average headline inflation in 2007 stood at 2.1%, core inflation remained subdued at 1.0%. Policy rate declined from 5% to the current 3.25%. The 175bp cut in policy rate was done to stimulate domestic consumption and private investment.

After a strong appreciation of 17% in 2006, the baht had become more in line with regional peers (+6.76% ytd) since the introduction of the 30% reserve requirement as at end-06. In the year, the Bank of Thailand relaxed financial institutions' investments abroad, which helped cool the appreciating baht.

Outlook for 2008

Economic growth in 2008 is forecast to grow 4.5-5.0%. The market expects domestic consumption and private investment to recover after the installation of an elected government. Public investment should be the main growth driver in 2008. The newly-elected government is expected to announce pro-growth populist policies.

The 2008 fiscal budget projects a budget deficit of 1.8% of GDP. However, the new government is considering a supplementary budget of Bt80-100b, which will increase the fiscal budget to 2.5% of GDP. Populist policies, such as free healthcare, loans to villages and mega projects, are being put together to help spur growth. However, the global economic slowdown will lower export growth in 2008 from 18% in 2007 to 10 – 12% in 2008.

Stock Market Review for 2007

2007 was a politically turbulent year for Thailand. The military-backed government dissolved the biggest political party, Thai Rak Thai, and banned its 111 executive members from politics for five years. A new 2007 constitution was written and an election was held. Despite the political upheavals, the stock market advanced 26.22% in 2007 and 39% from the low of 608.14 in Jan 07. Foreign investors were net buyers, pumping in Bt55b. However, the rally was not broad-based. Sectors that outperformed the market were energy (+59.85%) and petrochemical (64.34%). The rise in oil and coal prices, along with strong gross refinery margins and strong petrochemical prices, boosted energy and petrochemical stocks. In short, 2007 was a year for oil and gas firms.

Stock Market Outlook for 2008

There is much optimism in 2008 following the exit of the military-backed government. First, the elected government, its pro-growth and populist policies, the doubling of the size of mega projects to Bt500b and the supplementary budget equivalent to 1% of GDP will help boost investors' confidence.

Second, the government is talking about removing the 30% reserve requirement for foreign capital inflows, along with a possible 75-125bp cut in policy rate. Both will be extremely positive for the stock market. The new government is also expected to be more friendly to foreign investors and is unlikely to take draconian measures for the ongoing amendments to the Foreign Business Act and the Retail Act. 2008 should also see a recovery in earnings after two years of negative earnings growth.

This report describes UOB-Kay Hian Holdings Limited's corporate governance practices which are in essence in line with the recommendations in the Code of Corporate Governance 2005 (the "Code"). The Company is committed to maintaining a high standard of corporate governance and transparency and disclosure of material information.

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

Guidelines

Board Of Directors

The Board comprises 9 directors, 4 executive, 1 non-executive and 4 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 Committee, Remuneration Committee and Nominating Committee 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

To facilitate effective management, certain functions may be delegated by the Board to Board Committees, each with its own terms of reference. The Board is assisted by an Audit Committee, a Remuneration Committee and a Nominating Committee. 1.3

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

The following is a summary of directors' attendance at meetings of Board and various Board Committees in the financial year 2007: 1.4

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

Mr. Tang Wee Loke attended by invitation of the AC and RC

Key information on the directors and their appointments on the various Board Committees and on key management staff of the Group is given under the section "Profile of Directors and Key Management Personnel" on pages 19 to 21. 4.6

The Board oversees the overall strategy, supervises the management, reviews management performance and reviews the affairs and financial position of the Company and the Group. Matters which are specifically reserved for the Board's decision include:- 1.1, 1.5

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

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

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. 1.6

Audit Committee ('AC')

The AC comprises three members, namely Dr. Henry Tay Yun Chwan (chairman), Mr. Chelva Retnam Rajah and Mr. Francis Lee. Dr. Tay and Mr. Rajah are independent directors and Mr. Lee is a non-executive director. At least two members have related financial management expertise or experience. The AC met a total of 4 times during the year. The deputy managing director, financial controller and internal audit senior manager and the external auditors normally attend the meetings. During the year, the chairman of the AC has had separate meetings with the external auditors and the internal audit senior manager. This is to provide the external auditors and the internal auditor with opportunities to discuss issues encountered in the course of their work directly with the AC. 11.1, 11.2, 11.3, 11.5, 11.8

The main terms of reference of the AC are:- 11.4

– to review with the internal and external auditors the adequacy of the internal control systems;

– to review the audit plans and findings of the internal and external auditors;

– to review all announcements of financial results; and

– to review interested person transactions.

The AC:-

- has full access to and co-operation from management as well as full discretion to invite any director 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 evaluations of the system of internal controls with internal and external auditors.

The AC, having reviewed the non-audit services provided by the external auditors is being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. A sum of $35,440 was paid to the external auditors for non-audit services rendered during the year. The AC annually reviews the independence of the external auditors. 11.4, 11.6

The AC has reviewed management's proposal to appoint Deloitte & Touche as external auditors in place of PricewaterhouseCoopers and has recommended the appointment of Deloitte & Touche.

Internal Controls

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

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

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

Internal Audit

Internal audit performs continuous monitoring to ensure compliance with Group policies, internal controls and procedures designed to manage and safeguard the business and assets of the Group. The work of internal audit is focused on areas of greatest risk to the Group as determined through the audit planning process. The formal reports resulting from such reviews are provided to the AC and the chairman of the Board. The Company's external auditors, PricewaterhouseCoopers, 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 internal audit senior manager'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 a regular 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), Dr. Henry Tay Yun Chwan and Mr. Walter Tung. 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:- 7.2

– 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 and senior management, 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.

For sensitivity and competitive reasons, the Company is not disclosing Directors' remuneration within bands of $250,000. The remuneration of the directors of the Company for the financial year ended 31 December 2007 is as follows:- 9.1, 9.2

Name	Fees (%)	Salary (%)	Bonus (%)	OtherBenefits (%)
Above $5,000,000				
Wee Ee-chao	–	3.03	96.97	–
Tang Wee Loke	–	2.72	97.28	–
Esmond Choo	–	5.27	94.73	–
Above $500,000 to $1,000,000				
Neo Chin Sang	–	35.68	64.32	
Below $250,000				
Walter Tung	100	–	–	–
Francis Lee	100	–	–	–
Henry Tay	100	–	–	–
Chelva Retnam Rajah	100	–	–	–
Roland Knecht	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. 4.1

The main terms of reference of the NC are:- 4.2, 4.3, 4.4, 4.5

- to review and make recommendations to the Board on all board appointments and re-appointments and to consider the skills and experience required to ensure the Board has the appropriate balance of independent directors with the right expertise skills, attributes and ability. New directors may be appointed by a Board resolution following which they are subject to re-elections by shareholders at the next annual general meeting;
- to oversee the composition of the Board and to ensure that they meet the composition and balance required under the Code;
- to ascertain that the independent directors meet the criteria set out in the Code; and
- to assess the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board. To assist the NC in its evaluation, the directors complete a self-evaluation questionaire annually.

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

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

Communication With Shareholders

The Board regards the annual general meeting as an opportunity to communicate directly with private investors and encourages participative dialogue. The members of the Board will attend the annual general meeting and are available to answer questions from shareholders present. External auditors are also present to assist directors in addressing relevant queries by shareholders. 15.1, 15.3

To maintain transparency, the Company makes timely disclosures to the public via SGXNET and postings on the Company's website. 14.2

Dealings In Securities

The Group has adopted an internal code of best practices on securities transactions to provide guidance to its directors and officers in relation to dealings in the Company's securities. A system of reporting of securities dealings to the Company secretary by directors has been established to effectively monitor the dealings of these parties in the securities of the Company. In addition, a circular is issued before the start of each moratorium period to remind officers to refrain from dealing in the Company's securities prior to the release of the Group's financial results.

Interested Person Transactions

During the financial year 2007, 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 31 of the notes to the financial statements.

The Company does 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 – 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 27 years. In August 2000 when UOB-Kay Hian Holdings Limited was incorporated with the merger of Kay Hian Holdings Limited and UOB Securities Pte Ltd (UOBS), Mr. Wee was appointed Chairman of UOB-Kay Hian Holdings Limited.

Besides his stockbroking involvement in UOB Kay Hian, Mr. Wee is also involved in real estate development and investment in the region. Mr. Wee also serves on the Board of Haw Par Limited, UOL Limited and Hotel Plaza Limited as a non-executive director. He was the Chairman of the Singapore Tourism Board from 2002 to 2004.

In 2005, he was appointed to the Committee of the Real Estate Developers' Association of Singapore.

Mr. Tang Wee Loke – holds a Bachelor of Business Administration degree. He began his career in Kay Hian Pte Ltd as an Analyst in 1973 and became a Director in 1977. He was appointed Deputy Managing Director of Kay Hian Pte Ltd in 1990 and of UOB-Kay Hian Holdings Limited in 2000 following the merger of UOB Securites and Kay Hian.

He retired from his position as Deputy Managing Director in December 2007 and remains as an executive director of UOB-Kay Hian Holdings Limited. He is a member of the nominating committee.

He was a committee member of the Stock Exchange of Singapore (SES) from 1986 to 1999. He served on the SGX board as an independent director from December 2002 to September 2007. He was the founder chairman of the Securities Association of Singapore, which represents the interest of securities trading members in Singapore.

Mr. Neo Chin Sang – joined the UOB Banking Group as a senior management staff in 1982, in charge of various administrative and operations activities. Prior to this, he held various management positions in various companies, including publicly listed corporations, for over 15 years.

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

When UOB-Kay Hian Holdings Limited was incorporated, after the merger of UOBS and Kay Hian Holdings Limited, in August 2000, Mr. Neo was appointed as an Executive Director of the merged entity.

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.

Mr. Esmond Choo Liong Gee – was first appointed an Executive Director of UOB Kay Hian Pte Ltd on 1 October 2001 and then as Executive Director of UOB-Kay Hian Holdings Limited on 31 May 2006. 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 the Asia Pacific captive insurance operations of a global insurance brokerage group.

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

Dr. Henry Tay Yun Chwan – graduated with a MBBS (Honours) from Monash University in 1969. He was appointed 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 and the Honorary President of The Hongkong–Singapore Business Association. He also holds directorships in several private companies with diverse interests including real estate, F&B and entertainment. His previous appointments included being Vice-Chairman of the Community Chest, a Board Member of Singapore Tourism Board and Patron of the Singapore Kennel Club. He is an active fund raiser for various charitable organizations.

