UOB-Kay Hian Holdings Limited

your trusted brokering partner

Annual

Report

2008

expertise standards synergies

a tradition of strengths

UOBKayHian

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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

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

6 Shenton Way
#32-00 DBS Building Tower Two
Singapore 068809

Partner in charge – Ho Kok Yong
Date of appointment : 29 April 2008

Principal Bankers

Citibank, N. A.

DBS Bank Ltd

Oversea-Chinese Banking
Corporation Limited

Standard Chartered Bank

The Hongkong and Shanghai
Banking Corporation Limited

United Overseas Bank Limited

UOB-Kay Hian Holdings

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, New York and Toronto. 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 2018 professional and support staff globally. Our staff enrolment include 1227 sales trading staff and agents, 68 research analysts and 723 management, credit and back-office support staff.

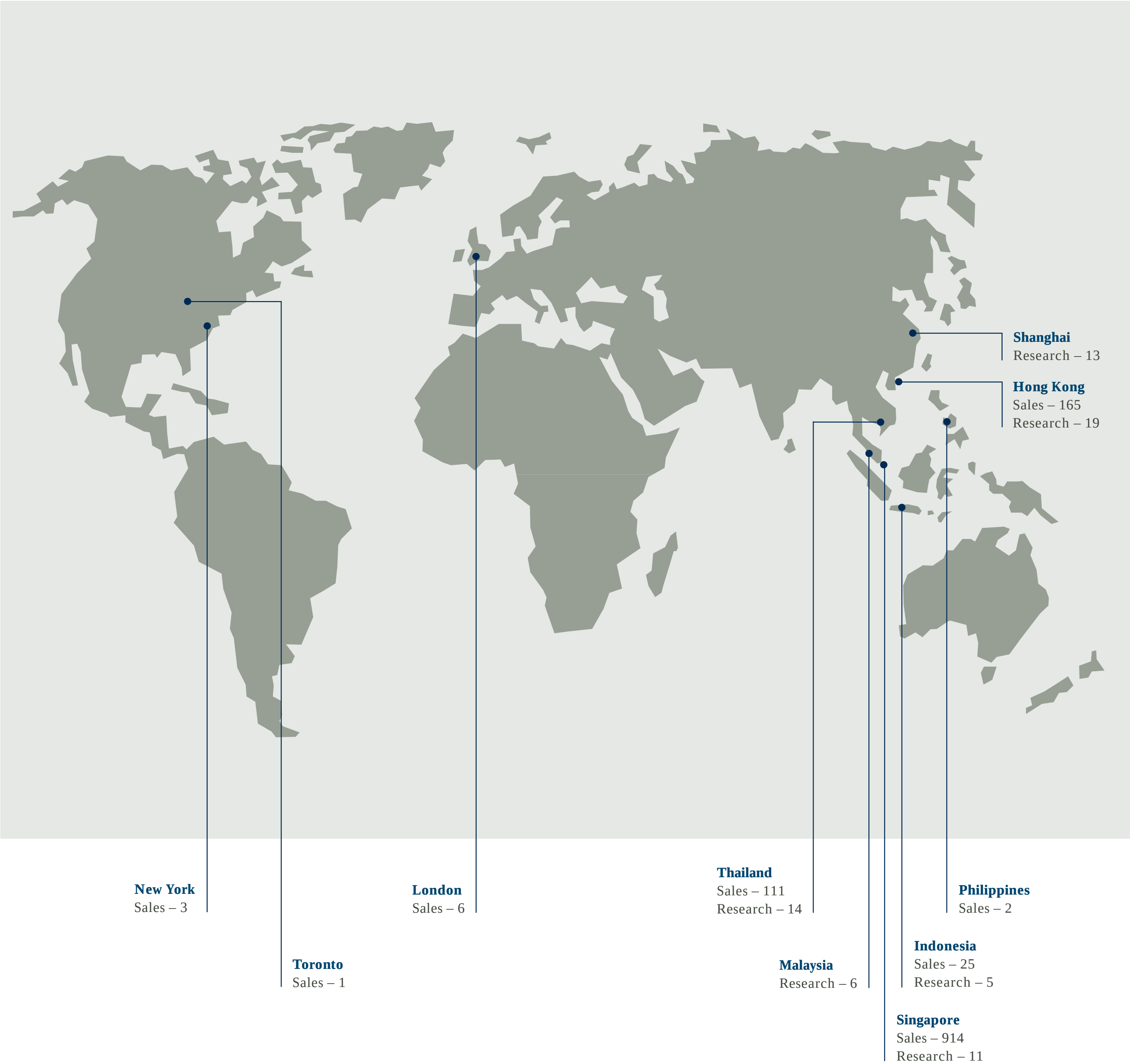
We achieved considerable scale and operational leverage from our synergistic acquisitions since 2001. We believe that our non-discretionary and fixed operating costs as a percentage of our revenue are the lowest amongst the listed brokerages in Singapore. We believe that our efficient cost structure provides a defensive business model will help us better weather the volatile trading conditions which have resulted from the ongoing uncertainties affecting global financial markets.

The demand by our institutional and accredited investor clients for incisive and timely equity research and ideas are made more urgent due to rapidly changing global conditions. We have therefore invested heavily in our regional institutional sales and research resources.

Our strong cash position will allow us to benefit from business and corporate finance opportunities brought about by increasingly difficult credit conditions.

(continued)

Our Global Presence



Our Business Divisions

Corporate Advisory/Finance

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

Acquisition Finance

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

Retail and Institutional Sales

UOB Kay Hian is the largest stockbroker in Singapore, with 914 retail and institutional sales personnel. In addition, we have 313 sales executives covering Thailand, Hong Kong, China, the Philippines, Malaysia, Indonesia, UK, US and Canada. With our regional research coverage, 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 activity. Besides making improvements to our systems, we will also be establishing a regional online trading hub availing our regional clients the ability to trade certain major global markets, such as US, Hong Kong and Singapore.

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 31.12.2008 (S$'000)	Group For the Year Ended 31.12.2007 (S$'000)	Group For the Year Ended 31.12.2006 (S$'000)	Group For the Year Ended 31.12.2005 (S$'000)
Revenue & Foreign Exchange Gain	**374,147**	792,151	421,003	302,077
Profit from Operations	**124,652**	329,179	166,937	89,804
Share of Results of Associates				
After Tax	**–**	119	984	2,812
Profit Before Tax	**124,652**	329,298	167,921	92,616
Profit After Tax	**109,516**	275,031	139,052	75,736
Profit After Tax and Minority Interests	**108,745**	273,392	137,161	75,448
Shareholders' Equity (excluding minority interests)	**956,888**	961,239	810,588	732,676
Adjusted Earnings Per Share	**15.01 cents**	37.72 cents	18.93 cents	10.41 cents
Adjusted Gross Dividend Per Share *(Note a)*	**7.50 cents**	20.89 cents	12.50 cents	8.50 cents
Adjusted Net Assets Per Share *(Note b)*	**132.04 cents**	132.64 cents	113.81 cents	102.96 cents
Percentage Return on Shareholders' Equity				
Profit Before Tax	**13.03%**	34.26%	20.72%	12.64%
Profit After Tax	**11.45%**	28.61%	17.15%	10.34%
Profit After Tax and Minority Interests	**11.36%**	28.44%	16.92%	10.30%

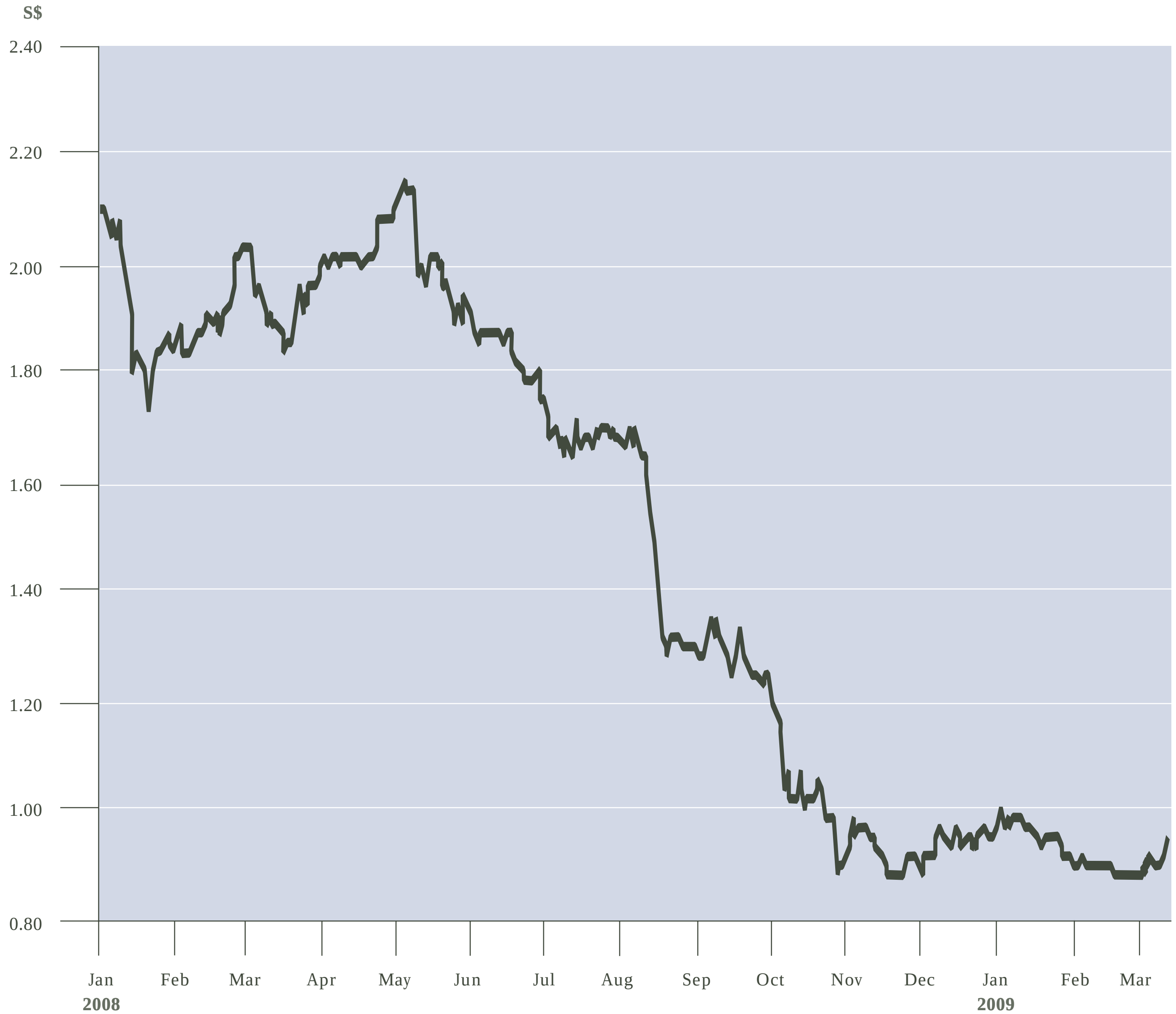
Note

(a) 2008 dividend of 7.50 cents (2007: final dividend of 11.89 cents) is paid/payable on a one-tier tax exempt.

(b) Net asset value is derived after deducting 1.85 cents (2007: 2.02 cents) per share attributable to minority interest.

UOB-Kay Hian Share Price

(From 2 January 2008 to 13 March 2009 – daily)



Last Close : S$0.965

High : S$2.17

Low : S$0.83

Chairman's Statement

Trading and share placement volumes in 2008 have contracted sharply compared with 2007. The depth and speed of decline in global financial markets is reminiscent of the great depression which started in 1929.

The severe fall in global demand has had its adverse effect on capital investments. Significant declines in revenue and profit have been widespread for companies listed across the global markets as few industries and businesses have been spared.

Our 2008 profit after tax of S$108,744,804, attributable to shareholders of the Company reflects a decrease of 60.2% over the previous year. Our overall commission and fee income declined 55.3% against 2007. Our Group's return on equity ratio for 2008 was 11.3%, down from 30.9% in 2007. Our operating margin of 32.4% was lower than the 38.7% in 2007. Our net asset value reduced marginally by 0.6% due to dividend payments in 2008. Despite the higher market volatility and hence greater default risks, our provisions remained modest as a result of our credit and operating controls.

As our international competitors scale back their investment in talent to address their other more immediate concerns, we plan to increase our investment in our institutional sales and research resources to respond to our clients' growing needs for reliable equity products and ideas.