Dr. Tay has received many awards including the Friends of Ministry of Community Development and Sports Award in 2002 and the President's Social Service Award in 2005.

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

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

Mr. Rajah is also a non-executive director of Overseas Enterprise Limited.

Mr. Walter Tung Tau Chyr – (BBA, MBA) joined Kay Hian in 1982 as Research Analyst, and was appointed Head of Research in 1983. He became a Director of Kay Hian Pte Ltd in 1985, Director of Kay Hian Holdings Limited in 1990 and Director of UOB-Kay Hian Holdings Limited in 2000.

Mr. Tung retired as Director of UOB Kay Hian Pte Ltd in 2004. He remains on the Board of Directors of UOB-Kay Hian Holdings Limited as an independent director. He is a member of the Remuneration Committee.

Mr. Roland Knecht – graduated from Swiss Mercantile School Wil. He was appointed a Director of UOB-Kay Hian Holdings Limited on 1 September 2002. He is an Independent Director and Chairman of the Nominating Committee.

He is a member of the Executive Board of Management of Clariden Leu AG and is in charge of the Division Eastern Europe, Asia and Middle East/Africa. He is also the director of Clariden Leu Asset Management (Hong Kong) Ltd, Clariden Leu Trust (Singapore) Ltd, Clariden Leu Asset Management Monaco and Clariden Leu Trust Management Ltd.

Mr. Francis Lee Chin Yong – was appointed a non-executive director of UOB-Kay Hian Holdings Limited on 3 July 2006 and is a member of the Audit Committee.

Mr. Lee is a Senior Executive Vice President in UOB. He oversees the Bank's individual banking business and is responsible for driving the Bank's business outside Singapore. Prior to his appointment in Singapore, he was the CEO of the Bank's operations in Malaysia. He holds a Malaysia Certificate of Education. Mr. Lee has held various senior positions in operations, consumer services and corporate lendings in the bank.

Key management personnel of the Group

Singapore

Mr. Wong Khai Wah – 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 – 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 27 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 – is the Executive Director responsible for Operations. He graduated with an Honours degree from the University of Edinburgh and is a member of the Institute of Chartered Accountants of Scotland as well as the Institute of Certified Public Accountants of Singapore.

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

Mr. Lim Seng Bee – 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 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 – 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, policy formulation and overall operations.

He was appointed as Executive Director of UOB Kay Hian Private Limited in June 2005.

Mr. Mickey Lee Long Chin – holds a Bachelor of Engineering degree from the National University of Singapore. He was appointed the Deputy Managing Director of UOB Kay Hian (Hong Kong) Limited in 2006. He is in charge of the Hong Kong operation, reporting to Mr. Lim Seng Bee. He had been with Phillip Securities since 1987 and has about 20 years of experience in the stockbroking industry in Hong Kong and Singapore.

Thailand

Mr. Chaipat Narkmontanakum – holds a MBA from University of La Verne, USA. He joined UOB Kay Hian Securities (Thailand) Co, Ltd as a Managing Director of Retail Sales in 2003 and as Co-Chief Executive Officer in 2004.

He is responsible for the management and growth of the company's retail and institutional businesses, research house, and business development. He has more than 10 years of experience in the securities business with companies such as Union Securities, Nava Securities, BNPP Securities and DBS Vickers Securities.

Mr. Victor Yuen Tuck Choy – is the Co-Chief Executive Officer responsible for the backroom operations. He has been working in the stockbroking industry for more than 15 years.

Mr. Yuen has an MBA from the University of Warwick. He joined UOB Kay Hian in 2001.

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2007 and the balance sheet of the Company at 31 December 2007.

Directors

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

Wee Ee-chao

Tang Wee Loke

Walter Tung Tau Chyr

Neo Chin Sang

Henry Tay Yun Chwan

Chelva Retnam Rajah

Roland Knecht

Esmond Choo Liong Gee

Francis Lee Chin Yong

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 shares 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 31.12.2007	**At 1.1.2007**	**At 31.12.2007**	**At 1.1.2007**
The Company *(Ordinary shares)*				
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 ordinary shares of the Company and of related corporations as at 21 January 2008 were the same as at 31 December 2007.

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, related corporations and companies in which certain directors have substantial financial interests. However, the directors have not received nor will they become entitled to receive any benefits arising out of these transactions other than those which they may be entitled 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.

Independent Auditor

At the next Annual General Meeting, a motion will be tabled for the appointment of Deloitte & Touche as auditors of the Company.

On behalf of the board of directors

Wee Ee-chao
Director

Tang Wee Loke
Director

Singapore, 25 March 2008

Statement by Directors

For the financial year ended 31 December 2007

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 62 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 2007 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 board of directors

Wee Ee-chao
Director

Tang Wee Loke
Director

Singapore, 25 March 2008

Independent Auditor's Report

To the Members of UOB-Kay Hian Holdings Limited

We have audited the financial statements of UOB-Kay Hian Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 26 to 62, which comprise the balance sheets of the Company and of the Group as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (Cap. 50) (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(a) the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007, 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
Public Accountants and
Certified Public Accountants

Singapore, 25 March 2008

Consolidated Income Statement

For the financial year ended 31 December 2007

	Note	The Group 2007 $	2006 $
Revenue	4	**780,360,006**	417,962,561
Foreign exchange gain		**11,790,553**	3,040,377
Realised gain on financial assets, available-for-sale	25(b)	**27,485,295**	20,296,841
Commission expenses		**(165,947,083)**	(83,577,819)
Personnel expenses	5	**(211,114,636)**	(124,662,941)
Finance expense	6	**(51,224,640)**	(13,907,355)
Other operating expenses	7	**(62,170,699)**	(52,214,349)
Profit from operations		**329,178,796**	166,937,315
Share of results of associated companies after tax	17	**119,013**	984,104
Profit before tax		**329,297,809**	167,921,419
Income tax expense	8	**(54,266,993)**	(28,869,212)
Profit after tax		**275,030,816**	139,052,207
Attributable to:			
Equity holders of the Company		**273,392,235**	137,161,131
Minority interests		**1,638,581**	1,891,076
		275,030,816	139,052,207
Earnings per share – basic and diluted (cents)	9	**37.72**	18.93

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

Balance Sheets

As at 31 December 2007

	Note	The Group 2007 $	The Group 2006 $	The Company 2007 $	The Company 2006 $
ASSETS					
Current assets					
Cash and cash equivalents	10	**131,400,335**	133,091,580	**1,001,754**	17,259,999
Outstanding contracts receivable	11(a)	**1,092,895,055**	1,447,526,901	–	–
Trade receivables	12	**2,005,061,796**	1,038,906,331	–	–
Financial assets, at fair value through profit or loss	13(a)	**3,182,904**	9,001,174	–	–
Other current assets	14	**14,159,955**	34,599,252	**293,164,351**	169,358,373
Derivative financial instruments	30	**47,367**	11,117	–	–
		3,246,747,412	2,663,136,355	**294,166,105**	186,618,372
Non-current assets					
Loans to subsidiaries	15	–	–	**216,570**	32,402,234
Investments					
– in subsidiaries	16	–	–	**230,093,881**	178,577,304
– in associated companies	17	**860,250**	14,270,932	–	2,648,128
Financial assets, available-for-sale	18	**38,370,985**	28,343,830	–	–
Trading rights in Exchanges	19	**110,772**	109,318	–	–
Memberships in Exchanges		**23,793**	26,350	–	–
Property, plant and equipment	20	**5,360,187**	4,146,080	–	–
Deferred income tax assets	23	**46,755**	35,854	–	–
		44,772,742	46,932,364	**230,310,451**	213,627,666
Total assets		**3,291,520,154**	2,710,068,719	**524,476,556**	400,246,038
LIABILITIES					
Current liabilities					
Outstanding contracts payable	11(b)	**1,040,340,946**	1,426,208,532	–	–
Trade and other payables	21	**155,858,496**	88,399,555	**18,458,229**	17,146,544
Financial liabilities, at fair value through profit or loss	13(b)	**33,550**	71,464	–	–
Borrowings	22	**1,065,562,068**	338,518,273	**258,108,977**	98,811,364
Current income tax liabilities		**53,018,372**	31,347,206	**204,259**	297,817
Derivative financial instruments	30	**67,801**	14,964	–	–
		2,314,881,233	1,884,559,994	276,771,465	116,255,725
Non-current liabilities					
Deferred income tax liabilities	23	**722,862**	723,808	–	–
		722,862	723,808	–	–
Total liabilities		**2,315,604,095**	1,885,283,802	**276,771,465**	116,255,725
Net assets		**975,916,059**	824,784,917	**247,705,091**	283,990,313
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	24	**72,470,901**	72,470,901	**72,470,901**	72,470,901
Reserves	25	**14,630,448**	21,169,979	–	–
Retained earnings		**874,137,428**	716,946,683	**175,234,190**	211,519,412
		961,238,777	810,587,563	**247,705,091**	283,990,313
Minority interests		**14,677,282**	14,197,354	–	–
Total equity		**975,916,059**	824,784,917	**247,705,091**	283,990,313
Clients' trust/segregated accounts					
Bank balances					
– with affiliated corporations		**203,979,307**	143,365,753	–	–
– with non-related banks		**574,223,948**	329,517,964	–	–
Margin with clearing house		**5,482,312**	5,414,513	–	–
Less: Amounts held in trust		**(783,685,567)**	(478,298,230)	–	–
		–	–	–	–

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2007

	Note	Share capital $
Balance at 1 January 2007		**72,470,901**
Fair value gains on financial assets, available-for-sale	25(b)	–
Currency translation differences		–
Net gain/(loss) recognised directly in equity		–
Net profit for the financial year		–
Total recognised gains/(losses) for the financial year		–
Fair value gains transferred to income statement on realisation	25(b)	–
Final dividend for 2006 paid	26	–
Interim dividend for 2007 paid	26	–
Transfer from retained earnings to statutory reserve	25(c)	–
Acquisition of additional interest in subsidiary		–
Payment of dividends by a subsidiary		–
Balance at 31 December 2007		**72,470,901**