In February 2009, the SAS with SGX introduced the Extended Settlement (ES) Contract for 25 counters. It is the first derivative product to be traded on the SGX ST trading platform. Despite a tentative start given the prevailing weak market sentiments, the ES product will allow our retail clients to take "long or short" views on selected stocks traded on the SGX. Over time we believe that such products are capable of attracting and sustaining investor interest and bolstering trading volume and liquidity in our markets under varying conditions.

In second half of 2009, we expect to relocate to our new corporate headquarters along Scotts Road. This will house our entire Singapore operations under one roof which will provide synergistic benefits. Our new corporate headquarters are well located and will insulate us from any future volatility in the commercial rentals until July 2023.

Dividend

I am pleased to advise that our Board of directors has recommended a dividend payout represented by final tax exempt (one-tier) dividend of S$50.7m amounting to 7 cents per share for the financial year ended 31 December 2008. This dividend represents a decrease of 41.1% in real terms over 2007 and will be presented to shareholders for approval at the Annual General Meeting on 27 April 2009.

Current Year Prospects

Market prospects in 2009 especially in Singapore and indeed the region remains challenging. Singapore's 2009 GDP estimate is expected to experience one of the sharpest recorded falls of between eight to ten percent compared with 2008. Whilst risk of a Lehman type corporate collapse appears to have subsided, the severe damage to the balance sheet of global financial institutions especially in Europe and the United States of America will impinge on credit creation and in turn dampen economic activity. Corporate earnings are expected to remain weak for the most part of 2009.

There has been significant market sell down since October 2008 arising from fund redemptions, which affected the regional markets we operate in such as Singapore, Hong Kong, Indonesia, Malaysia and Thailand. Any bottoming out of global economies expected in late 2009 or early 2010 may result in re-investment into these markets which would in turn help our market performance and trading volumes.

Given the global uncertainties, however, we expect 2009 to be an extremely challenging year for the Company.

Acknowledgements

On behalf of our Board of Directors, I wish to thank all staff and associates for their hard work and contribution to the Group in 2008.

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 2008

The economy experienced drastic changes in 2008, growing 9.9% yoy in the first three quarters and slowing down sharply to 6.8% yoy in 4Q08. Inflationary pressure in 1H08 turned into deflationary pressure in 4Q08. Overall Gross Domestic Product (GDP) increased 9.0% yoy and Consumer Price Index (CPI) rose 5.9% yoy in 2008.

The government's policy stance has taken on an expansionary tone since Sep 08 when the global financial crisis deepened. People's Bank of China (PBOC) has cut its one-year lending rate by 216bp and reserve ratio by 300bp since Sep 08. Credit quota was also removed for 4Q08. On the fiscal front, a stimulus package totalling Rmb4 trillion was adopted in November to boost domestic demand when export growth deteriorated from 19.0% in Oct 08 to -2.2% in Nov 08. The renminbi appreciated 7% in 3Q08 but slowed down its appreciation in 4Q08.

The export and property sectors were both heavily hit, which in turn led to a sharp rise in unemployment, especially for migrant workers. Exports rose 17% in 2008, but increased only 4% in 4Q08. Expansion in investment was hit by a slowdown in real estate investment on the back of a property market correction. However, the slowdown in investment was more modest than that in export as acceleration in infrastructure activities partly offset the slowdown in real estate investment. Fixed-asset investment (FAI) decelerated to 15% yoy (Rmb13.6t) in 2008 from 20% yoy in 2007 in real terms. Consumer spending was the least affected. Though discretionary spending showed signs of moderation, sales of staple goods were still robust. Retail sales rose 15% yoy (Rmb10.2t) in 2008 in real terms vs 13% yoy in 2007.

CPI hit a one-year high of 8.7% in Feb 08 on the back of food price hikes and eased thereafter to only 1.2% as at Dec 08. The moderation in Producer Price Index (PPI) was even more pronounced as PPI peaked at 10.1% in Aug 08 but fell into negative territory in Dec 08.

Outlook for 2009

Economic growth is likely to slow down further in 2009 mainly on the back of softening external demand in a deepening global recession. Exports in 1H09 are likely to see negative growth and it is still uncertain whether external demand can recover in 2H09. Domestic demand could also soften as the property market correction may continue in 2009. Deterioration in labour market conditions will likely translate into weakness in consumer demand. The government's stimulus package may make a bigger impact on the economy in 2H09. Deflationary pressure could persist in 1H09 but inflation may come back in 2H09 with aggressive monetary easing. There is further room for the central bank to cut interest rates, which may help boost property demand. Exchange rates could remain largely stable in 2009.

Stock Market Review for 2008

The Shanghai A-share Index dropped 65% in 2008 following a strong rally in 2007. In 1H08, inflation concerns were the focus for the market as oil prices rose sharply. The inflationary pressure was exacerbated by the snowstorms in central China in 1Q08 and the devastating earthquakes in Sichuan province, which caused a food shortage. But inflation concerns rapidly gave way to deflation fears in 2H08 as the bankruptcy of Lehman Brothers resulted in the collapse of the global financial system. Given the mounting recession fears, the central government promptly launched a Rmb4 trillion economic stimulus package in 4Q08 to support economic growth.

The Shanghai A-share Index hit bottom at around 1,749 in October (vs the high of 6,429 recorded in late-07) and started to recover near the end of the year. To support the stock market, China Huijin (a government-owned entity) decided to purchase the shares of three state-owned banks - Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB) and Bank of China (BOC) - in the A-share market. In Hong Kong, China H-shares were also hard hit with the benchmark China H-share Index recording a 51% decline.

Stock Market Outlook for 2009

The Chinese economy should do reasonably well in 2009 despite weak external demand as China has the fiscal flexibility to support domestic demand. We expect the economy to hit bottom in 1Q09 and to start recovering from 2Q09 onwards. As the stock market tends to be forward looking, both the Shanghai A-share Index and China H-share Index may have bottomed out in 4Q08 and could stage a recovery in 2009. That said, China stocks are likely to be range-bound in 1H09 as investors wait for more economic indicators to confirm an economic recovery. Also, the economies of developed countries have to stabilise before China stocks can show a meaningful recovery.

Given the uncertain outlook for global growth, we advocate a more defensive investment strategy with a focus on domestic demand-oriented industries that will deliver steady growth in a slow-growth environment. These may include life insurance, infrastructure and agriculture. As for highly cyclical sectors such as shipping, aviation and metals, we are generally cautious as demand in China and other emerging markets will not be able to offset the demand destruction in developed countries.

HONG KONG

Review of 2008

The economy entered a recession after real GDP contracted in 3Q08 due to the turmoil in financial markets. Economic growth slowed down to 2.5% yoy in 2008 from 6.3% in 2007. External trade was severely hit and domestic demand also slackened amid a negative wealth effect and deterioration in the labour market. Inflation went up for most of 2008 but eased off notably by the end of the year.

Let down by sluggish overseas markets and the global credit crunch, export growth decelerated to 5.1% from 9.3% in 2007. Re-exports, the main driver of Hong Kong's exports, saw growth decelerate to 6% as trade with mainland China slowed down. Consumer sentiment worsened, with unemployment embarking on an uptrend. Private consumption grew only 1.8% in 2008, a marked slowdown from the 7.8% in 2007. Enterprises were more cautious on investments towards the end of 2008. Gross domestic fixed capital formation dipped 0.3% for the whole year. The financial crisis also caused a rapid decline in the property market towards the end of last year. Negative equity cases increased to 2% of the total number of residential mortgages. The fiscal position turned into a deficit that was about 0.3% of GDP in 2008.

Outlook for 2009

As a small, open economy, Hong Kong is bound to see its economic performance in 2009 severely affected, given the sheer scale of the global financial crisis. Both its major overseas markets and intra-regional trade are likely to show a notable decline in 2009. Inbound tourism will also slow down in view of the global slump, although the more resilient mainland visitors could lend support. Local consumer spending will be depressed by heightened uncertainties, falling household wealth and rising unemployment. The outlook for private investment will be pessimistic amid weaker business confidence. There is limited help from government spending and mainland China's stimulus package may not bring much benefit. Taking all these together, the economy may contract by 4% in 2009. There will be deflationary pressure on the back of subdued demand. The adjustment of the property market could further drag down rents. We expect headline CPI to decline 1.5% in 2009.

Stock Market Review for 2008

The Hong Kong market plunged in 2008 as property stocks and Hong Kong-listed China stocks dropped sharply during the first nine months while HSBC plummeted in 4Q08 following the collapse of Lehman Brothers. The Hang Seng Index (HSI) dropped 48% during the year, with average turnover falling from HK$87.4b in 2007 to HK$71.8b in 2008.

Funds raised through the initial public offering (IPO) market shrank from HK$290b in 2007 to HK$66b in 2008. The "through train" programme, which allows mainland investors to buy Hong Kong-listed stocks directly, was announced in 4Q07 but was delayed as the Chinese government needed more time to study the impact of the programme on capital flow. This disappointed investors and partly explained the sharp declines in Hong Kong-listed China stocks.

Stock Market Outlook for 2009

Hong Kong is an open economy with a focus on the financial industry. The collapse of the global financial system and the resultant sharp contraction in Hong Kong's financial industry will badly affect the Hong Kong economy. We believe the economy will contract sharply and the unemployment rate will rise significantly in 2009, which bodes ill for the stock market. Worse still, bellwether stock HSBC has yet to see the worst given its heavy exposure to the US and Europe.

Against this backdrop, one can hardly be optimistic on the stock market. More importantly, the fund-raising undertaken by HSBC through a rights issue has raised concerns that other financial institutions and highly-geared property companies may follow suit. We are cautious on both local banks and property companies as they rely heavily on domestic demand and may have to raise funds. We are also cautious on companies with heavy exposure to overseas countries, such as manufacturers and trading companies, as developed countries will sink into severe recessions this year. That said, as China is likely to be a bright spot in 2009 in terms of economic growth and stock market performance, Hong Kong-listed China stocks should perform reasonably well, which could support the HSI.

INDONESIA

Review of 2008

The Indonesian economy performed well in 2008 with real GDP growth of 6.1% yoy, just slightly down from 6.3% in 2007, despite the turbulent global economy. The commodity boom, strong domestic consumer demand and limited exposure to financial derivatives have helped to insulate Indonesia from the volatile global economy.

The major contributor to economic growth in 2008 was exports, which grew 9.5% yoy, driven by the soaring prices of agricultural and mining products. Strong commodity prices also boosted consumer spending, particularly in the areas outside the Java island which benefitted from the plantation, mining and energy boom. Moreover, the relatively low interest rate environment boosted demand for consumer credit by 29.9% yoy as of Dec 08. These factors drove private consumption, which accounted for 57% of the economy, to grow 5.3% yoy.

The negative effect of rising commodity and fuel prices was that inflation soared to 11.06% in 2008 from 6.6% in 2007.

Outlook for 2009

We expect economic growth to decline to 3.6% yoy in 2009, from 6.1% in 2008, mainly due to weaker external demand and the liquidity crunch. Weaker global demand, falling commodity prices and the tighter credit environment are likely to reduce local purchasing power.

To boost purchasing power, the government plans to lower corporate and personal income tax, boost employment and reduce poverty. Due to fuel price cuts and lower interest rates, inflation is expected to decline to 6.8% yoy in 2009 from 11.1% in 2008.

The Indonesian economy faces several risks. Excessive capital outflow may reduce foreign exchange reserves and weaken the rupiah. In addition, a prolonged global economic recession could have a serious impact on the domestic economy, which could increase unemployment.

Stock Market Review for 2008

The Jakarta Composite Index fell 50.7% to 1,355 points as at end-08 after rallying for six consecutive years. This was mainly caused by the plunge in commodity prices along with the global stock market slump. Throughout 2008, investors were more concerned that escalating fuel prices could lead to higher inflation and interest rates, which could dampen economic growth. However, an unexpected suspension of stock market trading and trading suspension on Bakrie-linked stocks by regulators damaged investor confidence in the market.

Stock Market Outlook for 2009

Lower fuel and commodity prices are likely to lead to lower inflation and interest rates for Indonesia in 2009, which could be positive for the stock market.

In addition, the government plans to allocate Rp120 trillion (US$10.7b) to infrastructure projects as part of its stimulus package to create more jobs and boost the local economy.

However, throughout much of this year, the stock market, as well as the business sector, is likely to be affected by the legislative and presidential elections scheduled in April, July and September.

The elections have also brought about some aggressive fuel tariff and interest rate cuts by the government. Election and political campaign activities could drag on until 3Q09. As in the past, we should expect the market to rally strongly after the elections.

MALAYSIA

Review of 2008

GDP growth for the year reached 4.6% as 4Q08 performance deteriorated to a growth of just 0.1%. Like most of the economies in the region and the rest of the world, Malaysia's economy contracted, led by contraction in manufacturing and oil production, which was offset by growth in the services sector. The overnight policy rate fell only 0.25% during the year to end at 3.25%, although the rate has, since the turn of the year, been cut by another 1%. External trade was dampened as both imports and exports fell sharply and consumer sentiment flagged.

Outlook for 2009

The outlook for 2009 is poor with GDP growth now confirmed by official estimates of a likely fall into negative territory in 1Q09. The government has started to implement the RM7b stimulus package announced last year, and has supplemented this with another RM60b announced on 10 Mar 09. The country will also see the appointment of a new Prime Minister, its sixth since independence in 1957, when Datuk Seri Najib Tun Razak is expected to take up the position following the UMNO General Assembly at the end of March.

Stock Market Review for 2008

The Malaysian stock market was the most resilient in Asia outside Japan in 2008 as the Kuala Lumpur Composite Index (KLCI) fell from 1,445 at the end of 2007 to 877 at the end of 2008, a 39% fall. The benchmark index was dragged down by the plantation and property sub-indices, which fell 49% and 50% respectively. There was a 33% fall for the construction sub-index while the finance sub-index fell 38%. Overall volume fell by more than half, causing many securities to perform poorly, while investment banks were starved of business.

The good start to 2008 for the market suffered a setback after opposition parties gained a shocking victory at the General Elections held on 8 Mar 08, making inroads into the government majority by clinching power in five states. Many investors, especially foreign investors, adopted a wait-and-see attitude. When things began to settle down somewhat in 3Q08, the tribulations on Wall Street and in western economies kept activity on the Malaysian bourse slow.

Stock Market Outlook for 2009

The KLCI rallied strongly in the first week of Jan 09, following a run-up from the middle of Dec 08, which was triggered by a recovery in crude palm oil (CPO) prices and boosted by the sharp rebounds in regional stock markets. But this was not to last and the malaise has now returned with activity lethargic and volume tiny, falling even further from the levels of late 2008. Prices meanwhile have reverted to year-end levels.

There is little optimism in the market, with caution very much the watchword. Market players are staying on the sidelines, unwilling to commit given the overall uncertainty, not only in business outlook and activity, but also in the political situation. The former Pakatan Rakyat-led state government in Perak fell at the end of January following resignations of assemblymen from the party, sparking constitutional questions and lawsuits from all parties concerned. The appointment of a new prime minister at the end of Mar 09 will probably spark changes to leadership and lead to other issues in the midst of the external financial crisis that appears to be lingering, and will affect Malaysia in terms of exports, and possibly services as regards tourism arrivals.

The local market is therefore expected to remain unexciting for an indeterminate time although the market is well supported by local funds and may have relatively limited downside compared with other markets both in the region and internationally.

SINGAPORE

Review of 2008

Singapore, being a small, open economy, has been especially hard hit by the global economic downturn. Its economy dived from a flat GDP growth in 3Q08 to a contraction of 4.2% in 4Q08 (2008's overall real GDP growth: +1.1%). The manufacturing sector contracted 11.0% and 10.7% in 3Q08 and 4Q08 respectively on weak electronics and biomedical exports, while the services sector lagged with a GDP growth of 5.5% in 3Q08 and by 4Q08, had weakened considerably with a GDP contraction of 1.3%. The only bright spark was the construction sector, which grew 26.0% and 18.5% in 3Q08 and 4Q08 respectively, underpinned by a large orderbook of pre-sold residential properties and Singapore's two mega integrated resort (IR) projects.

Outlook for 2009

Weak external demand is leading to a steep decline in exports and a knock-on effect in manufacturing in Asia. Singapore's non-oil domestic exports in January nosedived by 34.8% yoy (Dec 08: -20.8% yoy), the biggest drop on record. There does not seem to be any let-up in the decline in electronics exports, which fell at a rapid pace for the 24th consecutive month – by 38.4% yoy – following a 25.4% drop in Dec 08. Biomedical exports fell 32.4% yoy in Jan 09. UOB Economic-Treasury Research forecasts Singapore's real GDP to contract 4.0% in 2009 before recovering to a growth of 4.0% in 2010. 1Q09 and 2Q09 will likely see very sharp GDP contraction of 8-9%. The Singapore government has lowered its GDP forecast for 2009 to -2% to -5%.

Unemployment has become a key issue as companies continue to pare down staff to cut costs. Unemployment for 3Q08 held steady, at 2.2%, but we expect unemployment to surge to at least 3.3% next year, the effects of which will be tempered in part by hiring in the IRs and in the healthcare and education sectors. Helping small and medium-sized enterprises (SME) to survive is crucial as they are an important driver of Singapore's economy, accounting for S$100b, or 46% of total value added. For the last three years, total SME value added has outpaced overall GDP growth. SMEs employ the majority of Singaporeans – six out of every 10 workers in the country.

Singapore's Budget 2009, a S$20.5b economic stimulus unveiled in January, is aimed at helping businesses and Singaporeans cope with the unprecedented sharp economic downturn. Initiatives include the innovative Jobs Credit scheme to subsidise wage costs, the government taking a higher risk in lending to SMEs and trade financing in view of the current credit crunch, a corporate tax cut as well as a slew of rebates for households. Budget 2009 will result in an S$8.7b fiscal deficit with the government dipping into Singapore's reserves for the first time.

However, corporate and household balance sheets are a lot stronger this time round. According to the Monetary Authority of Singapore (MAS) in its Financial Stability Review report dated Nov 08, corporate balance sheets have improved since the Asian financial crisis (AFC) with lower debt ratios and better debt servicing. The corporate sector's median debt-to-equity ratio was 40% in 2Q08, down from 60% in the pre-AFC period. The lower debt ratios, together with higher profits, have improved corporate debt servicing capacity with the interest cover ratio rising to 6.1x in 2Q08 from about 3.0x just before the AFC, according to MAS.

Household balance sheets are also healthier this time round as the coverage of assets over liabilities is ample, the debt to remuneration ratio is low and the loan to value ratio is also low for a large share of housing loans. MAS said household net wealth, defined as assets less liabilities, is currently at about 3.8x of GDP and 7.0x of household liabilities. Furthermore, cash and CPF balances alone exceed entire household liabilities. The rate of growth of household remuneration has also outpaced that of household debt such that the household debt to remuneration ratio fell from a 10-year high of 208% in 2003 to 166% in 2007. The percentage of housing loans that is delinquent is low, at less than 1%, and most housing loans have low loan to value ratios. This augurs well for Singapore's financial system.

Stock Market Review of 2008

The Straits Times Index (FSSTI) collapsed 49.2% in 2008 to close at 1761.56. While this was in line with Asia ex-Japan's 48.8% decline, 2008 was a tale of two halves. The Singapore stock market outperformed the region by 6.6% in 1H08, but this reversed into an underperformance of 6.0% in 2H08. By mid-08, it was obvious Singapore's economy was on course for a sharp contraction and was not defensive at all, despite the country's efforts over the last decade to reduce its dependence on the manufacturing sector.

Against the US dollar, the Singapore dollar depreciated by 4.9% in 2H08 after an appreciation of 5.9% in 1H08. Singapore suffered the greatest fund outflows in the region, according to EPFR Global. As a percentage of asset holdings, Singapore's fund outflows amounted to 11.3%, greater than the region's 8.5%.

The Singapore stock market is highly cyclical, with 55% of the FSSTI's component stocks involved in commodity-related businesses and the cyclical aviation, shipping, shipyard and property segments.

A decade ago, the plantation, supply chain, real estate investment trust (REIT), S-share, shipping and offshore & marine (O&M) sectors either did not exist or were not large in market capitalisation. Sectors that performed miserably in 2008 were shipping (-71%), O&M (-74%), S-shares (-74%), property (-59%), REITs (-56%), supply chain (-54%) and plantation (-57%). We attribute this to the following: a) the bursting of the commodity boom, which saw a collapse in commodity prices, including oil and CPO prices, b) the impact of the credit crunch on international trade financing for imports and exports, c) the impact of the credit crunch on debt refinancing by REITs, and d) property developers' poor property sales and asset write-downs.

Stock Market Outlook for 2009

Macro-economic newsflow has continued to be negative thus far in 2009 with the FSSTI having fallen by 11% ytd (as of 17 March). Stock markets around the world are searching for visibility as to how deep the global recession would be and how the world is going to get out of the woods. The Singapore stock market is trading at an undemanding P/B of 0.91x. The downside would be 23% if the market were to fall to its AFC's P/B of 0.70x. However, the upside would be 96% if the market were to revert to its long-term P/B mean of 1.78x.

With Singapore's GDP expected to see a very deep contraction of 8-9% in 1Q09, we see the early part of 2009 to be the darkest hour before dawn. However, based on past recessions, the Singapore stock market typically bottoms out upon release from the first very sharp GDP contraction. This time round, given the extent of the global recession, the Singapore stock market would likely see a U-shaped recovery. The upside wild card remains the impact of Singapore's two mega IRs, Marina Bay Sands and Resorts World at Sentosa, which will open for business in end-09 and 2010 respectively.

THAILAND

Review of 2008

2008 was a difficult year for Thailand, marred by political uncertainties. We started the year with massive optimism as a newly-elected coalition led by the People Power Party (PPP) came into power. The domestic population was happy to see the end of 15 months of military rule. The economy responded by growing 6% in 1Q08.

However, after a few months in office, the anti-Thaksin group, or the People's Alliance for Democracy (PAD), began a lengthy protest against the government. The protesters wanted to remove the government, viewing it as a proxy for the former Prime Minister. The political unrest led to the occupation of the Government House, forcing the then Prime Minister of Thailand to work out of his office. The government-run TV station was also attacked but the Thai police force was able to reclaim the TV station. Thailand lost two Prime Ministers in 2008. The protests culminated in the closure of two airports in Dec 08, leaving over 350,000 tourists stranded during the period.

The protests ended after three ruling parties, including the PPP, were disbanded for electoral fraud. A faction of the PPP, along with other coalition parties, defected and formed a new coalition government with the opposition party, the Democrat Party, restoring some stability to Thai politics.

Political problems led to a decline in domestic consumption and private investment. Government spending also came to a halt as the government was unable to administer the country. After peaking in 1Q08, GDP growth fell to 5.3% in 2Q08 and 3.9% in 3Q08 before shrinking by 4.3% in 4Q08. The economy grew 2.6% in 2008 vs 4.9% in 2007.

Outlook for 2009

Thailand's economy is extremely dependent on exports. Exports account for 70% of GDP. The global economic recession is hitting Thailand hard. Exports have been showing negative growth (-17 to -25%) since Nov 08. Concensus GDP growth forecast for 2009 is decelerating to -2 to -3%. The economy is suffering from a worse-than-expected contraction on slowdown in exports. Exports are expected to show negative growth for another 12-15 months.

Unemployment may hit as high as 1.5m-2.0m. Currently, the total number of unemployed is about 500,000, or 1.4% of the workforce. The fiscal stimulus of Bt116b, or 1.2% of GDP, offers little hope as free handouts are a short-term measure and will not have a long-term impact. Other measures approved by the government are meant to boost bank lending to state enterprises and SMEs. The government also plans to spend Bt2 trillion on infrastructure projects over three to four years to increase investments and create jobs. However, details are still sketchy. The budget deficit for 2009 is expected to increase from 2.5% in 2008 to 3.5% in 2009.

The 2010 budget, which is under consideration, will concentrate on boosting investments, and is likely to incur another deficit of about Bt400b, or 4% of GDP.

Stock Market Review for 2008

The market was extremely volatile in 2008. The newly-elected PPP coalition along with its populist policies boosted confidence, leading to a major rally in the Stock Exchange of Thailand (SET) index during 1H08. The index peaked at 884.19 in May 08 but ended the year at 449.96, losing 47.56% of its value in 2008. Foreigners sold Bt162b worth of stocks, local investors bought Bt46b, while retail investors bought Bt116 in the year. Along with the political problem, the global economic crisis exacerbated the decline in the SET index.

Stock Market Outlook for 2009

Thailand and its business community are more prepared to tackle the ongoing crisis this time. During the 1997 financial crisis, Thailand's financial system went bankrupt. This time, the country has huge foreign reserves of US$120b. Meanwhile, its banks have ample capital and low levels of non-performing loans (NPL). Corporate debt to equity ratio is down from over 7x to about 1x. However, we expect the stock market to remain unattractive till 4Q09. Thailand, being dependent on exports, will have to wait for overseas markets to improve before its economy can recover.