		Attributable to		
	Note	Share capital $	Capital reserve $	Capital reserve on consolidation $
Balance at 1 January 2006		**72,470,901**	**154,205,891**	**71,270,568**
Fair value gains on financial assets, available-for-sale	25(b)	–	–	–
Currency translation differences		–	–	–
Net gain/(loss) recognised directly in equity		–	–	–
Net profit for the financial year		–	–	–
Total recognised gains/(losses) for the financial year		–	-	–
Fair value gains transferred to income statement on realisation	25(b)	–	–	–
Final dividend for 2005 paid	26	–	–	–
Interim dividend for 2006 paid	26	–	–	–
Transfer to retained earnings upon liquidation of subsidiary		–	(154,205,891)	(71,270,568)
Transfer from retained earnings to statutory reserve	25(c)	–	–	–
Acquisition of additional interest in subsidiary		–	–	–
Payment of dividends by a subsidiary		–	–	–
Balance at 31 December 2006		**72,470,901**	–	–

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

Attributable to equity holders of the Company

Statutory reserve $	Fair value reserve $	Foreign currency translation reserve $	Retained earnings $	Minority interests $	Total Equity $
1,036,383	**26,596,575**	**(6,462,979)**	**716,946,683**	**14,197,354**	**824,784,917**
–	28,644,048	–	–	30,618	28,674,666
10,496	48,437	(8,109,641)	–	(10,505)	(8,061,213)
10,496	28,692,485	(8,109,641)	–	20,113	20,613,453
–	–	–	273,392,235	1,638,581	275,030,816
10,496	**28,692,485**	**(8,109,641)**	**273,392,235**	**1,658,694**	**295,644,269**
–	(27,485,295)	–	–	–	(27,485,295)
–	–	–	(62,397,446)	–	(62,397,446)
–	–	–	(53,483,525)	–	(53,483,525)
338,316	–	–	(320,519)	(17,797)	–
–	–	14,108	–	(821,171)	(807,063)
–	–	–	–	(339,798)	(339,798)
1,385,195	**27,803,765**	**(14,558,512)**	**874,137,428**	**14,677,282**	**975,916,059**

equity holders of the Company

Statutory reserve $	Fair value reserve $	Foreign currency translation reserve $	Retained earnings $	Minority interests $	Total Equity $
639,764	**25,227,753**	**(4,099,347)**	**412,960,767**	**13,486,423**	**746,162,720**
–	21,657,392	–	–	(3,448)	21,653,944
32,463	8,271	(2,634,415)	–	565,543	(2,028,138)
32,463	21,665,663	(2,634,415)	–	562,095	19,625,806
–	–	–	137,161,131	1,891,076	139,052,207
32,463	**21,665,663**	**(2,634,415)**	**137,161,131**	**2,453,171**	**158,678,013**
–	(20,296,841)	–	–	–	(20,296,841)
–	–	–	(46,381,377)	–	(46,381,377)
–	–	–	(11,595,344)	–	(11,595,344)
–	–	331,657	225,144,802	–	–
364,156	–	–	(343,296)	(20,860)	–
–	–	(60,874)	–	(1,349,449)	(1,410,323)
–	–	–	–	(371,931)	(371,931)
1,036,383	**26,596,575**	**(6,462,979)**	**716,946,683**	**14,197,354**	**824,784,917**

Consolidated Cash Flow Statement

For the financial year ended 31 December 2007

	Note	2007 $	2006 $
Cash flows from operating activities			
Profit before tax and after share of results of associated companies		**329,297,809**	167,921,419
Adjustments for:			
Share of results of associated companies		**(119,013)**	(984,104)
Depreciation expense	7	**2,910,868**	3,674,940
Gain on disposal of property, plant and equipment		**(49,959)**	(25,111)
Realised gain on financial assets, available-for-sale		**(27,485,295)**	(20,296,841)
Dividend income	4	**(1,292,696)**	(1,080,960)
Allowance for impairment of investment in associated companies		**–**	1,000,000
Interest income	4	**(108,459,198)**	(50,358,884)
Interest expense	6	**51,224,640**	13,907,355
Exchange differences		**2,925,210**	(2,331,154)
Operating cash flow before working capital changes		**248,952,366**	111,426,660
Changes in operating assets and liabilities:			
Financial assets/liabilities at fair value through profit or loss		**5,780,356**	(6,636,325)
Trade, outstanding contracts and other receivables		**(579,832,402)**	(1,298,761,443)
Trade, outstanding contracts and other payables		**(318,370,618)**	836,231,735
Cash used in operations		**(643,470,298)**	(357,739,373)
Interest received	4	**108,459,198**	50,358,884
Interest paid	6	**(51,224,640)**	(13,907,355)
Drawdown of short-term bank loans		**718,463,449**	257,560,708
Income tax paid		**(32,911,233)**	(22,952,798)
Net cash provided by/(used in) operating activities		**99,316,476**	(86,679,934)

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

	Note	2007 $	2006 $
Cash flows from investing activities			
Payments for property, plant and equipment	20	**(4,146,370)**	(1,543,068)
Payment for property, plant and equipment from acquisition of business		**(9,418)**	–
Proceeds from sale of financial assets, available-for-sale	18	**28,255,294**	22,995,965
Proceeds from disposal of property, plant and equipment		**61,427**	34,512
Proceeds from redemption of preference shares in associated company		–	10,000,000
Proceeds from capital repayment in associated company		**2,617,800**	–
Payment to minority interest for dividend		**(339,798)**	(371,931)
Payment to minority interest for additional interest in a subsidiary		**(821,171)**	(1,349,449)
Payment for financial assets, available-for-sale	18	**(9,032,241)**	–
Acquisition of subsidiary, net of cash acquired	10	**1,011,266**	–
Dividends received from quoted/unquoted securities		**1,292,696**	1,080,960
Dividend received from associated companies		–	13,577,186
Net cash provided by investing activities		**18,889,485**	44,424,175
Cash flows from financing activities			
Dividends paid		**(115,880,971)**	(57,976,721)
Net cash used in financing activities		**(115,880,971)**	(57,976,721)
Net increase/(decrease) in cash and cash equivalents during the financial year		**2,324,990**	(100,232,480)
Cash and cash equivalents at beginning of the financial year		**119,931,815**	220,164,295
Cash and cash equivalents at end of the financial year	10	**122,256,805**	119,931,815

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 listed on the Singapore Exchange and incorporated and domiciled in Singapore. 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 its subsidiaries are stockbroking, futures broking, investment trading, margin financing, 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

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, 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 certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Interpretations and amendments to published standards effective in 2007

On 1 January 2007, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS and INT FRS that are relevant to the Group:

Amendments to FRS 1	Presentation of Financial Statements – Capital Disclosures
FRS 107	Financial Instruments: Disclosures
INT FRS 110	Interim Financial Reporting and Impairment

The adoption of the above FRS or INT FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on these financial statements. FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is presented net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

Commission and trading 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.

Fee income from custodian, management, facility, shares withdrawal 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 accompanied by a shareholding giving rise to the majority 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.

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 the paragraph "Intangible assets – Goodwill" for the accounting policy on goodwill on acquisition of subsidiaries.

2. Significant accounting policies *(continued)*

2.3 Group accounting *(continued)*

(a) Subsidiaries (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the Group. They are 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 minorities' share of losses in a subsidiary exceeds its interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Company, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minorities' share of losses previously absorbed by the equity holders of the Company are fully recovered.

Please refer to paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests, which result in gains and losses for the Group, are recognised in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the Group's incremental share of the carrying value of identifiable net assets of the subsidiary.

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to 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. Investments in associated companies accounted for in the consolidated balance sheet includes goodwill (net of any accumulated impairment losses) identified on acquisition. Please refer to the paragraph "Intangible assets – Goodwill" for the Group's accounting policy on goodwill.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at 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.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the 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 non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed when necessary to ensure consistency with the accounting policies adopted by the Group.

Please refer to the paragraph "Investment in subsidiaries and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

2. Significant accounting policies *(continued)*

2.4 Property, plant and equipment

(a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Depreciation is calculated using the straight line method to allocate their depreciable amounts over their estimated useful lives 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 – $33^1/_3$

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

(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 only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the income statement when 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 recognised in the income statement. Any amount in revaluation reserve relating to that asset is transferred to retained earnings directly.

2.5 Intangible assets

Goodwill

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

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained earnings in the year of acquisition and not recognised in the income statement on disposal.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

2.6 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries and associated companies, the difference between disposal proceeds and the carrying amounts of the investment are recognised in the income statement.

2. Significant accounting policies *(continued)*

2.7 Impairment of non-financial assets

(a) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in associated company is tested for impairment as part of the investment, rather than separately.

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 arising from the business combination.

An impairment loss is recognised when the carrying amount of a 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 of a CGU 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.

An impairment loss on goodwill is recognised in the income statement and 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 tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) 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, the 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 difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement.

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 any accumulated 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.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

(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 as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with a documented Group investment strategy. Assets in this category are presented 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 are presented as current assets, except those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loan and receivables are presented as "Trade receivables", "Outstanding contracts receivable", and "Cash and cash equivalents" on the balance sheet.

2. Significant accounting policies *(continued)*

2.8 Financial assets *(continued)*

(a) Classification (continued)

(iii) Financial assets, available-for-sale

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

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets 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. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the income statement. Any amount in the fair value reserve relating to that asset is transferred to the income statement.

(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. Transaction costs for financial assets at fair value through profit and loss are recognised immediately in the income statement.

(d) Subsequent measurement

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

Changes in the fair values of financial assets, at fair value through profit or loss including the effects of currency translation, interest and dividend are recognised in the income statement – commission and trading income or dividend income when the changes arise.

Interest and dividend income on financial assets, available-for-sale are recognised separately in the income statement. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in the income statement and other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with related currency translation differences.

(e) 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 and recognised an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Financial assets, available-for-sale

Significant or prolonged declines in the fair value of the security below its cost and disappearance of an active trading market for the security are objective evidences that the security is impaired.

2. Significant accounting policies *(continued)*

2.8 Financial assets *(continued)*

(e) Impairment (continued)

(ii) Financial assets, available-for-sale *(continued)*

The cumulative loss that was recognised in the fair value reserve is transferred to the income statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised in income statement on debt securities. The impairment losses recognised in the income statement on equity securities are not reversed through the income statement.