For 2009, we are forecasting net profit growth of -7.2% with downward bias. 2009 earnings outlook is vulnerable to further downgrades, depending on the severity of the economic downturn globally and in Thailand. We maintain the view that Thai banks and property firms remain healthy and will come out of the crisis stronger than before.

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 2008:- 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	4	–	–			1	1
Neo Chin Sang	4	4	–	–	–	–	–	–
Esmond Choo Liong Gee*	4	4	4	4	–	–	–	–
Walter Tung Tau Chyr	4	4	–	–	4	4	–	–
Henry Tay	4	4	4	4	4	4	–	–
Chelva R Rajah	4	4	4	4	4	4	1	1
Roland Knecht	4	3	–	–	–	–	1	1
Francis Lee	4	4	4	4	–	–	–	–

** Mr. Esmond Choo attended by invitation of the Audit Committee*

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

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. An executive director, the director of internal audit and compliance, the head of finance 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 and compliance director. 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 satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. A sum of $61,498 was paid to the external auditors for non-audit services versus $356,389 for audit fees rendered during the year. The AC annually reviews the independence of the external auditors 11.4, 11.6

Internal Controls

The Board is responsible for ascertaining that management maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. The Board believes that the system of internal controls that has been maintained by management throughout the financial year is adequate to meet the needs of the Group in its current business environment. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss, 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, Deloitte & Touche, 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 director'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 2008 is as follows:- 9.1, 9.2

Name	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)
Above S$1,000,000				
Wee Ee-chao	–	9.97	90.03	–
Esmond Choo	–	16.10	83.90	–
Above S$250,000 to S$1,000,000				
Tang Wee Loke	–	91.84	8.16	–
Neo Chin Sang	–	54.77	45.23	–
Below S$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 and balance of the Board and to ensure that they meet the requirements 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

The Company has established internal procedures to ensure that interested person transactions are undertaken on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and policies, and are not prejudicial to the interests of the Company and its minority shareholders and on terms which are generally no more favourable to the interested persons as defined in Chapter 9 of the Listing Manual of the SGX-ST, than those extended to or received from unrelated third parties. Particulars of interested person transactions required to be disclosed under Rule 907 of the Listing Manual of the SGX-ST are as follows:-

Name of Interested Person	Aggregate value of all interested person transactions in FY 2008 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted in FY 2008 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Haw Par Centre Pte Ltd – Deposit forfeited due to early termination of tenancy	$ 224,731	Not applicable **
UOB Limited – Lease of premises	$ 13,073,058 *	Not applicable **
Kheng Leong Pte Ltd – Project management fees	***	Not applicable **

* *Rental for lease of 91,000 sf of office space at OUB Centre and UOB Plaza 1 for a period of 7 to 12 months.*

** *The Company has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920*

*** *Project management fees at Scotts is based on 1% of construction costs. The estimated construction cost is $28 million. The Scotts premises is now under construction.*

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 28 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 Securities 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. He has held senior appointments with regional responsibilities with a major international insurance and risk management group prior to joining the stockbroking industry

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 currently:

– a Partner and Executive Committee Member of Banque Heritage, Geneva;

– the Branch Manager of Banque Heritage, Zurich; and

– Managing Director of Heritage Asset Management Ltd., Hong Kong and Heritage Asset Management Pte Ltd., Singapore.

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 joined UOB in 1980. He is a Senior Executive Vice President and leads the Group's retail businesses for consumers and small-business customers in Singapore, Malaysia, Thailand, Indonesia and China. He also oversees the business of the overseas branches. Prior to his appointment in Singapore in 2003, he was the CEO of the Bank's operations in Malaysia. Between 2003 and 2008, he was responsible for the Bank's consumer banking business and business expansion outside Singapore. He holds a Malaysia Certificate of Education and has 30 years of experience in banking.

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 28 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 stock-broking 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 and was 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 a MBA from the University of Warwick. He joined UOB Kay Hian in 2001.

The directors present their report together with the audited consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2008.

1 DIRECTORS

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

Wee Ee-chao

Tang Wee Loke

Walter Tung Tau Chyr

Neo Chin Sang

Henry Tay Yun Chwan

Chelva Retnam Rajah

Roland Knecht

Esmond Choo Liong Gee

Francis Lee Chin Yong

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in name of director		**Shareholdings in which directors are deemed to have an interest**	
Name of directors and company in which interests are held	**At beginning of financial year**	**At end of financial year**	**At beginning of financial year**	**At end of financial year**
The Company *(Ordinary shares)*				
Wee Ee-chao	–	–	116,626,976	122,937,976
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	–	–

By virtue of Section 7 of the Singapore Companies Act, Wee Ee-chao is deemed to have an interest in the Company and in all the subsidiaries of the Company.

The directors' interest in the ordinary shares of the Company as at 21 January 2009 were the same as at 31 December 2008 except that of a director, Wee Ee-chao, who was deemed to have an interest in 123,161,976 ordinary shares of the Company as at 21 January 2009.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO 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 to as customers, employees or shareholders of these companies.

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, 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 that certain directors received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.

5 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

(b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Wee Ee-chao

Esmond Choo Liong Gee

Singapore, 20 March 2009

Statement Of Directors

For the financial year ended 31 December 2008

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 26 to 69 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Wee Ee-chao

Esmond Choo Liong Gee

Singapore, 20 March 2009

Independent Auditor's Report

To The Members Of UOB-Kay Hian Holdings Limited

We have audited the accompanying financial statements of UOB-Kay Hian Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprise the balance sheets of the Group and the Company as at 31 December 2008, the profit and loss statement, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 26 to 69.

The financial statements for the year ended 31 December 2007 were audited by another firm of auditors whose report dated 25 March 2008 expressed an unqualified opinion on those financial statements.

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: 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 account and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 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 consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company 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 Group and of the Company as at 31 December 2008 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the 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.

Deloitte & Touche

Public Accountants and Certified Public Accountants
Singapore

20 March 2009

Balance Sheets

As at 31 December 2008

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
ASSETS					
Current assets					
Cash and cash equivalents	6	**709,492,873**	134,541,699	**459,035**	1,001,754
Outstanding contracts receivable	7(a)	**402,696,244**	1,092,895,055	**–**	–
Trade receivables	8	**664,305,871**	2,005,061,796	–	–
Financial assets, at fair value through profit or loss	9(a)	**1,843,735**	3,182,904	**–**	–
Other current assets	10	**19,996,087**	14,159,955	**59,069,697**	293,164,351
Derivative financial instruments	11	**4,559**	47,367	**–**	–
		1,798,339,369	3,249,888,776	**59,528,732**	294,166,105
Non-current assets					
Trade receivables	8	**16,194,375**	–	**–**	–
Loan to a subsidiary	12	**–**	–	**–**	216,570
Investments:					
– in subsidiaries	13	–	–	**235,845,121**	230,093,881
– in associates	14	**108,793**	860,250	**–**	–
Financial assets, available-for-sale	15	**18,405,506**	38,370,985	**–**	–
Trading rights in Exchanges	16	**104,382**	110,772	**–**	–
Memberships in Exchanges		**227,555**	23,793	**–**	–
Property, plant and equipment	17	**43,359,117**	5,360,187	**–**	–
Deferred tax assets	18	**303,920**	46,755	**–**	–
		78,703,648	44,772,742	**235,845,121**	230,310,451
Total assets		**1,877,043,017**	3,294,661,518	**295,373,853**	524,476,556
LIABILITIES					
Current liabilities					
Outstanding contracts payable	7(b)	**357,960,744**	1,040,340,946	**–**	–
Trade and other payables	19	**227,954,397**	158,999,860	**75,701,154**	18,458,229
Financial liabilities, at fair value through profit or loss	9(b)	**–**	33,550	**–**	–
Borrowings	20	**305,982,777**	1,065,562,068	**–**	258,108,977
Income tax payable		**14,383,154**	53,018,372	**144,564**	204,259
Derivative financial instruments	11	**1,593**	67,801	**–**	–
		906,282,665	2,318,022,597	**75,845,718**	276,771,465
Non-current liabilities					
Deferred tax liabilities	18	**437,378**	722,862	**–**	–
Total liabilities		**906,720,043**	2,318,745,459	**75,845,718**	276,771,465
EQUITY					
Capital reserves and minority interests					
Share capital	21	**72,470,901**	72,470,901	**72,470,901**	72,470,901
Reserves	22	**(8,673,677)**	14,630,448	**–**	–
Retained earnings		**893,090,787**	874,137,428	**147,057,234**	175,234,190
Equity attributable to equity holders of the Company		**956,888,011**	961,238,777	**219,528,135**	247,705,091
Minority interests		**13,434,963**	14,677,282	**–**	–
Total equity		**970,322,974**	975,916,059	**219,528,135**	247,705,091
Total liabilities and equity		**1,877,043,017**	3,294,661,518	**295,373,853**	524,476,556
Clients' trust/segregated accounts					
Bank balances					
– with related parties		**133,655,881**	200,837,943	**–**	–
– with non-related banks		**375,082,977**	574,223,948	**–**	–
Margin with clearing house		**8,406,472**	5,482,312	**–**	–
Less: Amounts held in trust		**(517,145,330)**	(780,544,203)	**–**	–
		–	–	**–**	–

See accompanying notes to financial statements.

Consolidated Profit And Loss Statement

For the financial year ended 31 December 2008

	Note	Group 2008 $	Group 2007 $
Revenue	23	**371,758,685**	780,360,006
Foreign exchange gain		**2,387,822**	11,790,553
Realised gain on financial assets, available-for-sale		**4,252,069**	27,485,295
Commission expense		**(69,378,309)**	(165,947,083)
Staff costs	24	**(106,473,994)**	(211,114,636)
Finance expense	25	**(13,843,898)**	(51,224,640)
Other operating expenses	26	**(64,050,595)**	(62,170,699)
Profit from operations		**124,651,780**	329,178,796
Share of results of associates		**–**	119,013
Profit before income tax		**124,651,780**	329,297,809
Income tax expense	27	**(15,135,325)**	(54,266,993)
Profit for the year		**109,516,455**	275,030,816
Attributable to:			
Equity holders of the Company		**108,744,804**	273,392,235
Minority interests		**771,651**	1,638,581
		109,516,455	275,030,816
Earnings per share – basic and diluted (cents)	28	**15.01**	37.72

See accompanying notes to financial statements.

Statements Of Changes In Equity

For the financial year ended 31 December 2008

	Note	Share capital $	Fair value reserve $
Group			
Balance at 1 January 2007		72,470,901	26,596,575
Fair value gains on financial assets, available-for-sale	22	–	28,644,048
Currency translation differences		–	48,437
Net gain (loss) recognised directly in equity		–	28,692,485
Net profit for the year		–	–
Total recognised gains (losses) for the financial year		–	28,692,485
Fair value gains transferred to profit and loss statement on realisation	22	–	(27,485,295)
Final dividend for 2006 paid	30	–	–
Interim dividend for 2007 paid	30	–	–
Transfer from retained earnings to statutory reserve	22	–	–
Acquisition of additional interest in a subsidiary		–	–
Payment of dividends by a subsidiary		–	–
Balance at 31 December 2007		72,470,901	27,803,765

	Note	Share capital $	Fair value reserve $
Group			
Balance at 1 January 2008		**72,470,901**	**27,803,765**
Fair value loss on financial assets, available-for-sale	22	**–**	**(15,409,330)**
Currency translation differences		**–**	**(152,494)**
Net loss recognised directly in equity		**–**	**(15,561,824)**
Net profit for the year		**–**	**–**
Total recognised (losses) gains for the financial year		**–**	**(15,561,824)**
Fair value gains transferred to profit and loss statement on realisation	22	**–**	**(4,252,069)**
Final dividend for 2007 paid	30	**–**	**–**
Interim dividend for 2008 paid	30	**–**	**–**
Acquisition of additional interest in a subsidiary		**–**	**–**
Payment of dividend by a subsidiary		**–**	**–**
Balance at 31 December 2008		**72,470,901**	**7,989,872**

See accompanying notes to financial statements.