2.9 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantee as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantee are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

Intragroup transactions are eliminated on consolidation.

2.10 Securities borrowed and lent

Securities borrowed and lent are accounted for as collateralised borrowings. The amounts of cash collaterals advanced for securities borrowed and cash collaterals received for securities lent are recorded in the balance sheet under "Other current assets – Amounts deposited with lenders of securities" and "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.

2.11 Trading rights in Exchanges

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

2.12 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.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.14 Outstanding contracts payable, trade and other payables

Outstanding contracts payable, trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method.

2.15 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets are the current bid prices; the appropriate quoted market price for financial liabilities are the current ask prices.

The fair value of the unquoted equity securities is estimated by reference to the net asset value of the 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.

2. Significant accounting policies *(continued)*

2.15 Fair value estimation of financial assets and liabilities *(continued)*

The fair values of currency forwards are determined using actively quoted forward exchange rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.16 Leases

Operating leases

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors 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.

Contingent rents are recognised as an expense in the income statement when incurred.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit and loss at the time of transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in the income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.18 Employee compensation

(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 on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

(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. Significant accounting policies *(continued)*

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 ("functional currency"). The financial statements are presented in Singapore Dollar.

(b) Transactions and balances

Transactions in a currency other than Singapore Dollar ("foreign currency") are translated into Singapore Dollar using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the income statement as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(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 are translated at the closing exchange rates at the date of the balance sheet;

(ii) Income and expenses are translated at average exchange rates (unless the 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 recognised in the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the date of the balance sheet. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition are used.

2.20 Segment reporting

A business segment is a distinguishable component of the Group 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 a distinguishable component of the Group 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

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits with financial institutions and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.23 Dividend

Dividends to Company's shareholders are recognised when the dividends are approved for payments.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

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

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded in the income statement. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

4. Revenue

	The Group	
	2007	**2006**
	$	**$**
Commission income	**658,617,815**	352,723,027
Interest income		
– fixed deposits with affiliated corporations	**1,753,631**	2,125,128
– fixed deposits with non-related banks	**4,329,861**	6,505,440
– clients	**100,193,397**	39,991,310
– others	**2,182,309**	1,737,006
	108,459,198	50,358,884
Dividend from quoted/unquoted securities	**1,292,696**	1,080,960
Facility, shares withdrawal and arrangement fees	**6,127,085**	8,353,001
Other operating revenue	**5,863,212**	5,446,689
	780,360,006	417,962,561

5. Personnel expenses

	The Group	
	2007	2006
	$	$
Wages, salaries and other staff costs	**206,682,768**	121,208,023
Employers' contribution to defined contribution plans including Central Provident Fund	**4,431,868**	3,454,918
	211,114,636	124,662,941

6. Finance expense

	The Group	
	2007	2006
	$	$
Interest expense:		
– bank borrowings from affiliated corporations	**22,291,205**	3,078,727
– borrowings from non-related banks	**23,385,393**	10,187,152
– others	**5,548,042**	641,476
	51,224,640	13,907,355

7. Other operating expenses

	The Group	
	2007	2006
	$	$
Net fair value losses/(gains) on financial assets at fair value through profit or loss	**865,974**	(480,374)
Rental on operating leases	**9,215,267**	9,459,678
Marketing and business promotions	**9,784,652**	6,912,245
Communication expenses	**13,845,377**	10,612,522
Contract processing charges	**6,092,989**	3,738,655
Information services	**6,827,561**	6,522,793
Depreciation expense	**2,910,868**	3,674,940
Gain on disposal of property, plant and equipment	**(49,959)**	(25,111)
General administrative expenses	**12,677,970**	11,799,001
	62,170,699	52,214,349

8. Tax

Income tax expense

	The Group	
	2007	2006
	$	$
Tax expense attributable to profit is made up of:		
Current income tax		
– Singapore	**37,462,314**	21,458,624
– Foreign	**17,450,229**	8,090,889
	54,912,543	29,549,513
Deferred income tax	**(534,296)**	(65,564)
	54,378,247	29,483,949
Under/(Over) provision in prior years		
– current income tax	**(113,848)**	(614,737)
– deferred tax	**2,594**	–
	54,266,993	28,869,212

8. Tax *(continued)*

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax is as explained below:

	The Group	
	2007	2006
	$	$
Profit before tax	**329,297,809**	167,921,419
Tax calculated at tax rate of 18% (2006: 20%)	**59,273,606**	33,584,284
Effects of:		
– Singapore statutory stepped income exemption and tax rebate	**(137,250)**	(55,749)
– Concessionary tax	**(1,197,348)**	(2,123,517)
– Tax calculated on share of results of associated companies	**(32,500)**	(196,821)
– Income not subject to tax	**(10,448,547)**	(6,184,190)
– Expenses not deductible for tax purposes	**5,743,531**	4,614,852
– Utilisation of previously unrecognised tax losses	**–**	(115,140)
– Tax benefit on tax losses and other temporary differences not recognised	**(34,130)**	(84,158)
– Different tax rates in other countries	**1,207,337**	44,388
– Deferred tax assets not recognised	**3,548**	–
	54,378,247	29,483,949

9. Earnings per share

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

	The Group	
	2007	2006
Net profit attributable to equity holders of the Company ($)	**273,392,235**	137,161,131
Weighted average number of ordinary shares in issue for basic earnings per share	**724,709,009**	724,709,009
Basic earnings per share	**37.72 cents**	18.93 cents

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

10. Cash and cash equivalents

	The Group		The Company	
	2007	2006	2007	2006
	$	$	$	$
Bank balances with:				
– affiliated corporations	**13,995,374**	23,563,120	**105,222**	352,383
– non-related banks	**57,570,318**	49,097,688	**–**	–
Cash on hand	**14,104**	13,292	**–**	–
	71,579,796	72,674,100	**105,222**	352,383
Fixed deposits with:				
– affiliated corporations	**29,680,327**	25,103,076	**896,532**	16,907,616
– non-related banks	**30,140,212**	35,314,404	**–**	–
	59,820,539	60,417,480	**896,532**	16,907,616
	131,400,335	133,091,580	**1,001,754**	17,259,999

At the balance sheet date, the carrying amounts of cash and cash equivalents approximate their fair values.

10. Cash and cash equivalents *(continued)*

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

	The Group	
	2007	**2006**
	$	**$**
Cash and bank balances (as above)	**131,400,335**	133,091,580
Less: Bank overdrafts (Note 22)	**(9,143,530)**	(13,159,765)
Cash and cash equivalents per consolidated cash flow statement	**122,256,805**	119,931,815

Acquisition of subsidiary

On 11 May 2007, the Company acquired 50% of the issued share capital of Trans-Pacific Credit Pte Ltd for a cash consideration of $11,814,730.

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

	At fair value	Carrying amounts in acquiree's books
	$	**$**
Identifiable assets and liabilities		
Bank balance and fixed deposits with bank	**14,004,928**	14,004,928
Less: Bank overdrafts	**(1,178,932)**	(1,178,932)
Cash and cash equivalents	**12,825,996**	12,825,996
Trade receivables	**11,162,879**	11,162,879
Other current assets	**125,291**	125,291
Property, plant & equipment	**450**	450
Total assets	**24,114,616**	24,114,616
Trade and other payables	**14,810**	14,810
Current income tax liabilities	**470,346**	470,346
Total liabilities	**485,156**	485,156
Identifiable net assets acquired	**23,629,460**	23,629,460
Less: Identifiable net assets previously accounted for by Group	**(11,814,730)**	
Cash consideration paid	**11,814,730**	
Less: Cash and cash equivalents in subsidiary acquired	**(12,825,996)**	
Net cash inflow from acquisition of subsidiary	**(1,011,266)**	

11. Outstanding contracts

(a) Outstanding contracts receivable comprise the following:

	The Group	
	2007	**2006**
	$	**$**
Due from third parties	**1,092,895,055**	1,447,526,901

11. Outstanding contracts *(continued)*

(b) Outstanding contracts payable comprise the following:

	The Group	
	2007	2006
	$	$
Due to third parties	**1,040,340,946**	1,426,208,532

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

12. Trade receivables

	The Group	
	2007	2006
	$	$
Trade receivables from third parties	**2,008,583,981**	1,041,784,180
Less: Allowance for impairment of trade receivables	**(3,522,185)**	(2,877,849)
	2,005,061,796	1,038,906,331

Concentrations of credit risk with respect to trade receivables are limited due to the Group's diversified customer base. Management believes that no anticipated additional credit risk beyond amount of allowance for impairment made in the Group's trade receivables.

At the balance sheet date, the carrying amounts of trade receivables approximate their fair value. The exposure to interest rate risks of trade receivables are disclosed in Note 29 (a) (iii).

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

(a) Current assets

Financial assets at fair value through profit or loss

	The Group	
	2007	2006
	$	$
Trading securities		
Listed securities:		
– Equity securities – Malaysia	**106**	4,739,736
– Equity securities – Singapore	**3,179,585**	4,076,534
– Equity securities – Others	**3,213**	184,904
	3,182,904	9,001,174

(b) Current liabilities

Financial liabilities at fair value through profit or loss

	The Group	
	2007	2006
	$	$
Trading securities		
Listed securities		
– Equity securities – Singapore	**33,550**	71,464
	33,550	71,464

14. Other current assets

	The Group		The Company	
	2007	2006	2007	2006
	$	$	$	$
Amounts due from subsidiaries (Note 14(a))	–	–	**293,118,384**	168,464,854
Deposits (Note 14(b))	**8,320,426**	7,903,524	–	–
Prepayments	**1,362,308**	1,149,202	**3,000**	3,000
Amount deposited with lenders of securities (Note 14(c))	**1,217,184**	20,783,860	–	–
Other receivables	**3,260,037**	4,762,666	**42,966**	890,519
	14,159,955	34,599,252	**293,164,350**	169,358,373

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

(a) The amounts due from subsidiaries in 2006 included a loan of $15,000,000 which bears interest of 3.14% per annum and was unsecured and repayable on demand. The loan was repaid in 2007.

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

(b) Included in deposits is an amount of $1,870,939 (2006: $1,870,939) 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 27).

(c) Securities borrowing and lending contracts

	The Group	
	2007	2006
	$	$
Securities borrowed		
Securities borrowed from lenders, at fair value:		
– lent to clients	**1,028,280**	19,054,050
Securities lent		
Securities lent to clients, at fair value:		
– borrowed from lenders	**1,028,280**	19,054,050

15. Loans to subsidiaries

	The Company	
	2007	2006
	$	$
Loan to a subsidiary	–	31,712,474
Subordinated loan to a subsidiary	**216,570**	689,760
	216,570	32,402,234

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 Singapore 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 Nil (2006: 3.14%) and 2.25% (2006: 2.25%) per annum respectively.

15. Loans to subsidiaries *(continued)*

The fair values for loans to subsidiaries are as follows:

	The Company	
	2007	**2006**
	$	**$**
Loan to a subsidiary	–	31,712,474
Subordinated loan to a subsidiary	**213,488**	660,621

The fair values are based on discounted cash flows using a comparable rate at the balance sheet date.

16. Investments in subsidiaries

	The Company	
	2007	**2006**
	$	**$**
Equity investments at cost		
Beginning of financial year	**178,577,304**	266,997,855
Capital injection	**65,607,500**	–
Transfer of investment from associated company (Note 17)	**2,648,128**	–
Acquisition (Note 10)	**11,814,730**	–
Liquidation of subsidiaries	**(28,553,781)**	(88,420,551)
End of financial year	**230,093,881**	178,577,304

Details of subsidiaries are included in Note 36.

Acquisition of a subsidiary

On 11 May 2007, the Company acquired the balance 50% of the issued share capital of Trans-Pacific Credit Pte Ltd for a cash consideration of $11,814,730.

The fair value of the net assets approximated to the book value of the net assets acquired, and no goodwill or discount on acquisition was established. The effect of the acquisition to the Group's financial position is disclosed in Note 10.

Contribution by the acquired subsidiary to the Group's operating profit for the financial year ended 31 December 2007 is not significant. The acquired subsidiary's assets and liabilities at 31 December 2007 were $24,490,574 and $146,550 respectively.

17. Investments in associated companies

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

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Equity investment at cost			–	2,648,128
Beginning of financial year	**14,270,932**	37,916,698		
Currency translation differences	**12,390**	(52,684)		
Share of profits	**119,013**	984,104		
Dividends received from an associated company out of its pre-acquisition profits	–	(13,577,186)		
Transfer of equity investment to Investment in subsidiary	**(10,924,285)**	–		
Capital repayment	**(2,617,800)**	–		
Redemption of preference shares	–	(10,000,000)		
Allowance for impairment of investment	–	(1,000,000)		
End of financial year	**860,250**	14,270,932		

17. Investments in associated companies *(continued)*

The summarised financial information of associated companies are as follows:

	The Group	
	2007	2006
	$	$
– Assets	**12,388,350**	37,731,932
– Liabilities	**198,290**	1,850,039
– Revenue	**–**	3,159,459
– Net (loss)/profit	**(87,260)**	2,404,164

Details of associated companies are included in Note 36.

18. Financial assets, available-for-sale

	The Group	
	2007	2006
	$	$
Beginning of financial year	**28,343,830**	29,661,819
Currency translation differences	**58,637**	24,032
Additions	**9,032,241**	–
Disposals	**(28,255,294)**	(22,995,965)
Fair value gains transferred to equity (Note 25(b))	**29,191,571**	21,653,944
End of financial year	**38,370,985**	28,343,830

Financial assets, available-for-sale includes the following:

	The Group	
	2007	2006
	$	$
Listed securities		
– Equity securities – Singapore	**26,832,948**	27,391,076
– Equity securities – Philippines	**1,785,765**	436,800
– Equity securities – Thailand	**363,175**	–
Unlisted		
– Equity securities – Thailand	**691,367**	515,954
– Equity securities – Others	**26,460**	–
– Fund in Vietnam	**5,901,269**	–
– Fund in Cayman	**2,770,001**	–
	38,370,985	28,343,830

The unquoted equity securities in Thailand 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 at fair value through profit or loss and monetary assets.

19. Trading rights in Exchanges

	The Group	
	2007	2006
	$	$
Trading rights in Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited and Philippine Stock Exchange, Inc, at amortised cost	**110,772**	109,318

20. 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 2007	228,498	7,658,144	5,962,273	15,360,993	1,928,788	526,960	31,665,656
Acquisition of subsidiary	–	–	8,794	3,406	–	–	12,200
Additions	–	585,288	360,730	2,482,608	117,177	600,567	4,146,370
Disposals	–	(42,564)	(42,288)	(103,575)	–	(122,491)	(310,918)
Currency translation differences	2,315	(67,454)	(40,494)	(169,256)	(50,736)	(3,513)	(329,138)
At 31 December 2007	230,813	8,133,414	6,249,015	17,574,176	1,995,229	1,001,523	35,184,170
Accumulated depreciation							
At 1 January 2007	120,258	6,962,057	5,494,808	12,795,148	1,719,335	427,970	27,519,576
Acquisition of subsidiary	–	–	327	2,005	–	–	2,332
Depreciation charge	111,556	495,093	326,917	1,775,508	130,151	71,643	2,910,868
Disposals	–	(42,564)	(40,631)	(96,698)	(106)	(119,451)	(299,450)
Currency translation differences	(1,001)	(66,599)	(38,873)	(157,205)	(45,534)	(131)	(309,343)
At 31 December 2007	230,813	7,347,987	5,742,548	14,318,758	1,803,846	380,031	29,823,983
Net book value							
At 31 December 2007	**–**	**785,427**	**506,467**	**3,255,418**	**191,383**	**621,492**	**5,360,187**
The Group							
Cost							
At 1 January 2006	217,463	7,474,135	7,059,238	14,515,529	1,895,308	533,905	31,695,578
Additions	–	214,382	150,862	1,015,971	105,158	56,695	1,543,068
Disposals	–	–	(1,275,961)	(54,064)	(6,055)	(85,012)	(1,421,092)
Currency translation differences	11,035	(30,373)	28,134	(116,443)	(65,623)	21,372	(151,898)
At 31 December 2006	228,498	7,658,144	5,962,273	15,360,993	1,928,788	526,960	31,665,656
Accumulated depreciation							
At 1 January 2006	100,852	6,357,240	6,226,318	10,677,442	1,614,482	404,244	25,380,578
Depreciation charge	14,105	627,350	514,890	2,267,728	162,908	87,959	3,674,940
Disposals	–	–	(1,268,247)	(53,071)	(6,055)	(84,318)	(1,411,691)
Currency translation differences	5,301	(22,533)	21,847	(96,951)	(52,000)	20,085	(124,251)
At 31 December 2006	120,258	6,962,057	5,494,808	12,795,148	1,719,335	427,970	27,519,576
Net book value							
At 31 December 2006	**108,240**	**696,087**	**467,465**	**2,565,845**	**209,453**	**98,990**	**4,146,080**

21. Trade and other payables

	The Group		The Company	
	2007	2006	2007	2006
	$	$	$	$
Trade payables to:				
– Third parties	**33,309,483**	18,662,900	–	–
Accrued operating expenses	**110,290,654**	60,990,617	**11,648,260**	6,217,958
Cash collaterals held for securities lent to clients	**619,490**	288,999	–	–
Amount due to subsidiaries	–	–	**6,809,968**	10,927,370
Other payables	**11,638,869**	8,457,039	–	1,216
	155,858,496	88,399,555	**18,458,228**	17,146,544

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

The carrying amounts of trade and other payables approximate their fair values at the balance sheet date.

22. Borrowings

	The Group		The Company	
	2007	2006	2007	2006
	$	$	$	$
Current				
Bank overdrafts:				
– with affiliated corporations	**7,906,939**	8,559,611	–	–
– with non-related banks	**1,236,591**	4,600,154	–	–
	9,143,530	13,159,765	–	–
Short-term bank loans:				
– with affiliated corporations	**970,781,614**	164,401,535	**258,108,977**	98,811,364
– with non-related banks	**85,636,924**	160,956,973	–	–
	1,056,418,538	325,358,508	**258,108,977**	98,811,364
Total borrowings	**1,065,562,068**	338,518,273	**258,108,977**	98,811,364

The carrying amounts of borrowings approximate their fair values.

The short-term bank loan of the Company matures within 1 month (2006: 6 months) from the end of the financial year. It is unsecured. The average effective interest rate of the short-term loan is 1.11% (2006: 4.68%) per annum.

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

Year ended 31 December 2007

Bank overdrafts

$	Weighted average effective interest rates	Security, if any
Balances with affiliated corporations		
7,873,265	5% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary
33,674	6.75% per annum	Unsecured
7,906,939		
Balances with non-related banks		
1,236,591	6.86% per annum	Unsecured
1,236,591		

22. Borrowings *(continued)*

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with affiliated corporations			
155,775,200	1.11% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Due within 6 months from balance sheet date
815,006,414	3.27% per annum	Unsecured	Due within 6 months from balance sheet date
970,781,614			
Balances with non-related banks			
13,798,724	5.06% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Due within 6 months from balance sheet date
71,838,200	3.78% per annum	Unsecured	Due within 6 months from balance sheet date
85,636,924			

Year ended 31 December 2006

Bank overdrafts

$	Weighted average effective interest rates	Security, if any
Balances with affiliated corporations		
8,473,604	5.00% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary
86,007	8.75% per annum	Unsecured
8,559,611		
Balances with non-related banks		
143,015	6.00% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary
4,457,139	7.73% per annum	Unsecured
4,600,154		

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with affiliated corporations			
40,380,571	5.84% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Due within 6 months from balance sheet date
124,020,964	4.73% per annum	Unsecured	Due within 6 months from balance sheet date
164,401,535			
Balances with non-related banks			
108,371,323	4.70% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Due within 6 months from balance sheet date
52,585,650	4.68% per annum	Unsecured	Due within 6 months from balance sheet date
160,956,973			

23. Deferred income taxes

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

	The Group	
	2007	2006
	$	$
Deferred income tax assets		
– to be recovered within one year	**46,755**	35,854
– to be recovered after one year	–	–
	46,755	35,854
Deferred income tax liabilities		
– to be settled within one year	**(205,957)**	(723,808)
– to be settled after one year	**(516,905)**	–
	(722,862)	(723,808)

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

The Group

Deferred income tax assets

	Allowances	
	2007	2006
	$	$
Beginning of financial year	**35,854**	35,029
Credited to income statement	**15,193**	263
Currency translation differences	**(4,292)**	562
End of financial year	**46,755**	35,854

Deferred income tax liabilities

	Accelerated tax depreciation & Fair value gains-net	
	2007	2006
	$	$
Beginning of financial year	**(723,808)**	(798,717)
Credited to income statement	**516,509**	66,301
Deferred tax on fair value gain	**(516,905)**	–
Currency translation differences	**1,342**	9,608
End of financial year	**(722,862)**	(723,808)

Deferred income tax assets are recognised for tax losses 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 $1,288,612 (2006: $3,672,718) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. These tax losses have no expiry date.