Attributable to equity holders of the Company

Foreign currency translation reserve $	Statutory reserve $	Retained earnings $	Attributable to equity holders of the Company $	Minority interests $	Total $
(6,462,979)	1,036,383	716,946,683	810,587,563	14,197,354	824,784,917
–	–	–	28,644,048	30,618	28,674,666
(8,109,641)	10,496	–	(8,050,708)	(10,505)	(8,061,213)
(8,109,641)	10,496	–	20,593,340	20,113	20,613,453
–	–	273,392,235	273,392,235	1,638,581	275,030,816
(8,109,641)	10,496	273,392,235	293,985,575	1,658,694	295,644,269
–	–	–	(27,485,295)	–	(27,485,295)
–	–	(62,397,446)	(62,397,446)	–	(62,397,446)
–	–	(53,483,525)	(53,483,525)	–	(53,483,525)
–	338,316	(320,519)	17,797	(17,797)	–
14,108	–	–	14,108	(821,171)	(807,063)
–	–	–	–	(339,798)	(339,798)
(14,558,512)	1,385,195	874,137,428	961,238,777	14,677,282	975,916,059

Attributable to equity holders of the Company

Foreign currency translation reserve $	Statutory reserve $	Retained earnings $	Attributable to equity holders of the Company $	Minority interests $	Total $
(14,558,512)	**1,385,195**	**874,137,428**	**961,238,777**	**14,677,282**	**975,916,059**
–	**–**	**–**	**(15,409,330)**	**(66,310)**	**(15,475,640)**
(3,577,555)	**(46,635)**	**–**	**(3,776,684)**	**(187,551)**	**(3,964,235)**
(3,577,555)	**(46,635)**	**–**	**(19,186,014)**	**(253,861)**	**(19,439,875)**
–	**–**	**108,744,804**	**108,744,804**	**771,651**	**109,516,455**
(3,577,555)	**(46,635)**	**108,744,804**	**89,558,790**	**517,790**	**90,076,580**
–	**–**	**–**	**(4,252,069)**	**–**	**(4,252,069)**
–	**–**	**(86,167,901)**	**(86,167,901)**	**–**	**(86,167,901)**
–	**–**	**(3,623,544)**	**(3,623,544)**	**–**	**(3,623,544)**
120,751	**13,207**	**–**	**133,958**	**(1,492,059)**	**(1,358,101)**
–	**–**	**–**	**–**	**(268,050)**	**(268,050)**
(18,015,316)	**1,351,767**	**893,090,787**	**956,888,011**	**13,434,963**	**970,322,974**

Statements Of Changes In Equity *(continued)*

For the financial year ended 31 December 2008

	Note	Share capital $	Retained earnings $	Total $
Company				
Balance at 1 January 2007		72,470,901	211,519,412	283,990,313
Profit for the year		–	79,595,749	79,595,749
Final dividend for 2006 paid	30	–	(62,397,446)	(62,397,446)
Interim dividend for 2007 paid	30	–	(53,483,525)	(53,483,525)
Balance at 31 December 2007		72,470,901	175,234,190	247,705,091
Profit for the year		**–**	**61,614,489**	**61,614,489**
Final dividend for 2007 paid	30	**–**	**(86,167,901)**	**(86,167,901)**
Interim dividend for 2008 paid	30	**–**	**(3,623,544)**	**(3,623,544)**
Balance at 31 December 2008		**72,470,901**	**147,057,234**	**219,528,135**

See accompanying notes to financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2008

	Note	2008 $	2007 $
Operating activities			
Profit before income tax		**124,651,780**	329,297,809
Adjustments for:			
Share of results of associates		**–**	(119,013)
Depreciation expense	26	**2,474,145**	2,910,868
Gain on disposal of property, plant and equipment		**(15,666)**	(49,959)
Realised gain on financial assets, available-for-sale		**(4,252,069)**	(27,485,295)
Dividend income	23	**(1,160,973)**	(1,292,696)
(Write back of) allowance for trade receivables		**(205,060)**	551,015
Allowance for impairment in financial assets, available-for-sale	15	**2,671,040**	–
Interest income	23	**(70,046,977)**	(108,459,198)
Interest expense	25	**13,843,898**	51,224,640
Exchange differences		**(4,255,336)**	2,925,210
Operating cash flows before movements in working capital		**63,704,782**	249,503,381
Changes in operating assets and liabilities:			
Financial assets/liabilities, at fair value through profit or loss		**1,305,619**	5,780,356
Trade, outstanding contracts and other receivables		**2,008,969,121**	(580,383,417)
Trade, outstanding contracts and other payables		**(613,491,873)**	(315,229,254)
Cash from (used in) operations		**1,460,487,649**	(640,328,934)
Interest received	23	**70,046,977**	108,459,198
Interest paid	25	**(13,843,898)**	(51,224,640)
Income tax paid		**(53,428,553)**	(32,911,233)
Net cash provided by (used in) operating activities		**1,463,262,175**	(616,005,609)

Consolidated Cash Flow Statement *(continued)*

For the financial year ended 31 December 2008

	Note	2008 $	2007 $
Investing activities			
Payments for property, plant and equipment	17	**(40,599,082)**	(4,146,370)
Payment for property, plant and equipment from acquisition of business		**–**	(9,418)
Proceeds from disposal of financial assets, available-for-sale	15	**4,650,607**	28,255,294
Proceeds from disposal of property, plant and equipment		**23,385**	61,427
Proceeds from capital repayment in associates		**1,031,483**	2,617,800
Payment to minority interests for dividend		**(268,050)**	(339,798)
Payment to minority interests for additional interest in a subsidiary		**(1,492,059)**	(821,171)
Payment for financial assets, available-for-sale	15	**(3,447,522)**	(9,032,241)
Acquisition of a subsidiary, net of cash acquired	29	**–**	1,011,266
Dividends received from quoted / unquoted securities	23	**1,160,973**	1,292,696
Net cash (used in) from investing activities		**(38,940,265)**	18,889,485
Financing activities			
(Repayment)Drawdown of short-term bank loans		**(751,204,867)**	718,463,449
Dividends paid		**(89,791,445)**	(115,880,971)
Net cash (used in) from financing activities		**(840,996,312)**	602,582,478
Net increase in cash and cash equivalents during the year		**583,325,598**	5,466,354
Cash and cash equivalents at beginning of the year		**125,398,169**	119,931,815
Cash and cash equivalents at end of the year	6	**708,723,767**	125,398,169

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 200004464C) is incorporated and domiciled in Singapore. The address of its registered office is 80 Raffles Place, #30-01, UOB Plaza 1, Singapore 048624. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

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.

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the year ended 31 December 2008 were authorised for issue by the Board of Directors on 20 March 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

ADOPTION OF NEW AND REVISED STANDARDS – In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2008. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

FRS 1 – Presentation of Financial Statements (Revised)

FRS 23 – Borrowing Costs (Revised)

FRS 108 – Operating Segments

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

FRS 1 – *Presentation of Financial Statements (Revised)*

FRS 1 (Revised) will be effective for annual periods beginning on or after 1 January 2009, and will change the basis of presentation and structure of the financial statements. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRSs.

FRS 108 – *Operating Segments*

FRS 108 will be effective for annual financial statements beginning on or after 1 January 2009 and supersedes FRS 14 – *Segment Reporting*. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, FRS 14 requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity’s ‘system of internal financial reporting to key management personnel’ serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 108, the identification of the Group’s reportable segments may change.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

ASSOCIATES – An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Investments are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

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

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 4.

Available-for-sale financial assets

Certain shares and debt securities held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised directly in the fair value reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit and loss statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in profit and loss statement for the period. Dividends on available-for-sale equity instruments are recognised in profit and loss statement when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit and loss statement, and other changes are recognised in equity.

Loans, receivables and other current assets

Outstanding contracts receivables, loans, trade and other current assets that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets (other than those at fair value through profit or loss) are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss statement.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss, is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Outstanding contracts payables, trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method with interest expense recognised on an effective yield basis.

Financial guarantees

Financial guarantees are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

IMPAIRMENT OF NON-FINANCIAL ASSETS – Trading rights in Exchanges, property, plant and equipment and investments in subsidiaries and associates 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 Cash Generating Unit ("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 the recoverable amount is recognised as an impairment loss in the profit and loss 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 profit and loss statement.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment loss. 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.

Depreciation is charged so as to write off the cost or valuation of assets, other than construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	5%
Leasehold land	Lower of the estimated useful life or the life of the lease term of 15 years
Leasehold improvements	16 to $33^1/_3$%
Furniture, fittings and office equipment	20 to $33^1/_3$%
Computer equipment and software	20 to $33^1/_3$%
Communication equipment	20 to $33^1/_3$%
Motor vehicles	18 to $33^1/_3$%

Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

GOODWILL – Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration, received or receivable. 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

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

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Fee income

Fee income from custodian, management, shares withdrawal and arrangement services are recognised during the year in which the services are rendered.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit and loss statement in the period in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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

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.

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.

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.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted in countries where the Company and subsidiaries operate or substantively enacted by the balance sheet date.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the balance sheet and the statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entity, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) *Critical judgements in applying the Group's accounting policies*

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements (apart from those involving estimations which are dealt with below).

(ii) *Key source of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts 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. Details of income taxes are provided in Note 18 and Note 27 to the financial statements. The income tax expense for the year ended 31 December 2008 is $15,135,325 (2007: $54,266,993). Deferred tax assets and deferred tax liabilities as at 31 December 2008 amounted to $303,920 (2007: $46,755) and $437,378 (2007: $722,862) respectively. Income tax payable as at 31 December 2008 is $14,383,154 (2007: $53,018,372).

(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. As at 31 December 2008, the carrying amount of loans and receivables is $680,500,246 (2007: $2,005,061,796) net of allowance for doubtful debts of $2,663,972 (2007: $3,522,185).

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded in the profit and loss 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 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the balance sheet date:

	The Group		The Company	
	2008	2007	2008	2007
	$	$	$	$
Financial assets				
Financial assets, at fair value through profit or loss	**1,843,735**	3,182,904	**–**	–
Derivative financial instruments	**4,559**	47,367	**–**	–
Loan and receivables (including cash and cash equivalents)	**1,804,489,999**	3,236,975,771	**59,528,732**	294,379,675
Available-for-sale financial assets	**18,405,506**	38,370,985	**–**	–
Financial liabilities				
Financial liabilities, at fair value through profit or loss	–	33,550	**–**	–
Derivative financial instruments	**1,593**	67,801	**–**	–
Amortised cost (including loans and finance leases)	**891,897,918**	2,264,902,874	**75,701,154**	276,567,206

(b) Financial risk management policies and objectives

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.

(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 foreign exchange 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 currencies (primarily in United States dollar and Malaysian ringgit) for working capital purposes; and
- investments in foreign subsidiaries primarily in Hong Kong dollar and Thai baht, whose net assets are exposed to currency translation risk.

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

	Singapore dollar $	United States dollar $	Hong Kong dollar $	Malaysia ringgit $	Others $
At 31 December 2008					
Financial assets					
Cash and cash equivalents	**365,727**	**9,807,972**	**343,368,751**	**12,005,375**	**105,854,763**
Outstanding contracts receivable	**1,685,172**	**14,339,971**	**124,516,389**	**3,894,508**	**40,158,738**
Trade receivables	**223,776,371**	**81,321,541**	**79,757,387**	**532,700**	**12,694,321**
Other current assets	**7,197**	**445,741**	**3,438,052**	**45,422**	**2,913,755**
Financial assets, available-for-sale	**–**	**9,856,341**	**–**	**–**	**409,523**
	225,834,467	**115,771,566**	**551,080,579**	**16,478,005**	**162,031,100**
Financial liabilities					
Outstanding contracts payable	**1,637,495**	**12,856,892**	**120,254,967**	**3,448,046**	**43,300,446**
Trade and other payables	**160,348,072**	**340,999**	**21,377,204**	**1,941,278**	**7,723,696**
Borrowings	**16,034,237**	**92,710,103**	**177,231,606**	**–**	**–**
	178,019,804	**105,907,994**	**318,863,777**	**5,389,324**	**51,024,142**
Net financial assets	**47,814,663**	**9,863,572**	**232,216,802**	**11,088,681**	**111,006,958**
Less: Net financial (assets) / liabilities denominated in the respective entities' functional currencies	**–**	**(1,871,900)**	**(227,423,722)**	**(3,793,676)**	**(84,251,877)**
Intercompany balances	**(48,343,485)**	**2,281,588**	**(4,510,913)**	**(8,078)**	**282,910**
Currency forwards	**187,938**	**(874,246)**	**967,977**	**(3,461,245)**	**(214,061)**
Foreign currencies trust balances	**–**	**(5,514,570)**	**(1,048,693)**	**751,869**	**(21,598,471)**
Currency exposures	**(340,884)**	**3,884,444**	**201,451**	**4,577,551**	**5,225,459**
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 and 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

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

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

	US Dollar $
At 31 December 2008	
Financial assets	
Cash and cash equivalents	**1,163**
Financial liabilities	**–**
Net financial assets / currency exposure	**1,163**
At 31 December 2007	
Financial assets	
Cash and cash equivalents	897,754
Financial liabilities	–
Net financial assets / currency exposure	897,754

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

	2008		2007	
	Increase (Decrease)			
	Profit after tax $	Equity $	Profit after tax $	Equity $
The Group				
United States Dollar	**262,763**	**(492,817)**	(693,206)	(434,887)
Hong Kong Dollar	**(8,864)**	**–**	(125,486)	–
Malaysia Ringgit	**(201,414)**	**–**	16,157	–
Company				
United States Dollar	**(48)**	**–**	(36,808)	–

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 environment in which it operates.