24. Share capital

	2007	2006	2007	2006
	Number of shares	Number of shares	$	$
Beginning and end of financial year	**724,709,009**	724,709,009	**72,470,901**	72,470,901

Under the Companies (Amendment) Act 2006 that came into effect on 30 January 2006, the concepts of par value and authorised share capital were abolished.

All issued shares are fully paid.

25. Reserves

(a) Composition

	The Group 2007 $	The Group 2006 $
Fair value reserve	**27,803,765**	26,596,575
Foreign currency translation reserve	**(14,558,512)**	(6,462,979)
Statutory reserve	**1,385,195**	1,036,383
	14,630,448	21,169,979

(b) Fair value reserve

	The Group 2007 $	The Group 2006 $
Beginning of financial year	**26,596,575**	25,227,753
Fair value gains on financial assets, available-for-sale (Note 18)	**29,191,571**	21,653,944
Deferred tax on fair value gain	**(516,905)**	–
Minority interests	**(30,618)**	3,448
	28,644,048	21,657,392
Currency translation differences	**48,437**	8,271
Fair value gains transferred to income statement on realisation	**(27,485,295)**	(20,296,841)
End of financial year	**27,803,765**	26,596,575

(c) Statutory reserve

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

26. Dividends

Ordinary dividends paid

	The Group and The Company 2007 $	The Group and The Company 2006 $
Interim dividend in respect of the financial year ended 31 December 2007 of 9.0 cents (31 December 2006: 2.0 cents) per ordinary share less tax at 18% (2006: 20%) paid	**53,483,525**	11,595,344
Final dividend in respect of the financial year ended 31 December 2006 of 10.5 cents (31 December 2005: 8.0 cents) per ordinary share less tax at 18% (2005: 20%) paid	**62,397,446**	46,381,377
	115,880,971	57,976,721

At the Annual General Meeting on 28 April 2008, a final exempt (one-tier) dividend of 11.89 cents per ordinary share amounting to a total of $86,167,901 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2008.

27. Contingent liabilities

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 $1,644,300 (2006: $1,828,256) 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 $1,870,939 (2006: $1,870,939) placed by the subsidiary with CDP.

28. Commitments

(a) 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	
	2007	2006
	$	$
Not later than one year	**11,050,026**	8,166,876
Between two and five years	**12,331,879**	5,880,210
	23,381,905	14,047,086

(b) Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

As at 31 December 2007, the commitment drawn under corporate guarantees is $ 629,290,918 (2006: $ 81,558,274).

29. Financial risk management

The Group's activities undertaken by its subsidiaries in each country of operations expose it to a range of financial risks. These include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and capital risk.

The Group has in place controls to manage these risks to an acceptable level without stifling its business. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial instruments such as intercompany and foreign currency borrowings and foreign exchange contracts to manage certain risk exposures.

Financial risk management of the Group is carried out by the Credit Committee and finance department of the Company and its respective subsidiaries. The Credit Committee approves the financial risk management policies of the Company and its subsidiaries. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures and these are reported to the Credit Committee.

(a) Market risk

(i) Currency risk

Exposures to foreign currencies are monitored closely to ensure that there are no significant adverse financial effects to the Group from changes in the exchange rates. The Group manages significant net exposures in each of the foreign currencies through foreign currency borrowings and foreign exchange contracts.

The Group as a policy hedges all trade receivables and trade payables denominated in foreign currencies although it may from time to time have some short term exposures due to timing differences. The Group enters into forward contracts and foreign currencies borrowings to hedge its foreign currency risk.

The Group's exposure to currency risks arises from:

- dealing in securities denominated in foreign currencies
- having assets and liabilities denominated in foreign currencies
- holding non-local currency (primarily in United States Dollar and Malaysian Ringgit) for working capital purposes
- investments in foreign subsidiaries primarily in Hong Kong Dollar and Thai Baht, whose net assets are exposed to currency translation risk

29. Financial risk management *(continued)*

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's exposures to foreign currency are as follows:

	Singapore Dollar $	US Dollar $	Hong Kong Dollar $	Malaysia Ringgit $	Others $
At 31 December 2007					
Financial Assets					
Cash and cash equivalents	1,006,239	16,100,573	8,629,783	9,414,273	53,028,825
Outstanding contracts receivable	4,747	17,468,057	424,971,894	16,642,674	57,974,684
Trade receivables	311,416,535	33,749,372	851,649,195	3,880,630	72,937,488
Other current assets	31,827	400,145	3,745,536	60,867	1,801,187
Financial assets, available for sale	–	8,697,730	–	–	2,840,306
	312,459,348	76,415,877	1,288,996,408	29,998,444	188,582,490
Financial Liabilities					
Outstanding contracts payable	4,075,199	4,402,260	440,069,687	26,556,966	87,409,041
Trade & other payables	5,968	1,175,837	33,985,592	1,840,283	9,984,787
Borrowings	33,293,236	20,095,970	596,156,970	–	–
	37,374,403	25,674,067	1,070,212,249	28,397,249	97,393,828
Net financial assets	275,084,945	50,741,810	218,784,159	1,601,195	91,188,662
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	–	(2,494,673)	(215,243,371)	(2,836,306)	(85,679,671)
Intercompany balances	(288,059,598)	(1,014,719)	1,435,728	1,088,214	22,329,494
Currency forwards	14,169,002	(18,680,362)	(484,680)	(367,360)	(1,659,985)
Foreign currencies trust balances	–	(3,250,588)	(1,499,861)	127,271	(21,744,371)
Currency exposures	**1,194,349**	**25,301,468**	**2,991,975**	**(386,986)**	**4,434,129**

	Singapore Dollar $	US Dollar $	Hong Kong Dollar $	Malaysia Ringgit $	Others $
At 31 December 2006					
Financial Assets					
Cash & cash equivalents	803,024	12,754,881	26,185,812	13,057,971	60,986,913
Outstanding contracts receivable	7,823,572	47,868,998	479,787,175	25,108,941	82,206,472
Trade receivables	24,854,921	67,103,870	378,958,903	11,897,145	56,125,826
Financial assets at fair value through profit or loss	–	–	183,159	4,739,736	1,744
Other current assets	1,716	635,716	4,335,753	61,487	1,825,359
Financial assets, available for sale	–	–	–	–	952,754
	33,483,233	128,363,465	889,450,802	54,865,280	202,099,068
Financial Liabilities					
Outstanding contracts payable	–	40,941,243	515,831,357	50,576,927	69,806,061
Trade & other payables	875,353	831,736	23,527,139	1,644,528	8,118,089
Borrowings	–	48,466,938	281,133,903	–	273,448
	875,353	90,239,917	820,492,399	52,221,455	78,197,598
Net financial assets	32,607,880	38,123,548	68,958,403	2,643,825	123,901,470
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	–	(553,853)	(59,195,716)	(195,631)	(72,302,524)
Intercompany balances	(29,586,047)	(198,467)	(6,375,378)	(181,651)	(34,190,540)
Currency forwards	681,451	(9,682,330)	1,279,829	8,179,508	(819,471)
Foreign currencies trust balances	–	(2,400,097)	(406,680)	811,732	(6,042,885)
Currency exposures	**3,703,284**	**25,288,801**	**4,260,458**	**11,257,783**	**10,546,050**

The above exposures exclude those arising from Singapore subsidiaries' Singapore Dollar-denominated financial assets and financial liabilities as Singapore Dollar is their functional currency.

29. Financial risk management *(continued)*

(a) Market risk (continued)

(i) Currency risk (continued)

The Company exposures to foreign currency are as follows:

	US Dollar $
At 31 December 2007	
Financial assets	
Cash and cash equivalents	897,754
	897,754
Financial liabilities	–
Net financial assets/Currency exposure	**897,754**
At 31 December 2006	
Financial assets	
Cash and cash equivalents	907,664
	907,664
Financial liabilities	–
Net financial assets/Currency exposure	**907,664**

A 5% strengthening of the Singapore Dollar against the following currencies at the reporting dates would increase/(decrease) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2007		2006	
	Increase/(Decrease)			
	Profit after tax $	Equity $	Profit after tax $	Equity $
The Group				
US Dollar	**(693,206)**	–	(1,046,956)	–
Hong Kong Dollar	**(125,486)**	–	(176,383)	–
Malaysia Ringgit	**16,157**	–	(466,072)	–
The Company				
US Dollar	**(36,808)**	–	(36,307)	–

A 5% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

In determining the percentage of the currencies fluctuation, the Group has considered the economic environments in which it operates. It uses the highest fluctuation for the past 1 year for the sensitivity analysis.

(ii) Price risk

The Group is exposed to market risk because of fluctuation in prices in the equity markets. Its exposure arises from :

– any equity positions that its subsidiaries may have taken

– falling value of collateral to support financing its subsidiaries provide to their clients

– inability of its subsidiaries' clients to pay for the losses which may arise from the force-selling of clients' positions

The Group has adequate policies and control procedures in place to ensure that its exposures are within the Group's policies and there are sufficient collateral to cover clients' exposures. The Group will only have exposures to securities which are liquid and readily convertible to cash.

29. Financial risk management *(continued)*

(a) Market risk (continued)

(ii) Price risk (continued)

The Group's exposure is primarily in the Singapore market. If equity prices fluctuate by 5% in the Singapore market, the impact on profit after tax and equity, with all other variables including tax rate being held constant will be:

	2007		2006	
	Increase/(Decrease)			
	Profit after tax $	Equity $	Profit after tax $	Equity $
The Group				
Listed in Singapore	**139,868**	**1,341,647**	170,409	1,369,554
Listed in other exchanges	**8,397**	**559,295**	213,681	47,638

In determining the percentage of the market fluctuation, the Company has considered the economic environments in which it operates. It uses the highest fluctuation for the past 1 year for the sensitivity analysis.

(iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest income and interest expense are exposed to changes in market interest rates. Interest rate risk arises from financial assets such as receivables from share financing, overdue trade receivables, short-term deposits with banks and interest on borrowings from banks. The Group's bank deposits and borrowings are generally short-term. The interest expenses for short-term borrowings are at market rates which are generally fixed at the inception of the borrowings. Interest income from share financing and on overdue trade debts are generally pegged to the respective currencies' prime rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would (decrease)/increase by $6,750,327 (2006: $2,781,008). This is mainly attributable to the Group's exposure to interest rates on its fixed deposits and borrowings.

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.

The Group

	Variable rates Less than 6 months $	Fixed rates Less than 6 months $	Non-interest bearing $	Total $
At 31 December 2007				
Assets				
Cash and cash equivalents	36,319,805	59,820,540	35,259,990	131,400,335
Trade receivables	2,005,061,796	–	–	2,005,061,796
Other financial assets	–	–	1,147,428,523	1,147,428,523
Investments in associated companies	–	–	860,250	860,250
Non-financial assets	–	–	6,769,250	6,769,250
Total assets	**2,041,381,601**	**59,820,540**	**1,190,318,013**	**3,291,520,154**
Liabilities				
Borrowings	9,143,530	1,056,418,538	–	1,065,562,068
Other financial liabilities	–	–	1,196,300,793	1,196,300,793
Non-financial liabilities	–	–	53,741,234	53,741,234
Total liabilities	**9,143,530**	**1,056,418,538**	**1,250,042,027**	**2,315,604,095**

29. Financial risk management *(continued)*

(a) *Market risk (continued)*

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

The Group

	Variable rates Less than 6 months $	Fixed rates Less than 6 months $	Non-interest bearing $	Total $
At 31 December 2006				
Assets				
Cash and cash equivalents	31,800,792	60,417,480	40,873,308	133,091,580
Trade receivables	1,038,906,331	–	–	1,038,906,331
Other financial assets	–	–	1,518,468,740	1,518,468,740
Investments in associated companies	–	–	14,270,932	14,270,932
Non-financial assets	–	–	5,331,136	5,331,136
Total assets	1,070,707,123	60,417,480	1,578,944,116	2,710,068,719
Liabilities				
Borrowings	13,159,765	325,358,508	–	338,518,273
Other financial liabilities	–	–	1,514,694,515	1,514,694,515
Non-financial liabilities	–	–	32,071,014	32,071,014
Total liabilities	13,159,765	325,358,508	1,546,765,529	1,885,283,802

The Company

	Fixed rates Less than 6 months $	Non-interest bearing $	Total $
At 31 December 2007			
Assets			
Cash and cash equivalents	896,532	105,222	1,001,754
Investments in subsidiaries	–	230,093,881	230,093,881
Other assets	–	293,380,921	293,380,921
Total assets	**896,532**	**523,580,024**	**524,476,556**
Total liabilities	**258,108,977**	**18,662,488**	**276,771,465**

	Fixed rates Less than 6 months $	Non-interest bearing $	Total $
At 31 December 2006			
Assets			
Cash and cash equivalents	16,907,616	352,383	17,259,999
Investments in subsidiaries	–	178,577,304	178,577,304
Investments in associated companies	–	2,648,128	2,648,128
Other assets	15,000,000	186,760,607	201,760,607
Total assets	31,907,616	368,338,422	400,246,038
Total liabilities	98,811,363	17,444,361	116,255,725

29. Financial risk management *(continued)*

(b) *Credit risk*

The Group has policies and controls in place to limit its exposure to single clients and single securities. These will also reduce its concentration risks. Its subsidiaries also have to comply with the rules of Singapore Exchange Securities Trading Ltd ("SGX-ST") and other Exchange rules to ensure that its subsidiaries conduct its business prudently.

The credit department monitors the Group's exposure to ensure compliance with the guidelines set by the Credit Committee. Trading limits are set for each client and each trading representative. In addition, limits are also set for each counter. The trading limits and outstanding trade positions are monitored daily and follow-up actions are taken promptly. The credit committee also meets regularly to review clients' and trading representatives' limits and trade positions.

During the financial year, the collateral held as security for trade receivables not impaired as follows:

	2007 $	2006 $
Quoted securities	**3,171,799,179**	1,317,544,751
Cash	**14,941,351**	10,868,281
Banker guarantees	**25,186,510**	23,219,003
	3,211,927,040	1,351,632,035

There is no collateral held as security for trade receivables impaired as at 31 December 2007.

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

	2007 $	2006 $
Outstanding contracts receivable	**398,791,776**	451,811,590
Trade receivables	**907,471,319**	442,133,615
Outstanding contracts payable	**3,781,152**	24,662,484

The Group establishes an allowance for impairment that represents its estimate of receivables from clients which may not be recoverable. The allowance is determined after taking into consideration the collaterals and trading representatives' ability to make payment for their clients' debts.

The allowance account in respect of outstanding contract receivables, trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash, fixed deposits and other receivables are with reputable banks and financial institutions. Consequently, management does not expect any these institutions to fail to meet its obligations.

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

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

	The Group	
	2007 $	2006 $
0 to 30 days past due	**432,023,776**	202,023,769
31 days to 60 days past due	**3,185,602**	683,756
More than 60 days past due	**11,544,465**	6,120,595
	446,753,843	208,828,120

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

	The Group	
	2007 $	2006 $
Beginning of financial year	**2,877,848**	4,527,184
Allowance transferred from acquisition of subsidiary	**151,661**	–
Currency translation difference	**(30,724)**	18,013
Allowance made/(written back)	**551,015**	(134,826)
Allowance utilized	**(27,615)**	(1,532,523)
End of financial year	**3,522,185**	2,877,848

29. Financial risk management *(continued)*

(c) Liquidity risk

Prudent liquidity risk management entails maintaining sufficient cash and marketable securities, adequate committed banking credit facilities and ability to close out market positions. The Group aims to maintain sufficient cash internally for working capital purposes and from time to time may utilise excess cash of related companies. The Group also aims at maintaining flexibility in funding by keeping committed banking credit facilities. The Group only carries out dealing in and financing of listed securities and accepts only marketable securities which are readily convertible into cash as collateral. In addition, the Group ensures that exposures to a single client and to a single security comply with the Group's credit polices and SGX-ST's Rules.

The Group's financial liabilities will all mature within one year.

(d) Capital risk

The Group's main objective when managing capital is to maximise shareholders' returns and at the same time conduct its business within prudent guidelines. Management strives to maintain an optimal capital structure so as to maximize shareholder value. To achieve this, the Group may adjust the amount of dividend payment and source for borrowings from banks which provides facilities which best meet its needs at competitive rates.

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2007 and 2006.

30. 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.

As at balance sheet date, the Group has the following outstanding forward foreign exchange contracts.

The underlying principal amount, fair values and settlement dates of 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	
	2007	2006	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$	$	$
Forward foreign exchange contracts	**27,422,294**	14,961,051	**47,367**	11,117	**67,801**	14,964	**Within one week after balance sheet date**	Within six months after balance sheet date

31. Significant related party transactions

(a) The Group in the normal course of business acts as brokers in securities for associated companies, certain affiliated companies, directors of the Company and its subsidiaries and their connected persons.

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

	The Group	
	2007	2006
	$	$
Rental of premises paid/payable to affiliated companies	6,116,577	6,224,506
Management and other fees earned from an associated company	90,300	332,805

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

31. Significant related party transactions *(continued)*

(b) Key management personnel compensation is as follows:

	The Group 2007 $	The Group 2006 $
Salaries and other short-term employee benefits	**41,703,077**	22,424,079
Employer's contribution to defined contribution plans, including Central Provident Fund	**63,035**	34,056
	41,766,112	22,458,135

(c) The Group has banking facilities from United Overseas Bank Limited Group (which is defined in the SGX-ST listing manual as a person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company) in the normal course of business. The outstanding borrowings as at 31 December 2007 are disclosed in Note 22 as borrowings from affiliated corporations.

32. Segment information

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

Primary reporting format – geographical segments

The Group

2007

	Singapore $	Hong Kong $	Others $	Elimination $	Total $
Revenue					
– External sales	**498,470,358**	**245,219,771**	**36,669,877**	**–**	**780,360,006**
– Inter-segment sales	**15,389,013**	**(5,524,107)**	**15,626,382**	**(25,491,288)**	**–**
	513,859,371	**239,695,664**	**52,296,259**	**(25,491,288)**	**780,360,006**
Segment results	**224,968,420**	**86,736,985**	**15,728,944**	**1,744,447**	**329,178,796**
Share of results of associated companies	**145,191**	**–**	**(26,178)**	**–**	**119,013**
Profit before tax					**329,297,809**
Income tax expense					**(54,266,993)**
Profit after tax					**275,030,816**
Segment assets	**2,238,096,024**	**1,272,957,460**	**175,898,756**	**(396,339,091)**	**3,290,613,149**
Associated companies	**–**	**–**	**860,250**	**–**	**860,250**
Deferred tax asset					**46,755**
Consolidated total assets					**3,291,520,154**
Segment liabilities	**1,515,193,505**	**1,063,075,840**	**82,203,298**	**(398,609,782)**	**2,261,862,861**
Current tax liabilities					**53,018,372**
Deferred tax liabilities					**722,862**
Consolidated total liabilities					**2,315,604,095**
Other segment items					
Capital expenditure	**2,303,859**	**419,330**	**1,423,181**	**–**	**4,146,370**
Depreciation expense	**1,437,301**	**687,951**	**785,616**	**–**	**2,910,868**

32. Segment information *(continued)*

2006

	Singapore $	Hong Kong $	Others $	Elimination $	Total $
Revenue					
– External sales	284,612,378	108,117,456	25,232,727	–	417,962,561
– Inter-segment sales	6,759,008	623,503	14,140,261	(21,522,772)	–
	291,371,386	108,740,959	39,372,988	(21,522,772)	417,962,561
Segment results	126,639,617	28,304,559	11,676,486	316,653	166,937,315
Share of results of associated companies	1,170,350	–	(186,246)	–	984,104
Profit before tax					167,921,419
Income tax expense					(28,869,212)
Profit after tax					139,052,207
Segment assets	1,985,468,115	899,048,208	139,215,354	(327,969,744)	2,695,761,933
Associated companies	10,779,093	–	3,491,839	–	14,270,932
Deferred tax asset					35,854
Consolidated total assets					2,710,068,719
Segment liabilities	1,296,784,976	825,381,561	60,638,081	(329,591,830)	1,853,212,788
Current tax liabilities					31,347,206
Deferred tax liabilities					723,808
Consolidated total liabilities					1,885,283,802
Other segment items					
Capital expenditure	609,202	370,625	563,241	–	1,543,068
Depreciation expense	1,807,476	965,599	901,865	–	3,674,940

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.