(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; and
- 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 exposure 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.

The Group's exposure is primarily in the Singapore market. If equity prices increase 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:

	2008		2007	
	Increase			
	Profit after tax	Equity	Profit after tax	Equity
	$	$	$	$
The Group				
Listed in Singapore	**80,956**	**406,982**	139,868	1,341,647
Listed on other exchanges	**3,577**	**513,293**	8,397	559,295

In determining the percentage of the market fluctuation, the Company has considered the economic environments in which it operates.

(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 2008 would increase / (decrease) by $10,532,158 (2007 : $10,356,401).

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.

	Variable rates Less than 6 months	Fixed rates Less than 6 months	Non- interest bearing	Total
	$	$	$	$
The Group				
At 31 December 2008				
Assets				
Cash and cash equivalents	**373,558,781**	**307,903,300**	**28,030,792**	**709,492,873**
Trade receivables	**677,736,485**	**–**	**2,763,761**	**680,500,246**
Other financial assets	**–**	**–**	**434,750,680**	**434,750,680**
Investments in associates	**–**	**–**	**108,793**	**108,793**
Non-financial assets	**–**	**–**	**52,190,425**	**52,190,425**
Total assets	**1,051,295,266**	**307,903,300**	**517,844,451**	**1,877,043,017**
Liabilities				
Borrowings	**769,106**	**305,213,671**	**–**	**305,982,777**
Other financial liabilities	**–**	**–**	**585,916,734**	**585,916,734**
Non-financial liabilities	**–**	**–**	**14,820,532**	**14,820,532**
Total liabilities	**769,106**	**305,213,671**	**600,737,266**	**906,720,043**

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

	Variable rates Less than 6 months $	Fixed rates Less than 6 months $	Non- interest bearing $	Total $
The Group *(continued)*				
At 31 December 2007				
Assets				
Cash and cash equivalents	36,319,805	59,820,540	38,401,354	134,541,699
Trade receivables	2,005,061,796	–	–	2,005,061,796
Other financial assets	–	–	1,138,973,532	1,138,973,532
Investments in associates	–	–	860,250	860,250
Non-financial assets	–	–	15,224,241	15,224,241
Total assets	2,041,381,601	59,820,540	1,193,459,377	3,294,661,518
Liabilities				
Borrowings	9,143,530	1,056,418,538	–	1,065,562,068
Other financial liabilities	–	–	1,199,442,157	1,199,442,157
Non-financial liabilities	–	–	53,741,234	53,741,234
Total liabilities	9,143,530	1,056,418,538	1,253,183,391	2,318,745,459

	Fixed rates Less than 6 months $	Non- interest bearing $	Total $
The Company			
At 31 December 2008			
Assets			
Cash and cash equivalents	**–**	**459,035**	**459,035**
Investments in subsidiaries	**–**	**235,845,121**	**235,845,121**
Other assets	**–**	**59,069,697**	**59,069,697**
Total assets	**–**	**295,373,853**	**295,373,853**
Total liabilities	**–**	**75,701,154**	**75,701,154**
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	216,570	293,161,351	293,277,921
Total assets	1,113,102	523,360,454	524,473,556
Total liabilities	258,108,977	18,458,229	276,567,206

(iv) *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 is as follows:

	2008 $	2007 $
Quoted securities	**999,803,504**	3,171,799,179
Cash	**339,682,324**	14,941,351
Bankers' guarantees	**1,750,000**	25,186,510
	1,341,235,828	3,211,927,040

There is no collateral held as security for trade receivables impaired as at 31 December 2008 and 31 December 2007.

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

	2008 $	2007 $
Outstanding contracts receivable	**154,284,797**	398,791,776
Trade receivables	**394,645,633**	907,471,319
Outstanding contracts payable	**1,815,847**	3,781,152

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 and fixed deposits are with reputable banks and financial institutions. Consequently, management does not expect any of 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	
	2008 $	2007 $
0 to 30 days past due	**303,322,909**	432,023,776
31 days to 60 days past due	**1,983,326**	3,185,602
More than 60 days past due	**12,323,056**	11,544,465
	317,629,291	446,753,843

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

	2008 $	2007 $
At beginning of year	**3,522,185**	2,877,848
Currency translation difference	**(70,944)**	(30,724)
Allowance transferred from acquisition of a subsidiary	**–**	151,661
(Write back of) / Allowance made	**(205,060)**	551,015
Allowance utilised	**(582,209)**	(27,615)
At end of year	**2,663,972**	3,522,185

(v) *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 policies and the relevant regulations.

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

(c) Capital risk management policies and objectives

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 maximise 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 2008 and 2007.

(d) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. In some instances, 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; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

5 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The Group in the normal course of business acts as brokers in securities for associates, certain related 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	
	2008	**2007**
	$	**$**
Rental of premises paid / payable to a related party	**6,152,475**	4,948,112
Management and other fees earned from a related party	**–**	90,300

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

(b) Key management personnel compensation is as follows:

	The Group	
	2008	**2007**
	$	**$**
Salaries and other short-term employee benefits	**13,808,597**	40,179,059
Employer's contribution to defined contribution plans, including Central Provident Fund	**57,612**	58,413
	13,866,209	40,237,472

(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 2008 are disclosed in Note 20 as borrowings from a related party.

6 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Bank balances with:				
– Related party (Note 5)	**30,750,136**	17,136,738	**459,035**	105,222
– Non-related banks	**370,827,233**	57,570,318	**–**	–
Cash on hand	**12,204**	14,104	**–**	–
	401,589,573	74,721,160	**459,035**	105,222
Fixed deposits with:				
– Related party (Note 5)	**217,915,990**	29,680,327	**–**	896,532
– Non-related banks	**89,987,310**	30,140,212	**–**	–
	307,903,300	59,820,539	**–**	896,532
	709,492,873	134,541,699	**459,035**	1,001,754

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

Fixed deposits bear average effective interest rates of 1.81% (2007 : 2.53%) per annum and are for a tenure of approximately 14 days (2007 : 11 days).

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

	The Group	
	2008	2007
	$	$
Cash and bank balances (as above)	**709,492,873**	134,541,699
Less: Bank overdrafts (Note 20)	**(769,106)**	(9,143,530)
Cash and cash equivalents per consolidated cash flow statement	**708,723,767**	125,398,169

7 OUTSTANDING CONTRACTS RECEIVABLE/PAYABLE

Outstanding contracts receivable and payable represent amounts receivable or payable in respect of trades which have been executed on an exchange prior to the balance sheet date and have not been settled as at balance sheet date.

(a) Outstanding contracts receivable comprises the following:

	The Group	
	2008	2007
	$	$
Due from third parties	**402,696,244**	1,092,895,055

(b) Outstanding contracts payable comprises the following:

	The Group	
	2008	2007
	$	$
Due to third parties	**357,960,744**	1,040,340,946

The carrying amounts of outstanding contracts receivable and payable approximate their fair values due to the relatively short term maturity period for the financial instruments.

8 TRADE RECEIVABLES

	The Group	
	2008	2007
	$	$
Trade receivables from third parties	**683,164,218**	2,008,583,981
Less: Allowance for impairment of trade receivables	**(2,663,972)**	(3,522,185)
	680,500,246	2,005,061,796
Current trade receivables (recoverable within 12 months)	**664,305,871**	2,005,061,796
Non-current trade receivables (recoverable after 12 months)	**16,194,375**	–
	680,500,246	2,005,061,796

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

Trade receivables from third parties bear interest at market rates.

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 4.

9 FINANCIAL ASSETS/LIABILITIES, AT FAIR VALUE THROUGH PROFIT OR LOSS

The investments below include investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

(a) Current assets

Financial assets, at fair value through profit or loss

	The Group	
	2008	**2007**
	$	**$**
Trading securities		
Listed securities:		
– Equity securities - Malaysia	**29**	106
– Equity securities - Singapore	**1,842,850**	3,179,585
– Equity securities - Others	**856**	3,213
	1,843,735	3,182,904

(b) Current liabilities

Financial liabilities, at fair value through profit or loss

	The Group	
	2008	**2007**
	$	**$**
Trading securities		
Listed securities:		
– Equity securities – Singapore	**–**	33,550

10 OTHER CURRENT ASSETS

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Amounts due from subsidiaries [Note 10(a)]	**–**	–	**59,020,512**	293,118,384
Deposits [Note 10(b)]	**6,724,410**	8,320,426	**–**	–
Prepayments	**1,471,041**	1,362,308	**–**	3,000
Amount deposited with lenders of securities [Note 10(c)]	**5,239,482**	1,217,184	**–**	–
Other receivables	**6,561,154**	3,260,037	**49,185**	42,967
	19,996,087	14,159,955	**59,069,697**	293,164,351

(a) The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(b) Included in deposits is an amount of $1,173,030 (2007 : $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 31).

(c) Securities borrowing and lending contracts

	The Group	
	2008	2007
	$	$
Securities borrowed		
Securities borrowed from lenders, at fair value:		
– Lent to clients	**4,869,570**	1,028,280
Securities lent		
Securities lent to clients, at fair value:		
– Borrowed from lenders	**4,869,570**	1,028,280

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

11 DERIVATIVE FINANCIAL INSTRUMENTS

In order to manage the risks arising from fluctuations in currency exchange rates, the Group makes 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:

	Contract or underlying principal amount		Year-end positive fair value		Year-end negative fair value		Settlement dates of open contracts	
	2008	2007	2008	2007	2008	2007	2008	2007
	$	$	$	$	$	$	$	$
The Group								
Forward foreign exchange contracts	**4,728,985**	27,422,294	**4,559**	47,367	**1,593**	67,801	**Within one week after balance sheet date**	Within one week after balance sheet date

12 LOAN TO A SUBSIDIARY

	The Company	
	2008	2007
	$	$
Subordinated loan to a subsidiary	–	216,570

In 2007, the loan to a subsidiary was due later than one year but not later than five years from the balance sheet date. The loan was denominated in United States dollar and bore effective interest rate at 2.25% per annum.

The fair value for the loan to a subsidiary was $213,488 and the fair value was based on discounted cash flows using a comparable rate at the balance sheet date.

13 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	**2007**
	$	**$**
Equity investments at cost		
At beginning of year	**230,093,881**	178,577,304
Capital injection	**5,751,240**	65,607,500
Transfer of investment from an associate	**–**	2,648,128
Acquisition (Note 29)	**–**	11,814,730
Liquidation of subsidiaries	**–**	(28,553,781)
At end of year	**235,845,121**	230,093,881

Details of subsidiaries are included in Note 34. Please see Note 29 for details on the acquisition of subsidiary.

14 INVESTMENTS IN ASSOCIATES

Investments in associates, which are held by subsidiaries, comprise:

	The Group	
	2008	**2007**
	$	**$**
At beginning of year	**860,250**	14,270,932
Currency translation differences	**280,026**	12,390
Share of profits	**–**	119,013
Transfer of equity investment to investment in subsidiary	**–**	(10,924,285)
Capital repayment	**(1,031,483)**	(2,617,800)
At end of year	**108,793**	860,250

The summarised financial information of associates are as follows:

	The Group	
	2008	**2007**
	$	**$**
Assets	**403,057**	12,388,350
Liabilities	**750**	198,290
Revenue	**–**	–
Net loss	**–**	(87,260)

Details of associates are included in Note 34.

15 FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	The Group 2008 $	The Group 2007 $
At beginning of year	**38,370,985**	28,343,830
Currency translation differences	**(283,445)**	58,637
Additions	**3,447,522**	9,032,241
Disposals	**(4,650,607)**	(28,255,294)
Fair value (loss) gains transferred to equity [Note 22(b)]	**(15,807,909)**	29,191,571
Allowance for impairment	**(2,671,040)**	–
At end of year	**18,405,506**	38,370,985

Movements in allowance for impairment loss during the year are as follows:

	2008 $	2007 $
At beginning of year	**–**	–
Charge to profit and loss	**2,671,040**	–
At end of year	**2,671,040**	–

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

	2008 $	2007 $
Listed securities:		
– Equity – Singapore	**8,139,642**	26,832,948
– Equity – Philippines	**409,522**	1,785,765
– Equity – Thailand	**–**	363,175
– Equity – Others	**380,156**	–
Unlisted:		
– Equity – Thailand	**–**	691,367
– Fund in Vietnam	**3,251,870**	5,901,269
– Fund in Cayman	**6,089,086**	2,770,001
– Equity – Others	**135,230**	26,460
	18,405,506	38,370,985

In 2007, the unlisted equity securities in Thailand represented an overseas subsidiary's subscription to shares in a non-listed company set up by an overseas exchange in 1996.

16 TRADING RIGHTS IN EXCHANGES

	The Group 2008 $	The Group 2007 $
Trading rights in The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited and Philippine Stock Exchange, Inc, at amortised cost	**104,382**	110,772

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold land	Construction-in-progress
	$	$	$
Group			
Cost:			
At 1 January 2007	228,498	–	–
Acquisition of a subsidiary	–	–	–
Additions	–	–	–
Disposals	–	–	–
Currency translation differences	2,315	–	–
At 31 December 2007	230,813	–	–
Additions	**–**	**36,043,855**	**3,088,606**
Disposals	**(223,115)**	**–**	**–**
Currency translation differences	**(7,698)**	**–**	**–**
At 31 December 2008	**–**	**36,043,855**	**3,088,606**
Accumulated depreciation:			
At 1 January 2007	120,258	–	–
Acquisition of subsidiary	–	–	–
Depreciation charge	111,556	–	–
Disposals	–	–	–
Currency translation differences	(1,001)	–	–
At 31 December 2007	230,813	–	–
Depreciation charge	**–**	**–**	**–**
Disposals	**(223,115)**	**–**	**–**
Currency translation differences	**(7,698)**	**–**	**–**
At 31 December 2008	**–**	**–**	**–**
Net book value:			
At 31 December 2008	**–**	**36,043,855**	**3,088,606**
At 31 December 2007	–	–	–

Leasehold improvements $	Furniture, fittings and office equipment $	Computer equipment and software $	Communication equipment $	Motor vehicles $	Total $
7,658,144	5,962,273	15,360,993	1,928,788	526,960	31,665,656
–	8,794	3,406	–	–	12,200
585,288	360,730	2,482,608	117,177	600,567	4,146,370
(42,564)	(42,288)	(103,575)	–	(122,491)	(310,918)
(67,454)	(40,494)	(169,256)	(50,736)	(3,513)	(329,138)
8,133,414	6,249,015	17,574,176	1,995,229	1,001,523	35,184,170
275,132	**260,587**	**796,892**	**64,954**	**69,056**	**40,599,082**
(21,584)	**(16,484)**	**(328,727)**	**(2,990)**	**(32,290)**	**(625,190)**
(66,906)	**(159,464)**	**(169,574)**	**(10,303)**	**(37,938)**	**(451,883)**
8,320,056	**6,333,654**	**17,872,767**	**2,046,890**	**1,000,351**	**74,706,179**
6,962,057	5,494,808	12,795,148	1,719,335	427,970	27,519,576
–	327	2,005	–	–	2,332
495,093	326,917	1,775,508	130,151	71,643	2,910,868
(42,564)	(40,631)	(96,698)	(106)	(119,451)	(299,450)
(66,599)	(38,873)	(157,205)	(45,534)	(131)	(309,343)
7,347,987	5,742,548	14,318,758	1,803,846	380,031	29,823,983
392,156	**224,622**	**1,582,317**	**105,513**	**169,537**	**2,474,145**
(21,582)	**(16,367)**	**(321,127)**	**(2,990)**	**(32,290)**	**(617,471)**
(61,006)	**(124,928)**	**(121,315)**	**(2,684)**	**(15,964)**	**(333,595)**
7,657,555	**5,825,875**	**15,458,633**	**1,903,685**	**501,314**	**31,347,062**
662,501	**507,779**	**2,414,134**	**143,205**	**499,037**	**43,359,117**
785,427	506,467	3,255,418	191,383	621,492	5,360,187

Details of the leasehold land as at 31 December 2008 are set out below:

Location	Description	Tenure / Unexpired term
Lot 1302L TS 27, 740 Scotts Road / Anthony Road	Construction of a 4 storey office building on 8,682.8 sq. m.	Lease for a term of 15 years from 22 July 2008 to 21 July 2022

Leasehold land was purchased during the current financial year for the construction of an office building intended mainly for use by the Group.

As at the end of the current financial year, the office building is still under construction and will only be depreciated when it is completed and put into operational use. The expected date of completion is June 2009 and as at 20 March 2009, the percentage of completion is 75%.

18 DEFERRED TAX

Deferred 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 tax authority. The amount, determined after appropriate offsetting are shown on the balance sheet as follows:

	The Group	
	2008	2007
	$	$
Deferred tax assets	**303,920**	46,755
Deferred tax liabilities	**(437,378)**	(722,862)

The following are the major tax assets and liabilities recognised by the Group and the movement thereon, during the current and prior reporting periods:

	Tax Loss	
	2008	2007
	$	$
The Group		
Deferred tax assets		
Beginning of year	**46,755**	35,854
Credited to profit and loss statement (Note 27)	**268,829**	15,193
Currency translation differences	**(11,664)**	(4,292)
End of year	**303,920**	46,755

	Accelerated tax depreciation and fair value gains – net	
	2008	2007
	$	$
Deferred tax liabilities		
Beginning of year	**(722,862)**	(723,808)
(Charged) credited to profit and loss statement (Note 27)	**(124,833)**	516,509
Deferred tax on fair value loss (gain) (Note 22(b))	**332,269**	(516,905)
Currency translation differences	**78,048**	1,342
End of year	**(437,378)**	(722,862)

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately $3,721,199 (2007 : $1,288,612) 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.

19 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	2008	2007
	$	$	$	$
Trade payables to:				
– Third parties	**175,380,905**	36,450,847	**–**	–
Accrued operating expenses	**30,230,793**	110,290,654	**4,358,276**	11,648,261
Cash collaterals held for securities lent to clients	**3,131,254**	619,490	**–**	–
Amount due to subsidiaries	**–**	–	**71,321,045**	6,809,968
Other payables	19,211,445	11,638,869	**21,833**	–
	227,954,397	158,999,860	**75,701,154**	18,458,229

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.

20 BORROWINGS

	The Group		The Company	
	2008	2007	2008	2007
	$	$	$	$
Current				
Bank overdrafts:				
– with related parties	**–**	7,906,939	**–**	–
– with non-related banks	**769,106**	1,236,591	**–**	–
	769,106	9,143,530	**–**	–
Short-term bank loans:				
– with related parties	**296,720,252**	970,781,614	**–**	258,108,977
– with non-related banks	**8,493,419**	85,636,924	**–**	–
	305,213,671	1,056,418,538	**–**	258,108,977
Total borrowings	**305,982,777**	1,065,562,068	**–**	258,108,977

The carrying amounts of borrowings approximate their fair values.

In 2007, the short-term bank loan of the Company had a maturity of 1 month from the end of the financial year and was unsecured. The average effective interest rate of the short-term loan was 1.11% per annum. The loan has been fully paid up during 2008.

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

Year ended 31 December 2008

Bank overdrafts

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with non-related banks			
769,106	**5.49% per annum**	**Unsecured**	**Upon demand**

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balance with related parties			
51,621,501	**1.93% 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**
Balance with related parties			
245,098,751	**1.13% per annum**	**Unsecured**	**Due within 6 months from balance sheet date**
296,720,252			
Balances with non-related banks			
8,493,419	**0.88% per annum**	**Unsecured**	**Due within 6 months from balance sheet date**

Year ended 31 December 2007

Bank overdrafts

$	Weighted average effective interest rates	Security, if any	Maturity
Balance with related parties			
7,873,265	5.00% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Upon demand
33,674	6.75% per annum	Unsecured	Upon demand
7,906,939			
Balances with non-related banks			
1,236,591	6.86% per annum	Unsecured	Upon demand

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balance with related parties			
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
Balance with related parties			
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 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			

21 SHARE CAPITAL

	The Group and The Company			
	2008	**2007**	**2008**	**2007**
	Number of ordinary shares		**$**	**$**
Issued and paid up:				
Beginning and end of year	**724,709,009**	724,709,009	**72,470,901**	72,470,901

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

22 RESERVES

(a) Composition

	The Group	
	2008	**2007**
	$	**$**
Fair value reserve	**7,989,872**	27,803,765
Foreign currency translation reserves	**(18,015,316)**	(14,558,512)
Statutory reserve	**1,351,767**	1,385,195
	(8,673,677)	14,630,448

(b) Fair value reserve

At beginning of year	**27,803,765**	26,596,575
Fair value (loss) gains on financial assets, available-for-sale (Note 15)	**(15,807,909)**	29,191,571
Deferred tax on fair value loss (gain) on financial assets, available-for-sale (Note 18)	**332,269**	(516,905)
Minority interests	**66,310**	(30,618)
	12,394,435	55,240,623
Currency translation differences	**(152,494)**	48,437
Fair value gains transferred to profit and loss statement on realisation	**(4,252,069)**	(27,485,295)
At end of year	**7,989,872**	27,803,765

(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.

23 REVENUE

	The Group	
	2008	2007
	$	$
Commission and trading income	**287,334,711**	658,617,815
Interest income:		
– fixed deposits with a related party	**684,978**	1,753,631
– fixed deposits with non-related banks	**6,507,136**	4,329,861
– clients	**61,088,177**	100,193,397
– others	**1,766,686**	2,182,309
	70,046,977	108,459,198
Dividend income from quoted / unquoted securities	**1,160,973**	1,292,696
Facility, shares withdrawal and arrangement fees	**9,731,892**	6,127,085
Other operating revenue	**3,484,132**	5,863,212
	371,758,685	780,360,006

24 STAFF COSTS

	The Group	
	2008	2007
	$	$
Wages, salaries and other staff costs	**102,616,283**	206,682,768
Employers' contribution to defined contribution plans including Central Provident Fund	**3,857,711**	4,431,868
	106,473,994	211,114,636

25 FINANCE EXPENSE

	The Group	
	2008	2007
	$	$
Interest expense:		
– bank borrowings from related parties	**4,521,789**	22,291,205
– borrowings from non-related banks	**3,010,519**	23,385,393
– others	**6,311,590**	5,548,042
	13,843,898	51,224,640

26 OTHER OPERATING EXPENSES

	The Group	
	2008	**2007**
	$	**$**
Net fair value losses on financial assets at fair value through profit or loss	**2,029,980**	865,974
Operating lease expenses	**13,769,687**	9,215,267
Marketing and business promotions	**6,983,421**	9,784,652
Communication expenses	**13,526,182**	13,845,377
Contract processing charges	**3,448,454**	6,092,989
Information services	**6,310,161**	6,827,561
Depreciation expenses	**2,474,145**	2,910,868
Gain on disposal of property, plant and equipment	**(15,666)**	(49,959)
Non-audit fees:		
– paid to auditors of the Company	**37,000**	28,674
– paid to other auditors	**73,365**	6,733
Maintenance and rental of office equipment	**1,752,370**	2,534,352
Printing and stationery	**1,383,581**	1,840,317
Allowance for impairment in financial assets, available-for-sale	**2,671,040**	–
General administrative expenses	**9,606,875**	8,267,894
	64,050,595	62,170,699

27 INCOME TAX EXPENSE

Income tax recognised in profit or loss

	The Group	
	2008	**2007**
	$	**$**
Tax expense attributable to profit is made up of:		
Current income tax:		
– Singapore	**14,309,146**	37,462,314
– Foreign	**2,791,316**	17,450,229
	17,100,462	54,912,543
Deferred income tax	**(230,122)**	(534,296)
	16,870,340	54,378,247
Overprovision in prior years:		
– current income tax	**(1,821,141)**	(113,848)
– deferred tax	**86,126**	2,594
	15,135,325	54,266,993

Domestic income tax is calculated at 18% (2007 : 18%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit as follows:

	The Group	
	2008	**2007**
	$	**$**
Profit before tax	**124,651,780**	329,297,809
Tax calculated at tax rate of 18% (2007 : 18%)	**22,437,320**	59,273,606
Effects of:		
– Singapore statutory stepped income exemption and tax rebate	**(142,597)**	(137,250)
– Concessionary tax	**(410,636)**	(1,197,348)
– Tax calculated on share of results of associates	**–**	(32,500)
– Income not subject to tax	**(7,827,218)**	(10,448,547)
– Expenses not deductible for tax purposes	**2,573,837**	5,743,531
– Utilistation of previously unrecognised tax losses	**(1,156)**	–
– Tax benefits on tax losses and other temporary differences not recognised	**(2,788)**	(34,130)
– Effects of different tax rates in other countries	**233,291**	1,207,337
– Deferred tax assets not recognised	**10,287**	3,548
– Overprovision in prior years	**(1,735,015)**	(111,254)
	15,135,325	54,266,993

28 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to ordinary equity holders of the Company is based on the following data:

	2008	**2007**
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	**$108,744,804**	$273,392,235
Weighted average number of ordinary shares for the purposes of basic earnings per share	**724,709,009**	724,709,009
Basic earnings per share	**15.01 cents**	37.72 cents

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

29 ACQUISITION OF A 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 the subsidiary during the previous 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 and equipment	450	450
Total assets	24,114,616	24,114,616
Trade and other payables	14,810	14,810
Income tax payable	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)	

The fair value of the net assets approximated the book value of the net assets acquired, and accordingly no goodwill or discount on acquisition was established.