33. Events occuring after balance sheet date

On 2 January 2008, the Company injected additional share capital of IDR 30 billion in its subsidiary, PT UOBKH Securities ("PTUOBKH"). As the minority shareholder did not increase its shareholding in this subsidiary, the Company's percentage shareholding in PTUOBKH had increased from 92.5% to 95.3%.

34. New or revised accounting standards and FRS interpretations

Certain new standards, amendments and interpretations to existing standards have been published and they are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group's is set out below:

FRS 108 Operating Segments (effective for annual periods beginning on or after 1 January 2009)

FRS 108 supersedes *FRS 14 Segment Reporting* and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group does not expect the new operating segments to be significantly different from business segments currently disclosed.

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 25 March 2008.

36. Listing of companies in the Group

Name of company	Principal activities	Country of incorporation	Equity holding by The Company 2007	The Company 2006	Subsidiaries 2007	Subsidiaries 2006
Subsidiaries						
(e) UOB Securities Pte Ltd	Liquidated	Singapore	–	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	**76.9**	76.9	**3.9**	2.5
(c) UOB Kay Hian (U.K.) Limited	Arranger	United Kingdom	**100**	100	–	–
(c) UOB Kay Hian (U.S.) Inc.	Stockbroking	United States of America	**100**	100	–	–
(a) UOB Kay Hian Private Limited	Stockbroking	Singapore	**100**	100	–	–
(a) UOB Kay Hian Trading Pte Ltd	Investment trading	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	–	–
(a) UOB Kay Hian Credit Pte Ltd	Money lending	Singapore	**100**	100	–	–
(a) Trans-Pacific Credit Private Limited	Margin financing	Singapore	**100**	50	–	–
Held by UOB Kay Hian Private Limited						
(a) UOB Kay Hian Nominees Pte Ltd	Nominee Services	Singapore	–	–	**100**	100
(a) UOB Kay Hian Research Pte Ltd	Research activities	Singapore	–	–	**100**	100
Held by UOB Kay Hian 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
(d) 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 UOB Kay Hian (Malaysia) Holdings Sdn Bhd						
(e) Thong & Kay Hian Corporation Sdn. Bhd.	Under member's voluntary liquidation	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
(e) Audit not required as company is under members' voluntary liquidation during/after the financial year

Analysis of Shareholdings

As at 17 March 2008

No. Of Shares Issued : 724,709,009 Ordinary Shares

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

On A Poll : One Vote For Each Ordinary Share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	372	3.55	131,540	0.02
1,000 – 10,000	8,424	80.32	34,807,270	4.80
10,001 – 1,000,000	1,670	15.92	68,177,601	9.41
1,000,001 and above	22	0.21	621,592,598	85.77
Total	10,488	100.00	724,709,009	100.00

Top Twenty Shareholders as at 17 March 2008	No. of Shares	%
United Overseas Bank Limited	285,537,809	39.40
U.I.P. Holdings Limited	115,238,976	15.90
DBS Nominees Pte Ltd	57,254,937	7.90
HSBC (Singapore) Nominees Pte Ltd	43,747,000	6.04
Tang Wee Loke	29,893,381	4.12
United Overseas Bank Nominees (Pte) Ltd	22,723,100	3.14
Citibank Nominees Singapore Pte Ltd	10,910,554	1.51
Bank Of China Nominees Pte Ltd	10,001,000	1.38
DBSN Services Pte Ltd	9,299,863	1.28
OCBC Nominees Singapore Pte Ltd	8,845,650	1.22
Tye Hua Nominees (Pte) Ltd	4,413,000	0.61
Capital Intelligence Limited	4,288,000	0.59
UOB Kay Hian Pte Ltd	3,604,000	0.50
Tung Tau Chyr Walter	2,542,422	0.35
Raffles Nominees Pte Ltd	2,275,101	0.31
Lau Mei Lea	2,100,000	0.29
Phillip Securities Pte Ltd	1,903,005	0.26
Morgan Stanley Asia (Singapore) Securities Pte Ltd	1,581,600	0.22
Pontirep Investment Pte Ltd	1,500,000	0.21
Hai Chua Fishery Pte Ltd	1,457,000	0.20
	619,116,398	85.43

	Direct interest		Deemed interest	
Substantial shareholders	**No. of shares**	**% of total issued shares**	**No. of shares**	**% of total issued shares**
Wee Ee Chao	–	–	117,917,976 (1)	16.27
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 2,679,000 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 17 March 2008, approximately 38.75% of the issued shares of the company is held by the public (Rule 723 of the SGX-ST Listing Manual).

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at The Penthouse, UOB Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Tuesday, 29 April 2008 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 2007 and the reports of the directors and auditors thereon.

2 To declare a one-tier tax exempt final dividend of 11.89 cents per ordinary share for the year ended 31 December 2007.

3 To approve the sum of S$185,000 as directors' fees for the year ended 31 December 2007. (2006: S$177,000)

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

Note: Mr Walter Tung Tau Chyr, if re-elected as a director, will remain a member of the remuneration committee. Mr Tung is an independent director.

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

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

Note: Mr Roland Knecht, if re-elected as a director, will remain a member and the chairman of the nominating committee. Mr Knecht is an independent director.

Special Business

To consider and, if thought fit, to pass with or without any modifications, the following resolutions as ordinary resolutions:-

5 "That Deloitte & Touche be and are hereby appointed as auditors of the Company in place of the retiring auditors, PricewaterhouseCoopers, to hold office until the conclusion of the next annual general meeting of the Company at a remuneration to be fixed by the directors of the Company."

6 "That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the directors of the Company to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and upon such terms and conditions and for such purposes as the directors may in their absolute discretion deem fit, provided always that the aggregate number of shares and convertible securities to be issued pursuant to this resolution does not exceed 50% of the total number of issued shares excluding treasury shares in the capital of the Company as at the date of the passing of this resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares in the capital of the Company as at the date of the passing of this resolution, and for the purpose of this resolution, the total number of issued shares excluding treasury shares shall be based on the total number of issued shares excluding treasury shares in the capital of the Company at the time this resolution is passed (after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares), and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

7 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 2008

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.

Additional Information For The Ordinary Resolution Set Out In Item 5 Above

1 The Company has received a notice from a shareholder of the Company, Mr Tang Wee Loke, nominating Deloitte & Touche for appointment as auditors of the Company in place of the retiring auditors, PricewaterhouseCoopers.

2 Pursuant to Rule 1203(5)(a) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Listing Manual"), PricewaterhouseCoopers have confirmed that they are not aware of any professional or other reasons why Deloitte & Touche should not accept appointment as auditors of the Company.

3 Pursuant to Rules 1203(5)(b) and (c) of the Listing Manual, the directors have confirmed that there were no disagreements with PricewaterhouseCoopers on accounting treatments within the last 12 months and they are not aware of any circumstances connected with the proposed change of auditors that should be brought to the attention of the shareholders of the Company.

4 Pursuant to Rule 1203(5)(d) of the Listing Manual, the reason for the proposed change of auditors is that the Company has received the notice from Mr Tang Wee Loke nominating Deloitte & Touche as auditors of the Company in place of PricewaterhouseCoopers. Furthermore, the proposed change of auditors is in line with the Group's on-going efforts to enhance its corporate governance process as it would enable the Group to benefit from fresh perspective and views of another professional firm and also further enhance the value of the audit. PricewaterhouseCoopers will not be seeking re-appointment as auditors of the Company at the annual general meeting.

5 The proposed change of auditors has been reviewed and recommended by the audit committee. The directors have also evaluated the experience of the audit team and the resources that Deloitte & Touche will be committing to the audit. After taking into account the size and complexity of the Group's business, the directors are of the opinion that Deloitte & Touche would be able to meet the audit obligations of the Group. Accordingly, the directors confirm that Rule 712(1) of the Listing Manual has been complied with. Further, the directors have obtained the written consent from Deloitte & Touche to act as auditors of the Company.

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

1 The ordinary resolution set out in item 5 above is to appoint Deloitte & Touche as auditors of the Company in place of PricewaterhouseCoopers and to authorise the directors to fix Deloitte & Touche's remuneration.

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

Our Reference: SC/cc/08/051/1TWL1/UKHH

20 February 2008

UOB-KAY HIAN HOLDINGS LIMITED
80 Raffles Place
#30-01, UOB Plaza 1
Singapore 048624

Dear Sirs,

RE: NOTICE OF NOMINATION OF AUDITORS

Pursuant to Section 205 of the Companies Act (Chapter 50), I, Tang Wee Loke, NRIC No. S0157537F, being a shareholder of UOB-Kay Hian Holdings Limited (the "Company"), hereby nominate Messrs Deloitte & Touche for appointment as auditors of the Company, in place of the retiring auditors Messrs PricewaterhouseCoopers, at the forthcoming Annual General Meeting of the Company.

Yours faithfully

Tang Wee Loke

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)*

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 Tuesday, 29 April 2008 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 one-tier tax exempt final dividend		
3	To approve directors' fees		
4(a)	To re-elect Mr Walter Tung Tau Chyr as director		
4(b)	To re-elect Mr Neo Chin Sang as director		
4(c)	To re-elect Mr Roland Knecht as director		
Special Business			
5	To appoint Deloitte & Touche as auditors in place of PricewaterhouseCoopers and to authorise the directors to fix Deloitte & Touche's remuneration		
6	To authorise the directors to allot and issue shares and convertible securities		

Dated this ______________ day of ______________ 2008.

Total Number of Shares Held

____

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

IMPORTANT – *Please read notes over leaf*

Please cut along the dotted-lines

Notes

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

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

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

4 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Raffles Place #30-01, UOB Plaza 1, Singapore 048624 not less than 48 hours before the time appointed for holding the meeting.

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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