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

30 DIVIDENDS

	The Group and The Company	
	2008	2007
	$	$
One-tier tax-exempt interim dividend in respect of the year ended 31 December 2008 of 0.5 cents per ordinary share paid (31 December 2007 : 9.0 cents per share less tax at 18% paid)	**3,623,544**	53,483,525
One-tier tax-exempt final dividend in respect of the year ended 31 December 2007 of 11.89 cents per ordinary share paid (31 December 2006 : 10.5 cents per ordinary share less tax at 18% paid)	**86,167,901**	62,397,446
	89,791,445	115,880,971

At the Annual General Meeting on 27 April 2009, a one-tier tax-exempt final dividend of 7.0 cents per ordinary share amounting to a total of $50,729,631 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 earnings in the financial year ending 31 December 2009.

31 CONTINGENT LIABILITIES

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

At the balance sheet date, there were contingent liabilities of $1,176,850 (2007 : $1,644,300) 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 $1,173,030 (2007 : $1,870,939) placed by the subsidiary with CDP.

(b) At the balance sheet date, there were contingent liabilities of $10,076,500 (2007: $5,775,200) in respect of a request by the Company to a related party bank to issue a guarantee to The Indonesian Stock Exchange ("IDX") in respect of the obligations of a subsidiary, by virtue of it being a clearing member of the IDX

32 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	
	2008	2007
	$	$
Within one year	**19,059,139**	11,050,026
In the second to fifth years inclusive	**3,208,856**	12,331,879
	22,267,995	23,381,905

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years (2007: 3 years) and rentals are fixed for an average of 3 years (2007: 3 years).

(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 2008, the commitment drawn under corporate guarantees is $253,990,095 (2007 : $629,290,918).

(c) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	The Group	
	2008	**2007**
	$	**$**
Property, plant and equipment	**24,957,179**	**–**

33 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

	Singapore	**Hong Kong**	**Others**	**Elimination**	**Total**
	$	**$**	**$**	**$**	**$**
The Group					
2008					
Revenue					
– External sales	**232,264,786**	**112,061,750**	**27,432,149**	**–**	**371,758,685**
– Inter-segment sales	**11,450,855**	**195,764**	**9,048,874**	**(20,695,493)**	**–**
	243,715,641	**112,257,514**	**36,481,023**	**(20,695,493)**	**371,758,685**
Segment results	**81,812,804**	**36,641,216**	**8,429,442**	**(2,231,682)**	**124,651,780**
Profit before tax					**124,651,780**
Income tax expense					**(15,135,325)**
Profit after tax					**109,516,455**
Segment assets	**1,097,793,351**	**881,831,513**	**126,467,287**	**(229,461,847)**	**1,876,630,304**
Associates	**374,041**	**–**	**(265,248)**	**–**	**108,793**
Deferred tax asset					**303,920**
Consolidated total assets					**1,877,043,017**
Segment liabilities	**440,091,941**	**648,785,418**	**32,912,989**	**(229,890,837)**	**891,899,511**
Income tax payable					**14,383,154**
Deferred tax liabilities					**437,378**
Consolidated total liabilities					**906,720,043**
Other segment items					
Capital expenditure	**39,721,238**	**353,079**	**524,765**	**–**	**40,599,082**
Impairment losses recognised in profit and loss	**2,671,040**	**–**	**–**	**–**	**2,671,040**
Depreciation expense	**1,387,528**	**367,312**	**719,305**	**–**	**2,474,145**

	Singapore	Hong Kong	Others	Elimination	Total
	$	$	$	$	$
The Group					
2007					
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 associates	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	2,241,237,388	1,272,957,460	175,898,756	(396,339,091)	3,293,754,513
Associates	–	–	860,250	–	860,250
Deferred tax asset					46,755
Consolidated total assets					3,294,661,518
Segment liabilities	1,518,334,869	1,063,075,840	82,203,298	(398,609,782)	2,265,004,225
Income tax payable					53,018,372
Deferred tax liabilities					722,862
Consolidated total liabilities					2,318,745,459
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

Secondary reporting format – business segments

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

34 LISTING OF COMPANIES IN THE GROUP

Name of company	Principal activities	Country of incorporation	Equity holding by Company 2008 %	Company 2007 %	Subsidiaries 2008 %	Subsidiaries 2007 %
Subsidiaries						
PT UOB Kay Hian Securities [c]	Stockbroking	Indonesia	99.0	92.5	–	–
UOB Kay Hian Securities (Philippines), Inc. [c]	Stockbroking	Philippines	100	100	–	–
UOB Kay Hian Securities (Thailand) Public Company Limited [b]	Stockbroking	Thailand	76.9	76.9	4.6	3.9
UOB Kay Hian (U.K.) Limited [c]	Arranger	United Kingdom	100	100	–	–
UOB Kay Hian (U.S.) Inc. [c]	Stockbroking	United States of America	100	100	–	–
UOB Kay Hian Private Limited [a]	Stockbroking	Singapore	100	100	–	–
UOB Kay Hian Trading Pte Ltd [a]	Investment trading	Singapore	100	100	–	–
UOB Kay Hian (Malaysia) Holdings Sdn. Bhd. [b]	Research activities	Malaysia	100	100	–	–
UOB Kay Hian Overseas Limited [b]	Investment holding	Hong Kong, SAR	100	100	–	–
UOB Kay Hian Credit Pte Ltd [a]	Money lending	Singapore	100	100	–	–
Trans-Pacific Credit Private Limited [a]	Margin financing	Singapore	100	100	–	–
UOB Kay Hian Properties Pte Ltd [a]	Investment holding	Singapore	100	–	–	–
Held by UOB Kay Hian Private Limited						
UOB Kay Hian Nominees Pte Ltd [a]	Nominee services	Singapore	–	–	100	100
UOB Kay Hian Research Pte Ltd [a]	Research activities	Singapore	–	–	100	100
Held by UOB Kay Hian Overseas Limited						
UOB Kay Hian (Hong Kong) Limited [b]	Stockbroking	Hong Kong, SAR	–	–	100	100
UOB Kay Hian Futures (Hong Kong) Limited [b]	Futures broking	Hong Kong, SAR	–	–	100	100
UOB Kay Hian Finance Limited [b]	Money lending	Hong Kong, SAR	–	–	100	100
UOB Kay Hian Asia Limited [d]	Dormant	Hong Kong, SAR	–	–	100	100
UOB Kay Hian (BVI) Limited [d]	Investment holding	British Virgin Islands	–	–	100	100
UOB Kay Hian Investment Consulting (Shanghai) Company Limited [b]	Investment consulting and research services	People's Republic of China	–	–	100	100

Name of company	Principal activities	Country of incorporation	Equity holding by Company		Subsidiaries	
			2008	2007	2008	2007
			%	%	%	%
Associates						
Held by UOB Kay Hian (Malaysia) Holdings Sdn. Bhd.						
Thong & Kay Hian Corporation Sdn. Bhd. [e]	Under members' voluntary liquidation	Malaysia	–	–	30	30
Thong & Kay Hian Options Sdn. Bhd. [e]	Under members' voluntary liquidation	Malaysia	–	–	30	30

(a) Audited by Deloitte & Touche LLP, Singapore.

(b) Audited by overseas practices of Deloitte Touche Tohmatsu.

(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.

35 RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statement to enhance comparatives with the current year's financial statements.

As a result, certain line items have been amended on the face of the balance sheet, profit and loss statement, statement of changes in equity and cash flow statements and the related notes to the financial statements. Comparative figures have been adjusted to conform with the current year's presentation.

The items were reclassified as follows:

	Previously reported 2007 $	After reclassification 2007 $
Balance sheet		
Cash and cash equivalents	131,400,335	134,541,699
Trade and other payables	155,858,496	158,999,860

Analysis Of Shareholdings

As at 10 March 2009

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

No. of treasury shares : Nil

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	378	3.38	132,950	0.02
1,000 – 10,000	8,920	79.11	37,319,670	5.15
10,001 – 1,000,000	1,865	16.68	72,041,968	9.94
1,000,001 & ABOVE	19	0.17	615,214,421	84.89
Total	11,182	100.00	724,709,009	100.00

Top twenty shareholders as at 10 March 2009	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	52,596,270	7.26
HSBC (Singapore) Nominees Pte Ltd	41,774,348	5.76
Tang Wee Loke	29,893,381	4.12
United Overseas Bank Nominees Pte Ltd	21,790,300	3.01
DBSN Services Pte Ltd	12,973,863	1.79
Bank Of China Nominees Pte Ltd	10,000,000	1.38
UOB Kay Hian Pte Ltd	9,404,000	1.30
Citibank Nominees Singapore Pte Ltd	8,516,400	1.18
OCBC Nominees Singapore Pte Ltd	8,480,050	1.17
Capital Intelligence Limited	4,531,000	0.63
Tye Hua Nominees (Pte) Ltd	4,413,000	0.61
Tung Tay Chyr Walter	2,542,422	0.35
Lau Mei Lea	2,100,000	0.29
Raffles Nominees Pte Ltd	1,630,197	0.22
Hai Chua Fishery Pte Ltd	1,457,000	0.20
Phillip Securities Pte Ltd	1,322,405	0.18
Ang Jwee Herng	1,013,000	0.14
Pontirep Investment Pte Ltd	1,000,000	0.14
	616,214,421	85.03

	Direct interest		Deemed interest	
Substantial shareholders	No. of shares	% of total issued shares	No. of shares	% of total issued shares
Wee Ee Chao	–	–	124,332,976 (1)	17.16
United Overseas BankLimited	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 9,094,000 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 10 March 2009, approximately 37.86% of the issued shares of the company is held by the public (Rule 723 of the SGX-ST Listing Manual).

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at The Penthouse, UOB Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Monday, 27 April 2009 at 5.30 p.m. for the following purposes:-

Ordinary Business

1 To receive and adopt the audited financial statements for the year ended 31 December 2008 and the reports of the directors and auditors thereon.

2 To declare a one-tier tax exempt final dividend of 7 cents per ordinary share for the year ended 31 December 2008.

3 To approve the sum of S$183,500 as directors' fees for the year ended 31 December 2008. (2007: S$185,000)

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

4(b) To re-elect Dr Henry Tay Yun Chwan, 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: Dr Henry Tay Yun Chwan, if re-elected as a director, will remain a member and the chairman of the audit committee and a member of the remuneration committee. Dr Tay is an independent director.

4(c) To re-elect Mr Francis Lee Chin Yong, 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 Francis Lee Chin Yong, if re-elected as a director, will remain a member of the audit committee. Mr Lee is a non-independent director.

5 To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the directors to fix their remuneration.

Special Business

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

"That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the directors of the Company to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and upon such terms and conditions and for such purposes as the directors may in their absolute discretion deem fit, provided always that the aggregate number of shares and convertible securities to be issued pursuant to this resolution does not exceed 50% of the 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, 9 April 2009

Notes

A member entitled to attend and vote at the annual general meeting may appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Raffles Place #30-01, UOB Plaza 1, Singapore 048624 not less than 48 hours before the time appointed for holding the meeting.

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

The ordinary resolution set out in item 6 above 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.

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